

Annex 1 Financial Statements

D. Cavagnaro



INDEPENDENT AUDITOR'S REPORT

To the Executive Board Global Crop Diversity Trust

We have audited the accompanying financial statements of the Global Crop Diversity Trust, which comprise the statement of financial position as at December 31, 2010 and the statements of activities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Policies outlined in Note 2 to the financial statements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit experience we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Global Crop Diversity Trust are prepared, in all material respects, in accordance with the Accounting Policies outlined in Note 2 to the financial statements.

Rome, 18 May 2011

PricewaterhouseCoopers SpA

Scott Cunningham
(Partner)

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Statement of Financial Position as at 31 December 2010

	Notes	31/12/2010 USD	31/12/2009 USD
ASSETS			
Current Assets			
Accounts receivable	3		
Donor		75,489	5,775
Host organizations		15,466,650	12,606,632
Other		-	417,671
Prepaid expenses		191,696	132,651
Total Current Assets		15,733,835	13,162,729
Non Current Assets			
Held in trust by host organization in the form of:	6		
Cash & cash equivalents		37,997,025	25,399,364
Endowment fund		75,425,911	69,956,162
Total Non Current Assets		113,422,936	95,355,526
TOTAL ASSETS		129,156,770	108,518,254
LIABILITIES & NET ASSETS			
Current Liabilities			
Accounts payable	4		
Grants		1,421,751	623,736
Other		174,895	72,305
Total Current Liabilities		1,596,646	696,041
Non Current Liabilities		-	-
Total Liabilities		1,596,646	696,041
Net Assets			
Unrestricted		4,975,447	4,807,537
Temporarily restricted		9,161,740	7,659,150
Permanently restricted		113,422,936	95,355,526
Total Net Assets	5	127,560,123	107,822,213
TOTAL LIABILITIES & NET ASSETS		129,156,770	108,518,254

The accompanying notes are an integral part of this statement.



Statement of Activities for the year ended 31 December 2010

		2010 USD	2009 USD
CHANGES IN UNRESTRICTED NET ASSETS			
Income			
Contributions	2.4	1,015,664	1,805,886
		<u>1,015,664</u>	<u>1,805,886</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	2.4	7,154,106	6,645,447
Income released from endowment fund		1,985,695	1,955,387
		<u>9,139,801</u>	<u>8,600,834</u>
Expenditure			
GRANT EXPENDITURE			
Conservation grants		2,093,970	1,900,362
Global system development grants		3,925,683	3,793,568
Conservation strategies		-	83,192
Salaries & benefits		1,995,390	1,928,386
Professional services		184,201	145,799
Travel		164,484	145,716
		<u>8,363,728</u>	<u>7,997,024</u>
OPERATIONAL EXPENDITURE			
Salaries & benefits		711,592	622,478
Travel		82,660	35,370
Governance		87,733	102,399
Fundraising & communications		308,925	174,414
Professional services		393,545	375,810
Facilities		39,372	32,966
		<u>1,623,826</u>	<u>1,343,439</u>
Increase in Unrestricted Net Assets		<u>167,911</u>	<u>1,066,258</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contributions		8,656,696	6,862,018
Net assets released from restrictions		(7,154,106)	(6,645,447)
Increase in Temporarily Restricted Net Assets		<u>1,502,590</u>	<u>216,571</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS			
Contributions		12,533,100	2,852,213
Investment income		64,560	17,959
Net gain on endowment fund		7,455,444	11,964,460
Net assets released from restrictions		(1,985,695)	(1,955,387)
Increase in Permanently Restricted Net Assets		<u>18,067,409</u>	<u>12,879,245</u>
INCREASE IN NET ASSETS		19,737,910	14,162,074
Net Assets as at 01/01		107,822,213	93,660,139
Net Assets as at 31/12		<u>127,560,123</u>	<u>107,822,213</u>

The accompanying notes are an integral part of this statement.



