



Fortieth Regular Meeting of the Executive Committee

2019 Financial Statements of IICA and Report of the External Auditors

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San Jose, Costa Rica
21 July 2020

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 net assets as of December 31, 2019 and 2018 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, 2019 and 2018 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.

Emphasis of Matters

Without modifying our audit opinion and as detailed in Note 14 of the financial statements, IICA restructured its financial statements as of December 31, 2018, issued on June 12, 2019. The restructuring was based on an the analysis carried out by the General Directorate of IICA, with the aim of gaining clarity on obligations with respect to termination benefits for employees, resulting in a modification of in internal policy and the inclusion of changes in some of the liability calculations. Consequently, the balances previously reported by IICA in its financial statements as of December 31, 2018 differ from those presented in this report. We have audited this adjustment and reached the same conclusion of the Administration.

Without modifying our audit opinion, as stated in Note 13 to the financial statements, IICA is facing potential labor and/or commercial legal claims that correspond mainly to projects and that are at different procedural stages. In addition, IICA maintains a legal claim related to the implementation in Colombia of the Agro-Ingreso Seguro Program, administered by IICA on behalf of the Ministry of Agriculture and Rural Development (MADR). This situation was due to factors beyond IICA's control, arising from political confrontations during the pre-election campaign of 2009-2010.

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

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. Management is responsible for the other information.

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.

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 non-fraud related 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 non-fraud related 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 non-fraud related 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, 2020
Law stamp of Law No.6663 for ¢1.000, attached and paid

July 15, 2020



INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2019 AND 2018**
(Stated in United States Dollars)

	Notes	December 31, 2019			Total	December 31,
		Unrestricted	Temporarily Restricted	Permanently Restricted		2018 (Restated)
ASSETS						
CURRENT ASSETS:						
Cash	1e, 2	US\$ 32,246,099			US\$ 32,246,099	US\$ 28,302,143
Cash equivalents	1e, 3	41,321,359			41,321,359	42,930,373
Investments held to maturity	1f, 4	18,785,000			18,785,000	10,670,000
Subtotal		<u>92,352,458</u>			<u>92,352,458</u>	<u>81,902,516</u>
Receivables:						
Quotas from member states		12,954,374			12,954,374	15,907,901
Allowance for doubtful accounts	1g	(6,231,279)			(6,231,279)	(4,797,879)
Quotas from member states - net		6,723,095			6,723,095	11,110,022
Payments made on behalf of contracts, agreements and grants	1g	2,209,085			2,209,085	679,156
Due from regular fund to trust fund	1g	(59,033,601)	US\$59,033,601			
Other		188,334			188,334	123,611
Receivables - net		<u>(49,913,087)</u>	<u>59,033,601</u>		<u>9,120,514</u>	<u>11,912,789</u>
Advances of external resources allocated	1p	355,537			355,537	252,507
Prepaid expenses	1h	97,870			97,870	87,382
Other assets		46,490			46,490	54,920
Total current assets		42,939,268	59,033,601		101,972,869	94,210,114
PROPERTY, FURNITURE AND EQUIPMENT - Net	1i, 1j, 5	1,315,408		US\$8,713,171	10,028,579	9,923,723
TOTAL ASSETS		<u>US\$ 44,254,676</u>	<u>US\$59,033,601</u>	<u>US\$8,713,171</u>	<u>US\$112,001,448</u>	<u>US\$104,133,837</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses		US\$ 2,374,723			US\$ 2,374,723	US\$ 2,886,591
Other accruals		334,092			334,092	478,045
Total current liabilities		<u>2,708,815</u>			<u>2,708,815</u>	<u>3,364,636</u>
Provisions for:						
Repatriation and transfer of international professional personnel	1k	1,290,638			1,290,638	1,347,707
Recognition of years of service for international professional personnel	1k, 14	1,644,336			1,644,336	1,725,728
Recognition of years of service for local personnel	1k	3,111,605			3,111,605	2,985,012
Other termination benefits	1k, 12, 14	9,185,219			9,185,219	8,059,596
Other liabilities of projects	12	14,739,243			14,739,243	14,956,796
Total provisions		<u>29,971,041</u>			<u>29,971,041</u>	<u>29,074,839</u>
Total liabilities		<u>32,679,856</u>			<u>32,679,856</u>	<u>32,439,475</u>
NET ASSETS:						
Unrestricted funds:						
Regular fund:						

