

## INDEPENDENT AUDITORS' REPORT

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

### Report on the financial statements

We have audited the accompanying financial statements of the Inter-American Institute for Cooperation on Agriculture (IICA), which comprise the statements of financial position as at December 31, 2008 and 2007 and the statements of activities of unrestricted net assets, changes in net assets, and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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



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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of IICA as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in accordance with the generally accepted accounting principles for non-profit organizations described in Note 1b.

### **Report on supplementary information**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of IICA as of December 31, 2008 and 2007. The supplementary financial information shown in Exhibits 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary financial information is the responsibility of the management of IICA. Such information has been subjected to the auditing procedures applied in the audit of the 2008 basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the 2008 basic financial statements, taken as a whole.

A handwritten signature of the word "Deloitte" in black ink, written in a cursive style.

April 24, 2009

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

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007**  
(Stated in United States Dollars)

	Notes	December 31, 2008			December 31, 2007	
		Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash	1e, 2	US\$ 41,413,099			US\$ 41,413,099	US\$ 47,236,646
Cash equivalents	1e, 3	<u>63,120,361</u>			<u>63,120,361</u>	<u>57,581,611</u>
Sub-total		<u>104,533,460</u>			<u>104,533,460</u>	<u>104,818,257</u>
Receivables:						
Quotas from Member States		2,276,524			2,276,524	5,866,425
Payments made on behalf of contracts, agreements and grants		743,099			743,099	866,701
Due from Regular Fund to Trust Fund	1f	<u>(66,726,318)</u>	US\$ 66,726,318			
Other		<u>239,877</u>			<u>239,877</u>	<u>1,561,428</u>
Sub-total		<u>(63,466,818)</u>	66,726,318		3,259,500	8,294,554
Less: Allowance for doubtful accounts	1h	<u>(279,181)</u>			<u>(279,181)</u>	<u>(279,181)</u>
Receivables - Net		<u>(63,745,999)</u>	66,726,318		2,980,319	8,015,373
Inventories	1g	75,663			75,663	63,278
Prepaid expenses		964,728			964,728	1,006,763
Other assets		<u>145,928</u>			<u>145,928</u>	<u>161,365</u>
Total current assets		41,973,780	66,726,318		108,700,098	114,065,036
PROPERTY, FURNITURE AND EQUIPMENT - NET	1i, 1j, 4	<u>3,143,498</u>		US\$8,713,171	<u>11,856,669</u>	<u>11,974,629</u>
<b>TOTAL ASSETS</b>		<u>US\$ 45,117,278</u>	<u>US\$ 66,726,318</u>	<u>US\$8,713,171</u>	<u>US\$120,556,767</u>	<u>US\$126,039,665</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses		US\$ 5,024,242			US\$ 5,024,242	US\$ 2,990,794
Purchase commitments	1l	397,455			397,455	696,157
Other accruals		<u>401,832</u>			<u>401,832</u>	<u>385,058</u>
Total current liabilities		<u>5,823,529</u>			<u>5,823,529</u>	<u>4,072,009</u>
Provisions for:						
Repatriation and transfer of international professional personnel	1k	1,632,497			1,632,497	1,725,083
Recognition of years of service for international professional personnel	1k	1,653,395			1,653,395	1,681,554
Recognition of years of service for local personnel	1k	1,873,359			1,873,359	1,730,542
Other termination benefits	1k	<u>7,786,608</u>			<u>7,786,608</u>	<u>7,568,448</u>
Total provisions		<u>12,945,859</u>			<u>12,945,859</u>	<u>12,705,627</u>
Total liabilities		<u>18,769,388</u>			<u>18,769,388</u>	<u>16,777,636</u>
<b>NET ASSETS:</b>						
Unrestricted funds:						
Regular fund:						
General subfund	1b	4,979,608			4,979,608	4,863,607
Working subfund	1b	4,084,172			4,084,172	4,075,136
Miscellaneous income fund	1b	10,773,080			10,773,080	7,836,178
Institutional net rate fund	1b	3,367,532			3,367,532	4,301,335
Fixed assets fund	1b	3,143,498			3,143,498	3,261,458
Temporarily restricted funds:						
Trust funds	1b		US\$66,726,318		66,726,318	76,211,144
Permanently restricted fund - Land	1b			US\$8,713,171	8,713,171	8,713,171
Total net assets		<u>26,347,890</u>	<u>66,726,318</u>	<u>8,713,171</u>	<u>101,787,379</u>	<u>109,262,029</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>US\$ 45,117,278</u>	<u>US\$ 66,726,318</u>	<u>US\$8,713,171</u>	<u>US\$120,556,767</u>	<u>US\$126,039,665</u>
<b>CONTINGENCIES</b>	11	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>

See accompanying notes to the financial statements.

