



National Audit Office

2004-2005

External Auditor's Report to the Directing Council

International Audit

The United Kingdom National Audit Office (NAO) provides an external audit service to the Pan American Health Organization (PAHO) and the Institute of Nutrition of Central America and Panama (INCAP). The External Auditor, Sir John Bourn, has been appointed by the Directing Council of INCAP in accordance with Regulation XIV of the Financial Regulations. In addition to certifying the accounts of PAHO and INCAP, he has authority under the mandate to report to the Directing Council on the economy, efficiency and effectiveness with which the Organization has used its resources.

The NAO provides external audit services to international organisations, working entirely independently of its role as the Supreme Audit Institution of the United Kingdom. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

The aim of the audit is to provide independent assurance to the Directing Council; to add value to the Organization's financial management and governance; and to support the objectives of the Organization's work.

For further information please contact:

Graham Miller
Director, A477
National Audit Office
157-197 Buckingham Palace Road,
Victoria, London, SW1W 9SP
Tel: 020 7798 7136
Email: graham.miller@nao.qsi.gov.uk
or manjit.lall@nao.qsi.gov.uk

Report of the External Auditor on the Financial Statements of the Institute of Nutrition of Central America for the Financial Period 1 January 2004 to 31 December 2005

CONTENTS	Paragraphs
Overall results of the audit	1 to 3
Matters arising from the audit	4 to 19
Other matters: UN Adoption of IPSAS	20 to 26
Follow-up of previous biennium report	27 to 29
Acknowledgement	30

Annex 1 - Audit scope and approach

OVERALL RESULTS OF THE AUDIT

1. I have carried out my audit in accordance with the Financial Regulations of the Institute of Nutrition of Central America and Panama (INCAP) and of the Pan American Health Organization (PAHO), 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 accordingly I have placed an unqualified audit opinion on the Institute's Financial Statements for the biennium ended 31 December 2005.**
3. Details on matters arising from the audit are set out below.

MATTERS ARISING FROM THE AUDIT

Expansion of INCAP Membership

4. The 2004-2005 biennium saw an expansion of the Institute's membership, with the Dominican Republic joining in August 2005. This marked the first increase in membership for more than twenty years and will allow for greater co-operation between Central America and the Caribbean, and for expansion of the Institute's activities. Membership provides the Dominican Republic with greater access to the specialist skills of the Institute in the areas of nutrition and food security; and provides the Institute with valuable funding by way of additional quota income.

Financial Results - the INCAP Regular Budget

5. As shown in Statement XI, during the financial period the Institute received \$1,306,316 of INCAP Regular Budget income, and incurred related expenditure of \$1,398,561. After providing for delays in the collection of assessed contributions and adjusting for contributions received in relation to prior years, the financial statements record a nil net excess, with the working capital fund maintained at its maximum level of \$1,000,000.

Collection of Quota Income

6. With quota income from all existing INCAP member states remaining constant from the previous biennium, and the Dominican Republic's quota for 2005 standing at \$50,000, INCAP's total quota income rose from \$757,400 in 2002-2003 to \$807,400 for 2004-2005. This will rise to \$857,400 for 2006-2007 when quota income from the Dominican Republic will represent a full

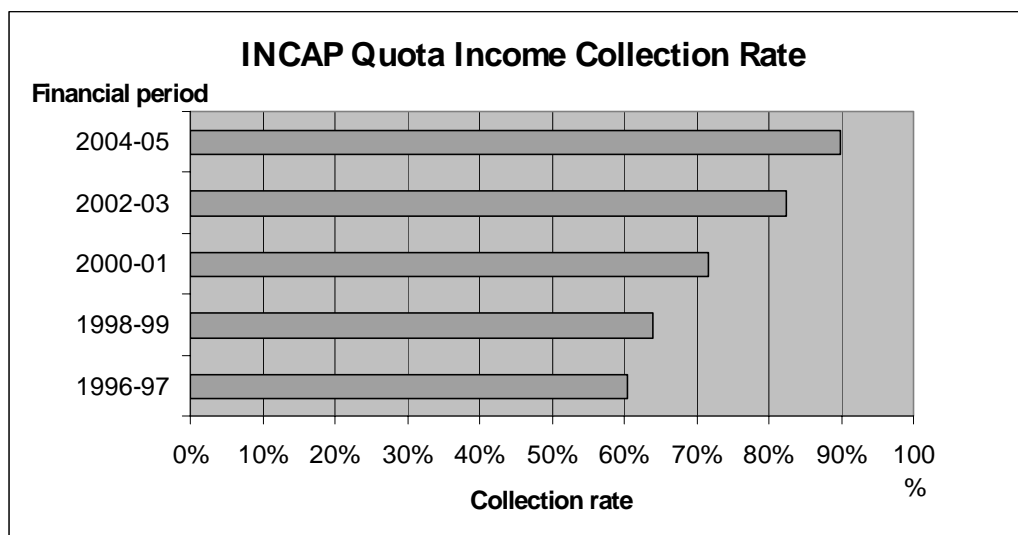
biennium.

7. The proportion of quota income collected when due has improved markedly over the last decade, reaching 90 per cent in 2004-2005 (Figure 1). The Institute's success in collecting arrears of contributions means that outstanding amounts now relate only to the 2004-2005 biennium. The balance due to INCAP at biennium-end was at its lowest level for more than fifteen years.

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

Biennium	Net Assessments*	Amount Collected	Outstanding Collection	Rate
	\$	\$	\$	%
2004-2005	1,000,216	899,645	100,571	90
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

* Quota amounts due for the current biennium plus any outstanding amounts relating to previous biennia.



Source: Audited Financial Statements for 1996-1997 to 2004-2005

Trust Funds: reliance on key donors

8. From their review of Trust Funds reported in Schedule 10, my staff noted that INCAP has been dependent on a small number of key donors for Trust Fund income for the biennia 2002-2003 and 2004-2005. INCAP income includes repayments of Staff Provident Fund loans of \$550,485. Excluding these from INCAP income, Trust Fund income accounted for approximately 31 percent of total INCAP income for this biennium and some \$1.82 million of \$5.81 million overall for 2004-2005. It therefore represents a key element of INCAP's funding.

9. The value of Trust Fund income to INCAP fell by 20 per cent from \$2.22 million in 2002-2003 to \$1.82 million in 2004-2005. However, over the last two biennia, there have been five key Trust Fund donors providing a similar proportion of funds in each financial period. These donors accounted for 81 per cent of total Trust Fund income in 2002-2003 and 77 per cent in 2004-2005.