(Continues)

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2019 AND 2018**
(Stated in United States Dollars)

	Notes	December 31, 2019			Total	December 31, 2018 (Restated)
		Unrestricted	Temporarily Restricted	Permanently Restricted		
General sub-fund	1b, 14	US\$ 2,425,170			US\$ 2,425,170	US\$ 2,918,594
Working sub-fund	1b	4,094,736			4,094,736	4,094,736
Miscellaneous income fund	1b	30,897			30,897	25,651
Indirect cost recovery fund	1b	3,708,609			3,708,609	4,520,362
Fixed assets fund	1b	1,315,408			1,315,408	1,210,552
Restricted funds:						
Trust funds	1b		US\$59,033,601		59,033,601	50,211,296
Permanently restricted fund - land	1b			US\$8,713,171	8,713,171	8,713,171
Total net assets		<u>11,574,820</u>	<u>59,033,601</u>	<u>8,713,171</u>	<u>79,321,592</u>	<u>71,694,362</u>
TOTAL LIABILITIES AND NET ASSETS		<u>US\$44,254,676</u>	<u>US\$59,033,601</u>	<u>US\$8,713,171</u>	<u>US\$112,001,448</u>	<u>US\$104,133,837</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, 2019 AND 2018**
(Stated in United States Dollars)

	Notes	2019				2018 (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
REVENUES:										
Quotas from member states	1c	US\$29,574,100				US\$ 29,574,100	US\$29,574,100			US\$ 29,574,100
Recovery of Indirect Cost Recovery (RCI)	6			US\$8,383,614		8,383,614		US\$11,102,155		11,102,155
Temporarily restricted fund assets released from restrictions	1g				US\$113,462,498	113,462,498			US\$154,762,280	154,762,280
Commercial and miscellaneous operations - net	7		US\$5,246			5,246				
Total revenues		29,574,100	5,246	8,383,614	113,462,498	151,425,458	29,574,100	11,102,155	154,762,280	195,438,535
EXPENSES:										
International professional personnel	14	10,872,801				10,872,801	9,854,142			9,854,142
Local professional and general service	14	9,486,204				9,486,204	9,891,214			9,891,214
Training and technical events	14	1,659,178				1,659,178	1,845,097			1,845,097
Official travel		688,321				688,321	614,408			614,408
Documents and materials and supplies		459,681				459,681	439,258			439,258
Plant, equipment and furniture		464,754				464,754	246,355			246,355
General services		1,827,883				1,827,883	1,739,230			1,739,230
Work and services contracts, and transfers		1,419,594				1,419,594	1,639,987			1,639,987
Annual allowance to CATIE	8	1,000,000				1,000,000	938,100			938,100
Other costs	14	2,189,108				2,189,108	1,297,955			1,297,955
Sub-total of expenses related to quota budget and working sub-fund		30,067,524				30,067,524	28,505,746			28,505,746
Temporarily restricted fund assets released from restrictions	1g				113,462,498	113,462,498			154,762,280	154,762,280
Disbursements financed with funds from the Indirect Cost Recovery (ICR)	6			9,195,367		9,195,367		8,973,288		8,973,288
Commercial and miscellaneous operations - net	7						US\$ 224,994			224,994
Total expenses		30,067,524		9,195,367	113,462,498	152,725,389	28,505,746	224,994	8,973,288	192,466,308
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		(493,424)	5,246	(811,753)		(1,299,931)	1,068,354	(224,994)	2,128,867	2,972,227
Exclusion of net capitalized expenses as property, furniture and equipment		635,965				635,965	243,174			243,174
Increase (decrease) in unrestricted net assets for the year, before including depreciation of the year		142,541	5,246	(811,753)		(663,966)	1,311,528	(224,994)	2,128,867	3,215,401
Inclusion of depreciation of the year		(531,109)				(531,109)	(601,834)			(601,834)
(Decrease) increase in unrestricted net assets		US\$ (388,568)	US\$5,246	US\$ (811,753)	US\$	US\$ (1,195,075)	US\$ 709,694	US\$(224,994)	US\$ 2,128,867	US\$ 2,613,567

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, 2019 AND 2018**

(Stated in United States Dollars)

