



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON
FINANCE AND ADMINISTRATION**

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

(Item 8 of the Provisional Agenda)

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Executive Summary of ITTO's Financial Statements
for the year ended 31 December 2019

prepared by the ITTO Management

Executive summary

1. The audited financial statements provide information on the financial position and performance of the International Tropical Timber Organization (ITTO) for the fiscal year ended 31 December 2019 (FY2019).

2. For ITTO's Project accounts in FY2019, new voluntary contribution pledges of \$5.1 million were announced at the Council Session while total project cost expenses during this period were \$5.6 million from projects mostly funded prior to FY2019. Total Administrative Account assessed contribution revenues were \$7.2 million, of which \$1.7 million was not received during FY2019 and accounted for as assessed contributions receivable (arrears). Actual costs for the FY2019 Administrative Account budget were \$6.1 million, therefore, creating a cash deficit of \$0.6 million for the Administrative Account budget for the year. The International Tropical Timber Council (ITTC) adopted Decision 2(LV.1) "Management of the Administrative Budget for 2019-2020" in June 2020 to address this issue, allowing ITTO to utilize the Working Capital Reserve to cover the deficit. Furthermore, the same decision allows ITTO to utilize an additional \$1 million from the Working Capital Reserve in 2020 to enable Secretariat to continue functioning during the ongoing COVID-19 pandemic and anticipated economic downturn in many countries, which may result in delays in receipt of Administrative Account assessed contributions.

3. The ITTC adopted Decision 5(LIV) at its 54th Session in November 2018 to enhance the financing architecture and fundraising of the Organization. In accordance with operative paragraph 9, the Secretariat is enclosing the revenue, direct and indirect costs associated with implementing the pilot (as indicated below) for "an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the International Tropical Timber Agreement (ITTA) and the strategic priorities of the Organization, taking into consideration the need for transparency, and opportunities for member engagement".

(United States dollars)	2019	(United States dollars)	2019
<i>Pledges associated with implementing the pilot</i>	<i>2019</i>	<i>Costs associated with implementing the pilot</i>	<i>2019</i>
Pledges in ITTC Decision 1(LV) associated with implementing the pilot		Costs charged to the Administrative Budget	
Pledge by Germany for PP-A/55-334 "Building Legal and Sustainable Forest Product Supply Chains (LSSC)"	2,390,000	Staff Time *	180,000
Pledge by GIZ for PP-A/53-323A "Building Legal and Sustainable Forest Product Supply Chains (LSSC)"	79,636	Sub-total	180,000
Total Pledges	2,469,636	Costs charged to the Working Capital Reserve in accordance with Decision 9(LIII) and Decision 5(LIV)	
		Consultancies	74,000
		Ad hoc Finance Working Group	31,529
		Side Events (TICAD VII)	8,383
		Staff Travel	7,865
		Translation	1,300
		Sub-total	123,076
		Total Costs	303,076

* Estimate based on time devoted to brainstorming, meetings and implementing fundraising initiatives, as well as time put into implementing the resulting activities that was not explicitly budgeted for in those activities.

The ITTC adopted Decision 8(LV) “Implementing ITTO’s New Financing Architecture – Phase I” in December 2019, calling upon the Secretariat to play a more proactive role in seeking new funding avenues and partners for the funding of ITTO’s work. Specific activities include, among others, piloting a programmatic approach as proposed by Secretariat, engaging with the Global Environment Facility (GEF) and other potential partners, exploring additional funding mechanisms and streamlining ITTO’s project cycle. Accordingly, it is anticipated that the amount of staff time associated with the pilot will be substantially larger in 2020 compared to what is reported in 2019.

4. The 2019 financial statements are for the fourth time prepared based on the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Rules and Procedures adopted by the ITTC, disclosing additional information on actual assets and liabilities, enabling improved management of ITTO’s resources and internal control. Highlights include, among others:

- i. Deferred revenue decreased by \$1.2 million between 2018 and 2019. This is mainly due to projects pledged in prior years making progress in 2019.
- ii. The surplus for the FY2019 Statement of Financial Performance was \$0.5 million due to differences in the timing of recognizing revenue and expenses (e.g. the entire Administrative Budget is recognized as revenue in the year that the assessments are due. However, only expenses that are incurred during the same year are recognized as expenses from that year’s budget.)
- iii. Additional disclosures for ITTO’s financial accounts as defined under the ITTA, 2006 (Administrative Account, Special Account and Bali Partnership Account) have been added for increased transparency of core and non-core accounts.

5. The ITTO is committed to enhancing its solid foundation for transparent and effective financial management and reporting. In addition to the best practices for internal control previously implemented under the Financial Rules adopted in 2016, the ITTC further revised the Financial Rules in 2019 to strengthen rules on audit firm rotation and delegation of internal financial controls. The ITTO will continue to implement and strengthen its internal controls and accountability measures by proactively evaluating and improving its systems where appropriate by adopting best practices from Organizations similar in nature. Simultaneously, the importance of the ITTC’s role as the governing body should be emphasized through regular reporting from ITTO and adequate oversight from ITTC members.

ITTO's Financial Statements
for the year ended 31 December 2019

audited by the Independent Auditors

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Chapter I Independent Auditor's Report

To the Executive Director of International Tropical Timber Organization

Opinion

We have audited the financial statements of International Tropical Timber Organization (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget to actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB).

Basis for Opinion

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

Information other than the Organization's 2019 Financial Statements and Auditor's Report Thereon

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

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

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

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Tokyo, Japan
June 23, 2020

Ernst & Young Shin Nihon LLC

Chapter II

Financial statements for the year ended 31 December 2019

International Tropical Timber Organization

I. Statement of financial position as at 31 December

(United States dollars)

	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Assets			
Current assets			
Cash and cash equivalents	6, 28	16,405,795	15,908,049
Investments	7	-	-
Assessed and voluntary contributions receivable, net	8, 27, 28	6,257,753	6,169,387
Other accounts receivable	8, 27, 28	39,218	43,905
Advance transfers - Projects	9	518,827	1,515,793
Advance transfers - Others	10	173,674	322,508
Total current assets		23,395,267	23,959,642
Non-current assets			
Property and equipment	11	235,858	290,661
Intangible assets	12	9,595	12,335
Other assets	13	-	-
Total non-current assets		245,452	302,996
Total assets		23,640,719	24,262,638
Liabilities			
Current liabilities			
Accounts payable - Members	14, 27, 28	157,528	61,647
Voluntary contributions advance receipts - allocated	15	400,880	876,842
Voluntary contributions advance receipts - unallocated	16	414,546	443,943
Assessed contributions advance receipts	17	326,398	433,682
Other liabilities	18, 27, 28	784,421	715,387
Total current liabilities		2,083,773	2,531,501
Non-current liabilities			
Voluntary contributions advance receipts - allocated	15	11,018,880	11,764,348
Other liabilities	18, 27, 28	984,036	923,533
Total non-current liabilities		12,002,916	12,687,881
Total liabilities		14,086,689	15,219,382
Net of total assets and total liabilities		9,554,030	9,043,256
Net assets			
Accumulated surplus - Restricted	19	5,857,336	5,795,068
Accumulated surplus - Unrestricted	19	1,196,694	748,188
Reserves	19	2,500,000	2,500,000
Total net assets		9,554,030	9,043,256