FIGURE 2 - DEPENDENCE ON KEY DONORS

Key donors	Value of funding (\$) 2004-2005	% of total 2004-2005	Value of funding (\$) 2002-2003	% of total 2002-2003
W.K. Kellogg Foundation	257,897	14	528,700	24
University of California	241,128	13	142,297	6
SICA	480,098	26	495,231	22
IDRC	172,527	9	257,082	12
Emory University	264,810	15	382,993	17
	1,416,460	77	1,806,303	81

Source: Financial Statements for 2004-2005 and 2002-2003

10. Of the five key donors, projects with the University of California, IDRC and Emory University all finished in 2004-2005 or are due to finish in early 2006. Only the projects with the W.K. Kellogg Foundation and SICA will continue into 2006-2007 at similar levels of activity to previous biennia.
11. INCAP is in the later stages of identifying new projects with potential donors for 2006-2007. I fully support their endeavours to secure appropriate funding to continue their important activities. This is of particular importance since quota contributions from INCAP members have remained fixed for 2006-2007, and Regular Budget income from PAHO has fallen from \$3.06 million in 2000-2001 to \$2.47 million for 2004-2005. INCAP is currently participating in proposals for the PRESANCA programme with the European Union and other projects for 2006-2007. INCAP hope to receive an estimated \$0.8 million in 2006 to manage aspects of these projects.

Miscellaneous Income

12. Regular Budget revenue-producing income from the provision of specific services on technical co-operation to NGOs and private institutions fell from \$480,277 in 2002-2003 to \$312,135 in 2004-2005. The decrease was a result of INCAP not renewing two contracts for the sales of cookies for which it received royalties and a reduction in the number of courses run by the Institute.

-
13. Total interest income remained stable at \$202,458 (\$209,412 in 2002-2003) but represented only half of that received in 2000-2001. The lower return is due to the low interest rate environment in the USA affecting the pooled funds (the Working Capital Fund and the Provident Fund), and in Central America where the Endowment Fund is managed separately. In my report for 2002-2003, I commented on the poor performance of the Endowment Fund and I have made further observations for 2004-2005, below, in relation to follow-up of my previous biennium report.
 14. Other/Miscellaneous Income rose markedly from \$10,983 in 2002-2003 to \$124,841 in 2004-2005, due largely to the rental of site facilities to the Inter-American Institute for Cooperation on Agriculture, IICA, and the sale of vehicles and other assets.
 15. Income generated by the Institute under the title Special Fund for INCAP Services has risen from \$134,298 in 2002-03 to \$188,845 in 2004-05 as a result of the sale of laboratory and research services in addition to existing internal services. (Note 16 to the financial statements refers).

Financial Control

16. 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 Trust Funds; to review Royalty Income; in relation to requests to relevant PWRs to provide support for INCAP expenditure on inter office vouchers; and on the security of the local IT network.
17. My staff also observed that while a valuable contribution to the maintenance and strengthening of the system of internal control could be made by PAHO's department of Internal Oversight Services (IOS), IOS have had no involvement with INCAP since 1998.

Financial Accounting Systems

18. 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 and audit opinion.

Amounts written off, other losses and fraud

19. An amount of \$27,302 was written off during the 2004-2005 biennium, related to a debt on a Trust Fund project due from the Government of Guatemala. This was outstanding at the end of the 2002-2003 biennium. Following unsuccessful attempts to recover the debt, INCAP requested authorisation to write off the balance. This was subsequently authorised by the Director of PAHO. The Institute informed me that there had been no other losses and no cases of fraud or presumed fraud had been identified during 2004-2005.

OTHER MATTERS: UNITED NATIONS ADOPTION OF IPSAS

20. The 2004-2005 financial statements of INCAP have been prepared in accordance with the United Nations System Accounting Standards (UNSAS), the Financial Regulations and the stated accounting policies.
21. In November 2005, the Secretary-General's High Level Committee on Management took a decision to adopt the International Public Sector Accounting Standards (IPSAS) for the preparation of United Nations financial statements from 2010, subject to General Assembly approval. The financial reporting requirements of IPSAS are more stringent than those of UNSAS.
22. The adoption of and adherence by United Nations entities to an independent, recognised and commonly-accepted accounting framework is a beneficial and welcome development. Compliance with independent international standards will ensure improved comparability between the finances and financial results of entities in the UN system; and will lead to more consistent, better understood and more informative financial reporting. Compliance in the UN with independent and generally-accepted accounting practice and reporting standards will contribute to the demonstration of improved standards of governance and will enhance transparency, accountability and governance.
23. The United Nations Task Force on Accounting Standards, on which the UN entities, the Specialized Agencies and the International Atomic Energy Agency are represented, has recognised that the adoption of IPSAS will also bring the benefits of improved financial information, supporting better financial management, improved results-based management where applicable, and better quality and credibility for financial reports in the UN system.
24. The external auditors of the UN System, including the United Kingdom National Audit Office, are keen to support organisations in the transition to IPSAS, and to provide advice and support consistent with the External Auditor's independent oversight role.
25. Compliance with International Public Sector Accounting Standards will involve, amongst other things, annual financial reporting where organisations have previously produced audited accounts on a biennial basis. This more frequent reporting will itself improve accountability and governance by providing authoritative results more promptly to support financial management and decision making. Member States will have the advantage of receiving financial and audit reporting earlier and more frequently, and thus be able to act more quickly to improve systems and controls, or to manage risk.
26. INCAP, under guidance from PAHO, will need to consider a move to IPSAS carefully, to develop an appropriate project plan and assess the requirements and resources which will be needed, particularly in relation to knowledge, skills, information technology and training as appropriate.

Recommendation 1: I therefore recommend that INCAP works closely with PAHO to prepare a detailed strategy for a move to IPSAS. The strategy should identify the resources, human and other, required and how INCAP plans to deliver these. Achievable milestones should be identified and management should establish appropriate arrangements to ensure that they are achieved.

FOLLOW-UP OF PREVIOUS AUDIT REPORT

27. In my report for 2002-2003, I recommended that, in view of the relatively poor performance of the Endowment Fund, INCAP and PAHO should review the management of this Fund's investments – at that time invested with the Banco Centroamericano de Integración Económica (BCIE).
28. During 2004-2005 INCAP reviewed the possibilities of investing in other funds with the aim of obtaining higher rates of return. However, they found that with higher rates of return there were increased risks that the fund balance could fall. The Endowment Fund is still invested with BCIE as INCAP considers that this provides access to potential donors interested in investing funds in Central America, and aligns with INCAP's objective to participate in Central American institutions.
29. In 2004-2005 my staff have recommended to management that INCAP should review the length of the deposit term of funds in BCIE. As these funds are not required in the short term, they might be invested in a low risk, long term account. This should provide a higher level of interest income than currently received and a relatively low management fee.

