



Consultative Group on International Agricultural Research (CGIAR)

CGIAR ACCOUNTING POLICIES AND REPORTING PRACTICES MANUAL

FINANCIAL GUIDELINES SERIES, No. 2

Revised March 1999

Financial Guidelines Series

- No.1 CGIAR Financial Management (Revised 1999)
- No.2 CGIAR Accounting Policies and Reporting Practices Manual
(Revised 1999)
- No. 3 CGIAR Auditing Guidelines Manual (Revised 1995)
- No. 4 CGIAR Resource Allocation: Developing and Financing the CGIAR
Research Agenda (Revised 1998)

These policy guidelines have been prepared by the CGIAR Secretariat to assist the International Agricultural Research Centers supported by the Consultative Group on International Agricultural Research. Each IARC is encouraged to draw up its own policies and procedures manuals for its internal use.

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I. INTRODUCTION

This Accounting policies and reporting practices manual provides guidelines to all CGIAR centers in preparing their financial statements to be issued for fiscal years beginning January 1, 2000, with earlier application encouraged. This manual supersedes the September 1993 Accounting Policies and Reporting Practices.

This manual was the result of a series of benchmarking exercise among international accounting standards (IAS), US generally accepted accounting standards (US GAAP) applicable to not-for-profit organizations (NPOs) and CGIAR accounting standards and practices currently in use.

It is the objective of the manual to develop a standard set of accounting policies and reporting practices which will address to the extent possible the differences in the accounting standards and conventions followed in the various countries where a CGIAR center operates.

Given the international status of the centers and the unique situations of some centers, the manual followed internationally accepted accounting standards which are generally applicable to business enterprises to govern normal accounts like cash and cash equivalents, receivables, inventories, property and equipment, liabilities, etc.

However, with the recent developments in accounting standards in the US for not-for-profit organizations in 1997, the review team chose to align the CGIAR accounting standards on net assets accounting, investments and financial statement presentation and disclosures with the more persuasive provisions of the new US GAAP for not-for-profit organizations, specifically, FAS 116 (Accounting for Contributions Received and Made), FAS 117 (Financial Statements of Not-for-Profit Organizations) and FAS 124 (Accounting for Certain Investments held by Not-for-Profit Organizations).

By combining relevant IAS and US GAAP provisions in the manual, the newly developed accounting policies and reporting practices aim to eliminate the confusion in the treatment of certain accounts and loose definition of terms. The new manual also promote consistency in the treatment of accounting and segregation of financial accounts from management accounts.

Several concepts are introduced or discontinued in this manual, to wit:

a. Net assets accounting

Net assets are defined as residual balances of total assets minus liabilities. By consistently referring to net assets instead of fund balances in the financial statements, the misconception that funds are indications of cash amounts owned by the centers and not just rights to other assets like receivables, property and equipment or prepayments is corrected. Net assets are classified as unrestricted, temporarily and permanently restricted net assets.

- b. Capital funds and related accounts
These accounts were believed to be management accounts in nature. Hence, from a purely financial perspective the use of such accounts was discontinued. Instead, the amount previously classified as capital invested in fixed assets and related accounts in the 1993 manual forms part of unrestricted net assets of the centers.
- c. No asset, no depreciation policy
Only property and equipment which are acquired (with title passing to the center) or transferred to the centers via donation will be capitalized and subjected to depreciation.
- d. Assets purchased from restricted grants
If title to assets purchased from restricted grants has not passed to the centers, such purchases are outright expensed as in the existing practice. Note disclosure of the accumulated value of assets in custody is required, if material.
- e. Grants vs. Contributions
The concept of contributions or unconditional promise to give was introduced in the new set of US GAAP for not-for-profit organizations. Grants are considered exchange transactions under the US GAAP for not for profit organization while contributions are not. The method of revenue recognition for contributions follows the provisions of US GAAP while IAS governs revenue recognition for exchange transactions or grants. However, due to the rare occurrence of contributions and the widely expressed view that it rarely arise in the normal course of business in the CGIAR environment, it was deemed proper to disregard the concept of contributions in this manual. Should contribution transactions arise in the future, reference should be made to FAS 116 of the US GAAP.
- f. Expenses
Management and general expenses other than program related expenses are presented as decreases in unrestricted net assets in the statement of activity. Program related expenses are matched against project revenues in the year incurred in the statement of activity. These are presented as decreases to restricted net assets (temporary or permanent).

A special section on transitory provisions is included in Section XVIII of the manual to assist centers in aligning their current accounting systems to conform with the new policies and reporting practices provided herein. Sample accounting entries (Annex I) and financial statement presentation and disclosures (Appendices I – IV) are likewise included for the centers' convenience.

While there is no hard and fast rule on the frequency of update of these policies and reporting practices to conform to new releases of international accounting pronouncements peculiar to NPOs, CGIAR Secretariat takes responsibility to convene a special body to spearhead such reviews on a timely basis.

II. AXIOMS FOR DEFINING ACCOUNTING SYSTEMS

Generally accepted accounting principles are based on six major axioms relating to the environment in which transactions take place. These axioms provide the underlying basis for an accounting system, and they are as follows:

a. Economic entity

1. This assumes that an economic activity can be identified with a particular unit of accountability. It means that financial transactions can be related to a specific operating activity. Without this assumption there would be no basis for accountability because transactions could not be separated from a multitude of producers.
2. In the CGIAR context, this provides the basis for distinguishing the transactions relating to centers within the CGIAR system. It also provides a rationale for financial reporting by type of activity (e.g. research, training, etc.) and by type of funding (e.g. unrestricted grant, permanently or temporarily restricted grant).

b. Going concern

1. This assumes that the activities of centers within the CGIAR system are not of a short-term nature.
2. The “going concern” concept – and the longer – than – shorter term activity it implies – has implications for the accounting policies adopted, including accruals, contingencies, and historical cost.
3. The concept, however, does not imply that the activities or entities are indefinite in nature, which is important in the CGIAR framework.

c. Monetary unit

1. This assumes money is the common denominator by which economic activity is conducted, and that the monetary unit provides an appropriate basis for measurement and analysis.
2. The unit of account for the CGIAR is the US dollar.
3. The axiom is also important in inflationary environments because in those cases monetary units of different years may not be appropriate bases for comparison across years.

d. Periodicity

1. This assumes that the activities and, therefore, the financial flows of an entity, can be divided into any chosen time period.
2. Financial statements of CGIAR centers are prepared for an annual calendar year.

e. Accounting Equation (Assets = Liabilities + Net assets)

1. This assumes that the results of the center's activities are measured through its assets, liabilities and net assets and the changes thereof over a given period.
2. The concept implies that the assets, liabilities and net assets appearing in the financial statements are owned and recognized by the centers or has legal title to them.

f. Exchange transactions

1. Exchange transactions include grants and other transactions affecting the changes in assets, liabilities or net assets. Exchange transactions are presumed to be for an approximately equal value or reciprocal amounts.

III. PRINCIPLES FOR RECORDING FINANCIAL TRANSACTIONS

1. Historical cost and fair value concepts

- a. In general, transactions should be recorded at historical cost, i.e. the exchange price on the date of the transactions. However, grants in kind received by the centers such as property and equipment or services received on behalf of donors should be recorded at fair values of the asset on the date of transaction or actual fees paid by donors for such services, respectively. Fair value is defined as the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Prevailing market prices are also used to determine fair value.

2. Accrual

- a. The accrual basis of accounting, as defined by GAAP, is the recognition of transactions and other events and circumstances at the time when they affect the entity rather than only when cash is received or paid.
- b. The accrual basis of accounting provides a more appropriate record of an entity's transactions over a given period of time, e.g. the cost of goods and services received during the year but not paid for by the year-end must be incorporated in the year's expenses.
- c. The financial statements of CGIAR centers are presented using the accrual basis of accounting.

3. Revenue and Expense Recognition

- a. The principle is that revenue is reported when grant conditions are met and expenses are reported as incurred even if no cash outflow has occurred.

4. Consistency

- a. Consistent accounting methods should be applied from one period to the next.

- b. This does not mean that a change in methods cannot be made. If such a change is made, it should be identified and the effect on reported results should be fully disclosed in accordance with generally accepted accounting principles.

5. Full disclosure

- a. This requires the presentation of sufficient information to permit the reader to reach an informed understanding of the financial statements.

IV. CHART OF ACCOUNTS

	Normal Debit	Balance Credit	Chapter Reference
1. STATEMENT OF FINANCIAL POSITION			
A. Assets			
1. Current Assets			V
a. Cash and cash equivalent			
1. Petty cash fund	/		
2. Cash on hand	/		
3. Cash in banks	/		
4. Short-term/ temporary placements	/		
b. Receivable			VI
1. Donors	/		
2. Employees	/		
3. Others	/		
4. Allowance for doubtful accounts		/	
c. Inventories			VII
1. Inventories on hand	/		
2. Inventories with third parties	/		
3. Inventories in transit	/		
4. Allowance for inventory obsolescence		/	
d. Prepayments			
1. Prepaid insurance	/		
2. Prepaid expenses – others	/		
e. Other current assets	/		
2. Non-current assets			
a. Property and equipment			VIII/IX
1. Physical facilities	/		
2. Accumulated depreciation – physical facilities		/	
3. Infrastructure and leasehold improvements	/		
4. Accumulated depreciation – infrastructure and leasehold improvements		/	
5. Equipment	/		
6. Accumulated depreciation – equipment		/	
b. Investments and other non-current assets	/		X

	Normal Debit	Balance Credit	Chapter Reference
B. Liabilities			XI
1. Current liabilities			
a. Bank indebtedness (overdraft)		/	
b. Accounts payable			
1. Donors payable		/	
2. Employees payable		/	
3. Other payable		/	
c. Deposits from third parties (funds in trust)		/	
d. Accruals		/	
2. Non-current liabilities			
a. Long-term loans		/	
C. Net assets			XII
1. Unrestricted		/	
2. Temporarily restricted		/	
3. Permanently restricted		/	
2. STATEMENT OF ACTIVITIES			
A. Revenues			XIII
1. Grant revenue			
a. Unrestricted		/	
b. Temporarily restricted		/	
c. Permanently restricted		/	
2. Other revenues/gains		/	XIV
B. Expenses			XV/XVI
1. Program-related expenses			
2. Management and general expenses	/		
3. Other expenses/losses	/		

Note: The above chart of accounts maybe further expanded depending on the circumstances of the respective centers.