	Notes	Net Assets						Total	
		Regular Fund		Unrestricted	Indirect Cost	Fixed Assets	Temporarily		Permanently
		General Sub-fund	Working Sub-fund	Miscellaneous Income Fund	Recovery Fund	Fund	Restricted Trust Funds		Restricted Land
BALANCE AT DECEMBER 31, 2017 (RESTATED)		US\$1,850,240	US\$4,094,736	US\$ 250,645	US\$2,391,495	US\$1,569,212	US\$ 70,905,696	US\$8,713,171	US\$ 89,775,195
Increase (decrease) in unrestricted net assets		1,311,528		(224,994)	2,128,867	(601,834)			2,613,567
Restricted contributions received from donors							133,933,136		133,933,136
Net assets released from restrictions	1b						(154,762,280)		(154,762,280)
Capitalization of net disbursements as property, furniture and equipment		(243,174)				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 (RESTATED)	14	2,918,594	4,094,736	25,651	4,520,362	1,210,552	50,211,296	8,713,171	71,694,362
Increase (decrease) in unrestricted net assets		142,541		5,246	(811,753)	(531,109)			(1,195,075)
Restricted contributions received from donors	1b						120,754,874		120,754,874
Net assets released from restrictions							(113,462,498)		(113,462,498)
Capitalization of net disbursements as property, furniture and equipment		(635,965)				635,965			
Net increase in disbursements made on behalf of contracts, agreements, and grants receivable from donors							1,529,929		1,529,929
BALANCE AT DECEMBER 31, 2019		<u>US\$2,425,170</u>	<u>US\$4,094,736</u>	<u>US\$ 30,897</u>	<u>US\$3,708,609</u>	<u>US\$1,315,408</u>	<u>US\$ 59,033,601</u>	<u>US\$8,713,171</u>	<u>US\$ 79,321,592</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, 2019 AND 2018**

(Stated in United States Dollars)

	2019	2018
OPERATING ACTIVITIES		
(Decrease) increase in unrestricted net assets	US\$ (1,195,075)	US\$ 2,613,567
Plus: Items not requiring cash:		
Interest income from investments	(3,725,646)	(4,098,278)
Depreciation	531,109	601,834
Allowance for doubtful accounts	1,433,400	568,800
Cash provides by (used in) changes in:		
Quotas receivable from member states	2,953,527	(2,067,371)
Other receivables	(50,671)	58,299
Prepaid expenses	(113,518)	207,391
Other assets	8,430	91,472
Accounts payable and accrued expenses	(511,868)	(7,529,514)
Other accruals	(143,953)	(78,355)
Provisions	<u>896,202</u>	<u>2,336,204</u>
Net cash provides by (used in) operating activities	<u>81,937</u>	<u>(7,295,951)</u>
INVESTING ACTIVITIES		
Acquisition (disposals) of investments held to maturity	(8,115,000)	9,285,624
Interest income received on investments	3,711,594	4,092,375
Additions to furniture and equipment	(642,957)	(253,972)
Disposal of furniture and equipment	<u>6,992</u>	<u>10,798</u>
Net cash (used in) provides by investing activities	<u>(5,039,371)</u>	<u>13,134,825</u>
FINANCING ACTIVITIES		
Restricted contributions received from donors	120,754,874	133,933,136
Disbursements made in the execution of trust funds	<u>(113,462,498)</u>	<u>(154,762,280)</u>
Net cash provides by (used in) financing activities	<u>7,292,376</u>	<u>(20,829,144)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,334,942	(14,990,270)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>71,232,516</u>	<u>86,222,786</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>US\$ 73,567,458</u>	<u>US\$ 71,232,516</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, 2019 AND 2018 (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 26, 2017, through Resolution IICA/IABA/Res.511 (XIX-O/17) IABA approved the 2019 and 2018 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. As of December 31, 2019 and 2019, the amount of the allowance for doubtful accounts represented US\$6,231,279 and US\$4,797,879, respectively.

- h. **Prepaid Expenses** - Prepaid expenses are primarily made up of office supplies and materials. IICA initially recognizes them at cost, accounting for them as an asset and subsequently derecognises based on their consumption.
- i. **Property, Furniture, and Equipment** - IICA has adopted the policy of charging the amounts disbursed 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 net assets.
- 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. **Employees Benefits** - 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 employees benefits 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.

