



**CGIAR SYSTEM
ORGANIZATION
AUDITED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2017**

Cover image: Coffee cherries growing in Cauca, southwestern Colombia. Source: Neil Palmer/CIAT

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INDEPENDENT AUDITOR'S REPORT

To the CGIAR System Management Board

Opinion

We have audited the financial statements of the CGIAR System Organization, which comprise the statement of financial position as at 31 December 2017, and the statement of activities and other comprehensive income, statement of changes in net asset and cash flows statements 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 CGIAR System Organization as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 CGIAR System Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRSs, 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 CGIAR System 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.

PricewaterhouseCoopers SpA

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual 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 and will 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 identified above 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 that we 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.

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 CGIAR System 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 CGIAR System 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 CGIAR System Organization to cease to continue as a going concern.

Rome, 10 September 2018

PricewaterhouseCoopers SpA

A handwritten signature in black ink, appearing to read 'R. Schübelin', written in a cursive style.

Rodrigue G. Schübelin
(Partner)

LETTER FROM THE CHAIR OF THE BOARD

Consolidating and taking a strategic outlook

The CGIAR System Organization's 2017 Financial Statements reflects its continuing and successful efforts to streamline and focus its activities as well as to support the development of a fit-for-purpose CGIAR System, in the second year of existence of the latter.

For the first time this year, the accompanying Financial Statements have been prepared in compliance with International Financial Reporting Standards (IFRS), as for several CGIAR Centers.

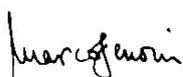
Under the leadership of its Executive Director, the System Organization has furthered the transformation of the System Management Office to ensure it can engage effectively with Funders and Partners and has the skills to deliver on an ambitious business plan that is to be developed in the 2018 year. Indeed, 2017 was a year that saw great work towards more effective strategizing and planning for the System. 2017 saw the System Organization significantly reduce its general administrative expenses compared to 2016 and speed up the disbursement of funds to Centers.

System Organization management has provided effective support to the System Council and its newly established Strategic Impact, Monitoring and Evaluation Committee in reviewing important programs such as the "Grain Legumes and Dryland Cereals" and several flagship programs of previously approved CGIAR Research Programs that still required validation before integration in to the 2017-2022 CGIAR Portfolio, or the addition of the "Breeding" platform. Significant effort has also been dedicated to the review of the role of the System Council's advisory bodies in preparation of decisions to be finalized in 2018.

Resulting from a proposal tabled at the November 2017 System Council, and subsequently endorsed, the CGIAR System is now prepared to put together a clear operational multi-year business plan, based on a cyclical concept, that is aligned to its scientific research agenda and long-run strategy. This will be a welcome addition to the existing Strategy and Results Framework.

These strategic developments will be supported by an improved capacity to define performance standards and measure compliance and achievements through a combined assurance approach. Through the consensual adoption of its Risk Management Framework, the CGIAR System now demonstrates its commitment to integrate risk management with strategy and performance. This includes reviewing outputs and outcomes of past research, ensuring that research management systems are designed and operated to generate performance in present programs and clarifying expectations from future research leading to funding decisions.

I want to give credit to the System Management Board and its Audit and Risk Committee for their exceptionally hard work in 2017, and particularly to their members, whether independent or from Centers, who completed their mandates in June 2017. I convey our gratitude to our Funders for their continued support. Finally, I would like to congratulate each member of the System Management Office's staff for their engagement and commitment to deliver on the mission and vision of the CGIAR System over 2017.



Marco Ferroni
Chair, CGIAR System Management Board

STATEMENT OF RISK MANAGEMENT

The System Management Board has ultimate responsibility for ensuring that the System Organization has in place appropriate risk management and internal control systems and practices. The Board's responsibility includes the determination of the nature and extent of the principal risks that the Board is willing to take to achieve the strategic objectives of the organization, and being satisfied that management has understood the risks, is implementing – the first line of defense - and monitoring -the second line of defense - appropriate policies, and is providing the Board with timely information so that the Board may discharge its responsibilities.

Financial, operational and reputational risk is an everyday part of CGIAR System activities given the range of actors, the number of countries in which research actions are undertaken, that CGIAR's operations are heavily focused on operating with and across multiple partnerships, and in certain settings, there are challenging development contexts that impact on day to day operations. The System Organization is one constituent part of the CGIAR System, with multiple other stakeholders having different roles and responsibilities.¹

In 2017, a new Risk Management Framework of the CGIAR System was approved. This marked a significant step toward a common and stronger approach to risk management. The Framework provides for risk management to be embedded in CGIAR's governance and management practices and throughout its control environment; it explains roles and responsibilities and describes how all the parts fit together. Because of the links between the organizational strategy and the underlying opportunities and risks, it sets out the agreed five 'strategic operational objectives' for the CGIAR System, and thus the System Organization operational entity - namely 'delivery, relevance, reputation, reliability and efficiency', with five associated 'risk families'. Within the scope of all that is possible as a System, the System's 'risk appetite statement' provides a guide on CGIAR's overall willingness to exploit opportunities to reach its three System Level Outcomes, with relevant entities ensuring that their respective risk management practices fall into line with the System's overall risk appetite. The focus is on taking the right risks, but with no tolerance for financial mismanagement or fraud. All these elements are to be reviewed on a regular basis.

This framework is based on international best practices and most recent frameworks and standards. After wide consultation with our Centers and Funders, it was endorsed by the System Management Board, and subsequently approved by CGIAR System Council in its November 2017 meeting.

This heightened focus on risk management as a daily business practice is reflected in changes in the way the System Organization now operates, particularly its System Management Office. Key deliverables have been revisited in 2017, resulting in clearer accountabilities and milestones. Internal audit requirements for the System Organization have been re-assessed and processes have been established for a systematic follow-up on the implementation of audit recommendations. Looking ahead, the System Management Board, through its Audit and Risk Committee, will review additional developments in the risk registers of the System Organization and of the CGIAR System, challenge assessments and assurance strategies.

The System Management Board's Audit and Risk Committee met six times over the 2017 year. As part of its role and responsibilities, it reviewed forecasts of available resources for the CGIAR Portfolio and monitored the financial position of the System Organization and the Centers, to be

¹ The Charter of the CGIAR System Organization, sets out these other actors, and defines their respective roles and responsibilities. <https://library.cgiar.org/bitstream/handle/10947/4370/Charter%20CGIAR%20Organization.pdf?sequence=4>

able to recommend to the Board appropriate corrective action to be taken in the circumstances of an adverse financial position.

To complete the System's risk oversight architecture, two elements falling within the responsibility of the System Management Board were approved in its December 2017 meeting;

- (i) the Risk Management Guidelines of the CGIAR System, the elements of which draw heavily upon the existing risk management policies, procedures and practices of CGIAR's Centers. The Guidelines explain how the System Management Board will be supporting delivery of the principles set out the Risk Management Framework. They require the Board to develop and oversee a CGIAR System Risk Register that includes relevant 'opportunity and risk indicators', to be reviewed regularly and they move the System progressively to increasing competence in risk maturity. Based on this approval, the now outdated Consortium Board-approved 'CGIAR Consortium Financial Governance Framework' has been repealed.
- (ii) the Terms of Reference for the CGIAR Internal Audit Function build on Center-own internal audit functions (in-house and/or regional) whenever possible, as part of a broad suite of System-wide assurance processes. New arrangements for CGIAR's Internal Audit Function adhere to the International Standards for the Professional Practice of Internal Auditing promoted by the Institute of Internal Auditors. They provide for a rolling multi-year risk-based work plan to be developed with consideration given to Centers' internal audit, existing advisory services and other sources of assurance, in the spirit of 'combined assurance' promoted by the Risk Management Framework. The System Council's newly established Assurance Oversight Committee will also be engaged in the setting of its priorities.