Statement of Cash Flows for the year ended 31 December 2010

	2010 USD	2009 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from temporarily restricted contributions	8,586,982	6,856,243
Cash received from unrestricted contributions	1,015,664	1,805,886
Cash released from endowment fund	2,175,394	1,843,623
Cash paid for program and operations	(4,313,476)	(4,077,258)
Grants paid	(4,604,546)	(6,355,227)
Net cash from operating activities	2,860,018	73,266
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for the endowment fund	12,533,100	2,852,213
Interest earned	64,560	17,959
Net cash from financing activities	12,597,660	2,870,172
Increase in Accounts Receivable (Hosted)	(2,860,018)	(73,266)
Increase in Cash & Cash Equivalents (Hosted)	(12,597,660)	(2,870,172)
Net Increase in Cash & Cash Equivalents	-	-
Cash & Cash Equivalents as at 01/01	-	-
Cash & Cash Equivalents as at 31/12	-	-
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	19,737,910	14,162,074
Adjustments		
Endowment fund gain	(7,455,444)	(11,964,460)
Contributions received for the endowment fund	(12,533,100)	(2,852,213)
Interest earned on endowment funds	(64,560)	(17,959)
Income released from the endowment fund	1,985,695	1,955,387
Increase/(decrease) in accounts payable	900,605	(1,158,767)
Increase in accounts receivable (donor)	(69,714)	(5,775)
Decrease in accounts receivable (other)	417,671	87,632
Increase in prepaid expenses	(59,045)	(132,651)
Net cash from operating activities	2,860,018	73,266

The accompanying notes are an integral part of this statement.



Notes to the Financial Statements for the year ended 31 December 2010

(Expressed in United States dollars unless otherwise stated)

1. STATEMENT OF PURPOSE

The Global Crop Diversity Trust (hereinafter referred to as the "Trust" or the "Organization") is an autonomous international fund established under international law. The international status of the Trust is conferred under an Establishment Agreement, which has been signed by 26 countries. The Trust was established on October 21, 2004 and operates within the framework of the International Treaty on Plant Genetic Resources for Food and Agriculture as an essential element of its Funding Strategy.

The Trust is currently located in Rome, hosted by the Food and Agricultural Organization of the United Nations (FAO) and Bioversity International, pending the establishment of a permanent headquarters location.

Mission

The mission of the Trust is to ensure the conservation and availability of crop diversity for food security worldwide.

Donors to the Trust include governments from developing and developed countries, foundations, the private sector and individuals.

These financial statements have been reviewed by the Finance & Investment Committee and approved by the Executive Board of the Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trust are prepared with reference to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). However, since existing IFRS do not cover issues unique to not-for-profit organizations, the Trust has drawn from other widely used standards (such as the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)) to provide guidance on issues of importance that are not yet addressed by existing IFRS. The significant accounting policies followed are described below.

2.1 Accounts Receivable

All receivable balances are valued at their net realizable value, that is, the gross amount receivable less an allowance for doubtful accounts where appropriate.

Allowances for doubtful accounts are provided in an amount equal to the total receivables shown, or reasonably estimated to be doubtful of collection. The amount in the allowance is based on past experience and on a continuous review of receivable reports and other relevant factors. When an account receivable is deemed doubtful of collection, an allowance is provided during the year the account is deemed doubtful. Any receivable, or portion of receivable judged to be un-collectible is written off. Write-offs of receivables are done via allowance for doubtful accounts after all efforts to collect have been exhausted.

The Trust did not have any doubtful accounts during the year.



2.2 Non Current Assets

This relates to a permanently restricted endowment fund established by the Trust to support the effective conservation and ready availability of the biological basis of agriculture.

The endowment fund investments are recorded as non-current assets at fair market value. The fair value of financial assets and liabilities is determined with reference to quoted market prices. Changes in the market value of the fund are reported as an increase or decrease in permanently restricted net assets.

2.3 Accounts Payable

These are short-term liabilities reflecting amounts owed in respect of services received during the year and grants payable for the year.

