



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON
FINANCE AND ADMINISTRATION**

Distr.
GENERAL

CFA(XXXIV)/6
21 June 2019

ENGLISH ONLY

THIRTY-FOURTH SESSION
2 – 7 December 2019
Lomé, Togo

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

(Item 8 of the Provisional Agenda)

This document contains the following separate reports:

	<u>Page</u>
A. Executive Summary of ITTO's Financial Statements for the year ended 31 December 2018 prepared by the ITTO Management	i
B. ITTO's Financial Statements for the year ended 31 December 2018 audited by the Independent Auditors	1

Executive Summary of ITTO's Financial Statements
for the year ended 31 December 2018

prepared by the ITTO Management

Executive summary

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 2018 (FY2018).

For ITTO's Project accounts in FY2018, new voluntary contribution pledges of \$3.8 million were announced at the Council Session while total project cost expenses during this period were \$4.7 million from projects mostly funded prior to FY2018. Total Administrative Account assessed contribution revenues were \$7.1 million, of which \$1.5 million was not received during FY2018 and accounted for as assessed contributions receivable (arrears).

In November 2018, Council adopted Decision 5(LIV) at its 54th Session for enhancing the financing architecture and fundraising of the Organization. Additional fundraising approaches will be piloted and new streamlined project cycles and programme themes will be developed in the coming years. Information on revenue, direct and indirect costs associated with implementing this pilot will be reported in the financial statements for calendar years 2019, 2020 and 2021 in accordance with this decision.

In accordance with the Financial Rules and Procedures, ITTO has adopted the International Public Sector Accounting Standards (IPSAS) as its standard for preparing its financial statements. As this is the third year of reporting under IPSAS, fixed assets are now recognized and reported since the exemption period for first-time adopters of IPSAS has ended. Other highlights include, among others:

1. The surplus for the FY2018 was \$1.1 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.)
2. Deferred revenue decreased by \$2.2 million between 2017 and 2018. This is mainly due to projects pledged in prior years making progress in 2018.
3. The main impacts of the initial recognition of fixed assets and software for FY2018 were \$291 thousand for property and equipment, \$12 thousand for intangible assets and \$157 thousand for lease obligations.

ITTO is committed to creating a solid foundation for transparent and effective financial management and reporting. In addition to the best practices for internal control previously implemented with the introduction of the Financial Rules adopted in 2016, ITTO adopted the Anti-Money Laundering and Counter Terrorism Financing Policy in 2018 to further strengthen its policy towards preventing fraud and financial mismanagement. It is recommended that ITTO continues to implement and strengthen its internal controls and accountability measures by proactively evaluating and improving its systems and by adopting best practices from Organizations similar in nature. At the same time, the importance of Council'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 2018

audited by the Independent Auditors

Contents

<i>Chapter</i>	<i>Page</i>
I. Report of the Independent Auditors on the financial statements: audit opinion	5
II. Financial statements for the year ended 31 December 2018	7
I. Statement of financial position as at 31 December	7
II. Statement of financial performance for the year ended 31 December	8
III. Statement of changes in net assets for the year ended 31 December	9
IV. Statement of cash flows for the year ended 31 December	10
V. Statement of comparison of budget to actual amounts for the year ended 31 December	11
VI. Notes to the 2018 financial statements	12

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, 2018, 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, 2018, 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 2018 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 21, 2019

Ernst & Young Shin Nihon LLC

Chapter II

Financial statements for the year ended 31 December 2018

International Tropical Timber Organization

I. Statement of financial position as at 31 December

(United States dollars)

	<i>Reference</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Assets			
Current assets			
Cash and cash equivalents	Notes 6 and 28	15,908,049	16,878,793
Investments	Note 7	-	-
Assessed and voluntary contributions receivable	Notes 8, 27 and 28	6,169,387	6,060,384
Other accounts receivable	Notes 8, 27 and 28	43,905	60,686
Advance transfers - Projects	Note 9	1,515,793	1,691,886
Advance transfers - Others	Note 10	322,508	257,687
Total current assets		23,959,642	24,949,435
Non-current assets			
Property and equipment	Note 11	290,661	99,307
Intangible assets	Note 12	12,335	-
Other assets	Note 13	-	-
Total non-current assets		302,996	99,307
Total assets		24,262,638	25,048,743
Liabilities			
Current liabilities			
Accounts payable - Members	Notes 14, 27 and 28	61,647	-
Voluntary contributions advance receipts - allocated	Note 15	876,842	4,857,820
Voluntary contributions advance receipts - unallocated	Note 16	443,943	284,326
Assessed contributions advance receipts	Note 17	433,682	305,561
Other liabilities	Notes 18, 27 and 28	715,387	921,187
Total current liabilities		2,531,501	6,368,894
Non-current liabilities			
Voluntary contributions advance receipts - allocated	Note 15	11,764,348	10,031,805
Other liabilities	Notes 18, 27 and 28	923,533	728,758
Total non-current liabilities		12,687,881	10,760,563
Total liabilities		15,219,382	17,129,456
Net of total assets and total liabilities		9,043,256	7,919,286
Net assets			
Accumulated surplus - Restricted	Note 19	5,795,068	4,976,350
Accumulated surplus - Unrestricted	Note 19	748,188	442,937
Reserves	Note 19	2,500,000	2,500,000
Total net assets		9,043,256	7,919,286

