



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON
FINANCE AND ADMINISTRATION**

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**FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH
ITTO FINANCIAL RULES AND PROCEDURES (ANNEX 4)**

(Item 8 of the Provisional Agenda)

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Executive Summary of ITTO's Financial Statements
for the year ended 31 December 2022

prepared by the ITTO Management

Executive summary

1. The audited financial statements provide information on the financial position and performance of the International Tropical Timber Organization (ITTO) for the fiscal year ended 31 December 2022 (FY2022).
2. For ITTO's project accounts in FY2022, new voluntary contribution pledges of \$4.0 million were announced at the 58th Session of the International Tropical Timber Council, and total project cost expenses during this period were \$4.5 million for projects mostly funded prior to FY2022. Total Administrative Account assessed contribution revenues were \$7.1 million, of which \$1.8 million was not received during FY2022 and was accounted for as assessed contributions receivable (arrears). Actual costs for the FY2022 Administrative Account budget were \$5.0 million, therefore creating a cash surplus of \$0.3 million for the Administrative Account budget for the year. The International Tropical Timber Council (ITTC) adopted Decision 3(LVII), in November 2022 to further improve the management of the Administrative Budget by revising the Financial Rules and Regulations to allow ITTO to utilize an amount not exceeding 15% of the budget from the Working Capital Reserve (WCR) to meet any shortfall of funds to implement the work programme of the Organization, as long as expenditures stay within the specified annual budget, as well as allow the use of arrear payments and surpluses within the same financial biennium. The same Decision also extended for one year the mandate of the virtual intersessional group established in 2022 made up of producer and consumer members to make recommendations on threshold for use of the WCR, ways to prompt members to pay assessed contributions, and ways to adapt the budget to the long-term trends in payment of contributions, which will be reported at the 59th Council Session.
3. The ITTC adopted Decision 5(LIV) at its 54th Session in November 2018 to enhance the financing architecture and fundraising of the Organization. In accordance with operative paragraph 8 of that decision, the Secretariat is including here the revenue and direct and indirect costs associated with implementing the pilot of "an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the International Tropical Timber Agreement (ITTA) and the strategic priorities of the Organization, taking into consideration the need for transparency, and opportunities for member engagement".

Required financial disclosures in accordance with Decision 5(LIV)

(United States dollars)		(United States dollars)	
<i>Pledges associated with implementing the pilot</i>		<i>Costs associated with implementing the pilot</i>	
Pledges in ITTC Decision 1(LVII) associated with implementing the pilot		Costs charged to the Administrative Budget	
Pledge by China for PP-A/53-323 "Building Legal and Sustainable Forest Product Supply Chains (LSSC)"	83,000	Staff Time *	250,000
Pledge by China, Macao SAR for PP-A/53-323F "Supporting the Establishment and Operation of the Global Timber Index Platform for Building Legal and Sustainable Forest Products Supply Chains"	986,720	Sub-total	250,000
Pledge by China, Macao SAR for PP-A/53-323G "Supporting Pilot Collaborative Operation of the Blockchain-based Timber Traceability System (BTTS) for Building Legal and Sustainable Forest Products Supply Chains"	347,200	Costs charged to the Working Capital Reserve in accordance with Decision 9(LIII) and Decision 5(LIV)	
PD 926/22 Rev. 1 (I) Promotion of Sustainable Domestic Consumption of Wood Products in Thailand	320,000	Development of Concept Note Database	4,856
PD 928/22 Rev. 1(I) Development of Sustainable Domestic Market for Wood Products (Indonesia)	261,811	Consultancies	5,925
PP-A/53-323H Preparing policy brief on the outcomes of sustainable wood use (SWU) projects in Southeast Asia	15,000	Travel	24,414
Pledge by Australia for CN-1523 "Development of an Information System on the Potential for Wood and Carbon to support Sustainable Forest Management in South Kalimantan (Indonesia)"	83,300	Sub-total	35,195
Pledge by Korea for CN-21005 "Repositioning of forest management as competitive land use in the agroforestry landscape of the North Huatua Region of Costa Rica"	138,370	Total Costs	285,195
Pledge by Australia and USA for CN-21007 "Strengthening the management and conservation for endangered rosewood (Dalbergia) in Vietnam"	149,000	* Estimated based on time spent on brainstorming, meetings and implementing fundraising initiatives as well as time spent on implementing the resulting activities not explicitly budgeted for in those activities.	
Pledge by USA for CN-21009 "Strengthening and consolidating the national process for controlling illegal logging and associated trade in Cameroon"	120,000		
Pledge by Korea for CN-22014 "Assessment of Planting Caoba Experiences (Swietenia Macrophylla) in the Coastal Region of Peru in Contribution to the Climate Change Adaptation"	85,000		
Total Pledges	2,589,401		

4. The 2022 financial statements have, for the seventh successive year, been prepared based on the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Rules and Procedures adopted by the ITTC, disclosing additional information on actual assets and liabilities and enabling the improved management of ITTO's resources and internal control. Highlights include:

- i. The surplus for the FY2022 Statement of Financial Performance was \$1.6 million mainly due to differences in the timing of recognizing revenue and expenses (e.g. the entire Administrative Budget is recognized as revenue in the year that the assessments are due. However, only expenses incurred during the same year are recognized as expenses from that year's budget), and reduced personnel costs due to a number of vacancies.
- ii. Project expenses increased by \$0.5 million between 2021 and 2022. This was mainly due to the impact of the COVID-19 pandemic lessening and projects making more progress in 2022 compared to the previous year.

5. ITTO is committed to enhancing its solid foundation for transparent and effective financial management and reporting. In addition to the best practices for internal control previously implemented under the Financial Rules adopted in 2016 and further revised in 2019 and 2020 with a new project audit framework, the ITTC officially adopted a compendium of policy documents (CFA(XXXVII)/8) which strengthens governance and brings ITTO into greater alignment with the accreditation criteria of certain multilateral donor funds. ITTO will continue to implement and strengthen its internal controls and accountability measures by proactively evaluating and improving its systems where appropriate by adopting best practices from organizations that are similar in nature. Simultaneously, the Council will play a crucial role as the governing body, receiving regular reports of the Organization's finances and providing oversight of these.

ITTO's Financial Statements
for the year ended 31 December 2022

audited by the Independent Auditors

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Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
ey.com

Chapter 1

Independent Auditor's Report

To the Executive Director of International Tropical Timber Organization

Opinion

We have audited the financial statements of International Tropical Timber Organization (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget to actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Organization's 2022 Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the ITTO Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

The partner in charge of the audit resulting in this independent auditor's report is Kenji Izawa.

Tokyo, Japan
June 23, 2023

Ernst & Young ShinNihon LLC

Chapter II

Financial statements for the year ended 31 December 2022

International Tropical Timber Organization

I. Statement of financial position as at 31 December

(United States dollars)

	<i>Note</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Assets			
Current assets			
Cash and cash equivalents	6, 28	17,925,090	18,278,014
Investments	7	-	-
Assessed and voluntary contributions receivable, net	8, 27, 28	6,033,819	5,084,427
Other accounts receivable, net	8, 27, 28	49,502	61,305
Advance transfers - Projects	9	1,154,682	1,105,747
Advance transfers - Others	10	137,611	268,150
Total current assets		25,300,705	24,797,642
Non-current assets			
Property and equipment	11	115,225	177,726
Intangible assets	12	1,366	4,107
Other assets	13	-	-
Total non-current assets		116,591	181,832
Total assets		25,417,296	24,979,474
Liabilities			
Current liabilities			
Accounts payable - Members	14, 27, 28	66,025	8,941
Voluntary contributions advance receipts - allocated	15	1,558,696	1,529,404
Voluntary contributions advance receipts - unallocated	16	1,630,379	890,165
Assessed contributions advance receipts	17	349,459	325,247
Other liabilities	18, 27, 28	764,392	728,839
Total current liabilities		4,368,951	3,482,595
Non-current liabilities			
Voluntary contributions advance receipts - allocated	15	6,985,396	9,033,527
Other liabilities	18, 27, 28	1,080,481	1,121,255
Total non-current liabilities		8,065,876	10,154,782
Total liabilities		12,434,827	13,637,377
Net of total assets and total liabilities		12,982,468	11,342,097
Net assets			
Accumulated surplus - Restricted	19	8,535,240	7,043,563
Accumulated surplus - Unrestricted	19	1,947,228	1,798,534
Reserves	19	2,500,000	2,500,000
Total net assets		12,982,468	11,342,097

The accompanying notes are an integral part of the financial statements.

International Tropical Timber Organization
II. Statement of financial performance for the year ended 31 December

(United States dollars)

	<i>Note</i>	<i>2022</i>	<i>2021</i>
Revenue			
Administrative Account			
Assessed contributions	20	7,064,768	7,104,313
Host country contributions	20	1,182,441	977,884
Financial revenue	21	810	724
Other income	22	41,852	1,189
Project Accounts			
Member States voluntary contributions	20	4,321,392	3,845,506
Other voluntary contributions	20	-	-
Programme support Revenue	20	546,360	398,614
Expost evaluation Revenue	20	93,805	30,950
Financial revenue	21	976	957
Other income	22	-	-
Total revenue		13,252,404	12,360,137
Expenses			
Administrative Account			
Employee benefits	23	3,919,507	4,833,641
Operating expenses	24	1,993,344	1,933,913
Project Accounts			
Project expenses	25	4,500,351	3,964,657
Depreciation and amortization	11, 12	69,340	71,269
Other expenses	26	1,129,491	561,179
Total expenses		11,612,033	11,364,658
Surplus/(deficit) for the year		1,640,371	995,479

The accompanying notes are an integral part of the financial statements.

International Tropical Timber Organization

III. Statement of changes in net assets for the year ended 31 December

(United States dollars)

	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>	<i>Total</i>
Net assets as at 31 December 2020	6,279,329	1,567,289	2,500,000	10,346,618
Result of the accounting period	764,234	231,245	-	995,479
Net assets as at 31 December 2021 (Note 19)	7,043,563	1,798,534	2,500,000	11,342,097
Result of the accounting period	1,491,678	148,694	-	1,640,371
Net assets as at 31 December 2022 (Note 19)	8,535,240	1,947,228	2,500,000	12,982,468

The accompanying notes are an integral part of the financial statements.