With the Framework and related policies and functions in place, and holding as a key principle that Center Boards remain responsible for Center-own actions, the System Management Board from 1 January 2018 onward is positioned to provide periodic assurance to the System Council through its Assurance Oversight Committee on (i) the overall status and capacity of the Centers and the System Organization (with its two component parts, the System Management Board and System Management Office) to provide reasonable assurance; (ii) whether there are gaps that exist and the proposed action to address them; and (iii) where required, the corrective action(s) that will be taken over specified time to address systemic issues.

To support the CGIAR System, the System Management Board will keep working with the Centers toward adding the following elements set out in the CGIAR System Framework and/or Charter of the System Organization: (i) a clear communication policy across the System for relevant issues; (ii) the definition and implementation of a formal whistleblowing process at System level; (iii) operational protocols for the delivery of System-wide internal audit assurance engagements and for the provision of consolidated information on such engagements; and (iv) a mechanism to resolve disputes, if any, between Centers, and between the Centers and the System Organization.



Bushra Malik, CA/CPA
Chair, Audit and Risk Committee
System Management Board

MANAGEMENT STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The CGIAR System Management Office has direct responsibility for the accounting of all System Organization expenditures and has maintained a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that the financial records of the Office are properly kept. On 17 June 2016, the CGIAR Centers and Funders adopted a 'CGIAR System Framework' that sets out the overall governing framework of the CGIAR System and provides for a System Council and a CGIAR System Organization with its two constituent parts, a CGIAR System Management Board and CGIAR System Management Office.

The accompanying annual financial statements of the CGIAR System Organization for the year ended 31 December 2017, have for the first time been prepared in accordance and are fully compliant with International Financial Reporting Standards (IFRS). The System Organization together with nine other CGIAR Centers has implemented OCS (One Corporate System) from Unit4 Business World as its Enterprise Resource Planning platform which went live in June 2014.

The CGIAR System Organization has fiduciary responsibility for funds disbursed from the CGIAR Trust Fund managed by the World Bank to Centers that are leading or participating in CGIAR Research Programs and Platforms. Consistent with prior years these funds are not reflected in the Statement of Financial Position or Statement of Activities. These funds are for the implementation of CGIAR Research Programs and Platforms and are reported in the financial statements of the respective Lead Centers.

The CGIAR System Organization engaged the CGIAR Internal Audit Unit to provide audits and recommendations regarding adequacy of the CGIAR System Organization's policies and procedures and the effectiveness of their implementation. PricewaterhouseCoopers (PwC) has been engaged to examine and report on the financial statements of the CGIAR System Organization. The firm's examination is conducted in accordance with international standards on auditing. PwC's report accompanies these 2017 Financial Statements.

Separately, the CGIAR System Organization is required to prepare aggregated CGIAR System financial information (as the annual 'CGIAR Financial Report') which is based on the 15 Centers audited financial statements and the reporting of expenditures by System Actions & Entities and is responsible for the accuracy and reliability of System financial information. The CGIAR System financial information presents management, the CGIAR System Management Board and the System Council with an accurate view of the System's operations, which enables identification and discernment of risks.



Elwyn Grainger-Jones
Executive Director

STATEMENT OF FINANCIAL POSITION

<i>(in US\$ thousands)</i>	Notes	As of 31 December,		As of 1 January,
		2017	2016	2016
Assets				
Current Assets				
Cash and cash equivalents	7	9,036	6,493	8,490
Accounts receivable				
<i>Grants Receivable - Funders</i>	8	-	-	2
<i>CGIAR Centers</i>	8	260	492	1,469
<i>Others</i>	8	115	437	402
Prepaid expenses	9	295	274	518
Total current assets		9,706	7,696	10,881
Total assets		9,706	7,696	10,881
Liabilities and net assets				
Current liabilities				
Accounts payable				
<i>Grants Payable - Funders</i>	10	6,187	4,782	5,774
<i>CGIAR Centers</i>	10	826	515	2,778
<i>Others</i>	10	212	302	473
<i>Employees</i>	10	7	-	
Accruals	11	971	728	891
Total current liabilities		8,203	6,327	9,916
Non-current liabilities				
Deferred grant revenue	12	234	258	397
Total non-current liabilities		234	258	397
Total liabilities		8,437	6,585	10,313
Net assets				
Undesignated		1,269	1,111	568
Total unrestricted net assets		1,269	1,111	568
Total net assets		1,269	1,111	568
Total liabilities and net assets		9,706	7,696	10,881

(The accompanying notes and exhibits are an integral part of these financial statements)

STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME

<i>(in US\$ thousands)</i>	Notes	For the year ended 31 December, 2017				For the year ended 31 December, 2016			
		Un-restricted	Restricted Portfolio	Restricted		Un-restricted	Restricted Portfolio	Restricted Non-Portfolio	Total
				Non-Portfolio	Total				
Grant revenue									
Windows 1 & 2	13	-	327	9,969	10,296	-	352	8,938	9,290
Bilateral	13	-	-	655	655	-	-	1,181	1,181
Total grant revenue		-	327	10,624	10,951	-	352	10,119	10,471
Other Revenue	14	1,511	-	161	1,672	1,601	-	1,114	2,715
Total revenue and gains		1,785	327	10,785	12,623	1,601	352	11,233	13,186
CGIAR collaborators	15	-	(327)	(2,538)	(2,865)	-	(352)	(1,284)	(1,636)
Non-CGIAR Collaborators	16	-	-	(1,225)	(1,225)	-	-	(791)	(791)
General and Administrative expenses	17	(1,318)	-	(7,022)	(8,340)	(1,387)	-	(8,794)	(10,181)
Total operating expenses		(1,318)	(327)	(10,785)	(12,430)	(1,387)	(352)	(10,869)	(12,608)
Financial Income	18	130	-	-	130	84	-	-	84
Financial Expenses		(165)	-	-	(165)	(119)	-	-	(119)
Surplus (deficit) for the year		158	-	-	158	179	-	364	543
Other Comprehensive income		-	-	-	-	-	-	-	-
Total surplus and Other Comprehensive income	19	158	-	-	158	179	-	364	543

(The accompanying notes and exhibits are an integral part of these financial statements)

CASH FLOW STATEMENT

<i>(in US\$ thousands)</i>	Notes	For the year ended 31 December,	
		2017	2016
Cash flows from operating activities			
Surplus for the year		158	543
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Decrease (increase) in assets			
Accounts receivable	8	554	944
Prepaid Expenses	9	(21)	244
Increase (decrease) in liabilities			
Accounts payable	10	1,626	(3,426)
Accruals	11	243	(163)
Employees	10	7	-
Deferred grant revenue	12	(24)	(139)
Net cash used in operating activities		2,543	(1,997)
Net cash used in investing activities		-	-
Cash flows from financing activities		-	-
Net increase / decrease in cash and cash equivalents		2,543	(1,997)
Cash and Cash equivalents			
at the beginning of the period	7	6,493	8,490
at the end of the period	7	9,036	6,493

(The accompanying notes and exhibits are an integral part of these financial statements)

STATEMENT OF CHANGES IN NET ASSETS

<i>(in US\$ thousands)</i>	Net Assets	Total Net Assets
	Undesignated	
Balance 1 January 2016	568	568
Net Surplus	543	543
Balance 31 December 2016	1,111	1,111
Net Surplus	158	158
Balance 31 December 2017	1,269	1,269

(The accompanying notes and exhibits are an integral part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Consultative Group on International Agricultural Research ('CGIAR') was established as a global partnership in 1971. After several reforms, on 17 June 2016 CGIAR's Centers and Funders adopted a 'CGIAR System Framework' ("Framework") that transformed the overall governance arrangements of the CGIAR System.