ACKNOWLEDGEMENT

30. 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.



Sir John Bourn

Comptroller and Auditor General, United Kingdom

External Auditor

ANNEX 1

AUDIT SCOPE AND APPROACH

Audit scope

1. I have examined the financial statements of the Institute of Nutrition of Central America and Panama (INCAP) for the biennium ended 31 December 2005 in accordance with Regulation XIV 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

2. 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 present fairly the financial position at 31 December 2005.

Audit standards

3. 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

4. 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 reflect the Institute's accounting records and were fairly presented.
5. These audit procedures are designed primarily for the purpose of forming an opinion on INCAP's financial statements. Consequently, the 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.

Audit conclusion

6. During the audit, my staff sought explanations as they considered necessary in the circumstances on matters arising from their examination of the internal controls, accounting records and financial statements. Observations on matters which we consider should be brought to the attention of the INCAP Directing Council are set out in this report. In accordance with normal practice, my staff also provide the Institute with management letters setting out the detailed findings resulting from their examination.
7. None of these matters materially affected my audit opinion on the Institute's financial statements for the biennium and, notwithstanding the observations in this report, my examination 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 audit opinion on the financial statements of the Institute for 2004-2005.

OPINION OF THE EXTERNAL AUDITOR

To: The Directing Council of the Pan American Health Organization

I have audited the accompanying financial statements, comprising Statement XI to XIII, Schedules 9 to 10 and the supporting Notes to the Institute of Nutrition of Central America and Panama for the financial period ended 31 December 2005. 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 of the Institute of Nutrition of Central America and Panama as at 31 December 2005 and the results of operations and cash flows for the period then ended in accordance with the United Nations System Accounting Standards and the Institute'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,
London, United Kingdom
External Auditor**

15 April 2006



PAGE INTENTIONALLY LEFT BLANK

**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 2004-2005
(expressed in US dollars)**

	Reference	Regular Budget and Working Capital Fund Note 19	Trust Funds Schedule 10	Special Funds Statement XI.1	Subtotal INCAP
INCOME					
Assessed contributions	Schedule 9	807,400	-	-	807,400
Voluntary contributions					
INCAP program activities	Schedule 10	-	1,822,774	-	1,822,774
Non-INCAP program activities		-	-	466,122	466,122
Other income					
Revenue-producing activities		312,135	-	188,845	500,980
Funds received under					
interorganization arrangements		-	-	-	-
Allocation from other funds		-	-	675,118	675,118
Income for services rendered		-	-	661,682	661,682
Interest income		74,126	-	128,332	202,458
Currency exchange differential	Note 2 (h)	(12,186)	-	-	(12,186)
Other/Miscellaneous		124,841	-	-	124,841
TOTAL INCOME		<u>1,306,316</u>	<u>1,822,774</u>	<u>2,120,099</u>	<u>5,249,189</u>
EXPENDITURE					
International health program	Note 2 (g)	1,398,561	1,989,152	390,871	3,778,584
Other purposes		-	-	1,947,393	1,947,393
TOTAL EXPENDITURE		<u>1,398,561</u>	<u>1,989,152</u>	<u>2,338,264</u>	<u>5,725,977</u>
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE					
		(92,245)	(166,378)	(218,165)	(476,788)
Provision for delays in collection of assessed contributions	Schedule 9	(100,571)	-	-	(100,571)
Payment of assessed contributions for prior years	Schedule 9	192,816	-	-	192,816
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE					
		-	(166,378)	(218,165)	(384,543)
Savings on or cancellation of prior periods' obligations		-	-	-	-
Other project adjustments		-	28,260	-	28,260
Transfer to/from other funds		-	-	-	-
TOTAL CHANGES IN FUND BALANCES		-	(138,118)	(218,165)	(356,283)
FUND BALANCES, 1 JANUARY 2004		<u>1,000,000</u>	<u>567,335</u>	<u>3,216,760</u>	<u>4,784,095</u>
FUND BALANCES, 31 DECEMBER 2005		<u>1,000,000</u>	<u>429,217</u>	<u>2,998,595</u>	<u>4,427,812</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 2004-2005
(expressed in US dollars)

PAHO	Sub-total 2004-2005	Eliminations Note 21	Total 2004-2005	Total 2002-2003 (revised) Note 21	
					INCOME
-	807,400	-	807,400	757,400	Assessed contributions
-	1,822,774	-	1,822,774	2,223,811	Voluntary contributions
-	466,122	(466,122)	-	-	INCAP program activities
					Non-INCAP program activities
-	500,980	(115,173)	385,807	465,840	Other income
					Revenue-producing activities
2,474,864	2,474,864	-	2,474,864	2,947,135	Funds received under
-	675,118	(675,118)	-	-	interorganization arrangements
-	661,682	(111,197)	550,485	311,567	Allocation from other funds
-	202,458	-	202,458	209,412	Income for services rendered
-	(12,186)	-	(12,186)	(7,303)	Interest income
-	124,841	-	124,841	10,983	Currency exchange differential
2,474,864	7,724,053	(1,367,610)	6,356,443	6,918,845	Other/Miscellaneous
					TOTAL INCOME
					EXPENDITURE
2,474,864	6,253,448	(226,370)	6,027,078	7,165,989	International health program
-	1,947,393	(1,141,240)	806,153	235,032	Other purposes
2,474,864	8,200,841	(1,367,610)	6,833,231	7,401,021	TOTAL EXPENDITURE
					EXCESS (SHORTFALL) OF
-	(476,788)	-	(476,788)	(482,176)	INCOME OVER EXPENDITURE
					Provision for delays in collection
-	(100,571)	-	(100,571)	(148,278)	of assessed contributions
-	192,816	-	192,816	295,449	Payment of assessed contributions
					for prior years
					NET EXCESS (SHORTFALL) OF
-	(384,543)	-	(384,543)	(335,005)	INCOME OVER EXPENDITURE
					Savings on or cancellation of prior
-	-	-	-	-	periods' obligations
-	28,260	-	28,260	(26,652)	Other project adjustments
-	-	-	-	-	Transfer to/from other funds
-	(356,283)	-	(356,283)	(361,657)	TOTAL CHANGES IN FUND BALANCES
-	4,784,095	-	4,784,095	5,145,752	FUND BALANCES, 1 JANUARY 2004
-	4,427,812	-	4,427,812	4,784,095	FUND BALANCES, 31 DECEMBER 2005