International Tropical Timber Organization
IV. Statement of cash flows for the year ended 31 December

(United States dollars)

	2022	2021
Cash flows from operating activities		
Surplus/(deficit) for the year	1,640,371	995,479
Adjustments to reconcile deficit/surplus to net cash flows		
Increase/(decrease) in allowance for doubtful receivables	754,877	356,053
Depreciation and amortization	69,340	71,269
Unrealized (gain)/loss on foreign exchange	377,184	173,878
Changes in assets		
(Increase)/decrease in Assessed contributions receivable	(1,157,702)	(536,353)
(Increase)/decrease in Voluntary contributions receivable	(546,568)	225,860
(Increase)/decrease in Other accounts receivable	11,803	(61,073)
(Increase)/decrease in Advance transfers - Projects	(48,934)	(334,911)
(Increase)/decrease in Advance transfers - Others	130,538	(32,217)
Changes in liabilities		
(Decrease)/increase in Accounts payable - Members	57,084	(56,192)
(Decrease)/increase in Other liabilities	27,139	42,735
(Decrease)/increase in Voluntary contributions advance receipts - allocated	(2,018,839)	(876,986)
(Decrease)/increase in Voluntary contributions advance receipts - unallocated	740,214	30,699
(Decrease)/increase in Assessed contributions advance	24,212	(117,300)
Net cash flows from operating activities	60,720	(119,059)
Cash flows from investing activities		
Purchases of property and equipment	(4,099)	(46,705)
Purchases of intangible assets	-	-
Net cash flows from investing activities	(4,099)	(46,705)
Cash flows from financing activities		
Net proceeds from/(payment of) finance lease liabilities	(32,361)	(40,429)
Net cash flows from financing activities	(32,361)	(40,429)
Effect of exchange rate changes on cash and cash equivalents	(377,184)	(173,878)
Net (decrease) in cash and cash equivalents	(352,923)	(380,071)
Cash and cash equivalents — beginning of year (Note 6)	18,278,014	18,658,085
Cash and cash equivalents — end of year (Note 6)	17,925,090	18,278,014

The accompanying notes are an integral part of the financial statements.

International Tropical Timber Organization**V. Statement of comparison of budget to actual amounts for the year ended 31 December 2022**

(United States dollars)

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual on comparable basis (Note 5)</i>	<i>Difference between final and actual</i>
Receipts				
Assessed contributions (Notes 8 and 20)	7,064,768	7,064,768	5,344,848	1,719,920
Host country contributions (Note 20)	1,365,392	1,365,392	1,182,441	182,951
Total receipts	8,430,160	8,430,160	6,527,289	1,902,871
Expenditures				
Basic administrative costs				
Salaries and benefits	4,122,534	4,122,534	2,904,631	1,217,903
Installation costs	123,300	123,300	-	123,300
Official travel	154,651	154,651	73,048	81,603
Social security	964,577	964,577	840,416	124,161
Special activities	52,327	52,327	-	52,327
Data processing	144,644	144,644	99,234	45,410
Other costs	360,830	360,830	218,426	142,404
Council meetings	208,457	208,457	193,692	14,765
Subtotal, basic administrative costs	6,131,320	6,131,320	4,329,445	1,801,875
Core operational costs				
Communication and outreach	435,000	435,000	283,399	151,601
Expert meetings by Council	110,000	110,000	44,683	65,317
Policy work	-	-	-	-
Statistics, studies & information	265,000	265,000	259,650	5,350
Annual report & biennial review	90,000	90,000	80,520	9,480
Subtotal, core operational costs	900,000	900,000	668,252	231,748
Subtotal, administrative budget	7,031,320	7,031,320	4,997,697	2,033,623
Costs met by Japan (including tax refund)	1,365,392	1,365,392	1,182,441	182,951
Total expenditures	8,396,712	8,396,712	6,180,138	2,216,574
Net total	33,448	33,448	347,151	-

The accompanying notes are an integral part of the financial statements.

International Tropical Timber Organization

VI. Notes to the 2022 financial statements

Note 1

Reporting entity

1. The International Tropical Timber Organization (ITTO) was established pursuant to the International Tropical Timber Agreement, 1983, as a non-profit intergovernmental entity with its headquarters in Yokohama, Japan, and continues to operate from this location. The Agreement was succeeded by the International Tropical Timber Agreement, 1994 and 2006 (“the Agreement”).
2. The objectives of the Organization are laid down in Article 1 of the Agreement and include the provision of a consultative forum for producing and consuming members on all aspects of the world timber economy; promotion of the expansion, diversification, and structural improvement of the international tropical timber trade together with more transparency and better distribution; the encouragement of reforestation and other forest management activities; promotion of further processing of tropical timber in the producing countries, with research and development as well as technology transfer to support both of these goals; and support for development of national policies in sustainable utilization and conservation of tropical forests, with special regard for ecological balance and genetic resources.
3. ITTO's governing body is the International Tropical Timber Council, which comprises all the Organization's members. The Council adopts such rules and regulations as are necessary to carry out the provisions of the Agreement. The Council is also responsible for the approval of ITTO's financial statements.
4. The financial statements include only the operations of ITTO. ITTO has no subsidiaries or interests in associates or jointly controlled entities.

Note 2

Statement of approval of the Executive Director

ITTO's financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The financial statements were authorised for issue by the Executive Director on 23 June 2023, and will be submitted to the International Tropical Timber Council (ITTC) for approval at the next annual Council Session.

Note 3

Basis of preparation

A. Basis of measurement

5. The financial statements have been prepared on a full-accrual method of accounting under International Public Sector Accounting Standards (IPSAS). The accounting policies have been applied consistently throughout the reporting period. ITTO applies the historical cost principle.
6. These financial statements are expressed in United States dollars rounded to the nearest whole number, unless otherwise indicated.

B. Foreign currency translation

Functional and presentation currency

7. Items included in the financial statements are measured using the currency of the primary economic environment in which an entity operates (“the functional currency”). The functional and presentation currency of ITTO is the United States dollar.

Transactions and balances

8. Foreign currency transactions are translated into United States dollars at the prevailing United Nations operational rate of exchange at the time of the transaction. The United Nations rates approximate market rates. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the reporting date. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising upon revaluation are recognized in the statement of financial performance and included under gains and losses.

C. Use of estimates and critical judgments

9. The preparation of financial statements in accordance with IPSAS requires ITTO management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Since uncertainty is inherent in the use of estimates and assumptions, actual results may differ significantly from management estimates.

10. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Examples of estimates include: valuation and impairment of investments; collectability of receivables; provisions and adjustments of advance receipts; accrued liabilities for employee benefits; recognition of project expenses; and contingencies.

11. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and which could have a significant risk of resulting in a material adjustment is included in the following notes:

(a) Investments (Note 7) and receivables (Note 8) valuation : if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the loss is recognized in the statement of financial performance.

(b) Note 8, Contributions receivable and other receivables, and note 20, Revenue from contributions are defined in IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). Where non-exchange transactions are deemed to include conditions, IPSAS 23 requires that a liability be recognized until such time that the condition is satisfied, at which time revenue may be recorded. The determination of the existence of conditions for non-exchange transactions requires reasonable professional judgment. Many ITTO contribution agreements with donors include general stipulations; for those that include conditions, deferred revenue is recognized (advance receipts);

(c) Project expenses (Note 25) incurred by the executing agencies are recognized based on the audit reports of the projects. When those audit reports could not be obtained for the reporting year, an estimation has been built based on the available reports. When no contradictory information is available, it is the best estimate of the management that the costs are spend by the executing agencies on a straight line basis.

(d) Note 31, Contingencies: legal proceedings covering a wide range of matters are or may be pending or threatened in various jurisdictions against ITTO.

12. Provisions are recorded for pending matters when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Owing to the inherently uncertain nature of the matters, the ultimate outcome or actual cost of settlement may materially vary from estimates.

D. Future accounting changes

13. The IPSAS Board has published IPSAS 41: Financial Instruments. IPSAS 41 sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting and is effective from 1 January 2023. IPSAS 42: Social Benefits has also been published by the IPSAS Board and is effective from 1 January 2023. IPSAS 42 aims to help users of the financial statements and general purpose financial reports assess the nature of social benefits provided by the entity, the features of the operation of social benefit schemes; and the impact of social benefits on the entity's financial performance, financial position and cash flows. Furthermore, IPSAS 43: Leases, IPSAS 44 Non-current Assets Held for Sale and Discontinued Operations, IPSAS 45 Property, Plant, and Equipment and IPSAS 46 Measurement will be effective from 1 January 2025 and IPSAS 47 Revenue and IPSAS 48 Transfer Expenses will be effective from 1 January 2026. ITTO is currently in the process of assessing the impact of these new IPSASs.

Note 4

Significant accounting policies

Financial assets

14. The designation of financial assets depends on the purpose for which the financial assets are acquired and is determined at initial recognition. All financial assets of ITTO that have a residual value are categorized as loans and receivables.

<i>Major financial asset type</i>	<i>Classification</i>
Contributions and other accounts receivable	Loans and receivables
Other assets	Loans and receivables

15. Contributions and other accounts receivables are recognized initially on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date ITTO becomes a party to the contractual provisions of the instrument. All financial assets are initially measured at fair value.

Loans and receivables

16. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

17. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. Such loans and receivables are classified as non-current assets.

18. Unused transfers of cash assistance due from executing agencies represent the claims to the unused cash assistance funds remaining with executing agencies after the completion or termination of a project. They are recorded as “other receivables” and are recovered from executing agencies.

19. Cash generating assets and non-cash generating assets are distinguished based on whether those assets bring revenue from exchange transactions or not. As ITTO only generates non-exchange transactions revenue, all assets are considered non-cash generating assets.

Impairment of financial assets — assets carried at amortized cost

20. At the end of each reporting period, ITTO assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. ITTO considers impairment of financial assets at a specific asset level.

21. A financial asset or a group of financial assets is impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. No collective impairment is made.

22. The amount of the loss is measured as the difference between the carrying amount of the asset and the estimated recoverable amount. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance and reflected in an allowance account in the statement of financial position.

23. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as receipt of funds), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance. Off-setting of the impairment is done when there is no legal possibility that the corresponding asset would be recovered.

24. Receivables relate to contractual amounts agreed to be paid by governments and intragovernmental organizations.

Advances to executing agencies

25. Projects prepaid expenses represent transfers of cash where executing agencies have not yet met performance obligations as specified by ITTO. ITTO monitors the utilization of cash by executing agencies and recognizes expenses only when those funds have been used by executing agencies as specified by ITTO.

26. Reporting by executing agencies of the utilization of advances is due usually every six months. Where an executing agency fails to report on the utilization of the advance, or breaches the performance obligation, those amounts, as well as any unused funds, are followed up by ITTO with the executing agency.

Property and equipment

27. Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of assets and the initial estimate of dismantling and site restoration costs.

28. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to ITTO and the cost of the item can be measured reliably. Repairs and maintenance, which do not qualify for capitalization, are charged to surplus or deficit in the period during which they are incurred.

29. Estimated useful lives are as follows:

<i>Property and equipment class</i>	<i>Useful life</i>
Buildings	Shorter of term of arrangement and useful life of building
Furniture and fixtures	10 years
Vehicles	6 years
Office equipment	5 years
Communications and information technology (IT) equipment	4 years

30. The gain or loss arising from the disposal or retirement of an item of property or equipment is the difference between the sale proceeds and the carrying amount of the asset, and is recognized in other revenue or expenses within surplus or deficit.