The Framework provides for a System Council and a CGIAR System Organization (or "System Organization"), the latter with its two constituent parts, a System Management Board and System Management Office. Effective from 1 July 2016, with the agreement of CGIAR's Centers and Funders, by decision of the former CGIAR Consortium Board on 21 June 2016 in its final decision-making role, and by decision of CGIAR's Centers effective on 30 June 2016, the Constitution was amended and replaced in its entirety with the 'Charter of the CGIAR System Organization' ("Charter"). These governance changes impacted board composition, the board's overall mandate, and the legal name of the CGIAR System Organization. There was no impact on the legal personality of the organization itself by reason that the organization's legal personality derives from the Agreement establishing the Consortium of International Agricultural Research Centers as an International Organization, effective on 20 July 2012 and its subsequent amendment, effective on 21 November 2016. That Agreement annexes the Charter as the governing document of the System Organization.

The System Organization had full operational and legal responsibility for its activities in 2016, overseen by the former Consortium Board to 30 June 2016. From 1 July 2016, the System Management Board was in place. Refer to note 6 below for membership details of the System Management Board as constituted in 2017.

Pursuant to the Charter, the purpose of the System Organization, whose financial statements are presented hereby, is to provide support to the CGIAR System. Led by the Executive Director, the System Organization manages the day-to-day operations of the System Organization, the System Management Board and the System Council, and facilitates collaboration within the CGIAR System.

The CGIAR System Organization is an independent international organization with such international legal personality as may be necessary for the exercise of its functions and powers, and the fulfillment of its purposes, including without prejudice to the generality of the foregoing, the legal capacity:

- (a) to enter into treaties, agreements, arrangements and contracts
- (b) to acquire and dispose of movable and immovable property
- (c) to institute and respond to legal proceedings

The System Organization is not subject to statutory laws and regulations which would require the entity to prepare a full set of annual financial statements. However, for the 2017 calendar year, due to decisions taken by the CGIAR System Council and the System Management Board in July 2016, the System Organization continued to operate pursuant to the 'Joint Agreement entered into between the CGIAR Consortium and the Fund Council of the CGIAR Fund represented by the World Bank'². Pursuant to article 19.3 of the Joint Agreement, the System Organization is required to present a full set of annual financial statements through to 31 December 2017 to provide all its stakeholders with a comprehensive annual review of its business performance and financial position.

² Approved by the Fund Council on 5 April 2011, and the System Management Board July 2016

Headquarters Agreement with the French Government

On 4 March 2013, the Consortium of International Agricultural Research Centers signed an Agreement with the French Government regarding “Headquarters of the Consortium and its privileges and immunities in the French Territory”³. On 31 March 2015, an agreement was signed with the Région Occitanie (formerly titled Languedoc-Roussillon) providing an office building located at 1000, avenue Agropolis, F-34394 Montpellier Cedex 5, France, from where the CGIAR System Organization operates. The building includes 790 sqm of office, meeting and open space, and the facility is built on a piece of land of approximately 1,000 sqm, which is part of the Agricultural Agropolis Park. The facility is provided by the Région Occitanie free of charge except for an agreed upon late modification for which the System Organization agreed to reimburse the Région with a payment of Euro 10,474 during the first five years of occupation. The agreement is in place for a duration of 20 years and if not renewed the facility shall be returned to the Région Occitanie.

CGIAR Centers

Acronym	Name	Headquarter location
AfricaRice	Africa Rice Center	Cote d’Ivoire
Bioversity	Bioversity International	Italy
CIAT	Centro Internacional de Agricultura Tropical	Colombia
CIFOR	Center for International Forestry Research	Indonesia
CIMMYT	Centro Internacional de Mejoramiento de Maíz y Trigo	Mexico
CIP	Centro Internacional de la Papa	Peru
ICARDA	International Center for Agricultural Research in the Dry Areas	Lebanon
ICRAF	World Agroforestry Centre	Kenya
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics	India
IFPRI	International Food Policy Research Institute	United States of America
IITA	International Institute of Tropical Agriculture	Nigeria
ILRI	International Livestock Research Institute	Kenya
IRRI	International Rice Research Institute	Philippines
IWMI	International Water Management Institute	Sri Lanka
WorldFish	WorldFish (also known under ICLARM)	Malaysia

2. Vision and Mission

CGIAR’s vision is a world free of poverty, hunger and environmental degradation. CGIAR’s mission is to advance agri-food science and innovation to enable poor people, especially poor women, to increase agricultural productivity and resilience, share in economic growth, feed themselves and their families better, and conserve natural resources in the face of climate change and other threats. CGIAR’s 2016 - 2030 Strategy and Results Framework (“SRF”)⁴ defines CGIAR’s aspirations and strategic actions to deliver on our mission, with the actions of the System Organization operationally aligned to that SRF due to the organization’s status as one part of the collective whole of the definition of the CGIAR System.⁵

³ As now amended by the French Government in December 2016, to reflect the June 2016 governance transition and the new operating name of the CGIAR System Organization.

⁴ SRF 2016 - 2030: http://www.cgiar.org/?s=strategy+and+results+framework&s_area=all

⁵ CGIAR System Framework, definitions, item (g).

3. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Organization.

3.1 Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS also covers all International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee, previously called the “Standard Interpretation Committee” (SIC).

The financial statements as of and for the year ended 31 December 2017 (“**Financial Statements**”), approved by the CGIAR’s System Management Board on 10 April 2018, have been prepared on a going concern basis. The approach adopted by the System Organization for the management of financial risks is discussed in Note 3 “Management of financial risks” below.

Being the first Financial Statements prepared by the System Organization under IFRS, it was necessary to transition the Organization’s accounts from the accounting principles set out in the CGIAR Accounting Policies and Reporting Practices Manual – Financial Guidelines Series, No. 2 to IFRS, as provided by the applicable guidance of IFRS 1 – First-time Adoption of International Financial Reporting Standards. The transition date of the Organization’s accounts is 1 January 2016 (“Transition Date”).

Financial statement formats and related classification criteria adopted by the Organization, in accordance with IAS 1 – Presentation of Financial Statements, are as follows:

- **Statement of financial position** has been prepared using the current/non-current distinction;
- **Statement of Activities and Other Comprehensive Income** has been prepared by classifying expenses based on their function;
- **Cash flow statement** presents the cash flows generated by operating activities using the “indirect method”

3.2 Other accounting policies

A brief description is provided below of the accounting policies and principles adopted in preparing the Financial Statements.

a) Foreign currency translations

i. Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the System Organization operates (the “functional currency”). The Financial Statements are presented in US Dollars, which is the Organization’s functional and presentation currency. Those assets and liabilities (excluding supplies, spare parts, property, and equipment) denominated in other currencies are converted at the exchange rate in effect at the end of each financial period. Grants received in currencies other than US Dollars are recorded at market exchange rates in effect at the time the grant is received or, if outstanding as of 31 December at the market exchange rate in effect at the year-end.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The System Organization recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the System Organization and risks and rewards of ownership of the goods were transferred to the buyer.

i. Grant revenue

Grants are recognized as revenues only when the conditions have been substantially met or the Funder has explicitly waived the condition at their fair value. Grants related to assets are recognized as a reduction of the assets and systematically taken as a reduction of depreciation over the useful life of the asset to which they refer.

