



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

**COMMITTEE ON  
FINANCE AND ADMINISTRATION**

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

(Item 8 of the Provisional Agenda)

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**Executive Summary of ITTO's Financial Statements**  
**for the year ended 31 December 2023**  
**prepared by the ITTO Management**



## Executive summary

1. The audited financial statements provide information on the financial position and performance of the International Tropical Timber Organization (ITTO) for the fiscal year ended 31 December 2023 (FY2023).

2. For ITTO's project accounts in FY2023, new voluntary contribution pledges of \$6.2 million were announced at the 59<sup>th</sup> Session of the International Tropical Timber Council, and total project cost expenses during this period were \$4.7 million for projects mostly funded prior to FY2023. Total Administrative Account assessed contribution revenues were \$7.2 million, of which \$1.4 million was not received during FY2023 and was accounted for as assessed contributions receivable (arrears). Actual costs for the FY2023 Administrative Account budget were \$4.9 million, therefore creating a cash surplus of \$0.9 million for the Administrative Account budget for the year. The International Tropical Timber Council (ITTC) adopted Decision 4(LIX), in November 2023 to further improve the management of the Administrative Budget by adopting a trial measure that allows members that are in arrears and ineligible to submit project proposals/concept notes, to be allowed to submit one project proposal/concept note for every two years of arrears paid provided that a payment plan for the total arrears owed is submitted at the same time. The trial measure is for a 4-year period and the progress of the implementation will be reported at each Council Session during this period.

3. The Council adopted Decision 5(LIV) at its 54th Session in November 2018 to enhance the financing architecture and fundraising of the Organization. In accordance with operative paragraph 8 of that decision, the Secretariat is including here the revenue and direct and indirect costs associated with implementing the pilot of "an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the International Tropical Timber Agreement (ITTA) and the strategic priorities of the Organization, taking into consideration the need for transparency, and opportunities for member engagement".

### Required disclosures in accordance with ITTC Decision 5(LIV) - Enhancing the Financing Architecture and Fundraising of the Organization

ITTC Decision 5(LIV), operative paragraph 9 requests the Secretariat to include in the annual financial report for calendar years 2019, 2020 and 2021 the revenue, direct and indirect costs associated with implementing the pilot for an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the ITTA and the strategic priorities of the Organization, taking into consideration the need for transparency, and opportunities for member engagement.

(United States dollars)

<i>Pledges associated with implementing the pilot</i>	<i>2023</i>
<b>Pledges in ITTC Decision 1(LVII) associated with implementing the pilot</b>	
Pledge by China, Macao SAR for PP-A/53-323I "Supporting the Establishment and Operation of the Global Timber Index Platform for Building Legal and Sustainable Forest Products Supply Chains - Phase I"	1,140,685
Pledge by China, Macao SAR for PP-A/53-323J "Supporting Pilot Collaborative Operation of the Blockchain-based Timber Traceability System (BTTS) for Building Legal and Sustainable Forest Products Supply Chains - Phase II"	326,370
Pledge by China, Macao SAR for PP-A/53-323K "Global Legal & Sustainable Timber Forum (GLSTF)"	62,000
Pledge by Germany for PP-A/54-331A "Promoting Quality Timber Production in Smallholders and Community-based Teak and Other Valuable Species Plantations in the Tropics"	1,413,449
Pledge by Soka Gakkai for PP-A/56-341B "Support for Women's Groups with the Restoration of Forest Landscapes in the Prefectures of Blitta and Lacs, Togo" - Phase 3	75,160
Pledge by Japan for PP-A/59-351 "Community-based Restoration of Cyclone-Affected Vulnerable Mangrove Forests through Empowerment of Coastal Communities and Women in the Rewa Delta, Fiji"	350,000
Pledge by Japan for PP-A/59-353 (CN-21004) "Post-COVID Recovery in Costa Rica - Enhancing the Value of Secondary Natural Forests through Sustainable Use and its contribution to Climate Change Mitigation while Generating Rural Employment"	250,000
Pledge by Japan for PD 935/23 (I) (CN-23025) Promoting Sustainable Wood Use for Domestic Market in Malaysia	212,089
Pledge by USA for CN-21009 "Strengthening and consolidating the national process for controlling illegal logging and associated trade in Cameroon"	41,265
<b>Total Pledges</b>	<b>3,871,018</b>

<i>Costs associated with implementing the pilot</i>	<i>2023</i>
<b>Costs charged to the Administrative Budget</b>	
Staff Time *	250,000
<b>Sub-total</b>	<b>250,000</b>
<b>Costs charged to the Working Capital Reserve in accordance with Decision 9(LIII) and Decision 5(LIV)</b>	
Outreach	17,369
Consultancies and data collection	5,981
<b>Sub-total</b>	<b>23,350</b>
<b>Total Costs</b>	<b>273,350</b>

\* Estimated based on time spent on brainstorming, meetings and implementing fundraising initiatives as well as time spent on implementing the resulting activities not explicitly budgeted for in those activities.

4. For the eight successive year, the 2023 financial statements have been prepared based on the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Rules and Procedures adopted by the Council, disclosing additional information on actual assets and liabilities and enabling the improved management of ITTO's resources and internal control. Highlights include the following:

- i. The surplus for the FY2023 Statement of Financial Performance was \$1.5 million, due mainly to differences in the timing of recognizing revenue and expenses (i.e. the entire Administrative Budget is recognized as revenue in the year that the assessments are due, but only expenses incurred in the same year are recognized as expenses in that year's budget), and reduced personnel costs due to a number of vacancies.
- ii. The new IPSAS 41 standard for Financial Instruments was implemented as of 1 January 2023 which replaces IPSAS 29. The impact of applying the new standard in 2023 mainly consists of an increase of \$1.1 million in accumulated loss allowance for expected credit losses for assessed contributions, and an increase of \$0.2 million in allowance expenses for debt in the Administrative Account.

5. ITTO is committed to enhancing its solid foundation for transparent and effective financial management and reporting. In addition to the best practices for internal control implemented under the Financial Rules and policy documents adopted and revised in recent years, the ITTC in November 2023 updated its project audit framework to improve usability and efficiency, based on feedback received from the executing agencies and auditors. ITTO will continue to implement and strengthen its internal controls and accountability measures by proactively evaluating and improving its systems where appropriate by adopting best practices from organizations that are similar in nature. Simultaneously, the Council will play a crucial role as the governing body by receiving regular reports of the Organization's finances and providing oversight of these.

**ITTO's Financial Statements**  
**for the year ended 31 December 2023**  
  
**audited by the Independent Auditors**





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## Chapter 1

### 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, 2023, 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, 2023, 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 and the IESBA Code. 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 2023 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 Kenji Izawa.

Tokyo, Japan  
June 24, 2024

*Ernst & Young Shinohara LLC*

## Chapter II

### Financial statements for the year ended 31 December 2023

#### International Tropical Timber Organization

#### I. Statement of financial position as at 31 December

(United States dollars)

	<i>Note</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6, 28	20,376,300	17,925,090
Investments	7	-	-
Assessed and voluntary contributions receivable, net	8, 27, 28	5,119,393	5,066,863
Other accounts receivable, net	8, 27, 28	34,697	49,502
Advance transfers - Projects	9	1,249,626	1,154,682
Advance transfers - Others	10	271,309	137,611
<b>Total current assets</b>		<b>27,051,325</b>	<b>24,333,748</b>
<b>Non-current assets</b>			
Property and equipment	11	201,592	115,225
Intangible assets	12	-	1,366
Other assets	13	-	-
<b>Total non-current assets</b>		<b>201,592</b>	<b>116,591</b>
<b>Total assets</b>		<b>27,252,917</b>	<b>24,450,339</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable - Members	14, 27, 28	241,943	66,025
Voluntary contributions advance receipts - allocated	15	1,606,781	1,558,696
Voluntary contributions advance receipts - unallocated	16	1,266,630	1,630,379
Assessed contributions advance receipts	17	371,261	349,459
Other liabilities	18, 27, 28	683,146	764,392
<b>Total current liabilities</b>		<b>4,169,760</b>	<b>4,368,951</b>
<b>Non-current liabilities</b>			
Voluntary contributions advance receipts - allocated	15	8,503,153	6,985,396
Other liabilities	18, 27, 28	1,055,600	1,080,481
<b>Total non-current liabilities</b>		<b>9,558,752</b>	<b>8,065,876</b>
<b>Total liabilities</b>		<b>13,728,512</b>	<b>12,434,827</b>
<b>Net of total assets and total liabilities</b>		<b>13,524,405</b>	<b>12,015,512</b>
<b>Net assets</b>			
Accumulated surplus - Restricted	19	8,407,722	7,568,284
Accumulated surplus - Unrestricted	19	2,616,682	1,947,228
Reserves	19	2,500,000	2,500,000
<b>Total net assets</b>		<b>13,524,405</b>	<b>12,015,512</b>

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

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

(United States dollars)

	<i>Note</i>	<i>2023</i>	<i>2022</i>
<b>Revenue</b>			
Administrative Account			
Assessed contributions	20	7,179,897	7,064,768
Host country contributions	20	736,150	1,182,441
Financial revenue	21	21,415	810
Other income	22	827	41,852
Project Accounts			
Member States voluntary contributions	20	4,477,330	4,321,392
Other voluntary contributions	20	-	-
Programme support Revenue	20	792,689	546,360
Expost evaluation Revenue	20	12,177	93,805
Financial revenue	21	16,008	976
Other income	22	-	-
<b>Total revenue</b>		<b>13,236,494</b>	<b>13,252,404</b>
<b>Expenses</b>			
Administrative Account			
Employee benefits	23	3,911,258	3,919,507
Operating expenses	24	1,942,397	1,993,344
Project Accounts			
Project expenses	25	4,705,045	4,500,351
Depreciation and amortization	11, 12	58,458	69,340
Other expenses	26	1,110,444	1,041,576
<b>Total expenses</b>		<b>11,727,601</b>	<b>11,524,117</b>
<b>Surplus/(deficit) for the year</b>		<b>1,508,893</b>	<b>1,728,287</b>

