Thirty-eighth Regular Meeting of the Executive Committee

2017 Financial Statements of IICA and Report of the External Auditors

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INDEPENDENT AUDITORS' REPORT

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

Qualified 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, 2017 and 2016 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, except for the effects of the matter explained in first and second paragraph explained in "*Basis for Qualified Opinion"*, the financial statements present fairly, in all material respects, the financial position of IICA as of December 31, 2017 and 2016 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 Qualified Opinion

1. As of December 31, 2017 and 2016, IICA presented within the account "Other termination benefits" provisions for US$2,416,585 and US$2,987,811, respectively, which do not have actuarial or similar studies to support the amounts of the obligation. Amount of other termination benefits must be adequately supported by the corresponding actuarial studies; therefore, liabilities and net assets as of December 31, 2017 and 2016, and changes in net assets for the years then ended, were affected in amounts not determined by the Administration. As of December 31, 2017 and 2016, in the same account, there are other items in the amount of US$3,985,948 and US$3,304,717, respectively, on which actuarial studies were performed, which showed that such provisions were overstated by US$903,062 and US$732,425, respectively, in turn an undervaluation of the net assets by said amounts.

2. As disclosed in the statement of movement of quotas receivable in Exhibit No.1 of the supplementary financial information, as of December 31, 2017 and 2016, IICA presents quotas receivable of Member States in the amount of US$3,714,562 and US$ 4,779,591, respectively, 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. Accordingly, the accompanying financial statements are affected in amounts not yet determined.

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 Accountant of Costa Rica and the Code of Ethics for Professional

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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 include 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, is our responsibility 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 nothing to report on it.

Emphasis of Matter

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 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

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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, 2018
Law stamp of Law No.6663 for ¢1.000, attached and paid

June 18, 2018

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Stated in United States Dollars)

		December 31, 2017				
	Notes	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**December 31, 2016**
ASSETS						
CURRENT ASSETS:						
Cash	1e, 2	US$ 37,311,869			US$ 37,311,869	US$ 34,344,664
Cash equivalents	1e, 3	48,910,917			48,910,917	40,832,687
Investments held to maturity	1f, 4	19,955,624			19,955,624	15,647,000
Subtotal		106,178,410			106,178,410	90,824,351
Receivables:						
Quotas from Member States		13,840,530			13,840,530	13,159,464
Payments made on behalf of contracts, agreements and grants		544,412			544,412	759,733
Due from regular fund to trust fund	1g	(70,905,696)	US$70,905,696			
Other		181,910			181,910	623,121
Receivables - net		(56,338,844)	70,905,696		14,566,852	14,542,318
Inventories	1h	91,624			91,624	73,976
Advances of External Resources Allocated	1p	451,250			451,250	252,108
Prepaid expenses		4,406			4,406	5,433
Other assets		140,489			140,489	75,086
Total current assets		50,527,335	70,905,696		121,433,031	105,773,272
PROPERTY, FURNITURE AND EQUIPMENT - Net	1i, 1j, 5	1,569,212		US$8,713,171	10,282,383	10,246,931
TOTAL ASSETS		US$ 52,096,547	US$70,905,696	US$8,713,171	US$131,715,414	US$116,020,203
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses		US$ 10,723,644			US$ 10,723,644	US$ 4,369,125
Other accruals		556,400			556,400	317,883
Total current liabilities		11,280,044			11,280,044	4,687,008
Provisions for:						
Repatriation and transfer of international professional personnel	1k	1,366,850			1,366,850	1,304,939
Recognition of years of service for international professional personnel	1k	1,273,202			1,273,202	1,296,028
Recognition of years of service for local personnel	1k	3,336,766			3,336,766	3,092,027
Other termination benefits	1k, 12	9,517,795			9,517,795	7,822,178
Other liabilities of projects	12	12,470,463			12,470,463	8,614,462
Total provisions		27,965,076			27,965,076	22,129,634
Total liabilities		39,245,120			39,245,120	26,816,642
NET ASSETS:						
Unrestricted funds:						
Regular fund:						
General sub-fund	1b	4,545,339			4,545,339	4,273,487
Working sub-fund	1b	4,094,736			4,094,736	4,094,736
Miscellaneous income fund	1b	250,645			250,645	741,360
Indirect cost recovery fund	1b	2,391,495			2,391,495	748,135
Fixed assets fund	1b	1,569,212			1,569,212	1,533,760
Restricted funds:						
Trust funds	1b		US$70,905,696		70,905,696	69,098,912
Permanently restricted fund - land	1b			US$8,713,171	8,713,171	8,713,171
Total net assets		12,851,427	70,905,696	8,713,171	92,470,294	89,203,561
TOTAL LIABILITIES AND NET ASSETS		US$ 52,096,547	US$70,905,696	US$8,713,171	US$131,715,414	US$116,020,203
CONTINGENCIES	13	US$	US$	US$	US$	US$