- *Unrestricted grant revenue*

Unrestricted grants (including Government grants) are those received from unconditional transfers of cash or other assets to the Organization. Unrestricted grants in currencies other than US Dollars are recorded at exchange rates in effect at the time of receipt or, if outstanding as of 31 December, at the exchange rate in effect at the year's end.

- *Restricted grant revenue*

Restricted grants are those received from a transfer of resources to the System Organization in return for past or future compliance to the operating activities of the organization. Restricted grants in currencies other than US Dollars, with specific request to be paid in that currency as partner funds, are recorded as income and expenses at the exchange rate in effect at the time of payment.

ii. Other revenue

Interests, losses, and gains relating to financial instruments are reported in the statement of financial activity as expense or revenue. Interests are recorded using the effective interest rate method which discounts accurately future flows of payments and cash receipts over the expected life of the financial instrument, or a shorter duration, as applicable, with respect to the net carrying amount of the financial asset.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

Receivables are generally defined as claims held against others for the future receipt of money, goods or services and include claims from Funders, advances to employees, and advances to CGIAR Centers and claims against third parties for services rendered. Accounts receivable from Funders consist of claims from Funders for grants pledged in accordance with the terms specified by the Funder. It also pertains to claims for expenses paid on behalf of projects in excess of cash received from Funders.

Recognition

- Unrestricted grants: receivables from unrestricted grants should be recognized in full in the period specified by the Funder. Before an unrestricted grant can be recognized as revenue, sufficient verifiable evidence should exist documenting that a commitment was made by the Funder and received by the Organization.
- Restricted grants: receivables from restricted grants will be recognized in accordance with the terms of the underlying contract.
- Receivables from employees are recognized as they arise and cancelled when payment is received.
- Advances to other CGIAR Centers are recognized when the cash or other assets borrowed are delivered or when payment is made for a liability of another Center.
- Other receivables are recognized upon the occurrence of event or transaction which gives the System Organization a legal claim against others.

e) Accounts payables

These amounts represent liabilities for goods and services provided to the System Organization prior to the end of financial year, which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

f) Provisions

Provisions are recognized when the System Organization has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

When the System Organization expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense relating to a provision is presented in the statement of financial activity net of any reimbursement.

g) Employee benefits

Liabilities for wages and salaries, including bonuses that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

h) Net assets

Net assets include general designated and undesignated reserves in their utilization. Designated reserves are typically dedicated to serve the acquisition or replacement of property, plant and equipment (capital fund) and are referred to capital invested in fixed assets.

i) Rounding of amounts

All amounts disclosed in the Financial Statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Under the accrual basis of accounting, transactions and events are recognized when they occur (and not when cash or its cash equivalent is received or paid) and these are recorded in the accounting books and reported in the Financial Statements during the periods to which they relate. Expenses are recognized in the Statement of Activities and Other Comprehensive Income on the basis of a direct association between the costs incurred and the earnings of specific items of revenue.

3.3 Recently issued accounting standards

The following standards and interpretations issued by the International Accounting Standards Board (IASB) will have mandatory application in 2018 and a potential impact on the System Organization.

a) IFRS 15 - Revenue from Contracts with Customers

This standard, issued by the IASB in May 2014, requires an Institute to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive. This new revenue recognition model defines a five steps process to achieve this objective. The updated guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.

b) IFRS 9 - Financial Instruments

The improvements introduced by this new standard, issued by the IASB in July 2014, includes a logical approach for classification and measurement of financial instruments

c) IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

This was issued by the IASB in December 2016 and addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

Based on management's preliminary assessment, the new IFRS standards and interpretations referred to above are not expected to have a material impact on the CGIAR System Organization's Financial Statements.

4. Management of Financial Risks

The activities of the System Organization are exposed to the following financial risks: market risk (including exchange rate risk), credit risk, and liquidity risk.

Management of the System Organization identifies and assesses financial risks in accordance with the Risk Management Framework of the CGIAR System⁶ and the accompanying Risk Management Guidelines of the CGIAR System⁷.

4.1 Market risk

The System Organization is exposed to market risks associated with exchange rates

a) Exchange rate risk

The System Organization operates internationally and is exposed to foreign exchange risk arising when its business transactions are in currencies other than US Dollars, the latter being the currency with which the organization predominantly operates. The System Organization is exposed to foreign currency risk arising primarily through foreign exchange operations risk. Although the System Organization predominantly executes operating activities in US Dollars, it is nevertheless exposed to foreign currency risk in connection with scheduled payments in currencies other than US Dollars.

In general, this mainly relates to foreign currency denominated payables for local and international operations. The System Organization monitors the exposure to foreign currency risk arising from operating activities and based on the limited transactions in foreign currencies does not use derivative financial instruments to hedge its foreign exchange exposure in relation to investments or cash flows.

The System Organization is primarily exposed to changes in US\$/EUR exchange rates. The sensitivity of the Statement of Activities and Other Comprehensive Income to changes in the exchange rate arises mainly from EUR denominated cash and cash equivalents, accounts receivable and payables. The sensitivity to a +/- 10% exchange rate US/EUR in comparison with the average actual 2017 exchange rate is in the order of US\$ 1,243 (10 % increase) to US\$ 1,017 (10% decrease). As for the comparative year, the sensitivity to a +/-10% exchange rate US/EUR is in the order of US\$ 1,218 (10% increase) and US\$ 0,997 (10% decrease).

b) Price risk

The System Organization does not hold any financial instruments subject to price risk.

c) Interest rate risk

The System Organization is not subject to any significant interest rate risk as the only maturing interest rate are on the bank accounts.

4.2 Credit risk

The System Organization's credit risk represents the exposure of the System Organization to potential losses due to counterparty inability to discharge the obligations undertaken. This exposure mainly relates to trade receivables deriving from claims for grants promised or pledged or for expenses paid on behalf of its operation or projects in excess of cash received from Funders.

⁶ Approved 10 November 2017, <https://www.cgiar.org/wp-content/uploads/2018/01/Risk-Management-Framework-APPROVED.pdf>

⁷ Approved 11-12 December 2017, <https://www.cgiar.org/wp-content/uploads/2018/02/Risk-Mgmt-Guidelines-APPROVED.pdf>

The credit risk for the System Organization’s operation is considered low due to the fact that its primary function is that of a secretariat and not an implementer of projects. In addition, Funders consist primarily of large international organizations, and governments. In the ordinary course of business, the System Organization faces the risk that receivables may not be paid on the due date leading then to an increase in their age and in insolvency.

To mitigate the credit risk associated with its counterparties, System Organization management constantly reviews its credit exposure and monitors the collection of receivables on the contractually agreed due dates. The assets are reported gross of impairment losses calculated based on the default risk of the counterparties, taking into account the information available on solvency as well as historical data.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as accounts receivable. Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss to the System Organization. For banks and financial institutions, only reputable well-established financial institutions, are accepted. For trade receivables:

- Reviews of aging reports are carried out monthly and provisions for doubtful amounts made for any potentially irrecoverable amounts.
- Advances to partner and hosted Centers are subject to the System Organization’s internal requirements to limit losses arising from funds advanced by the System Organization.

The assets are reported gross of impairment losses calculated on the basis of the default risk of the counterparties, taking into account the information available on solvency as well as historical data.

<i>(in US\$ thousands)</i>	As of 31 December	
	2017	2016
Not yet overdue	178	535
Overdue 1 - 30 days	30	-
Overdue 30 - 90 days	11	39
Overdue 91 - 120 days	45	41
Overdue by more than 120 days	111	314
Total	375	929

4.3 Liquidity risk

Liquidity risk takes place when the System Organization does not have enough financial resources available to meet its financial obligations and commitments when due. The System Organization’s management of liquidity risk in the ordinary course of business involves maintaining a sufficient level of cash to maximize the efficiency of management of financial resources.

