

IUCN - THE WORLD CONSERVATION UNION



The World Conservation Union

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

(Amounts in Swiss Francs (CHF))	Notes	2002	2001
ASSETS			
Current assets			
Cash and short term bank deposits	III	30,908,609	36,135,965
Marketable securities	IV	5,384,443	5,355,278
Membership dues receivable	V	4,508,238	3,537,552
Staff receivables	VI	418,569	408,131
Receivables from Partner organizations	VII	439,159	444,064
Other accounts receivable		1,615,665	1,591,000
Sub-total		43,274,683	47,471,990
Framework agreements receivable	VIII	298,621	-
Project agreements receivable	IX	7,587,214	7,834,920
Total current assets		51,160,518	55,306,910
Fixed assets (net)			
Land and buildings		13,057,865	13,384,346
Furniture, fixtures and equipment		1,727,575	1,606,820
Total fixed assets	X	14,785,440	14,991,166
TOTAL ASSETS		65,945,958	70,298,076

LIABILITIES AND FUND BALANCES			
Liabilities			
Current liabilities			
Membership dues paid in advance		1,189,646	1,053,531
Accounts payable and accrued liabilities	XIII	4,249,677	6,342,740
Social charges payable		754,338	1,586,369
Staff leave and repatriation	XI	880,146	1,241,553
Advances on project agreements	IX	27,422,082	25,859,502
Deferred income on framework agreements	VIII	2,147,427	3,175,161
Miscellaneous current liabilities		469,737	1,022,593
Total current liabilities		37,113,053	40,281,449
Provisions			
Staff termination	XII	2,200,887	2,050,004
Membership dues in arrears	V	1,726,557	1,735,207
Projects in deficit		1,333,735	1,424,834
World Conservation Congress 2004		550,000	350,000
Total provisions		5,811,179	5,560,045
Headquarters building fund	X	12,333,684	12,642,026
Reserves and net balance from operations			
IUCN Fund (Council Designated Reserves)	XIV	5,833,407	5,837,606
Currency translation adjustment	XV	(424,784)	1,854,540
Secretariat Contingency Fund	XVI	1,875,844	600,000
Cost Centers Funds and Net Balance from Operations	XVI	3,403,575	3,522,410
Total reserves and net balance from operations		10,688,042	11,814,556
TOTAL LIABILITIES AND FUND BALANCES		65,945,958	70,298,076

See notes to the consolidated financial statements as indicated.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

I. ACTIVITY

IUCN, The World Conservation Union was constituted by Statutes adopted in 1948 at a conference convened by the Republic of France, with membership comprised of States, Governmental Agencies, and International and National Non-governmental Associations. The members registered IUCN Statutes as an international association of governmental agencies and non-governmental organisations under Article 60 of the Swiss Civil Code. The mission of IUCN is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DEFINITIONS

1. Income

All unrestricted income is accounted for on an accruals basis. Framework agreement income, which is not of a project nature, is recognized once the agreement has been signed. Project income is recognized on the basis of the expenditure incurred.

2. Expenditure

All unrestricted expenditure is accounted for on an accruals basis. Project expenditure is generally accounted for on a cash basis except at the end of the project when it is done on an accruals basis.

3. Project agreements

These are funds received or to be received from donors in accordance with specific agreements. These funds are subject to a restricted use, usually determined by specific budget lines included in the agreement.

At the close of the year, based on the accrued expenditure and cash income, projects may have a positive or negative balance. The sum of the positive balances is reported as Advances on project agreements in the Balance Sheet while the sum of the negative balances is reported as Project Agreement receivables.

4. Framework agreements

Framework agreements represent funds received or to be received from donors in accordance with signed agreements. These funds are subject to some restriction in their use, but unlike projects, the restrictions are more generic and generally determined by geographic or thematic conditions.

5. Foreign exchange

In accordance with IUCN Regulations, the reporting currency is Swiss Francs (CHF) in which IUCN headquarters accounting records are maintained. However, most out-posted offices maintain their ledgers and books of accounts in currencies other than Swiss francs, the majority of which use the US Dollar.

The following accounting policies are followed in converting transactions and balances to the reporting currency:

- Transactions denominated in currencies other than the office ledger currency are converted and recorded based on the exchange rates prevailing at the date of the transaction. At the end of the year all accounts maintained in the original currencies are valued to the currency of the office ledger at the year-end rate. The gains and losses created are recognised in the income and expenditure statement.

