

PART VI

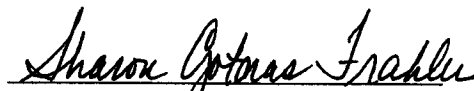
INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA

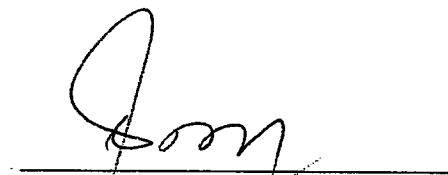


INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA

CERTIFICATION OF FINANCIAL STATEMENTS

The appended Statement XI to Statement XIII and Schedule 10 to Schedule 11 and supporting Explanatory Notes are approved:


Sharon Sotaas Frahler
Area Manager, Financial
Management and Reporting


Mirta Roses Periago
Director

16 April 2004

Report of the External Auditor on the Financial Statements of the Institute of Nutrition of Central America and Panama for the Financial Period 1 January 2002 to 31 December 2003

Comprising:

- ❑ OVERALL RESULTS**
- ❑ SCOPE AND AUDIT APPROACH**
- ❑ MATTERS ARISING FROM THE AUDIT**
- ❑ ACKNOWLEDGEMENT**

Overall Results of the Audit

1. I have carried out my audit in accordance with the Financial Regulations of the Institute and of the Pan American Health Organization, and in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.
2. **My audit revealed no weaknesses or errors that I considered material to the accuracy, completeness and validity of the financial statements as a whole and I have placed an unqualified audit opinion on the Institute's financial statements for the biennium ended 31 December 2003.**

Scope and Approach

Scope of the Audit

3. I have examined the financial statements of the Institute of Nutrition of Central America and Panama (INCAP) for the biennium ended 31 December 2003 in accordance with Article XII of the Financial Regulations of the Institute and the relevant audit provisions of the Financial Regulations of the Pan American Health Organization (PAHO).

Audit Objectives

4. The main purpose of the audit was to enable me to form an opinion as to whether the expenditure recorded in the financial period had been incurred for the purposes approved by the INCAP and PAHO Directing Councils; whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations; and whether the financial statements presented fairly the financial position at 31 December 2003.

Audit Standards

5. My audit of the Institute's financial statements was carried out in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require me to plan the audit so as to obtain reasonable assurance that the Institute's financial statements are free from material misstatement. Management were responsible for preparing these financial statements and I am responsible for expressing an opinion on the statements, based on evidence collected in my audit.

Audit Approach

6. In accordance with the Common Auditing Standards, my audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. This audit included:
 - a general review of the Institute's accounting procedures;
 - an assessment of the internal controls for income and expenditure, bank accounts, and inventory;
 - a review of amounts recorded as accounts receivable and payable;
 - substantive testing of transactions of all types;
 - substantive testing of biennium-end balances; and
 - a final examination to ensure that the financial statements accurately reflected the Institute's accounting records and were fairly presented.

7. These audit procedures are designed primarily for the purpose of forming an opinion on INCAP's financial statements. Consequently, my work did not involve detailed review of all aspects of financial and budgetary systems, and the results should not therefore be regarded as a comprehensive statement on them.

Reporting

8. During the audit my staff sought explanations as they considered necessary in the circumstances on matters arising from the examination of the internal controls, accounting records and financial statements. Observations on matters which I consider should be brought to the attention of the INCAP Directing Council are set out in this report.
9. In accordance with normal practice, my staff also provided the Institute with management letters setting out the detailed findings resulting from their examination.

Audit Results

10. My audit revealed no weaknesses or errors that I considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, I have placed an unqualified opinion on the Institute's financial statements for the biennium ended 31 December 2003.
11. Details on matters arising from the audit are set out below.

Matters Arising From the Audit

Results of the INCAP Regular Budget

12. As shown in Statement XI, during the financial period the Institute received \$1,292,534 of INCAP Regular Budget income, and incurred related expenditure of \$1,619,920. After providing for delays in the collection of assessed contributions and adjusting for contributions received in relation to prior years, the net excess of expenditure over income was \$180,215. In order to maintain the working capital fund at its maximum level of \$1,000,000, \$180,215 was transferred from Special Funds (being \$175,450 from the Special Fund for INCAP Services, and \$4,765 from the Special Fund for the Provision for Fixed Assets Replacement).

Collection of Quota Income

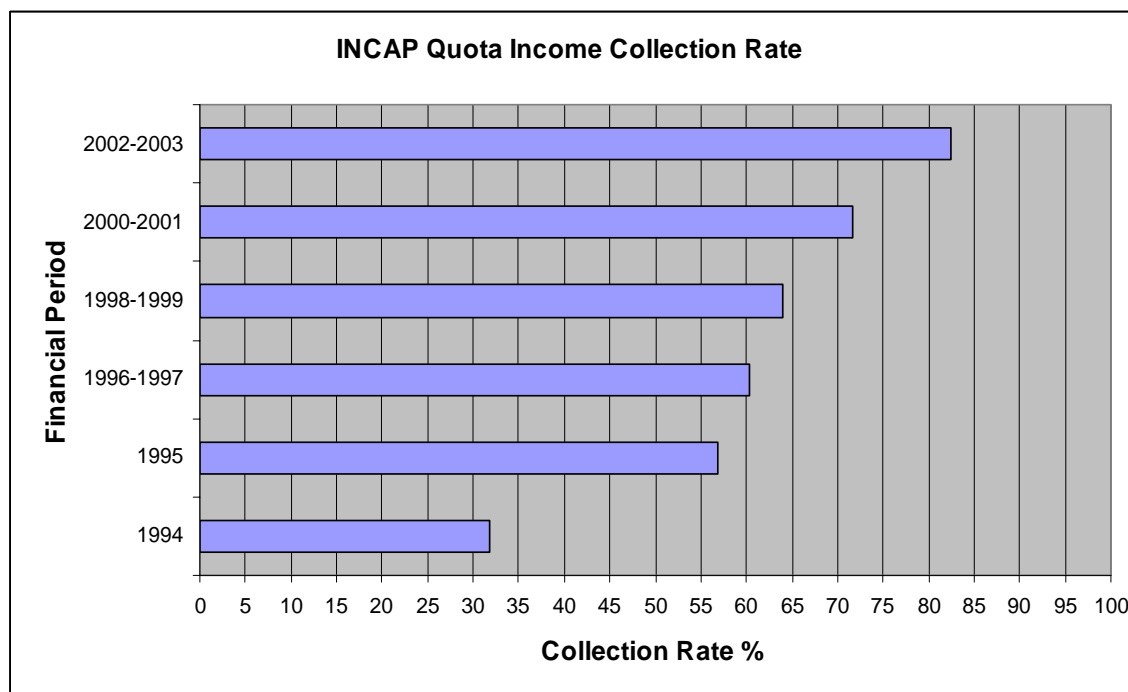
13. The last decade has seen a tendency for an increase in the proportion of quota income collected when due and this trend was maintained in 2002-03, reaching 82 per cent (Figure 1). The Institute's success in collecting arrears of contributions means that outstanding amounts now relate only to the current and 2000-01 biennia. The balance due at biennium-end was at its lowest level for more than ten years.

FIGURE 1 - THE COLLECTION RATES FOR INCAP QUOTA CONTRIBUTIONS
(including arrears)

Biennium	Net Assessments	Amount Collected	Outstanding Collection	Rate
	\$	\$	\$	%
2002-2003	1,097,387	904,571	192,816	82
2000-2001	1,198,379	858,392	339,987	72
1998-1999	1,221,881	780,902	440,979	64
1996-1997	1,172,074	707,594	464,480	60
1995	961,205	546,531	414,674	57
1994	854,231	271,726	582,505	32

Average Rate

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Source: Audited Financial Statements for 1994 to 2002-03

Trust Fund Income

14. Trust Fund income has stabilised during the biennium, arresting the decline seen in previous biennia, with 12 new projects replacing 7 projects that were closed during the period. Total Trust Fund receipts in 2002-03 amounted to \$2.2 million, compared to \$2.1 million for the 2000-01 biennium.