Cash flows required to settle other financial liabilities, other than those to lenders, do not differ significantly from the recognized carrying amount. In this regard, it is noted that:

- various sources of finance are available from different banks;
- there is no significant concentration of liquidity risk, either in relation to financial assets or in relation to the sources of finance due to short-term period

As of 31 December 2017	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
<i>(in US\$ thousands)</i>				
Payables	7,232	7,232	-	-
Other current and non-current liabilities	1,205	971	234	-
Total	8,437	8,203	234	-

As of 31 December 2016	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
<i>(in US\$ thousands)</i>				
Payables	5,599	5,599	-	-
Other current and non-current liabilities	986	728	258	-
Total	6,585	6,327	258	-

As of 1 January 2016	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
<i>(in US\$ thousands)</i>				
Payables	9,025	9,025	-	-
Other current and non-current liabilities	1,288	891	397	-
Total	10,313	9,916	397	-

5. Use and Estimate assumptions

The preparation of financial statements requires that accounting standards and methods be applied, which in certain cases depend on subjective measurements and estimates based on past experience as well as assumptions which, on a case-by-case basis, are considered reasonable and realistic in the specific circumstances. The use of such estimates and assumptions influences the amounts reported in the statement of financial position, the comprehensive income statement, the statement of cash flows and the explanatory notes. Actual results for such items may differ from the amounts reported in the Financial Statements due to the uncertainties that characterize the assumptions and conditions on which such estimates were made.

6. CGIAR System Management Board

As described in Note 1, CGIAR adopted a revised governance model in 2016, approved by the Centers and Funders in June 2016. As part of that revised model, the CGIAR System Management Board became the governing body of the CGIAR System Organization from 1 July 2016.

The Board's inaugural members were appointed for 1-year period and a revised membership appointed from 1 July 2017. Tables 1 and 2 below set out Board composition during the 2017 fiscal year:

- Table 1: The inaugural list of CGIAR System Management Board members from 1 July 2016 until 30 June 2017.
- Table 2: The list of CGIAR System Management Board members from 1 July 2017.

Table 1:

Member	Representation	Term
Martin Kropff	<i>Interim Chair</i> Center Director General	Until 30 June 2017
Catherine Bertini	Independent Member	Until 30 June 2017
Eugene Terry	Independent Member	Until 30 June 2017
Shenggen Fan	Center Director General	Until 30 June 2017
Gordon MacNeil	Center Board Member	Until 30 June 2017
Bushra Naz Malik	Center Board Member	Until 30 June 2017
Jimmy Smith	Center Director General	Until 30 June 2017
Margret Thalwitz	Center Board Member	Until 30 June 2017
Ann Tutwiler	Center Director General	Until 30 June 2017
Elwyn Grainger-Jones <i>(ex-officio non-voting)</i>	Executive Director, CGIAR System Organization	Until successor appointed

Table 2:

Members	Representation	Term
Marco Ferroni	<i>Chair</i> Independent Member	Until 31 August 2019
Kanayo F. Nwanze	Independent Member	Until 31 August 2019
Ann Tutwiler	Center Director General	Until 31 August 2018
Barbara Wells	Center Director General	Until 31 August 2019
Geoff Hawtin	Center Board Member	Until 31 August 2019
Gordon MacNeil	Center Board Member	Until 31 August 2018
Jimmy Smith	Center Director General	Until 31 August 2018
Margret Thalwitz	Center Board Member	Until 31 August 2018
Martin Kropff	Center Director General	Until 31 August 2018
Elwyn Grainger-Jones <i>(ex-officio non-voting)</i>	Executive Director, CGIAR System Organization	Until successor appointed

CURRENT ASSETS

7. Cash and cash equivalents

The following table sets forth a breakdown of Cash and cash equivalents:

(in US\$ thousands)	As of 31 December		As of 1 January
	2017	2016	2016
BNPPARIBAS USD Account	7,701	2,860	6,422
BNPPARIBAS - ICARDA funds in trust USD Account	901	178	1,555
BNPPARIBAS Euro Account	250	1	508
ARKEA bank Enterprise USD Account	166	1,508	-
Société Marseillaise de Crédit (SMC) USD Account	11	1,857	-
ARKEA bank Enterprise EUR Account	1	1	-
Société Marseillaise de Crédit (SMC) EUR Account	-	82	-
Cash at bank	9,030	6,487	8,485
Petty Cash	6	6	5
Total	9,036	6,493	8,490

In 2016, the System Organization for convenience purposes added two new bank facilities in addition to the existing bank facility with BNP Paribas. Société Marseillaise de Crédit (“SMC”) and ARKEA Banque Entreprises et Institutionnels (“ARKEA”). In all Banks, a US Dollars and Euros (EUR) account is active.

Short term investments were made during the year, namely one Certificate of Deposit (‘CoD’) per month in the amount of estimated monthly salary and benefit commitments in US Dollars with ARKEA and for the last months of 2017 with BNP Paribas. The investment return is accounted for as financial income.

The renewed agreement between ICARDA and the then named CGIAR Consortium (now System Organization) was amended in 2016 until December 2017 to maintain funds in US Dollars in a trust account to support and help alleviate the difficulties and delays which ICARDA experiences with its bank transactions because of geopolitical circumstances.

8. Accounts receivable

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful accounts.

8.1 Accounts receivables – Funders

(in US\$ thousands)	As of 31 December		As of 1 January
	2017	2016	2016
Transition budget	-	-	2
Total	-	-	2

‘Accounts receivables – Funders’ consist of claims for grants promised from Funders or pledged in accordance with the terms specified by the Funder. It also pertains to claims from Funders for expenses paid on behalf of projects in excess of cash received.

8.2 Accounts receivables – CGIAR Centers

(in US\$ thousands)	As of 31 December		As of 1 January
	2017	2016	2016
World Agroforestry	65	105	130
ILRI	36	24	48
CIFOR	33	34	13
CIP	29	14	115
CIMMYT	28	-	14
IITA	24	47	99
AfricaRice	16	44	19
ICARDA	13	23	107
IFPRI	5	31	41
IRRI	3	32	268
Bioversity	2	-	373
CIAT	2	34	33
IWMI	2	34	62
ICRISAT	1	17	64
World Fish	1	53	83
Total	260	492	1,469

'Accounts receivables – CGIAR Centers' mainly consist of receivables for meetings hosted arrangements, shared services and others.

8.3 Accounts receivables – Others

(in US\$ thousands)	As of December 31,		As of January 1,
	2017	2016	2016
VAT Reclaimable	53	90	52
Sundry Accounts Receivable	47	81	39
AIARC	15	262	311
Secured Deposit	-	4	-
Total	115	437	402

'Accounts receivable – Others' mainly consist of:

- VAT reimbursement requested in the first quarter of 2018;
- The substantive portion of sundry accounts receivables concerns IT services purchased by the System Organization and to be charged to the Centers. Nominal amounts include travel advances for staff and others supplier advances before final settlement of invoices in 2017.
- AIARC⁸, a third-party supplier to the System Organization, processes the monthly payroll and administers pension and healthcare plans for the System Organization personnel. AIARC requires funds in advance to provide these services.
- Under the System Organization's bad debt policy, the System Organization is required to make provision for those Accounts receivable which are past due for certain periods. A provision of US\$ 7 thousand had been set up in 2016 for an overpayment for a supplier and was reversed in 2017. No provision was made in 2017.