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 2004-2005
 (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	466,122	-	-	-
Other income				
Revenue-producing activities	-	-	-	188,845
Funds received under				
interorganization arrangements	-	-	-	-
Allocation from other funds	-	-	-	-
Income for services rendered	550,485	-	111,197	-
Interest income	112,201	16,131	-	-
Currency exchange differential	-	-	-	-
Other/Miscellaneous	-	-	-	-
TOTAL INCOME	1,128,808	16,131	111,197	188,845
EXPENDITURE				
International health program	-	-	209,238	181,633
Other purposes	1,359,870	1,947	-	-
TOTAL EXPENDITURE	1,359,870	1,947	209,238	181,633
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(231,062)	14,184	(98,041)	7,212
Provision for delays in collection of assessed contributions	-	-	-	-
Payment of assessed contributions for prior years	-	-	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(231,062)	14,184	(98,041)	7,212
Other project adjustments	-	-	-	-
Transfer to/from other funds	-	-	-	-
TOTAL CHANGES IN FUND BALANCES	(231,062)	14,184	(98,041)	7,212
FUND BALANCES, 1 JANUARY 2004	1,864,849	357,007	180,418	24,742
FUND BALANCES, 31 DECEMBER 2005	1,633,787	371,191	82,377	31,954

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 2004-2005
 (expressed in US dollars)

Provision for Personnel Entitlements Note 17	Total 2004-2005	Total 2002-2003	
-	-	-	INCOME
-	-	-	Assessed contributions
-	466,122	473,462	Voluntary contributions
-	188,845	151,747	INCAP program activities
-	-	-	Non-INCAP program activities
675,118	675,118	709,177	Other income
-	-	-	Revenue-producing activities
-	661,682	506,009	Funds received under
-	128,332	158,235	interorganization arrangements
-	-	-	Allocation from other funds
-	-	-	Income for services rendered
-	-	-	Interest income
-	-	-	Currency exchange differential
675,118	2,120,099	1,998,630	Other/Miscellaneous
			TOTAL INCOME
-	390,871	530,038	EXPENDITURE
585,576	1,947,393	1,417,671	International health program
585,576	2,338,264	1,947,709	Other purposes
			TOTAL EXPENDITURE
89,542	(218,165)	50,921	EXCESS (SHORTFALL) OF
			INCOME OVER EXPENDITURE
-	-	-	Provision for delays in collection
			of assessed contributions
-	-	-	Payment of assessed contributions
			for prior years
89,542	(218,165)	50,921	NET EXCESS (SHORTFALL) OF
-	-	-	INCOME OVER EXPENDITURE
-	-	(180,215)	Other project adjustments
			Transfer to/from other funds
89,542	(218,165)	(129,294)	TOTAL CHANGES IN FUND BALANCES
789,744	3,216,760	3,346,054	FUND BALANCES, 1 JANUARY 2004
879,286	2,998,595	3,216,760	FUND BALANCES, 31 DECEMBER 2005

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 2005
(expressed in US dollars)

	<u>Note *</u>	<u>2005</u>	<u>2003</u>
ASSETS			
Cash and term deposits	3	3,148,745	3,386,563
Accounts receivable			
Quota contributions due from Members	Schedule 9	100,571	192,816
Provision for delays in collection of assessed contributions	Schedule 9	(100,571)	(192,816)
Sundry debtors	5	2,159	382
Balance due from the Pan American Health Organization for interorganization funding activities	6	1,300,910	1,426,472
Deferred Charges	7	-	-
Supplies inventory	8	2,194	10,921
Land	9	171,714	171,714
TOTAL ASSETS		<u><u>4,625,722</u></u>	<u><u>4,996,052</u></u>
LIABILITIES			
Quota contributions received in advance	10	196	693
Unliquidated obligations	11	-	-
Accounts payable	12	26,000	39,550
TOTAL LIABILITIES		<u><u>26,196</u></u>	<u><u>40,243</u></u>
RESERVES AND FUND BALANCES			
Staff Provident Fund	13	1,633,787	1,864,849
Endowment Fund	14	371,191	357,007
Trust Funds	Schedule 10	429,217	567,335
Special Fund for Program Support Costs	15	82,377	180,418
Special Fund for INCAP Services	16	31,954	24,742
Provision for Personnel Entitlements	17	879,286	789,744
Working Capital Fund	19	1,000,000	1,000,000
TOTAL FUND BALANCES	Statement XI	<u><u>4,427,812</u></u>	<u><u>4,784,095</u></u>
Equity in Land	9	171,714	171,714
TOTAL RESERVES AND FUND BALANCES		<u><u>4,599,526</u></u>	<u><u>4,955,809</u></u>
TOTAL LIABILITIES, AND RESERVES AND FUND BALANCES		<u><u>4,625,722</u></u>	<u><u>4,996,052</u></u>

*See Explanatory Notes, beginning on page 170

INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD 2004-2005
 (expressed in US dollars)

	<u>2004-2005</u>	<u>2002-2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess (shortfall) of income over expenditure (Statement XI)	(384,543)	(335,005)
(Increase) decrease in sundry debtors	(1,777)	(173)
(Increase) decrease in deferred charges	-	-
(Increase) decrease in supplies inventory	8,727	1,808
Increase (decrease) in contributions or payments received in advance	(497)	(5,607)
Increase (decrease) in unliquidated obligations	-	(1,429)
Increase (decrease) in accounts payable	(13,550)	26,697
Less: Interest income	<u>(202,458)</u>	<u>(209,412)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(594,098)</u>	<u>(523,121)</u>
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:		
(Increase) decrease in interorganization funding balance receivable	125,562	70,830
Add: Interest income	<u>202,458</u>	<u>209,412</u>
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	<u>328,020</u>	<u>280,242</u>
CASH FLOWS FROM OTHER SOURCES:		
(Increase) decrease in land	-	-
Savings on or cancellation of prior periods obligations	-	-
Other project adjustments (Schedule 10)	28,260	(26,652)
Increase (decrease) in equity land	<u>-</u>	<u>-</u>
NET CASH FROM OTHER SOURCES	<u>28,260</u>	<u>(26,652)</u>
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(237,818)	(269,531)
CASH AND TERM DEPOSITS at 1 JANUARY 2004	<u>3,386,563</u>	<u>3,656,094</u>
CASH AND TERM DEPOSITS at 31 DECEMBER 2005 (Note 3)	<u><u>3,148,745</u></u>	<u><u>3,386,563</u></u>

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
EXPLANATORY NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD 2004-2005
(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 Non-Financial 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. The 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 non-expendable 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). Land & Buildings are capitalized and shown in the Statement of Assets, Liabilities and Reserves and Fund Balances. (See Note 9). All capital assets, buildings and non-expendable inventory are shown at historical cost (i.e. they are not depreciated). Donated capital assets are shown at valuation on the date of receipt.