Miscellaneous Income

15. Income generated by the Institute under the title Special Fund for INCAP Services has fallen sharply to \$134,298 in 2002-03 (from \$751,410 in 2000-01). This is the result of the discontinuation, since 1st January 2002, of all external INCAP services accounted for within the Fund. The remaining services are internal inter-departmental photocopying and transportation services (Note 16 to the financial statements refers). The income from the externally-provided services had contributed to INCAP overheads and the discontinuation of these services meant that these overhead costs had to be financed by other means.
16. Fortunately, the decrease in income was somewhat offset by a significant increase in regular budget revenue producing income, from \$148,278 in 2000-01 to \$480,277 in 2002-03. This increase occurred following a request by NGOs and private institutions for the provision of specific services on technical co-operation. Interest income, however, declined from \$387,389 to \$209,412. The reduction was due to the low interest rate environment in the USA, impacting on the pooled funds (the Working Capital Fund and the Provident Fund), and in Central America (where the Endowment Fund is managed separately). However, in view of the relatively poor performance of the Endowment Fund, I recommend that PAHO review the current management of this fund's investments.
17. Other/Miscellaneous income declined dramatically from \$142,632 in 2000-01 to \$10,983 in 2002-03. The principal cause of the decline was the Guatemala National Food Laboratory ending its use of INCAP's facilities.

Financial Control

18. As part of the audit my staff pay particular attention to the systems of financial control. Following a review of systems and procedures for audit purposes, they concluded that the Institute had maintained an effective level of financial control. They found no examples

where established controls had not been followed; but they made a number of recommendations to further enhance the level of control over the approval of loans from the Special Funds; reviews of Trust Fund expenditure; approval of travel expenditure; and identification of fixed assets.

19. My staff also observed that a valuable contribution to the strengthening of the system of internal control could be made by the PAHO Internal Audit Department, although Internal Audit have had no involvement with INCAP since 1998.

Financial Accounting Systems

20. From their audit of the records produced by the financial accounting system and other supporting evidence, my staff concluded that, in all material respects, proper books of account had been maintained and that these were sufficient to support the biennial financial statements.

Other Matters

Disclosure Amendments

21. I am pleased to note the introduction of an eliminations column in the Statement of Income and Expenditure and Changes in Fund balances, as a result of our finding in 2000-01 that income and expenditure were overstated because internal transactions between the different funds had not been eliminated. In previous biennia, no adjustment had been made to cancel this over-statement. For the 2002-03 biennium, PAHO adopted a policy of adjusting for such transactions and the 2000-01 comparative figures were restated. As a result, the prior period income and expenditure figures changed, although the excess of income over expenditure remains as previously stated at \$491,581. The Statement of Assets, Liabilities, Reserves and Fund Balances of the previous period remain unaffected.

Amounts Written off, Other Losses and Cases of Fraud

22. There were no amounts written off and no losses. The Institute informed me that there had been no cases of fraud or presumptive fraud identified during 2002-03.

Acknowledgement

23. I wish to record my appreciation for the willing co-operation and assistance extended by the Director and the officers of the Institute throughout the course of the audit.

A handwritten signature in black ink, reading "John Bourn". The signature is written in a cursive style with a large, looped initial "J".

Sir John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

OPINION OF THE EXTERNAL AUDITOR

To: The Directing Council of the Pan American Health Organization

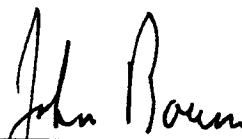
I have audited the accompanying financial statements, comprising Statements XI to XIII, Schedules 10 to 11 and the supporting Notes of the Institute of Nutrition of Central America and Panama for the financial period ended 31 December 2003. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the Institute of Nutrition of Central America and Panama's stated accounting policies set out in Note 2 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in my opinion, the transactions of the Institute of Nutrition of Central America and Panama, which I have tested as part of my audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with Article XIV of the Financial Regulations, I have also issued a long-form Report on my audit of the Institute of Nutrition of Central America and Panama's financial statements.



**Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor**

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE FINANCIAL PERIOD 2002-2003
(expressed in US dollars)**

	<u>Reference</u>	<u>Budget and Working Capital Fund Note 19</u>	<u>Trust Funds Schedule 11</u>	<u>Special Funds Statement XI.1</u>	<u>Subtotal INCAP</u>
INCOME					
Assessed contributions	Schedule 10	757,400	-	-	757,400
Voluntary contributions					
INCAP program activities	Schedule 11	-	2,228,511	-	2,228,511
Non-INCAP program activities		-	-	473,462	473,462
Other income					
Revenue-producing activities		480,277	-	151,747	632,024
Funds received under					
interorganization arrangements		-	-	-	-
Allocation from other funds		-	-	709,177	709,177
Income for services rendered		-	-	506,009	506,009
Interest income		51,177	-	158,235	209,412
Currency exchange differential	Note 2 (h)	(7,303)	-	-	(7,303)
Other/Miscellaneous		10,983	-	-	10,983
TOTAL INCOME		<u>1,292,534</u>	<u>2,228,511</u>	<u>1,998,630</u>	<u>5,519,675</u>
EXPENDITURE					
International health program	Note 2 (g)	1,619,920	2,434,222	530,038	4,584,180
Other purposes		-	-	1,417,671	1,417,671
TOTAL EXPENDITURE		<u>1,619,920</u>	<u>2,434,222</u>	<u>1,947,709</u>	<u>6,001,851</u>
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		(327,386)	(205,711)	50,921	(482,176)
Provision for delays in collection of assessed contributions	Schedule 10	(148,278)	-	-	(148,278)
Payment of assessed contributions for prior years	Schedule 10	295,449	-	-	295,449
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		(180,215)	(205,711)	50,921	(335,005)
Savings on or cancellation of prior periods' obligations		-	-	-	-
Other project adjustments		-	(26,652)	-	(26,652)
Transfer to/from other funds		180,215	-	(180,215)	-
TOTAL CHANGES IN FUND BALANCES		-	(232,363)	(129,294)	(361,657)
FUND BALANCES, 1 JANUARY 2002		<u>1,000,000</u>	<u>799,698</u>	<u>3,346,054</u>	<u>5,145,752</u>
FUND BALANCES, 31 DECEMBER 2003		<u>1,000,000</u>	<u>567,335</u>	<u>3,216,760</u>	<u>4,784,095</u>

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE FINANCIAL PERIOD 2002-2003
(expressed in US dollars)**

PAHO	Subtotal 2002-2003	Eliminations Note 21	Total 2002-2003	Total 2000-2001 (Revised) (See Note 21)	
-	757,400	-	757,400	757,400	INCOME
-	2,228,511	(4,700)	2,223,811	2,138,433	Assessed contributions
-	473,462	-	473,462	429,157	Voluntary contributions
-	632,024	(166,184)	465,840	666,614	INCAP program activities
2,947,135	2,947,135	-	2,947,135	3,064,130	Non-INCAP program activities
-	709,177	-	709,177	624,280	Other income
-	506,009	(194,442)	311,567	229,223	Revenue-producing activities
-	209,412	-	209,412	387,389	Funds received under
-	(7,303)	-	(7,303)	(638)	interorganization arrangements
-	10,983	-	10,983	142,632	Allocation from other funds
<u>2,947,135</u>	<u>8,466,810</u>	<u>(365,326)</u>	<u>8,101,484</u>	<u>8,438,620</u>	Income for services rendered
					Interest income
					Currency exchange differential
					Other/Miscellaneous
					TOTAL INCOME
2,947,135	7,531,315	(365,326)	7,165,989	6,430,426	EXPENDITURE
-	1,417,671	-	1,417,671	1,516,613	International health program
<u>2,947,135</u>	<u>8,948,986</u>	<u>(365,326)</u>	<u>8,583,660</u>	<u>7,947,039</u>	Other purposes
					TOTAL EXPENDITURE
-	(482,176)	-	(482,176)	491,581	EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE
-	(148,278)	-	(148,278)	(190,002)	Provision for delays in collection of assessed contributions
-	295,449	-	295,449	290,994	Payment of assessed contributions for prior years
-	(335,005)	-	(335,005)	592,573	NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE
-	-	-	-	3,498	Savings on or cancellation of prior periods' obligations
-	(26,652)	-	(26,652)	(10,008)	Other project adjustments
-	-	-	-	-	Transfer to/from other funds
-	(361,657)	-	(361,657)	586,063	TOTAL CHANGES IN FUND BALANCES
-	<u>5,145,752</u>	-	<u>5,145,752</u>	<u>4,559,689</u>	FUND BALANCES, 1 JANUARY 2002
-	<u>4,784,095</u>	-	<u>4,784,095</u>	<u>5,145,752</u>	FUND BALANCES, 31 DECEMBER 2003