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, 2017 AND 2016
(Stated in United States Dollars)

		2017					2016				
	Notes	**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:							US$30,064,900				
Quotas from Member States	1c	US$30,064,900				US$ 30,064,900					US$ 30,064,900
Recovery of Indirect Cost Recovery (ICR)	6			US$10,154,257		10,154,257			US$7,914,285		7,914,285
Temporarily restricted fund assets released from restrictions	1g				US$140,023,270	140,023,270				US$109,997,513	109,997,513
Total revenues		30,064,900		10,154,257	140,023,270	180,242,427	30,064,900		7,914,285	109,997,513	147,976,698
EXPENSES:											
International professional personnel		9,805,837				9,805,837	9,568,533				9,568,533
Local professional and general service		10,726,253				10,726,253	10,855,110				10,855,110
Training and technical events		2,364,539				2,364,539	2,477,288				2,477,288
Official travel		673,347				673,347	649,422				649,422
Documents and materials and supplies		835,565				835,565	594,128				594,128
Plant, equipment and furniture		433,233				433,233	868,237				868,237
General services		1,970,210				1,970,210	2,082,900				2,082,900
Performance contracts and transfers		1,052,718				1,052,718	1,151,926				1,151,926
Annual allowance to CATIE	8	968,400				968,400	804,100				804,100
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)		199,222				199,222	200,000				200,000
Other costs		763,724				763,724	813,183				813,183
Sub-total of expenses related to quota budget and working sub-fund		29,793,048				29,793,048	30,064,827				30,064,827
Temporarily restricted fund assets released from restrictions	1g				140,023,270	140,023,270				109,997,513	109,997,513
Disbursements financed with funds from the Indirect Cost Recovery (ICR)	6			8,510,897		8,510,897			7,658,780		7,658,780
Commercial and miscellaneous operations - net	7		US$ 490,715			490,715		US$ 846,933			846,933
Total expenses		29,793,048	490,715	8,510,897	140,023,270	178,817,930	30,064,827	846,933	7,658,780	109,997,513	148,568,053
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		271,852	(490,715)	1,643,360		1,424,497	73	(846,933)	255,505		(591,355)
Exclusion of net capitalized expenses as property, furniture and equipment		628,383				628,383	774,638				774,638
Increase in unrestricted net assets for the year, before including depreciation of the year		900,235	(490,715)	1,643,360		2,052,880	774,711	(846,933)	255,505		183,283
Inclusion of depreciation of the year		(592,931)				(592,931)	(614,741)				(614,741)
Decrease in unrestricted net assets		US$ 307,304	US$(490,715)	US$ 1,643,360	US$	US$ 1,459,949	US$ 159,970	US$(846,933)	US$ 255,505	US$	US$ (431,458)

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, 2017 AND 2016
(Stated in United States Dollars)