V. CASH AND CASH EQUIVALENTS

1. NATURE OF THE ACCOUNT

- a. Cash comprises cash on hand, petty cash funds, and currencies awaiting deposits as well as local or foreign currency deposits in banks which are immediately available for use in the current operations.
- b. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

2. VALUATION

- a. Cash is valued at face value.
- b. Cash and cash equivalents in currencies other than the US dollar are recorded at market rates in effect at the time of transaction and restated to equivalent US dollar amount at prevailing market rate as of the end of the year or as of the date of the statement of financial position.

3. PRESENTATION AND DISCLOSURE

- a. The centers should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flows statement with the equivalent items in the statement of financial position.
- b. Cash grants restricted by donors to investments in property and equipment or for specific projects or to be invested permanently, should be shown under "other assets" in the statement of financial position. Cash equivalent with maturities of more than one year from the date of the statement of financial position are also classified under "other assets".
- c. Cash equivalent with maturities of more than one year from the date of the statement of financial position are also classified under "other assets".

VI. RECEIVABLES

1. NATURE AND DEFINITION

- a. Receivables are generally defined as claims held against others for the future receipt of money, goods or services.
- b. Receivables of a not-for-profit organization usually include claims from donors for grants promised which conditions have already been met; loans and advances to officers and employees; advances to other centers and claims against third parties for services rendered.

2. CLASSIFICATION OF RECEIVABLES

- a. Donor - claims from donors for grants promised or pledged provided that the conditions attached to grants have already been met; also pertains to claims from donors for expenses paid on behalf of projects in excess of grants received.
- b. Employees - advances made to officers and employees for travel, benefits, salary, loan, etc.
- c. Advances to other centers - advances made to other CGIAR centers
- d. Others - include advance payment to suppliers, consultants, and other third parties.

3. RECOGNITION PRINCIPLES

Receipt of pledges to give (promise to give) grants are recognized and recorded only when the donor imposed conditions are met.

- a. Before a pledge to give grants can be recognized as revenue, sufficient verifiable evidence should exist documenting that a promise was made by the donor and received by the center.
- b. The evidence may be included in written or verifiable oral communication.
- c. Receivables from employees are recognized as they arise and cancelled when payment is received.
- d. Advances to other centers are recognized when the cash or other assets borrowed are delivered or when payment is made for the liability of another center.
- e. Other receivables are recognized upon the occurrence of event or transaction which gives the center a legal claim against others.

4. VALUATION

- a. All receivable balances should be valued at its net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful accounts.
- b. Allowance for doubtful accounts should be provided in an amount equal to the total receivables shown or reasonably estimated to be doubtful of collection. The amount in the allowance should be based on past experiences and on continuing review of receivable aging reports and other relevant factors.
- c. When an Accounts Receivable - Donor was deemed doubtful of collection, the center shall provide an allowance for doubtful account during the year the account was deemed doubtful.
- d. **Any receivable or portion of receivable adjudged to be uncollectible should be written-off.** Write-offs of receivables should be done via allowance for doubtful accounts after all efforts to collect have been exhausted.
- e. Receivables denominated in a currency other than the US dollar are recorded at exchange rates in effect at the time of transaction. Exchange gains or losses resulting from rate fluctuations upon actual collection and from recorded receivables are credited or charged to operations.

5. PRESENTATION AND DISCLOSURE

- a. Receivables from donors should be shown as a separate line item in the statement of financial position.
- b. Employees' outstanding balances should be identified as a separate line item in the statement of financial position.

- c. Advances to other centers and other receivables, if significant in amount, should be segregated by type; otherwise, they may be grouped in one figure captioned as Accounts Receivable- Others.
- d. Receivables should be classified in the statement of financial position as current or non-current. Current receivables are those collectible within one year from the date of the statement of financial position. Non-current receivables are those collectible beyond one year.
- e. The allowance for doubtful accounts should be deducted from the related asset, the asset being shown in the statement of financial position either at:
 - 1. Gross, less the allowance; or
 - 2. Net, with the amount of the allowance indicated in the parenthetical notation.

VII. INVENTORIES

1. NATURE OF THE ACCOUNT

- a. Inventories represent materials and supplies not directly expended at the time of their purchase, such as scientific supplies, automotive parts, building materials, petroleum products, office and other general supplies.

2. VALUATION

- a. Inventories are valued at acquisition cost and charged when used. The acquisition cost includes the purchase price plus cost of freight, insurance and handling charges. Grants in kind, in the form of inventories, should be measured at fair value at the time of receipt.
- b. Inventories are stated at cost or market, whichever is lower.

3. CLASSIFICATION AS TO SOURCE

- a. CGIAR centers shall distinguish between inventories on hand, in-transit or in the possession of third parties.
- b. Inventories are classified as assets usually under the current assets section of the statement of financial position.

4. RECOGNITION POLICIES

- a. CGIAR centers may acquire inventories through exchange transactions or grants.

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximately equal value.
- b. Cost of materials and supplies returned after partial use is written down, suitably, based on technical estimation.

- c. Inventories are usually written down to the net realizable value on an item by item basis; it may also be appropriate to group similar or related items.
- d. Inventories acquired at currencies other than in US dollar shall be recorded using the exchange rate applicable at the date of transaction.
- e. The allowance for inventory obsolescence should be deducted from the related asset, the asset being shown in the statement of financial position either at:
 - 1. Gross, less the allowance; or
 - 2. Net, with the amount of the allowance indicated in the parenthetical notation.

5. PRESENTATION AND DISCLOSURE

The financial statements should disclose:

- a. The accounting policies adopted in measuring inventories, including the cost formula used.
- b. The total carrying amount of inventories and the carrying amount in the classifications as appropriate to the centers.
- c. The amount of inventories should be carried at net realizable value.
- d. The amount of any reversal of any write-down that is recognized as income in the period in accordance with recognition of inventories as expenses and the circumstances or events leading to such reversals.
- e. The carrying amount of inventories pledged as security for liabilities, if any.

VIII. PROPERTY AND EQUIPMENT

1. NATURE AND DEFINITION

- a. Property and equipment are defined as tangible assets with an estimated useful life beyond one year **and** having a cost of a minimum level set by individual centers based on specific circumstances relevant to each center. It is used in the conduct of the center's activities and are not intended for sale in the ordinary course of operations.

2. CLASSIFICATION OF PROPERTY AND EQUIPMENT

- a. Physical facilities - include research, training, administrative, housing, auxiliary facilities and their sub-systems (e.g. air conditioning, telephone systems, etc.)
- b. Infrastructure and leasehold improvements
- c. Equipment - includes farming equipment, laboratory, scientific, office, housing and auxiliary equipment, furniture, computers, vehicles, and aircraft.

3. RECOGNITION PRINCIPLES

- a. Property and equipment acquired in an exchange transaction including those granted should be recognized upon the transfer of ownership of the asset regardless of when the payment was made.
- b. Property and equipment acquired through the use of grants restricted for a certain project should not be recorded as asset but should be expensed outright.
- c. Acquisitions of property and equipment worth less than the minimum level set by individual centers shall be expensed outright.
- d. Property and equipment previously owned by a project account is recognized in the books upon termination of the project if it is expressly provided in the agreement that it will be automatically transferred to the center or the donor and the center has mutual agreement to the effect. Alternatively, a deed of donation to the center may be executed at the termination of the project in lieu of an expressed intention in the donor agreement.
- e. Facilities provided by host countries to the center are not considered contributions of property and equipment on the condition that such facilities will revert to the host country after a given period of time. [\(Please refer to Section XIV Recognition Principles \(7\) to \(9\) on Grant Revenues\)](#)
- f. Facilities constructed for the use of the centers, which will revert to the host country in the event the center ceases to operate, shall not be capitalized as property and equipment and not be subject to depreciation. [\(Please refer to Section XIV Recognition Principles \(7\) to \(9\) on Grant Revenues\)](#)

4. VALUATION

- a. The basis of valuing property and equipment acquired in an exchange transaction should be the historical cost in US dollar incurred at the time of asset acquisition.
- b. Property and equipment transferred from the project to the center should be valued at fair market value or appraised value. It is advisable that an appraisal of such asset be made prior to its transfer to the center.
- c. The cost of an item of property and equipment comprises its purchase price and all other incidental cost in bringing the asset to its working condition for its intended use.
- d. Property and equipment acquired on credit or by installment are recorded at its cash purchase price. The difference between credit and cash price, if any, should be considered as financing cost to be amortized over the credit period.
- e. The cost of self-constructed property and/or equipment would include direct cost of materials and labor as well as indirect cost and incremental overhead specifically identifiable or traceable to the construction. Financing costs that are attributed to a construction project and that are incurred up to the completion of construction are also included in the gross carrying amount of the asset to which they relate.
- f. Expenses incurred for repair of an existing property or equipment that increases the estimated life, the capacity or operating efficiency of an asset, should be

capitalized, if the amount is above the minimum level set by individual centers. Cost of normal repairs and maintenance of an existing property or equipment should be treated as a current operating expense.

5. PRESENTATION AND DISCLOSURE

- a. Property and equipment should be reflected as non-current assets.
- b. Property and equipment account should be carried at cost, or fair value, whichever is appropriate as described above, less any accumulated depreciation.
- c. Major classes of property and equipment should be disclosed in the notes to financial statements.
- d. Construction work in progress, if material in amount, should be disclosed as a separate account in the statement of financial position. If included with completed projects, the amount should be stated parenthetically or disclosed in the notes.
- e. Property and equipment which are idle shall be reclassified to other assets account and valued at their net realizable value or scrap value, whichever is more appropriate.
- f. Assets in custody, if material in amount, should be shown in the notes to the financial statements.

6. DISPOSAL OR RETIREMENT OF PROPERTY AND EQUIPMENT

- a. When property and equipment are sold, the cost as well as the accumulated depreciation should be removed from the books; any gain or loss from the sale should be charged as other gains or losses.

7. LEASES

- a. A contract of lease is an agreement between the center (as a lessee) and the lessor whereby the center is granted the right to use the property owned by the lessor for a specific period of time in consideration for certain payment in the form of rent.
- b. The two kinds of lease recognized in this manual are as follows:

1. **Operating lease** – or rental approach is the popular concept in accounting for lease. Under this concept, the periodic rental is recognized simply as expense on the part of the center. The leased property remains as asset of the lessor, and consequently, the lessor (and not the center) bears all ownership expenses such as depreciation of the leased property.

When the center prepares its financial statements, the leased property does not appear as asset on the statement of financial position. However, the amount of the annual rent, the term of the lease and other important provisions should be disclosed in the notes to financial statements.

2. **Capital lease** – or lease purchase is not a lease as popularly understood but in substance a purchase of property. Moreover, periodic depreciation on the

leased property is to be provided, and the periodic rental payment is to be treated as payment for the liability.