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>
<b>Net assets as at 31 December 2021</b>	<b>5,988,691</b>	<b>1,798,534</b>	<b>2,500,000</b>	<b>10,287,225</b>
Result of the accounting period	1,579,593	148,694	-	1,728,287
<b>Net assets as at 31 December 2022 (Note 19)</b>	<b>7,568,284</b>	<b>1,947,228</b>	<b>2,500,000</b>	<b>12,015,512</b>
Result of the accounting period	839,438	669,454	-	1,508,893
<b>Net assets as at 31 December 2023 (Note 19)</b>	<b>8,407,722</b>	<b>2,616,682</b>	<b>2,500,000</b>	<b>13,524,405</b>

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)

	2023	2022
<b>Cash flows from operating activities</b>		
Surplus/(deficit) for the year	1,508,893	1,728,287
<b>Adjustments to reconcile deficit/surplus to net cash flows</b>		
Increase/(decrease) in allowance for doubtful receivables	992,602	666,961
Depreciation and amortization	58,458	69,340
Unrealized (gain)/loss on foreign exchange	110,566	377,184
<b>Changes in assets</b>		
(Increase)/decrease in Assessed contributions receivable	(228,033)	(1,157,702)
(Increase)/decrease in Voluntary contributions receivable	(817,099)	(546,568)
(Increase)/decrease in Other accounts receivable	6,795	11,803
(Increase)/decrease in Advance transfers - Projects	(94,944)	(48,934)
(Increase)/decrease in Advance transfers - Others	(133,698)	130,538
<b>Changes in liabilities</b>		
(Decrease)/increase in Accounts payable - Members	175,918	57,084
(Decrease)/increase in Other liabilities	(216,069)	27,139
(Decrease)/increase in Voluntary contributions advance receipts - allocated	1,565,842	(2,018,839)
(Decrease)/increase in Voluntary contributions advance receipts - unallocated	(363,750)	740,214
(Decrease)/increase in Assessed contributions advance	21,801	24,212
<b>Net cash flows from operating activities</b>	<b>2,587,282</b>	<b>60,720</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(3,608)	(4,099)
Purchases of intangible assets	-	-
<b>Net cash flows from investing activities</b>	<b>(3,608)</b>	<b>(4,099)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from/(payment of) finance lease liabilities	(29,909)	(32,361)
<b>Net cash flows from financing activities</b>	<b>(29,909)</b>	<b>(32,361)</b>
Effect of exchange rate changes on cash and cash equivalents	(102,555)	(377,184)
<b>Net (decrease) in cash and cash equivalents</b>	<b>2,451,210</b>	<b>(352,923)</b>
Cash and cash equivalents — beginning of year (Note 6)	17,925,090	18,278,014
<b>Cash and cash equivalents — end of year (Note 6)</b>	<b>20,376,300</b>	<b>17,925,090</b>

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 2023**

(United States dollars)

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual on comparable basis (Note 5)</i>	<i>Difference between final and actual</i>
<b>Receipts</b>				
Assessed contributions (Notes 8 and 20)	7,179,897	7,179,897	5,798,838	1,381,059
Host country contributions (Note 20)	1,010,413	1,010,413	736,150	274,263
<b>Total receipts</b>	<b>8,190,310</b>	<b>8,190,310</b>	<b>6,534,988</b>	<b>1,655,322</b>
<b>Expenditures</b>				
<b>Basic administrative costs</b>				
Salaries and benefits	4,492,772	4,492,772	2,850,293	1,642,479
Installation costs	123,300	123,300	-	123,300
Official travel	154,651	154,651	22,904	131,747
Social security	971,879	971,879	854,965	116,914
Special activities	52,327	52,327	7,594	44,733
Data processing	144,644	144,644	135,773	8,871
Other costs	360,830	360,830	246,401	114,429
Council meetings	208,457	208,457	201,335	7,122
Allocation from working capital reserve	(304,565)	(304,565)	-	(304,565)
<b>Subtotal, basic administrative costs</b>	<b>6,204,295</b>	<b>6,204,295</b>	<b>4,319,265</b>	<b>1,885,030</b>
<b>Core operational costs</b>				
Communication and outreach	435,000	435,000	318,194	116,806
Expert meetings by Council	110,000	110,000	12,858	97,142
Policy work	-	-	-	-
Statistics, studies & information	265,000	265,000	231,116	33,884
Annual report & biennial review	90,000	90,000	80,086	9,914
<b>Subtotal, core operational costs</b>	<b>900,000</b>	<b>900,000</b>	<b>642,253</b>	<b>257,747</b>
<b>Subtotal, administrative budget</b>	<b>7,104,295</b>	<b>7,104,295</b>	<b>4,961,518</b>	<b>2,142,777</b>
Costs met by Japan (including tax refund)	1,010,413	1,010,413	736,150	274,263
<b>Total expenditures</b>	<b>8,114,708</b>	<b>8,114,708</b>	<b>5,697,668</b>	<b>2,417,040</b>
<b>Net total</b>	<b>75,602</b>	<b>75,602</b>	<b>837,320</b>	<b>-</b>

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

International Tropical Timber Organization

**VI. Notes to the 2023 financial statements**

**Note 1**

**Reporting entity**

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

**Note 2**

**Statement of approval of the Executive Director**

ITTO's financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The financial statements were authorised for issue by the Executive Director on 24 Jun 2024, 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. The classification and measurement of financial assets under IPSAS 41 depends on the characteristics of the contractual cashflows and the management model of ITTO for a particular financial asset.

11. ITTO determines the management model at a level that reflects how financial assets are managed together to achieve a particular management objective. This assessment includes judgment reflecting all relevant evidence as well as how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. ITTO constantly monitors its financial assets that are derecognised prior to their maturity, if any, to understand the reason for their disposal and whether the reasons are consistent with the objective of the management for which the asset was held. Monitoring is part of ITTO’s continuous assessment of whether the management model for which the financial assets are held continues to be appropriate. For further details on the management model assessment policy please refer to the Note 4 for significant accounting policies.

12. The measurement of impairment losses as per expected credit losses (ECL) under IPSAS 41 for financial assets of ITTO requires judgement, in particular, the estimation of the default instances, the amount and timing of future cash flows that are expected to be recovered after default and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, which can result in different levels of allowances. ITTO’s ECL calculations are outputs of statistical estimation models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The elements of the ECL models that are considered for the judgements and estimates include:

- Qualitative and quantitative factors considered for ITTO's judgement of credit risk assessment of the issuer of respective debt instrument.
- The segmentation of ITTO's financial assets, when the ECL of a segment is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs and statistical models used
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default, loss given default and exposure at default.
- Selection of forward-looking macroeconomic variables and scenarios and their probability weightages, to derive the economic inputs into the ECL models

13. 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.

14. 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 : a forward-looking model is used which requires an entity to recognize expected credit losses at all times. The model uses a dual measurement approach whereby expected credit losses are measured as either 12-month expected credit losses or lifetime expected credit losses. 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.

15. 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**

16. The IPSAS Board has published IPSAS 43: Leases, IPSAS 44 Non-current Assets Held for Sale and Discontinued Operations, IPSAS 45 Property, Plant, and Equipment and IPSAS 46 Measurement which will be effective from 1 January 2025. Furthermore, IPSAS 47 Revenue, IPSAS 48 Transfer Expenses and IPSAS 49 Retirement Benefit Plans have been published and will be effective from 1 January 2026. ITTO is currently in the process of assessing the impact of these new IPSASs.

### **Note 4**

#### **Significant accounting policies**

##### **Classification and measurement of financial instruments**

17. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria to determine how financial assets should be classified and measured:

- The entity's management model for financial assets
- The contractual cash flow characteristics of the financial asset

18. Depending on the criteria, financial assets are subsequently measured at amortized cost (AC), fair value through net assets or equity (FVNAE), or fair value through surplus or deficit (FVSD).

##### **Financial assets**

19. 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 amortized cost.

<i>Major financial asset type</i>	<i>Classification</i>
Cash and cash equivalents	Amortized cost
Assessed and voluntary contributions receivable	Amortized cost
Other accounts receivable	Amortized cost

20. Cash and Cash equivalents are either bank accounts, term deposits, or certificates of deposit, etc. that have maturities up to 90 days are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. All these are held in order to collect contractual cash flows and pass the Solely Payment of Principal and Interest (SPPI) test. And will therefore be

classified as measured at amortized cost, in accordance with IPSAS 41 paragraph 40.

21. ITTO's financial assets include receivables which consist of voluntary contributions receivables, receivables of assessed contributions and other accounts receivable. For receivables, the principal is deemed to be the amount resulting from the transaction, and the interest element is deemed to be zero. The cash flow from receivables is the payment of the amount resulting from the transaction, and ITTO's management model is to hold the receivable to collect this cash flow. Receivables will therefore be classified as measured at amortized cost, in accordance with IPSAS 41 paragraph 40.

22. Cash generating assets and non-cash generating assets are distinguished based on whether those assets are held with the primary objective of generating a commercial return. As ITTO does not hold assets with the primary objective of generating a commercial return, all assets are considered non-cash generating assets.

23. The IPSAS Board issued IPSAS 41 Financial Instruments in August 2018 with an original effective date for implementation of 1 January 2022. The implementation date of the Standard was subsequently postponed until 1 January 2023. The new Standard replaces IPSAS 29 Financial Instruments: Recognition and Measurement establishing new requirements for classifying, recognizing and measuring financial instruments. Compared to IPSAS 29, IPSAS 41 makes the following changes to accounting for financial instruments:

- a. Applies a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; and
- b. Applies a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.