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

### STATEMENTS OF ACTIVITIES OF UNRESTRICTED NET ASSETS YEARS ENDED DECEMBER 31, 2008 AND 2007 (Stated in United States Dollars)

	Notes	2008				2007					
		Regular Fund Quotas	Miscellaneous Income Fund	Institutional Net Rate Fund	Trust Funds	Total	Regular Fund Quotas	Miscellaneous Income Fund	Institutional Net Rate Fund	Trust Funds	Total
<b>REVENUES:</b>											
Quotas from Member States	1c	US\$27,227,816				US\$ 27,227,816	US\$27,167,572				US\$ 27,167,572
Recovery of Institutional Net Rate (INR)	5			US\$10,388,743		10,388,743			US\$ 9,450,900		9,450,900
Temporarily restricted funds assets released from restrictions	1f				US\$206,313,881	206,313,881			US\$180,450,234		180,450,234
Commercial and miscellaneous operations - Net	6		US\$2,936,902			2,936,902		US\$2,955,995			2,955,995
<b>Total revenues</b>		<u>27,227,816</u>	<u>2,936,902</u>	<u>10,388,743</u>	<u>206,313,881</u>	<u>246,867,342</u>	<u>27,167,572</u>	<u>2,955,995</u>	<u>9,450,900</u>	<u>180,450,234</u>	<u>220,024,701</u>
<b>EXPENSES:</b>											
International professional personnel costs		10,495,759				10,495,759	9,496,231				9,496,231
Local personnel costs		8,086,153				8,086,153	7,560,292				7,560,292
Training		931,091				931,091	1,067,659				1,067,659
Official travel		1,476,232				1,476,232	1,733,557				1,733,557
Documents and supplies		540,057				540,057	620,476				620,476
Acquisition and/or rental of assets and other		460,774				460,774	1,074,072				1,074,072
Maintenance, communications and general services		1,704,176				1,704,176	2,603,046				2,603,046
Service contracts and transfers		1,664,040				1,664,040	2,385,070				2,385,070
Annual allowance to CATIE	7	1,000,000				1,000,000	1,000,000				1,000,000
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)		177,497				177,497	199,999				199,999
Miscellaneous		567,000				567,000	609,725				609,725
<b>Sub-total of expenses related to quota budget and Working Subfund</b>		<u>27,102,779</u>				<u>27,102,779</u>	<u>28,350,127</u>				<u>28,350,127</u>
Temporarily restricted funds assets released from restrictions	1f				206,313,881	206,313,881				180,450,234	180,450,234
Disbursements financed with funds from the Institutional Net Rate (INR)	5			11,372,623		11,372,623			10,034,156		10,034,156
<b>Total expenses</b>		<u>27,102,779</u>		<u>11,372,623</u>	<u>206,313,881</u>	<u>244,789,283</u>	<u>28,350,127</u>		<u>10,034,156</u>	<u>180,450,234</u>	<u>218,834,517</u>
Increase (decrease) in unrestricted net assets for the year, before excluding net expenses capitalized as property, furniture and equipment and including depreciation of the year		125,037	2,936,902	(983,880)		2,078,059	(1,182,555)	2,955,995	(583,256)		1,190,184
Exclusion of net capitalized expenses as property, furniture and equipment		982,353				982,353	1,572,379				1,572,379
Prior period adjustments							(33,786)				(33,786)
Increase in unrestricted net assets for the year, before including depreciation of the year		1,107,390	2,936,902	(983,880)		3,060,412	356,038	2,955,995	(583,256)		2,728,777
Inclusion of depreciation of the year		(1,100,313)				(1,100,313)	(946,454)				(946,454)
<b>Increase (decrease) in unrestricted net assets</b>		<u>US\$ 7,077</u>	<u>US\$2,936,902</u>	<u>US\$ (983,880)</u>	<u>US\$</u>	<u>US\$ 1,960,099</u>	<u>US\$ (590,416)</u>	<u>US\$2,955,995</u>	<u>US\$ (583,256)</u>	<u>US\$</u>	<u>US\$ 1,782,323</u>

See accompanying notes to the financial statements.

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

### STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2008 AND 2007

(Stated in United States Dollars)