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

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

(United States dollars)

	<i>Note</i>	<i>2019</i>	<i>2018</i>
Revenue			
Administrative Account			
Assessed contributions	20	7,170,242	7,123,539
Other voluntary contributions	20	884,755	1,265,730
Financial revenue	21	12,014	14,656
Other income	22	890	971
Project Accounts			
Member States voluntary contributions	20	5,401,501	4,418,350
Other voluntary contributions	20	-	-
Programme support Revenue	20	496,990	403,721
Expost evaluation Revenue	20	163,005	95,352
Financial revenue	21	15,631	46,013
Total revenue		14,145,027	13,368,331
Expenses			
Administrative Account			
Employee benefits	23	4,889,230	4,488,806
Operating expenses	24	2,501,333	2,514,504
Project Accounts			
Project expenses	25	5,618,924	4,721,327
Depreciation and amortization	11, 12	66,699	61,015
Other expenses	26	558,068	458,710
Total expenses		13,634,253	12,244,361
Surplus/(deficit) for the year		510,774	1,123,970

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

International Tropical Timber Organization
III. Statement of changes in net assets for the year ended 31 December

(United States dollars)

	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>	<i>Total</i>
Net assets as at 31 December 2017	4,976,350	442,937	2,500,000	7,919,286
Result of the accounting period	818,719	305,251	-	1,123,970
Net assets as at 31 December 2018 (Note 19)	5,795,068	748,188	2,500,000	9,043,256
Result of the accounting period	62,268	448,506	-	510,774
Net assets as at 31 December 2019 (Note 19)	5,857,336	1,196,694	2,500,000	9,554,030

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

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

(United States dollars)

	2019	2018
Cash flows from operating activities		
Surplus/(deficit) for the year	510,774	1,123,970
Adjustments to reconcile deficit/surplus to net cash flows		
Increase/(decrease) in allowance for doubtful receivables	499,547	469,182
Depreciation and amortization	66,699	61,015
Unrealized (gain)/loss on foreign exchange	18,797	(4,411)
Changes in assets		
(Increase)/decrease in Assessed contributions receivable	(1,042,492)	(945,877)
(Increase)/decrease in Voluntary contributions receivable	454,578	367,693
(Increase)/decrease in Other accounts receivable	5,048	20,511
(Increase)/decrease in Advance transfers - Projects	996,966	176,093
(Increase)/decrease in Advance transfers - Others	148,834	(64,821)
Changes in liabilities		
(Decrease)/increase in Accounts payable - Members	95,881	61,647
(Decrease)/increase in Other liabilities	167,849	(159,293)
(Decrease)/increase in Voluntary contributions advance receipts -	(1,221,431)	(2,248,434)
(Decrease)/increase in Voluntary contributions advance receipts -	(29,397)	159,617
(Decrease)/increase in Assessed contributions advance	(107,284)	128,121
Net cash flows from operating activities	564,369	(854,989)
Cash flows from investing activities		
Purchases of property and equipment	(9,155)	(64,930)
Purchases of intangible assets	-	(13,709)
Net cash flows from investing activities	(9,155)	(78,638)
Cash flows from financing activities		
Net proceeds from/(payment of) finance lease liabilities	(38,311)	(37,798)
Net cash flows from financing activities	(38,311)	(37,798)
Effect of exchange rate changes on cash and cash equivalents	(19,157)	681
Net (Decrease) in cash and cash equivalents	497,746	(970,744)
Cash and cash equivalents — beginning of year (Note 6)	15,908,049	16,878,793
Cash and cash equivalents — end of year (Note 6)	16,405,795	15,908,049

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

International Tropical Timber Organization

V. Statement of comparison of budget to actual amounts for the year ended 31 December 2019

(United States dollars)

<i>Budget Heading</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual on comparable basis (Note 5)</i>	<i>Difference between final and actual</i>
Basic administrative costs				
Salaries and benefits	4,105,409	4,105,409	3,573,218	532,191
Installation costs	100,465	100,465	-	100,465
Official travel	137,219	137,219	136,817	402
Social security	1,023,691	1,023,691	897,880	125,811
Special activities	59,538	59,538	11,848	47,690
Data processing	147,668	147,668	141,136	6,532
Other costs	401,700	401,700	347,125	54,575
Council meetings	208,651	208,651	193,611	15,040
Total	6,184,341	6,184,341	5,301,635	882,706
Core operational costs				
Communication and outreach	435,000	435,000	354,692	80,308
Expert meetings by Council	140,000	140,000	87,394	52,606
Policy work	-	-	-	-
Statistics, studies & information	265,000	265,000	247,419	17,581
Annual report & biennial review	80,000	80,000	54,509	25,491
Total	920,000	920,000	744,014	175,986
Grand Total	7,104,341	7,104,341	6,045,649	1,058,692

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

International Tropical Timber Organization

VI. Notes to the 2019 financial statements

Note 1

Reporting entity

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

Note 2

Statement of approval of the Executive Director

ITTO’s financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The financial statements were authorised for issue by the Executive Director on 23 June 2020, and will be submitted to the International Tropical Timber Council (ITTC) for approval at the next annual Council Session.

Note 3

Basis of preparation

A. Basis of measurement

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

B. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

C. Use of estimates and critical judgments

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

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

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

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

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

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

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

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

D. Future accounting changes

13. The IPSAS Board has published IPSAS 41: Financial Instruments. IPSAS 41 sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting and will be effective 1 January 2022. IPSAS 42: Social Benefits has also been published by the IPSAS Board and will be effective 1 January 2022. IPSAS 42 aims to help users of the financial statements and general purpose financial reports assess the nature of social benefits provided by the entity, the features of the operation of social benefit schemes; and the impact of social benefits on the entity's financial performance, financial position and cash flows. ITTO is currently in the process of assessing the impact of these new IPSASs.

Note 4

Significant accounting policies

Financial assets

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

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

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

Loans and receivables

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

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

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

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

Impairment of financial assets — assets carried at amortized cost

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

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

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

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

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

Advances to executing agencies

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

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

Property and equipment

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

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

29. Estimated useful lives are as follows:

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

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

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

Intangible assets

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

33. Amortization of intangible assets is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of the related assets. Software is amortized over periods ranging from 3 to 10 years. Other rights and licences are amortized over the shorter of the licence or rights period and 2 to 6 years.

Leases

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

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

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

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

Impairment of non-cash generating assets

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

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

Financial liabilities

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

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

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

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

Employee benefits

43. ITTO recognizes the following categories of employee benefits:

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

Short-term employee benefits

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

Post-employment benefits

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

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

ITTO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

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

Termination benefits

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

Provisions

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

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

Revenue recognition

Assessed contributions

51. Assessed contributions are non-exchange transactions, which means that resources (such as cash, items of property and equipment or enforceable rights to such) are received by ITTO with no or nominal consideration provided directly in

return to the donor. The resources are to be applied towards advancing the Organization's mission.