	Net Assets							
	Unrestricted					Temporarily Restricted	Permanently Restricted	
	Regular Fund							
	General Sub-fund	Working Sub-fund	Miscellaneous Income Fund	Indirect Cost Recovery Fund	Fixed Assets Fund	Trust Funds	Land	Total
BALANCE AT DECEMBER 31, 2015	US$4,273,414	US$4,094,736	US$1,588,293	US$492,630	US$1,373,863	US$ 46,568,556	US$8,713,171	US$ 67,104,663
Increase (decrease) in unrestricted net assets	774,711		(846,933)	255,505	(614,741)			(431,458)
Restricted contributions received from donors						132,583,708		132,583,708
Net assets released from restrictions						(109,997,513)		(109,997,513)
Capitalization of net disbursements as property, furniture and equipment	(774,638)				774,638			
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors						(55,839)		(55,839)
BALANCE AT DECEMBER 31, 2016	4,273,487	4,094,736	741,360	748,135	1,533,760	69,098,912	8,713,171	89,203,561
Increase (decrease) in unrestricted net assets	900,235		(490,715)	1,643,360	(592,931)			1,459,949
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)				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	US$4,545,339	US$4,094,736	US$ 250,645	US$2,391,495	US$1,569,212	US$ 70,905,696	US$8,713,171	US$ 92,470,294

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, 2017 AND 2016
(Stated in United States Dollars)

	2017	2016
OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	US$ 1,459,949	US$ (431,458)
Plus: Items not requiring cash:		
Interest income from investments	(5,064,851)	(3,621,089)
Depreciation	592,931	614,741
Cash provides by (used in) changes in:		
Quotas receivable from Member States	(681,066)	(5,889,922)
Other receivables	441,211	(426,193)
Inventories	(17,648)	6,946
Prepaid expenses	(198,115)	541,500
Other assets	(68,057)	(8,644)
Accounts payable and accrued expenses	6,354,519	3,010,935
Other accruals	238,517	(66,038)
Provisions	5,835,442	3,136,666
Net cash provides by (used in) operating activities	8,892,832	(3,132,556)
INVESTING ACTIVITIES		
Disposals of investments held to maturity	(4,308,624)	5,450,461
Interest income received on investments	5,067,505	3,639,654
Additions to furniture and equipment	(653,253)	(784,097)
Disposal of furniture and equipment	24,870	9,459
Net cash provides by investing activities	130,498	8,315,477
FINANCING ACTIVITIES		
Restricted contributions received from donors	142,045,375	132,583,708
Disbursements made in the execution of trust funds	(140,023,270)	(109,997,513)
Net cash provides by (used in) financing activities	2,022,105	22,586,195
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,045,435	27,769,116
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,177,351	47,408,235
CASH AND CASH EQUIVALENTS, END OF YEAR	US$ 86,222,786	US$ 75,177,351

See accompanying notes to the financial statements.

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, except for other termination benefits that do not have actuarial studies that support part of the provision and quotas receivable on which were unable to quantified impairment on the carrying value. 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. 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.

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. Additionally, a provision for post-employment benefits for contractual agreements is recorded based upon the different national labor legislations and on the assumption that these would be settled at the closing date and without considering the actuarial probabilities of future events, future salary increases and the time value of money. Actual termination payments are charged to the provision.

l. ***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 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, 2016 and 2015, 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 2017 by the Financial Accounting Standards Board ("FASB"), with effect on IICA's financial statements:

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2015-11, Inventory (Topic 330) Simplifying the Measurement of Inventory, which requires companies to measure inventory at the lower of cost or net realizable value, wherein net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. 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 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 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.

2. RESTRICTED CASH

Cash due from banks as of December 31, 2017 and 2016 includes funds held in separate bank accounts of US$23,868,644 and US$27,429,910, 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:

	2017	2016
In Argentinean pesos:		
Time deposits, interest of 23% and per annum (2016: 20% per annum)	US$ 359,496	US$ 639,897
In Mexican pesos:		
Money market funds, interest between 3,90% and 5.40% per annum(2016: 2.41% annum)	16,248,660	10,913,505
In Brazilian reais:		
Money market funds, interest 6% per annum (2016: 13.57% and 13.90% per annum)	25,453,987	27,361,936
In U.S. dollars:		
Overnight deposits, interest between 0.5% and 2.5% per annum in 2017 and 2016	14,303	14,608
Mutual funds, interest 1.18% per annum (2016: from 0.31% per annum)	6,834,471	1,902,741
Total	US$48,910,917	US$40,832,687

As of December 31, 2017 and 2016, cash equivalents of US$46,703,176 and US$40,202,503, respectively, are restricted to cover expenditures of contracts signed by IICA and the respective donors.