	NET ASSETS							
	Regular Fund		Unrestricted	Institutional	Fixed Assets	Temporarily	Permanently	Total
	General Subfund	Working Subfund	Miscellaneous Income Fund	Net Rate Fund	Fund	Trust Funds	Land	
BALANCE AT DECEMBER 31, 2006	US\$ 6,046,162	US\$4,075,136	US\$ 4,880,183	US\$4,844,606	US\$2,669,319	US\$ 62,751,169	US\$8,713,171	US\$ 93,979,746
Restricted contributions received from donors						195,007,620		195,007,620
Net assets released from restrictions						(180,450,234)		(180,450,234)
Increase (decrease) in unrestricted net assets for the year	356,038		2,955,995	(583,256)	(946,454)			1,782,323
Prior period adjustments	33,786			39,985	(33,786)			39,985
Capitalization of net disbursements as property, furniture and equipment	(1,572,379)				1,572,379			
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors						(1,097,411)		(1,097,411)
BALANCE AT DECEMBER 31, 2007	4,863,607	4,075,136	7,836,178	4,301,335	3,261,458	76,211,144	8,713,171	109,262,029
Restricted contributions received from donors						196,952,657		196,952,657
Net assets released from restrictions						(206,313,881)		(206,313,881)
Increase (decrease) in unrestricted net assets for the year	1,107,390		2,936,902	(983,880)	(1,100,313)			1,960,099
Prior period adjustments				50,077				50,077
Capitalization of net disbursements as property, furniture and equipment	(982,353)				982,353			
Transfer from the General Subfund to the Working Subfund	(9,036)	9,036						
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors						(123,602)		(123,602)
BALANCE AT DECEMBER 31, 2008	<u>US\$ 4,979,608</u>	<u>US\$4,084,172</u>	<u>US\$10,773,080</u>	<u>US\$3,367,532</u>	<u>US\$3,143,498</u>	<u>US\$ 66,726,318</u>	<u>US\$8,713,171</u>	<u>US\$ 101,787,379</u>

See accompanying notes to the financial statements.

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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(Stated in United States Dollars)

	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES:</b>		
Increase in unrestricted net assets	US\$ 1,960,099	US\$ 1,782,323
Plus: Items not requiring cash:		
Prior period adjustments	50,077	73,771
Depreciation	1,100,313	946,454
Cash provided by (used in) changes in:		
Quotas receivable from Member States	3,589,901	6,446,648
Other receivables	1,321,551	484,670
Inventories	(12,385)	(3,951)
Prepaid expenses	42,035	(743,312)
Other assets	15,437	(6,098)
Accounts payable and accrued expenses	2,033,448	158,465
Purchase commitments	(298,702)	435,263
Other accruals	16,774	(1,888)
Provisions	<u>240,232</u>	<u>1,033,360</u>
Net cash provided by operating activities	<u>10,058,780</u>	<u>10,605,705</u>
<b>INVESTING ACTIVITIES:</b>		
Additions to furniture and equipment	(1,377,022)	(1,617,123)
Disposal of furniture and equipment	<u>394,669</u>	<u>44,744</u>
Net cash used in investing activities	<u>(982,353)</u>	<u>(1,572,379)</u>
<b>FINANCING ACTIVITIES:</b>		
Restricted contributions received from donors	196,952,657	195,007,620
Disbursements made in the execution of trust funds	<u>(206,313,881)</u>	<u>(180,450,234)</u>
Net cash provided by (used in) financing activities	<u>(9,361,224)</u>	<u>14,557,386</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(284,797)	23,590,712
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>104,818,257</u>	<u>81,227,545</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>US\$ 104,533,460</u>	<u>US\$ 104,818,257</u>

See accompanying notes to the financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007 (Stated in United States Dollars)

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### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of Presentation*** - The Inter-American Institute for Cooperation on Agriculture (IICA), formerly the Interamerican Institute of Agricultural Sciences, was established on October 7, 1942 pursuant to an initiative of the Organization of American States (OAS) in the District of Columbia, United States of America for an indefinite term. IICA is an autonomous international legal entity of Inter-American scope, whose main objective is to stimulate, promote, and support the efforts of the Member States to achieve agricultural development and rural well-being. Its regulations and operating procedures currently in use were approved at the First Ordinary Meeting of the Inter-American Board of Agriculture, held in August 1981 in Argentina.

IICA has the following formal authority structures:

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

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

- b. ***Accounting Policies and Funds Managed*** - The financial statements were prepared in conformity with the accounting policies adopted by the IABA, and are presented according to the American Institute of Certified Public Accountants (AICPA)'s fund accounting policies for not-for-profit organizations. Funds managed by IICA are classified in the accompanying financial statements, according to the accounting policies established by IICA, as Unrestricted Funds, Temporarily Restricted Funds, and Permanently Restricted Funds. Additionally, such funds are classified according to their source and purpose, as follows:

#### UNRESTRICTED FUNDS

- i. ***Regular Fund:*** This fund is comprised of two subfunds:
  - **General Subfund** - Activities of this subfund are mainly financed by mandatory contributions from Member States, as established by IABA, based on the quota computation system of the Organization of American States (OAS). In addition, the miscellaneous income is recorded in this

fund, unless the IABA or the Executive Committee has approved it for specific purposes. The purpose of the General Subfund is to finance execution of the regular activities planned and budgeted by IICA, including administration and management.