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
SPECIAL FUNDS
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE FINANCIAL PERIOD 2002-2003
(expressed in US dollars)**

	Staff Provident Fund Note 13	Endowment Fund Note 14	Special Fund for Program Support Costs Note 15	Special Fund for INCAP Services Note 16
INCOME				
Assessed contributions	-	-	-	-
Voluntary contributions				
INCAP program activities	-	-	-	-
Non-INCAP program activities	473,462	-	-	-
Other income				
Revenue-producing activities	-	-	-	134,298
Funds received under				
interorganization arrangements	-	-	-	-
Allocation from other funds	-	-	-	-
Income for services rendered	311,567	-	194,442	-
Interest income	142,944	15,291	-	-
Currency exchange differential	-	-	-	-
Other/Miscellaneous	-	-	-	-
TOTAL INCOME	927,973	15,291	194,442	134,298
EXPENDITURE				
International health program	-	-	381,042	148,996
Other purposes	885,996	6,711	-	-
TOTAL EXPENDITURE	885,996	6,711	381,042	148,996
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	41,977	8,580	(186,600)	(14,698)
Provision for delays in collection of assessed contributions	-	-	-	-
Payment of assessed contributions for prior years	-	-	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	41,977	8,580	(186,600)	(14,698)
Other project adjustments	-	-	-	-
Transfer to/from other funds	-	-	35,535	(175,450)
TOTAL CHANGES IN FUND BALANCES	41,977	8,580	(151,065)	(190,148)
FUND BALANCES, 1 JANUARY 2002	1,822,872	348,427	331,483	214,890
FUND BALANCES, 31 DECEMBER 2003	1,864,849	357,007	180,418	24,742

INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
SPECIAL FUNDS
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE FINANCIAL PERIOD 2002-2003
(expressed in US dollars)

Provision for Personnel Entitlements Note 17	Provision for Fixed Assets Replacement Note 18	Total 2002-2003	Total 2000-2001	
-	-	-	-	INCOME
-	-	-	-	Assessed contributions
-	-	-	-	Voluntary contributions
-	-	473,462	429,157	INCAP program activities
-	17,449	151,747	751,410	Non-INCAP program activities
-	-	-	-	Other income
-	-	-	-	Revenue-producing activities
-	-	-	-	Funds received under
709,177	-	709,177	624,280	interorganization arrangements
-	-	506,009	456,936	Allocation from other funds
-	-	158,235	275,857	Income for services rendered
-	-	-	-	Interest income
-	-	-	-	Currency exchange differential
-	-	-	-	Other/Miscellaneous
<u>709,177</u>	<u>17,449</u>	<u>1,998,630</u>	<u>2,537,640</u>	TOTAL INCOME
-	-	530,038	1,020,177	EXPENDITURE
477,609	47,355	1,417,671	1,516,613	International health program
<u>477,609</u>	<u>47,355</u>	<u>1,947,709</u>	<u>2,536,790</u>	Other purposes
				TOTAL EXPENDITURE
231,568	(29,906)	50,921	850	EXCESS (SHORTFALL) OF
				INCOME OVER EXPENDITURE
-	-	-	-	Provision for delays in collection
				of assessed contributions
-	-	-	-	Payment of assessed contributions
				for prior years
231,568	(29,906)	50,921	850	NET EXCESS (SHORTFALL) OF
-	-	-	612	INCOME OVER EXPENDITURE
(35,535)	(4,765)	(180,215)	34,671	Other project adjustments
				Transfer to/from other funds
196,033	(34,671)	(129,294)	36,133	TOTAL CHANGES IN FUND BALANCES
593,711	34,671	3,346,054	3,309,921	FUND BALANCES, 1 JANUARY 2002
<u>789,744</u>	<u>-</u>	<u>3,216,760</u>	<u>3,346,054</u>	FUND BALANCES, 31 DECEMBER 2003

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES
AS OF 31 DECEMBER 2003
(expressed in US dollars)**

	<u>Note *</u>	<u>2003</u>	<u>2001</u>
ASSETS			
Cash and term deposit	3	3,386,563	3,656,094
Accounts receivable			
Quota contributions receivable	(Schedule 10)	192,816	339,987
Provision for delays in the collection of assessed contributions	(Schedule 10)	(192,816)	(339,987)
Sundry debtors	5	382	209
Balance due from the Pan American Health Organization for interoffice funding activities	6	1,426,472	1,497,302
Deferred charges	7	-	-
Supplies inventory	8	10,921	12,729
Land	9	171,714	171,714
TOTAL ASSETS		<u><u>4,996,052</u></u>	<u><u>5,338,048</u></u>
LIABILITIES			
Quota contributions received in advance	10	693	6,300
Unliquidated obligations	11	-	1,429
Accounts payable	12	39,550	12,853
TOTAL LIABILITIES		<u><u>40,243</u></u>	<u><u>20,582</u></u>
RESERVES AND FUND BALANCES			
Staff Provident Fund	13	1,864,849	1,822,872
Endowment Fund	14	357,007	348,427
Trust Funds	(Schedule 11)	567,335	799,698
Special Fund for Program Support Costs	15	180,418	331,483
Special Fund for INCAP Services	16	24,742	214,890
Provision for Personnel Entitlements	17	789,744	593,711
Provision for Fixed Assets Replacement	18	-	34,671
Working Capital Fund	19	1,000,000	1,000,000
TOTAL FUND BALANCES	(Statement XI)	<u><u>4,784,095</u></u>	<u><u>5,145,752</u></u>
Equity in Land	9	171,714	171,714
TOTAL RESERVES AND FUND BALANCES		<u><u>4,955,809</u></u>	<u><u>5,317,466</u></u>
TOTAL LIABILITIES, AND RESERVES AND FUND BALANCES		<u><u>4,996,052</u></u>	<u><u>5,338,048</u></u>

* See Explanatory Notes, beginning on page 150

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD 2002-2003
(expressed in US dollars)**

	<u>2002-2003</u>	<u>2000-2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess (shortfall) of income over expenditure (Statement XI)	(335,005)	592,573
(Increase) decrease in sundry debtors	(173)	26,398
(Increase) decrease in deferred charges	-	2,331
(Increase) decrease in supplies inventory	1,808	1,465
Increase (decrease) in contributions or payments received in advance	(5,607)	6,077
Increase (decrease) in unliquidated obligations	(1,429)	(7,009)
Increase (decrease) in accounts payable	26,697	4,769
Less: Interest income	<u>(209,412)</u>	<u>(387,389)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(523,121)</u>	<u>239,215</u>
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:		
(Increase) decrease in interoffice funding balance receivable	70,830	(223,347)
Add: Interest income	<u>209,412</u>	<u>387,389</u>
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	<u>280,242</u>	<u>164,042</u>
CASH FLOWS FROM OTHER SOURCES:		
(Increase) decrease in land	-	-
Savings on or cancellation of prior periods obligations	-	3,498
Other project payment adjustment	(26,652)	(10,008)
Increase (decrease) in Equity in land	<u>-</u>	<u>-</u>
NET CASH FROM OTHER SOURCES	<u>(26,652)</u>	<u>(6,510)</u>
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(269,531)	396,747
CASH AND TERM DEPOSITS at 1 JANUARY 2002	<u>3,656,094</u>	<u>3,259,347</u>
CASH AND TERM DEPOSITS at 31 DECEMBER 2003	<u><u>3,386,563</u></u>	<u><u>3,656,094</u></u>

EXPLANATORY NOTES TO FINANCIAL STATEMENTS
(expressed in US dollars)

1. Mission Statement

INCAP is an institution specializing in food and nutrition, whose mission is to support the efforts of its Member Countries by providing them with technical cooperation in order to reach and maintain food and nutrition security for their populations, through its basic functions of Research, Information, and Communication, Technical Cooperation, Training and Development of Human Resources, and Mobilization of Financial and Nonfinancial Resources in support of its mission.

