

Annex 1 Financial Statements



Chris Stowers/Paros



INDEPENDENT AUDITOR'S REPORT

To the Executive Board of
The Global Crop Diversity Trust

We have audited the accompanying financial statements of the Global Crop Diversity Trust, which comprise the statement of financial position as at 31 December 2011 and the statements of activities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of the Global Crop Diversity Trust in accordance with the accounting policies outlined in note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies outlined in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers SpA

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Opinion

In our opinion the financial statements of the Global Crop Diversity Trust for the year ended 31 December 2011 are prepared, in all material respects, in accordance with the accounting policies outlined in note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards. The financial statements are prepared to comply with the financial regulations of the Global Crop Diversity Trust. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Global Crop Diversity Trust and should not be distributed to or used by any other parties.

Rome, 23 May 2012

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, appearing to read 'Scott Cunningham', is positioned above the printed name.

Scott Cunningham
(Partner)

Statement of Financial Position as at 31 December 2011

| ASSETS | Notes | 31/12/2011 USD | 31/12/2010 USD |
|--|-------|---------------------------|---------------------------|
| Current Assets | | | |
| Accounts receivable | 3 | | |
| Donor | | 26,928 | 75,489 |
| Host organizations | | 11,218,798 | 15,380,594 |
| Prepaid expenses | | 178,444 | 191,696 |
| Total Current Assets | | 11,424,170 | 15,647,779 |
| Non Current Assets | | | |
| Held in trust by host organization in the form of: | 6 | | |
| Cash & cash equivalents | | 2,530,724 | 37,997,025 |
| Endowment fund | | 117,445,626 | 75,425,911 |
| Total Non Current Assets | | 119,976,350 | 113,422,936 |
| TOTAL ASSETS | | <u>131,400,520</u> | <u>129,070,714</u> |
| LIABILITIES & NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | 4 | | |
| Grants | | 1,765,452 | 1,421,751 |
| Other | | 13,689 | 88,839 |
| Total Current Liabilities | | 1,779,141 | 1,510,590 |
| Non Current Liabilities | | - | - |
| Total Liabilities | | <u>1,779,141</u> | <u>1,510,590</u> |
| Net Assets | | | |
| Unrestricted | | 4,951,356 | 4,975,447 |
| Temporarily restricted | | 4,693,673 | 9,161,740 |
| Permanently restricted | | 119,976,350 | 113,422,936 |
| Total Net Assets | 5 | <u>129,621,379</u> | <u>127,560,123</u> |
| TOTAL LIABILITIES & NET ASSETS | | <u>131,400,520</u> | <u>129,070,714</u> |

The accompanying notes are an integral part of this statement.