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>Reference</i>	<i>2018</i>	<i>2017</i>
Revenue			
Administrative Account			
Assessed contributions	Note 20	7,123,539	7,178,516
Other voluntary contributions	Note 20	1,265,730	852,092
Financial revenue	Note 21	14,656	15,197
Other income	Note 22	971	1,185
Project Account			
Member States voluntary contributions	Note 20	4,418,350	3,377,631
Other voluntary contributions	Note 20	-	66,268
Programme support Revenue	Note 20	403,721	198,265
Expost evaluation Revenue	Note 20	95,352	13,631
Financial revenue	Note 21	46,013	20,764
Total revenue		13,368,331	11,723,551
Expenses			
Administrative Account			
Employee benefits	Note 23	4,488,806	4,147,181
Operating expenses	Note 24	2,514,504	2,580,772
Project Account			
Project expenses	Note 25	4,721,327	4,373,490
Depreciation and amortization	Notes 11 and 12	61,015	69,494
Other expenses	Note 26	458,710	586,467
Total expenses		12,244,361	11,757,404
Surplus/(deficit) for the year		1,123,970	(33,852)

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 2016	5,720,974	279,957	1,850,000	7,850,931
Adjustment for transitional provision				
Initial recognition of property and equipment	148,176	-	-	148,176
Initial recognition of finance leases	(45,409)	-	-	(45,409)
Other changes	(559)	-	-	(559)
Net assets as at 31 December 2016, as adjusted	5,823,182	279,957	1,850,000	7,953,139
Result of the accounting period	(846,833)	162,979	650,000	(33,853)
Net assets as at 31 December 2017 (Note 19)	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

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)

	2018	2017
Cash flows from operating activities		
Surplus/(deficit) for the year	1,123,970	(33,852)
Adjustments to reconcile deficit/surplus to net cash flows		
Increase/(decrease) in allowance for doubtful receivables	469,182	559,409
Depreciation and amortization	61,015	69,494
Unrealized (gain)/loss on foreign exchange	(4,411)	(19,765)
Changes in assets		
(Increase)/decrease in Assessed contributions receivable	(945,877)	(1,019,076)
(Increase)/decrease in Voluntary contributions receivable	367,693	(3,664,255)
(Increase)/decrease in Other accounts receivable	20,511	10,019
(Increase)/decrease in Advance transfers - Projects	176,093	(1,077,715)
(Increase)/decrease in Advance transfers - Others	(64,821)	(81,461)
Changes in liabilities		
(Decrease)/increase in Accounts payable - Members	61,647	(41,038)
(Decrease)/increase in Other liabilities	(159,293)	455,265
(Decrease)/increase in Voluntary contributions advance receipts - allocated	(2,248,434)	2,534,012
(Decrease)/increase in Voluntary contributions advance receipts - unallocated	159,617	(238,067)
(Decrease)/increase in Assessed contributions advance	128,121	(194,478)
Net cash flows from operating activities	(854,989)	(2,741,510)
Cash flows from investing activities		
Purchases of property and equipment	(64,930)	(20,624)
Purchases of intangible assets	(13,709)	-
Net cash flows from investing activities	(78,638)	(20,624)
Cash flows from financing activities		
Net proceeds from/(payment of) finance lease	(37,798)	(38,130)
Net cash flows from financing activities	(37,798)	(38,130)
Effect of exchange rate changes on cash and cash equivalents	681	17,522
Net (Decrease) in cash and cash equivalents	(970,744)	(2,782,742)
Cash and cash equivalents — beginning of year (Note 6)	16,878,793	19,661,535
Cash and cash equivalents — end of year (Note 6)	15,908,049	16,878,793

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 2018

(United States dollars)

Budget Heading	Original Budget	Final Budget	Actual on comparable basis (Note 5)	Difference between final and actual
Basic administrative costs				
Salaries and benefits	4,040,304	4,040,304	3,402,805	637,499
Installation costs	198,627	198,627	-	198,627
Official travel	137,219	137,219	128,875	8,344
Social security	994,840	994,840	801,743	193,097
Special activities	59,538	59,538	15,600	43,938
Data processing	147,668	147,668	144,311	3,357
Other costs	401,700	401,700	292,430	109,270
Council meetings	208,651	208,651	202,734	5,917
Total	6,188,547	6,188,547	4,988,498	1,200,049
Core operational costs				
Communication and outreach	435,000	435,000	428,982	6,018
Expert meetings by Council	140,000	140,000	90,393	49,607
Policy work	-	-	-	-
Statistics, studies & information	265,000	265,000	246,321	18,679
Annual report & biennial review	80,000	80,000	66,074	13,926
Total	920,000	920,000	831,770	88,230
Grand Total	7,108,547	7,108,547	5,820,268	1,288,279

