CGIAR Accounting Policies and Reporting Practices Manual

Financial Guidelines Series, NO.2[1]

March 2004

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[1] These Guidelines were developed by the former CGIAR Secretariat prior to the CGIAR reforms that took place in 2009, and are part of the **Financial Guidelines Series** which consists of:
No.1 CGIAR Financial Management (1999)
No.2 CGIAR Accounting Policies and Reporting Practices Manual (March 2004)
No.3 CGIAR Auditing Guidelines Manual (July 2001)
No.5 CGIAR Indirect Cost Allocation Guidelines (August 2001)
No.6 CGIAR Procurement of Goods, Works and Services (December 2002)

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I. INTRODUCTION

This Accounting Policies and Reporting Practices Manual (the manual) provides guidelines to all CGIAR Centers (the Centers) in preparing financial statements to be issued for fiscal years beginning January 1, 2004, with earlier application encouraged. This manual supersedes the March 1999 version of the manual.

It is the objective of the manual to develop a standard set of accounting policies and reporting practices which will support the ongoing process of greater harmonization of the Centers' Annual Financial Statements. It is intended to provide guidelines that enhance the relevance, understandability and comparability of financial statements issued by all Centers within the CGIAR so that the common needs of all users of these statements are met.

In the period since the last review of the manual, there has been significant international support for the wider adoption of International Financial Reporting Standards (IFRS)[1] as issued by the International Accounting Standards Board (IASB)[2]. In particular, the multilateral development institutions and other international organizations, have actively called for the adoption of IFRS in preference to country specific standards in order to improve the transparency and comparability of financial statements.

In recognition of the expressed preferences of the international finance community, the international status of the Centers and the international nature of their numerous stakeholders, the CGIAR finance community **agreed that the guidelines set out in the manual require Centers to fully adopt and comply with the relevant IFRS**.

It is important to note that the manual's full adoption of IFRS is subject to the following two clarifications:

1. Existing IFRS do not specifically cover issues unique to not-for-profit organizations. The IASB clearly recognizes this and has stated in paragraph 8 of the Preface to International Financial Reporting Standards that "although IFRS are not designed to apply to not-for-profit activities in the private sector, public sector or government, entities with such activities may find them appropriate". In order to overcome this shortfall, the IASB has implemented a short-term convergence project which will address issues specific to not-for-profit organizations. However, due to the time that it will take for this project to be completed, the manual has drawn from other widely used standards (such as FAS 117 of US GAAP) to provide guidance on issues of importance that are not yet addressed by existing IFRS. Wherever this has happened, the source of the additional guidance has been clearly identified in the manual.

2. IAS 1, paragraph 4, provides that "Non-profit, government and other public sector enterprises seeking to apply this standard may need to amend the descriptions used for certain line items in the financial statements and for the financial statements themselves.

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[1] IFRS includes standards and interpretations approved by the IASB together with International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions of the International Accounting Standards Committee.

[2] The IASB's objectives are ;

(a) to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in general purpose financial statements and other financial reporting;
(b) to promote the use and rigorous application of those standards; and
(c) to work actively with national standard setters to bring about convergence of national accounting standards and IFRS to high quality standards.

Such enterprises may also present additional components of the financial statements." In line with this provision, this manual has, in places, applied descriptions that more closely reflect the nature of the Centers' activities than those set out in IFRS.

While there is no hard and fast rule on the frequency of update of the manual to conform with new IFRS releases, the CGIAR Secretariat takes responsibility to convene a special body to spearhead such reviews on a timely basis.

II. AXIOMS FOR DEFINING ACCOUNTING SYSTEMS

Generally accepted accounting principles are based on the following major axioms relating to the environment in which transactions take place. These axioms provide the underlying basis for any accounting system.

1. Economic Entity

(a) This assumes that an economic activity can be identified with a particular unit of accountability and that financial transactions can be related to a specific operating activity. Without this assumption there would be no basis for accountability because transactions could not be separated from a multitude of producers.

(b) In the CGIAR context, this provides the basis for distinguishing the transactions relating to Centers within the CGIAR system. It also provides a rationale for financial reporting by type of activity (e.g. research, research support, etc.) and by type of funding (e.g. Unrestricted or Restricted Grant Revenue).

2. Monetary unit

(a) This assumes money is the common denominator by which economic activity is conducted, and that the monetary unit provides an appropriate basis for measurement and analysis.

(b) The unit of account for the CGIAR is the US dollar.

(c) The axiom is important in hyper-inflationary environments where monetary units of different years may not be appropriate bases for comparison across years.

3. Periodicity

(a) This assumes that the activities and, therefore, the financial flows of an entity, can be divided into any chosen time period.

(b) Financial statements of the Centers are prepared on an annual, calendar year basis.

4. Elements of Accounting Statements

(a) Financial statements group transactions and other events into broad classes according to their economic characteristics which IFRS terms the "elements of financial statements".
(b) The elements that are directly related to the Statement of Financial Position are Assets, Liabilities and Net Assets.
(c) The elements that are directly related to the Statement of Activities are Revenues and Expenses.

III. PRESENTATION OF FINANCIAL STATEMENTS

IAS 1

This standard should be applied in the presentation of all general purpose financial statements prepared and presented in accordance with International Accounting Standards.

Financial statements are a structured financial representation of the financial position of and the transactions undertaken by a Center. The objective of general purpose financial statements is to provide information about the financial position, performance and cash flows of a Center that is useful to a wide range of stakeholders.

A complete set of financial statements includes the following components:

- Statement of Financial Position;
- Statement of Activities;
- Statement of Changes in Net Assets;
- Statement of Cash Flows; and
- Accounting policies and explanatory notes.

Centers are encouraged to present, outside the financial statements, a Statement by the Chairman of the Board of Trustees which describes and explains the Center's mission, its programmatic highlights/achievements for the year, the main features of its financial performance and financial position and the main uncertainties it faces. Such a report could include a review of:

- The main factors and influences determining the Center's performance, including changes in the operating environment and the Center's response to those changes and their effect; and
- The strengths and resources of the Center that may not be reflected in the Statement of Financial Position under IAS.

The following key accounting concepts underlie the presentation of general purpose financial statements:

1. Fair Presentation and Compliance with IAS

Financial statements should present fairly the financial position, financial performance and cash flows of a Center. The appropriate application of IAS, with additional disclosure where necessary, results in financial statements that achieve a fair presentation.

An enterprise whose financial statements comply with IAS should disclose that fact. Financial statements should not be described as complying with IAS unless they comply with all the requirements of each applicable IAS and each applicable SIC.

Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.

When applying IAS for the first time, Centers must comply with the requirements of SIC –8. “First time application of IAS as the primary basis of accounting”.

2. Accounting Policies

Management should select and apply a Center's accounting policies so that the financial statements comply with all the requirements of each applicable IAS.

Where there is no specific requirement, management should develop policies to ensure that the financial statements provide information that is:

(a) Relevant to the decision making needs of all users; and
(b) Reliable in that they :
    (i) represent faithfully the results and financial position of the Center;
    (ii) reflect the economic substance of events and transactions;
    (iii) are free from bias;
    (iv) are prudent; and
    (v) are complete in all material respects.

3. Going Concern

When preparing financial statements, management should make an assessment of the Center's ability to continue as a going concern.

When management is aware of material uncertainties relating to events or conditions which may cast significant doubt upon the Center's ability to continue as a going concern, those uncertainties should be disclosed.

4. Accrual

A Center should prepare its financial statements, except for cash flow information, under the accrual basis of accounting.

Under the accrual basis of accounting, transactions and events are recognized when they occur (and not as cash or its cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Expenses are recognized in the Statement of Activities on the basis of a direct association between the costs incurred and the earning of specific items of revenue (matching).

5. Consistency of Presentation

The presentation and classification of items in the financial statements should be retained from one period to the next unless:

(a) A significant change in the nature of operations of a Center or a review of its financial statement presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or

(b) A change in presentation is required by an IAS or SIC.

A change in presentation to comply with national requirements is permitted as long as the revised presentation is consistent with the requirements of this standard.

6. Offsetting

(a) Assets and liabilities should not be offset except when offsetting is required or permitted by another IAS.
(b) Items of revenue and expense should be offset when, and only when:
  (i) Required by IAS; or
  (ii) Gains, losses and related expenses arising from the same or similar transactions and events are not material

7. Comparative Information

(a) Comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements. Comparative information should be included in the narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.
(b) When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified.

8. Materiality and Aggregation

Each material item should be presented separately in the financial statements. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately.

IV. CASH AND CASH EQUIVALENTS

IAS 7

1. Nature and Definition

(a) Cash comprises cash on hand, petty cash funds, currencies awaiting deposit and local or foreign currency deposits in banks which can be added to or withdrawn without limitation and are immediately available for use in the current operations.

(b) Cash equivalents are short-term, highly liquid investments that are both: i) readily convertible to known amounts of cash; and ii) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. (Note that generally, only investments with original maturities of three months or less qualify under this definition).

2. Valuation

(a) Cash is valued at face value.
(b) Cash and cash equivalents in currencies other than the US dollar are recorded at market rates in effect at the time of transaction and restated to the equivalent US dollar amount at prevailing market rates as of the date of the Statement of Financial Position.

3. Presentation and Disclosure

The Centers should include a separate line item, "Cash" or "Cash and Cash Equivalents" in their Statement of Financial Position.

V. RECEIVABLES

1. Nature and Definition

(a) Receivables are generally defined as claims held against others for the future receipt of money, goods or services.

(b) Receivables of a Center usually include claims from donors; loans and advances to officers and employees; advances to other Centers and claims against third parties for services rendered.

2. Classification of Receivables

(a) Donor – Receivables due from donors can arise from:

(i) Unrestricted grants which are due and receivable by a Center,

(ii) Amounts due from restricted grants that have been negotiated between a donor and the Center.

(b) Employees - advances made to officers and employees for travel, benefits, salary, loan, etc.

(c) Advances to other CGIAR Centers.

(d) Others - include advance payment to suppliers, consultants, and other third parties.

3. Recognition Principles

Unrestricted Grants
Receivables from unrestricted grants should be recognized in full in the period specified by the donor.

Before an unrestricted grant can be recognized as revenue, sufficient verifiable evidence should exist documenting that a commitment was made by the donor and received by the Center.

Restricted Grants
Receivables from restricted grants will be recognised in accordance with the terms of the underlying contract.

Other Receivables

(a) Receivables from employees are recognized as they arise and cancelled when payment is received.

(b) Advances to other Centers are recognized when the cash or other assets borrowed are delivered or when payment is made for a liability of another Center.

(c) Other receivables are recognized upon the occurrence of event or transaction which gives the Center a legal claim against others.

4. Valuation

(a) All receivable balances should be valued at their net realizable value, calculated as the gross amount of receivable minus any allowances provided for doubtful accounts.

(b) Allowance for doubtful accounts should be provided in an amount equal to the total receivables shown or reasonably estimated to be doubtful of collection. The amount of the allowance should be based on past experiences and on a continuing review of receivable aging reports and other relevant factors.

(c) When an Accounts Receivable – Donor, is deemed doubtful of collection, the Center shall provide an allowance for doubtful accounts during the year the account was deemed doubtful.

(c) Any receivable or portion of receivable adjudged to be uncollectible should be written-off**.** Write-offs of receivables should be done via the allowance for doubtful accounts after all efforts to collect have been exhausted.

(d) Receivables denominated in a currency other than the US dollar are recognized in accordance with the provisions of Section XIII of this manual (Foreign Exchange Transactions).

5. Presentation and Disclosure

(a) Receivables from donors should be shown as a separate line item in the Statement of Financial Position.

(b) Employees' outstanding balances should be identified as a separate line item in the Statement of Financial Position.

(c) Advances to other Centers and other receivables should be identified as separate line items in the Statement of Financial Position.

(d) Receivables should be classified in the Statement of Financial Position as current or non-current. Current receivables are those collectible within one year from the date of the Statement of Financial Position. Non-current receivables are those collectible beyond one year.

(e) The allowance for doubtful accounts should be deducted from the related asset with the asset being shown in the Statement of Financial Position either at:

(i) Gross, less the allowance; or

(ii) Net, with the amount of the allowance indicated in the parenthetical notation.

VI. INVENTORIES

IAS 2

1. Nature and Definition

Inventories are assets:

(a) Held in the form of materials or supplies to be consumed in the Center's operations or in the rendering of services. For Centers, inventories would normally comprise materials and supplies not directly expended at the time of their purchase, such as scientific supplies, automotive parts, building materials, petroleum products, office and other general supplies; or

(b) Held for sale in the ordinary course of business.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. Valuation

(a) Inventories are to be valued at cost and charged against operations when used. Cost includes the purchase price plus any cost of conversion and other costs incurred in bringing the inventories to their present location and condition (e.g. cost of freight, insurance and handling charges). Grants in the form of inventories, should be measured at fair value at the time of receipt.

(b) Inventories held at the end of the financial period should be stated at the lower of cost and net realizable value.

3. Recognition Policies

(a) CGIAR Centers may acquire inventories through direct purchase or grants by donors.

(b) The cost of inventories applied to operations should be assigned by using the first-in, first-out (FIFO) or weighted average cost formula.

(c) Inventories are usually written down to net realizable value on an item by item basis. In some circumstances, it may be appropriate to group similar or related items.