4. INVESTMENTS HELD TO MATURITY

Investments held to maturity are detailed below:

	2017	2016
In US dollars:		
Time deposits at BAC San José, annual interest rate from 3.164% (2016: 3.44% annual), with maturity between January and March 2018	US$ 1,695,000	US$ 1,647,000
Time deposits at Bank of America, annual interest rate from 1.08.% to 1.59% (2016: 0.86% to 0.95% annual), with maturity between January and April 2018	10,500,000	14,000,000
In Guatelaman quetzals:		
Time deposits at G&T Continental, interest rate of 7% per annum, with maturity between February and November 2018	7,760,624	
Total	US$19,955,624	US$15,647,000

As of December 31, 2017 and 2016, investments held to maturity for US$14,890,773 and US$9,808,949; respectively, are restricted to cover disbursements for contracts signed between IICA and the respective counterparts.

5. PROPERTY, FURNITURE AND EQUIPMENT - NET

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

	2017	2016
Unrestricted:		
Buildings (25 years)	US$ 5,418,053	US$ 5,418,053
Vehicles (4 years)	2,663,720	2,586,402
Furniture and equipment (3, 4, 5 and 10 years)	5,340,836	5,226,034
Total unrestricted fixed assets	13,422,609	13,230,489
Less: Accumulated depreciation	(11,853,397)	(11,696,729)
Total unrestricted fixed assets - net	1,569,212	1,533,760
Permanently restricted - land	8,713,171	8,713,171
Total	US$ 10,282,383	US$ 10,246,931

Property, furniture and equipment do not include fixed assets acquired with resources from specific 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, 2017 and 2016, 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:

	2017	**2016**
Income:		
Ministry of Agriculture and Livestock - Ecuador	US$ 60,041	US$ 50,714
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	402,184	278,811
Ministry of Agriculture, Livestock and Food - Guatemala	131,468	79,742
National Health Service, Food Safety and Food Quality (SENASICA) - Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - National Agrarian Registry (RAN) - México	7,164,750	5,196,392
United States Departament of agriculture (USDA)	209,558	178,312
Ministries of Agriculture, Livestock and Procurement, Agrarian Development, Mines and Energy - Brazilian Institute of Environment and Renewable Natural Resources - Brazil	731,207	613,965
Secretariat of Agriculture and Livestock - Honduras	130,339	83,408
Agencies and Organizations of International Cooperation	635,400	948,858
Secretariat of Central American Agricultural Council (SCAC)	68,019	70,194
Ministry of Agriculture and Livestock Paraguay	67,339	
Other institutions	553,952	413,889
Total	US$10,154,257	US$7,914,285

(Continues)

	2017	2016
Expenses:		
International professional personnel	US$ 941,364	US$1,029,527
Local professional and general services personnel	4,496,082	4,080,489
Training and technical events	129,498	122,450
Official travel	203,370	231,707
Documents and materials and supplies	485,209	200,018
Plant, equipment and furniture	653,051	281,673
General services	1,037,265	982,466
Performance, contracts and transfers	408,535	494,752
Other costs	156,523	235,698
Total	US$ 8,510,897	US$7,658,780

7. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	2017	2016
Revenues:		
Interest earned from investments and cash equivalents	US$2,087,076	US$2,151,397
Proceeds from equipment sale	57,539	164,296
Purchase discounts	299,643	106,305
Sale of services	3,473	19,961
Others	120,943	94,354
Miscellaneous services	44,154	29,668
Total revenues from commercial and miscellaneous operations	2,612,828	2,565,981
Expenses:		
International professional personnel	253,252	377,613
Local professional and general services personnel	1,412,852	1,081,875
Training and technical events	178,830	204,902
Official travel	88,737	102,338
Documents and materials and supplies	94,388	98,586
Plant, equipment and furniture	76,945	31,703
General services	471,358	617,263
Performance, contracts and transfers	444,087	369,670
Other costs	158,507	44,245
Subtotal	3,178,956	2,928,195
Exchange (gains) losses - net	(75,413)	484,719
Total expenses from commercial and miscellaneous operations	3,103,543	3,412,914
Excess of expenses over income	US$ (490,715)	US$ (846,933)

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, 2017 and 2016, IICA contributed to CATIE US$968,400 and US$804,100 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, 2017, 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.

11. INACTIVE FUNDS

The Inter-American Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2017, these funds have not yet received any contributions and therefore, remain inactive.

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

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

b. ***IICA Associates Trust Fund*** - In Resolution IICA/IABA/Res.312 (IX-O/97), dated October 13, 1997, the Inter-American Board of Agriculture approved the creation of 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. OTHER TERMINATION BENEFITS

IICA conducted actuarial studies for some provisions for personnel benefits as of December 31, 2017 and 2016. The following is a summary of the actuarial calculations:

	2017	**2016**
Amounts recognized in statement of financial position:		
Defined benefit obligation	US$3,081,018	US$2,572,292
Current liabilities	10,978	4,807
Unrecognized net actuarial (gain) / loss	(1,466)	(3,104)
Net liability / (asset) recognized	95,932	66,566
AOCI	64,183	(3,104)
Total liability / (asset) after AOCI	US$3,081,018	US$2,572,292
Net periodic benefit cost / (income):		
Current service cost	US$ 302,835	US$ 315,108
Interest cost	147,951	138,585
Unrecognized net actuarial (gain) / loss	59,446	(195,729)
Net periodic benefit cost / (income) final	US$ 510,232	US$ 257,964
Net liability / (asset) recognized at beginning of the year	US$2,787,026	US$2,620,825
Net periodic benefit cost / (income)	523,432	255,275
Benefit payments	(308,998)	(369,792)

(Continues)

	2017	2016
Net liability / (asset) recognized at end of the year	US$ 95,932	US$ 66,566
AOCI	64,183	(3,104)
Total liability / (asset) after AOCI	US$3,081,018	US$2,572,292
Projections:		
Net periodic benefit cost / (income)	US$ 314,004	US$ 427,228
Expected benefits payments	US$ 331,917	US$ 500,593

Additionally, during 2017 and 2016, 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:

	2017	2016
Changes in benefit obligation:		
Benefit obligation at beginning of year (on real basis)	US$2,405,715	US$1,803,609
Current service cost	497,208	255,116
Interest cost	168,549	101,870
Actuarial loss (gain)	1,009,406	512,478
Benefit payments	(314,984)	(375,466)
Benefit obligation at end of year	US$3,765,894	US$2,297,607
Amount recognized in the statement of financial position:		
Accrued (prepaid) liability (non-current liabilities)	US$ 250,586	US$ (74,995)
Amount recognized in accumulated other comprehensive income (AOCI):		
Transition obligation	US$ 664,519	US$ 674,512
Net loss (gain)	2,850,789	1,698,091
Amount recognized in AOCI	US$3,515,308	US$2,372,603
Information for plan with an accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	US$3,765,893	US$2,297,607
Accumulated benefit obligation	1,978,645	1,170,825
Accumulated benefit obligation in excess of plan assets	US$1,978,645	US$1,170,825
Net periodic benefit cost / (income):		
Current service cost	US$ 497,206	US$ 255,116
Interest cost	168,549	101,870
Amortization of transition obligation	41,730	39,855
Amortization of net loss (gain)	13,260	8,928
Net periodic benefit cost / (income) final	US$ 720,745	US$ 405,769
Items not yet recognized as a component of net periodic benefit cost:		
Transition obligation	US$ 664,519	US$ 674,512
Net loss (gain)	2,850,789	1,698,091
	US$3,515,308	US$2,372,603