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

International Tropical Timber Organization

VI. Notes to the 2018 financial statements

Note 1

Reporting entity

1. The International Tropical Timber Organization (ITTO) was established pursuant to the International Tropical Timber Agreement, 1983, 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 21 June 2019, 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 40: Public Sector Combinations. IPSAS 40 provides the first international accounting requirements that specifically address the needs of the public sector when accounting for combinations of entities and operations and will be effective 1 January 2019. Initial assessment of the impact of the new IPSAS has been carried out and the impact is not likely to affect ITTO's financial statements. IPSAS41: Financial Instruments has also been published by the IPSAS Board and will be effective 1 January 2022. ITTO is currently in the process of assessing the impact of this new IPSAS.

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. ITTO initially recognizes loans and receivables 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. ITTO had applied in previous financial statements the transitional provisions of IPSAS 17: Property, plant and equipment, where a first-time adopter, who has not recognized assets under its previous basis of accounting, was not required to recognize and/or measure assets for reporting periods beginning on a date within five years. In line with this provision, ITTO has started recognizing fixed assets from the year ending 31 December 2018.

28. The impact of recognizing fixed assets in 2018 mainly consists of an increase of \$290,661 in property and equipment, an increase of \$156,681 in lease obligations, an increase of \$59,641 in depreciation expenses, and an increase of \$1,568 in interest expenses. For prior-period adjustments, the 2017 comparative balances at individual financial statement line were adjusted, as summarized in the table below. The impact of recognizing fixed assets in 2017 mainly consists of an increase of \$99,307 in property and equipment and, a net increase of \$9,652 in total liabilities including lease obligations as of 31 December 2017. Additionally, depreciation expenses increased by \$69,494.

(United States dollars)

<i>Statement of financial position extract</i>	<i>As reported 31 December 2017</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As adjusted 31 December 2017</i>
Non-current assets			
Property and equipment	-	99,307	99,307
Total assets	24,949,435	99,307	25,048,743
Current liabilities			
Voluntary contributions advance receipts - allocated	4,848,275	9,545	4,857,820
Other liabilities	921,079	108	921,187
Total liabilities	17,119,803	9,652	17,129,456
Accumulated surplus - Restricted	4,886,695	89,655	4,976,350
Total net assets	7,829,632	89,655	7,919,286

<i>Statement of financial performance extract</i>	<i>As reported 31 December 2017</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As adjusted 31 December 2017</i>
Expenses			
Operating expenses	3,226,019	(645,247)	2,580,772
Project expenses	4,371,650	1,840	4,373,490
Depreciation and amortization	-	69,494	69,494
Other expenses	-	586,467	586,467
Total expenses	11,744,850	12,553	11,757,404
Surplus/(deficit) for the year	(21,299)	(12,553)	(33,852)

<i>Statement of changes in net assets extract</i>	<i>As reported 31 December 2017</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As adjusted 31 December 2017</i>
Result of the accounting period	(21,299)	(12,553)	(33,852)
Surplus/(deficit) for the year	(21,299)	(12,553)	(33,852)

<i>Statement of cash flows extract</i>	<i>As reported 31 December 2017</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As adjusted 31 December 2017</i>
Surplus/(deficit) for the year	(21,299)	(12,553)	(33,852)
Depreciation and amortization	-	69,494	69,494
Unrealized (gain)/loss on foreign exchange	-	(19,765)	(19,765)
(Increase)/decrease in Other accounts receivable	6,055	3,964	10,019
(Decrease)/increase in Other liabilities	454,854	411	455,265
(Decrease)/increase in Voluntary contributions advance receipts - allocated	2,534,330	(318)	2,534,012
Purchases of property and equipment	-	(20,624)	(20,624)
Net proceeds from/(payment of) finance lease liabilities	-	(38,130)	(38,130)
Effect of exchange rate changes on cash and cash equivalents	-	17,522	17,522

29. 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.

30. 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.

31. 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

32. 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.

33. 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

34. 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.

35. 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

36. 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.

37. 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.

38. 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.

39. 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

40. 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.

41. 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

42. 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	Loans and receivables
Other liabilities	Loans and receivables

43. 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.

44. 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

45. 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

46. 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

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

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

Other long-term employee benefits

49. 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

50. 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

51. 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.

52. 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

53. 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.

54. 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.

55. Assessed contributions are received from members.

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

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

Voluntary contributions

58. 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.

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

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

61. 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.

62. 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

63. 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.

64. 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.