24. The comparison of the classification differences between IPSAS 29 and IPSAS 41 are summarized in the table below:

<i>Financial Assets</i>	<i>Category IPSAS 29</i>	<i>Category IPSAS 41</i>
Cash and cash equivalents	Financial assets at fair value through surplus and deficit	Amortized Cost
Assessed and voluntary contributions receivable	Loans and receivables	Amortized Cost
Other accounts receivable	Loans and receivables	Amortized Cost

25. The impact of applying IPSAS 41 in 2023 mainly consists of an increase of \$1,112,061 in accumulated loss allowance for expected credit losses for assessed contributions, and an increase of \$145,105 in allowance expenses for debt in the Administrative Account. For prior-period adjustments, the 2022 comparative balances at individual financial statement line were adjusted, as summarized in the following table. The impact of applying IPSAS 41 in 2022 mainly consists of an increase of \$966,956 in accumulated loss allowance for expected credit losses for assessed contributions, and an increase of \$87,915 in allowance expenses for debt in

the Administrative Account. There was no impact on the carrying amount of cash and cash equivalents, assessed and voluntary contributions receivable, and other accounts receivable.

(United States dollars)

	<i>As reported</i> <i>31 December 2022</i>	<i>Prior-period</i> <i>reclassifications/</i> <i>adjustments</i>	<i>As adjusted</i> <i>31 December 2022</i>
<i>Statement of financial position extract</i>			
<b>Current assets</b>			
Assessed and voluntary contributions receivable, net	6,033,819	(966,956)	5,066,863
<b>Total assets</b>	<b>25,417,296</b>	<b>(966,956)</b>	<b>24,450,339</b>
Accumulated surplus - Restricted	8,535,240	(966,956)	7,568,284
<b>Total net assets</b>	<b>12,982,468</b>	<b>(966,956)</b>	<b>12,015,512</b>

	<i>As reported</i> <i>31 December 2022</i>	<i>Prior-period</i> <i>reclassifications/</i> <i>adjustments</i>	<i>As adjusted</i> <i>31 December 2022</i>
<i>Statement of financial performance extract</i>			
<b>Expenses</b>			
Other expenses	1,129,491	(87,915)	1,041,576
<b>Total expenses</b>	<b>11,612,033</b>	<b>(87,915)</b>	<b>11,524,117</b>
<b>Surplus/(deficit) for the year</b>	<b>1,640,371</b>	<b>87,916</b>	<b>1,728,287</b>

	<i>As reported</i> <i>31 December 2022</i>	<i>Prior-period</i> <i>reclassifications/</i> <i>adjustments</i>	<i>As adjusted</i> <i>31 December 2022</i>
<i>Statement of changes in net assets extract</i>			
Result of the accounting period	1,640,371	87,916	1,728,287
<b>Surplus/(deficit) for the year</b>	<b>1,640,371</b>	<b>87,916</b>	<b>1,728,287</b>

	<i>As reported</i> <i>31 December 2022</i>	<i>Prior-period</i> <i>reclassifications/</i> <i>adjustments</i>	<i>As adjusted</i> <i>31 December 2022</i>
<i>Statement of cash flows extract</i>			
Surplus/(deficit) for the year	1,640,371	87,916	1,728,287
Increase/(decrease) in allowance for doubtful receivables	754,877	(87,916)	666,961

**Impairment of financial assets — assets carried at amortized cost**

26. IPSAS 41 provides a single forward-looking model for estimation of expected credit losses on the financial assets that eliminates the threshold for impairment recognition. It is no longer necessary for a trigger event to occur prior to recognizing a credit loss, as was the convention under IPSAS 29's incurred credit losses based impairment model. IPSAS 41 requires recognizing ECLs from day one and at all times. This allows for more timely information in the financial statements that supports a better decision-making.

The new impairment model applies to all financial assets measured at Amortized Cost.

ITTO recognises loss allowances based on expected credit losses (ECL) model, as required by IPSAS 41 on financial assets measured at amortized cost.

In accordance with the 'General approach' for expected credit losses under IPSAS 41, ITTO measures loss allowances on its financial assets, except receivables, at an amount equal to:

- Lifetime ECLs - if the credit risk on that financial instrument has increased significantly since initial recognition
- 12-month ECLs – if the credit risk is determined to be low at initial recognition, or for the financial instruments whose credit risk has not increased significantly since initial recognition.

Loss allowances for contribution receivables and receivables under exchange and non-exchange transactions are measured by ITTO at an amount equal to lifetime ECLs, in accordance with the simplified approach of IPSAS 41.

For the purpose of determining expected credit losses on remaining in-scope financial assets, ITTO assesses the related credit risk of such instruments. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, ITTO considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on ITTO's informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which ITTO is exposed to credit risk.

27. 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.

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



### **Advances to executing agencies**

29. 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.

30. 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**

31. 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.

32. 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.

33. 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

34. 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.

35. 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**

36. 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 useful life.

37. 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**

38. 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.

39. 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.

40. 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.

41. 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**

42. 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.

43. 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**

44. 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	Amortized cost
Other liabilities	Amortized cost

45. 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.

46. 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**

47. 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*

48. 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*

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

50. 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 39: Employee benefits. ITTO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

*Other long-term employee benefits*

51. 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*

52. 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**

53. 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.

54. 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*

55. 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.

56. 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.

57. Assessed contributions are received from members.

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

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

### *Voluntary contributions*

60. 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.

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

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

63. 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.

64. 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

65. 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.

66. 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.

67. 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*

68. 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*

69. 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**

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

#### *Transfers of cash assistance and programme supplies*

71. 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.

72. 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**

73. 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*

74. 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*

75. 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**

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

### **Budget**

77. 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.

78. The basic administrative costs budget includes costs such as salaries and benefits, installation costs, and official travel. Costs met by Japan, which include office equipment, council meetings, supporting staff and tax refund for Japanese taxation, are also classified under the basic administrative costs. However, these costs are fully reimbursed by Japan and are not included in the total for the assessment of the administrative budget.

79. 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.

80. 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.

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

(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 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.

## **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.

The presentation of this statement includes the budget information for costs met by Japan, which was included in the approved administrative budget for the 2022 and 2023 financial biennium (CFA(XXXVI)/2 Rev.1, dated 3 December 2021).

Main comparisons of budget and actual amounts for costs met by Japan consist of office, equipment, utilities (\$524,922 budget vs \$430,267 actual), supporting staff (\$89,940 budget vs \$58,671 actual) and tax refund for Japanese taxation (\$395,551 budget vs \$247,212 actual), respectively.



Explanations of material differences between the final budgets and actual amounts are as follows.

(a) Assessed contributions amounting to approximately \$1.4 million were not received overall during the reporting period, which had an influence on management's decision regarding budget spending.

(b) There were months where certain positions were vacant including the position for the director and projects manager of the division of forest management, and planning, monitoring and evaluation officer of the division of operations during the reporting period, which impacted salaries and benefits, and social security costs.

(c) There were no installation costs incurred in 2023 due to international staff not being hired during this period.

(d) Costs met by Japan are paid directly or reimbursable by Japan based on actual expenditures and the budget is based on actual expenditures from previous years.

(e) The difference between the budget and total receipts \$75,602 is due to Angola becoming a new member of the ITTA, 2006 on 7 July 2022 and being assessed an amount of \$69,352.58 for 2023 in accordance with Council Document ITTC(LVIII)/9, and Canada becoming a new member of the ITTA, 2006 on 22 November 2023 and being assessed an amount of \$6,249.52 for 2023.

(f) In exceptional cases, the Council has allowed the use of the Working Capital Reserve to absorb non-recurring substantial increases to the budget that would have an impact on the total budget amount. An amount of \$304,565 for the 2023 budget was allocated from the Working Capital Reserve to absorb the increases under Salaries and benefits for separation costs that were anticipated for the retirement of two senior level staff at the time of the approval of the budget.

The net surplus between actual receipts and expenditures will be received by the Working Capital Reserve in accordance with Financial Rules and Rules Relating to Project of the ITTO, Rule 5.5.

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>2023</i>
Total actual amount on comparable basis as presented in the budget and actuals comparative statement	(5,697,668)	-	-	-	(5,697,668)
Basis differences	(190,022)	(3,608)	(29,909)	-	(223,539)
Exchange rate changes on cash and cash equivalents	-	-	-	(102,555)	(102,555)
Presentation differences	8,474,972	-	-	-	8,474,972
<b>Net cashflows from the statement of cash flows</b>	<b>2,587,282</b>	<b>(3,608)</b>	<b>(29,909)</b>	<b>(102,555)</b>	<b>2,451,210</b>

## Note 6

### Cash and cash equivalents

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

## Note 7

### Investments

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

## Note 8

### Accounts receivables

#### Assessed contributions: receivables from non-exchange transactions

(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Loss Allowance for Expected Credit Losses</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2021	10,220,907	(8,182,351)	2,038,557
Assessed Contribution for 2022	7,064,768	-	7,064,768
Receipt for 2022 Assessed Contributions	(5,344,848)	-	(5,344,848)
Receipt for prior year Assessed Contributions	(562,218)	-	(562,218)
Write-off	(44,195)	44,195	-
Net Increase of Loss Allowance for Expected Credit Losses	-	(666,961)	(666,961)
<b>Balance as of 31 December 2022</b>	<b>11,334,414</b>	<b>(8,805,117)</b>	<b>2,529,297</b>
<i>Administrative account</i>	<i>Member States</i>	<i>Loss Allowance for Expected Credit Losses</i>	<i>Total assessed contributions receivable</i>
Balance as of 31 December 2022	11,334,414	(8,805,117)	2,529,297
Assessed Contribution for 2023	7,179,897	-	7,179,897
Receipt for 2023 Assessed Contributions	(5,798,838)	-	(5,798,838)
Receipt for prior year Assessed Contributions	(1,153,027)	-	(1,153,027)
Write-off	-	-	-
Net Increase of Loss Allowance for Expected Credit Losses	-	(992,602)	(992,602)
<b>Balance as of 31 December 2023</b>	<b>11,562,446</b>	<b>(9,797,719)</b>	<b>1,764,727</b>

Allowances for doubtful assessed contributions receivable amounting to \$135,571.33 were reversed on 20 December 2022 due to Honduras making payments for its assessed contributions corresponding to years 1989-1994 and 2020.