2. Accounting Policies

(a) The accounting policies applied reflect the requirements of the Institute's Financial Regulations and those of the Pan American Health Organization. This includes disclosing all amounts in U.S. dollars. See note 2(h) for currency exchange.

(b) The main accounting policies are compatible with those of the Pan American Health Organization. They are also compatible with the disclosure requirements of International Accounting Standard 1, "Disclosure of Accounting Policies," and the United Nations Common Accounting Standards, insofar as these are applicable to the operations of INCAP.

(c) **Period of Account**

The period of account is a biennium which consists of two consecutive calendar years. Previously the period of account was of one calendar year. The revised accounting period was approved at the XLV Meeting of INCAP's Directing Council.

(d) **Accounting Convention**

The financial statements are prepared under the historical cost convention, except as modified in Policy (e).

(e) **Capital Assets**

All capital assets, other than land and buildings, are charged to expenditure in the year of purchase. The Institute maintains an inventory of nonexpendable equipment containing items equal to or greater than US\$ 1,000 in value. These assets are therefore not shown in the Statement of Assets and Liabilities (Explanatory Note 20). All capital assets, buildings, and nonexpendable inventory are shown at historical cost (i.e. they are not depreciated). Donated capital assets are shown at valuation on the date of receipt. Land and Buildings are capitalized as shown in the Statement of Assets, Liabilities and Reserves, and Fund Balances. (See Note 9).

(f) **Income**

INCAP's assessed contributions as well as PAHO and WHO Regular budget funding, are recorded on an accrual basis. All other income is recorded on a cash basis (i.e., when actually received).

(g) **Expenditure**

All expenditure against INCAP Regular Funds (Statement XI) is recorded when obligated. This is a modified form of the accrual basis of accounting in that expenditure is recorded when goods and services are commissioned or ordered, rather than when invoiced or delivered.

This basis of recording expenditure is also applied to PAHO and WHO Regular budget funds, disclosed in INCAP's Statement of Income and Expenditure and Changes in Fund Balances (Statement XI).

Special funds are recorded on a cash basis (i.e., when monies are paid for goods and services).

(h) **Currency Exchange**

Income and expenditures in local currency are recorded in U.S. dollars at the United Nations' rate of exchange at the date of transaction, except where grantors require conversion at the historical rate.

Where applicable, end-of-month local currency cash balances are revalued using the next month's United Nations' rate of exchange.

Local currency cash balances held at the end of the financial period are translated into U.S. dollars using the rates prevailing at 31 December 2003.

The currency exchange differential resulting from translation of amounts into U.S. dollars is shown in income on Statement XI.

(i) Fixed-term Time Deposits

Funds are invested by PAHO within the PAHO portfolio of investments. Interest is apportioned to the INCAP Staff Provident Fund and Working Capital Fund. PAHO also manages the investment of INCAP at the Central American Bank for Economic Integration, as explained in Note 4.

(j) Quota Contributions Receivable

After reduction by an equal provision for uncollected contributions, amounts due on quota contributions (Schedule 10) are shown with a balance of zero in the Statement of Assets, Liabilities and Reserves, and Funds Balances. The Institute adopts this approach in the interest of prudence.

(k) Sundry Debtors Reserve

The Institute makes a provision for the noncollection of bad and doubtful amounts in the interest of prudence.

(l) Unliquidated Obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. In accordance with Financial Regulation 4.4 (as amended by Resolution CD35.R20 of the 35th PAHO Directing Council), appropriations for unliquidated obligations remain available to discharge valid obligations for the financial period following the end of the financial period to which they relate.

Liabilities shown in the Statement of Assets and Liabilities include unliquidated obligations charged against INCAP regular budget appropriations. All other funds disclosed in Statement XII are reflected on a cash basis.

(m) Accounts Receivable and Payable

Accounts receivable and payable are maintained within the Institute's single set of accounts and are not segregated by source of funds.

(n) Eliminations on Consolidation

In order to reflect intra-organizational transactions, an Eliminations Column has been included on Statement XI. Further details are given in Note 21.

This has been introduced for the first time in 2002-2003, and in order to have meaningful comparatives, the 2000-2001 figures have been restated.

3. Cash and Term Deposits

Balances are almost totally in U.S. Dollars in fixed-term deposits, and the main breakdown of this balance is as follows:

	<u>31-Dec-03</u>	<u>31-Dec-01</u>
Bank and fixed-term deposits held by INCAP	520,482	831,839
Petty cash held by INCAP	1,232	1,383
Fixed-term deposits held by PAHO on INCAP's behalf	<u>2,864,849</u>	<u>2,822,872</u>
Total	<u>3,386,563</u>	<u>3,656,094</u>

4. **Investments Endowment Fund-BCIE (CABEI)**

In February 2000, the Endowment Fund was invested by PAHO in a special trust fund with the Central American Bank for Economic Integration (CABEI-BCIE). This has been registered in INCAP's records as Investments. Interest earned, bank expenses, and Trust Fund Administration Fee are monthly credited/debited to a special account established in the Dresdner Bank Lateinamerika, in Miami. For more information on the fund, see Note 14.

The status of this investment is:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	348,140	121
Add:		
Transfer from PAHO's portfolio of investments	287	274,016
Transfer of surplus of Working Capital Fund	-	35,774
Interest earned	15,291	38,709
Total	<u>363,718</u>	<u>348,620</u>
Less: Bank expenses	6,711	480
Balance as of 31 December	<u>357,007</u>	<u>348,140</u>

5. **Sundry Debtors**

Sundry Debtors comprise:

	<u>31-Dec-03</u>	<u>31-Dec-01</u>
Miscellaneous receivables	<u>382</u>	<u>209</u>

6. **Balance due from PAHO for Interoffice funding activities**

This figure gathers different accounts, receivable from and payable to the Pan American Health Organization, which are summarized as follows:

	<u>31-Dec-03</u>	<u>31-Dec-01</u>
Net balance due to INCAP	<u>1,426,472</u>	<u>1,497,302</u>

7. **Deferred Charges**

There is no balance to be reported as of 31 December 2003. (2001 = US\$ 0)

8. **Supplies Inventory**

The Institute maintains an inventory of expendable equipment and supplies purchased for stock. When required, issues from stock are charged to projects and other funds at the average purchase price. This inventory shows a balance of \$10,921 as of 31 December 2003. (2001 = US\$ 12,729)

9. **Land and Equity in Land**

The amount of \$171,714 represents the appraised commercial value, as of September 1997, of 7,575 square meters of land donated to INCAP by the Pan American Health and Education Foundation (PAHEF) in 1989. The land is located 22.5 kilometers southeast of Guatemala City. In recognizing the value of the gifted asset in the Statement of Assets, Liabilities and Reserves, and Fund Balances, Equity in Land reserve of US\$ 171,714 has been created. See accounting policy 2(e).

10. **Quota Contributions Received in Advance**

In addition to the quota collections shown in Schedule 10, some amounts for future periods were received in 2002-2003.

An amount of \$193 was received in 2003 from the Government of Guatemala and \$500 was also received from the Government of Nicaragua. These amounts will be applied to quota payments in 2004. These balances can be identified in Schedule 10.

11. Unliquidated Obligations

At 31 December 2003, there are no unliquidated obligations committed against the resources of the current financial period for which funds have not yet been disbursed. (2001 = US\$ 1,429)

12. Accounts Payable

There are some specific accounts payable which have been recorded in INCAP's ledger.