65. 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

66. 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

67. 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

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

Transfers of cash assistance and programme supplies

69. 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.

70. 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 spent by the executing agencies on a straight line basis.

Commitments

71. 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

72. 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

73. 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

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

Budget

75. 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.

76. 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.

77. 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.

78. 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 Account 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) There were months where senior-level positions including the Director and projects manager of division of forest management were vacant during the reporting period.

(b) Assessed contributions amounting to approximately \$1.5 million were not received during the reporting period, which had an influence on management’s decision regarding budget spending.

(c) There were no installation costs incurred in 2018 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>2018</i>
Total actual amount on comparable basis as presented in the budget and actuals comparative statement	(5,820,268)	-	-	-	(5,820,268)
Basis differences	205,060	(78,638)	(37,798)	-	88,624
Exchange rate changes on cash and cash equivalents	-	-	-	681	681
Presentation differences	4,760,219	-	-	-	4,760,219
Net cashflows from the statement of cash flows	(854,989)	(78,638)	(37,798)	681	(970,744)

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

(United States dollars)

<i>Breakdown of Investments</i>	<i>2018</i>	<i>2017</i>
Non-current investments		
Securities	-	12,014,000
Total non-current investments	-	12,014,000
Provision for Impairment on security	-	(12,014,000)
Net investments	-	-

\$12,014,000 was provided in 2015 on the balance of the investment in Ardent Fund. On 26 April 2016, Blackstar Capital Star Limited, the sole owner of Ardent Harmony Inc. presented a petition of voluntary liquidation to the Grand Court of the Cayman Island and the court issued a supervision order that the liquidation of Ardent Harmony Inc be continued. The management received an official report from the liquidator dated on 20 June 2016 and 2 November 2016. Based on the content regarding the residual assets, management estimated there was no collectible amount from the investment. In December 2017, the Council reviewed a report from the Secretariat contained in Council Document ITTC(LII)/12 explaining that the liquidators of the Ardent Fund would be suspending their work due to lack of available funds and minimal prospects of any recovery. As a result, Council adopted Decision 7(LIII) to reconfirm that they would be focusing efforts on the former management and investment advisor. Based on the above, management has decided to write-off the balance of this investment from the financial statements starting from 2018.

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 2016	6,600,817	(5,071,322)	1,529,495
Assessed Contribution for 2017	7,178,516	-	7,178,516
Receipt	(5,674,230)	-	(5,674,230)
Advance Receipt Reclassification	(485,211)	-	(485,211)
Write-off	(525,507)	525,507	-
Increase of Allowance for doubtful assessed contributions receivable	-	(559,409)	(559,409)
Balance as of 31 December 2017	7,094,386	(5,105,224)	1,989,162

<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	(5,872,100)	-	(5,872,100)
Advance Receipt Reclassification	(305,561)	-	(305,561)
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

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 2016	306,966	-	306,966
Claims	272,397	-	272,397
Cash-in	(519,797)	-	(519,797)
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

<i>Project 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 2016	100,000	-	100,000
Pledges recorded in 2017	6,029,311	-	6,029,311
Cash received in 2017 for prior pledges	(1,325,322)	-	(1,325,322)
Reclassification from Donor's pool funds	(792,335)	-	(792,335)
Balance as of 31 December 2017	4,011,656	-	4,011,654
Pledges recorded in 2018	2,354,344	-	2,354,344
Cash received in 2018 for prior pledges	(2,614,069)	-	(2,614,069)
Reclassification from Donor's pool funds	(201,010)	-	(201,010)
Allocation from Net Assets (Unearmarked Fund and BPF-B)	(36,990)	-	(36,990)
Balance as of 31 December 2018	3,513,929	-	3,513,928

<i>Breakdown of Cash received for prior pledges</i>	<i>2018</i>	<i>2017</i>
APFNet	46,000	80,000
CBD	45,000	-
CITES Secretariat	393,936	-
European Union	967,338	939,628
Germany	215,000	-
IUCN	8,800	-
Japan (Forestry Agency)	287,764	-
JFWIA	-	8,025
Korea	363,020	297,670
USA	247,212	298,990
World Bank	40,000	-
Total	2,614,069	1,624,312

<i>Breakdown of Reclassification from donor fund for prior pledges</i>	<i>2018</i>	<i>2017</i>
China	-	100,000
EU	-	20,536
USA	201,010	346,010
Netherlands	-	26,799
Total	201,010	493,345

(United States dollars)		
<i>Breakdown of Pledges</i>	<i>2018</i>	<i>2017</i>
China	100,000	200,000
Finland	-	1,807
Korea	900,597	337,670
Netherlands	-	26,799
USA	498,211	645,000
World Bank	40,000	-
CITES Secretariat	557,693	-
European Union	68,942	-
Japan (Forestry Agency)	373,100	-
IUCN	17,600	-
Germany	1,236,250	-
Unearmarked Fund	20,480	-
Bali Partnership Fund (Sub-account B)	16,510	-
Pledges in Decision 1(LIII) and (LIV)	3,829,383	1,211,275
Adjustments to pledges in Decision 1 not affecting Accounts Receivable	(548,102)	(64,155)
Adjustments for items not recorded in Decision 1	(551,485)	4,797,905
Pledges recorded	2,729,796	5,945,025

