

Part II

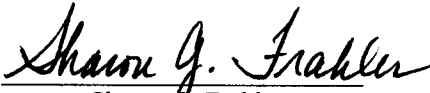
Institute of Nutrition of Central America and Panama



INSTITUTE OF NUTRITION OF CENTRAL AMERICA AND PANAMA


Certification of Financial Statements

The appended Statement XI to Statement XIII and Schedule 11 to Schedule 12 and supporting Explanatory Notes are approved:



Sharon G. Frahler

Area Manager, Financial
Management and Reporting



Mirta Roses Periago
Director

4 April 2008

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 11 and 12 and Notes to the Institute of Nutrition of Central America and Panama for the financial period ended 31 December 2007.


Respective Responsibilities

These financial statements are the responsibility of the Director of the Pan American Health Organization. My responsibility is to express an opinion on these financial statements based on my audit performed in accordance with Article XIV of the Financial Regulations and Rules.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. 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, and as considered by the auditor to be necessary in the circumstances, 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.

Opinion



In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 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 of Nutrition of Central America and Panama's stated accounting policies set out in Note 2 to the financial statements and schedules. These accounting policies are appropriate to the Institute's circumstances and were consistently applied and adequately disclosed.

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.



T J Burr
Comptroller and Auditor General,
United Kingdom
External Auditor

National Audit Office, London

14 April 2008.

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	Regular Budget and Working Capital Fund (Note 19)	Trust Funds (Schedule 12)	Special Funds (Statement XI.1)	Subtotal INCAP
Income					
Assessed quota contributions	Schedule 11	857 400			857 400
<i>Voluntary contributions</i>					
INCAP program activities	Schedule 12		5 150 215		5 150 215
Non-INCAP program activities				385 622	385 622
<i>Other income</i>					
Revenue-producing activities		306 756		190 249	497 005
Funds received under interorganization arrangements					
Allocation from other funds				610 137	610 137
Income for services rendered				454 791	454 791
Interest income		93 692		181 330	275 022
Currency exchange differential	Note 2 (h)	(8 809)			(8 809)
Other/Miscellaneous		171 728			171 728
Total Income		1 420 767	5 150 215	1 822 129	8 393 111
Expenditure					
International health program	Note 2 (g)	1 458 436	3 346 038	330 128	5 134 602
Other purposes				1 525 049	1 525 049
Total Expenditure		1 458 436	3 346 038	1 855 177	6 659 651
Excess (Shortfall) of Income over Expenditure					
		(37 669)	1 804 177	(33 048)	1 733 460
Provision for delays in collection of assessed quota contributions	Schedule 11	(59 496)			(59 496)
Payment of assessed quota contributions for prior years	Schedule 11	100 571			100 571
Net Excess (Shortfall) of Income over Expenditure		3 406	1 804 177	(33 048)	1 774 535
Savings on or cancellation of prior periods' obligations					
Other project adjustments			(5 961)		(5 961)
Transfer to/from other funds		(3 406)		3 406	
Total Changes in Fund Balances			1 798 216	(29 642)	1 768 574
Fund Balances, 1 January 2006		1 000 000	429 217	2 998 595	4 427 812
Fund Balances, 31 December 2007		1 000 000	2 227 433	2 968 953	6 196 386