31. Depreciation of property and equipment is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of the related assets.

Intangible assets

32. Separately acquired intangible assets (e.g. software and rights) and internally developed software are stated at cost, less accumulated amortization and accumulated impairment losses. ITTO does not have any intangible assets with indefinite lives.

33. Amortization of intangible assets is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of the related assets. Software is amortized

over periods ranging from 3 to 10 years. Other rights and licences are amortized over the shorter of the licence or rights period and 2 to 6 years.

Leases

34. ITTO leases certain property and equipment. Leases of property and equipment where ITTO substantially assumes all the risks and rewards of ownership are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments.

35. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property and equipment.

36. Each finance lease payment is allocated between the finance lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other liabilities.

37. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of incentives received from the lessor, if any) are recognized on a straight-line basis under other expenses in the statement of financial performance over the period of the lease.

Impairment of non-cash generating assets

38. Property and equipment and intangible assets are reviewed for impairment at each reporting date. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of such assets should be assessed, including any significant decrease in market value. An impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount of an asset is the higher of the asset's fair value, less costs to sell, and its value in use. In assessing value in use, ITTO uses a variety of methodologies in accordance with IPSAS 21, depending on the availability of data and the nature of impairment, including a depreciated replacement cost approach, a restoration cost approach and a service units approach.

39. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the impairment value has decreased or no longer exists. An impairment deficit from previous years is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have existed, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities

40. Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method.

<i>Major financial liability type</i>	<i>Classification</i>
Accounts payable	Other financial liabilities
Other liabilities	Other financial liabilities

41. Accounts payable and accruals arising from the purchase of goods and services are recognized when supplies are delivered or services consumed. Liabilities are stated at the invoice amounts, less the payment discounts if eligible at the reporting date. Where invoices are not available at the reporting date, the liability is estimated and recorded. Financial liabilities measured at amortized cost, due within 12 months of the date of the statement of financial position, are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

42. There was no discounting of advance receipts by donors as the impact is considered as not material. The amounts paid to executing agencies are always the contribution amount received from the donors, hence the financial risks on the advance receipts are considered remote.

Employee benefits

43. ITTO recognizes the following categories of employee benefits:

- (a) Short-term employee benefits;
- (b) Post-employment benefits;
- (c) Other long-term employee benefits;
- (d) Termination benefits.

Short-term employee benefits

44. Short-term employee benefits are those that are due to be settled within 12 months after the end of the period during which employees have provided related services. These benefits include wages and salaries, compensated absences (such as paid leave and annual leave) and other benefits, including medical care and housing subsidies. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled as at the reporting date and represents the amount expected to be paid to settle the liability. Owing to the short-term nature of such entitlements, the liability is not discounted for the time value of money.

Post-employment benefits

45. Post-employment benefits are those payable after completion of or separation from employment, excluding termination payments.

46. All staff of ITTO participate in a provident fund as their pension plan, which was established by the Staff Regulations and Rules to provide retirement related benefits to employees. Contributions to the provident fund which are payable monthly are set at the percentage rates defined by the United Nations Joint Staff Pension Fund (UNJSPF). Therefore, the provident fund is classified as a defined-contribution plan in line with the requirements of IPSAS 25: Employee benefits. ITTO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

47. Other long-term employee benefits obligations are those that are not due to be settled within 12 months after the end of the period in which employees provide the related service. These benefits comprise home leave, annual leave and repatriation grant. The discounting of those obligations was considered not material considering the amount of the current obligations.

Termination benefits

48. Termination benefits are recognized as an expense only when ITTO is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date. No termination benefit was recognized at the beginning nor the end of the reporting period.

Provisions

49. A provision is recognized if, as a result of a past event, ITTO has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where the provision is expected to be settled beyond the next 12 months, the increase in the provision due to the passage of time is recognized as interest expense. When an outflow is dependent upon a future event that is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

50. A provision for the return of unused funds to donors is reported for unused balances related to projects that have expired at year-end where the donor agreement requires unused funds to be returned and where it is probable that funds will be returned as opposed to being reallocated. Where the donor has not disbursed all the cash to ITTO, the receivable balance is written down to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). A provision for returns of unused funds is reported only if there are funds to be returned after the receivable has been fully written down. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis. The expense arising from reporting a provision (or reducing any receivable) for unused funds is presented in the statement of financial performance.

Revenue recognition

Assessed contributions

51. Assessed contributions are non-exchange transactions, which means that resources (such as cash, items of property and equipment or enforceable rights to such) are received by ITTO with no or nominal consideration provided directly in return to the donor. The resources are to be applied towards advancing the Organization's mission.

52. Assessed contributions are determined during the Council session of the year preceding considering the budget of the Organization and the number of votes of each member.

53. Assessed contributions are received from members.

54. The fair value of assessed contributions is determined by the cash inflow.

55. Assessed contributions are recognized in the year of the budget it is meant to cover.

Voluntary contributions

56. Voluntary contributions are non-exchange transactions, which means that resources (such as cash, items of property and equipment or enforceable rights to such) are received by ITTO with no or nominal consideration provided directly in return to the donor. The resources are to be applied towards advancing the Organization's mission.

57. Voluntary contributions are received from members, regional and international financial institutions, the common fund for commodities, and other sources.

58. The fair value of voluntary contributions is determined by the cash inflow.

59. Voluntary contributions may be subject to terms in a binding agreement imposed upon the use of the resource (termed earmarked funds) or may be free of specific terms allowing ITTO to direct such resources according to its mandate (termed unearmarked fund). Earmarked funds may be subject to conditions where terms not only restrict the use of resources, but also require the return of resources, if not used as specified.

60. With regard to unearmarked funds and earmarked funds with no conditions attached, ITTO recognizes an asset (cash or receivable) and revenue at the earlier of cash received or formal acknowledgement/agreement of the contribution to be provided unless the agreement specifies a later contribution start date.

Examples of such funds with no conditions attached are:

- Donors pledges to Thematic Programme funds
- Programme support recognized from donors pledges
- Donors pledges to Fellowship programme
- Projects' ex-post budgets when the project is officially finished

61. For earmarked contributions:

(a) Where the agreement has a legislative clause, the receivable and related revenue is not recorded until ITTO is notified of the legislative approval;

(b) Where the agreement has a performance clause, the receivable and related revenue is not recorded until the obligation is met.

62. For earmarked contributions with a condition attached, ITTO recognizes an asset (cash or receivable) and a liability (contributions advance receipts or deferred revenue) at the earlier of cash received or formal written acknowledgement/agreement of the contribution to be provided (unless the contribution specifies a later start date). The liability is reduced and revenue is recognized only when conditions have been satisfied.

63. Revenue from voluntary contributions is shown net of realized gains and losses on foreign exchange as ITTO does not assume the risk of foreign exchange on contribution revenue.

Pledges

64. Pledges of contributions to ITTO may be received at any time but are most likely to occur following donor meetings which are held annually. ITTO does not recognize pledges as assets or revenue until they are enforceable at the earlier of written confirmation of the pledge or receipt of funds. Once enforceable, the asset and related revenue are recognized consistent with the revenue recognition policy for voluntary contributions referred to above. Until that time, the pledges are disclosed as contingent assets.

Contributions in kind

65. ITTO receives contributions of services and office space and other facilities from the Host Government. These contributions, as well as in-kind contributions of goods, are initially measured and recorded at their fair value at the date of receipt. The fair value of these non-monetary assets is determined by reference to observable market values or by independent appraisal. The revenue and the corresponding expense are recorded in the statement of financial performance as part of voluntary contributions.

Recognition of expenses

66. Expenses are recognized in the statement of financial performance in the period to which they relate.

Transfers of cash assistance and programme supplies

67. In fulfilling its mandate, ITTO transfers cash to governments, non-governmental organizations and other third parties (“executing agencies”). Transfers of cash assistance are initially reported as an advance on the statement of financial position where there are performance obligations imposed on the executing agency, and are expensed when ITTO is satisfied that those performance obligations are met. An accrual against advances is recorded at year-end for expenses incurred by executing agencies reported to but not processed by ITTO.

68. Project expenses incurred by the executing agencies are recognized based on the audit reports of the projects. When those audit reports could not be obtained for the

reporting year, an estimation has been built based on the available reports. When no contradictory information is available, it is the best estimate of the management that the costs are spent by the executing agencies on a straight line basis.

Commitments

69. Commitments are future expenses and liabilities to be incurred on contracts outstanding at the reporting date for which ITTO has little, if any, discretion to avoid in the ordinary course of operations, including:

- (a) Capital commitments represents the aggregate amount of capital expenditures contracted for but not recognized as paid or provided for at the period-end;
- (b) Contracts for the supply of goods or services that ITTO is expecting to be delivered in the ordinary course of operations;
- (c) Cash transfers;
- (d) Other non-cancellable commitments.

ITTO does not have any non-cancellable lease agreements.

Contingencies

Contingent assets

70. A contingent asset is a possible asset that is not wholly within the control of the organization. Contingent assets are reviewed to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an asset is no longer contingent and the asset's value can be measured reliably, the asset is recognized during the period in which the change occurs.

Contingent liabilities

71. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recorded during the period in which the change of probability occurs. A contingent liability will also arise in cases where there are liabilities that cannot be measured reliably.

Segment reporting

72. The ITTO governing body and management does not manage the organization based on service segments or geographical segments.

Budget

73. ITTO budgets, which are approved by the Council for each financial biennium, permit expenditures to be incurred within the Administrative Account. ITTO has classified its budgets as: (a) basic administrative costs budgets; and (b) core operational costs budgets.

74. The basic administrative costs budget includes costs such as salaries and benefits, installation costs, and official travel. Costs met by Japan, which include office equipment, council meetings, supporting staff and tax refund for Japanese taxation, are also classified under the basic administrative costs. However, these costs are fully

reimbursed by Japan and are not included in the total for the assessment of the administrative budget.

75. The core operational costs budget includes costs such as those related to communication and outreach, expert meetings convened by the Council and preparation and publication of studies and assessments pursuant to articles 24, 27 and 28 of the Agreement.

76. An original budget is defined by IPSAS as “the initial approved budget for the budget period”. The final budget is defined as:

- (a) The original budget as defined above;
- (b) All subsequent changes to the budget approved by the Council.