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

53. Assessed contributions are received from members.

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

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

Voluntary contributions

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

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

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

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

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

Examples of such funds with no conditions attached are:

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

61. For earmarked contributions:

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

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

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

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

Pledges

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

Contributions in kind

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

Recognition of expenses

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

Transfers of cash assistance and programme supplies

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

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

Commitments

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

(a) Capital commitments represents the aggregate amount of capital expenditures contracted for but not recognized as paid or provided for at the period-end;

(b) Contracts for the supply of goods or services that ITTO is expecting to be delivered in the ordinary course of operations;

(c) Cash transfers;

(d) Other non-cancellable commitments.

ITTO does not have any non-cancellable lease agreements.

Contingencies

Contingent assets

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

Contingent liabilities

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

Segment reporting

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

Budget

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

74. The basic administrative costs budget includes costs such as salaries and benefits, installation costs, and official travel. The core operational costs budget includes costs such as those related to communication and outreach, expert meetings convened by the Council and preparation and publication of studies and assessments pursuant to articles 24, 27 and 28 of the Agreement.

75. An original budget is defined by IPSAS as "the initial approved budget for the budget period". The final budget is defined as:

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

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

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

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

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

Note 5

Comparison to budget

Statement V documents the various budgets to the actual amounts incurred against them. Both budgets and actual amounts (cash and budgetary commitments) are calculated on the same modified cash basis. Explanations of material differences between the final budgets and actual amounts are as follows.

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

(b) There were months where senior-level positions including the Director and projects manager of division of forest management were vacant during the reporting period, which impacted salaries and benefits, and social security costs.

(c) There were no installation costs incurred in 2019 due to the staff hired during this period being locally recruited.

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

(United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Exchange rate changes</i>	<i>2019</i>
Total actual amount on comparable basis as presented in the budget and actuals comparative statement	(6,045,649)	-	-	-	(6,045,649)
Basis differences	134,098	(9,155)	(38,311)	-	86,632
Exchange rate changes on cash and cash equivalents	-	-	-	(19,157)	(19,157)
Presentation differences	6,475,920	-	-	-	6,475,920
Net cashflows from the statement of cash flows	564,369	(9,155)	(38,311)	(19,157)	497,746

Note 6
Cash and cash equivalents

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

Note 7
Investments

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

Note 8
Accounts receivables

Assessed contributions: receivables from non-exchange transactions

(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful assessed contributions receivable</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2017	7,094,386	(5,105,224)	1,989,162
Assessed Contribution for 2018	7,123,539	-	7,123,539
Receipt for 2018 Assessed Contributions	(5,572,241)	-	(5,572,241)
Receipt for prior year Assessed Contributions	(605,421)	-	(605,421)
Write-off	-	-	-
Increase of Allowance for doubtful assessed contributions receivable	-	(469,182)	(469,182)
Balance as of 31 December 2018	8,040,263	(5,574,406)	2,465,858

<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful assessed contributions receivable</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2018	8,040,263	(5,574,406)	2,465,858
Assessed Contribution for 2019	7,170,242	-	7,170,242
Receipt for 2019 Assessed Contributions	(5,465,184)	-	(5,465,184)
Receipt for prior year Assessed Contributions	(662,566)	-	(662,566)
Write-off	(44,195)	44,195	-
Increase of Allowance for doubtful assessed contributions receivable	-	(499,547)	(499,547)
Balance as of 31 December 2019	9,038,560	(6,029,757)	3,008,802

Voluntary contributions: receivables from non-exchange transactions

(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Allowance for doubtful voluntary contributions receivable</i>	<i>Total voluntary contributions receivable</i>
Balance as of 31 December 2017	59,566	-	59,566
Claims	640,029	-	640,029
Cash-in	(509,995)	-	(509,995)
Balance as of 31 December 2018	189,600	-	189,600
Claims	281,763	-	281,763
Cash-in	(471,363)	-	(471,363)
Balance as of 31 December 2019	-	-	-

<i>Project accounts</i>	<i>Donors</i>	<i>Allowance for doubtful voluntary contributions receivable</i>	<i>Total voluntary contributions receivable</i>
Balance as of 31 December 2017	4,011,656	-	4,011,656
Increases in Voluntary Contributions Receivables for 2018	3,229,796	-	3,229,796
Cash received in 2018 for Voluntary Contributions	(3,244,435)	-	(3,244,435)
Allocation from Internal Funds	(483,088)	-	(483,088)
Balance as of 31 December 2018	3,513,929	-	3,513,929
Increases in Voluntary Contributions Receivables for 2019	5,527,695	-	5,527,695
Cash received in 2019 for Voluntary Contributions	(5,139,971)	-	(5,139,971)
Allocation from Internal Funds	(652,703)	-	(652,703)
Balance as of 31 December 2019	3,248,951	-	3,248,951

(United States dollars)		
<i>Breakdown of Increases in Voluntary Contributions Receivables</i>	<i>2019</i>	<i>2018</i>
<i>Pledges in ITTC Decision 1(LV) and (LIV) - Financing for Projects, Pre-Projects and Activities</i>		
China	200,000	100,000
European Union	328,416	68,942
Germany	2,469,636	1,236,250
Korea	511,733	900,597
Japan	848,232	373,100
USA	588,265	498,211
CITES Secretariat	-	557,693
IUCN	38,867	17,600
PPECF	43,869	-
World Bank	-	40,000
Unearmarked Fund	35,792	20,480
Bali Partnership Fund (Sub-account B)	-	16,510
<i>Total of Pledges in ITTC Decision 1(LV) and (LIV)- Financing for Projects, Pre-Projects and Activities</i>	<i>5,064,810</i>	<i>3,829,383</i>
Adjustments to pledges in Decision 1 not affecting Accounts Receivable	(19,956)	(548,102)
Adjustments for items not recorded in Decision 1	482,841	(51,485)
Total	5,527,695	3,229,796

(United States dollars)		
<i>Breakdown of Voluntary Contributions Cash Receipts</i>	<i>2019</i>	<i>2018</i>
APFNet	-	46,000
CBD	-	45,000
China	100,000	-
CITES Secretariat	19,445	393,936
European Union	1,094,469	967,338
Germany	2,620,310	215,000
IUCN	28,233	8,800
Japan	891,911	287,764
Korea	341,733	740,597
PPECF	43,869	-
USA	-	500,000
World Bank	-	40,000
Total	5,139,971	3,244,435

<i>Breakdown of Allocation from Internal Funds</i>		
	<i>2019</i>	<i>2018</i>
China's unallocated voluntary contributions advance receipts	100,000	-
USA's unallocated voluntary contributions advance receipts	202,799	447,211
Fellowship Pooled Fund (including refund to pool from cancelled Fellowship)	237,494	(1,114)
Unearmarked Fund	35,792	20,480
Bali Partnership Fund (Sub-account B)	-	16,510
Adjustments to reclassification of internal funds	76,618	-
Total	652,703	483,088

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

Other accounts receivable

Other accounts receivable are mainly composed by amounts related to cancelled travel expenses pending reimbursement and accrued interest.