Statement of Activities for the year ended 31 December 2011

| | Notes | 2011 USD | 2010 USD |
|---|-------|---------------------------|---------------------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | | |
| Income | | | |
| Contributions | 2.4 | 970,735 | 1,015,664 |
| | | <u>970,735</u> | <u>1,015,664</u> |
| Net Assets Released from Restrictions | | | |
| Satisfaction of programme restrictions | 2.4 | 7,040,692 | 7,154,106 |
| Income released from endowment fund | | 1,182,725 | 1,985,695 |
| | | <u>8,223,417</u> | <u>9,139,801</u> |
| Expenditure | | | |
| GRANT EXPENDITURE | | | |
| Conservation grants | | 2,390,866 | 2,093,970 |
| Global system development grants | | 2,805,012 | 3,925,683 |
| Salaries & benefits | | 2,113,581 | 1,995,390 |
| Professional services | | 186,948 | 184,201 |
| Travel | | 112,598 | 164,484 |
| | | <u>7,609,005</u> | <u>8,363,728</u> |
| OPERATIONAL EXPENDITURE | | | |
| Salaries & benefits | | 765,670 | 711,592 |
| Travel | | 18,846 | 82,660 |
| Governance | | 184,986 | 87,733 |
| Fundraising & communications | | 197,673 | 308,925 |
| Professional services | | 395,920 | 393,545 |
| Facilities | | 46,142 | 39,372 |
| | | <u>1,609,237</u> | <u>1,623,826</u> |
| Increase/(Decrease) in Unrestricted Net Assets | | <u>(24,090)</u> | <u>167,911</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | | |
| Contributions | | 2,572,625 | 8,656,696 |
| Net assets released from restrictions | | (7,040,692) | (7,154,106) |
| Increase/(Decrease) in Temporarily Restricted Net Assets | | <u>(4,468,067)</u> | <u>1,502,590</u> |
| CHANGES IN PERMANENTLY RESTRICTED NET ASSETS | | | |
| Contributions | | 11,557,450 | 12,533,100 |
| Investment income | | 18,317 | 64,560 |
| Net gain/(loss) on endowment fund | | (3,839,628) | 7,455,444 |
| Net assets released from restrictions | | (1,182,725) | (1,985,695) |
| Increase in Permanently Restricted Net Assets | | <u>6,553,414</u> | <u>18,067,409</u> |
| INCREASE IN NET ASSETS | | 2,061,257 | 19,737,910 |
| Net Assets as at 01/01 | | 127,560,123 | 107,822,213 |
| Net Assets as at 31/12 | | <u>129,621,379</u> | <u>127,560,123</u> |

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the year ended 31 December 2011

| | 2011 USD | 2010 USD |
|---|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from temporarily restricted contributions | 2,621,186 | 8,586,982 |
| Cash received from unrestricted contributions | 970,735 | 1,015,664 |
| Cash released from endowment fund | 941,988 | 2,175,394 |
| Cash paid for programme and operations | (4,268,841) | (4,399,532) |
| Grants paid | (4,426,864) | (4,604,546) |
| Net Cash from Operating Activities | <u>(4,161,796)</u> | <u>2,773,962</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received for the endowment fund | 11,557,450 | 12,533,100 |
| Cash invested | (47,042,067) | - |
| Interest earned | 18,317 | 64,560 |
| Net Cash from Financing Activities | <u>(35,466,300)</u> | <u>12,597,660</u> |
| (Increase)/Decrease in Accounts Receivable (Hosted) | 4,161,796 | (2,860,018) |
| (Increase)/Decrease in Cash & Cash Equivalents (Hosted) | 35,466,300 | (12,597,660) |
| Net Increase in Cash & Cash Equivalents | <u>-</u> | <u>-</u> |
| Cash & Cash Equivalents as at 01/01 | <u>-</u> | <u>-</u> |
| Cash & Cash Equivalents as at 31/12 | <u>-</u> | <u>-</u> |
| Reconciliation of Change in Net Assets to Net Cash from Operating Activities | | |
| Change in net assets | 2,061,257 | 19,737,910 |
| Adjustments | | |
| Endowment fund gain/(loss) | 3,839,628 | (7,455,444) |
| Contributions received for the endowment fund | (11,557,450) | (12,533,100) |
| Interest earned on endowment fund | (18,317) | (64,560) |
| Income released from the endowment fund | 1,182,725 | 1,985,695 |
| Increase in accounts payable | 268,550 | 814,549 |
| (Increase)/Decrease in accounts receivable (donor) | 48,561 | (69,714) |
| Decrease in accounts receivable (other) | - | 417,671 |
| (Increase)/Decrease in prepaid expenses | 13,252 | (59,045) |
| Net Cash from Operating Activities | <u>(4,161,796)</u> | <u>2,773,962</u> |

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

for the year ended 31 December 2011

(Expressed in United States dollars unless otherwise stated)

1. STATEMENT OF PURPOSE

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

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

Mission

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Accounts Receivable

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

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

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

2.2 Non Current Assets

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

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

2.3 Accounts Payable

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

2.4 Revenue Recognition

Contributions received by the Trust fall into three categories:

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

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

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

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

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

2.5 Foreign Currency Transactions

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

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

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

2.6 Expenditure

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

With the exception of direct investment management expenses, which are released from the investment fund, all expenditures are paid by the host organizations, FAO and Bioversity International, on behalf of the Trust. These expenditures are recorded by the Trust at cost plus overhead, and because this overhead charge is regarded as inherent to the operations of the Trust, it is recorded in the related expenditure line item.