77. While ITTO’s financial statements are prepared under the IPSAS full-accrual basis, ITTO budgets are prepared and managed on a modified cash basis. The most significant differences are as follows:

(a) The actual budget does not include revenue. Expenses for projects and activities funded by voluntary contributions in the Project Accounts and expenses deriving from other voluntary contributions in the Administrative Account are also not included in the budget of ITTO. The difference is presented under “presentation differences” in the reconciliation between budget actuals and net cash flows;

(b) Budget costs are recorded on a modified cash basis in contrast with expenses in the financial statements that are prepared under the IPSAS full-accrual basis. The difference is presented under “basis differences” under the “operating” category in the reconciliation between budget actuals and net cash flows;

(c) The budget does not include investing and financing activities. These are presented under “basis differences” under the “investing” and “financing” categories in the reconciliation between budget actuals and net cash flows. The amount of the budget is based on estimated expenses.

Note 5

Comparison to budget

Statement V documents the various budgets to the actual amounts incurred against them. Both budgets and actual amounts (cash and budgetary commitments) are calculated on the same modified cash basis.

The presentation of this statement includes the budget information for costs met by Japan, which was included in the approved administrative budget for the 2022 and 2023 financial biennium (CFA(XXXVI)/2 Rev.1, dated 3 December 2021).

Main comparisons of budget and actual amounts for costs met by Japan consist of office, equipment, utilities (\$505,778 budget vs \$437,363 actual), council meetings (\$389,635 budget vs \$425,468 actual), supporting staff (\$89,940 budget vs \$70,694 actual) and tax refund for Japanese taxation (\$380,039 budget vs \$248,916 actual), respectively.

Explanations of material differences between the final budgets and actual amounts are as follows.

(a) Assessed contributions amounting to approximately \$1.7 million were not received overall during the reporting period, which had an influence on management's decision regarding budget spending.

(b) There were months where certain positions were vacant including the position for the executive director, director and projects manager of division of forest management, and director of operations during the reporting period, which impacted salaries and benefits, and social security costs.

(c) There were no installation costs incurred in 2022 due to staff not being hired during this period.

(d) Many official meetings were cancelled or held online in 2022 due to the COVID-19 pandemic, which impacted the official travel costs.

(e) Costs met by Japan are paid directly or reimbursable by Japan based on actual expenditures and the budget is based on actual expenditures from previous years.

(f) The difference between the budget and total receipts \$33,448 is due to Angola becoming a new member of the ITTA, 2006 on 7 July 2022 and being assessed the same amount for 2022 in accordance with Council Document ITTC(LVIII)/9.

The net surplus between actual receipts and expenditures will be received by the Working Capital Reserve in accordance with Financial Rules and Rules Relating to Project of the ITTO, Rule 5.5.

The following table presents the reconciliation of actual budget amounts on a comparable basis in the statement of comparison of budget to actual amounts and the amounts presented in the statement of cash flows.

(United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Exchange rate changes</i>	<i>2022</i>
Total actual amount on comparable basis as presented in the budget and actuals comparative statement	(6,180,138)	-	-	-	(6,180,138)
Basis differences	177,469	(4,099)	(32,361)	-	141,009
Exchange rate changes on cash and cash equivalents	-	-	-	(377,184)	(377,184)
Presentation differences	6,063,389	-	-	-	6,063,389
Net cashflows from the statement of cash flows	60,720	(4,099)	(32,361)	(377,184)	(352,923)

Note 6

Cash and cash equivalents

All cash in ITTO is at bank or on hand and convertible (freely exchanged to other currencies without licence or authorization).

Note 7

Investments

ITTO does not currently hold any investments. In accordance with CFA(XXXII)/8, recommendation 9, investment of the Organization's funds is suspended until at such time as the Council deems appropriate for ITTO to resume investing.

Note 8
Accounts receivables

Assessed contributions: receivables from non-exchange transactions
(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful assessed contributions receivable</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2020	9,684,554	(6,771,426)	2,913,128
Assessed Contribution for 2021	7,104,313	-	7,104,313
Receipt for 2021 Assessed Contributions	(5,150,042)	-	(5,150,042)
Receipt for prior year Assessed Contributions	(1,417,918)	-	(1,417,918)
Write-off	-	-	-
Net Increase of Allowance for doubtful assessed contributions receivable	-	(356,053)	(356,053)
Balance as of 31 December 2021	10,220,907	(7,127,479)	3,093,428
<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful assessed contributions receivable</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2021	10,220,907	(7,127,479)	3,093,428
Assessed Contribution for 2022	7,064,768	-	7,064,768
Receipt for 2022 Assessed Contributions	(5,344,848)	-	(5,344,848)
Receipt for prior year Assessed Contributions	(562,218)	-	(562,218)
Write-off	(44,195)	44,195	-
Net Increase of Allowance for doubtful assessed contributions receivable	-	(754,877)	(754,877)
Balance as of 31 December 2022	11,334,414	(7,838,161)	3,496,253

Allowances for doubtful assessed contributions receivable amounting to \$135,571.33 were reversed on 20 December 2022 due to Honduras making payments for its assessed contributions corresponding to years 1989-1994 and 2020.

Host country contributions: receivables from non-exchange transactions
(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful host country contributions receivable</i>	<i>Total host country contributions receivable</i>
Balance as of 31 December 2020	-	-	-
Claims	-	-	-
Cash-in	-	-	-
Balance as of 31 December 2021	-	-	-
Claims	425,468	-	425,468
Cash-in	-	-	-
Balance as of 31 December 2022	425,468	-	425,468

Voluntary contributions: receivables from non-exchange transactions

(United States dollars)

<i>Project accounts</i>	<i>Donors</i>	<i>Allowance for doubtful voluntary contributions receivable</i>	<i>Total voluntary contributions receivable</i>
Balance as of 31 December 2020	2,216,858	-	2,216,858
Increases in Voluntary Contributions Receivables for 2021	3,642,802	-	3,642,802
Cash received in 2021 for Voluntary Contributions	(3,686,994)	-	(3,686,994)
Allocation from Internal Funds	(181,668)	-	(181,668)
Balance as of 31 December 2021	1,990,998	-	1,990,998
Increases in Voluntary Contributions Receivables for 2022	4,097,208	-	4,097,208
Cash received in 2022 for Voluntary Contributions	(3,729,661)	-	(3,729,661)
Allocation from Internal Funds	(246,448)	-	(246,448)
Balance as of 31 December 2022	2,112,098	-	2,112,098

<i>Breakdown of Increases in Voluntary Contributions Receivables</i>	<i>2022</i>	<i>2021</i>
<i>Pledges in ITTC Decision 1(LVIII) and (LVII) - Financing for Projects, Pre-Projects and Activities</i>		
China	83,000	100,000
China, Macao SAR	1,333,920	-
Korea	53,064	1,109,958
Japan	1,662,511	848,389
Australia	305,204	-
USA	534,000	555,000
Bruno Manser Fonds	-	200,000
CITES Secretariat	25,000	375,538
City of Basel (Switzerland)	-	200,000
FAO	-	167,000
Kisso-an (Private)	2,961	1,721
Precious Forests Foundation	-	11,000
Soka Gakkai	-	89,582
Unearmarked Fund	-	89,254
Bali Partnership Fund (Sub-account B)	-	26,828
<i>Total of Pledges in ITTC Decision 1(LVIII) and (LVII)- Financing for Projects, Pre-Projects and Activities</i>	3,999,660	3,774,270
Adjustments to pledges in Decision 1 not affecting Accounts Receivable	74,881	81,148
Adjustments for items not recorded in Decision 1	22,667	(212,616)
Total	4,097,208	3,642,802

(United States dollars)		
<i>Breakdown of Voluntary Contributions Cash Receipts</i>	<i>2022</i>	<i>2021</i>
Australia	305,204	-
China	83,000	100,000
China, Macao SAR	533,568	-
European Union	-	940,979
Finland	5,247	-
Germany	291,831	363,838
Japan	1,431,190	848,952
Korea	309,496	351,461
USA	600,000	500,000
FAO	57,000	177,848
CBD	10,000	-
CITES	100,107	281,654
IUCN	-	19,434
Kisso-an	3,018	2,248
Precious Forests Foundation	-	11,000
Soka Gakkai	-	89,582
Total	3,729,661	3,686,994

(United States dollars)		
<i>Breakdown of Allocation from Internal Funds</i>	<i>2022</i>	<i>2021</i>
USA's unallocated voluntary contributions advance receipts	(66,000)	(25,000)
Japan's unallocated voluntary contributions advance receipts	147,438	(37,324)
Korea's unallocated voluntary contributions advance receipts	89,114	-
Fellowship Pooled Fund (including refund to pool from cancelled Fellowship)	76,635	127,321
Programme Support		588
Unearmarked Fund		89,254
Bali Partnership Fund (Sub-account B)		26,828
Adjustments to reclassification of internal funds	(739)	-
Total	246,448	181,668

1. Receivables are earmarked when agreements specify terms for the use of contributions, such as the purpose, geographical area and period of use, and are unearmarked when contributions are free of specific terms, allowing ITTO to direct such resources according to its mandate. Both earmarked and unearmarked receivables are recorded when contribution agreements become enforceable, which occurs at the date when the agreement is signed, free of legislative/parliamentary approval clauses, or at the date when donor's notification of the amount to be disbursed to ITTO, when such a clause exists, is fulfilled. Ageing of receivables as well as the exposure to credit and currency risks related to those receivables are disclosed in Note 28, Financial risk management.

2. The exposure of ITTO to credit and currency risks related to receivables are disclosed in Note 28, Financial risk management.

Other accounts receivable

Other accounts receivable are mainly composed by amounts related to accounts receivable from the Executing Agency and accrued interest.

Projects PD507/08 Rev.1(F), PD552/09 Rev.1(F), and PD764/14 Rev.3(F) were recommended for termination at the 57th Council Session in November 2021. The Council decided to officially terminate PD507/08 Rev.1(F), however, PD552/09 Rev.1(F) and PD764/14 Rev.3(F) were decided not to be terminated due to the executing agencies submitting required audit reports prior to the Council Session. Accordingly, the respective other accounts receivable and allowances recorded were written-off for PD507/08 Rev.1(F) and reversed for PD552/09 Rev.1(F) and PD764/14 Rev.3(F).

Note 9

Advance transfers - Projects

(United States dollars)

<i>Category</i>	<i>2022</i>	<i>2021</i>
Reforestation and Forest Management	211,235	183,118
Economics, Statistics and Market	297,070	37,422
Forest Industry	110,914	139,478
Activities	535,463	745,729
Total advance transfer by type	1,154,682	1,105,747

Reconciliation of advance transfer balances

(United States dollars)

Advance transfer as at 31 December 2020	770,836
Expenses recognized through reports from EAs	(2,400,976)
Advance transfers made in 2021	2,735,887
Reclassified to other receivables	-
Advance transfers as at 31 December 2021	1,105,747
Expenses recognized through reports from EAs	(2,487,224)
Advance transfers made in 2022	2,536,158
Reclassified to other receivables	-
Advance transfers as at 31 December 2022	1,154,682

Advance transfers - Projects represent transfers of cash where executing agencies have not yet met performance obligations as specified by ITTO. ITTO monitors the utilization of cash by executing agencies and recognizes expenses only when those funds have been used by executing agencies as specified by ITTO.