- **Working Subfund** - The purpose of this subfund is to ensure the normal financial operation of IICA. According to Article 89 of the Rules of the General Directorate, the subfund balance shall not exceed 15% of annual quotas approved for the corresponding fiscal year, unless otherwise decided by IABA or the Executive Committee. This fund is constituted by the proceeds from the balances of uncommitted appropriations financed by quotas outstanding at each fiscal year-end and by additional funds specifically assigned by IABA or the Executive Committee.
- ii. **Fixed Assets Fund** - The Fixed Assets Fund is used by IICA to control unrestricted property, furniture and equipment, which have been either acquired with resources from the Regular Fund and the Institutional Net Rate (INR) Fund or donated thereto by a national or international organization. The balance of the Fixed Assets Fund represents the carrying value, net of depreciation, of fixed assets owned by IICA, except for land with permanent use restrictions.
- iii. **Institutional Net Rate (INR) Fund** - The objective of this Fund is to finance additional costs incurred by IICA, in the execution of contracts, agreements, and grants subscribed by donors (Member States, international organizations, and others) for specific purposes and to contribute to the Institute's pre-investment activities. The Institutional Net Rate Fund balance is comprised of the recovery of Institutional Net Rate (INR) in the management of projects executed by IICA with external resources.
- iv. **Miscellaneous Income Fund** - This fund was created by the IABA through resolution IICA/IABA/Res.400 (XII-O/03) dated November 13, 2003, with the purpose of covering immediate financial needs of IICA. The Miscellaneous Income Fund is comprised of the balance of those proceeds from the General Subfund that are not committed in the Regular Fund budget at the end of the fiscal year in which they were received.

#### **TEMPORARILY RESTRICTED FUNDS**

- i. **Trust Funds** - The Trust Funds have been established according to contracts, agreements, and grants subscribed by donors (Member States, international organizations, and others) for specific purposes. For control purposes, separate records are maintained to account for income and expenses related to those funds. Moreover, financial resources pertaining to some funds are managed through separate bank accounts according to the agreement terms executed by IICA and the donors.



## **PERMANENTLY RESTRICTED FUND - LAND**

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

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

- **Regular Fund** - On July 27, 2007, through Resolution IICA/IABA/ Res.433 (XIV-O/07), and on September 1, 2005, through Resolution IICA/IABA/ Res.416 (XIII-O/05), IABA approved the 2008 and 2007 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting in 2008 to US\$27,227,816 and US\$4,100,000, respectively and amounting in 2007 to US\$27,167,572 and US\$2,832,428, respectively.

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

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

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

- **Special Budget** - Through resolution IICA/IABA/Res.434 (XIV-O/07) dated July 27, 2007, IABA approved a special budget allocation of US\$1,000,000 for the period 2008-2009, financed through the funds received by the General Subfund from overdue quotas collected by IICA.

Through resolution IICA/IABA/Res.417 (XIII-O/05) dated September 1, 2005, IABA approved a special budget of US\$2,609,000 for the biennium 2006-2007, financed by the General Subfund through resources obtained from collection of overdue quotas.

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

d. **Monetary Unit and Foreign Exchange Transactions** - The accounting records of IICA are kept in United States Dollars (US\$) and the financial statements are expressed in such currency. Assets and liabilities in currencies of the countries where IICA's activities are developed are translated into U.S. Dollars primarily at official

exchange rates in effect in each country. Transactions in such currencies are translated into U.S. Dollars using monthly average exchange rates. When determining its financial position and results of activities, IICA values and adjusts the balances of assets and liabilities that are recoverable or payable in the local currency of countries where activities are developed. The resulting differences are applied to the results of the period in which they are incurred.

- e. **Cash and Cash Equivalents** - Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
- f. **Due from Regular Fund and Temporarily Restricted Net Assets** - Funds contributed by institutions and Member States (donors) to establish Trust Funds for executing contracts, agreements, and grants are recorded as restricted contributions received from donors within temporarily restricted net assets. As the funds are used in the agreed-upon activities, IICA recognizes simultaneously an income for funds released from restrictions and an expense of Trust Funds in the Statement of Activities of Unrestricted Net Assets. Generally, funds received from donors to execute contracts, agreements, and grants are managed by IICA as part of current assets of the Regular Fund. To identify the portion of funds corresponding to resources received from donors, an asset account entitled “Due from Regular Fund to Trust Funds” is included.