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

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

PAHO	Sub-total 2006-2007	Eliminations (Note 20)	Total 2006-2007	Total 2004-2005	
	857 400		857 400	807 400	Income
					Assessed quota contributions
	5 150 215		5 150 215	1 822 774	Voluntary contributions
	385 622	(385 622)			INCAP program activities
					Non-INCAP program activities
	497 005	(152 999)	344 006	385 807	Other income
					Revenue-producing activities
2 293 765	2 293 765		2 293 765	2 474 864	Funds received under interorganization arrangements
	610 137	(610 137)			Allocation from other funds
	454 791	(59 067)	395 724	550 485	Income for services rendered
	275 022		275 022	202 458	Interest income
	(8 809)		(8 809)	(12 186)	Currency exchange differential
	171 728		171 728	124 841	Other/Miscellaneous
2 293 765	10 686 876	(1 207 825)	9 479 051	6 356 443	Total Income
					Expenditure
2 293 765	7 428 367	(212 066)	7 216 301	6 027 078	International health program
	1 525 049	(995 759)	529 290	806 153	Other purposes
2 293 765	8 953 416	(1 207 825)	7 745 591	6 833 231	Total Expenditure
					Excess (Shortfall) of Income over Expenditure
	1 733 460		1 733 460	(476 788)	Provision for delays in collection of assessed quota contributions
	(59 496)		(59 496)	(100 571)	Payment of assessed quota contributions for prior years
	100 571		100 571	192 816	Net Excess (Shortfall) of Income over Expenditure
	1 774 535		1 774 535	(384 543)	Savings on or cancellation of prior periods' obligations
	(5 961)		(5 961)	28 260	Other project adjustments
					Transfer to/from other funds
	1 768 574		1 768 574	(356 283)	Total Changes in Fund Balances
	4 427 812		4 427 812	4 784 095	Fund Balances, 1 January 2006
	6 196 386		6 196 386	4 427 812	Fund Balances, 31 December 2007

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances - Special Funds
Financial Period 2006-2007

(expressed in US dollars)

	Staff Provident Fund (Note 12)	Endowment Fund (Note 13)	Special Fund for Program Support Costs (Note 14)	Special Fund for INCAP Services (Note 15)
Income				
<i>Assessed quota contributions</i>				
<i>Voluntary contributions</i>				
INCAP program activities				
Non-INCAP program activities	385 622			
<i>Other income</i>				
Revenue-producing activities				190 249
Funds received under interorganization arrangements				
Allocation from other funds				
Income for services rendered	395 724		59 067	
Interest income	143 299	38 031		
Currency exchange differential				
Other/Miscellaneous				
<i>Total Income</i>	924 645	38 031	59 067	190 249
Expenditure				
International health program			130 060	200 068
Other purposes	1 054 519	5 324		
<i>Total Expenditure</i>	1 054 519	5 324	130 060	200 068
Excess (Shortfall) of Income over Expenditure				
	(129 874)	32 707	(70 993)	(9 819)
Provision for delays in collection of assessed quota contributions				
Payment of assessed quota contributions for prior years				
<i>Net Excess (Shortfall) of Income over Expenditure</i>	(129 874)	32 707	(70 993)	(9 819)
Savings on or cancellation of prior periods' obligations				
Other project adjustments				
Transfer to/from other funds		3 406		
Total Changes in Fund Balances	(129 874)	36 113	(70 993)	(9 819)
Fund Balances, 1 January 2006	1 633 787	371 191	82 377	31 954
Fund Balances, 31 December 2007	1 503 913	407 304	11 384	22 135

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

Institute of Nutrition of Central America and Panama
Statement of Income and Expenditure and Changes in Fund Balances - Special Funds
Financial Period 2006-2007

(expressed in US dollars)

Provision for Personnel Entitlements (Note 16)	Provision for Fixed Assets (Note 17)	Total 2006-2007	Total 2004-2005	
				Income
				Assessed quota contributions
				Voluntary contributions
		385 622	466 122	INCAP program activities
				Non-INCAP program activities
		190 249	188 845	Other income
				Revenue-producing activities
				Funds received under interorganization arrangements
610 137		610 137	675 118	Allocation from other funds
		454 791	661 682	Income for services rendered
		181 330	128 332	Interest income
				Currency exchange differential
				Other/Miscellaneous
				<i>Total Income</i>
610 137		1 822 129	2 120 099	
				Expenditure
		330 128	390 871	International health program
462 206	3 000	1 525 049	1 947 393	Other purposes
462 206	3 000	1 855 177	2 338 264	<i>Total Expenditure</i>
				Excess (Shortfall) of Income over Expenditure
				Provision for delays in collection of assessed quota contributions
				Payment of assessed quota contributions for prior years
				<i>Net Excess (Shortfall) of Income over Expenditure</i>
				Savings on or cancellation of prior periods' obligations
				Other project adjustments
				Transfer to/from other funds
147 931	(3 000)	(33 048)	(218 165)	
147 931	(3 000)	(33 048)	(218 165)	
				Total Changes in Fund Balances
(3 000)	3 000	3 406		
144 931		(29 642)	(218 165)	
879 286		2 998 595	3 216 760	Fund Balances, 1 January 2006
1 024 217		2 968 953	2 998 595	Fund Balances, 31 December 2007