Note 10

Advance transfers – Others

(United States dollars)

<i>Breakdown of Advance transfers – Others</i>	<i>2022</i>	<i>2021</i>
Prepaid expenses - staff	118,801	133,165
Prepaid expenses - others	18,811	134,984
Total	137,611	268,150

Note 11
Property and equipment

(United States dollars)

	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Communications and information technology (IT) equipment</i>	<i>Total 2021</i>
Cost						
Balance as at 1 January	49,220	151,827	107,558	204,708	51,147	564,460
Additions	22,101	-	-	-	24,603	46,705
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	71,321	151,827	107,558	204,708	75,750	611,165
Accumulated depreciation						
Balance as at 1 January	8,086	99,170	107,558	111,698	38,398	364,910
Depreciation	6,290	9,424	-	41,392	11,423	68,529
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	14,376	108,594	107,558	153,090	49,821	433,439
Carrying value as at 31 December	56,945	43,233	-	51,618	25,929	177,726
	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Communications and information technology (IT) equipment</i>	<i>Total 2022</i>
Cost						
Balance as at 1 January	71,321	151,827	107,558	204,708	75,750	611,165
Additions	-	-	-	-	4,099	4,099
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	71,321	151,827	107,558	204,708	79,849	615,264
Accumulated depreciation						
Balance as at 1 January	14,376	108,594	107,558	153,090	49,821	433,439
Depreciation	7,059	9,424	-	39,905	10,212	66,600
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	21,436	118,018	107,558	192,995	60,032	500,039
Carrying value as at 31 December	49,885	33,809	-	11,713	19,817	115,225

1. ITTO does not currently hold any donated property or items of equipment that are subject to conditions.
2. The gross carrying amount of fully depreciated property and equipment is \$221,008 for 2022 and \$197,342 for 2021.
3. The carrying value of property and equipment recognized under finance leases is as follows:

(United States dollars)

	2022	2021
Office equipment	9,273	46,465
Total	9,273	46,465

4. The ITTO leases copy machines, which the annual lease payments are allocated between the finance charges and the repayment of the finance lease obligation to achieve a constant rate of interest on the remaining balance of the obligation.
5. There is no significant difference between minimum lease payments and the present value of minimum lease payments.
6. ITTO has not entered into any arrangements containing contingent rent.

Note 12

Intangible assets

(United States dollars)

	Software acquired externally	Software internally developed	Licences and rights	Copyrights	Total 2021
Cost					
Balance as at 1 January	13,709	-	-	-	13,709
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	13,709	-	-	-	13,709
Amortization					
Balance as at 1 January	6,862	-	-	-	6,862
Amortization	2,740	-	-	-	2,740
Disposals	-	-	-	-	-
Balance as at 31 December	9,602	-	-	-	9,602
Carrying value as at 31 December	4,107	-	-	-	4,107

(United States dollars)

	<i>Software acquired externally</i>	<i>Software internally developed</i>	<i>Licences and rights</i>	<i>Copyrights</i>	<i>Total 2022</i>
Cost					
Balance as at 1 January	13,709	-	-	-	13,709
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	13,709	-	-	-	13,709
Amortization					
Balance as at 1 January	9,602	-	-	-	9,602
Amortization	2,740	-	-	-	2,740
Disposals	-	-	-	-	-
Balance as at 31 December	12,342	-	-	-	12,342
Carrying value as at 31 December	1,366	-	-	-	1,366

Note 13

Other assets

Other assets are mainly comprised of prepaid expenses that cover a period longer than 1 year.

Note 14

Accounts payable – Members

The amounts in Accounts payable – Members correspond to advance payments made by Members to ITTO for reimbursement of income tax payments of staff members, in accordance with Regulation 2.11 of the ITTO Staff Regulations and Rules.

Note 15
Voluntary contributions advance receipts – allocated
Deferred revenue

(United States dollars)

<i>Breakdown of deferred revenue</i>	<i>2022</i>	<i>2021</i>
Deferred revenue for the Administrative Account	7,072	8,676
<i>Deferred revenue for projects</i>		
Reforestation and Forest Management (F)	1,866,100	2,194,282
Economics, Statistics and Markets (M)	880,896	361,220
Forest Industry (I)	880,158	451,734
Activities (A)	4,909,867	7,547,019
Deferred revenue for projects	8,537,020	10,554,254
Total deferred revenue	8,544,091	10,562,931

Reconciliation of deferred revenue balances

(United States dollars)

Deferred revenue for projects as at 31 December 2020	11,430,728
Liabilities recognized for obligations attached to pledges	2,969,033
Revenue recognized from ongoing projects	(3,845,506)
Deferred revenue for projects as at 31 December 2021	10,554,254
Liabilities recognized for obligations attached to pledges	2,304,157
Revenue recognized from ongoing projects	(4,321,392)
Deferred revenue for projects as at 31 December 2022	8,537,020

Deferred revenue consists of contributions receivable which are not yet due, and, based on the terms of agreements, are to be used by ITTO in future periods specified by donors.

Detail of projects with balance as of 31 December 2022

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
PD 452/07 Rev.5 (F) /C50	F	556,963	395,084	70,353	91,526	1,093	-
PD 712/13 Rev.2 (F)/C54	F	250,000	-	26,787	223,213	-	-
PD 732/14 Rev.2 (M)/03'16	M	321,138	246,395	34,408	40,335	541	-
PD 764/14 Rev.3 (F)/04'16	F	606,313	189,210	51,886	365,217	96,930	-
PD 770/15 Rev.1 (I)/03'16	I	196,224	60,605	21,024	114,595	58,721	-
PD 832/16 Rev.2 (M)/C55	M	416,080	192,804	44,580	178,696	71,529	-
PD 836/17 Rev.1 (F)/C54	F	417,558	111,048	44,738	261,772	34,237	-
PD 845/17 Rev.3 (M)/C56	M	120,000	97,143	12,857	10,000	-	-
PD 849/17 Rev.2 (F)/C54	F	335,765	22,189	35,975	277,601	67,811	-
PD 902/19 Rev.2 (F) Ph.I/09'21 (portion funded by Voluntary Contribution)	F	500,000	-	48,168	451,832	-	400,000
PD 905/19 Rev.3 (F) Ph.I	F	200,000	-	21,429	178,571	-	200,000
PD 913/20 Rev.3 (M)/03'22	M	730,088	-	78,224	651,864	225,000	-
PD 922/21 Rev.1 (I)	I	339,500	57,036	36,375	246,089	52,193	-
PD 926/22 Rev.1 (I)	I	320,000	-	34,286	285,714	-	-
PD 928/22 Rev.1 (I)	I	261,811	-	28,051	233,760	-	-
PPD 201/21 Rev.1 (F)/C57	F	65,588	41,668	7,552	16,368	11,165	-
PP-A/49-291 BWP 6 IMM (EU)	A	4,681,810	3,953,438	276,600	451,771	-	170,603
PP-A/50-304 BWP 18 TAG&CSAG	A	190,402	127,971	31,306	31,125	-	-
PP-A/50-305 BWP27 CPF	A	130,000	73,816	13,694	42,490	-	-
PP-A/50-305A BWP13/Dec.7(LVII)	A	100,000	27,007	13,043	59,950	-	-
PP-A/52-320: CITES BWP Activit	A	1,648,980	218,945	123,350	1,306,685	251,844	-
PP-A/52-320D: Agarwood 2021	A	400,538	309,134	52,244	39,160	-	18,777
PP-A/53-322 BWP18-19/1	A	50,000	39,717	6,522	3,761	-	-
PP-A/53-323 BWP18-19/2 General	A	972,953	325,108	127,015	520,830	-	-
PP-A/53-323C BWP18-19/2 FAO	A	133,848	117,748	-	16,100	-	-
PP-A/53-323D BWP 2 Timber-Lex	A	24,000	20,000	3,130	870	-	-
PP-A/53-323E BWP 2/Mekong FAO	A	70,000	25,559	5,000	39,441	-	15,000
PP-A/53-323F BWP 2/Macao GTI	A	986,720	114,071	128,703	743,946	235,929	592,032
PP-A/53-323G BWP 2/Macao BTTS	A	347,200	291,913	45,287	10,000	-	208,320
PP-A/53-323H BWP 2/SWU Policy	A	15,000	-	-	15,000	-	-
PP-A/53-324 BWP18-19/3	A	170,000	71,232	22,175	76,593	-	-
PP-A/53-325 BWP18-19/10(a)	A	25,000	10,864	3,261	10,875	-	-
PP-A/54-326 Landscape Restorat	A	147,796	82,060	-	65,736	-	-
PP-A/54-328 BWP18/8b C&I Mtgs	A	36,117	19,918	-	16,199	-	-
PP-A/54-329 BWP18/10 Mangrove	A	4,826	-	-	4,826	-	-
PP-A/54-330 BWP18/19b Outreach	A	30,044	5,000	3,261	21,783	-	-
PP-A/54-332 BWP18-19/9 Stats	A	76,761	-	8,479	68,282	-	15,000
PP-A/55-335 BWP/11 Action Plan	A	93,265	8,409	12,165	72,691	-	-
PP-A/55-336 EU Grant to 6 BWPs	A	325,440	229,534	-	95,906	-	106,496
PP-A/55-337 IUCN FLR Tier 2	A	41,844	20,577	-	21,267	19,433	-
PP-A/55-338 BWP18-19/15 C&I SFM	A	20,000	-	2,609	17,391	-	-
PP-A/55-339 BWP18-19/16 Communications Strategy	A	70,000	60,870	9,130	0	-	-