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

- g. **Inventories** - Inventories are composed primarily of office supplies stated at average cost, which does not exceed market value.
- h. **Allowance for Doubtful Accounts** - According to IICA/IABA/Res.109 (III-E/86) dated October 28, 1986, IICA adopted the policy of recording an allowance for doubtful accounts.
- i. **Property, Furniture, and Equipment** - IICA has adopted the policy of charging the amounts disbursed and/or committed for the acquisition of fixed assets to current period expenses, and, subsequently, capitalizing those amounts in the Fixed Assets Fund. Such capitalization is recorded at original acquisition cost of the asset or the market value in effect at the donation date, if they are donated. Minor repairs and maintenance expenses are charged to results of the annual activities. Such practice enables IICA to compare expenditures with annual budgeted amounts for the acquisition of fixed assets and, at the same time, to present such amounts as capitalized assets in the statement of financial position.
- j. **Accumulated Depreciation** - The historical cost of fixed assets is depreciated over the estimated useful lives using the straight-line method.

- k. **Provisions** - According to the organization's regulations, in case of resignation or dismissal, IICA pays expenses for transfer, repatriation and recognition of years of service of international professional personnel. Such expenses are computed based on years of service of each official and the number of his/her dependents. Likewise, the national personnel may be entitled to recognition of years of service once they leave IICA, except in those countries where local laws require either payment of fourteen or more salaries per year, or payment of severance equal to half or more of monthly salaries per year of service, in the event of voluntary or involuntary departure.

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

- l. **Purchase Commitments** - In conformity with the Rules of the General Directorate and its Financial Regulations, IICA follows the practice of recognizing a liability in its financial statements for those commitments assumed to acquire goods and services not yet received at year-end.
- m. **Net Assets - Restricted and Unrestricted Funds** - Since 1995, IICA adopted the accounting standards contained in the Statement of Financial Accounting Standards (SFAS) No.116 and 117. In accordance with those standards, IICA records contributions received from donors for specific purposes, as well as any income generated by such contributions, as Net Assets-Temporarily Restricted Funds. The balance of each Temporarily Restricted Fund decreases when available resources are used for established purposes, and is disclosed as "net assets released from restrictions" in the Statement of Changes in Net Assets and in the Statement of Activities of Unrestricted Net Assets.

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

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

## 2. RESTRICTED CASH

Cash in banks at December 31, 2008 and 2007 includes funds held in separate bank accounts of US\$34,436,731 and US\$41,415,194, 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:

	<b>2008</b>	<b>2007</b>
In Argentinean pesos:		
Time deposits, interest of 16% per annum (2007: 7% and 13% per annum)	US\$ 105,707	US\$ 811,845
In Mexican pesos:		
Money market funds, interest of 1.55% per annum (2007: 2.1% per annum)	3,568,307	4,073,876
In Brazilian reais:		
Overnight deposits, interest of 0.70% per annum		10,781,705
Money market funds, interest between 12.1% and 14.4% per annum (2007: 9.37% and 11.66% per annum)	17,267,600	2,348,100
In Peruvian soles:		
Time deposits, interest of 5.12% per annum		4,838,710
In Chilean pesos:		
Money market funds, interest of 6.78% per annum (2007: 4.71% and 5.68% per annum)	151,610	107,464
In US dollars:		
Overnight deposits, interest of 0.09% per annum (2007: 2.35% per annum)	3,741,442	246,837
Time deposits and mutual funds, interest between 0.45% and 3.82% per annum (2007: 0.55% and 4.93% per annum)	<u>38,285,695</u>	<u>34,373,074</u>
Total	<u>US\$63,120,361</u>	<u>US\$57,581,611</u>

As of December 31, 2008 and 2007, cash equivalents of US\$24,344,141 and US\$23,973,688, respectively, are restricted to cover expenditures of contracts signed by IICA and the respective donors.

As of December 31, 2008, approximately 60% of the cash equivalents were placed with Bank of America, one of the largest banks of the United States of America. The remaining 40% was primarily placed with leading banks in Brazil, Mexico and Ecuador.

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

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

	<b>2008</b>	<b>2007</b>
Unrestricted:		
Buildings (25 years)	US\$ 5,205,177	US\$ 5,205,177
Vehicles (4 years)	2,557,334	2,250,512
Furniture and equipment (3, 4, 5 and 10 years)	<u>5,622,737</u>	<u>5,214,434</u>
Total unrestricted fixed assets	13,385,248	12,670,123
Less: Accumulated depreciation	<u>(10,241,750)</u>	<u>(9,408,665)</u>
Total unrestricted fixed assets - net	3,143,498	3,261,458
Permanently restricted - land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$11,856,669</u>	<u>US\$11,974,629</u>

Property, furniture and equipment do not include fixed assets acquired with resources from special funds (Trust Funds), since such disbursements are considered expenditures related to the execution of specific agreements related to those funds. However, in accordance with the provisions of each agreement, when assets are donated, exchanged, or sold to IICA, they are recognized in the accounting records as part of the Fixed Assets Fund.

