

FINANCIAL REPORT

CIP's total revenues in 2002 were US\$18.72 million, 2 percent lower than the 2001 revenues. Total revenues included US\$8.36 million of unrestricted donations and US\$10.36 million of restricted donations. At the end of 2002, US\$4 million (21 percent of total revenues) had not been received.

CIP's donations are received in US dollars (40 percent, or US\$7.54 million), euros (19 percent, or US\$3.46 million), Swiss francs (12 percent, or US\$2.20 million), yen (4 percent, or US\$0.71 million), and various other currencies (25 percent). In 2002, the US dollar depreciated against the major currencies creating an exchange gain of US\$0.32 million.

In response to the continuing drop in revenues, CIP underwent a downsizing exercise. In addition, the Center took measures to improve the operational efficiency, to closely monitor expenditures, and to raise efforts in fund raising. These actions were fundamental to reduce significantly the expected deficit to US\$0.6 million.

Accumulated expenditures reached US\$19.3 million in 2002, 8 percent below the total budget for the year. Expense reductions were possible in all categories, especially in those expense lines funded by unrestricted donations. Total savings achieved compared to the budget were US\$1.3 million, which compensated falling budgeted revenues.

New project donation approvals increased substantially. During the year, donation approvals, excluding earmarked funding, reached US\$10.8 million, 23 percent above the previous year and three times those approved in 1999. The backlog of projects pending approval from donors was fairly stable at US\$19.5 million.

In addition, austere and prudent policies made it possible to reduce indirect costs from 14 percent in 2001 to 13 percent in 2002. It is expected that in the future, indirect costs will continue to decline as the center expands its research program.

The financial results reduced the operating reserve from US\$2.1 million in 2001 to US\$1.8 million in 2002. In order to better align financial reserves to potential risks, the account accruals and provisions was redefined and a new target of US\$0.95 million was established, in order for it to serve as a contingency reserve. The contingency reserve would cover

unexpected risks that reduce revenues or increase expenses, such as donor cancellations, exchange rate losses, unplanned staff relocations, etc. The new definition made it possible to reallocate US\$0.35 million from the account accruals and provisions to the operating fund.

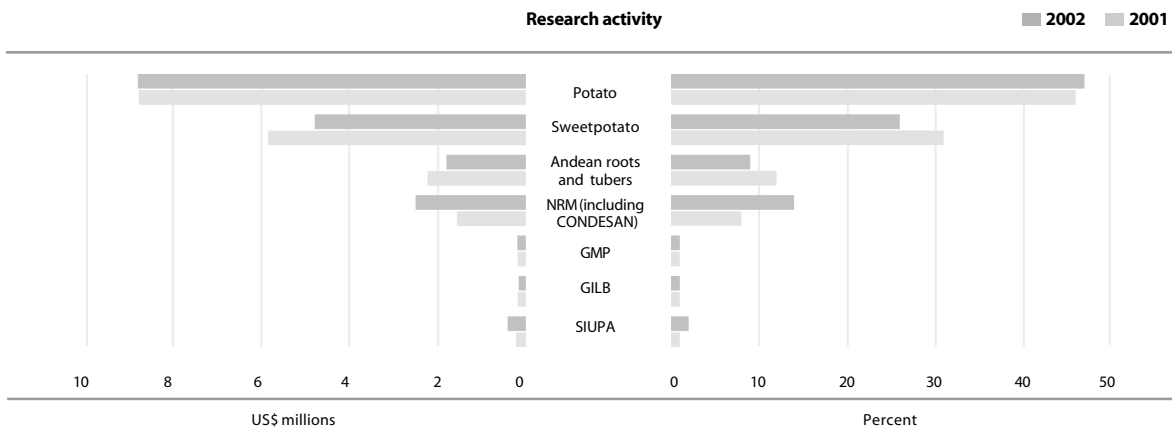
The statement below summarizes CIP's financial position as of December 2002. A copy of the complete audited financial statements may be requested from the office of the Deputy Director General for Corporate Development at CIP headquarters in Lima, Peru.

Statement of financial position

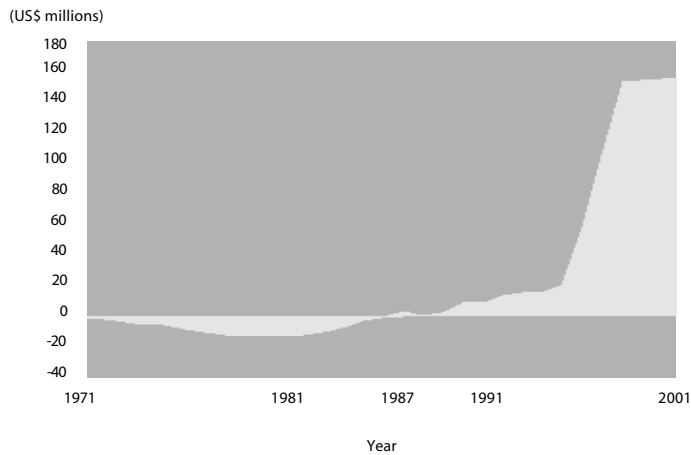
Year ending 31 December 2002 (compared with 2001) (US\$000)

	2002	2001
Assets		
Current assets		
Cash and cash equivalent	5,969	4,850
Accounts receivable		
Donors	4,025	4,052
Employees	311	368
Others	238	244
Inventories	489	667
Advances	432	324
Prepaid expenses	184	136
Total current assets	11,648	10,641
Property and equipment, net	2,860	3,274
Total assets	14,508	13,915
Liabilities and net assets		
Current liabilities		
Accounts payable		
Donors	1,063	1,030
Others	6,709	5,402
Accruals	1,201	1,575
Total current liabilities	8,973	8,007
Net assets		
Appropriated	3,736	3,846
Unappropriated	1,799	2,062
Total net assets	5,535	5,908
Total liabilities and net assets	14,508	13,915

Allocation of funds to CIP activities, 2002 and 2001



Annual net benefit from investments in CIP between 1971 and 2001 (in 1996 dollars)



Prepared by CIP's Social Science Department, based on CIP impact case studies