(d) Inventories acquired at currencies other than US dollars shall be recorded using the exchange rate applicable at the date of transaction.

(e) The allowance for inventory obsolescence should be deducted from the related asset, the asset being shown in the statement of financial position either at:

   (i) Gross, less the allowance; or

   (ii) Net, with the amount of the allowance indicated in the parenthetical notation.

(f) The amount of write-down of inventories to net realizable value and all losses of inventories should be recognized as an expense in the period the write down or loss occurs.

4. Presentation and Disclosure

The financial statements should disclose:

(a) The accounting policies adopted in measuring inventories, including the cost formula used.

(b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the Centers.

(c) The carrying amount of inventories carried at net realisable value;

(d) The amount of any reversal of any write-down that is recognized as revenue, or a reduction in expenses, in the period and the circumstances or events leading to such reversals.

(e) The carrying amount of inventories pledged as security for liabilities, if any.

VII. PROPERTY, PLANT AND EQUIPMENT

IAS 16:

1. Nature and Definition

Property, plant and equipment are defined as tangible assets that:

(a) Are held by a Center for use in the production or supply of goods or services or for administrative purposes; and

(b) Are expected to be used for more than one period.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset less its residual value.

Useful life is the period of time over which an asset is expected to be used by a Center.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset.

Residual value is the net amount that the Center expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

An Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Carrying amount is the amount at which an asset is recognized in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

2. Classification Of Property, Plant And Equipment

The following classifications would apply to most Centers:

(a) Land.

(b) Physical facilities - include research, training, administrative, housing, auxiliary facilities and their sub-systems (eg. air conditioning)

(c) Infrastructure and leasehold improvements

(d) Equipment - includes farming equipment; laboratory, scientific, office, housing and auxiliary equipment; furniture; computers and software; vehicles; aircraft and similar depreciable assets.

(e) Construction in progress.

(f) Leased property and equipment, capitalized in accordance with IAS 17.

3. Recognition Principles

(a) An item of property, plant and equipment should be recognized as an asset when:
   (i) it is probable that future economic benefits associated with the asset will flow to the Center; and
   (ii) the cost of the asset can be measured reliably.

(b) Property, plant and equipment acquired through non-monetary grants should be recognized at fair value at the date of the grant. Such grants should be presented in the Statement of Financial Position as Deferred Revenue and should be taken to account as revenue on a systematic and rational basis over the life of the asset.

(c) Property, plant and equipment acquired through the use of grants restricted for a certain project should be recorded as an asset. Such assets are to be depreciated at a rate of 100% and the depreciation expense charged directly to the appropriate restricted project.

(d) Acquisitions of property, plant and equipment worth less than the minimum level for capitalization set by individual Centers, shall be expensed outright.

(e) Effective from the date of the adoption of this revised manual, all new facilities provided by host countries to the Center or constructed for the use of the Center, which will revert to the host country in the event the Center ceases to operate, are to be recognized as an asset.

(f) Subsequent expenditure relating to property, plant and equipment that has already been recognized should only be added to the carrying amount of the asset if the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure should be recognized as an expense in the period in which it is incurred.

4. Valuation

(a) An item of property, plant and equipment which qualifies for recognition as an asset should initially be measured at cost.

(b) Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(c) As an alternative to (b) above, IAS 16 allows for the revaluation of property, plant and equipment subsequent to its initial recognition:
   (i) Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation.
   (ii) Revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance date.
   (iii) When an item of property, plant and equipment is revalued, the entire class of asset to which it belongs should be revalued.
   (iv) When an asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to net assets as a revaluation surplus. However a revaluation increase should be recognised as revenue to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense.
   (v) When an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognized as an expense. However, a revaluation decrease should be charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset.

(d) The cost of an item of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.

(e) Property and equipment acquired on credit or by installment is recorded at its cash purchase price. The difference between credit and cash price, if any, should be considered as financing cost to be amortized over the credit period.

(f) The cost of self-constructed property and/or equipment would include direct cost of materials and labour as well as indirect cost and incremental overhead specifically identifiable or traceable to the construction. Financing costs that are attributed to a construction project and that are incurred up to the completion of construction are also included in the gross carrying amount of the asset to which they relate.

5. Presentation And Disclosure

The financial statements should disclose by way of notes to the accounts, for each class of property, plant and equipment:

(a) The measurement bases used for determining the gross carrying amount;

(b) The depreciation methods used;

(c) The gross carrying amount and the accumulated depreciation at the beginning and end of the period.

(d) A reconciliation of the carrying amount at the beginning and end of the period showing:

   (i) additions;
   (ii) disposals;

(iii) increases and decreases during the period resulting from revaluations;
(iv) impairment losses recognized or reversed in the Statement of Activities during the period;
(v) depreciation; and
(vi) other movements

(e) The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;

(f) The amount of expenditure on account of property, plant and equipment in the course of construction; and

(g) The amount of commitments for the acquisition of property, plant and equipment.

6. Disposal or Retirement of Property and Equipment

(a) An item of property, plant and equipment should be eliminated from the Statement of Financial Position on disposal or when the asset is permanently withdrawn from use and no further economic benefits are expected from its disposal.

(b) Gains or losses arising from the retirement or disposal should be determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and should be recognized as revenue or expense in the Statement of Activities.

VIII. DEPRECIATION

IAS 16:

1. Nature and Definition

Depreciation is the systematic allocation of the depreciable amount of an item of property, plant and equipment over its estimated useful life.

2. Recognition Principles

(a) Depreciation of property, plant and equipment shall be based on the full-acquisition cost of the property and equipment, net of its salvage value, as applicable.

(b) All organizations under CGIAR shall follow the straight-line method of depreciation. This method allocates the depreciable amount of property and equipment uniformly over its expected useful life. The straight-line method of depreciation should be applied consistently from period to period unless altered circumstances justify a change.

(c) Land and buildings are separable assets and are dealt with separately for accounting purposes even when they are acquired together. Land normally has an unlimited life and, therefore, is not depreciated. Buildings have a limited useful life and are depreciable assets.

(d) The use of the following useful lives of assets are encouraged to establish uniformity within the CGIAR organization.

(i)	Building inclusive of sub systems	25 – 60 years
(ii)	Heavy duty equipment	7 – 10 years
(iii)	Office and household furniture, fixtures and equipment	5 – 10 years
(iv)	Laboratory and scientific equipment	5 – 10 years
(v)	Aircraft	4 – 10 years
(vi)	Vehicles	4 – 7 years
(vii)	Computer equipment	3 – 5 years
(viii)	Purchased software cost	2 – 3 years

(e) Applying different useful lives to assets at different locations and/or operated under different conditions may be justifiable.

(f) Depreciation of acquired assets should start in the month the asset was placed in operation and continue until the asset has been fully depreciated or its use discontinued.

3. Presentation and Disclosure

(a) Accumulated depreciation, either for each major class of property and equipment or in total, should be disclosed as:

(i) a deduction or parenthetically in the Statement of Financial Position; or

(ii) a note to the financial statements

(b) The amount of depreciation expense for the period and the method used to compute depreciation for the major classes of property, plant and equipment should also be disclosed.

IX. LEASES

IAS 17:

1. Nature and Definition

(a) A lease is an agreement whereby the lessor conveys to the lessee (the Center), in return for a payment or a series of payments, the right to use an asset for an agreed period of time.

(b) Leases are classified into the two following categories:

Finance Lease – A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred**.**

Operating lease – An operating lease is a lease other than a finance lease**.**

5. Recognition Principles

Paragraph 8 of IAS 17 sets out guidelines for determining whether a lease is a finance or an operating lease. In all situations it is the substance of the transaction rather than the form of the contract which is important.

The following situations would normally lead to a lease being classified as a finance lease:

(a) The lease transfers ownership of the asset to the Center at the end of the lease term;

(b) The Center has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable, such that it is reasonably certain that the option will be exercised;

(c) The lease term is for the major part of the economic life of the asset even if title is not transferred;

(d) At the inception of the lease, the present value of the minimum lease payments amounts to substantially all of the fair value of the asset;

(e) The leased assets are of a specialized nature such that only the Center can use them without major modifications being made.

6. Presentation and Disclosure

Finance Leases

(a) Centers should recognize finance leases as assets and liabilities in their Statement of Financial Positions at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease.

(b) Lease payments should be apportioned between the finance charge and the reduction of the outstanding liability.

(c) A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense for each accounting period. The depreciation policy should be consistent with the Center's normal rates. If there is no certainty that the Center will obtain ownership by the end of the lease term the asset should be fully depreciated over the shorter of the lease term or its useful life.

(d) Centers should disclose the total of minimum lease payments at the balance date and their present value, for each of the following periods; i) no later than one year; ii) later than one year and not later than five years; and iii) later than five years.

Operating Leases

(a) Lease payments under an operating lease should be recognized as an expense in the Statement of Activities.

(b) Centers should disclose the total of future minimum lease payments under non-cancelable operating leases for each of the following periods; i) no later than one year; ii) later than one year and not later than five years; and iii) later than five years.

<u>X. FINANCIAL INSTRUMENTS (INVESTMENTS)</u>

<u>IAS 32: IAS 39: IAS 40:</u>

1. Nature and Definition

An investment is an asset held by an enterprise for accumulation of revenue through interest, royalty, and/or dividend distributions by the Center.

An investment property is an investment in land or buildings that are not occupied substantially for use by, or in the operations of, the Center.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

A financial asset is any asset that is:
(a) Cash; or
(b) A contractual right to receive cash or another financial asset from another enterprise.
Common examples of financial assets are trade and trade receivables, notes receivable and payable, loans receivable and payable and bonds receivable and payable.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

Market value is the amount obtainable from the sale of a financial instrument in an active market.

2. Valuation

Investments are initially recorded at their acquisition cost (including brokerage and other transaction costs) if they were purchased and fair value if they were received as a grant.

Investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value as of the date of the Statement of Financial Position.

Investments received as grants from donors are to be recorded at their fair market value.

3. Recognition Principles

Interest, dividends, losses and gains relating to a financial instrument should be reported in the Statement of Activities as expense or revenue.

4. Presentation and Disclosure

(a) Investments acquired with the intention of disposing the same within one year or less from the acquisition date are to be classified as current investments. Furthermore, investments classified as current, as distinguished from cash equivalents, are those that are acquired with original maturities of more than three months but not exceeding one year.

(b) Investments acquired with the intention of keeping the same for more than a year from the acquisition date are to be classified as long-term investments.

(c) The following should be disclosed:

(i) The accounting policies for the determination of the carrying amount of the investments and the treatment of changes in market value of investments carried at market value.

(ii) The significant amounts included in revenue for interest, royalties, dividends, and rentals on long-term and current investments; profits and losses on disposal of current investments and changes in value of such investments.

(d) When a Center carries one or more financial assets at an amount in excess of fair value, the Center should disclose the fair value and the carrying amount and the reasons for not reducing the carrying amount.

(e) For each period for which a Statement of Financial Position is presented, a Center should disclose:

(i) The aggregate carrying amount of investments by major types of investments;

(ii) The basis for determining the carrying amount for investments, other than equity securities with readily determinable fair values, and all debt securities;

(iii) The method(s) and significant assumptions used to estimate the fair values of investments and other financial instruments if those other instruments are reported at fair value.

XI. LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

IAS 1: IAS 37:

1. Nature and Definition

A liability is a present obligation of a Center arising from past events, the settlement of which is expected to result in an outflow from the Center of resources embodying economic benefits.

A liability should be classified as a current liability when it a) is expected to be settled in the normal course of the Center's operating cycle; or b) is due to be settled within 12 months of the balance date. All other liabilities should be classified as non-current liabilities.

A Provision is a liability of uncertain timing or amount.

A Contingent Liability is:
(a) A possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain events; or
(b) A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

2. Valuation

(a) Current liabilities are carried at the amount to be paid.

(b) Long term liabilities are shown at the present or discounted value of the future net cash outflows expected to be made to settle the liabilities in the normal course of operations. For example, installment liabilities are recorded at present values of future periodic installments.

3. Classification

(a) Current liabilities are those obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

  (i) Bank indebtedness - Represent a financial liability which involves a contractual obligation to deliver cash in the future. An overdraft facility is short-term financing from a Center's bank, which is normally bridge financing for non-deferrable current operating expenses.

  (ii) Accounts payable - Represent amounts due to donors, employees and others for support, services and/or materials received prior to year-end, but not paid for as at balance date.

    - Donor payables - These include grants received from donors for which conditions are not yet met and amounts payable to donors in respect of any unexpended funds received in advance for restricted grants.

    - Employee payables - These include unpaid salaries and bonuses, leave credits and pension entitlements.

    - Other payables - These include all other liabilities the Center has incurred and has been billed for, which remain unpaid as balance date.

  (iii) Accruals - Represent liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier.

(b) Non-Current Liabilities are obligations maturing or scheduled to mature after an uninterrupted period extending beyond one year from the date of the Center's Statement of Financial Position.

4. Recognition Principles

Accounts Payables and Accruals

(a) This classification is intended to include obligations for items which have entered into the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in the Center's activities; collections received in advance of the delivery of materials and supplies or performance of services; and debts which arise from operations directly related to the Center's activities.

(b) Resources received from other service beneficiaries for specific projects, programs or activities that have not yet taken place should be recognized as liabilities to the extent that the earning process has not been completed.