(f) **Income**

INCAP's assessed contributions as well as PAHO Regular budget funding, are recorded on an accruals basis. All other income is recorded on a receipts basis.

(g) **Expenditure**

All expenditure against INCAP Regular Funds (Statement XI) is recorded when obligated. This is a modified form of the accruals 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 Regular Budget funds, disclosed in INCAP's Statement of Income and Expenditure and Changes in Fund Balances (Statement XI), and to Trust Funds (Schedule 10).

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 US 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 US dollars using the rates prevailing at 31 December 2005.

The currency exchange differential resulting from translation of amounts into US 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 9) 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 non-collection 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 is included in Statement XI. Further details are given in Note 21.

3. Cash and term deposits

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

	<u>31 December 2005</u>	<u>31 December 2003</u>
Bank and fixed term deposits held by INCAP	513,641	520,482
Petty cash held by INCAP	1,316	1,232
Fixed term deposits held by PAHO on INCAP's behalf	<u>2,633,788</u>	<u>2,864,849</u>
Total	<u>3,148,745</u>	<u>3,386,563</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 on 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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	357,007	348,140
Add:		
Transfer from PAHO's portfolio of Investments	-	287
Interest earned	<u>16,131</u>	<u>15,291</u>
Total	373,138	363,718
less: Bank expenses	1,947	6,711
Balance as of 31 December 2005 (2003)	<u><u>371,191</u></u>	<u><u>357,007</u></u>

5. Sundry Debtors

Sundry Debtors comprise:

	<u>31 December 2005</u>	<u>31 December 2003</u>
Miscellaneous receivables	<u><u>2,159</u></u>	<u><u>382</u></u>

6. Balance due from PAHO for inter-office funding activities

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

	<u>31 December 2005</u>	<u>31 December 2003</u>
Net balance due to INCAP	<u><u>1,300,910</u></u>	<u><u>1,426,472</u></u>

7. Deferred Charges

There is no balance to be reported for as of 31 December 2005. (2003 = 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 \$2,194 as of 31 December 2005. (2003 = US\$ 10,921)

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 South East of Guatemala City. In recognizing the value of the gifted asset in the Statement of Assets, Liabilities and Reserves and Fund Balances, an 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 9, some amounts for future periods were received in 2004-05. At 31 December 2005, \$196 of quota contributions had been received in advance, being \$55 from the Government of Guatemala and US\$141 from the Government of Honduras. These amounts will be applied to quota payments in 2006.

11. Unliquidated obligations

At 31 December 2005, there are no unliquidated obligations committed against the resources of the current financial period for which funds have not yet been disbursed. (2003 = US\$ 0)

12. Accounts Payable

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

	<u>31 December 2005</u>	<u>31 December 2003</u>
Total	<u>26,000</u>	<u>39,550</u>

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 contributed 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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	1,864,849	1,822,872
Add Income:		
Contributions of staff members and INCAP	466,122 ^{1/}	473,462
Interests on fixed-term deposit	90,274	117,796
Repayment of loans by staff members	550,485	311,567
Interest on loans	<u>21,927</u>	<u>25,148</u>
Total Income	<u>1,128,808</u>	<u>927,973</u>
Less Expenditure:		
Withdrawals on separation	709,713	477,832
Withdrawals as advances previous to separation	73,367	-
New loans to staff members	563,714	390,115
Prior year interest paid to former staff members	<u>13,076</u>	<u>18,049</u>
Total Expenditure	<u>1,359,870</u>	<u>885,996</u>
Balance as of 31 December 2005 (2003)	<u>1,633,787</u>	<u>1,864,849</u>
This balance represents:		
Provident Fund belonging to staff members	1,777,977	
(-) Loans to staff for housing purposes	(135,555)	
(-) Loans to staff for other purposes	(87,582)	
(+) Interest income apportioned among staff members	<u>78,947</u>	
Total	<u>1,633,787</u>	

^{1/} Contributions of staff members and INCAP of \$466,122 have been eliminated as per Note 21.

14. Endowment Fund

The Endowment Fund was created in accordance with Resolution V of the XLIII Meeting of the 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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	357,007	348,427
Add:		
Interest earned (Investments Fund-BCIE (CABEI))	<u>16,131</u>	<u>15,291</u>
Subtotal	373,138	363,718
Less: Bank expenses	<u>1,947</u>	<u>6,711</u>
Balance as of 31 December 2005 (2003)	<u>371,191</u>	<u>357,007</u>

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. The \$111,197 of income is included in trust fund and INCAP services expenditure. This is an intra-organizational charge and is eliminated on consolidation (See Note 21). 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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	180,418	331,483
Add:		
Income	111,197	194,442
Transfer from other funds (Note 17)	-	<u>35,535</u>
Subtotal	291,615	561,460
Less: Expenditure	<u>209,238</u>	<u>381,042</u>
Balance as of 31 December 2005 (2003)	<u>82,377</u>	<u>180,418</u>

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 2000-01, leaving only internal services operating. Balances on funds of ceased activities were transferred to the Working Capital Fund in 2002-03 (see Note 19).

The status of the Fund is:

Account description:	Balance				Balance
	1 January				1 December
	<u>2004</u>	<u>Income</u>	<u>Expenditure</u>	<u>Adjustments</u>	<u>2005</u>
Institutional services	-	77,806	64,185	-	13,621
Photocopying services (*)	2,505	29,190	29,753	-	1,942
Transportation services (*)	<u>22,237</u>	<u>81,849</u>	<u>87,695</u>	-	<u>16,391</u>
Total	<u>24,742</u>	<u>188,845</u>	<u>181,633</u>	-	<u>31,954</u>

(*) These are internal services.

External Services: On 7 September 2004, the Director of PAHO authorized INCAP to sell institutional laboratory and research services to external bodies.