- 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 quota revenue to Member States when performance obligations are met through the transfer of control, these quotas are fixed in accordance with the resolution of the Inter-American Board of Agriculture. IICA recognizes an account receivable at the beginning of the period, as this represents the given time at which the right to consideration becomes unconditional, as it only requires the passage of time before the payment expires.

Miscellaneous income is recognized as a performance obligation fulfilled over time. Revenues are recognized based on measuring progress towards full compliance with the performance obligation.

- n. **Indirect Cost Recovery (RCI)** - 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, employees benefits 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, 2019 and 2018, 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. **Recently Issued Accounting Pronouncements Pending Adoption -**

- 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.
- 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. CASH

Cash due from banks as of December 31, 2019 and 2018 for US\$32,246,099 and US\$28,302,143, respectively. This amounts includes funds held in separate bank accounts of US\$30,210,097 and US\$24,129,284, 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:

	2019	2018
In Argentinean pesos:		
Time deposits, interest of 25% and per annum		US\$ 266,667
In Mexican pesos:		
Money market funds, interest between 0.95% and 4.50% per annum(2018: between 3.62% and 5.95 per annum)	US\$19,397,875	18,769,354

(Continues)

	2019	2018
In Brazilian reais:		
Money market funds, interest between 4.08% and 4.32% per annum (2018: between 5% and 6% per annum)	US\$17,186,710	US\$15,975,816
In U.S. dollars:		
Overnight deposits, interest between 0.5% and 2.5% per annum in both periods	9,004	9,741
Mutual funds, interest 1.58% per annum (2018: from 2.43% per annum)	<u>4,727,770</u>	<u>7,908,795</u>
Total	<u>US\$41,321,359</u>	<u>US\$42,930,373</u>

As of December 31, 2019 and 2018, cash equivalents of US\$36,584,584 and US\$39,251,735, 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:

	2019	2018
In US dollars:		
Time deposits at BAC San José, annual interest rate from 3.26% (2018: 3.71% annual), with maturity between January and May 2020	US\$ 2,285,000	US\$ 1,670,000
Time deposits at Bank of America, annual interest rate from 2.28.% to 2.73% (2018: 2.28% to 2.73% annual), with maturity between January and March 2020	<u>16,500,000</u>	<u>9,000,000</u>
Total	<u>US\$18,785,000</u>	<u>US\$10,670,000</u>

As of December 31, 2019 and 2018, investments held to maturity US\$10,460,301 and US\$5,713,141; 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:

	2019	2018
Unrestricted:		
Buildings (25 years)	US\$ 5,418,053	US\$ 5,418,053
Vehicles (4 years)	2,647,158	2,600,315
Furniture and equipment (3, 4, 5 and 10 years)	<u>5,356,932</u>	<u>5,236,334</u>
Total unrestricted fixed assets	13,422,143	13,254,702
Less: Accumulated depreciation	<u>(12,106,735)</u>	<u>(12,044,150)</u>
Total unrestricted fixed assets - net	1,315,408	1,210,552
Permanently restricted - land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$ 10,028,579</u>	<u>US\$ 9,923,723</u>

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.

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:

	2019	2018
Income:		
Ministry of Agriculture and Livestock - Ecuador	US\$ 64,475	US\$ 48,478
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	183,288	256,249
Ministry of Agriculture, Livestock and Food - Guatemala	213,557	179,534
National Health Service, Food Safety and Food Quality (SENASICA) - Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - National Agrarian Registry (RAN) - México	5,768,775	8,087,659
United States Department of agriculture (USDA)	162,412	211,204
Ministries of Agriculture, Livestock and Procurement, Agrarian Development, Mines and Energy - Brazilian Institute of Environment and Renewable Natural Resources - Brazil	359,559	915,986
Secretariat of Agriculture and Livestock - Honduras	379,210	209,635

(Continues)

	2019	2018
Agencies and Organizations of International Cooperation	US\$ 707,769	US\$ 592,050
Secretariat of Central American Agricultural Council (SCAC)	23,126	43,050
Ministry of Agriculture and Livestock Paraguay	51,376	19,454
Other institutions	<u>470,067</u>	<u>538,856</u>
Total	<u>US\$8,383,614</u>	<u>US\$11,102,155</u>
Expenses:		
International professional personnel	US\$ 451,626	US\$ 1,453,476
Local professional and general services personnel	5,489,052	5,161,402
Training and technical events	131,196	49,628
Official travel	196,828	238,850
Documents and materials and supplies	253,378	418,597
Plant, equipment and furniture	451,989	314,748
General services	990,643	868,581
Work and services contracts, and transfers	1,085,848	344,708
Other costs	<u>144,807</u>	<u>123,298</u>
Total	<u>US\$9,195,367</u>	<u>US\$ 8,973,288</u>

7. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	2019	2018
Revenues:		
Interest earned from investments and cash equivalents	US\$ 878,435	US\$1,091,247
Proceeds from equipment sale	76,708	56,002
Sale of general services	55,460	57,531
Others	<u>166,823</u>	<u>287,773</u>
Total revenues from commercial and miscellaneous operations	<u>1,177,426</u>	<u>1,492,553</u>
Expenses:		
Local professional and general services personnel	775,470	1,152,346
Training and technical events	33,480	97,934
Official travel	15,810	32,004
Documents and materials and supplies	60,094	71,311
Plant, equipment and furniture	76,105	99,687
General services	363,624	475,533
Performance, contracts and transfers	230,587	292,839
Other costs	<u>171,496</u>	<u>157,647</u>
Subtotal	1,726,666	2,379,301
Exchange (gains) - net	<u>(554,486)</u>	<u>(661,754)</u>
Total expenses from commercial and miscellaneous operations	<u>1,172,180</u>	<u>1,717,547</u>
Excess of expenses over income	<u>US\$ 5,246</u>	<u>US\$ (224,994)</u>

8. TROPICAL AGRICULTURE RESEARCH AND TRAINING CENTER (CATIE)

On September 27, 2000, the Costa Rican Legislative Assembly reformed, via Law No. 8028, the text of Law No. 6873, ratifying 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, renewable for equal consecutive terms. The current term expires in 2020, and the agreement has been renewed for a 20-year period.
- 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, 2019 and 2018, IICA contributed to CATIE US\$1,000,000 and US\$938,100 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, 2019, 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, 2019, 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 provisions for personnel benefits as of December 31, 2019 and 2018. The following is a summary of the actuarial calculations on the benefits of IICA employees:

	2019	2018 (Restructured)
Amounts recognized in statement of financial position:		
Defined benefit obligation	US\$4,901,316	US\$4,375,727
Current liabilities	<u>3,880,751</u>	<u>3,480,844</u>
Total liability	<u>US\$4,901,316</u>	<u>US\$4,375,727</u>
Net periodic benefit cost / (income):		
Current service cost	US\$ 392,282	US\$ 418,500
Interest cost	213,005	245,382
Inflationary Effect on Financial Labor Cost	7,893	9,153
Inflationary Effect on Projected Benefit Liability	79,251	84,888
Effect from reduction of liabilities		(4,426)
Past service from modification to plan		(384,426)
Unrecognized net actuarial (gain) / loss	<u>46,437</u>	<u>141,482</u>
Net periodic benefit cost / (income) final	<u>US\$ 738,868</u>	<u>US\$ 510,553</u>
Net liability / (asset) recognized at beginning of the year	US\$4,375,727	US\$4,653,391
Net periodic benefit cost / (income)	738,868	510,557
Benefit payments	(510,716)	(778,713)

(Continues)

	2019	2018 (Restructured)
Net liability / (asset) recognized at end of the year	US\$4,603,879	US\$4,385,235
Retained profits and losses for previous periods	161,157	106,037)
Accumulated other comprehensive incomes	<u>136,280</u>	<u>(115,545)</u>
Total liability	<u>US\$4,901,316</u>	<u>US\$4,375,727</u>

Additionally, during 2019 and 2018, actuarial studies were performed in reference to termination benefits for some projects financed by external funds. The counterparty assumes these costs and has transferred to IICA the funds for the payment of its obligation when appropriate. The result of these studies according to USGAAP is summarized below:

	2019	2018
Changes in benefit obligation:		
Benefit obligation at beginning of year (on real basis)	US\$ 3,586,838	US\$3,238,549
Current service cost	554,499	586,623
Interest cost	285,094	240,431
Actuarial loss	3,144,289	3,465
Benefit payments	<u>(2,307,576)</u>	<u>(263,652)</u>
Benefit obligation at end of year	<u>US\$ 5,263,144</u>	<u>US\$3,805,416</u>
Amount recognized in the statement of financial position:		
Accrued (prepaid) liability (non-current liabilities)	<u>US\$ 4,598,139</u>	<u>US\$ 992,977</u>
Amount recognized in accumulated other comprehensive income:		
Transition obligation	US\$ 583,387	US\$ 625,285
Net loss (gain)	<u>3,144,289</u>	<u>2,496,683</u>
Amount recognized in accumulated other comprehensive incomes	<u>US\$ 3,727,676</u>	<u>US\$3,121,968</u>
Information for plan with an accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	US\$ 4,598,139	US\$3,805,416
Accumulated benefit obligation	<u>2,805,789</u>	<u>2,064,980</u>
Accumulated benefit obligation in excess of plan assets	<u>US\$ 2,805,789</u>	<u>US\$2,064,980</u>
Net periodic benefit cost / (income):		
Current service cost	US\$ 554,499	US\$ 586,623
Interest cost	285,094	240,431
Amortization of transition obligation	41,498	41,898
Amortization of net loss (gain)	93,886	<u>36,328</u>
Reduction / Early Liquidation of Obligations	<u>1,671,451</u>	
Net periodic benefit cost / (income) final	<u>US\$ 2,646,428</u>	<u>US\$ 905,280</u>
Items not yet recognized as a component of net periodic benefit cost:		
Transition obligation	US\$ 583,387	US\$ 625,285
Net loss (gain)	<u>3,144,289</u>	<u>2,495,534</u>
Total	<u>US\$ 3,727,676</u>	<u>US\$3,120,819</u>

(Continues)

	2019	2018
Reconciliation on net balance:		
Amount recognized in accumulated other comprehensive income	US\$ 3,727,676	US\$3,121,968
Accrued (prepaid) liability	<u>4,598,139</u>	<u>992,977</u>
Benefit obligation at the end of the year	<u>US\$ 8,325,815</u>	<u>US\$4,114,945</u>
Reconciliation of accrued (prepaid) benefit cost:		
Accrued (prepaid) benefit cost (beginning of the year)	US\$ 3,586,837	US\$ 251,300
Net periodic benefit cost	2,646,827	905,280
Benefits payment	(2,307,576)	(263,652)
Net periodic other comprehensive incomes	<u>672,051</u>	<u> </u>
Accrued (prepaid) benefit cost (end of the year)	<u>US\$ 4,598,139</u>	<u>US\$ 892,928</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, 2019, 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 financial statements of IICA for the year ended December 31, 2019, include a provision of US\$215,916 to cover potential losses from these lawsuits. According to the legal advisors of IICA considered sufficient these legal obligations.

AIS Program in Colombia - Throughout 2019, 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 the risk of other similar actions. However, according to experts on this matter, some of these actions have expired and others are under final review by the Office of the Comptroller General of the Republic in Bogota, with a high chance of resulting in a favorable ruling for the Institute, as explained below.

The deadline for the lawsuit filed by the Ministry of Agriculture and Rural Development (MADR) against the insurance company that had issued the performance bond expired in 2018; consequently, the statute of limitations for the insurer to file a possible claim against IICA has 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\$1.6 million, for possible breach of contract related to the AIS Program. The court green-lighted the lawsuit and IICA is currently awaiting a ruling from the court.

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\$1.5 million, for activities aimed at publicizing the AIS Program. As a result of this situation, no state entity may sign contracts or agreements with IICA that involve resources belonging to the Colombian State. The final review process is being conducted.

The Institute still aims to reach a 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, 2018, previously informed, were restated during the period 2019, with the aim of recognizing within the Statement of Net Assets, the State of Activities of Unrestricted Net Assets and in the State of Changes in Net Assets, liabilities not recorded for employee benefits. The restructuring was based on analysis by the Directorate-General of IICA, with the aim of having clarity with respect to the obligations that are incurred with employee termination benefits, resulting in a change in internal policies and inclusion of changes in the liabilities calculations. At the end of the period, actuarial studies were carried out where an undervaluation of the liability for termination benefits and an overvaluation of the General Fund for the same amount were determined, including an effect on 2018. A summary of the adjustment is as follows:

Detail	Balances Previously Informed 2018	Restated Adjustment	Balances Restated 2018
Statements of net assets:			
Liabilities:			
Other termination benefits	US\$7,503,675	US\$ 555,921	US\$8,059,596
Net assets:			
Regular fund:			
Sub fund general	<u>3,474,515</u>	<u>(555,921)</u>	<u>2,918,594</u>
Net effect of adjustments in the statement of net assets		<u>US\$</u>	

(Continues)

Detail	Balances Previously Informed 2018	Restated Adjustment	Balances Restated 2018
Statements of activities of unrestricted net assets:			
Expenses:			
Local professional and general service	US\$9,788,225	<u>US\$ 102,989</u>	US\$9,891,214
Net effect of adjustments in the statement of activities of unrestricted net assets		<u>US\$ 102,989</u>	

15. SUBSEQUENT EVENTS

COVID-19 - The appearance of the Coronavirus COVID-19 in China, and its recent global expansion, led to the viral outbreak that the World Health Organization designated a pandemic in March 2020.

Countries throughout the hemisphere where IICA operates have taken consistent measures, such as declaring states of emergency or public calamity due to COVID-19. They have issued a variety of executive orders to take such measures as limitations on rights to freedom of movement, transit and circulation of people at specified times; limitations on large gatherings of people and suspension of public performances; and setting controls on certain articles, goods, supplies or services involved in the prevention, treatment, containment and response to the virus.

To date, the Institute's operations have not been significantly affected, although there could be an approximate 12 percent decrease in project activities for the 2020 period. Measures are being taken to realize savings, safeguard the financial position, and offer innovative methods of providing cooperation services, promoting digital agriculture and increasing the use of information and technology in the face of the various health restrictions.

In support of the Member States, the Institute has coordinated virtual ministerial meetings at the hemispheric, subregional and bilateral levels. It created the High-Level Advisory Council on Food Security and the Advisory Council on Communication. It developed the IICA monitor and blog on food security issues and held a hackathon. It is holding meetings with the goal of strengthening relations with the hemisphere's private agricultural sector, including multinational companies, associations, producers, and rural women.

All the Institute's Delegations have been successfully using flexible work-from-home arrangements, allowing IICA to effectively continue its work and offer new solutions. However, the future effects of this pandemic are very uncertain, and it is not clear what measures the different governments and authorities may be adopting in response to them. It is therefore impossible to reliably quantify the impact on the Institute's financial position, results of operations and future cash flows. IICA continues to monitor and evaluate this situation.

The pandemic we are living through will have a place in the history books. IICA has responded with quick, responsible, effective action, implementing financial austerity measures and adapting to this changed, unprecedented world we are living in.

Today, more than ever, IICA is united, working together to build a strengthened and revitalized institution.

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

SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED DECEMBER 31, 2019

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, 2019**

(Stated in United States Dollars)

Country	Uncollected Quotas at Beginning of Year		Quotas Collected During the Year			Uncollected Quotas at Year-End		
	US\$	US\$	Prior Years	Current Year	Total	Prior Years	Current Year	Total
Antigua & Barbuda	19,800	7,600				19,800	7,600	27,400
Argentina	1,126,500	1,126,500	1,126,500	300,000	1,426,500		826,500	826,500
Bahamas		20,800		20,800	20,800			
Barbados		13,100		13,100	13,100			
Belize		7,600		7,600	7,600			
Bolivia	21,100	21,100				21,100	21,100	42,200
Brazil	3,652,000	3,652,000	2,597,488		2,597,488	1,054,512	3,652,000	4,706,512
Canada		2,873,400		2,873,400	2,873,400			
Colombia	864,600	480,200				864,600	480,200	1,344,800
Costa Rica	42,311	77,600	42,311	13,142	55,453		64,458	64,458
Chile	214,700	429,400	214,700	429,400	644,100			
Dominica		7,600		7,600	7,600			
Dominican Republic	82,100	82,100	82,100	78,364	160,464		3,736	3,736
Ecuador	317,200	121,400	244,784		244,784	72,416	121,400	193,816
El Salvador		34,800		34,800	34,800			
Grenada	15,200	7,600	15,200		15,200		7,600	7,600
Guatemala		63,900		63,900	63,900			
Guyana		8,200		8,200	8,200			
Haiti		10,700		10,700	10,700			
Honduras	3,740	15,800	3,740	15,800	19,540			
Jamaica	1,294	20,600	1,294	20,600	21,894			
Mexico	4,374,100	1,896,800	4,374,100	1,896,800	6,270,900			
Nicaragua		9,300		9,300	9,300			
Panama		62,000		62,000	62,000			
Paraguay	20,534	34,300	20,534	34,300	54,834			
Peru	304,000	304,000	304,000		304,000		304,000	304,000
Saint Kitts and Nevis		7,600		7,600	7,600			
Saint Lucia	9,160	7,600	9,160	6,100	15,260		1,500	1,500
Saint Vincent & the Grenadines	7,600	7,600	7,600	7,600	15,200			
Suriname	34,083	10,700	34,083	10,700	44,783			
Trinidad & Tobago		52,800					52,800	52,800
United States of America		17,435,300		17,422,927	17,422,927		12,373	12,373
Uruguay		95,300		95,300	95,300			
Venezuela	4,797,879	568,800				4,797,879	568,800	5,366,679
Total	US\$15,907,901	US\$29,574,100	US\$9,077,594	US\$23,450,033	US\$32,527,627	US\$6,830,307	US\$6,124,067	US\$12,954,374