(c) Liabilities denominated in a currency other than the US dollar are recorded at exchange rates in effect at the time of transactions. Exchange gains or losses resulting from rate fluctuations upon actual payment and from recorded payables are credited or charged to operations.

Provisions

A provision should be recognized when:

(a) A Center has a present obligation as a result of a past event;
(b) It is probable that an outflow of resources will be required to settle the obligation; and
(c) A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance date.

Provisions should be reviewed at each balance date and adjusted to reflect the current best estimate.

A provision should only be used for expenditures for which the provision was originally recognized.

Contingent Liability

A Center should not recognize a contingent liability in its Statement of Financial Position.

5. Presentation And Disclosure

The following items should be disclosed separately:

(a) Bank indebtedness and overdrafts
(b) Accounts payable
(c) Accruals
(d) Provisions

The following items should be disclosed separately with a clear disclosure of their current and non-current portions.

(a) Secured bank indebtedness
(b) Non-secured bank indebtedness

In addition, the nature of arrangement of each bank indebtedness such as interest rates, repayment terms, covenants, subordination, concession features and accounts of unamortized premium or discount should be disclosed in the notes to financial statements.

Provisions.

For each class of provision, a Center should disclose:
(a) The carrying amount at the beginning and end of the period;
(b) Additional provisions made during the period;
(c) Amounts used during the period
(d) Unused amounts reversed during the period.

Contingent Liabilities.

A Center should disclose in the Notes to the Financial Statements, for each class of contingent liability at the balance date, a brief description of the nature of the contingent liability and, if possible, an estimate of the financial effect and an indication of the uncertainties relating to the amount or timing of any outflow.

XII. NET ASSETS

IAS 1: (With reference to FAS 117)

The concept of "Net Assets" as defined by FAS 117 has been drawn on to supplement the concepts of "Equity" outlined in IAS 1 to provide additional levels of disclosure that are more appropriate for not-for-profit organizations in general and the Centers in particular.

1. Nature and Definition

Net assets are the residual interest in a Center's assets remaining after liabilities are deducted.

The overall change in net assets represents the total gains and losses generated by the Center's activities during the period as determined by the particular measurement principles adopted and disclosed in the financial statements.

While IAS 8 requires all items of revenue and expense recognized in a period to be included in the Statement of Activities, other IAS require certain gains and losses (such as revaluation surpluses or deficits) to be recognized directly as changes in net assets. Since it is important to recognize all gains and losses when assessing the changes in a Center's financial position between two balance dates, Centers are required to disclose their total gains and losses, including those that are recognized directly in net assets, by way of a separate Statement of Changes in Net Assets.

2. Classification

Net assets are classified as either undesignated or designated.

(a) Undesignated – that part of net assets that is not designated by Center Management for specific purposes.

(b) Designated – that part of net assets that has been designated by Center Management for specific purposes, such as a reserve for the future acquisition of property and equipment.

Centers are required to disclose, as a separate classification of net assets, the net amount of their investment in fixed assets. Additional disclosure is required by way of note to the accounts should this classification include assets that are subject to donor imposed restrictions.

3. Presentation and Disclosure

A Center should present, as a separate component of its financial statements, a Statement of Changes in Net Assets showing:

(a) The net surplus or deficit for the period;

(b) Each item of revenue and expenditure, gain or loss which has been recognized directly in net assets in accordance with an applicable IAS, and the total of these items;

(c) The cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under IAS 8. Reclassification of amounts between net assets classes should be reported separately from other transaction in the Statement of Net Assets.

In addition, a Center should present, either within this statement or in the notes:

(d) The balance of net assets at the beginning of the period and at balance date and the movements for the period; and

(e) A reconciliation between the carrying amount of each class of net assets at the beginning and end of each period, separately disclosing each movement.

XIII. FOREIGN EXCHANGE TRANSACTIONS

IAS 21

1. Nature and Definition

Foreign currency is a currency other than the reporting currency of a Center.

Reporting currency is the currency used in presenting the financial statements. The currency of report for all Centers is the US Dollar.

Foreign operation is a joint venture or branch of the Center, the activities of which are based or conducted in a country other than the country of the reporting Center.

Exchange rate is the ratio of exchange of two currencies.

Exchange difference is the difference resulting from reporting the same amount of foreign currency at different exchange rates. Foreign exchange gain/loss is the result of transactions involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at the balance date.

Closing rate is the spot exchange rate at the balance date.

Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.

2. Recognition Principles

All foreign currency transactions should be recorded, on initial recognition, in the Center's reporting currency by applying to the foreign currency amount the exchange rate between the US dollar and the foreign currency at the date of the transaction.

At each balance date:

(a) Foreign currency monetary items should be reported using the closing rate;

(b) Non-monetary items denominated in foreign currency which are carried at historical cost should be reported using the exchange rate at the date of the transaction; and

(c) Non-monetary items denominated in foreign currency which are carried at fair value should be reported using the exchange rates that existed when the values were determined.

Exchange differences should be recognized as revenue or expense in the period in which they arise. Such differences normally arise at the time of the settlement of foreign currency monetary items or on balance date reporting of the Center's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements

3. Presentation and Disclosure

A Center should disclose the amount of exchange differences included in the net profit or loss for the period as either Other Revenue and Gains or Other Expenses and Losses.

XIV. EMPLOYEE BENEFITS

IAS 19

1. Nature And Definition

Employee benefits are all forms of consideration given by a Center in exchange for service rendered by all employees – whether internationally recruited staff (IRS) or nationally recruited staff (NRS).

Employee benefits include:

(a) Short-term employee benefits (such as wages, salaries and paid leave) and non-monetary benefits (such as medical care, housing and cars) for current employees.
(b) Post employment benefits such as pensions, other retirement benefits, post-employment medical care and insurance; and
(c) Termination benefits.

2. Recognition Principles

(a) When an employee has rendered service to an enterprise during an accounting period, the Center should recognize the undiscounted amount of the benefits expected to be paid in exchange for that service as a liability and as an expense.

(b) Centers should recognize the expected cost of short term compensated absences that have accumulated as at the balance date.

(c) When an employee has rendered services to a Center during a period, the Center should recognize the contribution payable to a **defined contribution plan** as a liability (less any contribution already paid) and as an expense.

(d) Accounting for **defined benefit plans** for post retirement benefits such as pensions, life insurance and medical care, is complex and requires actuarial assumptions to measure the obligation and expense. The amount recognized as a defined benefit liability should be the net of the present value of the defined benefit obligation at balance date, less the fair value of plan assets (if any) out of which obligations are to be settled directly.

(e) The amount recognized for other long-term employee benefits such as long service leave, disability benefits and deferred compensation should be the net total of the present value of the defined benefit obligation at the balance date, less the fair value of plan assets (if any), out of which the obligations are to be settled directly.

(f) Termination benefits should be recognized as a liability and expense when, and only when, the Center is committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer to encourage voluntary redundancy.

XV. REVENUE

IAS 18: IAS 20.

1. Nature and Definition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of a Center where those inflows result in increases in net assets. The major portion of a Center’s revenue is normally derived through the receipt of Donor grants – either “Unrestricted” or “Restricted”.

Unrestricted Grant revenue arises from the unconditional transfer of cash or other assets to a Center.

Restricted Grant revenue arises from a transfer of resources to a Center in return for past or future compliance relating to the operating activities of the Center.

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Revenue includes only the gross inflow received and receivable by the Center on its own account. Amounts collected on behalf of third parties such as value added taxes, are not economic benefits which flow to the Center. They do not increase net assets, therefore they are excluded from revenue.

Similarly, for **Agency Transactions**, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in an increase in the Center’s net assets. The amounts collected on behalf of a principal are not revenue. Revenue is the amount of any commission or management fee received.

2. **Recognition Principles**

Rendering of Services

When the outcome of a transaction involving the rendering of services can be measured reliably, revenue associated with the transaction should be recognized by reference to the stage of completion of the transaction at the balance date.

The outcome of the transaction can be measured reliably when all the following conditions are satisfied:

(a) The amount of the revenue can be measured reliably;
(b) It is probable that the economic benefits associated with the transaction will flow to the Center;
(c) The stage of completion of the transaction at the balance date can be measured reliably; and
(d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The recognition of revenue by reference to the stage of completion is often referred to as the "percentage of completion method". Under this method, revenue is recognized in the accounting period in which the services are rendered.

The stage of completion of a transaction may be determined by the following methods:

(a) Services performed to date as a percentage of total services to be performed;
(b) The proportion that costs incurred to date bear to the total estimated costs of the transaction;
(c) Surveys of work performed.

It is important to note that progress payments and advances received from donors often do not reflect the services performed.

When the outcome of the transaction cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable.

Sale of Goods

Revenue from the sale of goods should be recognized when all the following conditions have been satisfied:

(a) The Center has transferred to the buyer the significant risk and rewards of ownership of the goods;
(b) The Center does not retain effective control over the goods sold;
(c) The amount of revenues can be reliably measured;
(d) It is probable that the economic benefits will flow to the Center; and
(e) The costs incurred in respect of the transaction can be measured reliably.

Interest, Royalties and Dividends

Revenue arising from the use of others of a Center's assets yielding interest, royalties and dividends should be recognized on the following bases:

(a) Interest should be recognized on a time proportion basis;

(b) Royalties should be recognized on an accrual basis in accordance with the substance of the relevant agreement; and
(c) Dividends should be recognized when the right to receive payment is established.

3. Valuation

Revenue should be measured at the fair value of the consideration received or receivable.

(a) Cash grants are recorded at the face value of the cash received or the US dollar equivalent.

(b) Grant revenue, including non-monetary grants at fair value, should not be recognized until there is reasonable assurance that:

(i) the Center will comply with the conditions attaching to them; and
(ii) the grants will be received.

(c) Grants should be recognized as revenue over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(d) Recognition of grant revenue on a receipts basis is not in accordance with the accrual accounting concept and would only be acceptable if no basis existed for allocating a grant to periods other than the one in which it was received.

(e) Grants relating to assets, including non-monetary grants at fair value, should be presented in the Statement of Financial Position by setting up the grant as deferred revenue (and recognizing the revenue on a systematic and rational basis over the life of the asset).

(f) Grants-in-kind are recorded at the fair value of the assets (or services) received or promised, or the fair value of the liabilities satisfied. It is important to note that, in accordance with FG.4 , only grants-in-kind relating to staff support will be recognized by Centers, subject to the following conditions:

(i) the donated staff must be fully engaged in a project within the Center's agreed agenda activities;
(ii) the project must be full-cost budgeted in the Center's work program;
(iii) the full cost as budgeted is borne by the in-kind provider; and
(iv) the in-kind provider approves of the inclusion, and the value, of their support as revenue in the Center's financial statements.

4. Presentation and Disclosure

An enterprise should disclose:

(a) The accounting policies adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services;
(b) The amount of each significant category of revenue recognized during the period including revenue arising from:
- the rendering of services;
- the sale of goods;
- interest

- royalties; and
- dividends.

XVI. OTHER REVENUE AND GAINS

1. Nature and Definition

(a) Other revenue and gains are increases in net assets resulting from a Center's peripheral or incidental transactions and other events and circumstances affecting the Center, other than those that result from grants.

(b) These are revenue, which include, but are not limited to:

(i) Consultancy revenue earned from third parties.

(ii) Gains, net of losses, resulting from transactions involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at year-end or at reporting date.

(iii) Other miscellaneous revenue including any other items not specifically covered above.

2. Recognition Principle

Other revenue and gains are recognized in the period in which they are earned.

3. Presentation and Disclosure

(a) Total other revenue and gains are reported as a single line item in the Statement of Activities.

(b) Other revenue and gains, if material, should be disclosed in the Notes to Financial Statements.

XVII. EXPENSES

IAS 1

1. Nature and Definition

(a) Expenses are outflows or other activities using up assets or incurrence of liabilities (or a combination of both) from delivering goods, rendering services, or carrying out other activities that constitute the organization's on-going major or central activities.

(b) Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in net assets.

2. Classification as to Source

A Center should present on the face of the Statement of Activities an analysis of expenses using a classification based on the function of expenses within the Center. (Functional Classification).

A Center should also present by way of a note to the Statement of Activities, an analysis of expenses based on the nature of expenses. (Natural Classification).

Functional Classification

(a) **Program Related Expenses**

Program related expenses are activities that result in goods and services being distributed to beneficiaries, project proponents, and members that fulfil the purpose or mission for which the Center exists. These services are the main purpose for and the major output of the Center and often relate to several large programs.

For Centers, program services normally include the following costs as detailed in Section 3 of Financial Guidelines No. 5. – CGIAR Indirect Cost Allocation.

(i) **Research** – this category includes the cost of study and investigation on conservation and management of natural resources; germplasm enhancement and breeding; production systems development and management; socio-economic, public policy and public management research; and institution building (counseling/networks). This category requires a further breakdown by commodity, environment, thrust, or activity, as applicable.

(ii) **Research support** – this category covers activities carried out in direct support to research activities. For example:

- Office of Director of Research
- Office of Director of Outreach
- Common laboratory services
- Biometrics
- Station or farm operations
- Plant growth facilities
- Training, communication, information and library
- Training covers the cost of training and conferences. For example: training offices, fellowships, workshops, seminars and symposia; salaries and allowances of post doctorates and training-related travel and subsistence costs.
- Communication, Information and Library covers the costs of publication of annual reports and technical bulletins, translation and printing of various public information activities and the cost of library services.