Land located in Costa Rica (San Isidro de Coronado, Turrialba and Limón) was donated to IICA by the Government of Costa Rica. However, once IICA concludes its official mission or terminates its functions in Costa Rica, this property and any improvements thereto shall be returned to the Government of Costa Rica. Income capitalized for this donation is shown in the financial statements of IICA as part of Net Assets - Permanently Restricted Funds. Throughout the years, IICA has built several administrative facilities and related infrastructure on the properties donated by the Government of Costa Rica. These improvements to donated properties have no restrictions of use and are being amortized over their estimated useful lives. As of December 31, 2008, the net book value of such assets is US\$639,078 (2007: US\$822,755).

According to an agreement subscribed between the Government of Costa Rica and IICA, the Tropical Agricultural Research and Training Center (CATIE) was granted usufruct rights to land and buildings located in Turrialba and Limón, Costa Rica.

#### 5. INCOME AND EXPENSES RELATED TO INSTITUTIONAL NET RATE (INR)

On October 13, 1997, through Resolution IICA/IABA/Res.310 (IX-O/97), the Inter-American Board of Agriculture agreed to establish the Institutional Net Rate (INR) Fund. The purpose of this fund is to finance the additional costs incurred by the Institute in the execution of these contracts and to contribute to the institutional pre-investment activities.

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

	<b>2008</b>	<b>2007</b>
Income:		
Ministry of Agriculture, Livestock, and Food - (MAGA) - Guatemala	US\$ 1,447,541	US\$ 1,923,656
Ministry of Agriculture and Rural Development - Colombia	3,267,327	1,731,157
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	342,463	372,257
Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - Organization, Training, Technical Assistance and Research Project - Mexico	1,764,287	2,070,712
Ministry of Livestock Development- Panama	50,551	112,584
Ministry of Agriculture - Peru	320,435	97,588
Government of the United States of America	425,466	90,691
Ministry of Agriculture, Livestock and Procurement - Brazil	206,705	
Secretariat of Hydro - Infrastructure of the Ministry of National Integration - Brazil	511,372	866,848
Ministry of Agrarian Development - Brazil	793,882	689,421
Secretariat of Agriculture and Livestock-Honduras	645,286	534,258
Other institutions	<u>613,428</u>	<u>961,728</u>
Total	<u>US\$10,388,743</u>	<u>US\$ 9,450,900</u>
Expenses:		
International professional personnel costs	US\$ 1,200,730	US\$ 1,480,823
Local personnel costs	4,751,819	3,795,455
Training	653,010	339,226
Official travel	415,222	356,836
Documents and supplies	227,198	275,509
Acquisition and/or rental of assets and other	567,050	754,288
Maintenance, communications and general services	1,226,631	1,247,003
Service contracts and transfers	2,209,613	1,675,719
Other costs	<u>121,350</u>	<u>109,297</u>
Total	<u>US\$11,372,623</u>	<u>US\$10,034,156</u>

## 6. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	<b>2008</b>	<b>2007</b>
Revenues:		
Interest earned from cash equivalents	US\$5,322,058	US\$4,603,592
Proceeds from equipment sales	158,105	117,515
Purchase discounts	1,147,796	1,305,037
Book sales commission	1,987	2,558
Sales of services	81,553	134,700
Other	511,048	496,172
Miscellaneous	<u>35,504</u>	<u>22,938</u>
Total revenues from commercial and miscellaneous income	<u>7,258,051</u>	<u>6,682,512</u>
Expenses:		
Local personnel costs	951,274	605,547
Training	202,425	46,726
Official travel	436,908	44,100
Documents and supplies	316,459	137,410
Acquisition and/or rental of assets and other	374,714	340,153
Maintenance, communications and general services	976,537	506,371
Service contracts and transfers	690,369	1,086,711
Other costs	<u>143,903</u>	<u>143,094</u>
Sub-total	4,092,589	2,910,112
Exchange losses - Net	<u>228,560</u>	<u>816,405</u>
Total expenses from commercial and miscellaneous activities	<u>4,321,149</u>	<u>3,726,517</u>
Excess of income over expenses	<u>US\$2,936,902</u>	<u>US\$2,955,995</u>

## 7. TROPICAL AGRICULTURE RESEARCH AND TRAINING CENTER (CATIE)

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

- a. The Inter-American Board of Agriculture will be the superior governing body of CATIE.
- b. CATIE's members (partners) may be regular or special. The regular members will be IICA, the Government of Costa Rica, and the Governments of the remaining member countries of IICA, which incorporate into CATIE via acceptance of the Contract. Special members will include international governmental and non-governmental organizations, international centers, and private organizations with similar purposes as those of CATIE.