#### Host country contributions: receivables from non-exchange transactions

(United States dollars)

<i>Administrative account</i>	<i>Member States</i>	<i>Loss Allowance for Expected Credit Losses</i>	<i>Total host country contributions receivable</i>
Balance as of 31 December 2021	425,468	-	425,468
Claims	-	-	-
Cash-in	-	-	-
<b>Balance as of 31 December 2022</b>	<b>425,468</b>	<b>-</b>	<b>425,468</b>
Claims	31,887	-	31,887
Cash-in	(425,468)	-	(425,468)
<b>Balance as of 31 December 2023</b>	<b>31,887</b>	<b>-</b>	<b>31,887</b>

### Voluntary contributions: receivables from non-exchange transactions

(United States dollars)

<i>Project accounts</i>	<i>Donors</i>	<i>Loss Allowance for Expected Credit Losses</i>	<i>Total voluntary contributions receivable</i>
Balance as of 31 December 2021	1,990,998	-	<b>1,990,998</b>
Increases in Voluntary Contributions Receivables for 2022	4,097,208	-	<b>4,097,208</b>
Cash received in 2022 for Voluntary Contributions	(3,729,661)	-	<b>(3,729,661)</b>
Allocation from Internal Funds	(246,448)	-	<b>(246,448)</b>
<b>Balance as of 31 December 2022</b>	<b>2,112,098</b>	<b>-</b>	<b>2,112,098</b>
Increases in Voluntary Contributions Receivables for 2023	5,151,682	-	<b>5,151,682</b>
Cash received in 2023 for Voluntary Contributions	(4,998,556)	-	<b>(4,998,556)</b>
Allocation from Internal Funds	1,057,555	-	<b>1,057,555</b>
<b>Balance as of 31 December 2023</b>	<b>3,322,779</b>	<b>-</b>	<b>3,322,778</b>

<i>Breakdown of Increases in Voluntary Contributions Receivables</i>	<i>2023</i>	<i>2022</i>
<b><i>Pledges in ITTC Decision 1(LIX) and (LVIII) - Financing for Projects, Pre-Projects and Activities</i></b>		
China	-	83,000
China, Macao SAR	1,529,055	1,333,920
Finland	5,247	-
Germany	1,413,449	-
Korea	579,315	53,064
Japan	2,005,522	1,662,511
Australia	-	305,204
USA	551,265	534,000
CITES Secretariat	-	25,000
Kisso-an (Private)	2,613	2,961
Soka Gakkai	75,160	-
<b><i>Total of Pledges in ITTC Decision 1(LIX) and (LVIII)- Financing for Projects, Pre-Projects and Activities</i></b>	<b><i>6,161,625</i></b>	<b><i>3,999,660</i></b>
Adjustments to pledges in Decision 1 not affecting Accounts Receivable	(56,976)	74,881
Adjustments for items not recorded in Decision 1	(952,968)	22,667
<b>Total</b>	<b>5,151,682</b>	<b>4,097,208</b>

(United States dollars)

<i>Breakdown of Voluntary Contributions Cash Receipts</i>	<i>2023</i>	<i>2022</i>
Australia	-	305,204
China	85,000	83,000
China, Macao SAR	1,449,174	533,568
European Union	247,229	-
Finland	-	5,247
Germany	142,293	291,831
Japan	1,940,862	1,431,190
Korea	272,430	309,496
USA	600,000	600,000
Bruno Manser Fonds	150,000	-
FAO	15,000	57,000
CBD	-	10,000
CITES	18,777	100,107
Kisso-an	2,632	3,018
Soka Gakkai	75,160	-
<b>Total</b>	<b>4,998,556</b>	<b>3,729,661</b>

(United States dollars)

<i>Breakdown of Allocation from Internal Funds</i>	<i>2023</i>	<i>2022</i>
USA's unallocated voluntary contributions advance receipts		(66,000)
Japan's unallocated voluntary contributions advance receipts		147,438
Korea's unallocated voluntary contributions advance receipts		89,114
Germany's unallocated voluntary contributions advance receipts		(0)
Japan's allocation of voluntary contributions advance receipts	113,178	
Fellowship Pooled Fund (including refund to pool from cancelled Fellowship)	107,024	76,635
Programme Support	0	
Adjustments to reclassification of internal funds	-	(739)
Adjustments for cash received in prior years	(1,277,757)	-
<b>Total</b>	<b>(1,057,555)</b>	<b>246,448</b>

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 accounts receivable from the Executing Agency and accrued interest.

## Note 9

### Advance transfers - Projects

(United States dollars)

<i>Category</i>	<i>2023</i>	<i>2022</i>
Reforestation and Forest Management	509,100	211,235
Economics, Statistics and Market	281,729	297,070
Forest Industry	47,425	110,914
Activities	411,372	535,463
<b>Total advance transfer by type</b>	<b>1,249,626</b>	<b>1,154,682</b>

### Reconciliation of advance transfer balances

(United States dollars)

Advance transfer as at 31 December 2021	1,105,747
Expenses recognized through reports from EAs	(2,487,224)
Advance transfers made in 2022	2,536,158
Reclassified to other receivables	-
<b>Advance transfers as at 31 December 2022</b>	<b>1,154,682</b>
Expenses recognized through reports from EAs	(2,608,515)
Advance transfers made in 2023	2,703,459
Reclassified to other receivables	-
<b>Advance transfers as at 31 December 2023</b>	<b>1,249,626</b>

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>2023</i>	<i>2022</i>
Prepaid expenses - staff	180,870	118,801
Prepaid expenses - others	90,440	18,811
<b>Total</b>	<b>271,309</b>	<b>137,611</b>





**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 2022</i>
<b>Cost</b>						
Balance as at 1 January	71,321	151,827	107,558	204,708	75,750	611,165
Additions	-	-	-	-	4,099	4,099
Disposals, transfers and adjustments	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>71,321</b>	<b>151,827</b>	<b>107,558</b>	<b>204,708</b>	<b>79,849</b>	<b>615,264</b>
<b>Accumulated depreciation</b>						
Balance as at 1 January	14,376	108,594	107,558	153,090	49,821	433,439
Depreciation	7,059	9,424	-	39,905	10,212	66,600
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>21,436</b>	<b>118,018</b>	<b>107,558</b>	<b>192,995</b>	<b>60,032</b>	<b>500,039</b>
<b>Carrying value as at 31 December</b>	<b>49,885</b>	<b>33,809</b>	<b>-</b>	<b>11,713</b>	<b>19,817</b>	<b>115,225</b>

  

	<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 2023</i>
<b>Cost</b>						
Balance as at 1 January	71,321	151,827	107,558	204,708	79,849	615,264
Additions	-	-	-	139,851	3,608	143,459
Disposals, transfers and adjustments	-	-	-	(186,065)	-	(186,065)
<b>Balance as at 31 December</b>	<b>71,321</b>	<b>151,827</b>	<b>107,558</b>	<b>158,494</b>	<b>83,457</b>	<b>572,657</b>
<b>Accumulated depreciation</b>						
Balance as at 1 January	21,436	118,018	107,558	192,995	60,032	500,039
Depreciation	7,059	9,424	-	32,076	8,533	57,091
Impairment	-	-	-	-	-	-
Disposals, transfers and adjustments	-	-	-	(186,065)	-	(186,065)
<b>Balance as at 31 December</b>	<b>28,495</b>	<b>127,442</b>	<b>107,558</b>	<b>39,005</b>	<b>68,565</b>	<b>371,066</b>
<b>Carrying value as at 31 December</b>	<b>42,826</b>	<b>24,386</b>	<b>-</b>	<b>119,488</b>	<b>14,892</b>	<b>201,592</b>

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 \$221,008 for 2023 and \$221,008 for 2022.
3. The carrying value of property and equipment recognized under finance leases is as follows:

(United States dollars)

	2023	2022
Office equipment	118,877	9,273
<b>Total</b>	<b>118,877</b>	<b>9,273</b>

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)

	Software acquired externally	Software internally developed	Licences and rights	Copyrights	Total 2022
<b>Cost</b>					
Balance as at 1 January	13,709	-	-	-	13,709
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>13,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,709</b>
<b>Amortization</b>					
Balance as at 1 January	9,602	-	-	-	9,602
Amortization	2,740	-	-	-	2,740
Disposals	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>12,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,342</b>
<b>Carrying value as at 31 December</b>	<b>1,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,366</b>

(United States dollars)

	<i>Software acquired externally</i>	<i>Software internally developed</i>	<i>Licences and rights</i>	<i>Copyrights</i>	<i>Total 2023</i>
<b>Cost</b>					
Balance as at 1 January	13,709	-	-	-	13,709
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>13,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,709</b>
<b>Amortization</b>					
Balance as at 1 January	12,342	-	-	-	12,342
Amortization	1,366	-	-	-	1,366
Disposals	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>13,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,709</b>
<b>Carrying value as at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Note 13

#### Other assets

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

### Note 14

#### Accounts payable – Members

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

**Note 15**  
**Voluntary contributions advance receipts – allocated**  
**Deferred revenue**

(United States dollars)

<i>Breakdown of deferred revenue</i>	<i>2023</i>	<i>2022</i>
Deferred revenue for the Administrative Account	7,316	7,072
<b><i>Deferred revenue for projects</i></b>		
Reforestation and Forest Management (F)	2,514,654	1,866,100
Economics, Statistics and Markets (M)	469,327	880,896
Forest Industry (I)	623,643	880,158
Activities (A)	6,494,994	4,909,867
Deferred revenue for projects	10,102,617	8,537,021
<b>Total deferred revenue</b>	<b>10,109,933</b>	<b>8,544,093</b>