⁸ The Association of International Agricultural Research Centers (AIARC) is a not-for-profit 501(c)(3) membership corporation, headquartered in Alexandria, Virginia, USA.

9. Prepaid expenses

The following table sets forth a breakdown of prepaid expenses:

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
Shared Services	153	187	300
CGIAR System Organization	107	60	76
IAU	23	27	141
Open Access	12	-	1
Total	295	274	518

The System Organization prepaid certain operating expenses primarily related to building maintenance and services.

The System Organization provides several shared services to support Center operations, the fees for which are paid by the System Organization and subsequently invoiced to the respective Centers. The reduction in pre-payments between 2015 and 2016 is essentially due to CGNET (email services) invoices now being issued half yearly.

CURRENT LIABILITIES

10. Accounts payable

10.1 Grants payable – Funders and other sources

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
W1&2 funds	5,388	-	-
4 per 1000	270	-	-
Gender	218	2,347	2,715
Open Access	140	924	1,243
CGIAR Centers - Board Orientation Program	95	96	88
Strengthening Impact Assessment in CGIAR	70	443	728
Virtual Information Platform	7	972	1,000
Total	6,188	4,782	5,774

These include grants received from Funders which conditions for revenue recognition are not yet met and amounts payable to Funders in respect of any unexpended funds received in advance for signed contracts.

In February 2017, the CGIAR System Organization transferred US\$ 2.6 million to FAO in Rome to pre-finance the 2017 operations of the System Council's Independent Science and Partnership Council and the Independent Evaluation Arrangement. This amount was partially reimbursed by the World Bank Trustees in October 2017 with a transfer of US\$ 680 thousand. The World Bank Trustees in November 2017 also transferred the amount of US\$ 4.424 million to finance the System Organization's 2018 budget.

The System Management Board authorized the Executive Director to sign, on behalf of the System Organization, an agreement for the hosting of the Secretariat of the 4 per 1000 Initiative, with effect from June 2017. The balance as of 31 December 2017 is US\$ 270 thousand.

The Gender Special Initiative project came to an end in March 2017, although reporting on results and impact will take at least until Q1 of 2019. The residual funds of US\$ 218 thousand will remain in the System Organization accounts in favor of the Gender Special Initiative until the project is officially finalized. Remaining funds will be returned to the W1/2 account of the World Bank Trustee.

Concurrent with the submission of the CGIAR 2017 – 2022 Portfolio of CRP and Platform proposals in July 2016, it was decided that with effect from 1 January 2017 the Open Access Open Data (OA-OD) Special Initiative project is incorporated into the Big Data Platform, which is led by CIAT. Since IFPRI is leading Module 1 of the Big Data Platform, it agreed that the System Organization will keep the remaining funds in the OA-OD Special Initiative project to cover operating costs and monthly expenses of Big Data Platform staff hosted by the System Organization until such OA-OD funds are exhausted.

At the decision of CGIAR Centers, the Center-led Board Orientation Program took place in September 2017. Expenditures were covered by via a fee course fee paid

by participants' Centers, with any remaining funds held on behalf of the Board Orientation Program for use in the 2018 Board Orientation Program.

The Strengthening Impact Assessment in the CGIAR ("SIAC") Special Initiative project came to an end in June 2017. Bill and Melinda Gates Foundation agreed that excess funds can be used while phase two of SIAC is approved.

10.2 Accounts payable – Employees

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
Travel expenses claims to be reimbursed	7	-	-
Total	7	-	-

10.3 Accounts payable – CGIAR centers

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
ICARDA Funds in Trust	762	65	1,555
ILRI	18	-	1
CIAT	13	4	-
Bioversity	11	46	81
IFPRI	3	136	616
CIP	2	1	-
ICARDA	2	-	1
ICRISAT	1	8	1
World Agroforestry	14	53	508
IITA	-	2	3
IRRI	-	-	6
World Fish	-	200	6
Total	826	515	2,778

As explained in Note 7, a 'Funds In-Trust' account was established to support ICARDA's financial transactions.

The increase in accounts payable is mainly the result of balancing the ICARDA Funds in Trust account at year-end and agreements and clarification reached with IFPRI, Bioversity, WorldFish and World Agroforestry Centre on outstanding payments.

10.4 Accounts payable – Others

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
Trade	212	302	473
Total	212	302	473

Includes pending invoices for consultancy fees (US\$ 113 thousand) and other commercial suppliers (US\$ 100 thousand).

11. Accruals

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
CGIAR System Organization	664	378	355
Provision for unused leave	199	185	246
Open Access	85	3	30
System Council	17	-	-
Internal Audit Unit	6	104	121
Gender	-	58	139
Total	971	728	891

'Accruals' represent transactions recorded in the books in 2017, even if payment was not yet made at the end of the reporting period.

According to the principle of separation of fiscal years or reporting periods, this amount is composed of accruals made for supplies and services received and expenses incurred before 31 December 2017, for which invoices were not yet received. Some of these bear a date post 31 December 2017.

The accruals for the System Organization concern:

- salary costs (US\$ 329 thousand),
- consultancy fees (US\$ 266 thousand) including those for the preparation of CGIAR corporate level reports for 2017,
- the Managing Agricultural Research for Learning & Outcomes (MARLO) online platform (US\$ 140 thousand),
- PwC consultancy fees (US\$ 40 thousand),
- pending reimbursements for 2017 end of year meetings (US\$ 110 thousand), and
- other miscellaneous costs related to the 2017 year.

NON-CURRENT LIABILITIES

12. Deferred grant revenue

Deferred income relates to money already received from Centers for shared-services contracts that have not yet expired. The income relating to 2017 has been deferred to that year.

<i>(in US\$ thousands)</i>	As of 31 December		As of 1 January
	2017	2016	2016
Deferred income CGNET	129	-	-
Shared Services - ESRI	37	43	39
Shared Services - Journals	33	79	9
Shared Services - ENVI	15	46	45
Deferred income INSIDE NGO	9	-	-
Shared Services - Blue Jeans	8	52	227
Deferred income WinZip	3	-	-
Shared Services - others	-	38	-
CGIAR System Organization	-	-	47
Internal Audit Unit	-	-	30
Total	234	258	397

The main deferred shared-services contracts are subscription support for which the contract periods do not coincide with the calendar year.

REVENUE AND GAINS

The major portion of CGIAR System Organization revenue is derived through the receipt of contributions from funders – either “unrestricted” or “restricted”.

- Unrestricted contributions are those received from unconditional transfers of cash or other assets to the Organization. Unrestricted grants in currencies other than US Dollars are recorded at exchange rates in effect at the time of receipt or, if outstanding as of December 31, at the exchange rate in effect at the year’s end.
- Restricted grants are those received from a transfer of resources to the System Organization in return for past or future compliance related to the operating activities of the System Organization. Restricted grants in currencies other than US Dollars, with specific request to be paid in that currency as partner funds, are recorded as income and expenses at the exchange rate in effect at the time of payment. These grants revenue can be further split as follows:

13. W1&2 and Grant Revenue

Window 1 & 2 revenues

- *Restricted Non-portfolio:*
Window 1 & 2 funds received from the now former ‘CGIAR Fund’ (which ended on 31 December 2016) and the ‘CGIAR Trust Fund’ (in operation from 1 January 2017) for the normal operation of the System Management.
- *Restricted portfolio:*
For Special Initiative projects as approved by the former Fund Council. This revenue is recognized only to the extent that the specific work has been completed on the date of financial reporting.