The lease is conceived as a purchase of an asset and, therefore, involves the recognition of an asset and the corresponding liability. Thus, when the center prepares its financial statements, the leased property and the related liability are shown in the statement of financial position

- c. In determining the appropriate treatment for the contract of lease (capital or operating lease), the AICPA under FAS 13 sets out conditions for lease contracts to be considered as capital lease. If the lease contract does not fall under any of these conditions, it should be treated as operating lease.

The lease contracts should be treated as capital lease if any of the two conditions are present:

1. The lease is noncancelable.
2. The lease contains any of the following provisions:
 - a. The lease transfers ownership of the leased asset to the lessee at the end of the lease term.
 - b. The lease has a bargain purchase option which means that the lessee has the right to purchase the leased asset for a price that is sufficiently lower than the expected fair value of the leased asset on option exercise date. If the option price is approximately equal to the expected fair value of the asset on exercise date, there is no bargain purchase option.
 - c. The lease term is at least 75% of the useful life of the leased asset.
 - d. The present value of gross rentals is at least 90 % of the fair value of the leased asset at the inception of the lease.
- d. If the lease is a capital lease, the value of the leased property to be capitalized shall be the present value of the following:
 1. Rental payment required during the lease term.
 2. Any payment under a bargain purchase option.
 3. If there is no bargain purchase option, the guaranteed residual value or the amount payable for failure to renew or extend the lease. The guaranteed residual value is the fixed amount required by the lessor for the center to purchase the asset at the termination of the lease.

The present value so determined must not exceed the fair value or sales price of the leased asset at the inception of the lease. Otherwise, such fair value or sales price should be capitalized as cost of the asset on the part of the center.

- e. Contingent rentals and executory costs are not included in the minimum lease payment. Such executory costs are treated as outright expense when incurred.

IX. DEPRECIATION

1. NATURE AND DEFINITION

- a. Depreciation is the systematic and rational allocation of the cost of property and equipment over its estimated useful life.

2. RECOGNITION PRINCIPLES/SIGNIFICANT ACCOUNTING POLICIES

- a. Depreciation should be recognized for all property and equipment owned by the center. No depreciation expense should be charged on **assets in custody**.
- b. Depreciation expenses shall be charged every year irrespective of the grant revenues of the centers.
- c. Depreciation of property and equipment shall be based on the full-acquisition cost of the property and equipment, net of its salvage value, as applicable.
- d. All organizations under CGIAR shall follow the straight-line method of depreciation. This method allocates the cost of property and equipment uniformly over its expected useful life. The straight-line method of depreciation should be applied consistently from period to period unless altered circumstances justify a change.
- e. The use of the following useful lives of assets are encouraged to establish uniformity within the CGIAR organization.

1. Building inclusive of subsystems	25 – 60 years
2. Heavy duty equipment	7 – 10 years
3. Office and household furniture, fixtures and equipment	5 – 10 years
4. Laboratory and scientific equipment	5 – 10 years
5. Aircraft	4 – 10 years
6. Vehicles	4 – 7 years
7. Computer equipment	3 – 5 years
8. Purchased software cost	2 – 3 years
- f. Applying different useful lives to assets at different locations and/or operated under different conditions may be justifiable.
- g. Property and equipment acquired through the use of grants restricted for a certain project shall not be depreciated. However, costs incurred in the acquisition/construction of property and equipment in excess of monetary grants restricted for such purposes is capitalizable and subject to depreciation. The shorter of the useful life of the asset or the term of the agreement with the host country should be considered when depreciating these assets.

h. Depreciation of acquired assets should be made in the month the asset was placed in operation and shall continue until the asset has been fully depreciated or its use was discontinued.

- i. Property and equipment transferred from the project to the center upon termination of the project shall be depreciated over the remaining estimated useful life of the asset transferred.
- j. Property and equipment under capital lease should be depreciated based on the life of the asset or the lease term whichever is shorter.

3. PRESENTATION AND DISCLOSURE

- a. Accumulated depreciation, either for each major class of property and equipment or in total, should be disclosed as:
 - 1. deduction or parenthetically in a statement of financial position; or
 - 2. in the notes to the financial statements
- b. The amount of depreciation expense for the period and the method used to compute depreciation for the major classes of property and equipment should also be disclosed.

X. INVESTMENTS

1. NATURE OF THE ACCOUNT

- a. An investment is an asset held by an enterprise for accumulation of income through interest, royalty, and/or dividend distributions by the center.
- b. An investment property is an investment in land or buildings that are not occupied substantially for use by, or in the operations of, the center.

2. VALUATION

- a. Investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value as of the date of the statement of financial position.
- b. Investment costs include the acquisition cost, brokerages, fees, duties, bank fees, and other charges incidental to the acquisition of the investment.
- c. Investments received as grants from donors are to be recorded at their fair market value.

3. RECOGNITION PRINCIPLES

- a. Gains and losses on investments shall be reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

- b. Dividend, interest, and other investment income shall be reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions.
- c. A donor's stipulation that required a gift to be invested in perpetuity or for a specified term creates a donor-restricted endowment fund.
- d. Gains and losses on investments from donor-restricted endowment funds are changes in the organization's unrestricted net assets unless these gains and losses are explicitly bound by donor-imposed stipulations (i.e. temporary or permanent restrictions).
- e. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets.

4. PRESENTATION AND DISCLOSURE

- a. Investments acquired with the intention of disposing the same after one year or less from the acquisition date are to be classified as current investments. Furthermore, investments classified as current, as distinguished from cash equivalents, are those that are acquired with original maturities of more than three months but not exceeding one year.
- b. Investments acquired with the intention of keeping the same for more than a year from the acquisition date are to be classified as long-term investments.
- c. The following should be disclosed:
 - 1. The accounting policies for the determination of the carrying amount of the investments, the treatment of changes in market value of current investments carried at market value and the treatment of a revaluation surplus on the sale of a revalued investment.
 - 2. The significant amounts included in income for interest, royalties, dividends, and rentals on long-term and current investments; profits and losses on disposal of current investments and changes in value of such investments.
 - 3. For each period for which a statement of activities is presented, a not-for-profit organization should disclose:
 - a. The composition of investment return including, at a minimum, investment income, net realized gains or losses on investments reported at other than fair value, and net gains or losses on investment reported at fair value; and
 - b. A reconciliation of investment return to amounts reported in the statement of activities if investment return is separated into operating and non-operating amounts, together with a description of the policy used to determine the amount that is included in the measure of operations and discussion of circumstances leading to a change, if any, in that policy.

4. For each period for which a statement of financial position is presented, a not-for-profit organization should disclose:
 - a. The aggregate carrying amount of investments by major types of investments;
 - b. The basis for determining the carrying amount for investments other than equity securities with readily determinable fair values and all debt securities;
 - c. The method(s) and significant assumptions used to estimate the fair values of investments and other financial instruments if those other instruments are reported at fair value; and
 - d. The aggregate amount of the deficiencies for all donor-restricted endowment funds for which the fair value of the assets at the reporting date is less than the level required by donor-stipulations or law.

XI. LIABILITIES

1. NATURE OF THE ACCOUNT

- a. A liability is a legal obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.
- b. The term current liability is used principally to designate obligations whose liquidation is reasonably expected to require the use of existing resources properly classified as current assets, or the creation of another current liability.
- c. Long-term liability represents the portion of any long-term obligation maturing or scheduled to mature after an uninterrupted period extending beyond one year from the date of the center's statement of financial position.

2. VALUATION

- a. Current liabilities are carried at the amount to be paid. Long term liabilities are shown at the present or discounted value of the future net cash outflows expected to be made to settle the liabilities in the normal course of operations. For example, installment liabilities are recorded at present values of future periodic installments.

3. CLASSIFICATION AS TO SOURCE

- a. Current liabilities are those obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.
 1. Bank indebtedness - Represent a financial liability which involves a contractual obligation to deliver cash in the future. An overdraft facility is a short-term financing from center's bank, which is normally bridge financing for non-deferrable current operating expenses.

2. Accounts payable - Represent amounts due to donors, employees and others for supports, services and/or materials received prior to year-end, but not paid for in the year.
 - a. Donors payable - These include grants received from donors which conditions are not yet met. It also includes amounts payable to donors when donors require reimbursement of unexpended grant balances.
 - b. Employees payable - These include unpaid salaries and bonuses, SL/VL credits incurred during the year.
 - c. Other payable - These include other liabilities the center incurred which amount are readily determined from available documents e.g. billings.
3. Funds in trust - Represent funds provided by donors and managed by the center, with an ultimate beneficiary other than CGIAR centers.
4. Accruals - Represent estimate of amounts due at year end for services and/or materials already received prior to the year and for which billing is not received and/or whose exact cost is unknown.
 - b. Obligations maturing or scheduled to mature after an uninterrupted period extending beyond one year from the date of the center's statement of financial position are classified as long-term liabilities.

4. RECOGNITION PRINCIPLES

- a. The classification is intended to include obligations for items which have entered into the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in the organization's activities, collections received in advance of the delivery of materials and supplies, performance of services; and debts which arise from operations directly related to the center's core activities.
- b. Resources received in exchange transactions from other service beneficiaries for specific projects, programs or activities that have not yet taken place should be recognized as liabilities to the extent that the earning process has not been completed, for example, funds collected in advance from donors.
- c. Liabilities denominated in a currency other than the US dollar are recorded at exchange rates in effect at the time of transactions. Exchange gains or losses resulting from rate fluctuations upon actual payment and from recorded payables are credited or charged to operations.

5. PRESENTATION AND DISCLOSURE

- a. The following items should be disclosed separately:
 1. Bank indebtedness and overdrafts
 2. Accounts payable
 3. Funds in trust
 4. Accruals

- b. The following items should be disclosed separately, excluding the portion repayable within one year.
 - 1. Secured bank indebtedness
 - 2. Non-secured bank indebtedness
- c. In addition, the nature of arrangement of each bank indebtedness such as interest rates, repayment terms, covenants, subordination, concession features and accounts of unamortized premium or discount should be disclosed in the notes to financial statements.
- d. The movement of funds in trust should be disclosed in the notes to financial statements.

XII. NET ASSETS

1. NATURE AND DEFINITION

Net assets are the residual interest in an entity's assets remaining after liabilities are deducted.

2. CLASSIFICATION

Net assets are classified as either unrestricted, permanently restricted and temporarily restricted.