	<u>31-Dec-03</u>	<u>31-Dec-01</u>
Total	39,550	12,853

13. Staff Provident Fund

All full-time staff members appointed for one year or more participate in the Provident Fund. Each technical and service staff member contributes an amount equal to 9% of his or her salary, while the Institute contributes 12%. Upon termination, the staff member receives a lump-sum payment of the entitlement accumulated in his/her account.

Staff members are entitled also to request specific loans for housing and/or other purposes, and proper guarantee for these loans is the balance of their Provident Fund. INCAP has also a complete set of rules to manage and administrate such kind of loans.

The position of the Staff Provident Fund as of 31 December is:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	1,822,872	1,940,390
Add Income:		
Contribution of staff members and INCAP	473,462	429,157
Interest on fixed-term deposit	117,796	212,962
Repayment of loans by staff members	311,567	229,223
Interest on loans	25,148	23,899
Total Income	<u>927,973</u>	<u>895,241</u>
Less Expenditure:		
Withdrawals on separation	477,832	667,019
Withdrawals as advances previous to separation	-	65,798
New loans to staff members	390,115	250,258
Prior year interest paid to former staff members	18,049	29,684
Total Expenditure	<u>885,996</u>	<u>1,012,759</u>
Balance as of 31 December 1/	<u>1,864,849</u>	<u>1,822,872</u>
1/ This balance is compound by:		
Provident Fund belonging to staff members	2,002,144	
(-) Loans to staff for housing purposes	(128,306)	
(-) Loans to staff for other purposes	(81,600)	
(+) Interest income apportioned among staff members	72,611	
Total:	<u>1,864,849</u>	

14. Endowment Fund

The Endowment Fund was created in accordance with Resolution V of the XLIII Meeting of INCAP Directing Council in September 1992. Its purpose is to provide institutional strengthening to INCAP and ensure continuity in the delivery of technical cooperation programs to benefit the people of Central America. For more information on the funds investments, see Note 4.

The status of the Fund is:	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	348,427	309,790
Add:		
Initial deposit in Dresdner Bank - Miami	-	121
Interest earned (PAHO's portfolio of investments)	-	5,298
Interest earned (Investments Fund-BCIE (CABEI))	15,291	33,698
Sub-total	363,718	348,907
Less: Bank expenses	6,711	480
Balance as of 31 December	357,007	348,427

15. Special Fund for Program Support Costs

This Fund was established by the Director during 1992 and confirmed by Resolution II of the 1993 INCAP Directing Council. Some trust fund projects are charged program support costs based on a percentage of the direct project cost incurred and this income is credited to the Fund. In accordance with Resolution II, the Fund is used to provide support for the Institute's administrative costs, such as utilities, building maintenance and renovation, purchasing of furniture, office equipment, computer equipment, and salaries of administrative staff that supports program activities.

The status of the Fund is:	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	331,483	315,442
Add:		
Income	194,442	227,713
Transfers from other funds (Note 17)	35,535	-
Subtotal	561,460	543,155
Less: Expenditure	381,042	211,672
Balance as of 31 December	180,418	331,483

In December 2003, the Director of INCAP approved the transfer of US\$ 35,535 from the Provision for Personnel Entitlements. The final balance dropped 46% due largely to increased expenditure on improvement and maintenance of buildings and other INCAP infrastructure.

16. Special Fund for INCAP Services

This Fund was established in 1992 by the Director and confirmed by Resolution II of the 1993 INCAP Directing Council. Income earned from the sale of certain services provided by INCAP (together with expenditure incurred in developing these services) is recorded in this Special Fund.

Due to the revised INCAP Director's Delegation of Authority, all externally provided services ceased at the end of 2000-2001, leaving only internal services operating. Balances on funds of ceased activities have been transferred to the Working Capital Fund in 2002-2003, (see Note 19).

The status of the Fund is:

Account description:	Balance 1 January 2002	Income	Expenditure	Adjustments	Balance 31 December 2003
Microbiological analysis	29,681	-	-	(29,681)	-
Support food institutionalized programs	12,441	-	-	(12,441)	-
Assistance and products in food technology	60	-	-	(60)	-
Agriculture and livestock assistance for food production	440	-	-	(440)	-
Technical assistance and food analysis	30,603	-	-	(30,603)	-
Special services - Honduras	-	-	-	-	-
Computer center	11,302	-	-	(11,302)	-
Technical assistance and nutritional nutrition/biochemical analysis	26,440	-	-	(26,440)	-
Food nutritional evaluation and assistance to micronutrient	5,495	-	-	(5,495)	-
Editorial and publishing	4,019	-	-	(4,019)	-
Counselor services in science and technology area	16,694	-	-	(16,694)	-
Library services	1,282	-	-	(1,282)	-
Health, nutrition, and metabolism services	7,356	-	-	(7,356)	-
Special services - Costa Rica	2,281	-	-	(2,281)	-
Services - Area of Education	687	-	-	(687)	-
Development programs on training education for human resources	6,371	-	-	(6,371)	-
Institutional services	15,715	-	-	(15,715)	-
Photocopying Services (*)	14,930	38,393	50,818	-	2,505
Transportation Services (*)	24,510	95,905	98,178	-	22,237
Educational and consulting services in Panama	<u>4,583</u>	<u>-</u>	<u>-</u>	<u>(4,583)</u>	<u>-</u>
Total	<u>214,890</u>	<u>134,298</u>	<u>148,996</u>	<u>(175,450)</u>	<u>24,742</u>

(*) These are internal services.

17. Provision for Personnel Entitlements

INCAP has created and maintains four reserves for different personnel entitlements, which are described as follows:

Reserve for Statutory and Termination Costs

This reserve is contributed to by INCAP only and is used for disbursements related to specific costs of contracting new personnel, advertising new positions at INCAP, periodic medical exams for staff, unused annual leave when a staff member leaves the Institute and severance payment when applicable.

Reserve for Short-term Illness

This reserve is contributed to by INCAP only and is used for payments to temporary staff when core staff are unable to fulfill their duties due to illness.

Christmas Bonus Reserve

This reserve is contributed to by INCAP only for the purpose of the annual Christmas bonus payment to support staff, which is paid in December every year, as per the Staff Rules of INCAP.

Insurance Reserve

This reserve is contributed to by INCAP and its employees with a level of contribution dependent upon their category and whether they have dependants. All employees are entitled to the benefit of health

and life insurance, and core staff are entitled to dental insurance and an additional benefit for optical glasses.

The status of each reserve for 2002-2003 is:

Account description	Balance 1 January				Balance 31 December
	<u>2002</u>	<u>Income</u>	<u>Transfers</u>	<u>Expenditure</u>	<u>2003</u>
Statutory and termination costs	471,190	283,895	38,479	116,425	677,139
Short-term illness	10,000	6,738	(6,738)	-	10,000
Christmas bonus	2,521	62,830	1,072	63,818	2,605
Insurance	<u>110,000</u>	<u>355,714</u>	<u>(68,348)</u>	<u>297,366</u>	<u>100,000</u>
Total	<u>593,711</u>	<u>709,177</u>	<u>(35,535)</u>	<u>477,609</u>	<u>789,744</u>

Transfers

During the biennium it was decided that some transfers among the different reserves that form the Provision for Personnel Entitlements had to be executed in order to allow INCAP to keep reasonable balances. Furthermore the Director of INCAP is entitled to approve transfers to and from other reserves and funds since he is the allottee for all INCAP funds.