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
PP-A/56-341A REFACOF Togo Ph.2	A	89,582	30,055	6,001	53,526	-	-
PP-A/56-342A (JPNFA)	A	378,930	110,970	40,600	227,360	-	-
PP-A/56-342B (JPNFA)	A	344,100	154,538	36,868	152,694	28,257	-
PP-A/56-344 BWP21-22/11b	A	100,000	25,010	13,044	61,946	-	-
PP-A/56-345 BWP21-22/12	A	80,000	15,797	7,136	57,067	-	24,712
PP-A/57-346 FAO PF CS	A	10,000	8,696	1,304	0	-	-
PP-A/57-347 PFF NTFP Report	A	11,000	8,551	-	2,449	-	-
PP-A/57-348 BWP 17c JPN Trsl	A	75,000	38,693	6,522	29,785	-	25,000
PP-A/57-349 FAO GlobalTimberOutlo	A	77,000	70,000	7,000	0	-	-
PP-A/57-350 Korea Officer 2021	A	850,570	218,121	60,087	572,362	-	323,870
Fellowship programme							
PP-A/52-319 FFF/up to15A	A	80,658	44,942	-	35,716	-	-
PP-A/52-319 FFF/16A	A	56,668	51,040	-	5,628	-	-
PP-A/52-319 FFF/17A	A	120,829	100,436	10,018	10,374	-	-
PP-A/52-319 FFF/18A	A	139,564	130,774	2,022	6,769	-	-
PP-A/52-319 FFF/19A	A	115,451	78,915	17,785	18,751	-	-
PP-A/52-319 FFF/20A	A	172,896	126,551	22,552	23,793	-	-
PP-A/52-319 FFF/21A	A	127,321	111,797	-	15,524	-	-
PP-A/52-319 FFF/22A	A	76,635	-	-	76,635	-	-
Recognized as net assets					-193,190		
Unallocated pledges to the fellowship program							12,288
Projects funded from Net Assets (BPF-B/Unearmarked Fund)							
PD 902/19 Rev.2 (F) Ph.I/09/21 (portion funded by Unearmarked Fund)	F	56,083	-	5,403	50,680		
Recognized as net assets					-50,680		
Total		19,391,859	8,890,960	1,720,009	8,537,020	1,154,682	2,112,098
<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Balance at project closure (*See note below)</i>		
PPD 189/17 Rev.3 (F)	F	50,000	44,643	5,357	-		
PPD 196/19 Rev.1 (F)	F	85,792	73,600	9,192	3,000		
PD 552/09 Rev.1 (F)	F	621,578	575,856	41,844	3,878		
PD 696/13 Rev.2 (F)	F	294,444	255,318	33,276	5,850		
PD 737/14 Rev.2 (I)	I	589,863	504,069	63,200	22,594		
PD 740/14 Rev.2 (F)	F	450,542	390,760	51,942	7,840		
PD 765/14 Rev.4 (F) Phase I	F	250,000	212,786	26,786	10,428		
PD 777/15 Rev.3 (F)	F	515,590	435,325	55,242	25,023		
PD 852/17 Rev.4 (F)	F	125,000	111,607	13,393	-		
PP-A/53-323 BWP18-19/2 RIFFEAC Portion	A	245,727	213,675	32,051	-		
PP-A/54-331 BMEL Teak Activity	A	1,236,250	1,069,878	161,250	5,122		
PP-A/55-334 LSSC-BMEL	A	2,390,000	1,927,611	289,142	173,247		
PP-A/56-340	A	2,210,526	1,883,585	236,842	90,100		
PP-A/56-341 REFACOF Togo	A	93,240	87,240	6,000	-		
Total		9,158,552	7,785,954	1,025,517	347,081		

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Balance at project closure (*See note below)</i>
PPD 191/18 Rev.1 (F)	F	71,211	60,581	7,630	3,000
PD 599/11 Rev.1 (M)	M	490,624	362,811	36,884	90,929
PD 646/12 Rev.3 (F)	F	427,210	365,026	46,627	15,557
PD 721/13 Rev.3 (F)	F	440,873	359,766	47,236	33,871
PD 741/14 Rev.3 (F)	F	437,478	371,109	46,873	19,496
PD 815/16 Rev.2 (I)	I	116,480	86,639	12,480	17,361
PP-A/52-320A:TreeSpecies(Asia)	A	179920	152473.25	27446.75	0
PP-A/52-320C: TreeSpecieAfrica	A	376,027	358,008	18,019	-
PP-A/53-321 KFS Officer	A	979,577	904,771	-	74,806
Total		3,519,400	3,021,183	243,196	255,021

*Note 1): Balance includes funds to be returned, transferred to Pooled Sub-accounts for ex-post evaluations and/or otherwise reallocated depending on consultations with donors in accordance with prevailing rules and procedures.

Detail of project terminated in 2021

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Bad debt expenses</i>	<i>Balance</i>
PD 507/08 Rev.1 (F) /C44	F	385,800	326,679	29,356	10,115	19,650
Total		385,800	326,679	29,356	10,115	19,650

Unearmarked funds and earmarked funds with no conditions attached, such as donor pledges to the Thematic Programme funds or the Fellowship fund, recognize revenue at the earlier of cash received or formal acknowledgement/agreement of the contribution to be provided. Therefore, advance receipts from Thematic programme projects and the Fellowship programmes are recorded in net assets and are excluded from the reconciliation of deferred revenue balances shown above.

Note 16

Voluntary contributions advance receipts - unallocated

The amounts in Voluntary contributions advance receipts – unallocated are comprised of (a) voluntary contributions that have been received from donors but have not been allocated to specific projects and (b) unspent balance of completed projects belonging to donors.

Note 17

Assessed contributions advance receipts

Those amounts correspond to assessed contributions, related to 2023 budget, that were received before the end of 2022.

Note 18

Other liabilities

(United States dollars)

<i>Breakdown of Other liabilities</i>	<i>2022</i>	<i>2021</i>
Other accounts payable	248,793	69,196
Employee benefits accrued liabilities	1,341,053	1,444,737
Lease obligation	7,857	45,256
Other accrued liabilities	247,169	290,906
Total	1,844,872	1,850,093

Information on finance lease payments is contained in Note 11: Property and equipment.

Employee benefits liabilities breakdown

(United States dollars)

	<i>2022</i>	<i>2021</i>
Current employee benefits liabilities		
Home leave	69,056	111,843
Accrued salaries and allowances	73,217	45,512
Accrued social securities	118,299	175,232
Total current employee benefits liabilities	260,572	332,587
Non-current employee benefits liabilities		
Home leave	12,144	16,703
Repatriation benefits	419,894	399,190
Annual Leave	648,442	696,257
Total non-current employee benefits liabilities	1,080,481	1,112,149
Total employee benefits liabilities	1,341,053	1,444,737

Note 19
Net assets

(United States dollars)

<i>Breakdown of net assets</i>	<i>2022</i>			<i>2021</i>		
	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>
Administrative Account						
Working Capital reserve	7,721,032	-	-	6,229,652	-	-
Reserve provided by interest income	-	227,717	-	-	228,039	-
Special reserve	-	-	2,500,000	-	-	2,500,000
Project Accounts						
Funds provided by interest income	4,028	-	-	3,053	-	-
Thematic programme funds allocated to projects	902	-	-	902	-	-
Funds allocated to Fellowship programme	332,091	-	-	361,657	-	-
Unearmarked funds allocated to projects	50,680	-	-	55,235	-	-
Funds allocated to expost evaluation	426,507	-	-	393,063	-	-
Thematic programme funds unallocated	-	4,935	-	-	4,935	-
Programme support funds	-	1,714,576	-	-	1,565,560	-
Total	8,535,240	1,947,228	2,500,000	7,043,563	1,798,534	2,500,000

1. Net assets represent the value of ITTO assets, less its outstanding liabilities at the reporting date. ITTO net assets comprise accumulated surpluses and reserves.
2. Accumulated surplus represent the accumulated surpluses and deficits from ITTO operations over the years. Accumulated surplus is presented as restricted or unrestricted. Restricted accumulated surplus are linked to commitments or require a Council decision to be utilized.
3. Reserves represent the special reserve contained in the Administrative Account. In accordance with the Financial Rules and Procedures of ITTO, this reserve is set aside to meet obligations towards the staff members of the Organization, arising in the event that ITTO ceases to exist, such as termination indemnities, repatriation travel and removal costs, and repatriation grants.

Note 20

Administrative account; Revenue from Assessed Contributions and the other contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2022</i>	<i>2021</i>
Assessed Contributions		
Member countries	7,064,768	7,104,313
Total Assessed contributions	7,064,768	7,104,313
Host Country cash contributions		
Government of Japan	248,916	357,407
City of Yokohama	485,136	94,042
Host Country in-kind contributions		
Government of Japan	168,551	201,481
City of Yokohama	279,838	324,954
Total Host Country contributions	1,182,441	977,884
Total Assessed and Host Country Contributions	8,247,209	8,082,197
Assessed Contribution receivable	3,496,253	3,093,428
Host Country Contribution receivable	425,468	-

In-kind contributions

In-kind contributions comprise contributions received as goods or services. In-kind contributions mainly include rights to use assets such as land and buildings.

Project accounts; Revenue from Voluntary Contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2022</i>	<i>2021</i>
Contributions		
Donors	4,321,392	3,845,506
Revenue from closed projects to the Pooled Fund for Ex-Post Evaluation	93,805	30,950
Programme Support Revenue	546,360	398,614
Total voluntary contributions	4,961,557	4,275,069
Voluntary Contribution receivable	2,112,098	1,990,998
Advance transfer - Project	1,154,682	1,105,747
Advance receipts	8,537,020	10,554,254

Ex-Post evaluation revenue from Thematic Programme projects are normally recognized at the start of the project. There were no Ex-post evaluation revenue from Thematic Programme projects recognized in 2021 as well as 2022.

Cash Receipts and Pledges from Donors

A detailed breakdown of cash receipts and pledges by donor can be found in Note 8: Accounts receivables.

Note 21

Financial revenue

ITTO generates interest revenue from bank accounts. Interest revenue for 2022 is \$1,786 and 2021 is \$1,681.

Note 22

Other income

Other income is mainly comprised of honorariums received by staff members when invited by external institutions to give lectures or speeches. In 2022, ITTO received \$21,742.47 from Honduras for interest payments related to the late payments of assessed contributions for 1988-1996 written-off previously, which is included in other income.

Note 23

Administrative account; Employee benefits expenses

(United States dollars)

<i>Breakdown of employee benefits expenses</i>	<i>2022</i>	<i>2021</i>
Salaries and benefits	3,079,091	3,899,794
Social security	840,416	933,847
Total employee benefits expenses	3,919,507	4,833,641

The total amount of defined contribution plan expenses for pension schemes amount to \$572,675 for 2022 and \$518,645 for 2021.

In accordance with CFA(XXXVI)/9 recommendation 4(c), matters related to the Administration of the Administrative Account regarding the proposal for the treatment of past provident fund management fees charged to staff was approved and an amount of \$47,216.49 was reimbursed to the relevant staff members in 2021.

Note 24
Operating expenses

(United States dollars)

<i>Breakdown of operating expenses</i>	<i>2022</i>	<i>2021</i>
Installation costs	-	-
Official travel	73,048	23,180
Special activities	-	13,895
Data processing	95,135	94,111
Other costs	218,426	264,560
Council meetings	419,160	269,831
Expert meetings	44,683	33,505
Communication and outreach	283,399	301,411
Statistics, Studies and information	259,650	223,602
Annual Report and Biennial review	80,520	74,831
Services received through host country in-kind contributions	448,389	526,435
Services received through host country cash contributions	27,307	55,694
Expenses from reserve provided by interest income	1,132	7,011
Working capital reserve expenses in accordance with Council decisions	42,496	45,848
Total operating expenses	1,993,344	1,933,913

Note 25
Project expenses

(United States dollars)

<i>Category</i>	<i>2022</i>	<i>2021</i>
Transfers to executing agencies		
Reforestation and Forest Management	454,702	461,552
Economics, Statistics and Markets	132,188	149,345
Forest Industry	68,457	123,570
Activities	3,700,167	3,210,035
Programme support expenses	84,475	1,792
Ex-post Expenses	60,362	18,364
Total by type	4,500,351	3,964,657

Transfers to executing agencies correspond to the expenses incurred during the accounting period of 2022 and 2021 by those agencies.