Reconciliation of deferred revenue balances

(United States dollars)

Deferred revenue for projects as at 31 December 2021	10,554,254
Liabilities recognized for obligations attached to pledges	2,304,157
Revenue recognized from ongoing projects	(4,321,392)
Deferred revenue for projects as at 31 December 2022	8,537,020
Liabilities recognized for obligations attached to pledges	6,042,928
Revenue recognized from ongoing projects	(4,477,330)
Deferred revenue for projects as at 31 December 2023	10,102,617

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 2023

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
PD 452/07 Rev.5 (F)	F	556,963	447,478	70,353	39,132	26,682	-
PD 712/13 Rev.2 (F)	F	250,000	45,495	26,787	177,718	29,045	-
PD 764/14 Rev.3 (F)	F	606,313	381,401	51,886	173,026	38,012	-
PD 808/16 Rev.5 (F) Ph.I	F	320,000	69	34,286	285,645	90,000	-
PD 832/16 Rev.2 (M)	M	416,080	326,489	44,580	45,011	24,578	-
PD 836/17 Rev.1 (F)	F	417,558	248,523	44,738	124,297	26,429	-
PD 849/17 Rev.2 (F)	F	335,765	86,739	35,975	213,051	92,519	-
PD 902/19 Rev.2 (F) Ph.I funded by Voluntary Contribution)	(portion F	500,000	38,703	53,571	407,726	101,761	250,000
PD 905/19 Rev.3 (F) Phase I	F	200,000	16,573	21,429	161,998	53,427	-
PD 913/20 Rev.4 (M)	M	730,088	227,548	78,224	424,316	257,151	-
PD 916/21 Rev.1 (F)	F	450,000	-	48,214	401,786	-	-
PD 922/21 Rev.1 (I)	I	339,500	244,791	36,375	58,334	35,601	-
PD 926/22 Rev.1 (I)	I	320,000	73,008	34,286	212,706	4,610	-
PD 927/22 Rev.2 (F)	F	233,300	-	24,996	208,304	-	-
PD 928/22 Rev.1 (I)	I	261,811	70,521	28,051	163,239	7,214	-
PD 931/23 (F)	F	138,260	-	14,814	123,446	-	-
PD 932/23 (F)	F	84,784	10,190	9,084	65,510	39,810	-
PD 934/23 Rev.1 (F)	F	148,976	-	15,962	133,014	-	-
PD 935/23 Rev.1 (I)	I	212,088	-	22,724	189,364	-	-
PP-A/52-320: CITES BWP Activity	A	1,778,266	520,858	136,393	1,121,015	74,249	-
PP-A/53-322 BWP18-19/I	A	50,000	39,717	6,522	3,761	-	-
PP-A/53-323 BWP LSSC BWP Activity	A	658,391	74,381	85,825	498,185	-	-
PP-A/53-323C BWP18-19 LSSC Education Programme	A	133,848	104,365	14,248	15,235	-	-
PP-A/53-323H BWP 2/SWU Policy	A	15,000	10,000	-	5,000	-	-
PP-A/53-323I BWP/2 GTI Ph.2	A	1,140,685	368,446	148,785	623,454	31,554	684,411
PP-A/53-323J BWP/2 BTTS Ph.2	A	326,370	116,669	42,570	167,131	3,331	195,822
PP-A/53-323K: BWP/2 GLSTF	A	62,000	33,663	-	28,337	-	-
PP-A/54-331A Teak Phase 2	A	1,413,449	19,535	-	1,393,914	83,522	1,271,156
PP-A/55-335 BWP/11 Action Plan	A	93,265	8,409	12,165	72,691	-	-
PP-A/55-336 EU Grant to 6 BWPs	A	327,841	251,212	-	76,629	-	33,296
PP-A/55-338 BWP18-19/15 C&I SFM	A	42,677	-	2,609	40,068	-	-
PP-A/56-341B REFACOF Togo Ph.3	A	75,160	15,532	2,891	56,737	14,468	-
PP-A/56-342A SFM Myanmar	A	378,930	233,485	40,600	104,845	50,264	-
PP-A/57-347 PFF NTFF Report	A	11,000	8,551	-	2,449	-	-
PP-A/59-351 BWP11d Fiji	A	350,000	-	37,500	312,500	-	-
PP-A/59-352 BWP11e Sarawak	A	258,000	32,223	27,643	198,134	153,983	-
PP-A/59-353 BWP11f Costa Rica	A	250,000	143,707	26,786	79,507	-	-
PP-A/59-354 WG on ITTA 2006	A	75,000	-	9,783	65,217	-	-
PP-A/59-355 Publication C&I	A	31,951	21,181	4,167	6,602	-	-
PP-A/59-356 KFS Officer 23-26	A	1,018,126	96,364	10,100	911,662	-	636,364
PP-A/59-357 BWP2 Private Sector	A	101,593	-	3,261	98,332	-	-
PP-A/59-358 BWP6 Stats WS	A	83,282	-	1,957	81,325	-	15,000
PP-A/59-359 BWP7 Fire managemt	A	60,000	(0)	7,826	52,174	-	-
PP-A/59-360 BWP8a Gender guidelines	A	96,171	-	11,739	84,432	-	-
PP-A/59-361 BWP8b FLR guidelines	A	133,000	1,887	2,609	128,504	-	-
PP-A/59-362 BWP9 CBD, COP 16	A	95,718	-	2,609	93,109	-	20,000
PP-A/59-363 BW10 CPF, UNFF	A	40,760	-	1,304	39,455	-	-
PP-A/59-364 BWP12 Communication Strategy	A	25,000	-	3,261	21,739	-	-
PP-A/59-365 BWP14c Japanese Translation	A	31,996	960	3,261	27,775	-	25,000
PP-A/59-366 BWP15 TAG-CSAG	A	37,683	-	2,609	35,074	-	-
PP-A/60-371 Ex-post fire project	A	50,000	-	-	50,000	-	-

(United States dollars)

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses</i>	<i>Programme Support</i>	<i>Deferred Revenue for Projects</i>	<i>Advance Transfers</i>	<i>Voluntary contributions: receivables</i>
Fellowship programme							
PP-A/52-319 FFF/up to15A	A	80,658	44,942	-	35,716	-	-
PP-A/52-319 FFF/16A	A	56,668	51,040	-	5,628	-	-
PP-A/52-319 FFF/17A	A	120,829	100,436	10,018	10,374	-	-
PP-A/52-319 FFF/18A	A	139,564	133,024	2,022	4,519	-	-
PP-A/52-319 FFF/19A	A	115,451	78,915	17,785	18,751	-	-
PP-A/52-319 FFF/20A	A	172,896	131,804	22,552	18,540	-	-
PP-A/52-319 FFF/21A	A	127,321	114,787	-	12,534	-	-
PP-A/52-319 FFF/22A	A	76,635	63,718	-	12,917	-	-
PP-A/52-319 FFF/23A	A	107,024	-	-	107,024	-	-
Recognized as net assets					-226,003		
Unallocated pledges to the Fellowship programme							11,729
Projects funded from Net Assets (BPF-B/Unearmarked Fund)							
PD 902/19 Rev.2 (F) Ph.1/09/21 (portion funded by Unearmarked Fund)	F	56,083	4,341	6,009	45,733	11,414	-
Recognized as net assets					-45,733		
<b>Total</b>		16,819,776	5,041,679	1,403,743	10,102,617	1,249,626	3,142,779

### Detail of projects financially closed during 2023

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Balance at project closure (*See note below)</i>
PD 732/14 Rev.2 (M)	M	321,138	278,974	34,408	7,756
PD 770/15 Rev.1 (I)	I	196,224	160,200	21,024	15,000
PD 845/17 Rev.3 (M)	M	120,000	97,143	12,857	10,000
PPD 201/21 Rev.1 (F)	F	65,588	56,833	7,552	1,203
PP-A/49-291 BWP 25b IMM	A	4,682,836	4,376,181	306,655	-
PP-A/50-304 BWP 2021-22/Activity 18 TAG&CSAG	A	172,719	141,413	31,306	-
PP-A/50-305 BWP27 CPF	A	99,240	85,546	13,694	-
PP-A/50-305A BWP13/Dec.7(LVII)	A	100,000	86,957	13,043	-
PP-A/52-320D: Agarwood 2021	A	371,252	319,008	52,244	-
PP-A/53-323D BWP 2/Timber-Lex	A	24,000	20,000	4,000	-
PP-A/53-323E BWP 2/Mekong FAO	A	70,000	53,559	16,441	-
PP-A/53-323F BWP 2/Macao GTI	A	986,720	839,194	128,703	18,823
PP-A/53-323G BWP 2/Macao BTTS	A	347,200	293,090	45,287	8,823
PP-A/53-324 BWP18-19/ Activity 3	A	93,407	71,232	22,175	-
PP-A/53-325 BWP18-19/ Activity 10(a)	A	18,829	15,568	3,261	-
PP-A/54-326 Landscape Restoration	A	88,976	88,976	-	-
PP-A/54-328 BWP 2018-19/8b C&I Meetings	A	13,440	13,440	-	-
PP-A/54-329 BWP 2018-19/10 Mangrove	A	4,826	4,826	-	-
PP-A/54-330 BWP 2018-19/19b Outreach	A	30,044	26,783	3,261	-
PP-A/54-331 BWP 2018-19/4 Teak	A	1,236,250	1,069,878	161,250	5,122
PP-A/54-332 BWP 2018-19/9 Statistics Workshops	A	8,479	-	8,479	-
PP-A/55-337 IUCN FLR Tier 2	A	41,844	41,844	-	-
PP-A/55-339 BWP 2018-19/Activity 16 Communication Strategy	A	70,000	60,870	9,130	-
PP-A/56-341A REFACOF Togo Phase 2	A	89,582	83,581	6,001	-
PP-A/56-342B Timber Legality Assurance Systems	A	344,100	220,933	36,868	86,299
PP-A/56-344 BWP 2021-22/Activity 11b	A	45,820	32,776	13,044	-
PP-A/56-345 BWP 2021-22/Activity12	A	34,282	27,146	7,136	-
PP-A/57-346 FAO PF CS	A	10,000	8,696	1,304	-
PP-A/57-348 BWP 17c Japanese Translation	A	68,004	61,482	6,522	0
PP-A/57-349 FAO Global Timber Outlook	A	77,000	70,000	7,000	-
PP-A/57-350 KFS Officer secondment 2021-2023	A	417,368	379,426	37,943	-
<b>Total</b>		10,249,168	9,085,555	1,010,587	153,026