Such transfers are performed at the end of each year of the biennium, and those were as follows (proper explanations for each transfer below):

	Reserve for statutory and termination costs	Reserve for short-term illness	Reserve for Christmas bonus	Reserve for insurance	Total
Balances as of 1 January 2002	471,190	10,000	2,521	110,000	593,711
Add:					
Income (INCAP/employees contributions)	134,420	3,451	31,902	174,553	344,326
Less:					
Expenditures (on specific purposes)	83,530	-	32,293	148,804	264,627
Add (Less): Transfers					
No. 1	35,028	-	-	(35,028)	-
No. 2	3,451	(3,451)	-	-	-
No. 3	-	-	721	(721)	-
Balance as of 31-Dec-02 / 1-Jan-03	560,559	10,000	2,851	100,000	673,410
Add:					
Income (INCAP/employees contributions)	149,475	3,287	30,928	181,161	364,851
Less:					
Expenditures (on specific purposes)	32,895	-	31,525	148,562	212,982
Add (Less): Transfers					
No. 4	-	-	351	(351)	-
No. 5	-	(3,287)	-	(32,248)	(35,535)
Balance as of 31-Dec-03	<u>677,139</u>	<u>10,000</u>	<u>2,605</u>	<u>100,000</u>	<u>789,744</u>

Transfer No. 1:

Was made in order to increase the balance of the Reserve for Statutory and Termination Costs, to meet the liability for severance payment for all core staff as of 31-Dec-02. Duly approved by the Director of INCAP.

Transfer No. 2:

Was made in order to increase the balance of the Reserve for Statutory and Termination Costs, to meet the liability for severance payment for all core staff as at 31-Dec-02. Duly approved by the Director of INCAP.

Transfer No. 3:

Was made in order to meet the Christmas bonus liability for the month of December 2002. Duly approved by the Director of INCAP.

Transfer No. 4:

Was made in order to meet the Christmas bonus liability for the month of December 2003. Duly approved by the Director of INCAP.

Transfer No. 5:

These two transfers, duly approved by the Director of INCAP, were made in order to increase the Program Support Costs Fund, which was considerably reduced due to the absence of new projects contributing to the overhead rate and also because of expenditure for maintenance and renewal of the INCAP facilities. See Notes 15 and 23.

18. Provision for Fixed Assets Replacement

This reserve was created by transferring the amount in excess over the ceiling of the Working Capital Fund at the end of the 2000-2001 biennium, as per instructions from the Director of INCAP. The purpose of this reserve is to have the availability of funds for the replacement of computer hardware and software in order to comply with the required standards to introduce the OMIS system into INCAP. Another purpose of this reserve is the renovation of the vehicle fleet, furniture, and equipment. As of 31 December 2003, the balance was transferred to INCAP's Regular Budget Fund.

The status of this provision is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	34,671	-
Add: Income from sale of fixed assets	17,449	34,671
Subtotal	52,120	34,671
Less: Expenditure on purchase of fixed assets	47,355	-
Transfer to Working Capital Fund (See Note 19)	4,765	-
Balance as of 31 December	-	34,671

19. Working Capital Fund

In 1992, the XLIII INCAP Directing Council recommended in Resolution II that the level of the Working Capital Fund should be \$1,000,000. Accordingly, any surplus or deficit of the fund is eliminated by a transfer to/from other funds.

The position of the Working Capital Fund as of 31 December is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	1,000,000	1,068,882
Excess (shortfall) of income over expenditures (Statement I)	(180,215)	(34,211)
Subtotal	819,785	1,034,671
Transfer from the Special Fund for INCAP Services (Notes 16 and 23)	175,450	-
Transfer from Provision for Fixed Assets Replacement (Note 18)	4,765	-
Transfer to Provision for Fixed Assets Replacement (Note 18)	-	34,671
Balance as of 31 December	1,000,000	1,000,000

20. **Nonexpendable Inventories**

The original cost of nonexpendable inventory items valued at \$1,000 or more held by INCAP as of 31 December 2003 totaled \$1,600,880. Although the inventory amount is not reported in the financial statements as an asset, inventory lists are prepared to maintain effective custody of the physical assets of the Institute.

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	1,638,476	1,748,370
Add:		
Acquisitions and donations	226,796	124,930
Less:		
Disposals and transfers	264,392	234,824
Balance as of 31 December	<u>1,600,880</u>	<u>1,638,476</u>

21. **Eliminations on consolidations of the various INCAP funds**

Every biennium, INCAP has internal transactions, not involving the use of cash, between the different funds. These internal transactions are included in income and in expenditure in the relevant funds. Because these are only internal transactions, their inclusion in income and expenditure results in an overstatement (duplication) of both income and expenditure by the same amount. Income and expenditure should only reflect the transactions of INCAP with external entities. In previous biennia, no adjustment was made to cancel this overstatement. For the 2002-2003 biennium, INCAP is adopting a policy of adjusting for such transactions. Comparative figures are also being restated (see below). The revised accounting policy is shown in Note 2(n). The "Eliminations" column in the "Statement of Income and Expenditure and Changes in Fund Balances" allows for the elimination of these duplications.

The three internal transactions involving income and expenditures are as follows:

A. Income from the internal service of photocopies and transportation:

Account	<u>2002-2003</u>	<u>2000-2001</u>
Photocopying service (Note 16)	38,393	53,675
Transportation service (Note 16)	95,905	73,930
Total	<u>134,298</u>	<u>127,605</u>

B. Technical services provided internally among different units and projects of INCAP:

	<u>2002-2003</u>	<u>2000-2001</u>
Technical services credited to extrabudgetary projects:	4,700	1,710
Technical services credited to the sale of services accounts.	-	103,893
Technical services credited to INCAP regular budget:	<u>31,886</u>	<u>1,576</u>
Total:	<u>36,586</u>	<u>107,179</u>

C. Income from the charge of Program Support Costs (PSC) to extrabudgetary projects and to the special fund for INCAP services:

	<u>2002-2003</u>	<u>2000-2001</u>
Total (Note 15)	<u>194,442</u>	<u>227,713</u>

Summary:	<u>2002-2003</u>	<u>2000-2001</u>
INCAP Program Activities		
B. Technical services	<u>4,700</u>	<u>1,710</u>
Subtotal	<u>4,700</u>	<u>1,710</u>
Revenue-producing activities		
A. Services of photocopies and transportation (Note 16)	134,298	127,605
B. Technical services	<u>31,886</u>	<u>105,469</u>
Subtotal	<u>166,184</u>	<u>233,074</u>
Income from services rendered:		
C. PSC to extrabudgetary projects (Note 15)	<u>194,442</u>	<u>227,713</u>
Subtotal	<u>194,442</u>	<u>227,713</u>
Total	<u>365,326</u>	<u>462,497</u>

Additional information the figures for 2000-2001 have been also restated. Only the income and expenditure figures have changed and the excess (shortfall) of income over expenditure remains as previously stated at \$491,581. Similarly, the fund balances and Statement of Assets, Liabilities, Reserves, and Fund Balances remain unaffected.

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE FINANCIAL PERIOD 2000-2001 (Restated)
(expressed in US dollars)**

	Total 2000-2001 (as stated previously)	Eliminations 2000-2001 (see above for details)	Total 2000-2001 (revised)
INCOME			
Assessed contributions	757,400	-	757,400
Voluntary contributions			
INCAP program activities	2,140,143	(1,710)	2,138,433
Non-INCAP program activities	429,157	-	429,157
Other income			-
Revenue-producing activities	899,688	(233,074)	666,614
Funds received under interorganization arrangements	3,064,130	-	3,064,130
Allocation from other funds	624,280	-	624,280
Income for services rendered	456,936	(227,713)	229,223
Interest income	387,389	-	387,389
Currency exchange differential	(638)	-	(638)
Other/miscellaneous	<u>142,632</u>	<u>-</u>	<u>142,632</u>
TOTAL INCOME	<u>8,901,117</u>	<u>(462,497)</u>	<u>8,438,620</u>
EXPENDITURE			
International health program	6,892,923	(462,497)	6,430,426
Other purposes	<u>1,516,613</u>	<u>-</u>	<u>1,516,613</u>
TOTAL EXPENDITURE	<u>8,409,536</u>	<u>(462,497)</u>	<u>7,947,039</u>
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	491,581	-	491,581
Provision for delays in the collection of assessed contributions	(190,002)	-	(190,002)
Payment of assessed contributions for prior years	<u>290,994</u>	<u>-</u>	<u>290,994</u>
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	592,573	-	592,573
Savings on or cancellation of prior periods' obligations	3,498	-	3,498
Other project adjustments	(10,008)	-	(10,008)
Transfers to/from other funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGES IN FUND BALANCES	586,063	-	586,063
FUND BALANCES, 1 JANUARY 2000	<u>4,559,689</u>	<u>-</u>	<u>4,559,689</u>
FUND BALANCES, 31 DECEMBER 2001	<u><u>5,145,752</u></u>	<u><u>-</u></u>	<u><u>5,145,752</u></u>