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5. Foreign Exchange - continued

- On consolidation, all transactions in non-Swiss Franc office ledgers are translated at the monthly rate of exchange, and the resulting gain or loss on exchange is accounted for in the income and expenditure statement.
- Except for fixed assets and reserves which are stated at historical values, the consolidated balance sheet is translated at the year-end exchange rate and the resulting net unrealised gain or loss is shown as a currency translation adjustment in the balance sheet.

6. Year-end Exchange Rates

The following are the principal rates of exchange used at the end of the year to revalue the balance sheet items to Swiss Francs (CHF) for reporting purposes:

	<u>31 December 2002</u>	<u>31 December 2001</u>
US Dollar	1.3875	1.6732
EURO	1.4546	1.4822
Pound Sterling	2.2244	2.4279
Canadian Dollar	0.8802	1.0519

7. Fixed assets

Fixed asset purchases are capitalised when the purchase price is CHF 500 and above (or the equivalent in other currencies) and when ownership resides with IUCN. Fixed assets are depreciated over their estimated useful lives on the following basis:

- Office furniture and equipment 7 years
- Computer hardware and software 3 years
- Buildings 50 years

8. Provision against Membership dues receivable

Provision for membership dues in arrears is calculated based on the outstanding balance at the close of the year. As approved by the council, the provisions are calculated on the following basis:

- Membership dues outstanding for five or more years 100%
- Membership dues outstanding for four years 80%
- Membership dues outstanding for three years 60%
- Membership dues outstanding for two years 40%
- Membership dues outstanding for one year 20%

However, the provision against the arrears for some state members is calculated on an individual basis after a review of their own situations.

9. Council designated reserves

The Council Designated Reserves were until July 2002 constituted by two funds, the World Conservation Trust Fund and the Headquarters Facility Fund. Both funds were combined into one and renamed IUCN Fund. It is maintained in order to preserve the Union's capital base. All income earned is credited to the fund until and unless otherwise decided by the Council.

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9. Council designated reserves - continued

WASAA Facility Fund

Following the acquisition and outfitting of the WASAA building in Nairobi, Kenya, a separate restricted reserve of CHF 181,312 at 31 December 2002 (CHF 201,879 at 31 December 2001) was created to account for repayment of capital to World Conservation Trust Fund. IUCN is required to maintain separate books of accounts for the Trust as required under the laws of Kenya.

10. Unrestricted income

This represents funds received by IUCN without externally imposed conditions.

III. CASH AND SHORT TERM BANK DEPOSITS

Cash and short-term bank deposits as at 31 December 2002 include balances in all bank accounts operated by IUCN. The balance of CHF 30,686,086 (2001 - CHF 36,135,965) is made up of CHF 18,669,735 (2001 - CHF 17,840,837) at Headquarters (HQ) and CHF 12,016,349 (2001 - CHF 18,295,128) in Regional and Country offices (RCOs). From the balance held at Headquarters, CHF 19,182 (2001 - CHF 164,652) is part of the IUCN Fund (Council designated reserves).

Region or Office	2002	2001
Asia	3,497,876	8,572,114
Canada	37,839	129,941
Central Africa	164,146	214,578
Central America	746,552	902,212
Eastern Africa	958,936	1,350,761
Europe	390,705	453,917
Environmental Law Centre, Bonn	333,410	677,688
Headquarters	18,669,735	17,840,837
Mediterranean	5,274	22,206
South America	109,793	65,116
Southern Africa	3,581,261	3,430,820
United Kingdom	265,303	152,309
United States	859,981	620,910
Western Africa	<u>1,287,798</u>	<u>1,702,556</u>
TOTAL	<u>30,908,609</u>	<u>36,135,965</u>

Consolidated cash flow statement

The consolidated cash flow statement has been prepared in order to show the sources and application of cash resources available within IUCN. Although a formal statement had not been prepared and included in the 2001 accounts, comparatives have been shown. During the year, IUCN cash and short term deposits decreased from CHF 36.1 million to CHF 30.9 million. Cash from operations however increased from CHF 838,032 in 2001 to CHF 1,894,993 during 2002. There was a severe adverse effect of exchange rates movements which reduced cash resources by CHF 2,279,324 compared to an increase of CHF 391,388 during 2001.