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>2018</i>	<i>2017</i>
Reforestation and Forest Management	936,659	1,306,560
Economics, Statistics and Market	13,716	66,033
Forest Industry	121,687	48,832
Activities	443,731	270,461
Total advance transfer by type	1,515,793	1,691,886

Reconciliation of advance transfer balances

(United States dollars)

Reconciliation of advance transfer balances

Advance transfer as at 31 December 2016	614,170
Expenses recognized through reports from EAs	(4,322,135)
Expenses paid in 2017	5,399,850
Advance transfers 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

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>2018</i>	<i>2017</i>
Prepaid expenses - staff	201,293	185,666
Prepaid expenses - others	121,215	72,021
Total	322,508	257,687

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 2017</i>
Cost						
Balance as at 1 January	-	130,235	107,558	218,113	20,888	476,795
Additions	-	9,262	-	-	11,362	20,624
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	-	139,497	107,558	218,113	32,250	497,419
Accumulated depreciation						
Balance as at 1 January	-	63,605	95,395	163,645	5,974	328,618
Depreciation	-	7,670	12,164	43,599	6,061	69,494
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December	-	71,275	107,558	207,243	12,035	398,112
Carrying value as at 31 December	-	68,222	-	10,870	20,216	99,307
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

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 \$165,091 for 2018 and 2017.
3. The carrying value of property and equipment recognized under finance leases is as follows:

(United States dollars)

	<i>2018</i>	<i>2017</i>
Office equipment	158,145	10,870
Total	158,145	10,870

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 2017</i>
Cost					
Balance as at 1 January	-	-	-	-	-
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	-	-	-	-	-
Amortization					
Balance as at 1 January	-	-	-	-	-
Amortization	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 December	-	-	-	-	-
Carrying value as at 31 December	-	-	-	-	-

(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

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 for reimbursement of income tax of staff members.

Note 15
Voluntary contributions advance receipts – allocated
Deferred revenue

(United States dollars)

<i>Breakdown of deferred revenue</i>	<i>2018</i>	<i>2017</i>
Deferred revenue for the Administrative Account	9,501	9,545
<i>Deferred revenue for projects</i>		
Reforestation and Forest Management (F)	4,260,739	6,475,397
Economics, Statistics and Markets (M)	434,642	707,901
Forest Industry (I)	630,498	745,942
Activities (A)	7,305,810	6,950,839
Deferred revenue for projects	12,631,689	14,880,079
Total deferred revenue	12,641,190	14,889,624

Reconciliation of deferred revenue balances

(United States dollars)

Deferred revenue as at 31 December 2016	12,345,750
Liabilities recognized for obligations attached to pledges	5,764,265
Revenue recognized from ongoing projects	(3,324,481)
Reduction of project budget haircut	94,546
Deferred revenue 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 as at 31 December 2018	12,631,689