- c. IICA will contribute up to a maximum of 5% of IICA's quotas budget to CATIE's basic budget. The use of those contributions may be subject to an audit by IICA, when considered necessary. Each member country of CATIE will annually contribute US\$50,000 to cover CATIE's expenses.
- d. The new agreement will be for a 20-year period, effective from its enacting date, and may be renewed for equal consecutive terms.
- e. CATIE is entitled to the following: i) usufruct rights to land, buildings, equipment, and other property contributed by IICA, plus improvements thereto, during the entire term of the contract, and ii) all assets CATIE has acquired or will acquire in the future.
- f. Upon termination of the contract, all usufruct property as well as improvements thereto, will be returned to IICA. The remaining assets will be distributed between IICA, the Government of Costa Rica, and regular active members based on quotas paid.

During the years ended December 31, 2008 and 2007, IICA contributed to CATIE US\$1,000,000 per annum in accordance with the approved allocation in the Program Budget.

## **8. DISBURSEMENTS SUBJECT TO APPROVAL**

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

As of December 31, 2008, management of IICA is not aware of any expenses not yet reimbursed, that would have been questioned or disallowed by the respective donors.

## **9. TAXES**

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

## **10. INACTIVE FUNDS**

The Inter-American Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2008 these funds have not received yet any contributions and therefore, remain inactive.



- i. ***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.

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

## 11. CONTINGENCIES

As of December 31, 2008, there are various litigation cases in which IICA is a party, filed through its Offices. These litigations are primarily commercial and/or labor lawsuits, are in different procedural stages, and the amounts claimed are approximately US\$558,000, in the aggregate.

The legal advisors of IICA believe that no material liability will result from these legal proceedings. Nevertheless, the financial statements of IICA for the year ended December 31, 2008, include a provision to cover potential losses from the mentioned litigations.

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

**SUPPLEMENTARY FINANCIAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2008**

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### **EXHIBIT**

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2. Quota 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, 2008**

(Stated in United States Dollars)

Country	Uncollected Quotas at Beginning of Year	Quotas for the Year	Quotas Collected During the Year			Uncollected Quotas at Year-End			Years Owing
			Prior Years	Current Year	Total	Prior Years	Current Year	Total	
Antigua & Barbuda	US\$ 5,502	US\$ 6,602	US\$ 5,502	US\$ 7,100	US\$ 12,602		US\$ (498)	US\$ (498)	
Argentina	1,350,619	1,177,922	1,350,619	1,177,922	2,528,541				
Bahamas	(12,245)	23,108		10,863	10,863				
Barbados		22,007		22,007	22,007				
Belize		7,152		7,152	7,152				
Bolivia	19,256	16,505	16,505		16,505	US\$ 2,751	16,505	19,256	1.17
Brazil	3,328,051	2,097,812	3,328,050	174,727	3,502,777	1	1,923,085	1,923,086	0.92
Canada		3,785,469		3,785,469	3,785,469				
Colombia		221,995		221,995	221,995				
Costa Rica	36,808	41,263	22,502		22,502	14,306	41,263	55,569	1.35
Chile		305,897		148,547	148,547		157,350	157,350	0.51
Dominica	9,099	4,676	9,099	4,676	13,775				
Dominican Republic	47,803	45,389	45,389		45,389	2,414	45,389	47,803	1.05
Ecuador		45,389		45,389	45,389				
El Salvador		23,107		23,107	23,107				
Grenada		6,052		6,052	6,052				
Guatemala	(1,650)	41,264		33,447	33,447		6,167	6,167	0.15
Guyana	(338)	6,052		5,518	5,518		196	196	0.03
Haiti	19,256	16,505	16,505		16,505	2,751	16,505	19,256	1.17
Honduras	(6)	16,505		16,499	16,499				
Jamaica		44,839		44,839	44,839				
Mexico		1,791,640		1,791,640	1,791,640				
Nicaragua	161,874	16,505	134,207		134,207	27,667	16,505	44,172	2.68
Panama	(122)	35,762		35,823	35,823		(183)	(183)	
Paraguay	46,995	45,389	46,995	47,091	94,086		(1,702)	(1,702)	
Peru	789,502	121,863	789,502	121,863	911,365				
Saint Kitts & Nevis		6,052					6,052	6,052	1.00
Saint Lucia		6,602		6,602	6,602				
Saint Vincent & the Grenadines	(5,502)	6,052		550	550				
Suriname		16,505		16,505	16,505				
Trinidad & Tobago		49,516		49,516	49,516				
United States of America		16,359,412		16,359,412	16,359,412				
Uruguay	71,523	61,345	71,523	61,345	132,868				
Venezuela		755,663		755,663	755,663				
<b>Total</b>	<u>US\$5,866,425</u>	<u>US\$27,227,816</u>	<u>US\$5,836,398</u>	<u>US\$24,981,319</u>	<u>US\$30,817,717</u>	<u>US\$49,890</u>	<u>US\$2,226,634</u>	<u>US\$2,276,524</u>	

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

**QUOTA BUDGET AND EXPENSES BY CHAPTER**

**YEAR ENDED DECEMBER 31, 2008**

(Stated in United States Dollars)