(in US\$ thousands)	For the year ended 31 December			
	2017		2016	
	Restricted portfolio	Restricted Non-Portfolio	Restricted portfolio	Restricted Non-Portfolio
W1 & 2 Funds	-	6,422	-	6,810
Gender	327	1,798	363	1,623
Virtual Information Platform	-	965	-	27
Open Access	-	784	(11)	330
Transition	-	-	-	98
Fund Effectiveness Working Group	-	-	-	50
Total	327	9,969	352	8,938

Bilateral grants:

Funding, either unrestricted or related to Portfolio or to other research activities (if restricted), that flow directly from Funders to System Organization.

<i>(in US\$ thousands)</i>	For the year ended 31 December			
	2017		2016	
	Restricted Portfolio	Restricted Non-Portfolio	Restricted Portfolio	Restricted Non-Portfolio
Bill & Melinda Gates Foundation	-	562	-	1,125
GFAR-Shared Services	-	-	-	44
4 per 1000	-	93	-	-
FAO Services	-	-	-	12
Total	-	655	-	1,181

14. Other Revenue

<i>(in US\$ thousands)</i>	For the year ended 31 December			
	2017		2016	
	Unrestricted	Restricted Non-Portfolio	Unrestricted	Restricted Non-Portfolio
Shared Services	1,199	-	1,135	-
Others-reimbursement of expenses	96	-	270	-
Income tax	173	-	196	-
BOP revenue	44	-	-	-
IAU revenue	-	161	-	1,114
Total	1,511	161	1,601	1,114

Other Revenue represents the following:

- a) Income from provision of services to Centers and partners. The System Organization leverages the combined purchasing power of CGIAR to provide maximum value for money to the Centers and might charge a nominal fee which contributes to cover its cost.
- b) Nominal administrative charges levied on hosted Special Initiative projects.

The Fund Use Agreement for Special Initiatives was signed in March 2015. Since the former Fund Council's approval in April 2014, costs for the Gender Initiative were accrued. Costs were also accrued in 2014 for Open Access - Open Data, and the former Fund Council approved on a no-objection basis this Special Initiative project in January 2015.

As part of the transition arrangements it was agreed that the System Organization continues to manage and administer the ongoing special Initiatives projects until they are transferred to Centers or the projects come to an end.

15. CGIAR collaborators

<i>(in US\$ thousands)</i>	For the year ended 31 December			
	2017		2016	
	Restricted Portfolio	Restricted Non-Portfolio	Restricted Portfolio	Restricted Non-Portfolio
Gender	327	1,053	362	1,016
Virtual Information Platform	-	928	-	-
Strengthening Impact Assessment in CGIAR	-	264	-	217
Other Special Initiative	-	240	-	51
Open Access	-	53	(10)	-
Total	327	2,538	352	1,284

The most significant amount of CGIAR collaborator expenditures were recorded on behalf of the Gender Special Initiative and Big Data initiative.

16. Non - CGIAR collaborators

<i>(in US\$ thousands)</i>	For the year ended 31 December			
	2017		2016	
	Restricted Portfolio	Restricted Non-Portfolio	Restricted Portfolio	Restricted Non-Portfolio
Gender	-	412	-	-
Open Access	-	280	-	-
Strengthening Impact Assessment in CGIAR	-	277	-	772
System Organization	-	244	-	19
General Assembly	-	12	-	-
Total	-	1,225	-	791

Non-CGIAR collaborators in the above table refers to non-CGIAR partnerships in support of the special initiatives or CGIAR entities mentioned.

17. Expenditures by Natural classification

The following table sets forth a breakdown of Operating Expenses:

<i>(in US\$ thousands)</i>	For the year ended 31 December	
	2017	2016
Personnel Costs	4,478	5,076
Supplies and Services	3,237	4,300
CGIAR Collaboration Costs	2,865	1,636
Other Collaboration Costs	1,225	791
Travel	625	712
Indirect Cost Recovery	-	44
Depreciation	-	49
Total	12,430	12,608

TRANSITION TO IFRS

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from CGIAR Accounting Policies to IFRS.

i) IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from CGIAR Accounting Policies to IFRS.

Estimates

IFRS estimates as of 1 January 2016 are consistent with the estimates as of the same date made in conformity with CGIAR Accounting Policies.

ii) IFRS optional exceptions

The System Organization has made use of the following exceptions permitted by IFRS 1:

Property, plant and equipment

In accordance with IFRS transitional provisions, the System Organization elected to apply IFRS relating to property, plant and equipment prospectively from 1 January 2016. As such, CGIAR Accounting Policies' balances relating to property, plant and equipment have been considered and carried forward without adjustment. For clarification, there is a zero balance as of 1 January 2017.

iii) Reconciliations of CGIAR Accounting Policies to IFRS

IFRS 1 requires the System Organization to reconcile net assets and comprehensive income for prior periods. The following tables represent the reconciliations from CGIAR Accounting Policies to IFRS for the respective periods noted for net assets, earnings and comprehensive income.

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION AS OF 1 JANUARY 2016

<i>(in US\$ thousands)</i>	Note	CGIAR Accounting Policies	Reclassification	Adjustments	IFRS
Assets					
Current Assets					
Cash and cash equivalents		8,490	-	-	8,490
Accounts receivable			-	-	-
<i>Grants Receivable - Funders</i>		2	-	-	2
<i>CGIAR Centers</i>		1,469	-	-	1,469
<i>Others</i>		402	-	-	402
Prepaid expenses		518	-	-	518
Total current assets		10,881	-	-	10,881
Total assets		10,881	-	-	10,881
Liabilities and net assets					
Current liabilities					
Accounts payable					
<i>Grants Payable - Funders</i>		5,774	-	-	5,774
<i>CGIAR Centers</i>		2,778	-	-	2,778
<i>Others</i>		473	-	-	473
<i>Employees</i>		-	-	-	-
Accruals		891	-	-	891
Total current liabilities		9,916	-	-	9,916
Non-current liabilities					
Deferred grant revenue		397	-	-	397
Total non-current liabilities		397	-	-	397
Total liabilities		10,313	-	-	10,313
Net assets					
Undesignated		568			568
Total unrestricted net assets		568	-	-	568
Total net assets		568	-	-	568
Total liabilities and net assets		10,881	-	-	10,881

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

<i>(in US\$ thousands)</i>	Note	CGIAR Accounting Policies	Reclassification	Adjustments	IFRS
Assets					
Current Assets					
Cash and cash equivalents		6,493	-	-	6,493
Accounts receivable			-	-	-
<i>Grants Receivable - Funders</i>		-	-	-	-
<i>CGIAR Centers</i>		492	-	-	492
<i>Others</i>		437	-	-	437
Prepaid expenses		274	-	-	274
Total current assets		7,696	-	-	7,696
Total assets		7,696	-	-	7,696
Liabilities and net assets					
Current liabilities					
Accounts payable					
<i>Grants Payable - Funders</i>		4,782	-	-	4,782
<i>CGIAR Centers</i>		515	-	-	515
<i>Others</i>		302	-	-	302
<i>Employees</i>		-	-	-	-
Accruals		728	-	-	728
Total current liabilities		6,327	-	-	6,327
Non-current liabilities					
Deferred grant revenue		258	-	-	258
Total non-current liabilities		258	-	-	258
Total liabilities		6,585	-	-	6,585
Net assets					
Undesignated		1,111			1,111
Total unrestricted net assets		1,111	-	-	1,111
Total net assets		1,111	-	-	1,111
Total liabilities and net assets		7,696	-	-	7,696