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 2018

(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>
PD 452/07 Rev.5 (F) /C50	F	556,963	121,192	70,353	(365,418)	89,709
PD 456/07 Rev.4 (F)-JICA E/N	F	3,297,355	2,947,965	244,249	(105,141)	-
PD 456/07 Rev.4 (F) Non-JICA	F	555,556	369,745	43,950	(141,861)	134,798
PD 470/07 Rev.1 (F) /C44	F	206,577	11,904	15,524	(179,149)	149,003
PD 477/07 Rev.4 (F) /C48	F	332,477	275,664	25,056	(31,757)	10,546
PD 507/08 Rev.1 (F) /C44	F	385,800	269,538	29,356	(86,906)	35,592
PD 552/09 Rev.1 (F) /C45	F	621,578	426,091	41,844	(153,643)	11,715
PD 563/09 Rev.5 (F) /SP'14	F	460,000	359,925	49,286	(50,789)	50,789
PD 599/11 Rev.1 (M) /C47	M	490,624	411,633	36,884	(42,107)	12,222
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	287,681	25,956	(19,430)	-
PD 646/12 Rev.3 (F) /C50	F	427,210	90,059	46,627	(290,524)	64,311
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 696/13 Rev.2 (F) /C49	F	294,444	89,745	33,276	(171,424)	74,684
PD 710/13 Rev.1 (F) /C49	F	447,936	390,192	51,426	(6,318)	-
PD 712/13 Rev.2 (F)/C54	F	100,000	-	10,715	(89,285)	-
PD 721/13 Rev.3 (F)/03'16	F	440,873	39,879	47,236	(353,758)	120,247
PD 723/13 R.2(F) Ph.I St.1/C52	F	140,000	37,179	15,000	(87,821)	37,411
PD 732/14 Rev.2 (M)/03'16	M	321,138	98,550	34,408	(188,180)	1,493
PD 737/14 Rev.2 (I)/03'16	I	589,863	131,650	63,200	(395,013)	69,562
PD 740/14 Rev.2 (F) /C50	F	450,542	189,004	51,942	(209,596)	10,407
PD 741/14 Rev.3 (F)/03'16	F	437,478	178,614	46,873	(211,991)	36,527
PD 751/14 Rev.3 (M)/C52	M	130,000	55,910	13,929	(60,161)	-
PD 754/14 Rev.3 (F)/03'16	F	541,031	255,919	57,968	(227,144)	15,911
PD 764/14 Rev.3 (F)/04'16	F	606,313	7,609	51,886	(546,818)	-
PD 765/14 R.2 (F) Ph.I/C52	F	250,000	48,904	26,786	(174,310)	31,390
PD 770/15 Rev.1 (I)/03'16	I	196,224	21,857	21,024	(153,343)	28,213
PD 777/15 Rev.3 (F)/04'16	F	515,590	29,854	55,242	(430,494)	63,620
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	3,571	10,286	(82,143)	19,707
PD 836/17 Rev.1 (F)/C54	F	100,000	-	10,715	(89,285)	-
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	-	7,630	(63,581)	-
PP-A/47-266: ITTO/CBD-ACTO	A	1,218,803	432,222	97,794	(688,787)	443,731
PP-A/49-291 BWP 25b IMM(EU)	A	4,706,297	1,414,943	92,707	(3,198,647)	-
PP-A/50-304 BWP TAG&CSAG15-16	A	130,402	87,043	23,479	(19,880)	-
PP-A/50-305 BWP 27 CPF	A	85,000	71,037	7,825	(6,138)	-
PP-A/52-320: CITES BWP Activities	A	1,037,746	51,542	61,395	(924,809)	-
PP-A/52-320A: CITES Trees Programme (Asia)	A	179,920	138,976	28,161	(12,783)	-

(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>
PP-A/52-320B: Madagascar Rosewood	A	40,000	20,384	-	(19,616)	-
PP-A/52-320C: CITES Trees Programme (Africa/Latin America)	A	357,237	77,105	46,596	(233,536)	-
PP-A/53-321 Korea Officer	A	838,617	284,552	31,390	(522,674)	-
PP-A/53-322 BWP18-19/1	A	50,000	24,717	6,522	(18,761)	-
PP-A/53-323 BWP18-19/2	A	100,391	46,755	13,043	(40,593)	-
PP-A/53-324 BWP18-19/3	A	85,000	-	11,088	(73,912)	-
PP-A/53-325 BWP18-19/10(a)	A	25,000	10,864	3,261	(10,875)	-
PP-A/54-326 Landscape Restorat	A	150,000	23,903	-	(126,097)	-
PP-A54-326A Landscape_IUCN/KOR	A	27,250	19,870	-	(7,380)	-
PP-A/54-327 Cleanwood (JPNFA)	A	361,174	65,661	36,889	(258,624)	-
PP-A/54-328 BWP18/6b C&I Mtgs	A	36,117	7,696	-	(28,421)	-
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	376	161,250	(1,074,624)	-
PP-A/54-332 BWP18-19/9 Stats	A	25,000	-	3,261	(21,739)	-
PP-A/54-333 BWP18-19/12 Fire	A	15,000	-	1,956	(13,044)	-
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	390,600	55,589	(56,275)	-
TFL-PD 044/13 Rev.2 (M)/03'14	M	405,968	256,891	44,202	(104,875)	-
Recognized as net assets					186,049	
Fellowship programme						
PP-A/52-319 FFF/up to15A	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	95,073	10,018	(15,738)	-
PP-A/52-319 FFF/18A (portion funded by voluntary contribution)	A	1,011	-	117	(894)	-
Recognized as net assets					60,181	
Projects funded from Net Assets (BPF-B/Unearmarked Fund)						
PD 815/16 Rev.2 (I)/C53 (portion funded by Unearmarked Fund)	I	20,480	15,017	2,195	(3,268)	4,204
PP-A/52-319 FFF/18A (portion funded by BPF-B)	A	16,510	-	1,905	(14,605)	-
Recognized as net assets					17,873	
Total		27,975,136	12,883,393	2,195,950	(12,631,689)	1,515,793

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 2019 budget, that were received before the end of 2018.