- a. Unrestricted – include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions should be included in the unrestricted class except income and gains on assets that are restricted by donor or by law. Unrestricted net assets maybe further classified as follows:
 - 1. Unappropriated – use of assets is not designated by center management for special purposes.
 - 2. Appropriated – use of assets has been restricted by center management for specific purposes such as capital build-up, reserve for replacement of property and equipment, special endowment, etc. Appropriation from unrestricted net assets maybe done on an annual basis based on board of trustees' resolution.
- b. Permanently restricted – increases when the organization receive grants for which donor-imposed restrictions limiting the organization's use of the asset or its economic benefits **neither** expire with the passage of time nor can be removed by the organization's meeting certain requirements.
- c. Temporarily restricted – these are net assets whose use by the organization has been limited by donors to:
 - 1. later periods of time or after specified dates; or

2. to specified purpose.

It may also change as a result of increases and decreases in existing assets or the economic benefits embodied in those assets that are subject to donor-imposed temporary restrictions.

3. PRESENTATION AND DISCLOSURE

- a. The statement of financial position should include, at a minimum, the amounts of total permanently restricted, temporarily restricted and unrestricted net assets and the amount of total net assets.
- b. The statement of activities should include the amount of total changes in net assets and of changes in each net asset class.
- c. Reclassification of amounts between net assets classes should be reported separately from other transaction in the statement of activities.
- d. The details of each major type of permanently and temporarily restricted net asset should be disclosed in the notes to the financial statements.

XIII FOREIGN EXCHANGE TRANSACTIONS

1. NATURE AND DEFINITION

- a. Foreign exchange gains / loss is the result of transactions involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at year-end or at reporting date.

2. RECOGNITION PRINCIPLE

- a. All foreign currency transactions (other than US dollar) should be recorded, on initial recognition in the centers' reporting currency (US dollar), by applying to the foreign currency amount the exchange rate between the US dollar and the foreign currency at the date of the transaction.
- b. At each balance sheet date:
 1. foreign currency monetary items should be reported using the closing rate;
 2. non-monetary items denominated in foreign currency which are carried at historical cost should be reported using the exchange rate at the date of the transaction; and
 3. non-monetary items denominated in foreign currency which are carried at fair value should be reported using the change rates that existed when the values were determined.
- c. Exchange difference arising on the settlement of monetary items or on reporting the centers' monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognized as income or as expense in the period in which they arise.

3. PRESENTATION AND DISCLOSURE

- a. Exchange gains or losses (realized and unrealized) from transactions involving currencies other than the US dollar should be shown either in the Other Revenues and Gains account or Other Expenses and Losses account in the statement of activities, net of realized or unrealized exchange gains or losses.

XIV. GRANT REVENUES

1. NATURE AND DEFINITION

- a. **Revenues** represent actual or expected inflows or other enhancements of assets or settlements of liabilities that constitute the entity's ongoing central or major operations during the period.
- b. **Grant** is the most common source of revenue for CGIAR centers. In rare instances though, contributions are received. Please refer to the provisions of FAS 116 and 117 of the US GAAP.

2. CLASSIFICATION OF REVENUES

Grants are supports with donor-imposed conditions.

Kinds of Grants

- a. Restricted grants are grants received in support of specified projects or activities mutually agreed upon by the centers and donors.

Restricted grants may either be temporarily or permanently restricted. Temporarily restricted grants are those whose use by the organization has been limited by donors to later periods of time or after specified dates or to specific purpose. Permanently restricted grants are those whose donor-imposed restrictions limit the organization's use of the asset or its economic benefits neither expire with the passage of time nor can be removed by the organization's meeting certain requirements.

- b. Unrestricted grants are grants received which the center may freely use for whatever purpose the center may deem fit.

Unrestricted grants may be classified as either unappropriated or appropriated. Unappropriated unrestricted grants are those whose use of assets is not designated by center management for special purpose. Appropriated unrestricted grants, on the other hand, are those whose use of assets has been restricted by center management for specific purpose such as capital build-up, reserve for replacement of property and equipment, special endowment, etc.

3. RECOGNITION PRINCIPLES

A. Restricted Grants

1. Restricted grants as well as conditional promises to give grants should be recognized as revenues only upon or until the conditions have been substantially met or the donor has explicitly waived the conditions.
2. A transfer of assets with a conditional promise to give them should be accounted for as a liability (refundable advances from third parties) until the conditions have been substantially met or explicitly waived by the donor.
3. In case of conditions which may be substantially met in stages rather than a single event, such amount of grant should be recognized as revenue as each of those stages is met.
4. Transfer of assets including promises to give with donor-imposed conditions should be recognized as revenues if the likelihood of not meeting the conditions is remote.
5. Grants with donor-imposed restrictions only limits the use of such grants but they do not change the transaction's fundamental nature of being a conditional support. As such, it shall be recognized as grant revenue when the conditions are met, but labelled as permanently or temporarily restricted.
6. In cases where grants are received yearly in advance in accordance with the approved annual work program and budget, and where a condition to submit a statement of expenditure is imposed prior to the withdrawal from the grant account for subsequent years, grant revenue is recognized to the extent of funds actually received and spent.

7. Restricted grants, including non-monetary grants, received whose primary restriction or condition is for the center to purchase, construct or otherwise acquire long-term immovable assets on a land owned by the host country for the center's own use and which will revert to the host country at the agreed term or when the center ceases to operate should be presented in the Statement of Financial Position by setting up the total amount of grant received as deferred income. (Please refer to Section VIII Recognition Principles (e) and (f) of Property and Equipment)
8. Expenses incurred by the center for the purchase, construction or acquisition of long-term immovable assets in excess of the restricted grants received for that purpose shall be capitalized and depreciated over the useful life of the asset or the term of the agreement with the host country whichever is shorter. (Please refer to Section VIII Recognition Principles (e) and (f) of Property and Equipment)
9. Deferred grant revenue is amortized to Restricted Grant Revenue based on the estimated useful life of the asset or the term of the agreement with the host country whichever is shorter. (Please refer to Section VIII Recognition Principles (e) and (f) of Property and Equipment)
10. When the center incurs project related expenses in excess of the grant received which are restricted for such project, the center should recognize Grant revenues – restricted with an equivalent charge to donor receivable equal to the amount of the excess expenses incurred. The revenue shall be recognized only after the center has furnished the donor the statement of expenses paid in behalf of the project.
11. In cases wherein the center would deem that the donor receivable to be doubtful as to its collection, then, an appropriate allowance for doubtful accounts should be provided. This is regardless of the time the center would decide to write-off the donor receivable.
12. Commitments received from donors to reimburse the center for certain expenses incurred shall be recognized as revenue only when the expenses are incurred.

B. Unrestricted Grants

1. Unrestricted grants as well as conditional promises to give grants should be recognized as revenues only upon or until the conditions have been substantially met or the donor has explicitly waived the conditions.
2. A transfer of assets with a conditional promise to give them should be accounted for as a liability (refundable advances from third parties) until the conditions have been substantially met or explicitly waived by the donor.
3. In case of conditions which may be substantially met in stages rather than a single event, such amount of grant should be recognized as revenue as each of those stages is met.
4. Transfer of assets including promises to give with donor-imposed conditions should be recognized as revenues if the likelihood of not meeting the conditions is remote.

4. VALUATION

- a. Grants in kind are recorded at the fair value of the assets (or services) received or promised, or the fair value of the liabilities satisfied. Cash grants are recorded at the face value of the cash received or the US dollar equivalent.

5. PRESENTATION AND DISCLOSURE

- a. Grant revenues are reported as separate line items in the statement of activities.
- b. Restricted grants should be properly labelled as permanently or temporarily restricted in the statement of activities.
- c. Permanently restricted classification should be used if the limits imposed on the use of the contributed assets or grants are permanent. Temporarily restricted classification should be used if the limitations are temporary.
- d. Temporarily restricted grant revenues are reclassified to unrestricted revenues in the period the applicable donor restrictions are satisfied or have expired.

6. CONTRIBUTIONS

For discussion on accounting for contributions, please refer to FAS 116 and 117 of the US GAAP.

XV OTHER REVENUES AND GAINS

1. NATURE AND DEFINITION

- a. Other revenues and gains are increases in net assets resulting from an organization's peripheral or incidental transactions and other events and circumstances affecting the organization other than those that result from grants.
- b. These are revenues, which include, but are not limited to:
 1. Interest earned on bank accounts and time deposits.
 2. Consultancy income earned from third parties.
 3. Gains, net of losses, resulting from transaction involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at year-end or at reporting date.
 4. Other miscellaneous income including any other items not specifically covered above.

2. RECOGNITION PRINCIPLE

Other revenues and gains are recognized in the period in which these are earned.

3. PRESENTATION AND DISCLOSURE

- a. Total other revenues and gains are reported as a single line item in the statement of activities.

- b. Other revenue and gains, if material, should be disclosed in the notes to financial statements.
- c. Major non-recurring items such as one-time donor supports are presented as a separate line item, if material, in the statement of activities.

XVI EXPENSES

1. NATURE OF THE ACCOUNT

- a. Expenses are outflows or other activities using up assets or incurrences of liabilities (or a combination of both) from delivering goods, rendering services, or carrying out other activities that constitute the organization's on-going major or central activities.
- b. Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrences of liabilities that result in decreases in net assets.

2. CLASSIFICATION AS TO SOURCE

Ordinary items are those which are undertaken by an organization as part of its operations and such related activities in which the organization engages in the furtherance of, incidental to, or arising from these activities.

a. Program related expenses

- 1. Program related expenses are activities that result in goods and services being distributed to beneficiaries, project proponents, and members that fulfill the purpose or mission for which the organization exists. These services are the main purpose for the major output of the organization and often relate to several large programs.
- 2. Programs are categorized as follows:
 - a. Research – this category includes the cost of study and investigation on conservation and management of natural resources; germplasm enhancement and breeding; production systems development and management; socio-economic, public policy and public management research; and institution building (counseling/networks). This category requires a further breakdown by commodity, environment, thrust, or activity, as applicable.
 - b. Research support – this category covers activities carried out in direct support to research activities. It includes:
 - 1. Office of Director of Research
 - 2. Office of Director of Outreach
 - 3. Common laboratory services

4. Biometrics
 5. Station or farm operations
 6. Plant growth facilities
 7. Visiting scientists (unless against vacant positions in research programs), and scientific personnel who cannot appropriately be charged directly to a research activity.
 8. Personnel cost of research staff including related travelling expenses.
- c. Training, communication, information and library – training covers the cost of training and conferences. It includes: training offices, fellowships, workshops, seminars and symposia; salaries and allowances of post doctorates and training-related travel and subsistence costs. Communication, Information and Library covers the costs of publication of annual reports and technical bulletins, translation and printing of various public information activities and the cost of library services.

b. Management and general expenses

1. CGIAR centers should classify their operating expenses into the following groups:
 - a. Personnel costs – include the salaries and benefits of centers' permanent/regular employees, as well as the salaries and benefits of centers' international, professional, supervisory and support positions, including benefit travel.
 - b. Supplies and services – Items in this category include, but are not limited to: non-consumable items which are not capitalized, and supplies for office, laboratory, computer, field, library, and auxiliary units, while services include general items not included in personnel costs, such as cost of casual labor, consultants, research associates, trainees, honoraria of Board members, and other professional services.