Institute of Nutrition of Central America and Panama
Statement of Assets, Liabilities, and Reserves and Fund Balances
Financial Period 2006-2007

(expressed in US dollars)

	Reference	2007	2005
Assets			
Cash and term deposits	Note (3)	3 405 448	3 148 745
Accounts receivable			
Assessed quota contributions due from Members	Schedule 11	59 496	100 571
Provision for delays in collection of assessed quota contributions	Schedule 11	(59 496)	(100 571)
Sundry debtors	Note (5)	2 498	2 159
Balance due from the Pan American Health Organization for interorganization funding activities	Note (6)	2 830 382	1 300 910
Supplies inventory	Note (7)		2 194
Land	Note (8)	214 257	171 714
Total Assets		6 452 585	4 625 722
Liabilities and Reserves and Fund Balances			
<i>Liabilities</i>			
Assessed quota contributions received in advance	Note (9)	15 050	196
Prior biennium reserves / Current unliquidated obligations	Note (10)		
Accounts payable	Note (11)	26 892	26 000
<i>Total Liabilities</i>		41 942	26 196
<i>Reserves and Fund Balances</i>			
Staff Provident Fund	Note (12)	1 503 913	1 633 787
Endowment Fund	Note (13)	407 304	371 191
Trust Funds	Schedule 12	2 227 433	429 217
Special Fund for Program Support Costs	Note (14)	11 384	82 377
Special Fund for INCAP Services	Note (15)	22 135	31 954
Provision for Personnel Entitlements	Note (16)	1 024 217	879 286
Provision for Fixed Assets Replacement	Note (17)		
Working Capital Fund	Note (18)	1 000 000	1 000 000
<i>Total Fund Balances</i>	Statement XI	6 196 386	4 427 812
Equity in Land	Note (8)	214 257	171 714
<i>Total Reserves and Fund Balances</i>		6 410 643	4 599 526
Total Liabilities and Reserves and Fund Balances		6 452 585	4 625 722

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

Institute of Nutrition of Central America and Panama
Statement of Cash Flow
Financial Period 2006-2007

(expressed in US dollars)

	2006-2007	2004-2005
Cash Flows from Operating Activities		
Net excess (shortfall) of income over expenditure (Statement XI)	1 774 535	(384 543)
(Increase) decrease in sundry debtors	(339)	(1 777)
(Increase) decrease in supplies inventory	2 194	8 727
Increase (decrease) in prior biennium reserves / Current unliquidated obligations		
Increase (decrease) in contributions or payments received in advance	14 854	(497)
Increase (decrease) in accounts payable	892	(13 550)
Less: Interest income	(275 022)	(202 458)
<i>Net Cash Flows from Operating Activities</i>	<u>1 517 114</u>	<u>(594 098)</u>
Cash Flows from Investing and Financing Activities		
(Increase) decrease in interorganization funding balance receivable	(1 529 472)	125 562
Add: Interest income	275 022	202 458
<i>Net Cash from Investing and Financing Activities</i>	<u>(1 254 450)</u>	<u>328 020</u>
Cash Flows from other Sources		
(Increase) decrease in land	(42 543)	
Savings on or cancellation of prior periods obligations		
Other project adjustments (Schedule 12)	(5 961)	28 260
Increase (decrease) in equity land	42 543	
<i>Net Cash from other Sources</i>	<u>(5 961)</u>	<u>28 260</u>
Net Increase (Decrease) in Cash and Term Deposits	256 703	(237 818)
Cash and Term Deposits at 1 January 2006	<u>3 148 745</u>	<u>3 386 563</u>
Cash and Term Deposits at 31 December 2007 (Note 3)	<u><u>3 405 448</u></u>	<u><u>3 148 745</u></u>

Institute of Nutrition of Central America and Panama
Explanatory Notes to Financial Statements
Financial Period 2006-2007
(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 19). Land & Buildings are capitalized and shown in the Statement of Assets, Liabilities and Reserves and Fund Balances. (See Note 8).