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IV. MARKETABLE SECURITIES

These portfolios form part of the assets for the Council designated reserve fund, The IUCN Fund (previously comprised of two funds, World Conservation Trust Fund (WCTF) and the Headquarters Facility Fund (HQFF) which were combined with effect from 1 July 2002).

The portfolio of marketable securities is stated at the lower value of cost or market at 31 December. This evaluation was done on an individual security basis.

	COST	MARKET VALUE	LOWER OF COST OR MARKET
<u>2002</u>			
Marketable Securities - IUCN Fund	<u>5,597,292</u>	<u>5,501,593</u>	<u>5,384,443</u>
<u>2001</u>			
World Conservation Trust Fund	2,976,334	3,016,290	2,928,400
Headquarter Facility Fund	<u>2,504,141</u>	<u>2,468,576</u>	<u>2,426,878</u>
Total Marketable Securities	<u>5,480,475</u>	<u>5,484,866</u>	<u>5,355,278</u>

V. MEMBERSHIP DUES RECEIVABLE AND PROVISIONS

Provisioning for Membership dues in arrears is made in line with the policy approved by the IUCN Council, described in note II.8.

Description	2002	2001
Gross Membership Dues Receivable	4,508,238	3,537,552
Provision against dues in arrears	<u>(1,726,557)</u>	<u>(1,735,207)</u>
Net Membership Dues Receivable	<u>2,781,681</u>	<u>1,802,345</u>

Aging analysis	1998	1999	2000	2001	2002	Total
States	161,667	310,093	447,064	1,034,368	1,819,834	3,773,026
Government Agencies	0	12,560	21,947	96,404	229,647	360,558
International NGOs	0	0	1,954	4,362	11,534	17,850
National NGOs	648	6,830	40,821	84,922	173,649	306,870
Affiliates	<u>0</u>	<u>4,064</u>	<u>8,376</u>	<u>8,628</u>	<u>28,866</u>	<u>49,934</u>
Total	<u>162,315</u>	<u>333,547</u>	<u>520,162</u>	<u>1,228,684</u>	<u>2,263,530</u>	<u>4,508,238</u>
Percentage of total	<u>3.60%</u>	<u>7.40%</u>	<u>11.54%</u>	<u>27.25%</u>	<u>50.21%</u>	<u>100.00%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

VI. STAFF RECEIVABLES

These cover both travel advances, staff loans, and the amounts due to a partner organisation providing payroll services to IUCN in the UK. Travel advances are consolidated on a net basis at the individual office ledger level.

Description	2002	2001
Net Travel Advances	300,892	223,750
Payroll advances and Staff Loans	<u>117,677</u>	<u>184,381</u>
Total Receivables from Staff	<u>418,569</u>	<u>408,131</u>

VII. RECEIVABLES FROM PARTNER ORGANISATIONS

Description	2002	2001
RAMSAR Convention Bureau	99,540	328,677
Cat Specialist Group	7,605	3,950
World Commission on Dams	*	(212,492)
European Mountain Forum	101,997	101,519
Others	<u>230,017</u>	<u>222,410</u>
Total Receivables from Partner Organisations	<u>439,159</u>	<u>444,064</u>

*World Commission on Dams balance of USD 150,000 was reclassified to current liabilities in 2002.

VIII. RECEIVABLES AND DEFERRED INCOME ON FRAMEWORK AGREEMENTS

Receivables on Framework Agreements represent the balances of the framework agreements for the current year not received by the end of the year. The amount is usually accrued and included as part of the framework agreements income.

Deferred income on Framework Agreements represents the net balances on the restricted activities funded by framework agreements or income received in advance of the period in which it relates. The deficits are normally netted off the surpluses to leave the net balance of CHF 2,147,427 as at 31 December 2002 (CHF 3,175,161 as at 31 December 2001).

IX. PROJECT AGREEMENTS RECEIVABLE AND ADVANCES

Receivables and Advances are calculated respectively from the portfolio of projects in deficit and from the portfolio of projects in surplus at the close of the year. Both have been calculated at the main project level and amount to the following: Project agreement receivables - CHF 7,587,214 as at 31 December 2002 (CHF 7,834,920 as at 31 December 2001), and Project advances - CHF 27,422,082 (CHF 25,859,502).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

X. FIXED ASSETS

Fixed assets purchased using unrestricted income are depreciated over their estimated useful life as per note II.7 above. Furniture, fixtures and equipment purchased during or after 1992 have had their estimated useful lives extended to 7 years in order to conform to the accounting policy. The headquarters building is discussed in more detail in the note below.