## Detail of projects financially closed during 2022

<i>Project ID</i>	<i>Category</i>	<i>ITTO Budget</i>	<i>Expenses (cumulative)</i>	<i>Programme Support</i>	<i>Balance at project closure (*See note below)</i>
PPD 189/17 Rev.3 (F)	F	50,000	44,643	5,357	-
PPD 196/19 Rev.1 (F)	F	85,792	73,600	9,192	3,000
PD 552/09 Rev.1 (F)	F	621,578	575,856	41,844	3,878
PD 696/13 Rev.2 (F)	F	294,444	255,318	33,276	5,850
PD 737/14 Rev.2 (I)	I	589,863	504,069	63,200	22,594
PD 740/14 Rev.2 (F)	F	450,542	390,760	51,942	7,840
PD 765/14 Rev.4 (F) Phase I	F	250000	212785.6	26786	10428.4
PD 777/15 Rev.3 (F)	F	515,590	435,325	55,242	25,023
PD 852/17 Rev.4 (F)	F	125,000	111,607	13,393	-
PP-A/53-323 BWP18-19/2 RIFFEAC Portion	A	315,789	280,727	33,835	1,227
PP-A/54-331 BMEL Teak Activity	A	1,236,250	1,069,878	161,250	5,122
PP-A/55-334 LSSC-BMEL	A	2,390,000	1,927,611	289,142	173,247
PP-A/56-340	A	2,210,526	1,883,585	236,842	90,100
PP-A/56-341 REFACOF Togo	A	93,240	87,240	6,000	-
<b>Total</b>		9,228,615	7,853,005	1,027,301	348,308

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 2024 budget, that were received before the end of 2023.

**Note 18**  
**Other liabilities**

(United States dollars)

<i>Breakdown of Other liabilities</i>	<i>2023</i>	<i>2022</i>
Other accounts payable	65,935	248,793
Employee benefits accrued liabilities	1,295,841	1,341,053
Lease obligation	114,066	7,857
Other accrued liabilities	262,903	247,169
<b>Total</b>	<b>1,738,745</b>	<b>1,844,872</b>

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

**Employee benefits liabilities breakdown**

(United States dollars)

	<i>2023</i>	<i>2022</i>
<b>Current employee benefits liabilities</b>		
Home leave	55,984	69,056
Accrued salaries and allowances	53,999	73,217
Accrued social securities	133,517	118,299
<b>Total current employee benefits liabilities</b>	<b>243,500</b>	<b>260,572</b>
<b>Non-current employee benefits liabilities</b>		
Home leave	11,829	12,144
Repatriation benefits	434,732	419,894
Annual Leave	605,780	648,442
<b>Total non-current employee benefits liabilities</b>	<b>1,052,342</b>	<b>1,080,481</b>
<b>Total employee benefits liabilities</b>	<b>1,295,841</b>	<b>1,341,053</b>



**Note 19**  
**Net assets**

(United States dollars)

<i>Breakdown of net assets</i>	<i>2023</i>			<i>2022</i>		
	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>	<i>Restricted accumulated surplus</i>	<i>Unrestricted accumulated surplus</i>	<i>Reserves</i>
<b>Administrative Account</b>						
Working Capital reserve	7,669,922	-	-	6,754,076	-	-
Reserve provided by interest income	-	249,132	-	-	227,717	-
Special reserve	-	-	2,500,000	-	-	2,500,000
<b>Project Accounts</b>						
Funds provided by interest income	20,037	-	-	4,028	-	-
Thematic programme funds allocated to projects	902	-	-	902	-	-
Funds allocated to Fellowship programme	322,942	-	-	332,091	-	-
Unearmarked funds allocated to projects	45,733	-	-	50,680	-	-
Funds allocated to expost evaluation	348,186	-	-	426,507	-	-
Thematic programme funds unallocated	-	4,935	-	-	4,935	-
Programme support funds	-	2,362,615	-	-	1,714,576	-
<b>Total</b>	<b>8,407,722</b>	<b>2,616,682</b>	<b>2,500,000</b>	<b>7,568,284</b>	<b>1,947,228</b>	<b>2,500,000</b>

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>2023</i>	<i>2022</i>
<b>Assessed Contributions</b>		
Member countries	7,179,897	7,064,768
<b>Total Assessed contributions</b>	<b>7,179,897</b>	<b>7,064,768</b>
<b>Host Country cash contributions</b>		
Government of Japan	247,212	248,916
City of Yokohama	88,580	485,136
<b>Host Country in-kind contributions</b>		
Government of Japan	158,427	168,551
City of Yokohama	241,932	279,838
<b>Total Host Country contributions</b>	<b>736,150</b>	<b>1,182,441</b>
<b>Total Assessed and Host Country Contributions</b>	<b>7,916,047</b>	<b>8,247,209</b>
<b>Assessed Contribution receivable</b>	<b>1,764,727</b>	<b>2,529,297</b>
<b>Host Country Contribution receivable</b>	<b>31,887</b>	<b>425,468</b>

*In-kind contributions*

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

### Project accounts; Revenue from Voluntary Contributions

(United States dollars)

<i>Breakdown of revenue</i>	<i>2023</i>	<i>2022</i>
<b>Contributions</b>		
Donors	4,477,330	4,321,392
Revenue from closed projects to the Pooled Fund for Ex-Post Evaluation	12,177	93,805
Programme Support Revenue	792,689	546,360
<b>Total voluntary contributions</b>	<b>5,282,196</b>	<b>4,961,557</b>
Voluntary Contribution receivable	3,322,779	2,112,098
Advance transfer - Project	1,249,626	1,154,682
Advance receipts	10,102,617	8,537,020

Ex-Post evaluation revenue from Thematic Programme projects are normally recognized at the start of the project. There were no Ex-post evaluation revenue from Thematic Programme projects recognized in 2022 as well as 2023.

### *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 2023 is \$37,423 and 2022 is \$1,786.

**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. In 2022, ITTO received \$21,742.47 from Honduras for interest payments related to the late payments of assessed contributions for 1988-1996 written-off previously, which is included in other income.

**Note 23**

**Administrative account; Employee benefits expenses**

(United States dollars)

<i>Breakdown of employee benefits expenses</i>	<i>2023</i>	<i>2022</i>
Salaries and benefits	3,056,293	3,079,091
Social security	854,965	840,416
<b>Total employee benefits expenses</b>	<b>3,911,258</b>	<b>3,919,507</b>

The total amount of defined contribution plan expenses for pension schemes amount to \$607,444 for 2023 and \$572,675 for 2022.

## Note 24

### Operating expenses

(United States dollars)

<i>Breakdown of operating expenses</i>	<i>2023</i>	<i>2022</i>
Installation costs	-	-
Official travel	22,904	73,048
Special activities	7,594	-
Data processing	132,165	95,135
Other costs	246,401	218,426
Council meetings	401,800	419,160
Expert meetings	12,858	44,683
Communication and outreach	318,194	283,399
Statistics, Studies and information	231,116	259,650
Annual Report and Biennial review	80,086	80,520
Services received through host country in-kind contributions	400,359	448,389
Services received through host country cash contributions	58,671	27,307
Expenses from reserve provided by interest income	-	1,132
Working capital reserve expenses in accordance with Council decisions	30,250	42,496
<b>Total operating expenses</b>	<b>1,942,397</b>	<b>1,993,344</b>

## Note 25

### Project expenses

(United States dollars)

<i>Category</i>	<i>2023</i>	<i>2022</i>
Transfers to executing agencies		
Reforestation and Forest Management	577,144	454,702
Economics, Statistics and Markets	393,813	132,188
Forest Industry	430,879	68,457
Activities	3,089,589	3,700,167
Programme support expenses	123,123	84,475
Ex-post Expenses	90,497	60,362
<b>Total by type</b>	<b>4,705,045</b>	<b>4,500,351</b>

Transfers to executing agencies correspond to the expenses incurred during the accounting period of 2023 and 2022 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>	<i>2023</i>	<i>2022</i>
Exchange loss / (gain)	113,369	374,300
Allowance expense for debt - Administrative Account	992,602	666,961
Allowance expense for debt - Project Account	-	-
Interest expense	4,472	315
<b>Total other expenses</b>	<b>1,110,444</b>	<b>1,041,576</b>

**Net foreign exchange gains or losses**

(United States dollars)

<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	<i>2022</i>
Gains	238,583	22,884	261,467
Losses	615,767	19,999	635,767
<b>Total net losses</b>	<b>377,184</b>	<b>(2,884)</b>	<b>374,300</b>

  

<i>Breakdown of foreign exchange gains or losses</i>	<i>Unrealized</i>	<i>Realized</i>	<i>2023</i>
Gains	60,954	5,612	66,567
Losses	165,866	14,070	179,936
<b>Total net losses</b>	<b>104,911</b>	<b>8,458</b>	<b>113,369</b>