(b) **Management and General Expenses**

These are all activities of a Center other than program-related activities.

Natural Classification

In addition to the above functional classification, the Centers are required to disclose additional information on the nature of their total operating expenses into the following groups:

(a) **Personnel costs** – include the salaries and benefits of Centers' permanent/regular employees, as well as the salaries and benefits of Centers' professional, supervisory and support positions.

(b) **Collaborators/Partnership Costs** – Due to the increasing level of collaborative research undertaken by the Centers it is considered important to separately identify the total payments for direct research inputs made to collaborators and partners rather than include such payments as part of supplies and services.

(c) **Supplies and services** – Supplies include, but are not limited to: non-consumable items which are not capitalized and supplies for office, laboratory, computer, field, library, and auxiliary units. Services include general items not included in personnel costs, such as cost of casual labor, trainees, and other professional services not included in (b) above.

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

(d) **Operational travel** – domestic and international travel of Centers' regular staff on official duty.

(e) **Depreciation** of long-lived tangible assets.

The detail of the expenses to be itemized by natural classification should be determined from time to time by the balancing of management's needs for information and control with the needs of all other relevant stakeholders.

3. Recognition Principles

Expenses are recognized in the Statement of Activities when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the Statement of Activities on the basis of a direct association between the costs incurred and the earning of specific items of revenue. (Matching principle).

When economic benefits are expected to arise over several accounting periods and the association with revenue can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedures. (e.g., depreciation and amortization).

An expense is recognized immediately when expenditure produces no future benefit or when future economic benefits cease to qualify for recognition as assets in the Statement of Financial Position.

4. Presentation and Disclosure

(a) The functional classification of expenses shown on the face of the Statement of Activities should provide separate line items for program related expenses and management and general expenses.

(b) The natural classification of program related expenses and management and general expenses should be shown as a note to the Statement of Activities.

XVIII. INDIRECT EXPENSES

The CGIAR's Financial Guidelines Series No. 5. - "CGIAR Indirect Cost Allocation Guidelines" - should be referred to in respect of the accounting treatment of Indirect Costs.

It is a requirement of FG. 5 that all Centers include a one page summary of the computation of indirect cost, based on current year data, in the Center's audited financial statements.

XIX. NET SURPLUS OR DEFICIT FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES

IAS 8

1. Scope

This standard should be applied in presenting the surplus or deficit from:

- Ordinary activities;
- Extraordinary activities;
- Accounting for changes in accounting estimates;
- Accounting for fundamental errors; and
- Changes in accounting policies.

The objective of this standard is to prescribe the classification, disclosure and accounting treatment of certain items in the Statement of Activities so that all Centers prepare and present a Statement of Activities on a consistent basis.

2. Nature and Definition

Extraordinary Items are revenue or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Center and therefore are not expected to recur frequently or regularly.

Ordinary items are any activities which are undertaken by a Center as part of its normal business and such related activities in which the Center engages in furtherance of, incidental to, or arising from these activities.

Fundamental errors are errors discovered in the current period that are of such significance that the financial statements of one or more prior periods can no longer be considered to have been reliable at the date of their issue.

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

3. Presentation And Disclosure

Net Surplus or Deficit for the Period

All items of revenue and expense recognized in a period should be included in the determination of the net surplus or deficit for the period unless an International Accounting Standard requires or permits otherwise.

The net surplus or deficit for the period comprises the following components, each of which should be disclosed on the face of the Statement of Activities:

(a) Surplus or deficit arising from ordinary activities; and
(b) Extraordinary items.

When items of revenue and expense within the surplus or deficit arising from ordinary items are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Center for the period, the nature and amount of such items should be disclosed separately.

Extraordinary Items

The nature and amount of each extraordinary item should be separately disclosed.

Changes in Accounting Estimates

The effect of a change in accounting estimate should be included in the determination of the net surplus or deficit in:

(a) The period of change, if the change affects the period only (e.g. A change in the estimate for inventory obsolescence); or
(b) The period of change and future periods, if the change affects both (e.g. A change in the estimated useful life of a depreciable asset).
(c) The nature and amount of a change in an accounting estimate that has a material effect in the current period or which is expected to have a material effect in subsequent periods should be disclosed by way of note to the accounts.

Fundamental Errors

The amount of the correction of a fundamental error that relates to prior periods should be reported by adjusting the opening balances of net assets. Comparative information should be restated, unless it is impracticable to do so.

A Center should disclose the following:

(a) The nature of the fundamental error;
(b) The amount of the correction for the current period and for the each prior period presented;
(c) The amount of the correction relating to periods prior to those included in the comparative information; and
(d) The fact that comparative information has been restated or that it is impracticable top do so.

Changes in Accounting Policies

A change in accounting policy should be made only if required by statute, or by an accounting body, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of the enterprise.

(a) A change in accounting policy which is made on the adoption of an International Accounting Standard should be accounted for in accordance with the specific transitional provisions, if any, in that standard.
(b) A change in accounting policy should be applied retrospectively unless the amount of any resulting adjustment that relates to prior periods is not reasonably determinable. Any resulting adjustment should be reported as an adjustment to the opening balance of net assets.
(c) The change in accounting policy should be applied prospectively when the amount of the adjustment required in (b) above cannot be reasonably determined.
(d) When a change in accounting policy has a material effect on the current period or any prior period presented, or may have material effects in subsequent periods, a Center should disclose the following:
    (i) the reasons for the change;
    (ii) the amount of the adjustment for the current period and for each period presented;
    (iii) the amount of the adjustment relating to periods prior to those included in the comparative information; and
    (iv) the fact that comparative information has been restated or that it is impracticable to do so.

XX. EVENTS AFTER THE BALANCE DATE

IAS 10

1. Scope

This standard should be applied in the accounting for, and disclosure of, events after the balance date.

2. Nature and Definition

Events after balance date are those events, both favorable and unfavorable, that occur between the balance date and the date when the financial statements are authorized for issue. Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the balance date (adjusting events after the balance date); and
(b) Those that are indicative of conditions that arose after the balance date (non-adjusting events after the balance date).

3. Recognition and Measurement

Adjusting events after balance date
A Center should adjust the amounts recognized in its financial statements to reflect adjusting events after the balance date.

Going Concern.

A Center should not prepare its financial statements on a going concern basis if management determines after balance date that it intends to cease operating or it has no realistic alternative but to do so.

Non-adjusting events after the balance date.
Where non-adjusting events after the balance date are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions, a Center should disclose the following information for each significant category of non-adjusting event after the balance date:

(a) The nature of the event; and
(b) The estimate of its financial effect, or a statement that such an estimate cannot be made.

XXI. FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES

IAS 31

1. Scope

This standard should be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

2. Nature and Definition

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Control is the power to govern the financial and operating policies of an economic activity so as to gain benefits from it.

Joint control is the contractually agreed sharing of control over an economic activity.

Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

A venturer is a party to a joint venture and has joint control over that joint venture.
An investor in a joint venture is a party to a joint venture and does not have joint control over that joint venture.

Joint ventures take many different forms and structures however the following are common to all:

(a) Two or more venturers are bound by a contractual arrangement; and
(b) The contractual arrangement establishes joint control.

Contractual arrangements
The contractual arrangement is usually in writing and deals with the following matters:

(a) The activity, duration and reporting obligations of the joint venture;
(b) the appointment of the governing body of the joint venture and the voting rights of the venturers;
(c) capital contributions by the venturers; and
(d) the sharing by the venturers of the output, revenue, expenses or results of the joint venture.

The contractual arrangement establishes joint control. This requires that no single venturer is in a position to control unilaterally the activity. The contractual arrangement may identify one venturer as the operator or manager of the joint venture however the operator does not control the joint venture. If the operator has the power to govern the financial and operating policies of the economic activity, it controls the venture and the venture is therefore not a joint venture.

Joint ventures take many different forms and structures, namely jointly controlled operations, assets and entities.

Jointly Controlled Operations
Jointly controlled operations involve the use of the assets and other resources of the venturers rather than establishing an entity that is separate from the venturers themselves and would be the normal form of joint venture for a Center to enter into.

3. Presentation And Disclosure

In respect to its interests in jointly controlled operations, a Center should recognize in its own financial statements:

(a) The assets that it controls and the liabilities that it incurs; and
(b) The expenses that it incurs and the share of the revenue that it earns from the provision of services by the joint venture.

A Center should disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

(a) Contingencies incurred jointly with other venturers
(b) Its share of a joint venture's contingent liabilities;
(c) Contingencies for liabilities of other venturers.

A Center should disclose the aggregate amount of the following commitments in respect of any interest in joint ventures:

(a) Any capital commitments in relation to its share of the joint venture;
(b) Its share of the joint venture's capital commitments.

A Center should disclose a listing and description of interests in significant joint ventures.

XXII. EXTERNAL FINANCIAL REPORTING

IAS 1:

1. Year-End Financial Statements

Financial statements are a structured financial representation of the financial position of and the transactions undertaken by a Center. The objective of financial statements is to provide information about the financial position, performance and cash flows of a Center that is useful to a wide range of stakeholders such as donors, creditors, and others who provide resources to Centers. Those external users of financial statements have common interests in assessing:

(a) The services the Center provides and its ability to continue to provide those services; and

(b) How the Center's management discharges its stewardship responsibilities and other aspects of financial performance.

More specifically, the purpose of financial statements, including accompanying notes, is to provide information about:

(a) The amount and nature of the Center's assets, liabilities, and net assets as embodied in the Statement of Financial Position.

(b) The effects of transactions and other events and circumstances that change the amount and nature of net assets as embodied in the Statement of Activities;

(c) The amounts and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows as shown in the Statement of Cash Flows;

(d) How the Center obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity;

(e) The service efforts of the Center, the costs associated with the Center's various programs or activities, and cost of projects associated with various types of funding.

A complete set of a Center's financial statements includes the following components:

(a) Statement of Financial Position;
(b) Statement of Activities;
(c) Statement of Changes in Net Assets;
(d) Statement of Cash Flows; and
(e) Accounting Policies and Explanatory Notes.

Each Center is required to prepare, for distribution to donors, annual audited financial statements in accordance with the guidelines and standard formats set out in this manual. Centers should ensure that standard formats are used in the audited financial statements.

2. Responsibility

(a) Management and Board

(i) Center Management and Board of Trustees are responsible to donors for ensuring that financial statements present fairly the financial position, financial performance and cash flows of a Center and that they are presented in compliance with this manual.

(ii) Center Management and Boards work closely with the external and internal auditors in fulfilling this responsibility.

(iii) It is a requirement of these guidelines for the individuals performing the roles of Director General and Chief Financial Officer (CFO) of the Center to certify that:

- The financial records of the Center have been properly maintained.
- The financial statements and notes thereto, comply in full with the provisions of this manual.
- The financial statements and notes thereto, give a true and fair view.

A person performs the role of CFO of a Center if that person is:

- Primarily responsible for financial matters in relation to the Center; and
- Directly responsible for those matters to either the Board of Trustees or the Director General.

(b) External Auditors

(i) External auditors have a special responsibility to provide an independent assessment and to express an opinion (to the Center and concerned parties outside the Center) on whether the Center's financial statements are presented fairly and in conformity with the CGIAR Accounting Policies and Reporting Practices Manual.

(ii) In order to ensure a degree of uniformity of auditing standards to a recognized international level among Centers, external auditors should be required to include in their opinion that the audit has been conducted in conformity with International Auditing Standards.

(iii) Further guidance on the role of external auditors is provided in FG.3 – CGIAR Auditing Guidelines Manual.

3. Audited Financial Statements

<u>Statement of Financial Position</u>

(a) A Statement of Financial Position is a measure of the financial position of a Center as at the date of the reporting period.

(i) The primary purpose of a Statement of Financial Position is to provide relevant information about the Center's assets, liabilities, and net assets and about their relation to each other at a moment in time.

(ii) The information provided in a Statement of Financial Position, used with related disclosure and information in other financial statements, help donors, creditors, and others to assess:

- The Center's ability to continue to provide services; and

- The Center's liquidity, financial flexibility, ability to meet obligations, and needs for external financing.

(iii) That information generally is provided by aggregating assets and liabilities that posses similar characteristics into reasonably homogeneous groups.

(iv) Information about liquidity is provided by one or more of the following:

- Sequencing assets according to their nearness of conversion to cash, and sequencing liabilities according to the nearness of their maturity and resulting use of cash;
- Classifying assets and liabilities as current and non-current; and
- Disclosing relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets, in the notes to the financial statements.

(v) The Statement of Financial Position should focus on the Center as a whole and report the amounts of its total assets, liabilities, and net assets.

<u>Statement of Activities</u>

(a) The Statement of Activities shows details of revenue, gains and other support and types of expense.

(b) The primary purpose of a Statement of Activities is to provide relevant information about:

(i) The effect of transactions and other events and circumstances that change the amount and nature of net assets;

(ii) The relationships of those transactions and other events and circumstances to each other; and

(iii) How the Center's resources are used in providing various programs and services.

(c) The information provided in a Statement of Activities, when used with related disclosures and information in other financial statements, helps donors, creditors, and others to:

(i) Evaluate the Center's financial performance during a period;

(ii) Assess the Center's service efforts and its ability to continue to provide services; and

(iii) Assess how the Center's management has discharged their stewardship responsibilities and other aspects of their financial performance.