Note 9

Advance transfers - Projects

(United States dollars)

<i>Category</i>	<i>2019</i>	<i>2018</i>
Reforestation and Forest Management	452,911	936,659
Economics, Statistics and Market	-	13,716
Forest Industry	63,061	121,687
Activities	2,855	443,731
Total advance transfer by type	518,827	1,515,793

Reconciliation of advance transfer balances

(United States dollars)

Advance transfer as at 31 December 2017	1,691,886
Expenses recognized through reports from EAs	(3,058,301)
Expenses paid in 2018	2,882,209
Advance transfers as at 31 December 2018	1,515,793
Expenses recognized through reports from EAs	(2,962,028)
Expenses paid in 2019	1,965,063
Advance transfers as at 31 December 2019	518,827

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

Note 10

Advance transfers – Others

(United States dollars)

<i>Breakdown of Advance transfers – Others</i>	<i>2019</i>	<i>2018</i>
Prepaid expenses - staff	145,524	201,293
Prepaid expenses - others	28,151	121,215
Total	173,674	322,508

Note 11 Property and equipment

(United States dollars)

	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Communications and information technology (IT) equipment</i>	<i>Total 2018</i>
Cost						
Balance as at 1 January	-	139,497	107,558	218,113	32,250	497,419
Additions	28,933	12,331	-	195,553	14,179	250,994
Disposals, transfers and adjustments	-	-	-	(218,113)	-	(218,113)
Balance as at 31 December	28,933	151,827	107,558	195,553	46,429	530,300
Accumulated depreciation						
Balance as at 1 January	-	71,275	107,558	207,243	12,035	398,112
Depreciation	1,449	9,021	-	40,277	8,893	59,641
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	(218,113)	-	(218,113)
Balance as at 31 December	1,449	80,296	107,558	29,407	20,928	239,639
Carrying value as at 31 December	27,483	71,531	-	166,146	25,501	290,661
2019						
	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Communications and information technology (IT) equipment</i>	<i>Total 2019</i>
Cost						
Balance as at 1 January	28,933	151,827	107,558	195,553	46,429	530,300
Additions	-	-	-	9,155	-	9,155
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	28,933	151,827	107,558	204,708	46,429	539,456
Accumulated depreciation						
Balance as at 1 January	1,449	80,296	107,558	29,407	20,928	239,639
Depreciation	2,891	9,424	-	40,786	10,858	63,959
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	4,340	89,720	107,558	70,193	31,786	303,598
Carrying value as at 31 December	24,592	62,107	-	134,515	14,643	235,858

1. ITTO does not currently hold any donated property or items of equipment that are subject to conditions.
2. The gross carrying amount of fully depreciated property and equipment is \$185,980 for 2019 and \$165,091 for 2018.
3. The carrying value of property and equipment recognized under finance leases is as follows:

(United States dollars)

	2019	2018
Office equipment	120,950	158,145
Total	120,950	158,145

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

Note 12
Intangible assets

(United States dollars)

	<i>Software acquired externally</i>	<i>Software internally developed</i>	<i>Licences and rights</i>	<i>Copyrights</i>	<i>Total 2018</i>
Cost					
Balance as at 1 January	-	-	-	-	-
Additions	13,709	-	-	-	13,709
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	13,709	-	-	-	13,709
Amortization					
Balance as at 1 January	-	-	-	-	-
Amortization	1,374	-	-	-	1,374
Disposals	-	-	-	-	-
Balance as at 31 December	1,374	-	-	-	1,374
Carrying value as at 31 December	12,335	-	-	-	12,335

(United States dollars)

	<i>Software acquired externally</i>	<i>Software intemally developed</i>	<i>Licences and rights</i>	<i>Copyrights</i>	<i>Total 2019</i>
Cost					
Balance as at 1 January	13,709	-	-	-	13,709
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	13,709	-	-	-	13,709
Amortization					
Balance as at 1 January	1,374	-	-	-	1,374
Amortization	2,740	-	-	-	2,740
Disposals	-	-	-	-	-
Balance as at 31 December	4,114	-	-	-	4,114
Carrying value as at 31 December	9,595	-	-	-	9,595

Note 13

Other assets

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

Note 14

Accounts payable – Members

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

Note 15
Voluntary contributions advance receipts – allocated
Deferred revenue

(United States dollars)

<i>Breakdown of deferred revenue</i>	<i>2019</i>	<i>2018</i>
Deferred revenue for the Administrative Account	9,326	9,501
<i>Deferred revenue for projects</i>		
Reforestation and Forest Management (F)	2,842,303	4,260,739
Economics, Statistics and Markets (M)	653,080	434,642
Forest Industry (I)	442,884	630,498
Activities (A)	7,472,166	7,305,810
Deferred revenue for projects	11,410,434	12,631,689
Total deferred revenue	11,419,759	12,641,190

Reconciliation of deferred revenue balances

(United States dollars)

Deferred revenue for projects as at 31 December 2017	14,880,080
Liabilities recognized for obligations attached to pledges	2,169,959
Revenue recognized from ongoing projects	(4,418,350)
Deferred revenue for projects as at 31 December 2018	12,631,689
Liabilities recognized for obligations attached to pledges	4,180,246
Revenue recognized from ongoing projects	(5,401,501)
Deferred revenue for projects as at 31 December 2019	11,410,434