**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>Amortized cost</i>	<i>Fair value through surplus or deficit</i>	<i>Fair value through net assets/equity</i>	<i>Total carrying value</i>	<i>Total fair value</i>
					2022
Cash and cash equivalents	17,925,090	-	-	17,925,090	17,925,090
Assessed and voluntary contributions receivable	5,066,863	-	-	5,066,863	5,066,863
Other accounts receivable	49,502	-	-	49,502	49,502
<b>Total financial assets</b>	<b>23,041,455</b>			<b>23,041,455</b>	<b>23,041,455</b>

<i>Breakdown of financial assets</i>	<i>Amortized cost</i>	<i>Fair value through surplus or deficit</i>	<i>Fair value through net assets/equity</i>	<i>Total carrying value</i>	<i>Total fair value</i>
					2023
Cash and cash equivalents	20,376,300	-	-	20,376,300	20,376,300
Assessed and voluntary contributions receivable	5,119,393	-	-	5,119,393	5,119,393
Other accounts receivable	34,697	-	-	34,697	34,697
<b>Total financial assets</b>	<b>25,530,390</b>			<b>25,530,390</b>	<b>25,530,390</b>

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>Amortized cost</i>	<i>Total carrying value</i>	<i>Total fair value</i>
			2022
Accounts payable - Members	66,025	66,025	66,025
Other liabilities	1,844,872	1,844,872	1,844,872
<b>Total financial liabilities</b>	<b>1,910,897</b>	<b>1,910,897</b>	<b>1,910,897</b>

<i>Breakdown of financial liabilities</i>	<i>Amortized cost</i>	<i>Total carrying value</i>	<i>Total fair value</i>
			2023
Accounts payable - Members	241,943	241,943	241,943
Other liabilities	1,738,745	1,738,745	1,738,745
<b>Total financial liabilities</b>	<b>1,980,688</b>	<b>1,980,688</b>	<b>1,980,688</b>

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. Receivables are recorded at amortized cost in accordance with IPSAS 41. In order to assess the expected impact of the expected credit loss, analysis is performed on historical payment patterns using the simplified approach under IPSAS 41, measured at an amount equal to lifetime expected credit loss.

Assessed contributions are due to ITTO at the beginning of the year to which they relate. As of 1 January of the following calendar year, any unpaid balance is considered to be one year in arrears. The table below summarizes the timing of the payments of contributions for the last four years:

<i>Assessed Contributions due vs Payments</i>	<i>2020 Contributions</i>		<i>2021 Contributions</i>		<i>2022 Contributions</i>		<i>2023 Contributions</i>	
	<i>Amount in USD</i>	<i>%</i>	<i>Amount in USD</i>	<i>%</i>	<i>Amount in USD</i>	<i>%</i>	<i>Amount in USD</i>	<i>%</i>
<i>Due Amount</i>	7,091,488	100%	7,104,313	100%	7,064,768	100%	7,179,897	100%
<i>Paid within the year (&lt; 12 months)</i>	5,457,890	76.96%	5,150,042	72.49%	5,344,848	75.65%	5,798,838	80.76%
<i>Paid later than 1 year and not later than 2 years</i>	721,318	10.17%	331,665	4.67%	602,145	8.52%	-	-
<i>Paid later than 2 year and not later than 3 years</i>	53,349	0.75%	545,825	7.68%	-	-	-	-
<i>Paid later than 3 year and not later than 4 years</i>	4,947	0.07%	-	-	-	-	-	-
<i>Not Paid at 31.12.23</i>	853,984	12.04%	1,076,781	15.16%	1,117,775	15.82%	1,381,059	19.24%

The information can be further analysed as a percentage of total contributions receivable each year as shown in the following table:

<i>Year</i>	<i>Within 12 months</i>	<i>Within 24 months</i>	<i>Within 36 months</i>	<i>Within 48 months</i>
2017 contributions paid %	85.62%	90.40%	91.48%	92.51%
2018 contributions paid %	78.22%	83.38%	85.68%	91.43%
2019 contributions paid %	76.22%	86.68%	89.99%	90.61%
2020 contributions paid %	76.96%	87.14%	87.89%	87.96%
2021 contributions paid %	72.49%	77.16%	84.84%	-
2022 contributions paid %	75.65%	84.18%	-	-
2023 contributions paid %	80.76%	-	-	-
<b>Average</b>	77.99%	84.82%	87.98%	90.63%

To create a forward-looking model including contributions receivable from member countries, ITTO analyses all current year contributions against historical percentage patterns of payments after the year-end. The model uses these percentages to determine the projected amount expected to be received in the following years, as well as a range of possible outcomes/scenarios to determine a probability weighted amount. Long-term repayment agreements, which currently there are none, will be discounted based on the time value of money using the effective interest rate method. These historical percentages will be updated at each year-end, including political and macro-economic factors which could impact payment patterns and is also used to determine significant increases in credit risk.

The historical analysis shows little change in the collectability of balances after 4 years and ITTO, therefore, developed the assumption that 9.37% will be applied as a predictive rate of collection for annual assessments going forward. This rate may be adjusted over time if the actual collection history changes. The allowance is calculated per the collection history rate unless the outstanding receivable for that assessment year is less than the calculated allowance, in which case the allowance is capped at the actual accounts receivable balance. The same rate will be applied to the assessments for 2020-2023 to determine the expected credit loss and the full amount due for 2019 and prior years will be added, as calculated as follows:

<i>Year</i>	<i>Assesed Amount</i>	<i>Expected Credit Loss Percentage</i>	<i>Impact on Allowance</i>
2019 and prior	-	-	7,132,847
2020	7,091,488	9.37%	664,472
2021	7,104,313	9.37%	665,674
2022	7,064,768	9.37%	661,969
2023	7,179,897	9.37%	672,756
<b>Total</b>	-	-	9,797,719

For voluntary contributions with conditions, in accordance with IPSAS 23, voluntary contributions receivables are offset 100% by a liability for deferred revenue. In accordance with IPSAS41, paragraph 2 (i) and application guidance (AG6), ITTO is not subject to any credit risk from default by a counter party (donor), therefore, no further analysis is done regarding conditional voluntary contributions.

For voluntary contributions without conditions recognized as revenue on the date of the signature of the agreement with the donor, IPSAS 41 provides for the use of a lifetime expected credit loss recognized at each reporting date referred to as the simplified approach. ITTO uses historical credit loss experience to calculate the lifetime expected credit loss provision accordingly. ITTO does not recognize any lifetime expected credit loss for voluntary contribution receivables at this moment due to historical analysis suggesting that the expected credit loss would be negligible.

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

*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)

	Due				Overdue				2022 total carrying value
	0-3 months	3-6 months	6-12 months	More than 1 year	0-3 months	3-6 months	6-12 months	More than 1 year	
Lease payments	7,857			\$0	-	-	-	-	7,857
<b>Total</b>	<b>7,857</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,857</b>

  

	Due				Overdue				2023 total carrying value
	0-3 months	3-6 months	6-12 months	More than 1 year	0-3 months	3-6 months	6-12 months	More than 1 year	
Lease payments	6,710	6,710	13,420	\$87,226	-	-	-	-	114,066
<b>Total</b>	<b>6,710</b>	<b>6,710</b>	<b>13,420</b>	<b>\$87,226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,066</b>

8. No other financial liabilities have contractual maturities.

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

*Exposure to market risk*

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

*Currency risk*

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

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

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

## Summary of currency positions

(United States dollars)

	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Euro (converted)</i>	2022
Cash and cash equivalents	16,840,585	1,084,505	-	17,925,090
Assessed and voluntary contributions receivable	4,364,296	425,468	277,099	5,066,863
Other accounts receivable	49,502	-	-	49,502
<b>Total financial assets</b>	<b>21,254,383</b>	<b>1,509,973</b>	<b>277,099</b>	<b>23,041,455</b>
Accounts payable - Members	-	66,025	-	66,025.00
Other liabilities	1,647,168	197,705	-	1,844,872.15
<b>Total financial liabilities</b>	<b>1,647,168</b>	<b>263,730</b>	<b>-</b>	<b>1,910,897</b>
<b>Net exposure</b>	<b>19,607,216</b>	<b>1,246,243</b>	<b>277,099</b>	<b>21,130,558</b>

	<i>United States dollar</i>	<i>Yen (converted)</i>	<i>Korean Won (converted)</i>	<i>Euro (converted)</i>	2023
Cash and cash equivalents	20,163,602	212,699	-	-	20,376,300
Assessed and voluntary contributions receivable	4,417,845	31,887	636,364	33,296	5,119,393
Other accounts receivable	34,697	-	-	-	34,697
<b>Total financial assets</b>	<b>24,616,144</b>	<b>244,586</b>	<b>636,364</b>	<b>33,296</b>	<b>25,530,390</b>
Accounts payable - Members	-	241,943	-	-	241,943
Other liabilities	1,383,472	355,274	-	-	1,738,745
<b>Total financial liabilities</b>	<b>1,383,472</b>	<b>597,216</b>	<b>-</b>	<b>-</b>	<b>1,980,688</b>
<b>Net exposure</b>	<b>23,232,672</b>	<b>(352,631)</b>	<b>636,364</b>	<b>33,296</b>	<b>23,549,702</b>

*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.

(United States dollars)

<i>As at 31 December 2022</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of</i>	<i>Weakening of United</i>
	<i>United States dollar</i> <i>by 10 per cent</i>	<i>States dollar</i> <i>by 10 per cent</i>
Japanese yen	(113,295)	138,471
<b>Total</b>	<b>(113,295)</b>	<b>138,471</b>

<i>As at 31 December 2023</i>	<i>Surplus/(deficit)</i>	
	<i>Strengthening of</i>	<i>Weakening of United</i>
	<i>United States dollar</i> <i>by 10 per cent</i>	<i>States dollar</i> <i>by 10 per cent</i>
Japanese yen	32,057	(39,181)
<b>Total</b>	<b>32,057</b>	<b>(39,181)</b>

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

*Sensitivity analysis: interest rates*

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

**Note 29****Capital management**

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

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

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

comprise bank charges, project-related communication costs, the remuneration of project administration staff, and other expenses related to project administration.