(Continues)

	2017	2016
Reconciliation on net balance:		
Amount recognized in accumulated other comprehensive income	US$3,515,308	US$2,372,602
Accrued (prepaid) liability	250,586	(74,995)
Benefit obligation at the end of the year	US$3,765,894	US$2,297,607
Reconciliation of accrued (prepaid) benefit cost:		
Accrued (prepaid) benefit cost (beginning of the year)	US$ (78,524)	US$ (105,298)
Net periodic benefit cost	720,745	405,769
Benefits payment	(314,984)	(375,466)
Accrued (prepaid) benefit cost (end of the year)	US$ 327,237	US$ (74,995)

13. CONTINGENCIES

General - As of December 31, 2017, 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$137,159.

The financial statements of IICA for the year ended December 31, 2017, 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 2015, 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 MARD 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. But if the insurer would have to pay, it may seek recovery from IICA under a subrogation clause in the bond. IICA's defenses against a potential claim from the insurer are based on the provision for dispute resolution contained in the legal agreement, which provides that arbitration is discretionary rather than mandatory, and on the Institute's immunities.

In February 2015, IICA received a formal notification informing it that it was being sued by the MADR for the sum of around US$1.6 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$5.8 million, for activities aimed at publicizing the AIS Program.

In June 2014, the CGR issued a decision that was unfavorable to IICA, and it is possible that the departmental entities will issue a decision 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. SUBSEQUENT EVENTS

During the period 2018 IICA has collected quotas with an aging greater than 365 days in the amount of US$1,438,906 of Member States. The events were evaluated as of June 18, 2018, 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, 2017

INDEX

EXHIBIT

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

STATEMENT OF MOVEMENTS OF MEMBER STATES QUOTAS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017
(Stated in United States Dollars)

			Quotas Collected During the Year			Uncollected Quotas at Year-End		
Country	Uncollected Quotas at Beginning of Year	Quotas for the Year	Prior Years	Current Year	Total	Prior Years	Current Year	Total
Antigua & Barbuda	US$ 19,800	US$ 7,600	US$ 15,200		US$ 15,200	US$ 4,600	US$ 7,600	US$ 12,200
Argentina	850,600	950,600	850,600	US$ 950,600	1,801,200			
Bahamas		21,400		21,400	21,400			
Barbados		15,500		15,500	15,500			
Belize		7,600					7,600	7,600
Bolivia	17,000	17,000	17,000		17,000		17,000	17,000
Brazil	5,034,929	3,643,200	3,643,200		3,643,200	1,391,729	3,643,200	5,034,929
Canada		3,102,600		3,102,600	3,102,600			
Colombia	673,000	384,400	673,000		673,000		384,400	384,400
Costa Rica	40,535	69,900	40,535	52,585	93,120		17,315	17,315
Chile		409,500		409,500	409,500			
Dominica		7,600		7,600	7,600			
Dominican Republic	35,128	96,400	35,128	96,400	131,528			
Ecuador	168,900	97,900	71,000		71,000	97,900	97,900	195,800
El Salvador	37,700	37,700				37,700	37,700	75,400
Grenada	13,700	7,600	6,100		6,100	7,600	7,600	15,200
Guatemala		56,300		56,300	56,300			
Guyana		8,200		8,200	8,200			
Haiti		11,800		11,800	11,800			
Honduras	2,250	15,500	2,250	12,500	14,750		3,000	3,000
Jamaica	7,600	25,600	7,600	25,600	33,200			
Mexico	2,477,300	2,477,300	2,477,300		2,477,300		2,477,300	2,477,300
Nicaragua	19,800	10,400	19,800	10,400	30,200			
Panama		57,600		57,600	57,600			
Paraguay	34,583	30,800	34,266		34,266	317	30,800	31,117
Peru		261,500		261,500	261,500			
Saint Kitts and Neves	13,700	7,600	13,700	7,600	21,300			
Saint Lucia	1,560	7,600				1,560	7,600	9,160
Saint Vincent & the Grenadines		7,600		7,600	7,600			
Suriname	30,600	11,800	19,017		19,017	11,583	11,800	23,383
Trinidad & Tobago		54,600		54,600	54,600			
United States of America		17,435,300		16,127,653	16,127,653		1,307,647	1,307,647
Uruguay	80,300	80,300	80,300	80,300	160,600			
Venezuela	3,600,479	628,600				3,600,479	628,600	4,229,079
Total	US$13,159,464	US$30,064,900	US$8,005,996	US$21,377,838	US$29,383,834	US$5,153,468	US$8,687,062	US$13,840,530