(d) Information about revenues, expenses, gains, losses and reclassifications generally, is provided by aggregating items that possess similar characteristics into reasonably homogeneous groups.

(e) The Statement of Activities should focus on the Center as a whole.

<u>Statement of Changes in Net Assets</u>

(a) The Statement of Changes in Net Assets reflects the increase or decrease in a Center's net assets between two balance sheet dates.

(b) A Center should present as a separate component of its financial statements, a Statement of Changes in Net Assets showing:

(i) The net surplus of deficit for the period;
(ii) Each item of revenue or expense which may be required by an IAS to be recognized directly in net assets;
(iii) The cumulative effect of changes in accounting policy and the correction of fundamental errors as detailed in IAS.8.
(iv) The balance of net assets at the beginning of the period and at balance date, and the movements for the period; and
(v) A reconciliation between the carrying amount of each class of net assets at the beginning and end of the period.

Statement of Cash Flows (IAS.7)

(a) The Statement of Cash Flows provides relevant information about the relation between inflows and outflows of a Center's resources during the reporting period. Centers must distinguish between resource flows that are related to operations and those that are not.

(b) The information provided in the Statement of Cash Flows, if used with related disclosures and information in other financial statements, should help donors, creditors, and others to assess;

(i) The Center's ability to generate positive future net cash flows;

(ii) The Center's ability to meet its obligations, and its needs for external financing; and

(iii) The effects on the Center's financial position of both its cash and non-cash investing and financing transactions during the period.

(c) The Statement of Cash Flows for a period shall report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period, in a manner that reconciles beginning and ending cash and cash equivalents.

(d) The total amounts of cash and cash equivalents at the beginning and end of the period shown in the Statement of Cash Flows shall be the same amounts as similarly titled line items or subtotals shown in the Statement of Financial Position as of those dates.

Notes to Financial Statements

(a) The notes to the financial statements should:

(i) Present information about the basis of preparation of the financial statements and the specific accounting policies applied for significant transactions and events;
(ii) Disclose the information required by IAS that is not presented elsewhere; and
(iii) Provide additional information which is not presented elsewhere but that is necessary for a fair presentation.

(b) The information that should be disclosed includes, among others, the following:

(i) **Statement of purpose**: A brief description of the Center, its mandate and activities.

(ii) **Summary of significant accounting policies**: Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events.

(iii) **Accounts in non-US dollar currencies**: Translation of currencies and the consolidation of field programs' accounts in non-US dollar currencies; principles for converting to US dollar should be disclosed.

(iv) **Accounts receivable**: A complete analysis of accounts receivable from donors and a brief analysis of significant amounts of other receivables.

(v) **Fixed assets**: An analysis by major classes of depreciable assets, including:

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

(vi) **Accounts payable**: A complete analysis of accounts payable to donors, unearned grants, and a brief analysis of significant amounts of other payables should be presented.

(vii) **Net assets**: Details of the nature and balance of net assets should be provided. Details of designations of unrestricted net assets should also be disclosed.

(viii) **Additional notes**: These should include any other information that could be necessary to understand the Center's operations and its financial position e.g. revenues, inventories, long-term receivables or payables, employee benefit costs, provisions, contingent liabilities, etc.

4. Supplementary Information

The Centers shall provide the following supplementary information in the form of exhibits to the basic financial statements.

(a) **Schedule of Unrestricted Grant Revenue**: An analysis of unrestricted grants by donor.

(b) **Schedule of Restricted Grant Revenue**: A detailed statement of current year restricted grants and expenses by donor and program activity, the cumulative grants, expenses, total pledged amount and duration of each program.

5. Special Reporting

(a) Some donors require periodic financial reporting. Often the donor agency specifies the reporting format and definitions to be used in describing detailed accounts.

(b) To the extent possible, Centers should use the standard chart of accounts described in these guidelines.

XXIII. DEFINITION OF KEY TERMS

Designated Net Assets. Unrestricted net assets subject to self imposed limits by action of Center Management. Designated net assets may be earmarked for future programs, investments, contingencies, purchase or construction of fixed assets or other uses.

Donor Imposed Restrictions are stipulations that specify a use for the contributed assets that is more specific than broad limits resulting from the nature of the Center, the environment in which it operates or the purposes specified in its articles.

Functional Classification. A method of grouping expenses according to the purpose for which the costs are incurred. The primary functional classifications are program related expenses and management and general expenses.

Natural Classification. A method of grouping expenses according to the kinds of economic benefits received in incurring those expenses.

Net Assets. The excess or deficiency of assets over liabilities.

Net Asset Classes. The classification of net assets as either “Designated” or “Undesignated” based upon the existence or absence of management-imposed restrictions.

Program Services or Program Activities. The activities that result in goods and services being distributed to beneficiaries that fulfill the purpose or mission for which the Center exists.

Grant Revenue is assistance in the form of transfers of resources to the Center. Grants may be either Unrestricted or Restricted.

Unrestricted Grant Revenue. The unconditional transfer of cash or other assets to a Center.

Restricted Grant Revenue. The transfer of cash or other assets to a Center subject to Donor imposed restrictions that require the Center to comply with certain conditions relating to its future operating activities.

ANNEX 1

CHART OF ACCOUNTS

	Normal Balance Debit	Normal Balance Credit	Chapter Reference
1. STATEMENT OF FINANCIAL POSITION			
A. **Assets**			
1. **Current Assets**			
a. **Cash and cash equivalent**			IV
1. Petty cash fund	/		
2. Cash on hand	/		
3. Cash in banks	/		
4. Short-term/ temporary placements	/		
b. **Receivables**			V
1. Donors	/		
2. Employees	/		
3. Others	/		
4. Allowance for doubtful accounts		/	
c. **Inventories**			VI
1. Inventories on hand	/		
2. Inventories with third parties	/		
3. Inventories in transit	/		
4. Allowance for inventory obsolescence		/	
d. **Prepayments**			
1. Prepaid insurance	/		
2. Prepaid expenses – others	/		
e. **Other current assets**	/		
2. **Non-current assets**			
a. **Property and equipment**			VII
1. Physical facilities	/		
2. Accumulated depreciation – physical facilities		/	
3. Infrastructure and leasehold improvements	/		
4. Accumulated depreciation – infrastructure and leasehold improvements		/	
5. Equipment	/		
6. Accumulated depreciation – equipment		/	
b. **Investments and other non-current assets**	/		X
B. **Liabilities**			XI
1. **Current liabilities**			
a. **Bank indebtedness (overdraft)**		/	
b. **Accounts payable**			
1. Donors payable		/	
2. Employees payable		/	
3. Other payable		/	
c. **Accruals**		/	
2. **Non-current liabilities**			
a. **Long-term loans**		/	
C. **Net assets**			XII
1. **Unrestricted**		/	

	Normal Balance Debit	Normal Balance Credit	Chapter Reference
2. **STATEMENT OF ACTIVITIES**			
A. **Revenue**			XV
1. **Grant revenue**			
a. Unrestricted		/	
b. Restricted		/	
3. **Other revenue/gains**		/	XVI
B. **Expenses**			XVII
1. **Program-related expenses**	**/**		
2. **Management and general expenses**	/		
3. **Other expenses/losses**	/		

Note: The above chart of accounts may be further expanded depending on the circumstances of the respective Centers.

APPENDIX I

X CENTER

STATEMENT OF FINANCIAL POSITION
December 31, CY
(In US Dollar '000)

	Note	CY	PY
A S S E T S			
Current Assets			
Cash and cash equivalents		XXX	XXX
Investments			
Accounts receivable	x		
Donor	x	XXX	XXX
Employees	x	XXX	XXX
Other CGIAR Centers	x	XXX	XXX
Others	x	XXX	XXX
Inventories	x	XXX	XXX
Prepaid expenses		XXX	XXX
Total current assets		XXX	XXX
Non-Current Assets			
Property, Plant and Equipment	x	XXX	XXX
Investments	x	XXX	XXX
Other Assets	x	XXX	XXX
Total Non-Current Assets		XXX	XXX
TOTAL ASSETS		XXX	XXX
LIABILITIES AND NET ASSETS			
Current Liabilites			
Overdraft/Short term Borrowings			
Accounts payable			
Donor	x	XXX	XXX
Employees	x	XXX	XXX
Other CGIAR Centers	x	XXX	XXX
Others	x	XXX	XXX
Accruals		XXX	XXX
Total current liabilities		XXX	XXX
Non-Current Liabilities			
Accounts payable			
Employees	x	XXX	XXX
Deferred Grant Revenue		XXX	XXX
Others	x	XXX	XXX
Total non-current liabilities		XXX	XXX
Total liabilities		XXX	XXX
Net Assets			
Unrestricted	x		XXX
Designated		XXX	
Undesignated	x	XXX	XXX
Total Unrestricted Net Assets		XXX	
Restricted		XXX	
Total net assets		XXX	XXX
TOTAL LIABILITIES AND NET ASSETS		XXX	XXX

(Please see accompanying notes to financial statements)

Note:
CY - Current year; PY - Past year

APPENDIX II

X CENTER

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

	Note	Unrestricted	Restricted Temporary	Restricted Challenge Programs	Total CY	Total PY
Revenue and Gains						
Grant Revenue (Schedules I & II)	X	X X X	X X X	X X X	X X X	X X X
Other revenue and gains	X	X X X			X X X	X X X
Total revenue and gains		**X X X**	**X X X**	**X X X**	**X X X**	**X X X**
Expenses and Losses						
Program related expenses	X	X X X	X X X	X X X	X X X	X X X
Management and general expenses	X	X X X			X X X	X X X
Other losses expenses	X	X X X			X X X	X X X
Sub Total expenses and losses		**X X X**	**X X X**	**X X X**	**X X X**	**X X X**
Indirect cost recovery	**X**	**(X X X)**			**(X X X)**	**(X X X)**
Total expenses and losses		**X X X**	**X X X**	**X X X**	**X X X**	**X X X**
Net Surplus / (Deficit) from ordinary activities		**X X X**	**X X X**	**X X X**	**X X X**	**X X X**
Extraordinary Items	X	X X X			X X X	X X X
NET SURPLUS / (DEFICIT)		**X X X**	**X X X**	**X X X**	**X X X**	**X X X**

Expenses by Natural Classification

	Unrestricted	Restricted Temporary	Restricted Challenge Programs	Total CY	Total PY
Personnel costs	X X X	X X X	X X X	X X X	X X X
Supplies and services	X X X	X X X	X X X	X X X	X X X
Collaborators/Partnership costs	X X X	X X X	X X X	X X X	X X X
Operational travel	X X X	X X X	X X X	X X X	X X X
Depreciation	X X X	X X X	X X X	X X X	X X X
Total	**X X X**	**X X X**	**X X X**	**X X X**	**X X X**

Note:
CY= Current year; PY = Prior year

(Please see accompanying notes to the financial statements)

APPENDIX III

CENTER X

CHANGES IN NET ASSETS
Ended December 31, CY
US Dollar '000)

	NOTES	Undesignated	Designated				TOTAL
			Fixed Assets	Revaluation Reserve	Other Designated	Sub Total	
Balance as at January 1, PY		XXX	XXX	XXX	XXX	XXX	XXX
Changes in Accounting Policies	x	(X)					(X)
Restated Balance		XX	XXX	XXX	XXX	XXX	XXX
Net Changes in investment in Fixed Assets			(X)			(X)	(X)
Net surplus/(deficit), PY		X					X
Balance as at December 31, PY		XXX	XX	XXX	XXX		XXX
Surplus on revaluation	x			X		X	X
Transfer from undesignated reserves		(X)	X			X	
Net gains and losses not recognised in Statement of Activities				X		X	X
Net surplus/(deficit)		X					X
Balance as at December 31, CY		XXX	XXX	XXX	XXX	XXX	XXX

APPENDIX IV

X CENTER

STATEMENT OF CASH FLOWS
For the Year Ended December 31, CY
(In US Dollar '000)

	CY	PY
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	XXX	XXX
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	XXX	XXX
Gain/loss on disposal and/or write-off of property and equipment	XXX	XXX
Net unrealized and realized gains on long term investments	XXX	XXX
Unrealized deferred grant revenue	XXX	XXX
Decrease (increase) in assets		
Accounts receivable	XXX	XXX
Inventories	(XXX)	(XXX)
Prepaid expenses	XXX	XXX
Increase (decrease) in liabilities		
Accounts payable	(XXX)	XXX
Accruals	XXX	(XXX)
Realized deferred grant revenue	XXX	XXX
Net cash used in operating activities	XXX	XXX
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(XXX)	(XXX)
Proceeds from disposal of property, plant and equipment	XXX	XXX
Purchase of long-term investments	(XXX)	(XXX)
Proceeds from sale of long-term investments	XXX	XXX
Interest Received		
Net cash used in investing activities	XXX	XXX
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in long term liabilities		
Accounts payable		
Employees	(XXX)	XXX
Others	XXX	XXX
Long-term borrowings	XXX	XXX
Net cash from financing activities	XXX	XXX
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	XXX	XXX
CASH AND CASH EQUIVALENTS		
- at the beginning of the period	XXX	XXX
- at the end of the period	XXX	XXX

(Please see accompanying notes to financial statements)