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

<i>(in US\$ thousands)</i>	Note	CGIAR Accounting Policies	Reclassification	Adjustments	IFRS
Assets					
Current Assets					
Cash and cash equivalents		9,036	-	-	9,036
Accounts receivable			-	-	-
<i>Grants Receivable - Funders</i>		-	-	-	-
<i>CGIAR Centers</i>		260	-	-	260
<i>Others</i>		115	-	-	115
Prepaid expenses		295	-	-	295
Total current assets		9,706	-	-	9,706
Total assets		9,706	-	-	9,706
Liabilities and net assets					
Current liabilities					
Accounts payable					
<i>Grants Payable - Funders</i>		6,187	-	-	6,187
<i>CGIAR Centers</i>		826	-	-	826
<i>Others</i>		212	-	-	212
<i>Employees</i>		7	-	-	7
Accruals		971	-	-	971
Total current liabilities		8,203	-	-	8,203
Non-current liabilities					
Deferred grant revenue		234	-	-	234
Total non-current liabilities		234	-	-	234
Total liabilities		8,437	-	-	8,437
Net assets					
Undesignated		1,269			1,269
Total unrestricted net assets		1,269	-	-	1,269
Total net assets		1,269	-	-	1,269
Total liabilities and net assets		9,706	-	-	9,706

RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2016

<i>(in US\$ thousands)</i>	Note	CGIAR Accounting Policies	Reclassification	Adjustments	IFRS
Grant revenue					
<i>Windows 1 & 2</i>		9,290	-	-	9,290
<i>Bilateral</i>		1,181	-	-	1,181
Total grant revenue		10,471	-	-	10,471
Other Revenue	(a)	3,478	(606)	(157)	2,715
Total revenue and gains		13,949	(606)	(157)	13,186
CGIAR collaborators		(1,636)	-	-	(1,636)
Non-CGIAR Collaborators		(791)	-	-	(791)
General and Administrative expenses	(a)	(10,944)	606	157	(10,181)
Total operating expenses		(13,371)	606	157	(12,608)
Financial Income		84	-	-	84
Financial Expenses		(119)	-	-	(119)
Net financial income (expenses)		(35)	-	-	(35)
Surplus / (Deficit) for the year		543	-	-	543

RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2017

<i>(in US\$ thousands)</i>	Note	CGIAR accounting Policies	Reclassification	Adjustments	IFRS
Grant revenue					
<i>Windows 1 & 2</i>		10,296	-	-	10,296
<i>Bilateral</i>		655	-	-	655
Total grant revenue		10,951	-	-	10,951
Other Revenue	(a)	1,872	(200)	-	1,672
Total revenue and gains		12,823	(200)	-	12,623
CGIAR collaborators		(2,865)	-	-	(3,017)
Non-CGIAR Collaborators		(1,225)	-	-	(1,073)
General and Administrative expenses	(a)	(8,540)	200	-	(8,340)
Total operating expenses		(12,630)	200	-	(12,430)
Financial Income		130	-	-	130
Financial Expenses		(165)	-	-	(165)
Net financial income (expenses)		(35)	-	-	(35)
Surplus / (Deficit) for the year		158	-	-	158

iv) Reclassifications

The adoption of IFRS has required certain reclassifications that have had no effect on either the result for the year or net assets. Such reclassifications mainly relate to a different classification of certain expenses incurred by CGIAR.

18. Financial Incomes and Financial Expenses

Represents realized and unrealized exchange gain and loss during the year, including interests from investments, as indicated in Note 7, and bank charges.

19. System Organization Specific Funder Arrangements

On 23 March 2017, a funding arrangement between Canada, represented by the Minister for International Development acting through the Department of Foreign Affairs, Trade and Development ('DFATD'), and the CGIAR System Organization was signed allowing Canada to contribute funding for the CGIAR Portfolio 2017-2022 through the System Organization while transferring funds directly to the CGIAR Trust Fund administered by the World Bank (schedule II).

20. Events subsequent to the reporting period

In January 2018 the System Management Office structure was adjusted to ensure a more effective operational alignment. The Finance and Program Performance Unit was separated into two distinct units, the Finance Unit and the Program Performance Unit. The System Organization management account structure is adjusted accordingly.

As foreshadowed by the Charter of the CGIAR System Organization, the System Management Board approved in December 2017 the terms of reference and process for fulfilling the Internal Audit Function, considering inputs from the System Council and audit arrangements of the Centers. With effect from 1 January 2018 the Internal Audit Function provides independent and objective assurance and advisory and consultative services to the Board and to the System Council.

The System Organization is one of several System actions and entities financed through the Cost Share Percentage ('CSP') that is applied to funding received through Windows 1, 2 and 3 and collected from Centers bilateral grants. In case funding provided to System actions and entities is in excess of actual expenditures, such funding should be applied to the following budget year or returned to Window 1 of the CGIAR Trust Fund.

SCHEDULE I - RESTRICTED PROJECTS

CGIAR System Organization Schedule of Restricted Projects

For the year ended as of 31 December 2017
(In Thousands of US\$)

Donor and Program Projects	CRP Code	Funding Type	Starting Date	Ending Date	Grant Pledged	Expenditures Prior Years	Expenditures 2017	Total Expenditures
Restricted projects: Bilateral, W1, W2 & W3								
Bill & Melinda Gates								
Strengthening Impact Assessment in the CGIAR System	BU10023	Bilateral	11/9/2012	12/31/2018	4,085	3,435	562	4,015
Open Access and Open Data - part 1	BU10014	W1	1/10/2015	1/9/2017	2,380	1,456	784	2,240
Fund Effectiveness Working Group	BU10059	Bilateral			50	54		54
Total Bill & Melinda Gates					6,516	4,963	1,346	6,309
ex Fund Office through W1								
Gender Management and Administration	BU10015	W1	5/7/2014	3/31/2017	780	631	107	738
Electronic Platform	BU10031	W1	5/7/2014	3/31/2017	530	288	233	521
Knowledge Sharing Workshops	BU10032	W1	5/7/2014	3/31/2017	690	487	45	532
Leadership Development	BU10033	W1	5/7/2014	3/31/2017	300	90	129	219
Mentoring and Coaching	BU10034	W1	5/7/2014	3/31/2017	1,125	590	576	1,166
Postdoctoral Fellowships	BU10035	W1	5/7/2014	3/31/2017	2,400	1,445	999	2,444
PDF external assessment	BU10054	W1	5/7/2014	3/31/2017	55	5	37	42
Total Fund Office					5,880	3,536	2,126	5,662
Russian Federation through W1								
Virtual Information Platform	BU10044	W1	11/2/2015	11/2/2017	1,000	28	965	993
Total Russian Federation					1,000	28	965	993
Total Restricted Projects					13,396	8,527	4,437	12,964

SCHEDULE II - LIST OF FUNDERS SUPPORTING CGIAR BY SIGNING A FUNDING AGREEMENT DIRECTLY WITH THE SYSTEM ORGANIZATION

CGIAR System Organization

Schedule of Funding Arrangements

For the year ended as of 31 December 2017
(Thousands of CAD)

FUNDER	funding type	related year	currency	grant pledged	disbursements	Total expenditures
Canada contribution ⁽¹⁾	W1	23/03/2017	CAD	10,000	10,000	-
TOTAL				10,000	10,000	10,000

⁽¹⁾ In line with the agreed “funding arrangements” between Her Majesty the Queen in right of Canada, represented by the Minister for International Development acting through the DFATD and CGIAR System Organization signed on 23 March 2017, Canada transferred directly the funds to the World Bank.



CGIAR is a global research partnership for a food-secure future. CGIAR science is dedicated to reducing poverty, enhancing food and nutrition security, and improving natural resources and ecosystem services. Its research is carried out by 15 CGIAR Research Centers in close collaboration with hundreds of partners, including national and regional research institutes, civil society organizations, academia, development organizations and the private sector.

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