(f) Income

INCAP's assessed quota 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's Funds (Statements XI and XI.1) reflects goods and services that were delivered or contractually due to be delivered by 31 December 2007. Resolution CD47.R13 of the 47th PAHO Directing Council approved this change in expenditure recognition on 29 September 2006. This new expenditure recognition policy will provide a more direct alignment between the achievement of expected results and the expenditure reported. This basis of recording expenditure is also applied to PAHO funds as shown in the INCAP Statement of Income and Expenditure and Changes in Fund Balances (Statement XI).

Trust Fund project costs (Schedule 12) 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 2007.

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) Assessed Quota Contributions Receivable

After reduction by an equal provision for uncollected contributions, amounts due on assessed quota contributions (Schedule 11) 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 4.5 (as amended by Resolution CD47.R13 of the 47th 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. Trust 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 20.

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 2007</u>	<u>31 December 2005</u>
Bank and fixed term deposits held by INCAP	900 228	513 641
Petty cash held by INCAP	1 307	1 316
Fixed term deposits held by PAHO on INCAP's behalf	2 503 913	2 633 788
Total	<u>3 405 448</u>	<u>3 148 745</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 13.

The status of this investment is:

	<u>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	371 191	357 007
Add:		
Transfer from PAHO's portfolio of Investments		
Interest earned	38 030	16 131
Total	<u>409 221</u>	<u>373 138</u>
less: Bank expenses	5 324	1 947
Balance as of 31 December 2007 (2005)	<u>403 897</u>	<u>371 191</u>

5. Sundry Debtors

Sundry Debtors comprise:

	<u>31 December 2007</u>	<u>31 December 2005</u>
Miscellaneous receivables	<u>2 498</u>	<u>2 159</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 2007</u>	<u>31 December 2005</u>
Net balance due to INCAP	<u>2 830 382</u>	<u>1 300 910</u>

7. 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 was closed at biennium 2006-2007. (2005= US\$ 2,194)

8. Land and Equity in Land

The amount of \$214,257 represents the appraised commercial value, as of November 2007, 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\$ 214,257 has been created. See accounting policy 2(e).

9. Assessed Quota Contributions Received in Advance

In addition to the quota collections shown in Schedule 11, some amounts for future periods were received in 2006-2007. At 31 December 2007, \$15,050 of assessed quota contributions had been received in advance from the Government of Costa Rica. This amount will be applied to quota payments in 2008.

10. Unliquidated obligations

At 31 December 2007, there are no unliquidated obligations committed against the resources of the current financial period for which funds have not yet been disbursed. (2005 = US\$ 0)

11. Accounts Payable

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

	<u>31 December 2007</u>	<u>31 December 2005</u>
Total	<u>26 892</u>	<u>26 000</u>

12. 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:

	2006-2007	<i>2004-2005</i>
Balance as of 1 January 2006 (2004)	1 633 787	1 864 849
Add Income:		
Contributions of staff members and INCAP	385 622 ^{1/}	466 122
Interests on fixed-term deposit	112 669	90 274
Repayment of loans by staff members	395 724	550 485
Interest on loans	30 630	21 927
Total Income	<u>924 645</u>	<u>1 128 808</u>
Less Expenditure:		
Withdrawals on separation	414 525	709 713
Withdrawals as advances previous to separation	176 902	73 367
New loans to staff members	446 625	563 714
Prior year interest paid to former staff members	16 467	13 076
Total Expenditure	<u>1 054 519</u>	<u>1 359 870</u>
Balance as of 31 December 2007 (2005)	<u>1 503 913</u>	<u>1 633 787</u>
This balance represents:		
Provident Fund belonging to staff members	1 699 362	1 777 977
(-) Loans to staff for housing purposes	(145 137)	(135 555)
(-) Loans to staff for other purposes	(128 900)	(87 582)
(+) Interest income apportioned among staff members	78 588	78 947
Total	<u>1 503 913</u>	<u>1 633 787</u>

^{1/} Contributions of staff members and INCAP of \$385,622 have been eliminated as per Note 20.