Furthermore, the supplies and services category also includes other general expenses which do not strictly fall in the definition of supplies or services but could be a combination of both. These include items such as in-service training, rentals, repairs and maintenance, utilities, telecommunications, vehicles and aircraft operational costs, and general liability insurance.

- c. Operational travel – covers domestic and international travel of centers' regular staff on official duty.
- d. Depreciation of long-lived tangible assets – the depreciation method followed by CGIAR centers for accounting purposes is the straight-line method.

- e. Administrative and general operations – Administration covers the costs of the center’s Board of Trustees, Director General’s Office, and administration and finance functions.

General operations is made up of: physical plant services, utilities, telecommunications, office rent, security, insurance, and depreciation of property and equipment not allocated to other categories.

- 2. The detailed itemization of each group of expense depends on management’s needs for control and report.
- 3. Other expenses relate to more than one program or supporting activity, or to a combination of programs and supporting services. These expenses should be allocated among the appropriated functions.
- 4. Direct identification of specific expenses (also referred to as assigning expenses) is the preferable method of charging expenses to various functions. If an expense can be specifically identified with a program or supporting services, it should be assigned to that function. In the event that direct identification is impossible or impracticable, an allocation is appropriate.
- 5. Extra-ordinary items are those that arise from events or transactions that are clearly distinct from the ordinary activities of the organization and therefore are not expected to recur frequently or regularly.

3. RECOGNITION PRINCIPLES

- a. Expenses are recognized in the statement of activity:
 - 1. When a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.
 - 2. On the basis of a direct association between cost incurred and the earning of specific items of revenues.
 - 3. When economic benefits are expected to arise over several accounting periods and the association with revenues can only be broadly or indirectly determined systematic and rational allocation.
 - 4. When an expenditure produces no future economic benefit, or to the extent that future economic benefits do not qualify, for recognition in the statement of financial position as an asset.
 - 5. When a liability is incurred without the recognition of an asset, as when a liability under a product warranty exists.

4. PRESENTATION AND DISCLOSURE

- a. Statement of activities should provide relevant information about the effects of transaction and other events and circumstances that change the amount and nature of an organization’s net assets, be it permanently or temporarily restricted net assets or unrestricted net assets.

- b. A separate line item should be provided for program related expenses and management and general expenses in the statement of activities.
- c. The natural classification of program related expenses and management and general expenses should be shown either as a note disclosure or as a memo item in the statement of activities (Please see Appendix II).
- d. Significant items under the program related expenses should be disclosed in the notes to the financial statements.

XVII INDIRECT EXPENSES

1. INTRODUCTION

- a. Indirect expense refers to a grouping of non-allocable expenses incurred by centers in the normal course of their operations which are not to be allocated directly to their main research programs and activities.
- b. Centers' accounting systems are set up so as to differentiate between what constitutes direct charges to a project or research activity and those indirect charges which cannot reasonably be identified with a discrete research activity or project.
- c. Indirect expenses may not apply uniformly to all center activities. Therefore, accounts should be categorized to allow the identification of the groups of direct activities to form the needed bases for distribution of indirect expenses.

2. TYPES OF INDIRECT EXPENSES

- a. Most centers have at least two types of indirect expense rates:
 - 1. On-campus rate; and
 - 2. Off-campus rate
- b. A center may have more than one On-Campus indirect expenses rate based on situations as previously described.
- c. The Off-Campus indirect expenses rate will generally be considerably lower than those developed for on-campus activities. This is so since many expenses considered indirect on-campus may be a direct charge off-campus as they relate to the activities at that site only. Equally, some indirect expenses incurred at the main campus may not reasonably apply to off-campus activities.

3. APPLICABILITY

- a. Activities funded through restricted, in-trust funding, and inter-center projects should bear a fair share of the center's support activities through an equitable allocation of the indirect expenses.
- b. Indirect expenses rates should be applied to all restricted, inter-center projects, and in-trust funding activities and treated as part of the actual costs of these

activities. The total cost of these projects/activities equals their direct expenses plus their share of indirect expenses. This should always be done when setting cost estimates and budgets and when reporting expenses.

- c. Indirect expenses rates should be examined periodically (at least every year-end), in consultation with the center's external auditors, to ensure their adequacy to recover a fair share of the indirect costs associated with support activities.

4. DISCLOSURE

- a. The amount of indirect expenses which are recovered in the form of charges against restricted projects should be accumulated in a separate account for indirect expenses, and credited to an indirect cost recovery account which is shown as a separate line item after total expenses and losses in the statement of activity.
- b. Indirect expenses charged to in-trust funding activities and inter-center projects should be accumulated in a separate account for indirect expenses, and credited to an indirect cost recovery account.

XVIII EXTERNAL FINANCIAL REPORTING

1. YEAR-END FINANCIAL STATEMENTS

- a. The final step in the accounting cycle is the preparation of the year-end financial statements covering the various types of information produced by the accounting system.
- b. The primary purpose of financial statements is to provide information to meet the common interests of donors, creditors, and others who provide resources to centers. Those external users of financial statements have common interests in assessing:
 1. the services the center provides and its ability to continue to provide those services; and
 2. how the center's management discharges its stewardship responsibilities and other aspects of financial performance.
- c. More specifically, the purpose of financial statements, including accompanying notes, is to provide information about:
 1. The amount and nature of the center's assets, liabilities, and net assets as embodied in the statement of financial position;
 2. The effects of transactions and other events and circumstances that change the amount and nature of net assets as embodied in the statement of activities;
 3. The amounts and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows as shown in the statement of cash flows;

4. How the center obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity;
 5. The service efforts of the center, the costs associated with the center's various programs or activities, and cost of projects associated with various types of funding.
- d. A complete set of the center's financial statements (which includes: a statement of financial position as of the end of the reporting period, a statement of activities and a statement of cash flows for the reporting period, and accompanying notes to financial statement) should be presented to the center's external auditors for certification.
 - e. Each center is required to prepare, for distribution to donors, annual audited financial statements in accordance with the guidelines and standard formats set out in this manual. Where practical and unless otherwise required by local legislation or local accounting principles, centers should ensure that the standard formats are used in the audited financial statements.

2. RESPONSIBILITY

- a. Management and Board
 1. Centers' management and boards are responsible to donors for ensuring that external financial reporting is accurate and that the financial statements of the center and notes thereto are presented in compliance with these guidelines, and which will conform with the internationally accepted accounting standards (IAS) for not-for-profit organizations.
 2. Centers' management and boards work closely with the external and internal auditors in fulfilling this responsibility.
- b. External Auditors
 1. External auditors have a special responsibility to provide an independent assessment and to express an opinion (to the center and concerned parties outside the centers) on whether the centers' financial statements are presented fairly and in conformity with IAS, and whether they comply with existing policies.
 2. In order to ensure a degree of uniformity of auditing standards to a recognized international level among centers, external auditors should be required to include in their opinion that the audit has been conducted in conformity with International Auditing Standards as issued by the International Federation of Accountants.
 3. In addition, external auditors are also charged with pointing out, in a written statement, instances of non-compliance.

3. AUDITED FINANCIAL STATEMENTS

- a. STATEMENT OF FINANCIAL POSITION

1. The statement of financial position is a balance sheet or status of net assets as of the end of the reporting period.
 - a. The primary purpose of a statement of financial position is to provide relevant information about the center's assets, liabilities, and net assets and about their relation to each other at a moment in time.
 - b. The information provided in a statement of financial position, used with related disclosure and information in other financial statements, help donors, creditors, and others to assess:
 1. The center's ability to continue to provide services; and
 2. The center's liquidity, financial flexibility, ability to meet obligations, and needs for external financing.
 3. That information generally is provided by aggregating assets and liabilities that possess similar characteristics into reasonably homogeneous groups.
 4. Information about liquidity shall be provided by one or more of the following:
 - a. Sequencing assets according to their nearness of conversion to cash, and sequencing liabilities according to the nearness of their maturity and resulting use of cash;
 - b. Classifying assets and liabilities as current and noncurrent; and
 - c. Disclosing relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets, in the notes to the financial statements.
 5. The statement of financial position shall focus on the center as a whole and shall report the amounts of its total assets, liabilities, and net assets.

b. STATEMENT OF ACTIVITIES

1. The statement of activities shows the details of revenues, gains and other supports, types of expense and the changes in net assets classified into unrestricted, temporarily and permanently restricted.
2. The primary purpose of a statement of activities is to provide relevant information about:
 - a. The effect of transactions and other events and circumstances that change the amount and nature of net assets;
 - b. The relationships of those transactions and other events and circumstances to each other; and
 - c. How the center's resources are used in providing various programs and services.