Internal Services: In preparing the financial statements, income charged are internal transactions and are eliminated on consolidation of the various INCAP funds. Details are given in Note 21.

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 it 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 it is used for payments to temporary staff when core staff are unable to fulfil their duties due to illness.

Christmas Bonus Reserve

This reserve is contributed to by INCAP only and its purpose of it is 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 the 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 2004-05 is:

Reserve description	Balance 1 January			Balance 31 December	
	2004	Income	Transfers	Expenditure	2005
Statutory and termination costs	677,139	281,722	-	275,442	683,419
Short-term illness	10,000	5,626	-	2,443	13,183
Christmas bonus	2,605	53,935	-	53,758	2,782
Insurance	100,000	333,835	-	253,933	179,902
Total	<u>789,744</u>	<u>675,118^{1/}</u>	<u>-</u>	<u>585,576</u>	<u>879,286</u>

^{1/} Fund income of \$675,118 has been eliminated as per Note 21.

18. Provision for Fixed Assets Replacement

This reserve was created at and the end of the 2000-2001 biennium. The purpose of the reserve was to have funds available to purchase new it equipment and renew vehicles, furniture and equipment. As of 31 December 2003, the balance was transferred to INCAP's Regular Budget Fund.

19. Working Capital Fund

In 1992, the XLIII INCAP Directing Council recommended by Resolution II that the level of the Working Capital Fund should be \$1,000,000. Accordingly, any surplus or deficit on 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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	1,000,000	1,000,000
Excess (shortfall) of income over expenditures (Statement XI)	-	(180,215)
Subtotal	1,000,000	819,785
Transfer from the Special Fund for INCAP Services (Note 16)	-	175,450
Transfer from Provision for Fixed Assets Replacement (Note 18)	-	4,765
Balance as of 31 December 2005 (2003)	<u>1,000,000</u>	<u>1,000,000</u>

20. Non-expendable Inventories

The original cost of non-expendable inventory items valued at \$1,000 or more held by INCAP as of 31 December 2005 totaled \$1,404,436. 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. All amounts are shown at historic cost.

	<u>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January 2004 (2002)	1,600,880	1,638,476
Add:		
Acquisitions and donations	65,997	226,796
Less:		
Disposals and transfers	<u>262,441</u>	<u>264,392</u>
Balance as of 31 December 2005 (2003)	<u>1,404,436</u>	<u>1,600,880</u>

21. Eliminations on consolidations of the various INCAP funds

Every biennium INCAP has internal transactions, not involving the use of cash, within funds and 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 over-statement (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 of this type was made to cancel this over-statement. For the 2004-2005 biennium, INCAP is adopting a policy of adjusting for such transactions. Comparative figures are also being re-stated (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 internal transactions involving income and expenditure are as follows:

21. Eliminations on consolidations of the various INCAP funds (cont.)

<u>Account</u>	<u>Reference</u>	<u>2004-2005</u>	<u>2002-2003 (as stated previously)</u>	<u>Elimination Adjustments 2002-2003</u>	<u>2002-2003 (revised)</u>
A. Income from the internal service of photocopies, transportation and institutional services:					
Photocopying service	Note 16	29,190	38,393	-	38,393
Transportation service	Note 16	81,849	95,905	-	95,905
Total		<u>111,039</u>	<u>134,298</u>	<u>-</u>	<u>134,298</u>
B. Technical services provided internally among different units and projects of INCAP:					
Technical services credited to extrabudgetary projects		-	4,700	-	4,700
Technical services credited to INCAP regular budget		4,134	31,886	-	31,886
Total		<u>4,134</u>	<u>36,586</u>	<u>-</u>	<u>36,586</u>
C. Income from the charge of Program Support Cost (PSC) to extrabudgetary projects and to the Special fund for INCAP services:					
Total	Note 15	<u>111,197</u>	<u>194,442</u>	<u>-</u>	<u>194,442</u>
D. Income from INCAP's contributions to the Staff Provident Fund and to the Provision for Personnel Entitlements:					
Contribution to the Staff Provident Fund	Note 13	466,122	-	473,462	473,462
Contribution to the Provision for Personnel Entitlements	Note 17	675,118	-	709,177	709,177
Total		<u>1,141,240</u>	<u>-</u>	<u>1,182,639</u>	<u>1,182,639</u>
Summary:					
INCAP program activities					
B. Technical services		-	4,700	-	4,700
Subtotal		<u>-</u>	<u>4,700</u>	<u>-</u>	<u>4,700</u>
Revenue-producing activities					
A. Photocopies, transportation and institutional services	Note 16	111,039	134,298	-	134,298
B. Technical services		4,134	31,886	-	31,886
Subtotal		<u>115,173</u>	<u>166,184</u>	<u>-</u>	<u>166,184</u>
Income from services rendered:					
C. Program Support Cost	Note 15	111,197	194,442	-	194,442
Subtotal		<u>111,197</u>	<u>194,442</u>	<u>-</u>	<u>194,442</u>
Non INCAP program activities					
D. Staff Provident Fund	Note 13	466,122	-	473,462	473,462
Subtotal		<u>466,122</u>	<u>-</u>	<u>473,462</u>	<u>473,462</u>
Allocation from other funds					
E. Provision for Personnel Entitlements	Note 17	675,118	-	709,177	709,177
Subtotal		<u>675,118</u>	<u>-</u>	<u>709,177</u>	<u>709,177</u>
Total		<u>1,367,610</u>	<u>365,326</u>	<u>1,182,639</u>	<u>1,547,965</u>

21. Eliminations on consolidations of the various INCAP funds (cont.)

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 (Restated)
(expressed in US dollars)

	Total 2002-2003 (as stated previously)	Elimination Adjustments 2002-2003	Total 2002-2003 (revised)
INCOME			
Assessed contributions	757,400	-	757,400
Voluntary contributions			
PAHO program activities	2,223,811	-	2,223,811
Non-PAHO program activities	473,462	(473,462)	-
Other income			
Revenue-producing activities	465,840	-	465,840
Funds received under			
inter-organization arrangements	2,947,135	-	2,947,135
Allocation from other funds	709,177	(709,177)	-
Income for services rendered	311,567	-	311,567
Interest income	209,412	-	209,412
Currency exchange differential	(7,303)	-	(7,303)
Other/Miscellaneous	10,983	-	10,983
TOTAL INCOME	8,101,484	(1,182,639)	6,918,845
EXPENDITURE			
International health program	7,165,989	-	7,165,989
Other purposes	1,417,671	(1,182,639)	235,032
TOTAL EXPENDITURE	8,583,660	(1,182,639)	7,401,021
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(482,176)	-	(482,176)
Provision for delays in collection of assessed contributions	(148,278)	-	(148,278)
Payment of assessed contributions for prior years	295,449	-	295,449
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(335,005)	-	(335,005)
Savings on or cancellation of prior periods' obligations	-	-	-
Other project adjustments	(26,652)	-	(26,652)
Transfers to/from funds	-	-	-
TOTAL CHANGES IN FUND BALANCES	(361,657)	-	(361,657)
FUND BALANCES, 1 JANUARY 2002	5,145,752	-	5,145,752
FUND BALANCES, 31 DECEMBER 2003	4,784,095	-	4,784,095