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

Detail of projects with balance as of 31 December 2019

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
PD 452/07 Rev.5 (F) /C50	F	556,963	202,772	70,353	283,838	100,612	-
PD 507/08 Rev.1 (F) /C44	F	385,800	294,975	29,356	61,469	41,819	-
PD 552/09 Rev.1 (F) /C45	F	621,578	472,624	41,844	107,110	35,182	-
PD 599/11 Rev.1 (M) /C47	M	490,624	423,855	36,884	29,885	-	-
PD 646/12 Rev.3 (F) /C50	F	427,210	224,393	46,627	156,190	5,073	-
PD 696/13 Rev.2 (F) /C49	F	294,444	97,376	33,276	163,792	68,142	-
PD 712/13 Rev.2 (F)/C54	F	250,000	-	26,787	223,213	-	150,000
PD 721/13 Rev.3 (F)/03'16	F	440,873	265,803	47,236	127,834	-	-
PD 723/13 R.2(F) Ph.I St.1/C52	F	140,000	96,589	15,000	28,411	28,411	-
PD 732/14 Rev.2 (M)/03'16	M	321,138	106,461	34,408	180,269	-	-
PD 737/14 Rev.2 (I)/03'16	I	589,863	278,129	63,200	248,534	30,976	-
PD 740/14 Rev.2 (F) /C50	F	450,542	343,910	51,942	54,690	500	-
PD 741/14 Rev.3 (F)/03'16	F	437,478	299,567	46,873	91,038	71,541	-
PD 754/14 Rev.3 (F)/03'16	F	541,031	431,989	57,968	51,074	539	-
PD 764/14 Rev.3 (F)/04'16	F	606,313	16,140	51,886	538,287	-	-
PD 765/14 R.2 (F) Ph.I/C52	F	250,000	133,915	26,786	89,299	32,057	55,000
PD 770/15 Rev.1 (I)/03'16	I	196,224	25,241	21,024	149,959	32,086	-
PD 777/15 Rev.3 (F)/04'16	F	515,590	124,033	55,242	336,315	43,945	-
PD 796/15 Rev.2 (M)/C53	M	80,000	-	8,573	71,427	-	-
PD 815/16 Rev.2 (I)/C53 (portion funded by voluntary contribution)	I	96,000	41,323	10,286	44,391	-	-
PD 832/16 Rev.2 (M)/C55	M	416,080	-	44,580	371,500	-	-
PD 836/17 Rev.1 (F)/C54	F	350,000	-	37,500	312,500	-	200,000
PD 849/18 Rev.2 (F)/C54	F	100,000	-	10,715	89,285	-	-
PPD 189/17 Rev.1 (F)/C53	F	50,000	-	5,357	44,643	-	-
PPD 191/18 Rev.1 (F)/C54	F	71,211	24,910	7,630	38,671	25,090	-
PPD 196/19 Rev.1 (F)/C55 (portion funded by Voluntary Contribution)	F	50,000	-	5,357	44,643	-	-
PP-A/47-266: ITTO/CBD-ACTO	A	1,218,803	1,071,971	97,794	49,038	2,412	-
PP-A/49-291 BWP25b IMM(EU)	A	4,642,970	2,197,480	190,701	2,254,789	-	1,072,741
PP-A/50-304 BWP18-19/19 TAG&CSAG	A	150,402	120,680	26,088	3,634	-	20,000
PP-A/50-305 BWP27 CPF	A	110,000	74,082	11,086	24,832	-	25,000
PP-A/52-320: CITES BWP Activities	A	1,323,980	59,734	80,960	1,183,287	-	150,000
PP-A/52-320A: CITES Trees Programme (Asia)	A	179,920	152,473	27,447	-	-	35,984
PP-A/52-320C: CITES Trees Programme (Africa/Latin America)	A	376,027	358,008	18,019	-	-	107,237
PP-A/53-321 Korea Officer	A	1,019,577	615,548	-	404,029	-	-
PP-A/53-322 BWP18-19/1	A	50,000	39,717	6,522	3,761	-	-
PP-A/53-323 BWP18-19/2	A	691,180	51,617	90,103	549,461	-	32,201
PP-A/53-323A BWP18-19/2 GLZ	A	75,835	69,573	6,262	-	-	18,368
PP-A/53-324 BWP18-19/3	A	120,000	9,527	15,653	94,820	443	25,000
PP-A/53-325 BWP18-19/10(a)	A	25,000	10,864	3,261	10,875	-	-
PP-A/54-326 Landscape Restorat	A	98,773	67,773	2,609	28,391	-	20,000
PP-A/54-328 BWP18/6b C&I Mtgs	A	36,117	19,918	-	16,199	-	-
PP-A/54-329 BWP18/10 Mangrove	A	4,826	-	-	4,826	-	-
PP-A/54-330 BWP18/19b Outreach	A	5,044	5,000	-	44	-	-
PP-A/54-331 BWP18-19/4 Teak	A	1,236,250	236,014	161,250	838,986	-	848,407
PP-A/54-332 BWP18-19/9 Stats	A	50,000	-	6,522	43,478	-	-
PP-A/54-333 BWP18-19/12 Fire	A	20,000	17,391	2,609	-	-	-

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
PP-A/55-334 LSSC (BMEL)	A	2,390,000	867,186	121,877	1,400,937	-	-
PP-A/55-335 BWP18-19/11 Action Plan	A	93,265	-	12,165	81,100	-	43,265
PP-A/55-336 EU Grant to 6 BWPs	A	330,551	-	-	330,551	-	111,607
PP-A/55-337 Landscape_IUCN/KOR Tier 2	A	70,867	-	-	70,867	-	19,434
PP-A/55-338 BWP18-19/15 C&I for SFM	A	20,000	-	2,609	17,391	-	20,000
PP-A/55-339 BWP18-19/16 Comm. Strategy	A	70,000	-	9,130	60,870	-	70,000
Thematic programme projects							
TFL-PD 044/13 Rev.2 (M)/03'14	M	405,968	329,512	44,202	32,254	-	-
Recognized as net assets					(32,254)		
Fellowship programme							
PP-A/52-319 FFF/up to 15A	A	80,658	42,737	-	37,921	-	-
PP-A/52-319 FFF/16A	A	56,668	51,040	-	5,628	-	-
PP-A/52-319 FFF/17A	A	120,829	97,951	10,018	12,859	-	-
PP-A/52-319 FFF/18A	A	139,564	120,277	2,022	17,265	-	-
PP-A/52-319 FFF/19A	A	115,451	-	17,785	97,666	-	-
Recognized as net assets					(171,340)		
Projects funded from Net Assets (BPF-B/Unearmarked Fund)							
PD 815/16 Rev.2 (I)/C53 (portion funded by Unearmarked Fund)	I	20,480	8,816	2,195	9,469	-	-
PPD 196/19 Rev.1 (F)/C55 (portion funded by Unearmarked Fund)	F	35,792	-	3,835	31,957	-	-
Recognized as net assets					(41,426)		
Total		24,113,759	10,598,892	1,859,413	11,410,434	518,827	3,024,244

Detail of projects financially closed during 2019

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Balance at project closure (*See note below)</i>
PD 456/07 Rev.4 (F)-JICA E/N	F	3,297,355	2,969,170	244,249	83,936
PD 456/07 Rev.4 (F) Non-JICA	F	555,556	507,621	43,950	3,984
PD 470/07 Rev.1 (F) /C44	F	206,577	155,620	15,524	35,433
PD 477/07 Rev.4 (F) /C48	F	332,477	284,261	25,056	23,160
PD 563/09 Rev.5 (F) /SP'14	F	460,000	410,714	49,286	-
PD 601/11 Rev.3 (F) /C49	F	473,602	419,712	36,762	17,128
PD 602/11 Rev.3 (F) /C49	F	333,067	297,151	25,956	9,960
PD 668/12 Rev.1 (F) /C48	F	611,132	540,362	47,529	23,241
PD 692/13 Rev.1 (M) /C49	M	264,704	167,510	24,427	72,767
PD 710/13 Rev.1 (F) /C49	F	447,936	390,192	51,426	6,318
PD 751/14 Rev.3 (M)/C52	M	130,000	116,071	13,929	-
PP-A/53-323B BWP18-19/2 PPECF	A	43,869	43,869	-	-
PP-A54-326A Landscape_IUCN/KOR Tier 1	A	27,250	27,250	-	-
PP-A/54-327 Cleanwood (JPNFA)	A	331,443	294,006	37,438	-
Thematic programme projects					
RED-PD 029/09 Rev.1 (F)/03'10	F	1,080,187	971,970	83,317	24,900
TFL-PD 037/13 Rev.2 (M)/03'14	M	502,464	429,294	55,589	17,581
Total		9,097,619	8,024,772	754,438	318,409

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

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

Note 16

Voluntary contributions advance receipts - unallocated

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

Note 17

Assessed contributions advance receipts

Those amounts correspond to assessed contributions, related to 2020 budget, that were received before the end of 2019.