2.4 Revenue Recognition

Contributions received by the Trust fall into three categories:

- 1) Unrestricted – contributions not subject to donor imposed restrictions.
- 2) Temporarily restricted – contributions subject to donor-imposed time or use restrictions.
- 3) Permanently restricted – contributions subject to donor-imposed restrictions that the funds be invested in perpetuity.

Unrestricted contributions are recorded in full upon receipt of funds as contribution income in the period received.

Temporarily restricted contributions are recorded upon receipt of funds, or upon expenditure of project costs for which contributions have been pledged, as temporarily restricted net assets and are subsequently recognized as revenue to the extent grant conditions have been met. The amount recognized as income for the year is reported in the statement of activities as net assets released from restrictions. Contributions pledged for project expenditure but not yet received are accrued among donor receivables to the extent expenditures have been made.

Permanently restricted contributions are recorded in full upon receipt of funds as permanently restricted net assets. In accordance with the Investment Objectives and Policies approved by the Executive Board of the Trust, up to 4% of the average market value of the endowment fund over the previous twelve quarters may be withdrawn to cover program and operational expenses of the Trust. Funds withdrawn are reported in the statement of activities under net assets released from restrictions.

Total annual income and support less expenditure is reported as an increase or decrease in unrestricted net assets.

2.5 Foreign Currency Transactions

The Trust conducts its operations in several currencies and maintains its accounting records in United States dollars.

Assets and liabilities held in currencies other than United States dollars have been translated at the year-end exchange rate.

Revenue and expense items in currencies other than United States dollars have been recorded at the exchange rate prevailing on the transaction date.

2.6 Expenditure

The activities of the Trust have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between grant expenditure and supporting expenditure. Expenses are recorded on an accrual basis in the statement of activities in the period in which the cost is incurred.



2.7 Fixed Assets

Office equipment and furniture are recorded at cost and depreciated over the estimated useful lives of the respective assets (three to five years) on a straight-line basis where the asset has an original cost greater than USD 2,000. Items with an original cost lower than this amount are charged directly to operating expenses in the period in which they are incurred.

The Organization did not record any fixed assets at cost during the year.

2.8 Reclassifications

Certain reclassifications have been made to prior year amounts to ensure conformity with the current year presentation.

2.9 Subsequent Events

The Organization has evaluated events and transactions up to April 27, 2011 for potential recognition or disclosure in the financial statements. No subsequent events have been recognized or disclosed.

3. ACCOUNTS RECEIVABLE

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Organization. The Organization does not have any significant credit risk exposure as amounts receivable consist mainly of amounts held with the host organizations, FAO and Bioversity International, which are highly reputable international organizations. Total accounts receivable represent 12% of total assets.

(A) Accounts Receivable – Donor

Accounts receivable from donors consists of claims for expenses paid on behalf of restricted projects in excess of the amount received. Accounts receivable from donors at year-end amounted to USD 75,489 (December 31, 2009: USD 5,775).

(B) Accounts Receivable – Host Organizations

This balance relates to amounts received by the host organizations, FAO and Bioversity International, on behalf of the Trust that have not yet been expended. Details of the accounts receivable are presented in the following table.

	2010	2009
Bioversity International		
Balance as at 1/1	12,147,434	12,131,174
Income released from endowment fund	2,175,394	1,402,414
Funds received	9,555,973	8,271,847
Disbursements	(8,745,587)	(9,658,001)
Balance as at 31/12	15,133,214	12,147,434
Food and Agriculture Organization of the United Nations (FAO)		
Balance as at 1/1	459,198	402,192
Income released from endowment fund	-	441,209
Funds received	547,963	390,282
Disbursements	(673,724)	(774,484)
Balance as at 31/12	333,436	459,198
TOTAL	15,466,650	12,606,632



4. ACCOUNTS PAYABLE

This balance consists of amounts payable at the year-end in respect of conservation and global system development grants. It also includes amounts payable for supplies and services received during the year. All balances are payable within twelve months.