13. 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:

	2006-2007	<i>2004-2005</i>
Balance as of 1 January 2006 (2004)	371 191	357 007
Add:		
Transfers from Working Capital Fund	3 406	
Interest earned (Investments Fund-BCIE (CABEI))	38 031	16 131
Subtotal	<u>412 628</u>	<u>373 138</u>
Less:		
Bank expenses	5 324	1 947
Balance as of 31 December 2007 (2005)	<u>407 304</u>	<u>371 191</u>

14. 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 \$59,067 of income is included in trust fund and INCAP services expenditure. This is an intra-organizational charge and is eliminated on consolidation (See Note 20). 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>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	82 377	180 418
Add:		
Income	59 067	111 197
Transfer from other funds (Note 17)		
Subtotal	<u>141 444</u>	<u>291 615</u>
Less: Expenditure	<u>130 060</u>	<u>209 238</u>
Balance as of 31 December 2007 (2005)	<u><u>11 384</u></u>	<u><u>82 377</u></u>

15. 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.

The status of the Fund is:

Account description:	Balance			Adjustments	Balance
	1 January 2006	Income	Expenditure		1 December 2007
Institutional services	13 621	37 250	48 604		2 267
Photocopying services (*)	1 942	47 269	32 527		16 684
Transportation services (*)	16 391	105 730	118 937		3 184
Total	<u>31 954</u>	<u>190 249</u>	<u>200 068</u>		<u><u>22 135</u></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 20.

16. 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 fulfill 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 2006-2007 is:

Reserve description	Balance			Balance	
	1 January 2006	Income	Transfers	Expenditure	1 December 2007
Statutory and termination costs	683 419	231 558	(3 000)	204 016	707 961
Short-term illness	13 183	5 104		2 435	15 852
Christmas bonus	2 782	47 804		45 932	4 654
Insurance	179 902	325 671		209 823	295 750
Total	879 286	610 137 ^{1/}		462 206	1 024 217

^{1/} Fund income of \$610,137 has been eliminated as per Note 20.

17. 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.

The status of the Fund is:

	2006-2007	2004-2005
Balance as of 1 January 2006 (2004)		
Add:		
Transfer from Statutory and termination costs	3 000	
Subtotal	3 000	
Less: Expenditure	3 000	
Balance as of 31 December 2007 (2005)		

18. 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>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	1 000 000	1 000 000
Excess (shortfall) of income over expenditures (Statement XI)	3 406	
Subtotal	<u>1 003 406</u>	<u>1 000 000</u>
Less: Transfers to Endowment Fund	3 406	
Balance as of 31 December 2007 (2005)	<u><u>1 000 000</u></u>	<u><u>1 000 000</u></u>

19. Non-expendable Inventories

The original cost of non-expendable inventory items valued at \$1,000 or more held by INCAP as of 31 December 2007 totaled \$1,442,752. 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>2006-2007</u>	<u>2004-2005</u>
Balance as of 1 January 2006 (2004)	1 404 436	1 600 880
Add:		
Acquisitions and donations	216 399	65 997
Less:		
Disposals and transfers	178 083	262 441
Balance as of 31 December 2007 (2005)	<u><u>1 442 752</u></u>	<u><u>1 404 436</u></u>

20. 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.