Note 18

Other liabilities

(United States dollars)

<i>Breakdown of Other liabilities</i>	<i>2019</i>	<i>2018</i>
Other accounts payable	119,057	171,640
Employee benefits accrued liabilities	1,281,621	1,128,059
Lease obligation	121,940	156,681
Other accrued liabilities	245,840	182,539
Total	1,768,457	1,638,920

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

Employee benefits liabilities breakdown

(United States dollars)

	<i>2019</i>	<i>2018</i>
Current employee benefits liabilities		
Home leave	89,495	49,234
Accrued salaries and allowances	174,738	182,044
Accrued social securities	118,276	93,779
Total current employee benefits liabilities	382,509	325,057
Non-current employee benefits liabilities		
Home leave	19,236	33,908
Repatriation benefits	376,996	335,704
Annual Leave	502,879	433,391
Total non-current employee benefits liabilities	899,111	803,002
Total employee benefits liabilities	1,281,621	1,128,059

Note 19
Net assets

(United States dollars)

<i>Breakdown of net assets</i>	2019			2018		
	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>
Administrative Account						
Working Capital reserve	5,167,833	-	-	5,111,202	-	-
Reserve provided by interest income	-	231,744	-	-	219,730	-
Special reserve	-	-	2,500,000	-	-	2,500,000
Project Accounts						
Funds provided by interest income	64,282	-	-	100,438	-	-
Thematic programme funds allocated to projects	17,643	-	-	186,049	-	-
Funds allocated to Fellowship programme	194,262	-	-	242,320	-	-
Unearmarked funds allocated to projects	41,427	-	-	3,268	-	-
Funds allocated to expost evaluation	371,889	-	-	151,791	-	-
Thematic programme funds unallocated	-	4,935	-	-	4,935	-
Programme support funds	-	960,016	-	-	523,523	-
Total	5,857,336	1,196,694	2,500,000	5,795,068	748,188	2,500,000

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

Note 20

Administrative account; Revenue from Assessed Contributions and the other contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2019</i>	<i>2018</i>
Assessed Contributions		
Member countries	7,170,242	7,123,539
Total Assessed contributions	7,170,242	7,123,539
Voluntary cash contributions		
Government of Japan	281,763	250,429
City of Yokohama	79,853	514,526
Voluntary in-kind contributions		
Government of Japan	203,526	200,968
City of Yokohama	319,612	299,806
Total voluntary contributions	884,755	1,265,730
Total Assessed and Voluntary Contributions	8,054,997	8,389,269
Assessed Contribution receivable	3,008,802	2,465,858
Voluntary Contribution receivable	-	189,600

In-kind contributions

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

Project accounts; Revenue from Voluntary Contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2019</i>	<i>2018</i>
Contributions		
Donors	5,401,501	4,418,350
Revenue from closed projects to the Pooled Fund for Ex-Post Evaluation	163,005	95,352
Programme Support Revenue	496,990	403,721
Total voluntary contributions	6,061,496	4,917,423
Voluntary Contribution receivable	3,248,951	3,513,929
Advance transfer - Project	518,827	1,515,793
Advance receipts	11,410,434	12,631,689

Ex-Post evaluation revenue from Thematic Programme projects are normally recognized at the start of the project. An amount of \$57,092 was transferred in 2019 as Thematic Programme related Ex-post evaluation revenue. There were no transfers in 2018 for the same purpose.

Cash Receipts and Pledges from Donors

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

Note 21
Financial revenue

ITTO generates interest revenue from bank accounts. Interest revenue for 2019 is \$27,645 and 2018 is \$60,669.

Note 22
Other income

Other income is mainly comprised of honorariums received by staff members when invited by external institutions to give lectures or speeches.

Note 23
Administrative account; Employee benefits expenses

(United States dollars)

<i>Breakdown of employee benefits expenses</i>	<i>2019</i>	<i>2018</i>
Salaries and benefits	3,991,350	3,687,062
Social security	897,880	801,743
Total employee benefits expenses	4,889,230	4,488,806

The total amount of defined contribution plan expenses for pension schemes amount to \$608,424 for 2019 and \$553,267 for 2018.

Note 24
Operating expenses

(United States dollars)

<i>Breakdown of operating expenses</i>	<i>2019</i>	<i>2018</i>
Installation costs	-	-
Official travel	136,817	128,875
Special activities	11,848	15,600
Data processing	141,136	121,386
Other costs	346,774	292,430
Council meetings	393,611	391,213
Expert meetings	87,394	90,393
Communication and outreach	354,692	414,532
Statistics, Studies and information	247,419	246,321
Annual Report and Biennial review	54,509	66,074
Services received through voluntary in-kind contributions	523,138	500,774
Services received through voluntary cash contributions	33,858	77,436
Working capital reserve expenses in accordance with Council decisions	170,136	169,470
Total operating expenses	2,501,333	2,514,504

Note 25
Project expenses

(United States dollars)

Category	2019	2018
Transfers to executing agencies		
Reforestation and Forest Management	1,617,061	2,414,150
Economics, Statistics and Markets	191,609	358,817
Forest Industry	181,413	120,817
Activities	3,559,291	1,705,382
Programme support expenses	69,550	122,160
Ex-post Expenses	-	-
Total by type	5,618,924	4,721,327

Transfers to executing agencies correspond to the expenses incurred during the accounting period of 2019 and 2018 by those agencies.

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

Note 26
Other expenses

(United States dollars)

<i>Breakdown of other expenses</i>	2019	2018
Exchange loss / (gain)	56,818	(12,040)
Allowance expense for debt	499,547	469,182
Interest expense	1,703	1,568
Total other expenses	558,068	458,710

Net foreign exchange gains or losses

(United States dollars)

<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	2018
Gains	28,353	38,642	66,996
Losses	23,942	31,013	54,956
Total net losses	(4,411)	(7,629)	(12,040)
<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	2019
Gains	24,703	1,401	26,104
Losses	43,501	39,422	82,922
Total net losses	18,797	38,021	56,818

Note 27

Financial instruments

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

Accounting classifications and fair values

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

Financial assets as at 31 December

(United States dollars)

<i>Breakdown of financial assets</i>	<i>Loans and receivables</i>	<i>Fair value through surplus or deficit</i>		<i>Total carrying value</i>	<i>Total fair value</i>
		<i>Available-for-sale</i>	<i>Designated as such upon initial recognition</i>		
Assessed and voluntary contributions receivable	6,169,387	-	-	6,169,387	6,169,387
Other accounts receivable	43,905	-	-	43,905	43,905
Total financial assets	6,213,292			6,213,292	6,213,292

<i>Breakdown of financial assets</i>	<i>Loans and receivables</i>	<i>Fair value through surplus or deficit</i>		<i>Total carrying value</i>	<i>Total fair value</i>
		<i>Available-for-sale</i>	<i>Designated as such upon initial recognition</i>		
Assessed and voluntary contributions receivable	6,257,753	-	-	6,257,753	6,257,753
Other accounts receivable	39,218	-	-	39,218	39,218
Total financial assets	6,296,971			6,296,971	6,296,971