	31/12/10	31/12/09
Grants Payable		
Conservation grants	312,181	-
Global system development grants	1,109,570	623,736
Total	1,421,751	623,736
Other		
Investment management fee	60,746	57,305
Supplies & services	114,149	15,000
Total	174,895	72,305
TOTAL	1,596,646	696,041

5. NET ASSET BALANCES

Resources are classified for accounting and reporting purposes into net asset classes according to the restriction imposed. The following tables show the changes in net assets during the year.

Unrestricted Net Assets

	2010	2009
Balance as at 1/1	4,807,537	3,741,280
Contributions	1,015,664	1,805,886
Net assets released from restrictions	9,139,801	8,600,834
Expenditure	(9,987,554)	(9,340,463)
Balance as at 31/12	4,975,447	4,807,537

Temporarily Restricted Net Assets

	2010	2009
Balance as at 1/1	7,659,150	7,442,579
Contributions	8,656,696	6,862,018
Net assets released from restrictions	(7,154,106)	(6,645,447)
Balance as at 31/12	9,161,740	7,659,150



Permanently Restricted Net Assets

Donors	Balance Jan 1, 2010	Contributions	Other movements	Balance Dec 31, 2010
Australia	12,673	-		12,673
Dupont/ Pioneer Hi-bred	1,000	-		1,000
Egypt	25	-		25
Ethiopia	25	-		25
Gates Foundation/UN Foundation	7,500	-		7,500
Germany	6,045	4,155		10,200
India	50	-		50
International Seed Federation	30	-		30
Ireland	4,145	-		4,145
Norway	15,177	-		15,177
New Zealand	50	-		50
Slovak Republic	20	-		20
Spain	1,252	1,378		2,630
Sweden	11,887	-		11,887
Switzerland	10,262	-		10,262
Syngenta AG	1,000	-		1,000
United Kingdom	19,468	-		19,468
United States	5,000	7,000		12,000
Other	1	-		1
Interest earned	1,537	-	65	1,602
Realized & unrealized gain on investment fund (change in market value) less management fees	5,731	-	7,455	13,186
Income released	(7,523)	-	(1,985)	(9,508)
TOTAL	95,355	12,533	5,535	113,423

Further detail can be found in Note 6.

6. ENDOWMENT FUND

The Trust manages an endowment fund, the income from which is used to fund the effective conservation and ready availability of the biological basis of agriculture. An endowment fund provides a permanent source of financial support matching the long-term nature of conservation with long-term secure and sustainable funding.

Funds are invested in accordance with Investment Objectives and Policies approved by the Executive Board. The Finance and Investment Committee implements the investment strategy adopted by the Executive Board. The Trust also retains the services of an independent financial advisor, Cambridge Associates, to assist in all areas of investment management including strategy development and implementation.

The Organization is an official signatory to the United Nations Principles for Responsible Investment (UNPRI), an international framework for incorporating sustainability into investment decision-making. The Principles were



launched in 2006 by UN Secretary-General Kofi Annan as a framework to help investors achieve better long-term investment returns and sustainable markets, through better analysis of environmental, social and governance issues in the investment process.

Cash & Cash Equivalents

This comprises cash restricted for investment held in trust by the host organization, Bioversity International. The cash is held in bank accounts with Intesa San Paolo, Italy and Banca Popolare di Sondrio, Italy and is denominated in United States dollars. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents comprise contributions received for the endowment fund together with related interest earned. As contributions for the endowment fund are permanently restricted, cash and cash equivalents at year-end of USD 37,997,025 (2009: USD 25,399,364) are reported as non current assets.

Endowment Fund

The investments at year-end of USD 75,425,911 (2009: USD 69,956,162) represent the principle together with changes in market value less management fees and income released. Changes in the market value of the funds and interest earned are reported as an increase or decrease in permanently restricted net assets.