Note 18

Other liabilities

(United States dollars)

<i>Breakdown of Other liabilities</i>	<i>2018</i>	<i>2017</i>
Other accounts payable	171,640	359,782
Employee benefits accrued liabilities	1,128,059	946,974
Lease obligation	156,681	9,459
Other accrued liabilities	182,539	333,730
Total	1,638,920	1,649,945

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

Employee benefits liabilities breakdown

(United States dollars)

	<i>2018</i>	<i>2017</i>
Current employee benefits liabilities		
Home leave	49,234	89,650
Accrued salaries and allowances	182,044	39,618
Accrued social securities	93,779	88,947
Total current employee benefits liabilities	325,057	218,216
Non-current employee benefits liabilities		
Home leave	33,908	13,792
Repatriation benefits	335,704	301,264
Annual Leave	433,391	413,702
Total non-current employee benefits liabilities	803,002	728,758
Total employee benefits liabilities	1,128,059	946,974

Note 19
Net assets

(United States dollars)

<i>Breakdown of net assets</i>	<i>2018</i>			<i>2017</i>		
	Restricted accumulated surplus	Unrestricted accumulated surplus	Reserves	Restricted accumulated surplus	Unrestricted accumulated surplus	Reserves
Funds provided by interest income	100,438	-	-	89,034	-	-
Thematic programme funds allocated to projects	186,049	-	-	307,482	-	-
Funds allocated to Fellowship programme	242,320	-	-	287,016	-	-
Unearmarked funds allocated to projects	3,268	-	-	-	-	-
Funds allocated to expost evaluation	151,791	-	-	46,439	-	-
Working Capital reserve	5,111,202	-	-	4,246,378	-	-
Thematic programme funds unallocated	-	4,935	-	-	-	-
Programme support funds	-	523,523	-	-	237,862	-
Reserve provided by interest income	-	219,730	-	-	205,075	-
Special reserve	-	-	2,500,000	-	-	2,500,000
Total	5,795,068	748,188	2,500,000	4,976,349	442,937	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>2018</i>	<i>2017</i>
Assessed Contributions from members		
Member countries	7,123,539	7,178,516
Total Assessed contributions	7,123,539	7,178,516
Voluntary cash contributions		
Government of Japan	250,429	313,435
City of Yokohama	514,526	71,426
Voluntary in-kind contributions		
Government of Japan	200,968	198,296
City of Yokohama	299,806	268,935
Total voluntary contributions	1,265,730	852,092
Total Assessed and Voluntary Contributions	8,389,269	8,030,609
Assessed Contribution receivable	2,465,858	1,989,162
Voluntary Contribution receivable	189,600	59,566

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 account; Revenue from Voluntary Contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2018</i>	<i>2017</i>
Contributions		
Donors	(4,418,350)	(3,377,631)
Non-recurring revenue from Donors' funds in accordance with Decision 9 (LIII)	-	(66,268)
Revenue from closed projects to the Pooled Fund for Ex-Post Evaluation	(95,352)	(13,631)
Programme Support Revenue	(403,721)	(198,265)
Total voluntary contributions	(4,917,423)	(3,655,796)
Voluntary Contribution receivable	3,513,929	4,011,656
Advance transfer - Project	1,515,793	1,691,886
Advance receipts	(12,631,689)	(14,880,079)
Category		
	<i>2018</i>	<i>2017</i>
Reforestation and Forest Management	2,472,864	2,128,398
Economics, Statistics and Markets	172,085	339,210
Forest Industry	127,321	226,617
Activities	1,646,080	683,406
Total donors' voluntary contribution by type	4,418,350	3,377,631

Ex-Post evaluation revenue from Thematic Programme projects are recognized at the start of the project. An amount of \$10,000 was transferred in 2018 as Thematic Programme related Ex-post evaluation revenue. An amount of \$32,808 was transferred in 2017 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 2018 is \$60,669 and 2017 is \$35,961.

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>2018</i>	<i>2017</i>
Salaries and benefits	3,687,062	3,401,105
Social security	801,743	746,076
Total employee benefits expenses	4,488,806	4,147,181

The total amount of defined contribution plan expenses for pension schemes amount to \$553,267 for 2018 and \$533,942 for 2017.

Note 24
Operating expenses

(United States dollars)

<i>Breakdown of operating expenses</i>	<i>2018</i>	<i>2017</i>
Installation costs	-	55,895
Official travel	128,875	119,784
Special activities	15,600	53,059
Data processing	121,386	83,095
Other costs	292,430	232,905
Council meetings	391,213	407,469
Expert meetings	90,393	104,683
Communication and outreach	414,532	393,370
Statistics, Studies and information	246,321	293,859
Annual Report and Biennial review	66,074	28,188
Services received through voluntary in-kind contributions	500,774	467,231
Services received through voluntary cash contributions	77,436	32,929
Working capital reserve expenses in accordance with Council decisions	169,470	308,305
Total operating expenses	2,514,504	2,580,772

Note 25

Project expenses

(United States dollars)