Note:
CY - Current year; PY - Prior year

APPENDIX V

Note x: Property, Plant & Equipment

	CY				
	Physical Facilities	Infrastructure and Leasehold	Furnishing and Equipment	Total	PY
COST					
Balance: January 1	XXX	XXX	XXX	XXX	XXX
Current Period:					
Additions	XXX	-	XXX	XXX	XXX
Transfers	XXX	-	XXX	-	-
Disposals	XXX	-	XXX	(XXX)	(XXX)
Balance: December 31	XXX	XXX	XXX	XXX	XXX
ACCUMULATED DEPRECIATION					
Balance: January 1	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
Current Period:					
Depreciation	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
Transfers	(XXX)	-	XXX	-	-
Disposals	XXX	-	XXX	XXX	-
Balance: December 31	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
NET BOOK VALUE	XXX	XXX	XXX	XXX	XXX

APPENDIX VI

SCHEDULE I

UNRESTRICTED GRANT REVENUE

Donors	**Total Funds available**	**Accounts receivable**	**Advance payment**	**Grant CY**	**Grant PY**
Australia	X			X	X
Belgium		X		X	X
Canada	X		X		X
Total - Unrestricted	XX	X	X	XX	XXX

APPENDIX VII

SCHEDULE II

RESTRICTED GRANT REVENUE

Donor and Program/Project	Grant Period (MM/DD/YY)	Grant* Pledged	Expenditure Prior Year	Expenditure Current Year	Total
Belgium					
Plantain - K.U.L.	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
BMZ					
Multi-Purpose Trees	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Denmark					
DPS Associate Scientist	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
E.E.C.					
Research on N'Dama Production	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Ford Foundation					
Training African Women	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
France					
Stress Tolerance - Ceresis	XX/XX/XX - XX/XX/XX	XXX	XXX	XXX	XXX
Total Restricted Grants		XXX	XXX	XXX	XXX

Advisory Note for FG2

Re. the application of CGIAR Financial Guidelines for Centers' 2015 Financial Statements[1]

December 2015

[1] This Advisory Note provides guidance regarding the CGIAR Financial Guidelines No.2 CGIAR Accounting Policies and Reporting Practices Manual (March 2004). It was developed by the System Management Office ((formerly called the Consortium Office) in consultation with the Centers, and issued in December 2015, prior to the transition to the revised CGIAR System that took effect on 1 July 2016. While nomenclature has been amended to reflect these governance changes, the historical context of the document has not been updated.

Contents

Introduction

CGIAR Financial Guideline No. 2 "CGIAR Accounting Policies and Reporting Practices Manual" (FG2) sets out the primary guidelines for Centers in the preparation of their annual Financial Statements, and was last updated in 2006.

The purpose of this Advisory Note is to assist Centers with presentation of their 2015 Financial Statements, especially in regard to the financial aspects of CGIAR Research Programs (CRPs) so that there is harmonization of treatment between and across Centers. Additionally, it is also important for Center external auditors who need "to express an opinion on whether the Center's Financial Statements are prepared in accordance with CGIAR Accounting Policies and Reporting Practices Manual – FG2".

FG2 is still under review to bring it in full compliance with IFRS. The planned implementation for full IFRS compliance at all Centers has been agreed for the Financial Statements for 2016. In the meantime, FG2, as amended by the annual Advisory Note, will continue to be the standard to which Financial Statements are prepared. The implementation of IFRS is a two-year process, on which two Centers (CIAT and CIMMYT) embarked in 2014, and these Centers will prepare their Financial Statements for 2015 and be audited in accordance with IFRS practices. Some of the guidance in this Advisory Note will still apply to them, such as the format of the SoA and CRP reporting requirements.

The overall objective with these recommendations is to ensure transparency to the users of the Center Financial Statements, especially in regard to the financial reporting of CRPs.

Some of the guidance contained herein was also included in previous Advisory Notes.

1. Revenue Recognition of CRP Income from CGIAR Fund in Lead Center Financial Statements

In 2011 it was decided that Lead Centers shall recognize and report the full amount of grants assigned by the CGIAR System Organization[1] and disbursed from the CGIAR Fund via the Trust, including amounts passed on to Program Participants through Program Participant Agreements (PPAs).

The following recommendation should be read as an addition to FG2 (Section XV, Revenue, Section 2: Recognition Principles) to reflect this decision:

CGIAR Research Programs (CRPs)

In 2011, the CGIAR introduced a new programmatic based approach to doing business. All sixteen CGIAR Research Programs (CRPs) are operational, each led by a designated Center which is responsible, through a Program Implementation Agreement (PIA) for overseeing the implementation of the CRP by Program Participants and for all payments to and reporting from Program Participants. Program Participants includes other Centers who are subcontracted by the Lead Center via a Program Participant Agreement (PPA)

The Lead Center of a CRP shall include in its Statement of Activities the expenses it has funded

[1] The CGIAR System Organization was formerly called the Consortium of International Agricultural Research Centers and operated under the name "CGIAR Consortium".

that are incurred by Program Participant Centers and the corresponding revenue.

The Program Participant Centers shall include in their Statements of Activities the expenses incurred for each CRP, and the corresponding revenue.

In conclusion it was agreed that each CRP will have a "Lead Center" which will have fiduciary responsibility. These responsibilities are embedded in the Program Implementation Agreement (PIA). The CRP's and the PIA's provide that grants will be disbursed to the Lead Center from Windows 1 and 2 of the CGIAR Fund, and the CGIAR System Organization will look to the Lead Center for overseeing the implementation of the CRP.

For clarification: an outcome of this recommendation is that such expenditure will be included in the Financial Statements of both Centers. While this is apparently "double counting", it does represent accurately the legal situation, and the contractual obligations of both Centers.

In order that the apparent double counting can be eliminated for the CGIAR Financial Report, the Lead Center will always report the expenses of its Program Participant Centers in the line "CGIAR Collaboration Costs". A working group was appointed at the June CSE meeting to improve CRP reporting in 2013, and their recommendations, the main spirit of which has been integrated into this document, are attached.

Note that disbursements to Program Participants by the Lead Center should be recorded as an "Account Receivable" until an expenditure report is received from the Program Participants, and the expenditure amount can then be booked and liquidated from the advance.

2. Statement of Activities (SoA)

The format for the Statement of Activities (SoA) as set out in Appendix II of FG2 is no longer appropriate, given that it does not provide for disclosure of CRP financial information or the CGIAR Fund Windows. The format for the SoA in the 2015 Financial Statements is shown as Appendix C. In the interests of stability and continuity, the same format as in 2014 is maintained, with the one exception of separate disclosure of financial income and expenses, in order to be IFRS compliant.

The analysis of Expenses by Natural Classification should be shown in the notes and not on the face of the SoA.

As set out in Section 1, the SoA of CRP Lead Centers should include the amounts for Program Participants Centers with regards to Window 1 and 2 funding, as the Lead Center has fiduciary responsibility. CRP expenditure by other participants funded from Window 3 or Bilateral Grants is reported neither in the SoA of the Lead Center *nor in the supporting schedule*[1], unless the Lead Center was the conduit or donor of those W3 or Bilateral Grants.

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[1] This has been the requirement since 2013; the total expenses (including W3 and Bilateral) of the CRP Lead Center and its Program Participant Centers will appear only in the L series of the CRP Technical Reports, *not* in the Financial Statements.

3. Expenses by Function

A new category of "Other Expenses and Losses" is included in the analysis which should show in the SoA:

a) Research Expenses
b) CGIAR Collaboration Expenses
c) Non-CGIAR Collaboration Expenses
d) General and Administration Expenses
e) Other Expenses and Losses

General and Administration Expenses. The indirect costs recovered from the Restricted CRPs and non-CRP should be shown in this line item under its respective headings. While the under or over recovery of indirect costs should be presented under unrestricted.

Other Expenses and Losses. This category has been introduced for expenses that are incurred to create other income such as:

a) guest house running costs,
b) costs relating to the sale of farm produce[2],
c) costs of running a school,
d) costs relating to hosting non-Center staff,
e) losses on sale/ disposal of property and equipment, net, and
f) other miscellaneous expenses not specifically covered above.

If these costs are material or if any other expense is included in this category, then a note should be included giving clear analysis and explanation.

Financial Income and Expenses. IFRS requires the separate disclosure of these expenses, and in order that the IFRS-compliant Centers and FG2-compliant Centers can follow the same format, this line must be separately disclosed. The following guidance should be followed:

a) Financial Income to include:
    - Interest income
    - Other gains that are financial in nature
b) Financial Expenses to include:
    - Interest expense
    - Net gains or losses on exchange rate differences

4. Expenses by Natural Classification

Expenses by Natural Classification should be shown as a note to the Statement of Activities, as set out in Section XVII of FG2:

a) Personnel Costs
b) Collaborators/ Partnership Costs
c) Supplies and Services
d) Operational Travel
e) Depreciation

[2] Farm costs which are integral to research should be included in Research Expenses.

However, this grouping should be expanded by making a distinction between (a) collaboration with Centers, (b) collaboration with Partners and (c) CSP.

The Centers are required to disclose the nature of their total operating expenses in accordance with the following groups:

a) Personnel Costs
b) CGIAR Collaboration Costs
c) Other Collaboration Costs
d) Supplies and Services
e) Operational Travel
f) Depreciation
g) Cost Sharing Percentage

All expenditure sub-contracted to other Centers should be reported under "CGIAR Collaboration Costs". This includes all sub-contracts with other Centers (PPA and other form of contract arrangement) from all funding sources (Windows 1 and 2, Window 3, and Bilateral).

5. Cost Sharing Percentage (CSP)

Windows 1 and-2, and Window 3 funds are received net of the 2% CSP, which is automatically deducted by the Fund. As set out in the 2013 revision of FG5, these should be reported *net.* CSP will be reported for bilateral grants **only** in the Financial Statements.

6. Indirect Cost Rate Computation

The basis of the computation of a Center's Indirect Cost Rate is set out in Section 10 of CGIAR Financial Guideline No. 5 "Cost Allocation Guidelines" (FG5).

The numerator in the computation is Indirect Costs (defined as General and Administration Expenses). The denominator in the computation is Direct Costs (defined as Research Expenses, including relevant services).

This computation remains the correct basis for determining a Center's Indirect Cost Rate.

Inter-center collaboration should be deducted from the denominator; this applies to all Centers, not just Lead Centers.

Currently, the computation table in FG5 is:

General & Administration Expenses	= Indirect Expenses	Numerator
Research Expenses	= Direct Expenses	Denominator
Total Costs		

For 2015, the computation should be updated:

General & Administration Expenses = Indirect Expenses Research
Expenses + non-CGIAR Collaboration= Direct Expenses CGIAR
Collaboration (excluded from the computation)
Other Expenses and Losses (excluded from the computation)

Total Cost

$$\text{Indirect Cost Rate} = \frac{\text{Indirect Expenses}}{\text{Direct Expenses}}$$

Note that the CGIAR Collaboration Expenses will be identified in the Statement of Activities (as per Sections 2 and 3 above). This includes not only the pass-through of revenue through PPAs, but also other sub-contracts between Centers.

The principle is that a reader should be able to see easily where the figures for the numerator and the denominator come from, and the figures *should* transfer directly from the SoA. The SoA was reconfigured in 2014 to facilitate this, with the category "Other Expenses" for expenses (such as guest-house costs, etc.) which don't belong to either the numerator or denominator.

If your Center has a multi-tier system for overheads, charging less to Partners than on in-house activities, this should be shown. Some funds may be transferred to the Partner without overhead being charged (i.e. CRP funds from the Lead Center to the Participating Partners), and in some cases full overhead is charged as the Center has fiduciary responsibility and in some cases the Partner accounting is managed by the Center. As partnerships have grown within the system, this has become a material item, and it is difficult to give one rule which will accommodate all circumstances. Our recommendation is that the overhead cost recovery calculation should include three columns:

- In-house: calculate General and Administration (less any management fee charged to Partners - CGIAR or Non-CGIAR divided by the respective Research Expenses
- Partner: calculate management fee on CGIAR or Non-CGIAR Collaboration divided by CGIAR or Non-CGIAR Collaboration Expenses (excluding CRP fund transfers between Lead Center and Program Participants)
- Total or Blended rate: showing all General and Administration Expenses divided by all Research Expenses

Example:

	In-house	Partner	Total
General & Admistration	7,001	2,002	9,003
Research	82,198	50,053	132,251
Indirect Cost Rate	**8.52%**	**4.00%**	**6.81%**

A note should be added to explain the change in computation, the following is suggested wording only.

"Partnerships are a growing part of CGIAR business. Some Centers use the more complex multi-tier overhead system which results in a higher overall Center Indirect Cost Rate. Some Centers use a single tier overhead system applying the same rate if fiduciary responsibility is assumed. It is a simpler method and results in a lower overall Center Indirect Cost Rate.

7. Computation of Center Financial Health Indicators

The basis of the computation of a Center's Financial Health Indicators are set out in Section VI of CGIAR Financial Guideline No. 1 "CGIAR Financial Management" (FG1).

In line with the revised basis of the computation of a Center's Indirect Cost Rate (Section 6 above), the total costs of CGIAR collaboration should be excluded from the calculation of Center Financial Health Indicators, including days operating expenses.