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

PROGRAM BUDGET AND EXPENSES BY CHAPTER
YEAR ENDED DECEMBER 31, 2017
(Stated in United States Dollars)

			(Over) Under Execution	
	Budget	**Expenses**	**Absolute**	**Percentage**
CHAPTER 1: Direct technical cooperation services	US$30,973,782	US$29,028,465	US$1,945,317	93.72%
CHAPTER 2: Management costs	1,766,156	2,032,250	(266,094)	115.07%
CHAPTER 3: General costs and provisions	1,290,000	1,401,111	(111,111)	108.61%
CHAPTER 4: Renewal of infrastructure and equipment	334,963	510,177	(175,214)	152.31%
Total	US$34,364,901	US$32,972,003	US$1,392,898	95.95%

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE FOR THE YEAR ENDED DECEMBER 31, 2017

(Stated in United States Dollars)

	Source	Amount
a.	**Member States**	
	Argentina	US$ 6,025,144
	Barbados	62,703
	Belize	3,313
	Brazil	13,526,831
	Canada	272,791
	Chile	200,019
	Costa Rica	1,524,028
	Dominican Republic	23,039
	Ecuador	580,017
	El Salvador	65,103
	Guatemala	2,034,083
	Honduras	1,635,619
	Jamaica	15,176
	Mexico	98,297,391
	Nicaragua	24,507
	Panama	43,349
	Paraguay	928,757
	Peru	478,560
	United States of America	2,376,421
	Uruguay	1,110,824
	Venezuela	25,195
	Subtotal - Member States	129,252,870
b.	**Other Institutions and Governments**	
	Agresearch Limited	65,666
	Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistence	17,391
	Association of Poultry Farming of El Salvador	17,970
	Australian High Commission	66,965
	British Embassy	29,021
	Centrais Eletricas Brasileiras, S.A.	13,299
	Commission of the European Communities	4,469,442
	Corporation for Entrepreneurship and Innovation	27,408
	Crisfe Foundation	95,113
	Deutsche Gesellschaft Fur Internacionale Zusammenarbeit	1,210,453
	Developpment International Desjardins, Inc.	737,609
	Du Pont - Pioneer Hi-Bread International, Inc.	20,740
	Electric Power Company Galápagos, S.A.	27,825
	Guatemalan Association of Exporters	20,496

(Continues)

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE FOR THE YEAR ENDED DECEMBER 31, 2017

(Stated in United States Dollars)

Source	Amount
Inter-American Commission on Organic Agriculture	US$ 23,621
Inter-American Development Bank	698,768
International Cocoa Organization	19,814
International Coffee Organization	26,260
International Fund for Agricultural Development	662,891
Itaipu Binacional	488,833
Korea-Latin America Food Agriculture Cooperation Initiative	23,534
Market Information Organization of the Americas	216,570
Michigan State University	695,138
Nestle Venezuela, S.A.	10,301
Regional Fund for Agricultural Technology	232,637
Spanish Agency for International Development Cooperation	18,319
Technical Center for Agricultural and Rural Cooperation	71,179
The Texas A&M University System	28,963
Tropical Agronomic Center of Research and Education	17,596
United Nations Development Program	76,963
United Nations Organization for Food and Agriculture	237,701
World Food Program	115,016
World Trade Organization	232,843
Others	54,055
Subtotal - Other Institutions and Governments	10,770,400
Grand total	US$140,023,270

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