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:

Account	Reference	2006-2007	2004-2005
A. Income from the internal service of photocopies, transportation and institutional services:			
Photocopying service	Note 15	47 269	29 190
Transportation service	Note 15	105 730	81 849
Total		<u>152 999</u>	<u>111 039</u>
B. Technical services provided internally among different units and projects of INCAP:			
Technical services credited to extrabudgetary projects			4 134
Technical services credited to INCAP regular budget			4 134
Total			<u>4 134</u>
C. Income from the charge of Program Support Cost (PSC) to extrabudgetary projects and to the Special fund for INCAP services:			
Total	Note 14	59 067	111 197
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 12	385 622	466 122
Contribution to the Provision for Personnel Entitlements	Note 16	610 137	675 118
Total		<u>995 759</u>	<u>1 141 240</u>
<i>Summary:</i>			
Revenue-producing activities			
A. Photocopies, transportation and institutional services	Note 15	152 999	111 039
B. Technical services			4 134
Subtotal		<u>152 999</u>	<u>115 173</u>
Income from services rendered:			
C. Program Support Cost	Note 14	59 067	111 197
Subtotal		<u>59 067</u>	<u>111 197</u>
Non INCAP program activities			
D. Staff Provident Fund	Note 12	385 622	466 122
Subtotal		<u>385 622</u>	<u>466 122</u>
Allocation from other funds			
E. Provision for Personnel Entitlements	Note 16	610 137	675 118
Subtotal		<u>610 137</u>	<u>675 118</u>
Total		<u>1 207 825</u>	<u>1 367 610</u>

21. Expenditures

Expenditure incurred by INCAP during the biennium was as follows:

<u>Expense Category</u>	Regular	Trust	Special	Regular	Special	Total	<i>Total</i>
	Budget	Funds	Funds	Budget	Funds		
	INCAP	INCAP	INCAP	PAHO	PAHO	2006-2007	<i>2004-2005</i>
Personnel	624 169	996 850	144 965	1 930 044	8 353	3 704 381	<i>3 991 982</i>
Duty travel	33 479	92 123	972	41 609	26 361	194 544	<i>111 221</i>
Contractual services	289 193	968 328	22 135	54 188	28 541	1 362 385	<i>733 735</i>
Fellowships and seminars	53 380	842 014		83 961	25 953	1 005 308	<i>284 350</i>
General operation expenses	364 512	235 901	98 652	78 252	4 922	782 239	<i>833 480</i>
Supplies and equipment	93 703	174 769	40 390	11 581		320 443	<i>187 483</i>
Program support costs		36 053	23 014			59 067	<i>111 197</i>
Total:	1 458 436	3 346 038	330 128	2 199 635	94 130	7 428 367	<i>6 253 448</i>
Eliminations on consolidations (Note 20)						(212 066)	<i>(226 370)</i>
Total International Health Program						7 216 301	<i>6 027 078</i>
Other purposes: Special Funds (Statement XI.1)						1 525 049	<i>1 947 393</i>
Eliminations on Consolidation						(995 759)	<i>(1 141 240)</i>
Total Other Purposes						529 290	<i>806 153</i>
Total expenditure (Statement XI)						7 745 591	<i>6 833 231</i>

22. 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.

23. Losses

During the biennium, INCAP had 3 cases of losses: a laptop, a car and cash. In the case of the lap-top and the cash both covered by the insurance policy and recovered the value of the loss. The case of the car, which value in the inventory was of \$5,141.38 occurred as dead loss because only it had coverage of damages to third parties.

Institute of Nutrition of Central America and Panama
Statement of Assessed Quota Contributions Due from Members
Financial Period 2006-2007

(expressed in US dollars)

Member	Year	Amount Due	Collected	Balance Due 31 December 2007
Belize	2006-2007	37 400	37 400	
		37 400	37 400	
Costa Rica	2006-2007	100 800	100 800	
		27 039	27 039	
	2004-2005	127 839	127 839	
Dominican Republic	2006-2007	100 000	46 362	53 638
		50 000	50 000	
	2004-2005	150 000	96 362	53 638
El Salvador	2006-2007	122 400	122 400	
		122 400	122 400	
Guatemala	2006-2007	225 400	225 174	226
		225 400	225 174	226
Honduras	2006-2007	74 800	74 800	
		74 800	74 800	
Nicaragua	2006-2007	89 200	89 200	
		89 200	89 200	
Panama	2006-2007	107 400	101 768	5 632
		23 532	23 532	
	2004-2005	130 932	125 300	5 632
Total		957 971	898 475	59 496
Amounts consist of:				
		857 400	797 904	59 496
		100 571	100 571	
		957 971	898 475	59 496