3. The Executive Director shall notify the Council if the amount of the Working Capital Reserve falls below 15% or approximately two months of annual operating expenses of the Administrative Budget. Working Capital Reserve is part of the restricted accumulated surplus and amount to \$7,669,922 at the end of 2023 and \$6,754,076 at the end of 2022.

### **Note 30** **Commitments**

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

#### *Long-term agreements*

ITTO is not part of any long term agreement.

#### *Ongoing projects and activities*

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

(United States dollars)

	<i>Thematic Programme</i>	<i>Fellowship Programme</i>
Balance as of 31 December 2021	-	361,657
Revenue from pledges	-	94,410
Transfer to the Ex-post pooled fund	-	-
Transfer to the TP pooled fund	-	-
Expenses of 2022	-	(123,976)
<b>Balance as of 31 December 2022</b>	<b>-</b>	<b>332,091</b>
Revenue from pledges	-	65,063
Transfer to the Ex-post pooled fund	-	-
Transfer to the TP pooled fund	-	-
Expenses of 2023	-	(74,211)
<b>Balance as of 31 December 2023</b>	<b>-</b>	<b>322,942</b>

**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)

	2023	2022
Remuneration	886,567	692,384
Other Entitlements	91,283	121,695
Long-term Benefits	213,709	280,548
<b>Total</b>	<b>1,191,559</b>	<b>1,094,627</b>

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 \$195,427 for 2023 and \$144,235 for 2022.

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 2023 and the date of this report.

**Note 34**

**Financial Accounts**

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

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

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



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

(United States dollars)

	<i>Project Accounts</i>										<i>Eliminations</i>		<i>Total</i>	
	<i>Administrative Account</i>													
	<i>31 December</i>	<i>31 December</i>	<i>Special Account: Project Sub-Account</i>		<i>Special Account: Thematic Programme Sub-Account</i>		<i>Bali Partnership Fund</i>		<i>Sub-Total</i>		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
<b>Assets</b>														
<b>Current assets</b>														
Cash and cash equivalents	10,453,303	8,310,798	9,907,302	9,605,896	5,681	5,681	10,015	2,715	9,922,998	9,614,292	-	-	20,376,300	17,925,090
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assessed and voluntary contributions receivable,	1,796,614	2,954,765	3,322,779	2,112,098	-	-	-	-	3,322,779	2,112,098	-	-	5,119,393	5,066,863
Other accounts receivable, net	20,833	274	13,864	49,228	-	-	-	-	13,864	49,228	-	-	34,697	49,502
Advance transfers - Projects	-	-	1,249,626	1,154,682	-	-	-	-	1,249,626	1,154,682	-	-	1,249,626	1,154,682
Advance transfers - Others	240,043	118,000	31,267	19,611	-	-	-	-	31,267	19,611	-	-	271,309	137,611
<b>Total current assets</b>	<b>12,510,792</b>	<b>11,383,837</b>	<b>14,524,837</b>	<b>12,941,515</b>	<b>5,681</b>	<b>5,681</b>	<b>10,015</b>	<b>2,715</b>	<b>14,540,533</b>	<b>12,949,911</b>	<b>-</b>	<b>-</b>	<b>27,051,325</b>	<b>24,333,748</b>
<b>Non-current assets</b>														
Property and equipment	201,592	115,225	-	-	-	-	-	-	-	-	-	-	201,592	115,225
Intangible assets	-	1,366	-	-	-	-	-	-	-	-	-	-	-	1,366
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>201,592</b>	<b>116,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,592</b>	<b>116,591</b>
<b>Total assets</b>	<b>12,712,384</b>	<b>11,500,428</b>	<b>14,524,837</b>	<b>12,941,515</b>	<b>5,681</b>	<b>5,681</b>	<b>10,015</b>	<b>2,715</b>	<b>14,540,533</b>	<b>12,949,911</b>	<b>-</b>	<b>-</b>	<b>27,252,917</b>	<b>24,450,339</b>
<b>Liabilities</b>														
<b>Current liabilities</b>														
Accounts payable - Members	241,943	66,025	-	-	-	-	-	-	-	-	-	-	241,943	66,025
Voluntary contributions advance receipts - allocat	7,316	7,072	1,599,465	1,551,624	-	-	-	-	1,599,465	1,551,624	-	-	1,606,781	1,558,696
Voluntary contributions advance receipts - unallo	-	-	1,266,630	1,630,379	-	-	-	-	1,266,630	1,630,379	-	-	1,266,630	1,630,379
Assessed contributions advance receipts	371,261	349,459	-	-	-	-	-	-	-	-	-	-	371,261	349,459
Other liabilities	617,211	515,598	65,935	248,793	-	-	-	-	65,935	248,793	-	-	683,146	764,392
<b>Total current liabilities</b>	<b>1,237,730</b>	<b>938,154</b>	<b>2,932,030</b>	<b>3,430,797</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,932,030</b>	<b>3,430,797</b>	<b>-</b>	<b>-</b>	<b>4,169,760</b>	<b>4,368,951</b>
<b>Non-current liabilities</b>														
Voluntary contributions advance receipts - allocat	-	-	8,503,153	6,985,396	-	-	-	-	8,503,153	6,985,396	-	-	8,503,153	6,985,396
Other liabilities	1,055,600	1,080,481	-	-	-	-	-	-	-	-	-	-	1,055,600	1,080,481
<b>Total non-current liabilities</b>	<b>1,055,600</b>	<b>1,080,481</b>	<b>8,503,153</b>	<b>6,985,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,503,153</b>	<b>6,985,396</b>	<b>-</b>	<b>-</b>	<b>9,558,752</b>	<b>8,065,876</b>
<b>Total liabilities</b>	<b>2,293,330</b>	<b>2,018,635</b>	<b>11,435,182</b>	<b>10,416,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,435,182</b>	<b>10,416,192</b>	<b>-</b>	<b>-</b>	<b>13,728,512</b>	<b>12,434,827</b>
<b>Net of total assets and total liabilities</b>	<b>10,419,054</b>	<b>9,481,793</b>	<b>3,089,655</b>	<b>2,525,323</b>	<b>5,681</b>	<b>5,681</b>	<b>10,015</b>	<b>2,715</b>	<b>3,105,351</b>	<b>2,533,719</b>	<b>-</b>	<b>-</b>	<b>13,524,405</b>	<b>12,015,512</b>
<b>Net assets</b>														
Accumulated surplus - Restricted	7,669,922	6,754,076	729,121	812,829	892	892	7,787	487	737,801	814,208	-	-	8,407,722	7,568,284
Accumulated surplus - Unrestricted	249,132	227,717	2,360,534	1,712,494	4,789	4,789	2,228	2,228	2,367,550	1,719,511	-	-	2,616,682	1,947,228
Reserves	2,500,000	2,500,000	-	-	-	-	-	-	-	-	-	-	2,500,000	2,500,000
<b>Total net assets</b>	<b>10,419,054</b>	<b>9,481,793</b>	<b>3,089,655</b>	<b>2,525,323</b>	<b>5,681</b>	<b>5,681</b>	<b>10,015</b>	<b>2,715</b>	<b>3,105,351</b>	<b>2,533,719</b>	<b>-</b>	<b>-</b>	<b>13,524,405</b>	<b>12,015,512</b>

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

(United States dollars)

	Project Accounts														Eliminations	Total
	Administrative Account															
			Special Account: Project Sub-Account	Special Account: Thematic Programme Sub-Account	Bali Partnership Fund		Sub-Total									
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
Revenue																
Administrative Account																
Assessed contributions	7,179,897	7,064,768	-	-	-	-	-	-	-	-	-	-	7,179,897	7,064,768		
Host country contributions	736,150	1,182,441	-	-	-	-	-	-	-	-	-	-	736,150	1,182,441		
Financial revenue	21,415	810	-	-	-	-	-	-	-	-	-	-	21,415	810		
Other income	827	41,852	-	-	-	-	-	-	-	-	-	-	827	41,852		
Project Accounts																
Member States voluntary contributions	-	-	4,477,330	4,321,392	-	-	-	-	4,477,330	4,321,392	-	-	4,477,330	4,321,392		
Other voluntary contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Programme support Revenue	-	-	792,689	546,360	-	-	-	-	792,689	546,360	-	-	792,689	546,360		
Expost evaluation Revenue	-	-	12,177	93,805	-	-	-	-	12,177	93,805	-	-	12,177	93,805		
Financial revenue	-	-	8,708	489	-	-	7,300	487	16,008	976	-	-	16,008	976		
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total revenue	7,938,289	8,289,871	5,290,905	4,962,046	-	-	7,300	487	5,298,205	4,962,533	-	-	13,236,494	13,252,404		
Expenses																
Administrative Account																
Employee benefits	3,911,258	3,919,507	-	-	-	-	-	-	-	-	-	-	3,911,258	3,919,507		
Operating expenses	1,942,397	1,993,344	-	-	-	-	-	-	-	-	-	-	1,942,397	1,993,344		
Project Accounts																
Project expenses	-	-	4,705,045	4,500,351	-	-	-	-	4,705,045	4,500,351	-	-	4,705,045	4,500,351		
Depreciation and amortization	58,458	69,340	-	-	-	-	-	-	-	-	-	-	58,458	69,340		
Other expenses	1,088,916	728,706	21,527	312,870	-	-	-	-	21,527	312,870	-	-	1,110,444	1,041,576		
Total expenses	7,001,029	6,710,897	4,726,573	4,813,220	-	-	-	-	4,726,573	4,813,220	-	-	11,727,601	11,524,117		
Surplus/(deficit) for the year	937,260	1,578,974	564,332	148,825	-	-	7,300	487	571,632	149,312	-	-	1,508,893	1,728,287		