22. **Expenditure**

The total expenditure, before eliminations, for the international health program total expenditure incurred by INCAP on its behalf during the biennium is as follows:

Expense Category	Regular budget <u>INCAP</u>	Trust funds <u>INCAP</u>	Special funds <u>INCAP</u>	Regular budget <u>PAHO</u>	Special Funds <u>PAHO</u>	<u>Total</u>
Personnel	751,532	679,156	230,206	2,471,224	-	4,132,118
Duty travel	30,452	82,011	3,069	68,118	-	183,650
Contractual services	398,478	615,351	8,010	116,337	-	1,138,176
Fellowships and seminars	136,379	441,812	13,309	65,259	-	656,759
General operation expenses	209,172	237,756	184,851	165,881	-	797,660
Supplies and equipment	93,907	200,835	73,452	60,316	-	428,510
Program support costs	-	177,301	17,141	-	-	194,442
Total	<u>1,619,920</u>	<u>2,434,222</u>	<u>530,038</u>	<u>2,947,135</u>	<u>-</u>	<u>7,531,315</u>

23. **Transfers between Funds**

During biennium 2002-2003 INCAP made three different transfers between different funds, which can be identified in the Statement of Income, Expenditure, and Changes in Fund Balances. Such transfers are detailed as follows:

Transfer Ref.	Regular Budget and Working Capital Fund <u>Note 19</u>	Special Fund for Program Support Costs <u>Note 15</u>	Special Fund for INCAP Services <u>Note 16</u>	Provision for Personnel Entitlements <u>Note 17</u>	Provision for Fixed Assets Replacement <u>Note 18</u>	<u>Total</u>
1	175,450	-	(175,450)	-	-	-
2	4,675	-	-	-	(4,675)	-
3	-	35,535	-	(35,535)	-	-
Total	<u>180,125</u>	<u>35,535</u>	<u>(175,450)</u>	<u>(35,535)</u>	<u>(4,675)</u>	<u>-</u>

Notes

1. This transfer was performed in order to follow the new delegation of authority from the Director of PAHO to the Director of INCAP, which indicates that the sales of services should have previous authorization from the Director of PAHO before operations. Transfer 1 cleared the balances on all of the ceased (external) services of the Special Fund for INCAP Services.

2. This transfer cleared the balance of the Provision for Asset Replacement, and was performed due to the small amount remaining in this reserve. The main purpose of the reserve is for acquiring fixed assets of value, i.e. vehicles.

3. This transfer was performed after an INCAP review of the Provision for Personnel Entitlements highlighted an unnecessary surplus. This surplus was transferred to the Special Fund for Program Support Costs because it was considered that the PSC balance required topping up.

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF QUOTA CONTRIBUTIONS DUE FROM MEMBERS
2002-2003 ASSESSMENTS AND PRIOR YEARS
(expressed in US dollars)**

<u>Member</u>	<u>Year</u>	<u>Amount Due</u>	<u>Collected</u>	<u>Balance Due 31 December 2003</u>
Belize	2002-2003	37,400	37,400	-
		<u>37,400</u>	<u>37,400</u>	-
Costa Rica	2002-2003	100,800	-	100,800
	2000-2001	100,800	56,262	44,538
	1998-1999	97,904	97,904	-
		<u>299,504</u>	<u>154,166</u>	<u>145,338</u>
El Salvador	2002-2003	122,400	122,400	-
		<u>122,400</u>	<u>122,400</u>	-
Guatemala	2002-2003	225,400	225,400	-
		<u>225,400</u>	<u>225,400</u>	-
Honduras	2002-2003	74,800	74,722	78
	2000-2001	2	2	-
		<u>74,802</u>	<u>74,724</u>	<u>78</u>
Nicaragua	2002-2003	89,200	89,200	-
	2000-2001	89,200	89,200	-
	1998-1999	52,081	52,081	-
		<u>230,481</u>	<u>230,481</u>	-
Panama	2002-2003	107,400	60,000	47,400
		<u>107,400</u>	<u>60,000</u>	<u>47,400</u>
Total		<u>1,097,387</u>	<u>904,571</u>	<u>192,816</u>
<hr/> Amounts consist of:				
Contributions for 2002 and 2003		757,400	609,122	148,278
Contributions for prior years		<u>339,987</u>	<u>295,449</u>	<u>44,538</u>
		<u>1,097,387</u>	<u>904,571</u>	<u>192,816</u>

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF TRUST FUNDS
AS OF 31 DECEMBER 2003
(expressed in US dollars)**

<u>Source of Funds</u>	<u>Project Reference</u>	<u>Balance 1 January 2002</u>	<u>Funds Received</u>	<u>Project Expenditures</u>	<u>Project Adjustments</u>	<u>Balance 31 December 2003</u>
<u>GOVERNMENTS</u>						
DENMARK						
The risk approach in nutrition intervention	NUT-885	49,219	-	49,581	2,354	1,992
GUATEMALA						
Feasibility study of productive projects for food-nutrition security in five microregions of rootless population in Guatemala	NUT-413	(27,302)	-	-	-	(27,302)
UNITED STATES OF AMERICA						
U.S. Department of Agriculture Food Security as Related to Gender in Mesoamerica. (Workshop)	NUT-448	-	135,101	60,575	100	74,626
Assuring an accurate risk assessment for corn products in the USA and Central America	NUT-453	-	17,932	3,029	-	14,903
<u>INTERNATIONAL ORGANIZATIONS AND OTHERS</u>						
EMORY UNIVERSITY						
Analysis of the project "Generational effects of malnutrition"	NUT-431	876	31,812	32,688	-	-
Early Nutrition, Human Capital, and Economic Productivity	NUT-441	-	351,181	386,701	-	(35,520)
HARVARD UNIVERSITY (ARCH PROJECT)						
Effect of supplemental bovine serum concentrate and/or micronutrients on the dietary intake, morbidity from infections, micronutrients status and growth of breast-fed Guatemalan infants and young children receiving complementary foods	NUT-422	9,849	-	-	(9,849)	-
IDRC - MI						
Effect of supplemental micronutrients on morbidity from infections, growth, and micronutrient status of young Guatemalan children	NUT-423	25,334	-	-	(25,334)	-
Assuring the quality of food fortification programs in the open market economy of Central America	NUT-427	78,231	67,703	145,766	147	315

<u>Source of Funds</u>	<u>Project Reference</u>	<u>Balance 1 January 2002</u>	<u>Funds Received</u>	<u>Project Expenditures</u>	<u>Project Adjustments</u>	<u>Balance 31 December 2003</u>
Evolution of national blindness in Guatemala and its association with the program of sugar fortification with Vitamin A	NUT-443	-	71,032	66,957	-	4,075
Iron and folic acid fortification of nixtamalized maize during milling at community mills: Technology development and economic feasibility	NUT-449	-	102,424	52,813	-	49,611
Development and validation of a community-based strategy for control and prevention of dengue and diarrhea in urban ecosystems in the border area Guatemala-Mexico	NUT-451	-	15,923	15,903	(20)	-
INCAP Experimental farm	NUT-130	253	28,657	28,665	-	245
JOHNS HOPKINS UNIVERSITY Evaluation of an oral vaccine to prevent travelers diarrhea due to enterotoxigenic E.Coli	NUT-428	72,402	67,296	199,699	-	(60,001)
PAN AMERICAN HEALTH ORGANIZATION Training workshop for the validation of instruments for the study "prevalence of diabetes in Villa Nueva, Guatemala"	NUT-442	-	1,511	1,331	(180)	-
Prevalence of diabetes mellitus, high blood pressure, and their risk factors in the Municipality of Villa Nueva	NUT-454	-	2,050	1,017	-	1,033
THE WORLD BANK Early Nutrition, Human Capital, and Economic Productivity	NUT-437	47,787	140,000	178,137	-	9,650
SICA - CENTRAL AMERICAN INTEGRATION SYSTEM Food and nutrition security in development processes in postponed communities of Central America	NUT-426	27,596	-	27,856	352	92
Food and nutrition security in development neglected in displaced communities of Central America	NUT-439	332,496	11,964	345,782	5,853	4,531
Central American program to support small enterprises headed by women, producers of foods, with emphasis in nutritionally enriched foods	NUT-444	-	483,267	357,073	139	126,333
UNICEF Fortified food evaluation (salt with iodine, sugar with vitamin A), in sentinel schools	NUT-452	-	29,661	13,168	-	16,493