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

Financial liabilities as at 31 December

(United States dollars)

<i>Breakdown of financial liabilities</i>	<i>Other financial liabilities (amortized cost)</i>	<i>Total carrying value</i>	<i>Total fair value</i>
Accounts payable - Members	61,647	61,647	61,647
Other liabilities	1,638,920	1,638,920	1,638,920
Total financial liabilities	1,700,567	1,700,567	1,700,567

<i>Breakdown of financial liabilities</i>	<i>Other financial liabilities (amortized cost)</i>	<i>Total carrying value</i>	<i>Total fair value</i>
Accounts payable - Members	157,528	157,528	157,528
Other liabilities	1,768,457	1,768,457	1,768,457
Total financial liabilities	1,925,985	1,925,985	1,925,985

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

Valuation method

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

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

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

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

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

Note 28
Financial risk management

Exposure to credit risk

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

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

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

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

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

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

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

Ageing of assessed and voluntary contributions receivables

(United States dollars)

	<i>0 to 1 year</i>	<i>>1 to 2 years</i>	<i>>2 to 3 years</i>	<i>>3 up to 4 years</i>	<i>4 years and more</i>	<i>2018</i>
Assessed contributions receivables	1,551,298	689,210	642,271	531,414	4,626,069	8,040,263
Voluntary contributions receivables	3,703,529	-	-	-	-	3,703,529
Allowance	-	(137,842)	(385,363)	(425,132)	(4,626,069)	(5,574,406)
Net Total	5,254,827	551,368	256,908	106,283	-	6,169,387
	<i>0 to 1 year</i>	<i>>1 to 2 years</i>	<i>>2 to 3 years</i>	<i>>3 up to 4 years</i>	<i>4 years and more</i>	<i>2019</i>
Assessed contributions receivables	1,705,058	1,183,630	611,529	561,146	4,977,197	9,038,560
Voluntary contributions receivables	3,248,951	-	-	-	-	3,248,951
Allowance	-	(236,726)	(366,917)	(448,917)	(4,977,197)	(6,029,757)
Net Total	4,954,008	946,904	244,612	112,229	-	6,257,753

Exposure to liquidity risk

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

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

Contractual maturities of financial liabilities

(United States dollars)

	<i>Due</i>				<i>Overdue</i>				<i>2018 total carrying value</i>
	<i>0-3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>More than 1 year</i>	<i>0-3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>More than 1 year</i>	
Lease payments	9,303	9,303	18,606	120,942	-	-	-	-	158,155
Total	9,303	9,303	18,606	120,942	-	-	-	-	158,155

	<i>Due</i>				<i>Overdue</i>				<i>2019 total carrying value</i>
	<i>0-3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>More than 1 year</i>	<i>0-3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>More than 1 year</i>	
Lease payments	9,303	9,303	18,606	83,729	-	-	-	-	120,942
Total	9,303	9,303	18,606	83,729	-	-	-	-	120,942

8. No other financial liabilities have contractual maturities.

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

Exposure to market risk

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

Currency risk

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

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

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

Summary of currency positions

(United States dollars)

	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Euro (converted)</i>	<i>2018</i>
Cash and cash equivalents	15,114,207	793,842	-	15,908,049
Assessed and voluntary contributions receivable	4,157,793	-	2,011,594	6,169,387
Other accounts receivable	10,496	33,409	-	43,905
Total financial assets	19,282,497	827,250	2,011,594	22,121,341
Accounts payable - Members	-	61,647	-	61,647
Other liabilities	1,218,835	420,085	-	1,638,920
Total financial liabilities	1,218,835	481,732	-	1,700,567
Net exposure	18,063,662	345,518	2,011,594	20,420,774
	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Euro (converted)</i>	<i>2019</i>
Cash and cash equivalents	15,529,883	875,911	-	16,405,795
Assessed and voluntary contributions receivable	5,073,405	-	1,184,348	6,257,753
Other accounts receivable	6,448	32,770	-	39,218
Total financial assets	20,609,736	908,681	1,184,348	22,702,766
Accounts payable - Members	-	157,528	-	157,528
Other liabilities	1,272,536	495,921	-	1,768,457
Total financial liabilities	1,272,536	653,449	-	1,925,985
Net exposure	19,337,200	255,232	1,184,348	20,776,781

Sensitivity analysis: foreign currency

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

<i>(United States dollars)</i>		
<i>As at 31 December 2018</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Japanese yen	(68,500)	83,722
Total	(68,500)	83,722

<i>As at 31 December 2019</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Japanese yen	(23,203)	28,359
Total	(23,203)	28,359

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

Sensitivity analysis: interest rates

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

Note 29

Capital management

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

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

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

3. The Executive Director shall notify the Council if the amount of the Working Capital Reserve falls below 15% or approximately two months of annual operating expenses of the Administrative Budget. Working Capital Reserve is part of the restricted accumulated surplus and amount to \$5,167,833 at the end of 2019 and \$ 5,111,202 at the end of 2018.

Note 30
Commitments

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

Long-term agreements

ITTO is not part of any long term agreement.

Ongoing projects and activities

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

(United States dollars)

	<i>Thematic Programme</i>	<i>Fellowship Programme</i>
Balance as of 31 December 2017	307,482	287,016
Amendment to commitments	-	-
Revenue from pledges	-	58,969
Transfer to the Ex-post pooled fund	(10,000)	-
Transfer to the TP pooled fund	(4,935)	-
Expenses of 2018	(106,498)	(103,665)
Balance as of 31 December 2018	186,049	242,320
Revenue from pledges	-	75,098
Transfer to the Ex-post pooled fund	(57,092)	-
Transfer to the TP pooled fund	-	-
Expenses of 2019	(111,314)	(123,156)
Balance as of 31 December 2019	17,643	194,262

Note 31
Contingencies

Contingent assets

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

Contingent liabilities

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

Note 32
Related parties

Key management personnel

1. The leadership structure of ITTO consists of the Executive Director and the Directors of each division, including those who substitute these positions as Officer-in-charge.

2. There are no close family members of key management personnel employed by ITTO nor have there been any transactions made with them by ITTO during the reporting period.

Costs of Key management

(United States dollars)

	<i>2019</i>	<i>2018</i>
Remuneration	917,709	795,603
Other Entitlements	116,484	104,865
Long-term Benefits	183,859	192,322
Total	1,218,052	1,092,790

3. The remuneration paid to key management personnel includes salary, post adjustment, dependency allowances, medical and social insurance and other entitlements such as educations grants.

4. Key management personnel are also eligible for post-employment employee benefits such as pension defined contributions plan, repatriation and home leave benefits and payment of unused annual leave. The total amount of defined contribution plan expenses for pension schemes for key management personnel was \$158,140 for 2019 and \$138,812 for 2018.

5. There were no loans or advances granted to key management personnel during the reporting period.

Note 33

Events after the reporting date

1. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout ITTO's Member countries. As a result, delays in the implementation of projects and receipt of contributions from Member countries are expected. ITTO considers the pandemic as a non-adjusting event as defined under IPSAS-14: Events after the reporting date.