Institute of Nutrition of Central America and Panama
Statement of Trust Funds
Financial Period 2006-2007

(expressed in US dollars)

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
I. Government Financing						
<i>Belgium</i>						
Support for Agroindustrial Enterprises with Incorporation of Women into Municipalities by the Development of the Border Area Nicaragua-Costa Rica	NUT-469		247 734	238 360	2 197	11 571
<i>Denmark</i>						
The Risk Approach in Nutrition Interventions	NUT-885	278			(278)	
<i>United States of America</i>						
U.S. Department of Agriculture Food Security as Related to Gender in Mesoamerica (Workshop)	NUT-448	37 184		20 963		16 221
Assuring an Accurate Risk Assessment for Corn Products in the USA and Central America	NUT-453	73			(73)	
<i>Subtotal</i>		37 257		20 963	(73)	16 221
Total - Government Financing		37 535	247 734	259 323	1 846	27 792

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		3		(3)	
Case Studies on School Gardening and Nutrition Education in Four Countries in Central America and the Caribbean	NUT-458	2 285		1 777		508

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Survey Fieldwork on the Long-term Welfare Effects of Commercialization of Agriculture among Smallholders in the Central Highlands of Guatemala	NUT-462	857	6 311			7 168
Feasibility Study on the Long-term Welfare Effects of Commercialization of Agriculture among Smallholders in the Central Highlands of Guatemala	NUT-472		35 526	34 371		1 155
Tabulation of 258 Surveys Collected through Reminder of Family Consumption of 24 Hours of Special Programs of SAN, of GUT. ELS. HON. and NIC	NUT-482		3 501	3 501		
<i>Subtotal</i>		3 145	45 338	39 649	(3)	8 831
IAEA						
Body Composition and Daily Expenditure of Older Adults Living in Rural Guatemala	NUT-461	6 116	24 785	28 199		2 702
Nobel Peace Prize Fund Schools in Nutrition "Combating the Double Burden of Malnutrition"	NUT-474		43 648	39 643	(4 005)	
Training Course-data Analysis on Prediction of Body Composition, Guatemala	NUT-489		1 210	896		314
<i>Subtotal</i>		6 116	69 643	68 738	(4 005)	3 016
Inter-American Development Bank						
Central American Food Fortification with Folic Acid and others Micro Nutrients as a Good Public Regional	NUT-479		38 250	38 068		182
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	48 974	38 999	87 937	(36)	

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
INCAP						
Experimental Farm	NUT-130	2 097	58 174	53 380	(5 422)	1 469
The World Bank						
Early Nutrition, Human Capital, and Economic Productivity	NUT-437	342		331	(11)	
OVATIONS						
Nutrition-related Chronic Diseases (NRCDS) Center of Central America, the Dominican Republic, and Mexico	NUT-491		28 400	18 011		10 389
PAHEF						
Indigenous Perspective and Cultural and System Barriers for Postpartum Care	NUT-471		44 284	43 671		613
PMA						
Development and Validation of a Tool to Determine the Institutional Capacity for the Governments of Central America and the Dominican Republic in the Nutrition Sector	NUT-492		7 520	2 385		5 135
Cost of the Hunger in Venezuela	NUT-494		6 000	4 087		1 913
<i>Subtotal</i>			13 520	6 472		7 048
SEGEPLAN						
Evaluation of the Program Growing Well	NUT-477		36 028	42 165		(6 137)
SICA - Central American Integration System						
Food and Nutrition Security in Marginalized Communities of Central America	NUT-439	97			(97)	
Central American Program to Support Small Enterprises Headed by Women, Producers of Foods, with Emphasis in Nutritionally Enriched Foods	NUT-444	10 853		10 852	(1)	