3. The information provided in a statement of activities, used with related disclosures and information in other financial statements, help donors, creditors, and others to:
 - a. Evaluate the center's financial performance during a period;
 - b. Assess the center's service efforts and its ability to continue to provide services; and
 - c. Assess how the centers' management have discharged their stewardship responsibilities and other aspects of their financial performance.
 4. Information about revenues, expenses, gains, losses, and reclassification generally is provided by aggregating items that possess similar characteristics into reasonably homogeneous groups.
 5. The statement of activities shall focus on the center as a whole.
- c. STATEMENT OF CASH FLOWS
1. The statement of cash flows provides relevant information about the relation between inflows and outflows of centers' resources during the reporting period. Centers must distinguish between resource flows that are related to operations and those that are not.
 2. The information provided in the statement of cash flows, if used with related disclosures and information in other financial statements, should help donors, creditors, and others to assess;
 - a. The center's ability to generate positive future net cash flows;
 - b. The center's ability to meet its obligations, and its needs for external financing; and
 - c. The effects on the center's financial position of both its cash and noncash investing and financing transactions during the period.
 3. The statement of cash flows for a period shall report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period, in a manner that reconciles beginning and ending cash and cash equivalent.
 4. The total amounts of cash and cash equivalents at the beginning and end of the period shown in the statement of cash flows shall be the same amounts as similarly titled line items or subtotals shown in the statement of financial position as of those dates.
- d. NOTES TO FINANCIAL STATEMENTS
1. The financial statements should include explanatory notes to comment on significant matters not completely described in such statements.
 2. The information that should be disclosed includes, among others, the following:

- a. **Statement of purpose:** A brief description of the center, its mandate and activities.
- b. **Summary of significant accounting policies** The description of the accounting principles in the CGIAR guidelines relevant to the center, and the methods of applying these principles that materially affect the determination of financial position, changes in financial position and changes in net asset balances. Usually, the guidelines, definitions and principles mentioned earlier should also be disclosed.
- c. **Accounts in non-US dollar currencies:** Translation of currencies and the consolidation of field programs' accounts in non-US dollar currencies; principles for converting to US dollar should be disclosed.
- d. **Accounts receivable:** A complete analysis of accounts receivable from donors and a brief analysis of significant amounts of other receivables should be presented.
- e. **Fixed assets:** A brief description of major categories of depreciable assets, by nature or function should be included. In addition, a general description of the method used in computing the depreciation, and justification of the useful lives chosen by the center in the computation of the depreciation should be presented.
- f. **Accounts payable:** A complete analysis of accounts payable to donors, unearned grants, and a brief analysis of significant amounts of other payable should be presented.
- g. **Net assets:** Details of the nature and balances of temporarily restricted and permanently restricted net assets should be provided. Details of appropriation from unrestricted net assets should also be disclosed.
- h. **Restricted grants:** Details by donor, grant period, grant pledged and amount expended to date should be provided.
- i. **Additional notes:** These should include any other information that could be necessary to understand the center's operations and its financial position e.g. revenues, inventory, long-term receivables or payables, contingent liabilities, etc.

4. SUPPLEMENTARY INFORMATION (OPTIONAL)

The centers may provide the following supplementary information in the form of exhibits to the basic financial statements.

- a. **Schedule of Grant Revenue:** An analysis of grants by type of funding and donor.
- b. **Schedule of funding:** A detailed statement of current year grants and expenses by donor and program activity, the cumulative grants, expenses, total pledged amount and duration of each program.
- c. **Schedule of non-grant income:** An analysis for various types of earned income, including overhead recovery by donor.

d. **Schedule of property and equipment:** An analysis by major classes of depreciable assets. The tabulation should include:

- Historical costs at the beginning of the reporting period;
- Additions and disposal during the period;
- Depreciation expense for the period;
- Accumulated depreciation at the end of reporting period; and
- Net book values at the date of the statement of financial position.

5. SPECIAL REPORTING

- a. Some donors require periodic financial reporting. Often the donor agency specifies the reporting format and definitions to be used in describing detailed accounts.
- b. To the extent possible centers should use the standard chart of accounts described in these guidelines.

XIX TRANSITORY PROVISIONS

1. CGIAR recognizes the difficulty which some centers may encounter in aligning their reporting requirements with the provisions of this manual. To facilitate the conversion of prior year's financial statements for comparability, sample journal entries are presented to assist the centers to correct and reclassify affected accounts, to wit:

2. PRIOR PERIOD ADJUSTMENT

- a. Grants with conditions already met but recorded as accounts payable – donors in prior years are credited to “Cumulative effect of change in accounting principle” account.
- b. Outstanding cumulative translation adjustment are credited or charged to unrestricted net assets.
- c. A separate caption in the statement of activity and disclosure in the notes to financial statements of the nature and reasons for the prior period adjustment is necessary.
- d. Sample presentation in the statement of activity (in the year of change only):

Change in net asset before cumulative	
effect of change in accounting principle	XXX
Cumulative effect of change in accounting principle	<u>XXX</u>
Change in net assets	XXX
Net assets at beginning of year	<u>XXX</u>
Net assets at end of year	<u>XXX</u>

e. Sample correcting entries in setting up the deferred grant income corresponding to the discontinued use of capital invested in fixed assets and property and equipment accounts acquired through restricted grants for the purpose of fixed asset purchase, construction or acquisition.

Dr – Capital Invested In Fixed Assets	XXX
---------------------------------------	-----

Dr – Prior Period Adjustment	XXX	
Cr – Deferred Grant Income		XXX
Cr – Property and Equipment		XXX

3. RECLASSIFICATION

- a. A note disclosure stating that prior period financial statements were reclassified for comparability purposes to conform with the changes in accounting standards prescribed in this manual should be provided. If effect is material, a breakdown of the reclassifications made should be provided.

XX DEFINITION OF KEY TERMS

Promise to give is a written agreement to contribute cash or other assets to another entity; a promise to give may be either conditional or unconditional

Unconditional promise to give depends only on passage of time or demand by the promisee for performance. The demand for performance however, is not a condition before the center can own the asset promised. The promise to give operates as a fund available to the center upon demand.

Conditional promise to give depends on the occurrence of specified future and uncertain event to bind the promisor.

Donor imposed restrictions are stipulations that specifies a use for the contributed assets that is more specific. It may either be temporary or permanent.

Donor imposed conditions are stipulations that specifies a future and uncertain event occurrence or failure to occur gives the promisor a right to return of the asset it has transferred or releases the promisor from its obligation to transfer its assets.

Fund accounting segregates assets, liabilities and fund balances into separate accounting entities associated with specific activities, donor imposed restrictions or objectives.

Net assets accounting is a financial reporting model based on net assets, classified solely on the restrictions, and focused on aggregate information about the entity as a whole rather than on individual funds.

Permanent restriction is a donor imposed restriction that stipulates that the assets transferred be maintained permanently but permits the center to use up or expend part or all of the income or fruits derived from the assets transferred.

Temporary restriction is a donor-imposed restriction that permits the center to use up or expend the assets transferred as specified and is satisfied either by the passage of time or by actions of the center.

Permanently restricted net assets is the part of net assets for a not-for-profit organization resulting from any of the following:

- a) from contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

- b) from other assets enhancement and diminishment subject to the same kinds of stipulations as in (a) above;
- c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations as in (a) above.

Temporarily restricted net assets is the part of net assets for a not-for-profit organization resulting from any of the following:

- a) from contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that either expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organizations.
- b) from other assets enhancement and diminishment subject to the same kinds of stipulations as in (a) above.
- c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations as in (a) above.

Contributions are unconditional transfer of cash or other assets which include land, use of facilities or utilities, materials and supplies, services and unconditional promise to give those items in the future.

Grants are assistance in the form of transfers of resources to the center in return for past or future compliance with certain conditions relating to the operating activities of the center.

ACCOUNTING ENTRIES

The journal entries presented below are normal transactions encountered by the centers. The entries may not include several transactions or events which should be recorded and reported by the center.

1. CASH TRANSACTIONS

- A. 1) To record receipt of cash grants **without** donor-imposed restriction before donor-imposed conditions are met
- | | | |
|--------------------------------|-----|-----|
| Dr – Cash | XXX | |
| Cr – Accounts payable - donors | | XXX |
- 2) To recognize revenue upon fulfillment of conditions attached to grant
- | | | |
|-----------------------------------|-----|-----|
| Dr.- Accounts payable – donors | XXX | |
| Cr – Grant revenue – unrestricted | | XXX |
- B. 1) To record receipt of cash grants **with** donor-imposed restrictions before donor-imposed conditions are met
- | | | |
|--------------------------------|-----|-----|
| Dr – Cash | XXX | |
| Cr – Accounts payable – donors | | XXX |
- 2) To recognize revenue upon fulfillment of conditions attached to grant
- | | | |
|---|-----|-----|
| Dr – Accounts payable – donors | XXX | |
| Cr – Grant revenue temporarily restricted | | XXX |
| Cr – Grant revenue permanently restricted | | XXX |
- C. To record accrual of expenses/purchases
- | | | |
|-----------------------|-----|-----|
| Dr – Expenses/Assets | XXX | |
| Cr – Accounts payable | | XXX |
- D. To record payment of expenses/purchases
- | | | |
|-----------------------|-----|-----|
| Dr – Accounts payable | XXX | |
| Cr – Cash | | XXX |
- E. To take up year-end adjustments to recognize donor restrictions on cash grants:
- | | | |
|---|-----|-----|
| Dr – Assets restricted to investment in fixed assets | XXX | |
| Dr - Assets restricted to specific projects/ special
depository accounts | XXX | |
| Cr - Cash | | XXX |
- F. To recognize long-term portion of cash placements at year-end
- | | | |
|----------------------------|-----|-----|
| Dr – Long-term investments | XXX | |
| Cr – Cash investments | | XXX |

2. RECEIVABLE TRANSACTIONS

- A. Upon receipt of pledges to give grant
No entry
- B. To recognize donor receivables when conditions attached to grants have been met
- | | | |
|--|-----|-----|
| Dr – Accounts receivable – Donor | XXX | |
| Cr – Grant revenue – unrestricted | | XXX |
| Cr – Grant revenue – restricted (temporarily or permanently) | | XXX |
- C. To recognize claims from donors for expenses paid on behalf of projects in excess of grants received upon submission of Statement of Expenses to donors
- | | | |
|----------------------------------|-----|-----|
| Dr – Accounts receivable – Donor | XXX | |
| Cr – Grant revenue – Restricted | | XXX |
- D. Recognition of allowance for doubtful accounts
- | | | |
|--------------------------------------|-----|-----|
| Dr – Doubtful accounts expense | XXX | |
| Cr – Allowance for doubtful accounts | | XXX |
- E. When receivables are judged to be uncollectible
- | | | |
|---|-----|-----|
| Dr – Allowance for doubtful accounts | XXX | |
| Cr – Accounts receivable – Donor/Employees/Others | | XXX |

3. INVENTORIES TRANSACTIONS

- A. To recognize purchase of inventories
- | | | |
|--|-----|-----|
| Dr - Inventories (at acquisition cost) | XXX | |
| Cr - Cash/Accounts payable | | XXX |
- B. To record inventories received as grants from donors
- | | | |
|---|-----|-----|
| Dr - Inventories (at fair value) | XXX | |
| Cr - Grant revenue – unrestricted | | XXX |
| Cr – Grant revenue – restricted (if restriction as to use was imposed by donor) | | XXX |
- C. To record the use of inventories for projects
- | | | |
|----------------------------|-----|-----|
| Dr – Expenses - restricted | XXX | |
| Cr – Inventories | | XXX |

4. PROPERTY AND EQUIPMENT TRANSACTIONS

- A. To record tangible assets received as grants from donors
- | | | |
|--|-----|-----|
| Dr – Property and equipment (fair value) | XXX | |
| Cr – Grant revenue – unrestricted | | XXX |