Ex-post expenses are expenses incurred by ITTO for the evaluation of finished projects.

Note 26
Other expenses

(United States dollars)

<i>Breakdown of other expenses</i>	<i>2022</i>	<i>2021</i>
Exchange loss / (gain)	374,300	204,307
Allowance expense for debt - Administrative Account	754,877	356,053
Allowance expense for debt - Project Account	-	-
Interest expense	315	818
Total other expenses	1,129,491	561,179

Net foreign exchange gains or losses

(United States dollars)

<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	<i>2021</i>
Gains	11,254	5,823	17,078
Losses	185,132	36,252	221,385
Total net losses	173,878	30,429	204,307

<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	<i>2022</i>
Gains	238,583	22,884	261,467
Losses	615,767	19,999	635,767
Total net losses	377,184	(2,884)	374,300

Note 27**Financial instruments**

1. ITTO has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. The present note contains information about the exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and its management of capital. Further quantitative disclosures are included throughout the financial statements.

Accounting classifications and fair values

2. The following tables detail the value of financial assets and financial liabilities by class of instrument and by category, as defined in the accounting policies.

Financial assets as at 31 December

(United States dollars)

Breakdown of financial assets	Loans and receivables	Fair value through surplus or deficit		Total carrying value	Total fair value
		Available-for-sale	Designated as such upon initial recognition		2021
Assessed and voluntary contributions receivable	5,084,427	-	-	5,084,427	5,084,427
Other accounts receivable	61,305	-	-	61,305	61,305
Total financial assets	5,145,731			5,145,731	5,145,731

Breakdown of financial assets	Loans and receivables	Fair value through surplus or deficit		Total carrying value	Total fair value
		Available-for-sale	Designated as such upon initial recognition		2022
Assessed and voluntary contributions receivable	6,033,819	-	-	6,033,819	6,033,819
Other accounts receivable	49,502	-	-	49,502	49,502
Total financial assets	6,083,321			6,083,321	6,083,321

3. The carrying value of financial assets is considered to be a reasonable approximation of fair value.

Financial liabilities as at 31 December

(United States dollars)

Breakdown of financial liabilities	Other financial liabilities (amortized cost)	Total carrying value	Total fair value
			2021
Accounts payable - Members	8,941	8,941	8,941
Other liabilities	1,850,093	1,850,093	1,850,093
Total financial liabilities	1,859,034	1,859,034	1,859,034
Breakdown of financial liabilities	Other financial liabilities (amortized cost)	Total carrying value	Total fair value
			2022
Accounts payable - Members	66,025	66,025	66,025
Other liabilities	1,844,872	1,844,872	1,844,872
Total financial liabilities	1,910,897	1,910,897	1,910,897

4. Most liabilities are short-term and are expected to be settled within the next 12 months. Non-current liabilities are reported at amortized cost in the statement of financial position, and it is assumed that the carrying amounts don't materially deviate from the fair values of the financial instruments.

Valuation method

5. The valuation method of the different levels of financial instruments carried at fair value has been defined as follows:

(a) Level 1. Average quoted prices from two separate sources (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. ITTO does not hold any financial liabilities that are recognized at fair value through surplus or deficit. All ITTO's financial assets and liabilities are of level 3.

Note 28**Financial risk management***Exposure to credit risk*

1. Credit risk is the risk of financial loss to ITTO if a donor or other counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from cash and cash equivalents, investments, receivables from contributions and other receivables.

2. ITTO holds bank accounts only in Japan and United States.

3. In the Financial Rules and Rules relating to Projects of the ITTO (Second Edition), ITTO has a detailed investment policy along with a charter for an investment oversight panel with quarterly reporting requirements to Council members.

4. The significant receivables of ITTO are all towards member countries. ITTO has established an allowance for impairment that represents its estimate of incurred losses in respect of receivables from contributions and other receivables, based on the following rules representing the management's best estimate of the risk.

For all assessed contributions receivables that are overdue 4 years and more, 100% allowance is recommended for financial reporting purposes. Write-off of receivables is not addressed by this IPSAS policy framework, as the Council is the final authority to determine the write-offs of balances of assessed receivables outstanding from Member States.

Fair values of unpaid assessed contributions that are outstanding for periods up to 4 years are to be computed using allowance of 80% for receivables overdue by more than 36 months, allowance of 60% for receivables overdue by more than 24 months, and 20% for receivables overdue by more than 12 months.

5. The carrying value of all financial instruments represents the maximum exposure to credit risk.

Ageing of assessed and voluntary contributions receivables

(United States dollars)

	0 to 1 year	> 1 to 2 years	> 2 to 3 years	> 3 up to 4 years	4 years and more	2021
Assessed contributions receivables	1,954,271	912,280	718,002	610,666	6,025,689	10,220,907
Voluntary contributions receivables	1,990,998	-	-	-	-	1,990,998
Allowance	-	(182,456)	(430,801)	(488,533)	(6,025,689)	(7,127,479)
Net Total	3,945,269	729,824	287,201	122,133	-	5,084,427
	0 to 1 year	> 1 to 2 years	> 2 to 3 years	> 3 up to 4 years	4 years and more	2022
Assessed contributions receivables	1,719,920	1,622,605	858,931	673,382	6,459,575	11,334,414
Voluntary contributions receivables	2,112,098	-	-	-	-	2,112,098
Allowance	-	(324,521)	(515,359)	(538,706)	(6,459,575)	(7,838,161)
Net Total	3,832,018	1,298,084	343,572	134,676	-	5,608,351

Exposure to liquidity risk

6. Liquidity risk is the risk that ITTO will encounter difficulty in meeting its obligations associated with its accounts payables, other liabilities and promised transfers of cash to programmes. ITTO holds sufficient financial assets to cover all its obligations and contingent liabilities. ITTO does not have any borrowings.

7. ITTO strictly monitors its budget to avoid engaging in commitments which sufficient budget is unavailable from contributions received and liquidated by the donors.

Contractual maturities of financial liabilities

(United States dollars)

	Due				Overdue				2021 total carrying value
	0-3 months	3-6 months	6-12 months	More than 1 year	0-3 months	3-6 months	6-12 months	More than 1 year	
Lease payments	9,051	9,051	18,102	\$9,052	-	-	-	-	45,256
Total	9,051	9,051	18,102	9,052	-	-	-	-	45,256

	Due				Overdue				2022 total carrying value
	0-3 months	3-6 months	6-12 months	More than 1 year	0-3 months	3-6 months	6-12 months	More than 1 year	
Lease payments	7,857	-	-	\$0	-	-	-	-	7,857
Total	7,857	-	-	\$0	-	-	-	-	7,857

8. No other financial liabilities have contractual maturities.

9. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Exposure to market risk

10. ITTO financial instruments are only composed by loans, receivables and other financial liabilities, consequently ITTO exposure to market risk is considered as not significant.

Currency risk

11. Currency risk (or foreign exchange risk) arises with regard to financial instruments that are denominated in a foreign currency. ITTO is exposed to currency risk on expenses, assets and liabilities that are denominated in a currency other than the United States dollar. The currencies in which these transactions are primarily denominated are as follows:

(a) Regarding expenses for the year employee benefits are mainly made in Japanese yen;

(b) Regarding assets and liabilities as at 31 December are mainly balanced in the United States dollar.

Summary of currency positions

(United States dollars)

	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Euro (converted)</i>	<i>2021</i>
Cash and cash equivalents	16,183,396	2,094,617	-	18,278,014
Assessed and voluntary contributions receivable	4,789,085	-	295,342	5,084,427
Other accounts receivable	61,305	-	-	61,305
Total financial assets	21,033,786	2,094,617	295,342	23,423,745
Accounts payable - Members	-	8,941	-	8,941.19
Other liabilities	1,516,119	333,975	-	1,850,093.49
Total financial liabilities	1,516,119	342,916	-	1,859,035
Net exposure	19,517,667	1,751,701	295,342	21,564,710
	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Euro (converted)</i>	<i>2022</i>
Cash and cash equivalents	16,840,585	1,084,505	-	17,925,090
Assessed and voluntary contributions receivable	5,331,252	425,468	277,099	6,033,819
Other accounts receivable	49,502	-	-	49,502
Total financial assets	22,221,339	1,509,973	277,099	24,008,411
Accounts payable - Members	-	66,025	-	66,025
Other liabilities	1,647,168	197,705	-	1,844,872
Total financial liabilities	1,647,168	263,730	-	1,910,897
Net exposure	20,574,172	1,246,243	277,099	22,097,514

Sensitivity analysis: foreign currency

12. The following table shows the sensitivity of net assets and surplus/deficits to the strengthening and weakening of key currencies used by ITTO. This analysis is based on foreign currency exchange rate variances that ITTO considered to be reasonably possible as at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted contributions and expenditures.

(United States dollars)

<i>As at 31 December 2021</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of</i>	<i>Weakening of United</i>
	<i>United States dollar</i>	<i>States dollar</i>
	<i>by 10 per cent</i>	<i>by 10 per cent</i>
Japanese yen	(159,246)	194,633
Total	(159,246)	194,633

<i>As at 31 December 2022</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of</i>	<i>Weakening of United</i>
	<i>United States dollar</i>	<i>States dollar</i>
	<i>by 10 per cent</i>	<i>by 10 per cent</i>
Japanese yen	(113,295)	138,471
Total	(113,295)	138,471

13. The information presented above is calculated by reference to carrying amounts of assets and liabilities.

Sensitivity analysis: interest rates

14. The exposure of ITTO to interest rates is not material.

Note 29

Capital management

1. ITTO defines the capital as the aggregate of its net assets, which comprises accumulated surpluses and reserve balances. ITTO does not have any long-term borrowings and its Financial Rules and Procedures prohibit ITTO from borrowing funds for the Administrative Account.

2. Except for unrestricted accumulated surplus, the utilization by ITTO of net assets requires a Council decision or termination of commitments. Unrestricted accumulated surplus are composed by:

- (a) Interest earned on funds in the Administrative Account usable by the Executive Director to hire on a temporary and intermittent basis, consultants and contractors to support the Secretariat in carrying out its duties; and
- (b) Programme Support within the Project Accounts usable to defray the expenses of administration of projects, pre-projects, and other activities of the Organization approved by the Council. Such administrative expenses shall

comprise bank charges, project-related communication costs, the remuneration of project administration staff, and other expenses related to project administration.