2. The extent of COVID-19's effect on ITTO's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. Therefore, while ITTO expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

Note 34

Financial Accounts

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

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

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

3. All financial accounts elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

International Tropical Timber Organization**I. Statement of financial position as at 31 December by financial account**

(United States dollars)

	Project Accounts												Total	
	Administrative Account		Project Accounts								Eliminations			
	31 December 2019	31 December 2018	Special Account: Project Sub-Account		Special Account: Thematic Programme Sub-Account		Bali Partnership Fund		Sub-Total		31 December 2019	31 December 2018		
			31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets														
Current assets														
Cash and cash equivalents	6,648,655	6,561,519	9,709,375	9,045,050	22,422	284,378	25,343	17,102	9,757,140	9,346,530	-	-	16,405,795	15,908,049
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assessed and voluntary contributions receivable, net	3,008,802	2,655,457	3,248,951	3,513,929	-	-	-	-	3,248,951	3,513,929	-	-	6,257,753	6,169,387
Other accounts receivable	2,681	4,444	34,651	37,201	-	-	1,886	2,260	36,537	39,462	-	-	39,218	43,905
Advance transfers - Projects	-	-	518,827	1,515,793	-	-	-	-	518,827	1,515,793	-	-	518,827	1,515,793
Advance transfers - Others	136,638	278,626	37,037	43,883	-	-	-	-	37,037	43,883	-	-	173,674	322,508
Total current assets	9,796,776	9,500,046	13,548,841	14,155,856	22,422	284,378	27,229	19,363	13,598,491	14,459,597	-	-	23,395,267	23,959,642
Non-current assets														
Property and equipment	235,858	290,661	-	-	-	-	-	-	-	-	-	-	235,858	290,661
Intangible assets	9,595	12,335	-	-	-	-	-	-	-	-	-	-	9,595	12,335
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	245,452	302,996	-	-	-	-	-	-	-	-	-	-	245,452	302,996
Total assets	10,042,228	9,803,042	13,548,841	14,155,856	22,422	284,378	27,229	19,363	13,598,491	14,459,597	-	-	23,640,719	24,262,638
Liabilities														
Current liabilities														
Accounts payable - Members	157,528	61,647	-	-	-	-	-	-	-	-	-	-	157,528	61,647
Voluntary contributions advance receipts - allocated	9,326	9,501	391,554	867,341	-	-	-	-	391,554	867,341	-	-	400,880	876,842
Voluntary contributions advance receipts - unallocated	-	-	414,546	443,943	-	-	-	-	414,546	443,943	-	-	414,546	443,943
Assessed contributions advance receipts	326,398	433,682	-	-	-	-	-	-	-	-	-	-	326,398	433,682
Other liabilities	665,364	543,747	119,057	78,090	-	93,550	-	-	119,057	171,640	-	-	784,421	715,387
Total current liabilities	1,158,616	1,048,577	925,157	1,389,374	-	93,550	-	-	925,157	1,482,924	-	-	2,083,773	2,531,501
Non-current liabilities														
Voluntary contributions advance receipts - allocated	-	-	11,018,880	11,764,348	-	-	-	-	11,018,880	11,764,348	-	-	11,018,880	11,764,348
Other liabilities	984,036	923,533	-	-	-	-	-	-	-	-	-	-	984,036	923,533
Total non-current liabilities	984,036	923,533	11,018,880	11,764,348	-	-	-	-	11,018,880	11,764,348	-	-	12,002,916	12,687,881
Total liabilities	2,142,652	1,972,109	11,944,037	13,153,722	-	93,550	-	-	11,944,037	13,247,273	-	-	14,086,689	15,219,382
Net of total assets and total liabilities	7,899,576	7,830,932	1,604,804	1,002,134	22,422	190,828	27,229	19,363	1,654,454	1,212,324	-	-	9,554,030	9,043,256
Net assets														
Accumulated surplus - Restricted	5,167,833	5,111,202	646,870	480,692	17,633	186,039	25,001	17,135	689,503	683,866	-	-	5,857,336	5,795,068
Accumulated surplus - Unrestricted	231,744	219,730	957,934	521,441	4,789	4,789	2,228	2,228	964,951	528,458	-	-	1,196,694	748,188
Reserves	2,500,000	2,500,000	-	-	-	-	-	-	-	-	-	-	2,500,000	2,500,000
Total net assets	7,899,576	7,830,932	1,604,804	1,002,134	22,422	190,828	27,229	19,363	1,654,454	1,212,324	-	-	9,554,030	9,043,256

International Tropical Timber Organization
II. Statement of financial performance for the year ended 31 December by financial account
(United States dollars)

	Project Accounts												Total	
	Administrative Account		Project Accounts						Eliminations		Total			
	2019	2018	Special Account: Project Sub-Account		Special Account: Thematic Programme Sub-Account		Bali Partnership Fund		Sub-Total		2019	2018		2019
Revenue														
Administrative Account														
Assessed contributions	7,170,242	7,123,539	-	-	-	-	-	-	-	-	-	-	7,170,242	7,123,539
Other voluntary contributions	884,755	1,265,730	-	-	-	-	-	-	-	-	-	-	884,755	1,265,730
Financial revenue	12,014	14,656	-	-	-	-	-	-	-	-	-	-	12,014	14,656
Other income	890	971	-	-	-	-	-	-	-	-	-	-	890	971
Project Accounts														
Member States voluntary contributions	-	-	5,401,422	4,418,350	-	-	79	-	5,401,501	4,418,350	-	-	5,401,501	4,418,350
Other voluntary contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Programme support Revenue	-	-	496,990	403,721	-	-	-	-	496,990	403,721	-	-	496,990	403,721
Expost evaluation Revenue	-	-	163,005	95,352	-	-	-	-	163,005	95,352	-	-	163,005	95,352
Financial revenue	-	-	7,844	23,029	-	-	7,787	22,984	15,631	46,013	-	-	15,631	46,013
Total revenue	8,067,900	8,404,895	6,069,261	4,940,452	-	-	7,866	22,984	6,077,127	4,963,436	-	-	14,145,027	13,368,331
Expenses														
Administrative Account														
Employee benefits	4,889,230	4,488,806	-	-	-	-	-	-	-	-	-	-	4,889,230	4,488,806
Operating expenses	2,501,333	2,514,504	-	-	-	-	-	-	-	-	-	-	2,501,333	2,514,504
Project Accounts														
Project expenses	-	-	5,507,610	4,614,829	111,314	106,498	-	-	5,618,924	4,721,327	-	-	5,618,924	4,721,327
Depreciation and amortization	66,699	61,015	-	-	-	-	-	-	-	-	-	-	66,699	61,015
Other expenses	541,994	461,091	16,074	(2,380)	-	(2)	-	-	16,074	(2,382)	-	-	558,068	458,710
Total expenses	7,999,256	7,525,416	5,523,684	4,612,450	111,314	106,496	-	-	5,634,997	4,718,946	-	-	13,634,253	12,244,361
Surplus/(deficit) for the year	68,644	879,480	545,578	328,003	(111,314)	(106,496)	7,866	22,984	442,130	244,490	-	-	510,774	1,123,970