	Vehicles, Equipment & Fixtures	Headquarter Buildings	Other Land and Buildings	Total
<u>Cost:</u>				
Balance 01-01-2002	6,695,113	17,642,820	793,121	25,131,054
Additions	944,064	-	1,644	945,708
Balance 31-12-2002	<u>7,639,177</u>	<u>17,642,820</u>	<u>794,765</u>	<u>26,076,762</u>
<u>Depreciation</u>				
Balance 01-01-2002	(5,088,293)	(5,000,794)	(50,801)	(10,139,888)
Charge for the year	(823,311)	(308,342)	(19,782)	(1,151,435)
Balance 31-12-2002	<u>(5,911,604)</u>	<u>(5,309,136)</u>	<u>(70,583)</u>	<u>(11,291,322)</u>
<u>Net Book Value:</u>				
Balance 31-12-2002	<u><u>1,727,573</u></u>	<u><u>12,333,684</u></u>	<u><u>724,182</u></u>	<u><u>14,785,440</u></u>
Balance 31-12-2001	<u><u>1,606,820</u></u>	<u><u>12,642,026</u></u>	<u><u>742,320</u></u>	<u><u>14,991,166</u></u>

HEADQUARTERS BUILDING

1. Headquarters building, fixtures and fittings

During the period 1990 to 1993, IUCN received donations from the Swiss Confederation, the Canton of Vaud, the Commune of Gland and other donors for the purpose of constructing a facility to house the IUCN Headquarters Secretariat. The Commune of Gland gave IUCN the right to use the land, at no cost, for 50 years, beginning in 1993. As at the date of assignment, the land was valued at CHF 4,250,000; this value is not reflected in these financial statements.

Although IUCN formally owns the Headquarters building, it enjoys a restricted use and cannot dispose of it or use it as collateral without the approval of the Swiss government. If disposed of, the Swiss Government will recuperate its initial outlay plus a percentage of the value added, if applicable. The cost of the building is included in the fixed assets but there is a corresponding fund created to recognise the restricted nature of the building.

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2. Accumulated depreciation on the headquarters building

The building is depreciated over the 50-year land-use right. Depreciation began on 1 January 1993 and has been charged to the Headquarters Building Fund. Therefore the net Headquarters building asset balance of CHF 12,333,684 reflects the capitalised value of CHF 17,642,820 less the accumulated depreciation as of 31 December 2002 amounting to CHF 5,309,136 for which there is a corresponding Headquarters Building Fund shown on the balance sheet.

3. Insurance value of fixed assets

As at 31 December 2002 the fixed assets at headquarters are insured for CHF 17,310,049. The WASAA building in Kenya and the fixed assets are insured for Kenya Shillings 40 million (CHF 712,555), which is the estimated replacement value. The building in Zimbabwe and the fixed assets are insured for Zimbabwe \$ 100 million (CHF 2,426,107).

XI. STAFF LEAVE AND REPATRIATION LIABILITIES

Staff leave refers to the holiday entitlement, which had not been used by the end of the year. Since staff at Headquarters are not allowed to accumulate more than 10 days, and in view of the fact that the days would be covered as part of the normal staff notice period, it was deemed that the recognition of liabilities against staff leave was not necessary. The liability was therefore released back to reserves for Headquarters in 2002. The Regional Offices were required to review their own situations locally and do what was necessary in order to comply with local laws. There was no change in the liabilities for staff repatriation. This amount covers the estimated cost of repatriation of all international staff currently on the payroll.

XII. PROVISIONS

STATEMENT OF MOVEMENTS OF PROVISIONS

	Opening balance	Utilization	Increase	Net movement	Closing balance
Staff termination*	2,050,004	(762,997)	913,880	150,883	2,200,887
Membership arrears	1,735,207	(86,240)	77,590	(8,650)	1,726,557
Projects in deficit**	1,424,834	(848,405)	757,306	(91,099)	1,333,735
Congress 2004	350,000	-	200,000	200,000	550,000
Total Provisions	5,560,045	(1,697,642)	1,948,776	251,134	5,811,179

*The provision against costs associated with the termination of staff contracts is calculated separately for each office to be in compliance with local labour law requirements.