8. CRP Expenditure Report – All Centers

Financial Statements of Centers shall include a supplementary schedule (Appendix F) providing an expenditure summary of each of the CRPs in which a Center is participating. This will be reported as follows:

CRP XX - Expenditure Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Expenses by Natural Classification	Windows 1 & 2	Window 3	Bilateral	Center Funds	Total
Personnel Costs	2,089	188	387	137	**2,801**
CGIAR Collaboration Costs	-	-	28	-	**28**
Other Collaboration Costs	414	185	200	-	**799**
Supplies and Services	1,657	132	665	16	**2,470**
Operational Travel	163	80	50	-	**293**
Depreciation	208	125	22	-	**355**
Cost Sharing Percentage	-	-		-	-
Total Direct Costs	**4,531**	**710**	**1,352**	**153**	**6,746**
Indirect Costs	656	94	174	23	**947**
Total - All Costs	**5,187**	**804**	**1,526**	**176**	**7,693**

The "CGIAR Collaboration Costs" are the costs that are sub-contracted to other Centers from the Center's own funding. The CRP Lead Center shall not include distribution of funds to its Program Participant Centers which are covered by a PPA.

The expenses of Program Participant Partners which are not CGIAR Centers – e.g., CIRAD, ICIPE, WUR, etc, should be shown in "Other Collaboration Costs". Further breakdown is not required.

The "Center Funds" are the CRP expenditure funded from the Center's own resources (reserves) and unrestricted funding.

"Total – all Costs" equates to the revenue for each CRP.

9. CRP W1 and W2 Funding Report – All Centers

Financial Statements of Centers shall include a supplementary schedule (Appendix F) providing a funding summary of each of the CRP's in which a Center is participating. This will be reported as follows:

CRP XX - Funding Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Description	Windows 1 & 2
Opening Balance	(1,763)
Add: Cash Receipts from Lead Center	4,892
Less: Disbursements	5,187
Closing Balance	**(2,058)**

"Disbursements" shall equate to the "Total – all Costs" of the Expenditure Report for each CRP (Section 8) for Windows 1 and 2.

10. CRP Expenditure Report – Lead Centers

Financial Statements of Lead Centers shall include a supplementary schedule (Appendix G) to disclose the total W1 and W2 funding for the CRP including:

- the expenditure reported in the Financial Statements of Program Participant Centers to be shown under "CGIAR Collaboration Costs", and
- the expenditure of the Program Participant Partners to be shown under "Other Collaboration Costs"

It will not include the W3 and Bilateral funding (except for any sums which have passed through the Lead Center). The Lead Center has fiduciary responsibility only for W1 and W2, and is therefore not required to report on the remainder of the funding in the Financial Statements. The financial element of the CRP Technical Reports (known as the L Series) are the source of information for total funding of the CRPs.

CRP XX - Expenditure Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Expenses by Natural Classification	Windows 1 & 2	Window 3	Bilateral	Center Funds	Total
Personnel Costs	2,866	149	1,383		**4,398**
CGIAR Collaboration Costs	33,073	1,538	150	-	**34,761**
Other Collaboration Costs	4,115	1,522	1,185	-	**6,822**
Supplies and Services	2,322	94	2,081	-	**4,497**
Operational Travel	853	28	407	-	**1,288**
Depreciation	12	-	73	-	**85**
Cost Sharing Percentage	-	-	-	-	-
Total Direct Costs	**43,241**	**3,331**	**5,279**	-	**51,851**
Indirect Costs	2,143	238	731	-	**3,112**
Total - All Costs	**45,384**	**3,569**	**6,010**	-	**54,963**

The Lead Center includes in this report its own expenses analyzed by Natural Classification, and the total of W1 and W2 distributed to its Program Participant Centers. If the Lead Center has also sub-contracted amounts to other Centers from its own funds, these amounts will be included here.

We recommend that a note be added explaining that full analysis of CRP expenses is available in the L-Series reports.

11. CRP W1 and W2 Funding Report – Lead Centers

Financial Statements of a CRP Lead Center shall include a supplementary schedule (Appendix G) providing a summary of Cash Flows for the CRP. This will be reported as follows:

CRP XX - Windows 1 and 2 Funding Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Description		Windows 1 & 2
Opening Balance		-
Add: Cash Receipts from CGIAR Fund		56,065
Less: Disbursements		
AfricaRice	359	
Bioversity	3,012	
CIAT	11,816	
CIFOR	345	
CIMMYT	2,858	
CIP	1,342	
ICARDA	868	
ICRISAT	2,051	
IFPRI	1,211	
IITA	996	
ILRI	5,920	
IRRI	1,748	
IWMI	1,743	
World Agroforestry	2,285	
WorldFish	462	37,016
Closing Balance		**19,049**

"Disbursements" shall equate to the "Total – all Costs" of the Expenditure Report (Section 10) for Windows 1 and 2.

12. CRP L Series Reports

The L series reports is the nomenclature of the financial information included in the annual CRP Technical Reports. These reports are prepared by the Lead Center, and include the same information as that required above, with additional analysis (e.g. partner information; analysis by natural classification; analysis by flagship project; gender expenditure information). Both the Financial Statements and the L series reports are published, and the figures contained in these reports must be consistent. In order to achieve this, the following principles have been put in place:

- All Program Participant Centers are required to submit to their Lead Centers a copy of the CRP annex information by 31 March. It is the Lead Center responsibility to follow up if Program Participants Centers are late.
- The Lead Center is responsible for ensuring that the information in the L series agrees to the information in the Program Participant Center Financial Statements. Since the Financial Statements is audited, the L Series reports must agree to the Financial Statements. If there is a late adjustment, this correction must be made in the following year.
- Any service sub-contracted to another Center should be disclosed in the line "CGIAR Collaboration Costs"; this includes contracts which are not part of the PPA, and applies to all sources of funding (W1 and W2, W3, and Bilateral).

The detailed instructions for L series reporting are attached, and are unchanged from last year.

13. Donor Identification

It is important to have consistency in treatment, especially in situations where funds from a donor grant pass from one Center to another.

CRP Funds, Windows 1 and 2
Lead Center shall report the donor as the **CGIAR Fund**, and the CRP should be identified by name.

Program Participant Centers should show as donor the **Lead Center**, and the CRP shall be identified by name.
Funds received from any of the special initiatives (e.g. the **Gender Action Plan)** managed by the System Management Office[2] shall also be shown with **CGIAR Fund** as the donor

Restricted Grants, Window 3 and Bilateral
Agreements where Centers have contracted directly with donors shall be reported accordingly.
The sub-contracted Centers receiving funds from the Primary Center shall report that **Primary Center** as the donor, but also indicating the name of the ultimate donor (suggestion: brackets after name of project).

For example, Center 1 receives funds from Donor A, and passes some of those funds to Center 2. Center 2 shall report the grant in the schedules for restricted grants as follows:
Donor: Center 1
Project: Enhanced Food Security (Donor A)

The above recommendation should ensure that double-counting of donor funding is avoided in the preparation of the CGIAR Financial Report.

14. Notes to the Accounts

Centers shall ensure that all notes and accounting policies reflect the new business model of the CGIAR.

15. Terminology

Centers shall refer to the CGIAR Branding Guidelines to ensure that the published Financial Statements are in line with these.

Special regard shall be given for CRP naming conventions, and the relevant section from the Branding Guidelines is attached as Appendix B. The "official" name of each CRP should be used in all headings, while in tables one of the shorter names may be used.

16. Exhibits

The following information shall be included as exhibits:

[2] Formerly called the Consortium Office

a) Grant Revenues (Unrestricted and Restricted) and Accounts Receivable/ (Payable) to Donors with the following column headings:
    - Donor
    - Total Funds Available
    - Accounts Receivable
    - Accounts Payable
    - Current Year Grant
    - Prior Year Grant

b) Restricted Funding analyzed by project, with the following column headings:
    - Donor and Program/Project
    - Grant Period
    - Grant Pledged (Total)
    - Prior Years Expenditure
    - Current Year Expenditure
    - Total Expenditure (cumulative)

c) Indirect Cost Calculation
d) CRP Expenditure Report (as Program Participant Center) by CRP
e) CRP W1 and W2 Funding Report (as Program Participant Center) by CRP

And for Lead Centers only:

f) Lead Center CRP Expenditure Report
g) Lead Center CRP W1 and W2 Funding Report

The schedule of Property, Plant and Equipment shall be included in the notes. It forms part of the Financial Statements.

17. Supplementary Information

In addition to the published Financial Statements, the System Management Office requires the submission of the following by March 31:

a) Grant information in soft file format; an example of the format is attached as Appendix E, and the blank spreadsheet is available from the CO. As this is a database, it is important that normal database rules are respected, i.e.:
    - No blank lines;
    - Consistent spelling of same entity;
    - When a bilateral grant has been split into more than one CRP indicate into which and its ratio;

b) Total number of staff members at year end, split between Internationally Recruited Staff (IRS) and Nationally Recruited Staff (NRS) and new as of 2015 by Gender (Appendix H)

c) Analysis of where expenditures are incurred between geographical regions (Appendix I):

- Sub-Saharan Africa
- Europe
- Americas
- Asia
- Central and West Asia and North Africa (CWANA)

d) Analysis of geographical regions which benefit from the expenditure between (Appendix I):
    - Sub-Saharan Africa
    - Latin America
    - Asia
    - Central and West Asia and North Africa (CWANA)

18. Feedback from 2014 Financial Statements Peer Review

A copy of the overall 2014 Peer Review covering all Centers is attached, and Centers should take on board the relevant comments. There were some general comments, including:

a) In the audit report it is recommended to:
    - include reference to the Advisory Note issued by the System Management Office,
    - include all the supporting schedules,
    - have **no** limitations/ restrictions on the usage of the report by the third parties, and
    - use "true and and fair" in the auditor opinion

a) "CGIAR" is no longer an acronym for Consultative Group on International Agricultural Research and is now only a brand, as in CGIAR System Organization, CGIAR Research Programs, and CGIAR Fund. The only proper use of "Consultative Group on International Agricultural Research" is for historical references, such as Financial Guidelines issued by the Consultative Group on International Agricultural Research.

b) The Centers must use the revised format of SoA attached to this letter (Appendix C).

c) The donor for CRP W1 and W2 funding is **CGIAR Fund**.

d) The notes to the Financial Statements should provide an adequate disclosure on investments - set out the nature of all investments and the indication of the degree of risk.

e) Although the errors noted in 2014 were not significant, the Centers should ensure that no funds are utilized outside the indicated grant period and the total cumulative expenditure does not exceed the total grant pledge in its Schedule of Restricted Funding.

f) The calculation of the indirect cost computation was not consistent across Centers, and in some cases, adjustments had been made so that it was not possible to agree the figures used as nominator and/or denominator to the SoA. If any adjustment is needed for this calculation, a note should make clear what the adjustment is and reconcile back to the figures on the face of the SoA.

Appendices:

A - Glossary
B - CRP Naming Conventions
C - Required format of Statement of Activities
D - Example of Statement of Risk Management
E – Required revised format of Grants Database
F – CRP Expenditure and W1 and W2 Funding Report – All Centers
G – CRP Expenditure and W1 and W2 Funding Report – Lead Centers
H – Center Staff Count and Gender
I – Center Expenditure by Region

Appendix A: Glossary

This Glossary is provided for convenience. The complete CGIAR Glossary is part of theCommon Operational Framework which applies to CRP Phase 1 ending on 31 December 2016, as per Schedule 1 to the Joint Agreement approved by the former Fund Council on April 5, 2011 and by the former Consortium Board on May 5, 2011. This Glossary is a historical reference[3] and does not reflect the transition to the revised CGIAR System that took effect on 1 July 2016.

"Bilateral Funding" or "Bilateral Funds" means funding that flows directly from Bilateral Funders to Centers.

"Centers" means the international agricultural and natural resources research centers that are members of the Consortium; and each a "Center".

"CGIAR" means the global scientific research-for-development partnership consisting of the Consortium, Centers, CGIAR Funders, Partners and other CGIAR Participants to implement the SRF based on the goals expressed in the CGIAR Principles and the aspirations expressed in the Joint Declaration.

"CGIAR Financial Guidelines Series" means the chapters of the historically agreed CGIAR Financial Guidelines Series that have been approved by the Consortium and the Fund Council as part of the Common Operational Framework.

"CGIAR Fund" means the multi-donor trust fund, TF 069018, administered by the World Bank, as Trustee, and governed by the Fund Council.

"CGIAR Research Program" or "CRP" means a research or other program for coordinated implementation of the SRF by the Centers submitted by the Consortium that has been approved by the Fund Council, most of which are expected to be proposed by the Consortium and approved by the Fund Council as eligible to receive Window 2 subaccount funding (formerly MPs).

"Common Operational Framework" or "COF" means the common framework agreed between the Fund Council and the Consortium on common processes, which may include reporting, CRP selection criteria, CRP proposal preparation guidelines, financial guidelines, monitoring, evaluation, conflict of interest, intellectual property, communications plan, resource mobilization plan, System Cost modalities and other operational aspects that apply to all funding and implementation aspects of the SRF (including CRPs), regardless of funding source or implementing entity.

"Consortium" means the consortium of the Centers, managed by the Consortium Board, established on April 29, 2010 to manage and implement the SRF (including CRPs), including as the Consortium is initially operated under a memorandum of understanding with one of the Centers.

"Consortium Board" means the Board of the Consortium as defined by the Constitution.

"Lead Center" means the Center assigned by the Consortium to coordinate the implementation of activities and physically receive fund transfers from the CGIAR Fund with respect to a CRP under a governing Program Implementation Agreement.