The following schedule represents the composition of the market value of the invested portion of the endowment fund:

	31/12/10	31/12/09
Equities	40,980,661	36,944,559
Bonds	27,604,333	26,063,006
Hedge funds	2,844,082	2,505,352
Real estate	1,018,753	1,209,009
Cash	2,978,083	3,234,236
TOTAL	75,425,911	69,956,162

The following table provides an analysis of changes to non-current assets during the year:

	Note	2010	2009
Balance as at 1/1		95,355,525	82,476,280
Contributions	a	12,533,100	2,852,213
Endowment fund gain	b	7,455,444	11,964,460
Income released	c	(1,985,695)	(1,955,387)
Interest income	d	64,560	17,959
Balance as at 31/12		113,422,936	95,355,525

Notes:

- a. Contributions during the year were received from government agencies. See also Note 5.
- b. Endowment fund gain represents the change in the market value of the fund and is reported as an increase to permanently restricted net assets.
- c. The Investment Objectives and Policies of the Trust permit the annual withdrawal of up to 4% of the average market value of the fund over the previous twelve quarters. During the year the Trust did not require the entire 4% and approximately 2.1% was withdrawn with the balance being retained in the fund. This amount released is reported in the statement of activities under net assets released from restrictions.
- d. Interest income relates to amounts earned during the year on cash and cash equivalents.



Investment Risk & Risk Management

The Organization invests in a professionally managed portfolio that contains equity, corporate bonds, government bonds, emerging market debt, real estate investment trusts (REITs) and hedge funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Currency exposure within the fixed income portion of the portfolio is predominantly in United States dollars as dictated by the component indices all being referenced to the United States fixed income markets. As a result, the fixed income portion of the portfolio has minimal currency risk.

Movements in market interest rates within a bond portfolio and the inherent risks thereof are driven by changes in market participant views on macroeconomic, and to a certain extent technical, factors. Price sensitivities of securities to changes in interest rates are primarily measured by the duration measure - modified duration for sensitivities to changes in yield, and spread duration for price sensitivities to changes in the option adjusted spread (which is a function of perceived credit quality). Management of interest rate risk is performed through the adjustment of the duration measure by buying/selling bonds of different maturities. Where the investment team's view is for price appreciation in any one market or sector, greater duration risk may be taken through the switching of existing bonds into longer maturity securities. Conversely, if bond yields were perceived to rise in the future, a shorter maturity/duration profile would be taken as a means of a defensive stance. Duration adjustments may also be performed through the use of an interest rate Futures overlay, where permitted. The monitoring of interest rate risk is usually performed relative to a benchmark or investment objective through the duration measure. This marginal or active risk as mentioned previously is thus monitored on a continual basis until a change in investment view is decided.

7. OPERATIONAL, FUNDRAISING AND GRANT ACTIVITIES

Income for operational, fundraising and grant activities for the year was received from the following donors:

	USD
Australia	179,790
Canada	999,400
CGIAR Consortium	60,561
Food & Agriculture Organization of the UN	26,928
Gates Foundation/UN Foundation	4,997,295
Grains Research & Development Corporation	1,137,111
Lillian Goldman Charitable Trust	550,000
Norway	120,559
Sweden	36,863
Swiss Agency for Development & Cooperation	45,000
Other	16,264
TOTAL	8,169,770



8. GRANT AND OPERATING EXPENDITURE

With the exception of investment management expenses, which are released from the investment fund, all expenditures are incurred by the host organizations, FAO and Bioversity International, on behalf of the Trust. These expenditures are charged back to the Trust at cost plus overhead.

Grant expenditure continued to increase in 2010 as work progressed on the Global System Project, a five-year project funded by the Gates Foundation/UN Foundation. The Trust also increased its program of providing long-term sustainable funding to the world's most important collections of crop diversity; collections of banana, barley, bean, cassava, edible aroids, faba bean, forages, lathyrus, lentil, maize, pearl millet, rice, sorghum, wheat and yam were supported in 2010.

The Trust retains the services of a government affairs company in Washington DC to assist with the process of securing funding from United States government sources. It also retains the services of a communications company to assist in raising awareness for the Organization and its mission and to educate donors and policy makers about the wide-ranging benefits of crop diversity.



Giulio Napolitano/FAO