Category	2018	2017
Transfers to executing agencies		
Reforestation and Forest Management	2,414,150	2,313,748
Economics, Statistics and Markets	358,817	1,109,075
Forest Industry	120,817	226,617
Activities	1,705,382	672,695
Programme support expenses	122,160	51,354
Ex-post Expenses	-	-
Total by type	4,721,327	4,373,490

Transfers to executing agencies correspond to the expenses incurred during the accounting period of 2018 and 2017 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>	2018	2017
Exchange loss / (gain)	(12,040)	26,579
Allowance expense for debt	469,182	559,409
Interest expense	1,568	479
Total other expenses	458,710	586,467

Net foreign exchange gains or losses

(United States dollars)

<i>Breakdown of foreign exchange gains or losses</i>	Unrealized	Realized	2017
Gains	50,088	2,764	52,853
Losses	30,323	49,109	79,432
Total net losses	(19,765)	46,345	26,579
<i>Breakdown of foreign exchange gains or losses</i>	Unrealized	Realized	2018
Gains	28,353	38,642	66,996
Losses	23,942	31,013	54,956
Total net losses	(4,411)	(7,629)	(12,040)

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>		<i>2017</i>
Assessed and voluntary contributions receivable	6,060,384	-	-	6,060,384	6,060,384
Other accounts receivable	60,686	-	-	60,686	60,686
Total financial assets	6,121,070			6,121,070	6,121,070

<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>		<i>2018</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

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 carrying value</i>
			<i>2017</i>
Accounts payable - Members	-	-	-
Other liabilities	1,649,945	1,649,945	1,649,945
Total financial liabilities	1,649,945	1,649,945	1,649,945

<i>Breakdown of financial liabilities</i>	<i>Other financial liabilities (amortized cost)</i>	<i>Total carrying value</i>	<i>Total carrying value</i>
			<i>2018</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

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>Over 2 years</i>	<i>2017</i>
Assessed contributions receivables	1,032,211	804,521	5,257,654	7,094,386
Voluntary contributions receivables	4,071,221	-	-	4,071,221
Allowance	-	(160,904)	(4,944,320)	(5,105,224)
Net Total	5,103,432	643,617	313,334	6,060,384
	<i>0 to 1 year</i>	<i>>1 to 2 years</i>	<i>Over 2 years</i>	<i>2018</i>
Assessed contributions receivables	1,551,298	689,210	5,799,755	8,040,263
Voluntary contributions receivables	3,703,529	-	-	3,703,529
Allowance	-	(137,842)	(5,436,564)	(5,574,406)
Net Total	5,254,827	551,368	363,191	6,169,387

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>2017 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>	
Accrued expenses	11,876	11,876	18,136	-	-	-	-	-	41,888
Lease payments	10,906	-	-	-	-	-	-	-	10,906
Total	22,782	11,876	18,136	-	-	-	-	-	52,794

	<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>	
Accrued expenses	-	-	-	-	-	-	-	-	-
Lease payments	9,303	9,303	18,606	120,942	-	-	-	-	158,155
Total	9,303	9,303	18,606	120,942	-	-	-	-	158,155

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 and receivables, 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>2017</i>
Cash and cash equivalents	16,756,065	122,728	-	16,878,793
Assessed and voluntary contributions receivable	2,998,095	-	3,062,289	6,060,384
Other accounts receivable	9,322	51,364	-	60,686
Total financial assets	19,763,482	174,091	3,062,289	22,999,863
Accounts payable - Members	-	-	-	-
Other liabilities	1,283,209	366,736	-	1,649,945
Total financial liabilities	1,560,332	89,613	-	1,649,945
Net exposure	18,203,150	84,478	3,062,289	21,349,918
	<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	10,497	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	1,469,295	420,085	-	1,638,920
Total financial liabilities	1,610,954	89,613	-	1,700,567
Net exposure	17,671,543	737,637	2,011,594	20,420,774

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>Surplus/(deficit)</i>	
<i>As at 31 December 2017</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	(11,157)	13,636
Total	(11,157)	13,636

	<i>Surplus/(deficit)</i>	
<i>As at 31 December 2018</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

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 Account 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 \$5,111,202 at the end of 2018 and \$ 4,246,378 at the end of 2017.

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 ongoing projects and the Fellowship Programme, as follows:

(United States dollars)		
	Thematic Programme	Fellowship Programme
Balance as of 31 December 2016	1,287,220	276,305
Amendment to commitments	8,285	-
Revenue from pledges	-	66,781
Transfer to the Ex-post pooled fund	(32,808)	-
Expenses of 2017	(955,215)	(56,071)
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

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)

	2018	2017
Remuneration	795,603	690,320
Other Entitlements	104,865	204,465
Long-term Benefits	192,322	165,025
Total	1,092,790	1,059,811

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 \$138,812 for 2018 and \$144,692 for 2017.

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

Note 33
Events after the reporting date

No significant adjusting or non-adjusting event occurred between the closing date of 31 December 2018 and the date of this report.