<u>Source of Funds</u>	<u>Project Reference</u>	<u>Balance 1 January 2002</u>	<u>Funds Received</u>	<u>Project Expenditures</u>	<u>Project Adjustments</u>	<u>Balance 31 December 2003</u>
UNIVERSITY OF CALIFORNIA						
Beef as a source of vitamin B-12, iron, and zinc to improve development of infants fed low amounts of animal products	NUT-447	-	142,297	99,727	-	42,570
VARIOUS						
Hydroponic vegetable orchard	NUT-408	1,107	-	1,035	(72)	-
WORLD HEALTH ORGANIZATION						
Master Degree scholarship for Dr. Lilian Ramirez	NUT-417	142	-	-	(142)	-
W.K. KELLOGG FOUNDATION						
Design and implementation of a microregional development program in Carchá, A.V	NUT-429	4,925	-	-	-	4,925
Systematization and Dissemination of Experiences learned through projects of the Human Nutrition Initiative	NUT-434	60,429	26,100	81,957	-	4,572
Promoting health in young people within the Framework of Food and Nutrition Security in local development processes	NUT-438	111,321	152,600	252,052	-	11,869
Center for training and development of proper technologies and ecotechnologies	NUT-446	-	350,000	31,621	-	318,379
Development of nutrition education within primary school curricula, training of teachers, and development of educational materials	NUT-850	5,033	-	1,089	-	3,944
		<u>799,698</u>	<u>2,228,511</u>	<u>2,434,222</u>	<u>(26,652)</u>	<u>567,335</u>

Balance as at 31 December 2003 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by INCAP	690,158
Expenditure funded by INCAP in excess of receipts incurred on projects	(122,823)
	<u>567,335</u>

**PAN AMERICAN HEALTH ORGANIZATION
CONSOLIDATED CENTERS
FOR INFORMATION ONLY**

**PAN AMERICAN HEALTH ORGANIZATION
CONSOLIDATED CENTERS
FOR INFORMATION ONLY
Expressed in U.S. dollars**

1. Latin American and Caribbean Center on Health Sciences Information (BIREME)

BIREME is a specialized center of PAHO established in Brazil in 1967 in collaboration with the Ministry of Health, Ministry of Education, Secretary of Health of the State of São Paulo and the Federal University of São Paulo. BIREME's mission is to contribute to the development of health in the countries of Latin America and the Caribbean by promoting the use of scientific and technical health information.

The financial status of the Center is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	750,312	1,520,452
Income from the sale of publications and other services	3,406,762	6,407,056
Income from the sale of PAHO/WHO publications	300,312	2,603
Income from CD-ROM system services	<u>488,560</u>	<u>5,381</u>
Subtotal	4,945,946	7,935,492
Less: Expenditure	<u>4,705,786</u>	<u>7,185,180</u>
Balance as of 31 December	<u>240,160</u>	<u>750,312</u>

Other expenditures include \$2,771,216 under trust fund arrangements (\$462,299 in 2000-2001) and \$1,172,953 from PAHO Regular Budget (\$944,675 in 2000-2001).

2. Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS)

CEPIS is a specialized center of PAHO established in Peru in 1968. CEPIS' mission is to cooperate with the countries of the Americas to evaluate and control environmental risk factors that directly or indirectly affect the health of the population. CEPIS' cooperation is primarily provided through the dissemination of information, training of specialized staff, and direct technical advisory services. In addition, CEPIS' available resources include an internet-accessible library, state-of-the-art laboratory, and the distribution of various topical publications.

The financial status of the Center is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	1,371,138	1,287,433
Income from the sale of publications	304,167	242,183
Income from laboratory services	1,199,296	751,670
Income from other services	<u>153,476</u>	<u>83,950</u>
Subtotal	3,028,077	2,365,236
Less: Expenditure	<u>1,248,739</u>	<u>994,098</u>
Balance as of 31 December	<u>1,779,338</u>	<u>1,371,138</u>

Other expenditures include \$3,001,099 under trust fund arrangements (\$1,896,407 in 2000-2001), \$3,965,563 from PAHO Regular Budget (\$3,708,687 in 2000-2001) and \$881,563 from WHO funds (\$1,251,310 in 2000-2001).

3. Latin American Center for Perinatology and Human Development (CLAP)

This Latin American Center for Perinatology and Human Development (CLAP) is a PAHO/WHO Center, which is located at the University "Hospital de Clínicas" in Montevideo, Uruguay. Its mission is to foster maternal and child health by cooperating with the countries of the Region of the Americas to identify perinatal (obstetrical and neonatal) and pediatric problems and to suggest possible solutions. The strategies to pursue its mission are teaching, research, dissemination of information, and technical cooperation with the countries. The Center has a specialized library, evidence-based tutorials, an information systems development group, and units for the production of visual aids, books, and elements for "appropriate technologies."

The financial status of the Center is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
Balance as of 1 January	5,801	48,672
Income from sundry sales and other services	<u>19,104</u>	<u>28,340</u>
Subtotal	24,905	77,012
Less: Expenditure	<u>6,598</u>	<u>71,211</u>
Balance as of 31 December	<u>18,307</u>	<u>5,801</u>

Other expenditures include \$1,068,888 under trust fund arrangements (\$81,154 in 2000-2001), \$1,264,167 from the PAHO Regular Budget (\$1,553,500 in 2000-2001) and \$253,323 from WHO funds (\$274,699 in 2000-2001).

4. Pan American Institute for Food Protection and Zoonoses (INPPAZ)

In accordance with Resolution CD35.R21 of the 35th Directing Council in September 1991, INPPAZ was established based on an agreement between the Government of Argentina and PAHO. Its mission is to provide technical cooperation to the Member States concerning food safety and health, the control of zoonoses and the strengthening of health laboratories. INPPAZ provides technical cooperation through advocating the establishment of norms and legislation governing food safety, training in analysis and inspection to ensure food quality and safety, and the collection and dissemination of information through its virtual library.

The financial status of the Center is as follows:

	<u>2002-2003</u>	<u>2001-2000</u>
PAHO Regular Budget Allocation	3,157,719	2,416,297
Expenditure	3,113,473	2,298,135

Other expenditures include \$27,165 from PAHO Special Funds and \$1,189,983 under Trust Fund arrangements.

5. Pan American Foot-and-Mouth Disease Center (PANAFTOSA)

PANAFTOSA is a specialized center of PAHO, which was established in Brazil in 1951 originally as a program of the Organization of American States. PANAFTOSA's mission is to provide technical cooperation to the countries in the Region affected by the disease in order to develop and strengthen national and regional programs efforts to prevent and eradicate the disease. Furthermore, PANAFTOSA works toward the development of programs within the Region to control and eradicate other animal diseases that affect the health of the population.

The financial status of the Center is as follows:

	<u>2002-2003</u>	<u>2000-2001</u>
PAHO Regular Budget Allocation	5,729,076	6,188,742
Expenditure	5,326,003	5,926,509

Other expenditures include \$718,478 from PAHO Special Funds and \$1,918,454 under Trust Fund arrangements.

PAN AMERICAN HEALTH ORGANIZATION
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