B. Purchase of tangible asset			
Dr – Property and equipment (acquisition cost)		XXX	
Cr – Cash/Accounts payable			XXX
C. Purchase of tangible asset financed through installment credits			
Dr – Property and equipment (cash price)		XXX	
Dr – Deferred financing cost (interest)		XXX	
Cr – Accounts payable			XXX
D. Purchase of property and equipment with the use of grants restricted for a specific project.			
a. Dr – Expense - restricted		XXX	
Cr – Cash			XXX
b. Memo entry (for control purposes only)			
Assets in custody		XXX*	
*equivalent to amount spent to date for long-term construction of assets			
E. Transfers of property from project account at termination of project			
Dr – Property and equipment (fair or appraised value)		XXX	
Cr – Other revenue – unrestricted			XXX
F. Sale of property and equipment			
Dr – Cash/Receivable		XXX	
Dr – Accumulated depreciation – property and equipment		XXX	
Cr – Property and equipment			XXX
Cr – Gain on sale of property and equipment*			XXX
*Debit loss on sale of property and equipment, as appropriate			
G. Capitalization of leased property			
Dr – Property and Equipment		XXX	
Cr – Accounts payable - others			XXX

5. DEPRECIATION ENTRIES

A. Monthly depreciation charges of property and equipment			
Dr – Depreciation expense		XXX	
Cr – Accumulated depreciation			XXX
B. Monthly depreciation of assets in custody			
No entry			

6. INVESTMENT TRANSACTIONS

A. To record receipt of investments from donors			
Dr - Investments – current		XXX	

Dr - Investments – long term	XXX	
Cr - Net assets – unrestricted		XXX
Cr - Net assets – temporarily restricted		XXX
Cr - Net assets – permanently restricted		XXX

- B. To record receipt of cash with donor-explicit stipulations for cash to be used in acquiring investments

Dr - Endowment fund – cash	XXX	
Cr - Net assets - permanently restricted		XXX

- C. To record the use of the endowment funds in acquiring investments

Dr - Endowment fund – securities	XXX	
Cr - Endowment fund – cash		XXX

- D. To record the receipt of dividends from the investee company

Dr - Cash or dividends receivable	XXX	
Cr - Dividend income*		XXX

*May be restricted or unrestricted depending on the terms of the grant agreement

7. LIABILITIES TRANSACTIONS

- A. Entry to record inventories/supplies purchased on account

Dr - Inventories/supplies	XXX	
Cr - Accounts payable		XXX

- B. Entry to record expenses incurred but not yet paid

Dr - Expense - unrestricted	XXX	
Cr - Accrued expenses		XXX

- C. Refund of excess grants to donors

Dr – Grant revenue	XXX	
Cr – Accounts payable – donors		XXX

8. NET ASSETS TRANSACTION

- A. To record appropriation for capital build-up and reserve for replacement of property and equipment based on board of trustees' resolution dated December 31, CY.

Dr – Unrestricted net assets – unappropriated	XXX	
Cr – Unrestricted net assets – appropriated		XXX

Alternatively, the appropriation may just be shown in the notes to the financial statements. No entry is necessary in this case.

9. GRANT TRANSACTIONS

- A. Upon receipt of conditional promise to give a grant without any asset received
No entry

- B. 1) Upon receipt of commitment from donors to reimburse the center for certain expenses incurred
No entry

2) Upon incidence of expenses subject to reimbursement from donors		
Dr – Expenses	XXX	
Cr – Cash/Accrued expenses payable		XXX
Dr – Accounts receivable – donor	XXX	
Cr – Grant revenue – restricted		XXX

10. EXPENSES TRANSACTIONS

A. To record expense incurred		
Dr – Expense - unrestricted	XXX	
Cr - Cash/Accrued expenses payable		XXX
B. Recovery of indirect costs		
Dr – Cash/Receivable	XXX	
Cr – Expenses		XXX

11. TRANSITORY ENTRIES (ONLY IF APPLICABLE TO THE CENTER)

A. To set up beginning balances of net assets for all earned grants recorded as liabilities in prior years, if any.		
Dr - Accounts payable – donors	XXX	
Cr – Cumulative effect of change in accounting principles		XXX
B. To reclassify outstanding cumulative translation adjustment balance		
Dr – Cumulative translation adjustments	XXX	
Cr –Unrestricted – net assets		XXX
C. To reclassify capital fund to unrestricted net assets – appropriated.		
Dr - Capital fund	XXX	
Cr - Unrestricted net assets – appropriated		XXX
D. To close all fund balances to unrestricted net assets – unappropriated assuming there are no donor restrictions imposed.		
Dr - Capital invested in fixed assets		
Center owned	XXX	
In custody	XXX	
Dr - Operating fund	XXX	
Dr - Self-sustaining funds	XXX	
Cr - Unrestricted net assets – unappropriated		XXX

Centers may have other reclassification or adjusting entries to close accounts which are no longer applicable following these guidelines, e.g., agenda and non-agenda grants.

X CENTER**STATEMENT OF FINANCIAL POSITION**

December 31, CY AND PY

(In US Dollar '000)

	Note	CY	PY
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalent		XXX	XXX
Accounts receivable (net of \$XXX allowance for doubtful accounts)			
Donor	2	XXX	XXX
Employees		XXX	XXX
Others	3	XXX	XXX
Inventories	4	XXX	XXX
Prepaid expenses		XXX	XXX
Total current assets		XXX	XXX
PROPERTY AND EQUIPMENT, net	5	XXX	XXX
OTHER ASSETS	6	XXX	XXX
TOTAL ASSETS		XXX	XXX
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable			
Donor	7	XXX	XXX
Employees	8	XXX	XXX
Others	9	XXX	XXX
Accruals		XXX	XXX
Funds in trust	10	XXX	XXX
Total current liabilities		XXX	XXX
LONG TERM LIABILITIES			
Accounts payable			
Employees	8	XXX	XXX
Deferred Grant Revenue		XXX	XXX
Others	9	XXX	XXX
Total long term liabilities		XXX	XXX
Total liabilities		XXX	XXX
NET ASSETS			
Unrestricted	11	XXX	XXX
Restricted	12	XXX	XXX
Total net assets		XXX	XXX
TOTAL LIABILITIES AND NET ASSETS		XXX	XXX

(Please see accompanying notes to financial statements)

Note:

CY - Current year; PY - Past year

X CENTER

STATEMENT OF ACTIVITIES
For the Years Ended December 31, CY AND PY
(In US Dollar '000)

	Note	Unrestricted	Temporarily Restricted	Permanently Restricted	CY	PY
REVENUES, GAINS, AND OTHER SUPPORT						
Grants	12, 13	XXX	XXX	XXX	XXX	XXX
Deferred Grant Revenue			XXX		XXX	XXX
Other revenues and support	14	XXX	-	-	XXX	XXX
Total revenue, gains and other support		XXX	XXX	XXX	-	XXX
EXPENSES AND LOSSES						
Program related expenses	15	XXX	XXX	XXX	XXX	XXX
Management and general expenses		XXX	-	-	XXX	XXX
Other losses expenses	16	XXX	XXX	XXX	XXX	XXX
Total expenses and losses		XXX	XXX	XXX	XXX	XXX
Indirect cost recovery		(XXX)	-	-	(XXX)	(XXX)
Total expenses and losses		XXX	XXX	XXX	XXX	XXX
Change in net assets		XXX	XXX	XXX	XXX	XXX
Net assets beginning of the year		XXX	XXX	XXX	XXX	XXX
NET ASSETS AT END OF THE YEAR		XXX	XXX	XXX	XXX	XXX

MEMO ITEM

Management and general expenses - by natural classification

Personnel cost	XXX	XXX	XXX	XXX	XXX
Supplies and services	XXX	XXX	XXX	XXX	XXX
Travelling	XXX	XXX	XXX	XXX	XXX
Depreciation	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX

(Please see accompanying notes to financial statements)

X CENTER**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, CY AND PY
(In US Dollar '000)

	<u>CY</u>	<u>PY</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets	XXX	XXX
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	XXX	XXX
Gain/loss on disposal and/or write-off of property and equipment	XXX	XXX
Net unrealized and realized gains on long term investments	XXX	XXX
Unrealized deferred grant revenue	XXX	XXX
Decrease (increase) in assets		
Accounts receivable	XXX	XXX
Inventories	(XXX)	(XXX)
Prepaid expenses	XXX	XXX
Increase (decrease) in liabilities		
Accounts payable	(XXX)	XXX
Accruals	XXX	(XXX)
Funds in trust	XXX	XXX
Realized deferred grant revenue	XXX	XXX
Net cash used in operating activities	XXX	XXX
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property and equipment	(XXX)	(XXX)
Proceeds from disposal of property and equipment	XXX	XXX
Purchase of long-term investments	(XXX)	(XXX)
Proceeds from sale of long-term investments	XXX	XXX
Net cash used in investing activities	XXX	XXX
CASH FLOWS USED IN FINANCING ACTIVITIES		
Increase (decrease) in long term liabilities		
Accounts payable		
Employees	(XXX)	XXX
Others	XXX	(XXX)
Net cash used in financing activities	XXX	XXX
NET DECREASE IN CASH AND CASH EQUIVALENTS	XXX	XXX
CASH AND CASH EQUIVALENTS		
Beginning	XXX	XXX
End	XXX	XXX
SUPPLEMENTARY DATA:		
Noncash investing and financing activities		
Gifts of equipment	XXX	-
Gifts of paid-up life insurance, cash surrender value	-	XXX

(Please see accompanying notes to financial statements)

Note:

CY - Current year; PY - Prior year

X CENTER

SCHEDULE OF FUNDS IN-TRUST
FOR THE YEAR ENDED DECEMBER 31, 199X
(US Dollar)

DONOR / PROJECT / BENEFICIARY	[ILLUSTRATIVE LIST]	Balance January 1	Receipts	Current Year Payments	Overheads	Balance December 31
Denmark	-----	XXX	XXX	(XXX)	(XXX)	XXX
EEC	Nile Valley Regional Programme (Egypt)	XXX	XXX	(XXX)	(XXX)	XXX
Finland	-----	XXX	XXX	(XXX)	(XXX)	XXX
Netherlands	Nile Valley Regional Programme (Sudan)	XXX	XXX	(XXX)	(XXX)	XXX
Sweden	-----	XXX	XXX	(XXX)	(XXX)	XXX
USAID	-----	XXX	XXX	(XXX)	(XXX)	XXX
TOTAL		XXX	XXX	(XXX)	(XXX)	XXX