22. Expenditures

Expenditure incurred by INCAP during the biennium was as follows:

Expense Category	Regular	Trust	Special	Regular	2004-2005 Total	2002-2003
	Budget <u>INCAP</u>	Funds <u>INCAP</u>	Funds <u>INCAP</u>	Budget <u>PAHO</u>		(revised) Total
Personnel	798,679	733,307	171,502	2,288,494	3,991,982	4,132,118
Duty travel	22,881	36,384	-	51,956	111,221	183,650
Contractual services	220,277	473,206	36,331	3,921	733,735	1,138,176
Fellowships and seminars	66,788	171,999	22,520	23,043	284,350	656,759
General operation expenses	240,155	371,646	122,876	98,803	833,480	797,660
Supplies and equipment	49,781	112,309	16,746	8,647	187,483	428,510
Program support costs	-	<u>90,301</u>	<u>20,896</u>	-	<u>111,197</u>	<u>194,442</u>
Total:	1,398,561	1,989,152	390,871	2,474,864	6,253,448	7,531,315
Eliminations on consolidations (Note 21)					<u>(226,370)</u>	<u>(365,326)</u>
Total International Health Program					6,027,078	7,165,989
Other purposes: Special Funds (Statement XI.1)					1,947,393	1,417,671
Eliminations on Consolidation (Note 21)					<u>(1,141,240)</u>	<u>(1,182,639)</u>
Total Other Purposes					806,153	235,032
Total expenditure (Statement XI)					<u>6,833,231</u>	<u>7,401,021</u>

23. Pension Fund

INCAP is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly has not invoked this provision.

**INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF QUOTA CONTRIBUTIONS DUE FROM MEMBERS
2004-2005 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 2005</u>
Belize	2004-2005	37,400	37,400	-
		<u>37,400</u>	<u>37,400</u>	<u>-</u>
Costa Rica	2004-2005	100,800	73,761	27,039
	2002-2003	100,800	100,800	-
	2000-2001	44,538	44,538	-
		<u>246,138</u>	<u>219,099</u>	<u>27,039</u>
Dominican Republic*	2005	50,000	-	50,000
		<u>50,000</u>	<u>-</u>	<u>50,000</u>
El Salvador	2004-2005	122,400	122,400	-
		<u>122,400</u>	<u>122,400</u>	<u>-</u>
Guatemala	2004-2005	225,400	225,400	-
		<u>225,400</u>	<u>225,400</u>	<u>-</u>
Honduras	2004-2005	74,800	74,800	-
	2002-2003	78	78	-
		<u>74,878</u>	<u>74,878</u>	<u>-</u>
Nicaragua	2004-2005	89,200	89,200	-
		<u>89,200</u>	<u>89,200</u>	<u>-</u>
Panama	2004-2005	107,400	83,868	23,532
	2002-2003	47,400	47,400	-
		<u>154,800</u>	<u>131,268</u>	<u>23,532</u>
Total		<u><u>1,000,216</u></u>	<u><u>899,645</u></u>	<u><u>100,571</u></u>
<hr/>				
Amounts consist of:				
Contributions for 2004 and 2005		807,400	706,829	100,571
Contributions for prior years		192,816	192,816	-
		<u>1,000,216</u>	<u>899,645</u>	<u>100,571</u>

*Dominican Republic was incorporated as a member of INCAP per Resolution IV of the Directing Council, dated 31 August 2005.

INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA
ADMINISTERED BY THE PAN AMERICAN HEALTH ORGANIZATION
STATEMENT OF TRUST FUNDS
AS OF 31 DECEMBER 2005
(expressed in US dollars)

<u>Source of Funds</u>	Project Reference	Balance 1 January 2004	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2005
I. GOVERNMENT FINANCING						
DENMARK						
The risk approach in nutrition intervention	NUT-885	1,992	-	3,132	1,418	278
GUATEMALA						
Feasibility study of productive projects for food-nutrition security in five micro regions 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	74,626	28,937	68,314	1,935	37,184
Assuring an accurate risk assessment for corn products in the USA and Central America	NUT-453	14,903	-	14,830	-	73
II. INTERNATIONAL ORGANIZATIONS						
FAO						
Feasibility study on the long-term welfare effects of commercialization of agriculture among smallholders in the central Highlands of Guatemala	NUT-457	-	25,000	24,997	-	3
Case studies on school gardening and nutrition education in four countries in Central America and the Caribbean	NUT-458	-	10,000	7,715	-	2,285
Survey fieldwork on the long-term welfare effects of commercialization of agriculture among smallholders in the central Highlands of Guatemala	NUT-462	-	100,834	99,977	-	857
IAEA						
Body composition and daily expenditure of older adults living in rural Guatemala	NUT-461	-	9,000	2,884	-	6,116