	Budget	Expenses	(Over) Under Execution	
			Absolute	Percentage
<b>CHAPTER 1: DIRECT TECHNICAL COOPERATION SERVICES</b>				
Trade and the competitiveness of agribusiness	US\$ 6,092,659	US\$ 6,086,266	US\$ 6,393	99.90%
Technology and innovation	5,462,410	5,374,558	87,852	98.39%
Agricultural health and food safety	5,094,625	5,051,810	42,815	99.16%
Development of rural communities	3,687,255	3,686,813	442	99.99%
Sustainable management of natural resources and the environment	1,792,843	1,782,308	10,535	99.41%
Repositioning of agriculture and rural life and renewal of their institutional framework	<u>2,220,764</u>	<u>2,214,900</u>	<u>5,864</u>	<u>99.74%</u>
Total Chapter 1	<u>24,350,556</u>	<u>24,196,655</u>	<u>153,901</u>	<u>99.37%</u>
<b>CHAPTER 2: MANAGEMENT COSTS</b>				
Office of the Director General	629,041	627,179	1,862	99.70%
Directorate of Administration and Finance	<u>663,477</u>	<u>608,262</u>	<u>55,215</u>	<u>91.68%</u>
Total Chapter 2	<u>1,292,518</u>	<u>1,235,441</u>	<u>57,077</u>	<u>95.58%</u>
<b>CHAPTER 3: GENERAL COSTS AND PROVISIONS</b>				
Governing Bodies	400,000	358,415	41,585	89.60%
Insurance	320,000	362,232	(42,232)	113.20%
Pensions	262,650	269,058	(6,408)	102.44%
OAS Administrative Tribunal	25,000	24,051	949	96.20%
External audit	<u>95,500</u>	<u>81,850</u>	<u>13,650</u>	<u>85.71%</u>
Total Chapter 3	<u>1,103,150</u>	<u>1,095,606</u>	<u>7,544</u>	<u>99.32%</u>
<b>CHAPTER 4: RENEWAL OF INFRASTRUCTURE AND EQUIPMENT</b>				
Renewal of infrastructure and equipment	<u>481,592</u>	<u>459,392</u>	<u>22,200</u>	<u>95.39%</u>
Total Chapter 4	<u>481,592</u>	<u>459,392</u>	<u>22,200</u>	<u>95.39%</u>
Total	<u>US\$27,227,816</u>	<u>US\$26,987,094</u>	<u>US\$240,722</u>	<u>99.12%</u>

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

### EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE YEAR ENDED DECEMBER 31, 2008

(Stated in United States Dollars)

Source	Amount
<b>a. Member States</b>	
Argentina	US\$ 5,392,267
Bolivia	40,735
Brazil	25,241,238
Canada	49,620
Colombia	80,183,537
Costa Rica	638,828
Chile	256,779
Dominican Republic	223,240
Ecuador	1,251,651
El Salvador	1,038,266
Guatemala	31,591,104
Haiti	83,111
Honduras	15,551,498
Jamaica	65,782
Mexico	24,642,316
Nicaragua	64,797
Panama	2,537,768
Paraguay	1,674,709
Peru	6,669,612
Saint Lucia	65,889
United States of America	1,483,561
Uruguay	983,933
Venezuela	<u>254,142</u>
Sub-total - Member States	<u>199,984,383</u>
<b>b. Other Institutions and Governments</b>	
Andean Development Corporation	69,995
Austrian Development Agency	527,690
Austrian Organization for Development and Cooperation	93,301
Biotechnology Industry Organization	26,364
Canadian International Development Agency	263,085
Commission of European Communities	301,777
Department of Territories, Environment and Actors	139,918
Food and Agriculture Organization of the United Nations	72,098

(Continued)

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

### EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE YEAR ENDED DECEMBER 31, 2008

(Stated in United States Dollars)

Source	Amount
Global Forum On Agricultural Research	US\$ 23,724
Inter-American Development Bank	144,432
International Center for Forestry Research	277,933
International Coffee Organization	147,995
International Organization for Migration	22,468
Market Information Organization of the Americas	128,900
Pan American Environmental Foundation	23,946
Partners of the Americas	22,040
Southern Common Market	180,573
Spanish Agency for International Cooperation	663,062
Swiss Agency for Development and Cooperation	1,001,068
Technical Center for Agriculture and Rural Cooperation - Holland	216,213
The Travel Foundation Tobago	51,970
W.K. Kellogg Foundation	92,399
World Bank	1,554,499
World Cocoa Foundation	48,632
World Wildlife Fund	150,787
Others	<u>84,629</u>
Sub-total - Other Institutions and Governments	<u>6,329,498</u>
Grand total	<u>US\$206,313,881</u>

(Concluded)

\* \* \* \* \*