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

**PROGRAM BUDGET AND EXPENSES BY CHAPTER
YEAR ENDED DECEMBER 31, 2019**

(Stated in United States Dollars)

	Budget	Expenses	<u>(Over) Under Execution</u>	
			Absolute	Percentage
CHAPTER 1: Direct technical cooperation services	US\$29,785,681	US\$27,038,087	US\$ 2,747,594	91%
CHAPTER 2: Management costs	1,856,916	1,442,949	413,967	78%
CHAPTER 3: General costs and provisions	1,171,040	2,772,298	(1,601,258)	237%
CHAPTER 4: Renewal of infrastructure and equipment	<u>260,463</u>	<u>540,859</u>	<u>(280,396)</u>	<u>208%</u>
Total	<u>US\$33,074,100</u>	<u>US\$31,794,193</u>	<u>US\$ 1,279,907</u>	<u>96%</u>

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

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

(Stated in United States Dollars)

Source	Amount
a. Member States	
Argentina	US\$ 2,894,031
Brazil	6,099,010
Barbados	4,567
Canada	864
Chile	82,243
Costa Rica	1,055,277
Dominican Republic	8,446
Ecuador	725,180
El Salvador	56,406
Guatemala	3,122,717
Guyana	68,558
Honduras	4,779,603
Mexico	78,416,050
Panama	152,420
Paraguay	775,005
Peru	1,149,795
United States of America	1,730,798
Uruguay	<u>885,551</u>
Subtotal - Member States	<u>102,006,521</u>
b. Other Institutions and Governments	
Agresearch Limited	62,260
Application Européenne de Technologies et Services	77,844
Australian High Commission	74,631
Banana Growers Association	116,684
Western Region Competitiveness Center	38,826
Commission of the European Communities	6,155,954
National Confederation of Livestock Organizations	107,095
Corporation for Entrepreneurship and Innovation	80,350
Corteva Agriscience	98,489
Deutsche Gesellschaft Fur Internationale Zusammenarbeit	515,578
Developpment International Desjardins, Inc.	44,917
Empresa Biana de Aguas e Saneamento, S.A.	711,395
Inter-American Commission on Organic Agriculture	26,622
Inter-American Development Bank	329,776
International Coffee Organization	99,572
International Fund for Agricultural Development	1,077,878
Institute of Agriculture The University Of Tennessee	26,510

(Continues)

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

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

(Stated in United States Dollars)

Source	Amount
International Potato Center	US\$ 28,445
Market Information Organization of the Americas	281,541
New Zealand High Commission	61,417
Organization of Pig Farmers A.C.	28,405
Safe and Secure Approaches in Field Environments	35,510
Swiss Association for the Development of Agriculture and Rural Areas	157,034
Technical and Vocational Education and Training	23,766
Technical Centre For Agricultural and Rural Cooperation	168,758
Tropical Agricultural Research and Higher Education Center	347,614
United Nations Development Program	69,999
United Nations Food and Agriculture Organization	81,343
National University of Colombia	29,079
World Food Program	21,211
World Trade Organization	214,226
World Resources Institute	54,163
Others	<u>209,085</u>
Subtotal - Other Institutions and Governments	<u>11,455,977</u>
Grand total	<u>US\$113,462,498</u>

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