<u>Source of Funds</u>	<u>Project Reference</u>	<u>Balance 1 January 2004</u>	<u>Funds Received ^{1/}</u>	<u>Project Expenditure</u>	<u>Project Adjustments</u>	<u>Balance 31 December 2005</u>
IDRC						
Development and Validation of a community based strategy for reduction of dengue and diarrhea risks in urban ecosystem on the Guatemalan border with southern Mexico	NUT-456	-	171,454	122,480	-	48,974
IDRC - MI						
Assuring the quality of food fortification programs in the open market economy of Central America	NUT-427	315	-	-	(315)	-
Evolution of national blindness in Guatemala and its association with the program of sugar fortification with Vitamin A	NUT-443	4,075	1,073	4,074	(1,074)	-
Iron and folic acid fortification of nixtamalized maize during milling at community mills: Technology development and economic feasibility	NUT-449	49,611	-	48,901	(710)	-
INCAP						
Experimental farm	NUT-130	245	19,317	17,465	-	2,097
PAN AMERICAN HEALTH ORGANIZATION						
Prevalence of diabetes mellitus, high blood pressure, and their risk factors in the Municipality of Villa Nueva	NUT-454	1,033	-	-	(1,033)	-
THE WORLD BANK						
Early Nutrition, Human Capital, and Economic Productivity	NUT-437	9,650	55,000	64,308	-	342
SICA - CENTRAL AMERICAN INTEGRATION SYSTEM						
Food and nutrition security in marginalized communities of Central America	NUT-426	92	-	92	-	-
Food and nutrition security in marginalized communities of Central America	NUT-439	4,531	-	4,912	478	97
Central American program to support small enterprises headed by women, producers of foods, with emphasis in nutritionally enriched foods	NUT-444	126,333	241,363	357,063	220	10,853
Central American program to support small enterprises headed by women, producers of foods, with emphasis in nutritionally enriched foods	NUT-463	-	238,735	55,061	-	183,674
UNICEF						
Fortified food evaluation (salt with iodine, sugar with vitamin A), in sentinel schools	NUT-452	16,493	45,291	40,852	-	20,932
III. PRIVATE AND PUBLIC SECTOR						
EMORY UNIVERSITY						
Early Nutrition, Human Capital, and Economic Productivity	NUT-441	(35,520)	264,810	237,627	-	(8,337)
JOHNS HOPKINS UNIVERSITY						

<u>Source of Funds</u>	<u>Project Reference</u>	<u>Balance 1 January 2004</u>	<u>Funds Received ^{1/}</u>	<u>Project Expenditure</u>	<u>Project Adjustments</u>	<u>Balance 31 December 2005</u>
Evaluation of an oral vaccine to prevent travelers diarrhea due to enterotoxigenic E.Coli	NUT-428	(60,001)	112,935	52,911	-	23
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	42,570	168,750	211,320	-	-
Beef as a source of vitamin B-12, iron, and zinc to improve development of infants fed low amounts of animal products	NUT-464	-	72,378	72,020	-	358
W.K. KELLOGG FOUNDATION						
Design and implementation of a micro regional development program in Carchá, A.V	NUT-429	4,925	-	3,178	-	1,747
Systematization and Dissemination of Experiences learned through projects of the Human Nutrition Initiative	NUT-434	4,572	-	3,014	39	1,597
Promoting health in young people within the Framework of Food and Nutrition Security in local development processes	NUT-438	11,869	95,818	105,718	-	1,969
Center for training and development of proper technologies and ecotechnologies	NUT-446	318,379	-	318,332	-	47
Facilitating emotional development of children by providing training for parents and teachers in Central American and Caribbean countries	NUT-459	-	21,620	21,516	-	104
Institutional Strengthening Project	NUT-466	-	140,459	22,515	-	117,944
Development of nutrition education within primary school curricula, training of teachers, and development of educational materials	NUT-850	3,944	-	3,944	-	-
		<u>567,335</u>	<u>1,822,774</u>	<u>1,989,152</u>	<u>28,260</u>	<u>429,217</u>

Balance at 31 December 2005 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by INCAP

Expenditure funded by INCAP in excess of receipts incurred on projects

437,554

(8,337)

429,217

^{1/}Funds Received are shown net of refunds to Donors

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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January	240,160	750,312
Income from the sale of publications and other services	3,121,452	3,406,762
Income from the sale of PAHO/WHO publications	91,859	300,312
Income from CD-ROM system services	<u>738,769</u>	<u>488,560</u>
Subtotal	4,192,240	4,945,946
Less: Expenditure	<u>3,567,317</u>	<u>4,705,786</u>
Balance as of 31 December	<u>624,923</u>	<u>240,160</u>

Other expenditures include \$4,848,635 under trust fund arrangements (\$2,771,216 in 2002-2003); \$1,217,153 from PAHO Regular Budget (\$1,172,953 in 2002-2003) and \$10,600 from WHO funds (\$0 in 2002-2003).

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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January	1,779,338	1,371,138
Income from the sale of publications	22,218	304,167
Income from laboratory services	407,266	1,199,296
Income from other services	<u>124,537</u>	<u>153,476</u>
Subtotal	2,335,359	3,028,077
Less: Expenditure	<u>1,117,173</u>	<u>1,248,739</u>
Balance as of 31 December	<u>1,216,186</u>	<u>1,779,338</u>

Other expenditures include \$1,462,635 under trust fund arrangements (\$3,001,099 in 2002-2003), \$3,144,155 from PAHO Regular Budget (\$3,965,563 in 2002-2003) and \$846,548 from WHO funds (\$881,563 in 2002-2003).

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>2004-2005</u>	<u>2002-2003</u>
Balance as of 1 January	18,307	5,801
Income from sundry sales and other services	<u>1,697</u>	<u>19,104</u>
Subtotal	20,004	24,905
Less: Expenditure	<u>529</u>	<u>6,598</u>
Balance as of 31 December	<u>19,475</u>	<u>18,307</u>

Other expenditures include \$477,381 under trust fund arrangements (\$1,068,888 in 2002-2003), \$1,073,455 from the PAHO Regular Budget (\$1,264,167 in 2002-2003) and \$481,521 from WHO funds (\$ 253,323 in 2002-2003).

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 was to provide technical cooperation to the Member States concerning food safety and health, the control of zoonoses and the strengthening of health laboratories. INPPAZ provided 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.

In December 2005, the Director of PAHO transferred the majority of the staff members, as well as the technical programs, from INPPAZ to the campus of the Pan American Foot-and-Mouth Disease Center (PANAFTOSA) outside of Rio de Janeiro, Brazil. INPPAZ was closed on 31 December 2005. This decision reflected the Director's commitment to ensuring conservative management of the Organization's financial resources.

The financial status of the Center was as follows:

	<u>2004-2005</u>	<u>2002-2003</u>
PAHO Regular Budget Allocation	2,144,056	3,157,719
Expenditure	2,076,320	3,113,473

Other expenditures include \$938 from PAHO Special Funds (\$27,165 in 2002-2003) and \$404,105 under Trust Fund arrangements (\$1,189,983 in 2002-2003).

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>2004-2005</u>	<u>2002-2003</u>
PAHO Regular Budget Allocation	5,889,946	5,729,076
Expenditure	5,871,863	5,326,003

Other expenditures include \$1,304,624 from PAHO Special Funds (\$718,478 in 2002-2003) and \$2,181,975 under Trust Fund arrangements (\$1,918,454 in 2002-2003).