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Central American Program to Support Small Enterprises Headed by Women, Producers of Foods, with Emphasis in Nutritionally Enriched Foods	NUT-463	183 674	4 591	188 265		
Regional Program of Food and Nutrition Security to Central America	NUT-468		223 217	202 040	692	21 869
INCAP's Technical Cooperation to PRESANCA	NUT-473		1 425 284	1 081 521		343 763
Immediate Actions Against the Extreme Poverty and Hunger in Central America: Operationalization of the Strategy in Municipios by Development of Central America and the Dominican Republic	NUT-481		290 642	165 623		125 019
Regional Program of Food and Nutrition Security to Central America - POA2	NUT-484		444 450	88 344		356 106
Technical Assistance for the Institution Building of the Fosan (RE4)	NUT-486		1 176 962	112 745		1 064 217
Technical Assistance for Development, Attendance, and Implementation of the Activities of the POA2 of Presanca	NUT-487		447 332	152 133		295 199
<i>Subtotal</i>		194 624	4 012 478	2 001 523	594	2 206 173
UNICEF						
Fortified Food Evaluation (Salt with Iodine, Sugar with Vitamin A), in Sentinel Schools	NUT-452	20 932	51 003	65 857		6 078
Total - International Organizations		276 230	4 436 117	2 465 802	(8 883)	2 237 662
III. Private and Public Sector						
Cooperativa Agricola Union de 4 Pinos						
Program Fortification of Food and Paired Fortified Food	NUT-493		2 528	1 524		1 004

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Emory University						
Early Nutrition, Human Capital, and Economic Productivity	NUT-441	(8 337)	154 376	133 757		12 282
Zinc, Mental Health, and School Performance	NUT-467		87 223	87 148		75
<i>Subtotal</i>		(8 337)	241 599	220 905		12 357
Johns Hopkins University						
Evaluation of an Oral Vaccine to Prevent Travelers Diarrhea Due to Enterotoxigenic E.Coli	NUT-428	23			(23)	
SENACYT						
Assurance of the Quality and Dairy Product Safety	NUT-488			45 128		(45 128)
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-464	358	10 595	11 818	1 146	281
URC Washington						
Validation of Practical Methods for the Monitoring at the Level of the Country of the Realization of the Right to an Adequate Diet	NUT-476		7 500	7 258		242
Evaluation of the Component of Monitoring and Promotion of the Growth of the AINM-C IMCI Strategy in the Expansion of Coverage (quality in health)	NUT-478		75 000	93 594		(18 594)
<i>Subtotal</i>			82 500	100 852		(18 352)
Various						
Program Fortification of Food and Complementary Fortified Food	NUT-483		28 531	25 562		2 969
W.K. Kellogg Foundation						
Design and Implementation of a Micro Regional Development Program in Carchá, A.V	NUT-429	1 747		1 747		

Source of Funds	Project Reference	Balance 1 January 2006	Funds Received ^{1/}	Project Expenditure	Project Adjustments	Balance 31 December 2007
Systematization and Dissemination of Experiences Learned through Projects of the Human Nutrition Initiative	NUT-434	1 597		1 597		
Promoting Health in Young People within the Framework of Food and Nutrition Security in Local Development Processes Center for Training and Development of Proper Technologies and Ecotechnologies	NUT-438	1 969		1 969		
	NUT-446	47			(47)	
Facilitating Emotional Development of Children by Providing Training for Parents and Teachers in Central American and Caribbean Countries	NUT-459	104	100 611	97 897		2 818
Institutional Strengthening Project	NUT-466	117 944		111 914		6 030
<i>Subtotal</i>		123 408	100 611	215 124	(47)	8 848
Total - Private and Public Sector		115 452	466 364	620 913	1 076	(38 021)
Total		429 217	5 150 215	3 346 038	(5 961)	2 227 433

Balance at 31 December 2007 is represented by:

Receipts in excess of expenditure accumulated on projects held in trust by INCAP	2 297 292
Expenditure funded by INCAP in excess of receipts incurred on projects	(69 859)
	<u>2 227 433</u>

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