3. The Executive Director shall notify the Council if the amount of the Working Capital Reserve falls below 15% or approximately two months of annual operating expenses of the Administrative Budget. Working Capital Reserve is part of the restricted accumulated surplus and amount to \$7,721,032 at the end of 2022 and \$6,229,652 at the end of 2021.

Note 30 **Commitments**

ITTO had no open purchase orders at the end of the reporting period.

Long-term agreements

ITTO is not part of any long term agreement.

Ongoing projects and activities

Restricted accumulated surplus are partially composed by funds allocated to ongoing projects. While no obligation is attached to the related assets recognized initially, ITTO has commitments for both Thematic Programme (TP) ongoing projects and the Fellowship Programme, as follows:

(United States dollars)

	<i>Thematic Programme</i>	<i>Fellowship Programme</i>
Balance as of 31 December 2020	-	367,584
Revenue from pledges	-	106,619
Transfer to the Ex-post pooled fund	-	-
Transfer to the TP pooled fund	-	-
Expenses of 2021	-	(112,545)
Balance as of 31 December 2021	-	361,657
Revenue from pledges	-	94,410
Transfer to the Ex-post pooled fund	-	-
Transfer to the TP pooled fund	-	-
Expenses of 2022	-	(123,976)
Balance as of 31 December 2022	-	332,091

Note 31
Contingencies

Contingent assets

ITTO has not received pledges prior to concluding contribution agreements, or pledges subject to approval. ITTO has consequently no contingent assets, corresponding to probable inflow of resources, to disclose.

Contingent liabilities

ITTO has no pending litigation representing a financial risk for the organization.

Note 32
Related parties

Key management personnel

1. The leadership structure of ITTO consists of the Executive Director and the Directors of each division, including those who substitute these positions as Officer-in-charge.
2. There are no close family members of key management personnel employed by ITTO nor have there been any transactions made with them by ITTO during the reporting period.

Costs of Key management

(United States dollars)

	2022	2021
Remuneration	692,384	630,443
Other Entitlements	121,695	143,835
Long-term Benefits	280,548	217,454
Total	1,094,627	991,732

3. The remuneration paid to key management personnel includes salary, post adjustment, dependency allowances, medical and social insurance and other entitlements such as educations grants.
4. Key management personnel are also eligible for post-employment employee benefits such as pension defined contributions plan, repatriation and home leave benefits and payment of unused annual leave. The total amount of defined contribution plan expenses for pension schemes for key management personnel was \$144,235.44 for 2022 and \$110,367 for 2021.
5. There were no loans or advances granted to key management personnel during the reporting period.

Note 33

Events after the reporting date

No significant adjusting or non-adjusting event occurred between the closing date of 31 December 2022 and the date of this report.

Note 34

Financial Accounts

1. The ITTO governing body and management does not manage the organization based on service segments or geographical segments. It, therefore, does not have segments as defined under IPSAS-18: Segment reporting.

2. However, Article 18 of the International Tropical Timber Agreement, 2006 establishes separate financial accounts to reflect the major funding sources of ITTO as follows:

- (a) The Administrative Account, which is an assessed contribution account where expenses necessary for the administration of the Agreement are brought into and are met by annual contributions paid by members;
 - (b) The Special Account, which is a voluntary contribution account comprising of two sub-accounts: the Project Sub-Account and the Thematic Programmes Sub-Account. The purpose of the Project Sub-Account is to facilitate earmarked contributions for the financing of pre-projects, projects and activities approved in accordance with criteria established by Council on policy work and project activities of the Organization. The purpose of the Thematic Programmes Sub-Account is to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council; and
 - (c) The Bali Partnership Fund, which is a Fund for sustainable management of tropical timber producing forests, established to assist producer members to make the investments necessary to achieve the objective of enhancing the capacity of members to implement strategies for achieving exports of tropical timber and timber products from sustainably managed sources.
3. All financial accounts elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

International Tropical Timber Organization

I. Statement of financial position as at 31 December by financial account

(United States dollars)

	Project Accounts														Eliminations	Total
	Administrative Account		Project Accounts													
			Special Account: Project Sub-Account		Special Account: Thematic Programme Sub-Account		Bali Partnership Fund		Sub-Total							
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021		
Assets																
Current assets																
Cash and cash equivalents	8,310,798	7,540,379	9,605,896	10,729,725	5,681	5,681	2,715	2,228	9,614,292	10,737,634	-	-	17,925,090	18,278,014		
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Assessed and voluntary contributions receivable, net	3,921,721	3,093,428	2,112,098	1,990,998	-	-	-	-	2,112,098	1,990,998	-	-	6,033,819	5,084,427		
Other accounts receivable, net	274	260	49,228	61,045	-	-	-	-	49,228	61,045	-	-	49,502	61,305		
Advance transfers - Projects	-	-	1,154,682	1,105,747	-	-	-	-	1,154,682	1,105,747	-	-	1,154,682	1,105,747		
Advance transfers - Others	118,000	265,554	19,611	2,596	-	-	-	-	19,611	2,596	-	-	137,611	268,150		
Total current assets	12,350,794	10,899,621	12,941,515	13,890,112	5,681	5,681	2,715	2,228	12,949,911	13,898,021	-	-	25,300,705	24,797,642		
Non-current assets																
Property and equipment	115,225	177,726	-	-	-	-	-	-	-	-	-	-	115,225	177,726		
Intangible assets	1,366	4,107	-	-	-	-	-	-	-	-	-	-	1,366	4,107		
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total non-current assets	116,591	181,832	-	-	-	-	-	-	-	-	-	-	116,591	181,832		
Total assets	12,467,384	11,081,453	12,941,515	13,890,112	5,681	5,681	2,715	2,228	12,949,911	13,898,021	-	-	25,417,296	24,979,474		
Liabilities																
Current liabilities																
Accounts payable - Members	66,025	8,941	-	-	-	-	-	-	-	-	-	-	66,025	8,941		
Voluntary contributions advance receipts - allocated	7,072	8,676	1,551,624	1,520,727	-	-	-	-	1,551,624	1,520,727	-	-	1,558,696	1,529,404		
Voluntary contributions advance receipts - unallocated	-	-	1,630,379	890,165	-	-	-	-	1,630,379	890,165	-	-	1,630,379	890,165		
Assessed contributions advance receipts	349,459	325,247	-	-	-	-	-	-	-	-	-	-	349,459	325,247		
Other liabilities	515,598	659,643	248,793	69,196	-	-	-	-	248,793	69,196	-	-	764,392	728,839		
Total current liabilities	938,154	1,002,508	3,430,797	2,480,088	-	-	-	-	3,430,797	2,480,088	-	-	4,368,951	3,482,595		
Non-current liabilities																
Voluntary contributions advance receipts - allocated	-	-	6,985,396	9,033,527	-	-	-	-	6,985,396	9,033,527	-	-	6,985,396	9,033,527		
Other liabilities	1,080,481	1,121,255	-	-	-	-	-	-	-	-	-	-	1,080,481	1,121,255		
Total non-current liabilities	1,080,481	1,121,255	6,985,396	9,033,527	-	-	-	-	6,985,396	9,033,527	-	-	8,065,876	10,154,782		
Total liabilities	2,018,635	2,123,763	10,416,192	11,513,615	-	-	-	-	10,416,192	11,513,615	-	-	12,434,827	13,637,377		
Net of total assets and total liabilities	10,448,750	8,957,691	2,525,323	2,376,497	5,681	5,681	2,715	2,228	2,533,719	2,384,406	-	-	12,982,468	11,342,097		
Net assets																
Accumulated surplus - Restricted	7,721,032	6,229,652	812,829	813,019	892	892	487	-	814,208	813,911	-	-	8,535,240	7,043,563		
Accumulated surplus - Unrestricted	227,717	228,039	1,712,494	1,563,479	4,789	4,789	2,228	2,228	1,719,511	1,570,495	-	-	1,947,228	1,798,534		
Reserves	2,500,000	2,500,000	-	-	-	-	-	-	-	-	-	-	2,500,000	2,500,000		
Total net assets	10,448,750	8,957,691	2,525,323	2,376,497	5,681	5,681	2,715	2,228	2,533,719	2,384,406	-	-	12,982,468	11,342,097		

International Tropical Timber Organization**II. Statement of financial performance for the year ended 31 December by financial account**

(United States dollars)

	Project Accounts												Eliminations	Total
	Administrative Account													
	Special Account: Project Sub-Account	Special Account: Thematic Programme Sub-Account	Bali Partnership Fund		Sub-Total									
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue														
Administrative Account														
Assessed contributions	7,064,768	7,104,313	-	-	-	-	-	-	-	-	-	-	7,064,768	7,104,313
Host country contributions	1,182,441	977,884	-	-	-	-	-	-	-	-	-	-	1,182,441	977,884
Financial revenue	810	724	-	-	-	-	-	-	-	-	-	-	810	724
Other income	41,852	1,189	-	-	-	-	-	-	-	-	-	-	41,852	1,189
Project Accounts														
Member States voluntary contributions	-	-	4,321,392	3,845,506	-	-	-	-	4,321,392	3,845,506	-	-	4,321,392	3,845,506
Other voluntary contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Programme support Revenue	-	-	546,360	398,614	-	-	-	-	546,360	398,614	-	-	546,360	398,614
Expost evaluation Revenue	-	-	93,805	30,950	-	-	-	-	93,805	30,950	-	-	93,805	30,950
Financial revenue	-	-	489	488	-	-	487	469	976	957	-	-	976	957
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	8,289,871	8,084,111	4,962,046	4,275,557	-	-	487	469	4,962,533	4,276,026	-	-	13,252,404	12,360,137
Expenses														
Administrative Account														
Employee benefits	3,919,507	4,833,641	-	-	-	-	-	-	-	-	-	-	3,919,507	4,833,641
Operating expenses	1,993,344	1,933,913	-	-	-	-	-	-	-	-	-	-	1,993,344	1,933,913
Project Accounts														
Project expenses	-	-	4,500,351	3,964,657	-	-	-	-	4,500,351	3,964,657	-	-	4,500,351	3,964,657
Depreciation and amortization	69,340	71,269	-	-	-	-	-	-	-	-	-	-	69,340	71,269
Other expenses	816,622	401,888	312,870	159,290	-	-	-	-	312,870	159,290	-	-	1,129,491	561,179
Total expenses	6,798,812	7,240,712	4,813,220	4,123,947	-	-	-	-	4,813,220	4,123,947	-	-	11,612,033	11,364,658
Surplus/(deficit) for the year	1,491,059	843,399	148,825	151,610	-	-	487	469	149,312	152,080	-	-	1,640,371	995,479