**The provisions against projects in deficit is funded by unrestricted income and covers projects where negotiations are still ongoing but where IUCN considers that it may not be able to obtain additional funds from donors to cover expenditures already incurred. The following is an analysis of these provisions by region:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

XII. PROVISIONS – Continued

REGION	2002	2001	Variance
Asia Region	458,664	404,999	53,665
Central Africa Region	206,406	221,285	(14,879)
Eastern Africa Region	245,314	137,380	107,934
Europe Region	102,710	504,918	(402,208)
Headquarters	109,436	3,244	106,192
Southern Africa Region	10,834	0	10,834
Western Africa Region	175,847	153,008	22,839
Other Offices*	24,524	0	24,524
TOTAL	1,333,735	1,424,834	(91,099)

*Other offices include the Environmental Law Centre in Bonn and IUCN UK office in Cambridge.

XIII. PENSION

Some Pension liabilities relating to internally managed pension schemes in Pakistan amounting to CHF 615,609 had been included under accounts payable in 2001. These liabilities and related assets have now been segregated and are not reported as part of IUCN accounts except for a clearing suspense account balance of CHF 17,699.

XIV. IUCN FUND – COUNCIL DESIGNATED RESERVES

The reserves and funds, as detailed below, are maintained to reflect the restricted nature of certain income, to protect IUCN's financial position against possible future adverse operating conditions and to ensure financing is available for future activities. During the year 2002, a total of CHF (4,199) was allocated from this reserve against an allocation to the same of CHF 168,137 in 2001. The analysis of the movements is as follows:

Council Designated Reserves	Opening Balance	Interest Income	Capital Gain (Loss)	Exchange (Loss)	Other	Closing Balance
Wasaa	201,879	854			(21,421)	181,312
Headquarters Facilities	1,924,303	13,070	67,020	(609)	(18,486)	1,985,298
World Conservation Trust	3,711,424	138,461	(127,995)	(4,250)	(50,843)	3,666,797
Total	5,837,606	152,385	(60,975)	(4,859)	(90,750)	5,833,407

XV. CURRENCY TRANSLATION ADJUSTMENT

This represents changes in the value of net assets of IUCN at the consolidation level as a result of movements of the US\$ and other currencies against the CHF.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

XVI. RESERVES AND FUND BALANCES

Following the approval of the new reserves policy by the Council in 2002, reserves and fund balances have been reclassified to reflect the new changes. Cost centres are allowed to carry forward their reserves and apply them in a decentralised manner after a transfer of 40% of any 2002 surplus to the Secretariat Contingency Fund. The Secretariat Contingency Fund previously with a balance of CHF 600,000 has now been adjusted to reflect the new reserves policy. The 2001 reserves and fund balances have not been reclassified in the Balance Sheet to reflect these changes.

	Opening balance	Reclassified	Results for the Year	Closing balance
Secretariat Contingency Fund	600,000	110,181	1,165,663	1,875,844
Cost Centre Funds	<u>3,522,410</u>	<u>(115,345)</u>	<u>(3,490)</u>	<u>3,403,575</u>
Total	<u>4,122,410</u>	<u>*(5,164)</u>	<u>1,162,173</u>	<u>5,279,419</u>

* Represents transfers from the previous year's reserves to the income & expenditure statement

XVII. CONTRIBUTIONS

In order to have one salary scale and one payroll for both Swiss and non-Swiss staff at headquarters, the practice followed since inception has been to show the taxes payable by non-Swiss staff as tax rebate as income under contributions. It includes CHF 1,224,916 (CHF 985,992 in 2001) representing the actual value of taxes that would have been paid by non-Swiss staff members exempted on the basis of the Fiscal Agreement between IUCN and the Swiss Government, which entered into effect on 1st January 1987.

XVIII. INCOME AGREEMENTS

1. Project agreements

Annex A provides the breakdown of income received from Governments, Government Agencies and International Organisations as well as from Legacies, Foundations and Corporations. It includes contributions, projects income and framework agreement income on the basis of receipts.

2. Framework agreements

Annex B provides the listing of contributions by donors under Framework Agreements from which the income was allocated to the various IUCN programmes.

XIX. OTHER OPERATING INCOME

Other operating income includes CHF 444,000 overhead and management fees charges received from RAMSAR Convention Bureau, Headquarters Cafeteria sales income of CHF 285,492, cost reimbursement from Shell International of CHF 210,349 and CIRAD of CHF 266,237. The balance is made up of miscellaneous external income received by IUCN offices around the world.