Note 13 - Restricted agenda

Donor and Program/Project	Grant Period (MM/DD/YY)	Grant* Pledged	Prior Year	Expenditure Current Year	Total
A. RESTRICTED AGENDA					
Belgium Plantain - K.U.L.	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
BMZ Multi-Purpose Trees	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Denmark DPS Associate Scientist	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
E.E.C. Research on N'Dama Production	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Ford Foundation Training African Women	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
France Stress Tolerance - Ceresis	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Total Restricted Core Grants		XXX	XXX	XXX	XXX
B. RESTRICTED AGENDA					
IDRC FABIS - II	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Italy Durum Wheat	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
UNDP Soil Test Calibration	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
USAID NCRE Cameroon Phase II	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
TOTAL		XXX	XXX	XXX	XXX

X CENTER

SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 199X
(US Dollar)

	Balance January 1	Additions	Transfers	Disposal	Balance December 31
I. <u>COST</u>					
A. <u>Physical Facilities</u>					
Research	XXX	XXX	XXX	-	XXX
Training	XXX	-	-	-	XXX
Administration	XXX	XXX	-	-	XXX
Housing	XXX	XXX	-	-	XXX
Auxiliary Units	XXX	-	XXX	XXX	XXX
Sub-total	XXX	XXX	XXX	XXX	XXX
B. <u>Infrastructure and Leasehold</u>	XXX	-	-	-	XXX
C. <u>Furnishing and Equipment</u>					
Farming	XXX	XXX	XXX	-	XXX
Laboratory and Scientific	XXX	XXX	XXX	XXX	XXX
Office	XXX	XXX	XXX	XXX	XXX
Housing	XXX	XXX	XXX	-	XXX
Auxiliary Units	XXX	-	-	-	XXX
Computers	XXX	XXX	-	XXX	XXX
Vehicles	XXX	-	-	XXX	XXX
Aircraft	XXX	-	-	-	XXX
Sub-total	XXX	XXX	-	XXX	XXX
TOTAL COST	XXX	XXX	-	(XXX)	XXX
II. <u>ACCUMULATED DEPRECIATION</u>					
Physical facilities	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
Infrastructure and leasehold	(XXX)	(XXX)	-	-	(XXX)
Furnishing and equipment	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
TOTAL ACCUMULATED DEPRECIATION	(XXX)	(XXX)	-	(XXX)	(XXX)
III. <u>NET BOOK VALUE</u>					
Physical facilities	XXX	XXX	-	XXX	XXX
Infrastructure and leasehold	XXX	XXX	-	-	XXX
Furnishing and equipment	XXX	XXX	-	XXX	XXX
TOTAL NET BOOK VALUE	XXX	XXX	-	XXX	XXX

X CENTER

SCHEDULE OF CAPITAL EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 199X
(US Dollar)

	Current Period			Total	Prior Period
	Physical Facilities	Infrastructure and Leasehold	Furnishing and Equipment		
<u>I. COST</u>					
Balance: January 1	XXX	XXX	XXX	XXX	XXX
<u>Current Period:</u>					
Additions	XXX	-	XXX	XXX	XXX
Transfers	XXX	-	XXX	-	-
Disposals	XXX	-	XXX	(XXX)	(XXX)
Balance: December 31	XXX	XXX	XXX	XXX	XXX
<u>II. ACCUMULATED DEPRECIATION</u>					
Balance: January 1	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
<u>Current Period:</u>					
Depreciation	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
Of transfers	(XXX)	-	XXX	-	-
Of disposals	XXX	-	XXX	XXX	-
Balance: December 31	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
<u>III. NET BOOK VALUE</u>					
	XXX	XXX	XXX	XXX	XXX

X CENTER

SCHEDULE OF CAPITAL EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 199X
(US Dollar)

	Balance January 1	Additions	Transfers	Disposal	Balance December 31
I. COST					
A. <u>Physical Facilities</u>					
Research	XXX	XXX	XXX	-	XXX
Training	XXX	-	-	-	XXX
Administration	XXX	XXX	-	-	XXX
Housing	XXX	XXX	-	-	XXX
Auxiliary Units	XXX	-	XXX	XXX	XXX
Sub-total	XXX	XXX	XXX	XXX	XXX
B. <u>Infrastructure and Leasehold</u>	XXX	-	-	-	XXX
C. <u>Furnishing and Equipment</u>					
Farming	XXX	XXX	XXX	-	XXX
Laboratory and Scientific	XXX	XXX	XXX	XXX	XXX
Office	XXX	XXX	XXX	XXX	XXX
Housing	XXX	XXX	XXX	-	XXX
Auxiliary Units	XXX	-	-	-	XXX
Computers	XXX	XXX	-	XXX	XXX
Vehicles	XXX	-	-	XXX	XXX
Aircraft	XXX	-	-	-	XXX
Sub-total	XXX	XXX	-	XXX	XXX
TOTAL COST	XXX	XXX	-	(XXX)	XXX
II. <u>ACCUMULATED DEPRECIATION</u>	XXX	(XXX)	-	XXX	(XXX)
III. <u>NET BOOK VALUE</u>	XXX	XXX	-	XXX	XXX

EXHIBIT 2

ABC CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 199X and 199Y

(In US Dollar '000)

	Converted 199X	Converted 199Y
CURRENT ASSETS		
Cash and cash equivalent	2,408	184
Accounts receivable		
Donor	3,861	2,342
Employees	109	130
Others	1,028	1,493
Inventories	1,213	1,336
Prepaid expenses	513	294
Total current assets	9,132	5,779
FIXED ASSETS		
Property and equipment	64,057	62,980
Less: Accumulated depreciation	(29,315)	(27,468)
Total fixed assets - net	34,742	35,512
OTHER ASSETS		
Cash and cash equivalent - Restricted	35,918	44,126
Accounts receivable - donor - long term	25,494	19,166
	61,412	63,292
TOTAL ASSETS	105,286	104,583
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		
Donor	2,186	1,822
Employees	10	14
Others	1,728	1,607
Funds in trust	596	966
Accruals and provisions	19,009	22,094
Total current liabilities	23,529	26,503
LONG TERM LIABILITIES		
Accounts payable		
Employees	4,234	4,994
Others	2,245	1,560
Total long term liabilities	6,479	6,554
Total liabilities	30,008	33,057
NET ASSETS		
Unrestricted		
Appropriated	13,837	14,179
Unappropriated	37,753	36,158
Temporarily restricted - unconditional	-	-
Agenda	4,445	1,125
Non-agenda	19,830	19,884
Permanently restricted	-	-
Capital invested in fixed assets	-	-
Center owned	-	-
In custody	-	-
Capital fund	-	-
Operating fund	-	-
Staff restructuring program	-	-
Self-sustaining funds	-	-
Total net assets	75,865	71,346
Cumulative translation adjustments	(587)	180
TOTAL LIABILITIES AND NET ASSETS	105,286	104,583

ABC CENTER

STATEMENT OF ACTIVITIES

December 31, 199X

(In US Dollar '000)

	Agenda			Non-Agenda	Self-sustaining Activities	Total 199X	Converted 199X			Total 199x
	Unrestricted	Restricted	Total				Unrestricted	Temporarily Restricted Agenda	Non-Agenda	
REVENUES										
Grants	17,312	10,326	27,638	6,767		34,405	17,312	13,646	6,713	37,671
Contributions	1,000		1,000			1,000	1,000			1,000
Other revenues	1,780		1,780		972	2,752	2,752			2,752
Total revenue	20,092	10,326	30,418	6,767	972	38,157	21,064	13,646	6,713	41,423
OPERATING EXPENSES										
Research program	6,569	6,112	12,681	2,676		15,357	6,569	6,112	2,676	15,357
International programs	3,198	2,222	5,420	4,091		9,511	3,198	2,222	4,091	9,511
Research support	1,040	419	1,459			1,459	1,040	419		1,459
General and administration	2,961	1,106	4,067			4,067	2,961	1,106		4,067
General operations	3,283	467	3,750		711	4,461	3,994	467		4,461
Depreciation	2,279		2,279		120	2,399	2,399			2,399
Total operating expenses	19,330	10,326	29,656	6,767	831	37,254	20,161	10,326	6,767	37,254
Staff restructuring program cost	51		51			51	51			51
Recovery of indirect cost	(1,513)		(1,513)			(1,513)	(1,513)			(1,513)
Total expenses	17,868	10,326	28,194	6,767	831	35,792	18,699	10,326	6,767	35,792
CHANGE IN NET ASSETS	2,224	-	2,224	-	141	2,365	2,365	3,320	(54)	5,631
NET ASSETS										
Beginning							50,337	1,125	19,884	71,346
Net assets released (appropriated)							(1,112)			(1,112)
end							51,590	4,445	19,830	75,865

	Temporarily Restricted Agenda				Temporarily Restricted Non-agenda		
(A-1)	2,586	10,326	(a) beg. bal.	(A-1)	1,780	6,767	(a) beg. bal.
(A-8)	1,125	6,484	(A-3)	(A-8)	19,884	3,147	(A-2)
		547	(A-9)			10,078	(A-3)
						8,385	(A-9)
		<u>13,646</u>	ending bal.			<u>6,713</u>	end bal.

ABC CENTER**STATEMENT OF CASH FLOWS**

December 31, 199X and 199Y

(In US Dollar '000)

	Converted 199X	Converted 199Y
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of receipts over expenses	5,631	(3,146)
Staff restructuring program	-	-
Net assets appropriated	(1,112)	1,638
Adjustments to reconcile net cash provided by operating activities		
Depreciation	2,399	2,334
Disposal (gain) and write-off of property and equipment	(56)	(86)
Decrease (increase) in assets		
Accounts receivable	(7,361)	2,610
Inventories	123	(126)
Prepaid expenses	(219)	184
Increase (decrease) in liabilities		
Accounts payable	481	(5,761)
Funds in trust	(370)	649
Accruals and provision	(3,085)	6,755
Net cash used in operating activities	(3,569)	5,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,820)	(1,924)
Center owned	-	-
In custody	-	-
Proceeds from disposal	247	239
Funds invested in property and equipment	-	-
Decrease in capital fund	-	-
Increase in operating fund		
Cummulative translation adjustments	(767)	(785)
Net cash used in investing activities	(2,340)	(2,470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in long term liabilities		
Accounts payable		
Employees	(760)	21
Others	685	(2)
Net cash used in financing activities	(75)	19
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,984)	2,600
CASH AND CASH EQUIVALENTS		
Beginning	44,310	41,710
End	38,326	44,310