"Partner" means any institution engaged in research activities for implementation of the SRF under the purview of the Consortium, other than a Center, whether through contractual arrangements emanating from the Consortium and Centers or otherwise, including such research partners as the national agricultural research centers, other public sector entities, private companies and other private sector entities.

"Program Implementation Agreement" or "PIA" means an agreement between the Consortium and the Lead Center for the use of funds from the CGIAR Fund for implementation of a CRP.

"Program Participants" means, for any CRP, the Centers (other than the Lead Center for such CRP) and any Partner receiving funding for activities under such CRP that are funded by the CGIAR Fund.

"SRF" or "Strategy and Results Framework" means the document setting forth common goals (in terms of development impacts), strategic objectives and results (in terms of outputs and outcomes) to be jointly achieved by the CGIAR Participants within a specified timeframe that for purposes of transfers for System Costs and from Window 3 was initially accepted by the Funders Forum on July 15, 2010, pending subsequent approval by the Funders Forum based on a revised proposal to be submitted by the Consortium.

"Subagreement" means a subgrant or subcontract between a Lead Center and a Program Participant for the implementation of a CRP.

"Total Budget" means the Core Budget and the Expanded Financing Component of any CRP, as approved by the Fund Council.

"Window" means one of three accounts of the CGIAR Fund, as specified in the Contribution Agreements and Arrangements, including the Governance Framework, and together the "Windows".

"Window 1 Funds" (Window 1, W1) means funds disbursed from Window 1 of the CGIAR Fund.

"Window 2 Funds" (Window 2, W2) means funds disbursed from Window 2 of the CGIAR Fund.

"Window 3 Funds" (Window 3, W3) means funds disbursed from Window 3 of the CGIAR Fund.

Note in particular the definition of "Partner" above. Another CG center is never a partner.

Appendix B: Nomenclature

Official name (for logo)	Name for tables (eg financial)	Operating name	Standard reference
CGIAR Research Program on Agriculture for Nutrition and Health	CRP on Agriculture for Nutrition & Health	A4NH	A4NH, the CGIAR Research Program on Agriculture for Nutrition and Health, or Agriculture for Nutrition and Health (A4NH), a CGIAR Research Program
CGIAR Research Program on Aquatic Agricultural Systems	CRP on Aquatic Agricultural Systems	AAS	AAS, the CGIAR Research Program on Aquatic Agricultural Systems
CGIAR Research Program on Climate Change, Agriculture and Food Security	CRP on Climate Change, Agriculture and Food Security	CCAFS	CCAFS, the CGIAR Research Program on Climate Change, Agriculture and Food Security, or Climate Change, Agriculture and Food Security (CCAFS), a CGIAR Research Program
CGIAR Research Program on Dryland Cereals	CRP on Dryland Cereals	Dryland Cereals	CGIAR Research Program on Dryland Cereals, or Dryland Cereals, a CGIAR Research Program
CGIAR Research Program on Dryland Systems	CRP on Dryland Systems	Dryland Systems	CGIAR Research Program on Dryland Systems, or Dryland Systems, a CGIAR Research Program
CGIAR Research Program on Forests, Trees and Agroforestry	CRP on Trees and Agroforestry	ForestsTreesAgroforestry	Forests, Trees and Agroforestry, a CGIAR Research Program
CGIAR Research Program for Managing and Sustaining Crop Collections	CRP for Genebanks	Genebanks	Genebanks, the CGIAR Research Program for Managing and Sustaining Crop Collections
CGIAR Research Program on Grain Legumes	CRP on Grain Legumes	Grain Legumes	CGIAR Research Program on Grain Legumes, or Grain Legumes, a CGIAR Research Program
CGIAR Research Program on Rice	GRiSP: the Global Rice Science Partnership	GRiSP	The Global Rice Science Partnership (GRiSP), is the CGIAR Research Program on Rice, or The CGIAR Research Program on Rice, known

Official name (for logo)	Name for tables (eg financial)	Operating name	Standard reference
			as the Global Rice Science Partnership (GRiSP)
CGIAR Research Program on Integrated Systems for the Humid Tropics	CRP on Humid Tropics	Humidtropics	CGIAR Research Program on Humidtropics, or Humidtropics, a CGIAR Research Program
CGIAR Research Program on Livestock and Fish	CRP on Livestock and Fish	Livestock and Fish	CGIAR Research Program on Livestock and Fish or, Livestock and Fish, a CGIAR Research Program
CGIAR Research Program on Maize	CRP on Maize	MAIZE	MAIZE, the CGIAR Research Program on Maize
CGIAR Research Program on Policies, Institutions and Markets	CRP on Policies, Institutions and Markets	Policies, Institutions and Markets	CGIAR Research Program on Policies, Institutions and Markets, or Policies, Institutions and Markets, a CGIAR Research Program
CGIAR Research Program on Roots, Tubers and Bananas	CRP on Roots, Tubers and Bananas	RTB	RTB, the CGIAR Research Program on Roots, Tubers and Bananas or, Roots, Tubers and Bananas (RTB), a CGIAR Research Program
CGIAR Research Program on Wheat	CRP on Wheat	WHEAT	WHEAT, the CGIAR Research Program on Wheat
CGIAR Research Program on Water, Land and Ecosystems	CRP on Water, Land and Ecosystems	WLE	WLE, the CGIAR Research Program on Water, Land and Ecosystems

Appendix C: Statement of Activities Format

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014
(in Thousands of US Dollars)

	Notes	2015				Restated 2014			
		Unrestricted	Restricted - CRPs	Restricted - Non-CRP	Total 2015	Unrestricted	Restricted - CRPs	Restricted - Non-CRP	Total 2014
Revenue and Gains									
Grant Revenue									
Windows 1 and 2			46,317		46,317		30,713		30,713
Window 3			22,111	26,341	48,452		20,262	17,451	37,713
Bilateral			26,483	27,667	54,150	4	40,759	57,253	98,016
Total Grant Revenue			94,911	54,008	148,919	4	91,734	74,704	166,442
Other Revenue and Gains		1,260			1,260	1,219			1,219
Total Revenue and Gains		1,260	94,911	54,008	150,179	1,223	91,734	74,704	167,661
Expenses and Losses									
Research Expenses		814	56,596	24,788	82,198	131	60,058	44,086	104,275
CGIAR Collaboration Expenses			11,926	4,177	16,103		8,689	2,930	11,619
Non-CGIAR Collaboration Expenses		1,564	16,506	20,988	39,058	383	11,999	22,145	34,527
General and Administration Expenses		(4,935)	9,883	4,055	9,003	(4,845)	10,988	5,543	11,686
Other Expenses and Losses		15			15	568			568
Total Operating Expenses		(2,5421	94,911	54,008	146,377	(3,7631	91,734	74,704	162,675
Financial Income		10			10	15			15
Financial Expenses		(271			(27)	(3501			(350)
Surplus (Deficit)		3,819			3,819	5,321			5,321

Appendix D: Statement on Risk Management

The Statement on Risk Management should include the following:

- Acknowledgement of Board/management responsibility for risk management
- Date of implementation of risk management policy
- Summary of nature of risks
- Summary of risk management strategies
- Confirmation that Board is satisfied with management's implementation of the risk management policy
- Signed by Chair Person of BOT

Sample Wording:

The Board of Trustees has responsibility for ensuring that an appropriate risk management system is in place which enables management to identify and take steps to mitigate significant risks to the achievement of the center's objectives.

Risk mitigation strategies have been ongoing at the Center and include the implementation of systems of internal control which, by their nature, are designed to manage rather than eliminate the risk. The Organization also endeavors to manage risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the organization.

The Board has adopted a risk management policy that has been communicated to all staff together with a detailed management guideline. The policy includes a framework by which the Institute's management identifies, evaluates and prioritizes risks and opportunities across the organization; develops risk mitigation strategies that balance benefits with costs; monitors the implementation of these strategies; and reports, in conjunction with finance & administration staff and internal audit, semi-annually to a Task Group of the Board and annually to the full Board, on results.

The Board is satisfied that the Organization has adopted and implemented a comprehensive risk management system.

Appendix E: Grants Database Format

<Center Name>
Schedule of Unrestricted and Restricted Funding
For the Year Ended 31 December <Year>
(in thousands USD)

Project Title	Source of Funding	Donor Name [1]	Donor of the Primary Center [2]	Nature of the Donor [3]	Category	CRP	Start Date	End Date	Total Pledged	<Year> Expenses
Bangladesh Unrestricted	W3	Bangladesh		Developing countries	Unrestricted	3.3 GRiSP	01-Jan-14	31-Dec-14	100	100
Reinvesment 51586 C4-Rice Phase 2: Supercharging Photosynthesis	W3	BMGF-Bill & Melinda Gates Foundation		Foundations	Restricted	3.3 GRiSP	23-May-12	22-Nov-15	12,000	5,000
Improving Rural Livelihoods through Innovative Scaling-up of Science-led Participatory Research for Development in Karnataka	Bilateral	ICRISAT-International Crops Research Institute for the Semi-Arid Tropics	Government of Karnataka	CGIAR Centers	Restricted	3.3 GRiSP	01-Apr-13	31-Mar-17	50	26
Creating Climate Ready Rice for Future Global Food Security: Investing in World-Class Scientific Infrastructure	Bilateral	ACIAR-Australian Centre for International Agricultural Research		Pacific Rim	Restricted	non-CRP	11-Oct-10	31-Dec-15	15,202	1,500
								TOTAL	**27,352**	**6,626**

Notes:
[1] whom your Center has the existing agreement/contract with. Please refer to "Donor and Nature Lists" sheet. For other or new donor(s) not included on the list please use the format: acronym-full name
[2] whom the Primary Center, who have subcontracted your Center, has an existing agreement/contract with (same format as the "donor name" column)
[3] nature of donor indicated in column "D"

This database will include the project title, funding source (Window/bilateral), name of the donor, primary donor if it is an inter-center grant, nature of the donor, category (Restricted/Unrestricted), CRP, project start and end date, the total Grant amount, and the current year expenses.

Appendix F: CRP Expenditure and Wl and W2 Funding Report – All Centers

CRP XX · Expenditure Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Expenses by Natural Classification	Windows 1&2	Window3	Bilateral	Center Funds	Total
Personnel Costs	2,089	188	387	137	2,801
CGIAR Collaboration Costs	-	-	28		2
Other Collaboration Costs	414	185	200	-	799
Supplies and Services	1,657	132	665	16	2A70
Operational Travel	163	80	S0	-	293
Depreciation	208	125	22	-	355
Cost Sharing Percentage	-	-		-	-
Total Direct Costs	4,531	710	1,352	153	6,746
Indirect Costs	656	94	174	23	947
Total -All Costs	5,187	804	1,526	176	7,693

CRP XX - Funding Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Description	Windows 1&2
Opening Balance	(1,76)
Add: Cash Receipts from lead Center	4,892
Less: Disbursements	5,187
Closing Balance	(2,058)

Appendix G: CRP Expenditure and Wl and W2 Funding Report- Lead Centers

CRP XX - Expenditure Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Expenses by Natural Classification	Windows 1&2	Window3	Bilateral	Center Funds	Total
Personnel Costs	2,866	149	1,383		4,398
CGIAR Collaboration Cost5	33,073	1,538	150		34,761
Other Collaboration Costs	4,115	1,522	1,185		6,822
Supplies and Services	2,322	94	2,081		4,497
Operational Travel	853	28	407		L288
Depreciation	12	-	73		85
Cost Sharing Percentage		-	-		-
Total Direct Costs	43, 241	3,331	5,279		51,851
Indirect Costs	2,143	238	731		3,112
Total - AIJ *Costs*	45, 384	3,569	6,010		54,963

CRP XX - Funding Report
For the year ended December 31, XXXX
(in Thousands of US Dollars)

Description		Windows 1&2
Opening Balance		-
Add: Cash Receipts from lead Center		56,065
Less: Disbursements		
AfricaRice	359	
Bioversity	3,012	
CIAT	11,816	
CIFOR	345	
CIMMYT	2,858	
CIP	1,342	
ICARDA	868	
ICRISAT	2,051	
IFPRI	1,211	
IITA	996	
ILRI	5,920	
IRRI	1,748	
IWMI	1,743	
World Agroforestry	2,285	
WorldFish	462	
Closing Balance		56,065

Appendix H: Center Staff Count and Gender

<Center Name>
Center Staff, <Year>

Category	Male	Female	Total
Internationally recruited staff	20	10	30
Nationally recruited staff	200	103	303
Total staff	**220**	**113**	**333**

Appendix I: Center Expenditure and Benefits by Region

<Center Name>
Centers' Expenditure, <Year>
(in Thousands of US Dollars)

		Expenditure by Geographical Regions					
	Expenditure	Sub-Saharan Africa	Europe	Americas	Asia	CWANA [1]	Total
Total Expenditure							-
Less: CGIAR Collaboration costs							-
Expenditure, net of CGIAR collaboration	-	-	-	-	-	-	-

		Benefits by Geographical Regions				
	Expenditure	Sub-Saharan Africa	Latin America	Asia	CWANA [1]	Total
Total Expenditure						-
Less: CGIAR Collaboration costs						-
Expenditure, net of CGIAR collaboration	-	-	-	-	-	-

[1] Central and West Asia and North Africa