2.7 Fixed Assets

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

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

2.8 Reclassifications

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

2.9 Subsequent Events

The Organization has evaluated events and transactions up to March 31, 2012 for potential recognition or disclosure in the financial statements. No subsequent events have been recognized or disclosed.

3. ACCOUNTS RECEIVABLE**Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Organization. The Organization does not have any significant credit risk exposure as amounts receivable consist mainly of amounts held with the host organizations, FAO and Bioversity International, which are highly reputable international organizations. Total accounts receivable represent 9% of total assets.

(A) Accounts Receivable - Donor

Accounts receivable from donors consists of claims for expenses paid on behalf of restricted projects in excess of the amount received. Accounts receivable from donors at year-end amounted to USD 26,928 (December 31, 2010: USD 75,489).

(B) Accounts Receivable – Host Organizations

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

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Bioversity International | | |
| Balance as at 1/1 | 15,047,158 | 12,147,434 |
| Income released from endowment fund | 941,988 | 2,175,394 |
| Funds received | 3,591,870 | 9,555,973 |
| Disbursements | (8,390,681) | (8,831,643) |
| Accounts Receivable from Bioversity International | 11,190,335 | 15,047,158 |
| Food and Agriculture Organization of the United Nations (FAO) | | |
| Balance as at 1/1 | 333,436 | 459,198 |
| Funds received | 240,052 | 547,963 |
| Disbursements | (545,025) | (673,724) |
| Accounts Receivable from FAO | 28,463 | 333,436 |
| TOTAL | 11,218,798 | 15,380,594 |

4. ACCOUNTS PAYABLE

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

| | 31/12/11 | 31/12/10 |
|----------------------------------|------------------|------------------|
| Grants Payable | | |
| Conservation grants | 429,852 | 312,181 |
| Global system development grants | 1,335,600 | 1,109,570 |
| Total | 1,765,452 | 1,421,751 |
| Other | | |
| Investment management fee | 2,158 | 60,746 |
| Supplies & services | 11,531 | 28,093 |
| Total | 13,689 | 88,839 |
| TOTAL | 1,779,141 | 1,510,590 |

5. NET ASSET BALANCES

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

Unrestricted Net Assets

| | 2011 | 2010 |
|---------------------------------------|------------------|------------------|
| Balance as at 1/1 | 4,975,447 | 4,807,537 |
| Contributions | 970,735 | 1,015,664 |
| Net assets released from restrictions | 8,223,417 | 9,139,801 |
| Expenditure | (9,218,242) | (9,987,554) |
| Balance as at 31/12 | 4,951,356 | 4,975,447 |

Temporarily Restricted Net Assets

| | 2011 | 2010 |
|---------------------------------------|------------------|------------------|
| Balance as at 1/1 | 9,161,740 | 7,659,150 |
| Contributions | 2,572,625 | 8,656,696 |
| Net assets released from restrictions | (7,040,692) | (7,154,106) |
| Balance as at 31/12 | 4,693,673 | 9,161,740 |

Permanently Restricted Net Assets

| Donors | Balance Jan 1, 2011 | Contributions | Other movements | Balance Dec 31, 2011 |
|---|------------------------|-------------------|--------------------|-------------------------|
| Australia | 12,667,261 | 1,557,450 | | 14,224,711 |
| Dupont/ Pioneer Hi-bred | 1,000,000 | - | | 1,000,000 |
| Egypt | 25,000 | - | | 25,000 |
| Ethiopia | 25,000 | - | | 25,000 |
| Gates Foundation/UN Foundation | 7,500,486 | - | | 7,500,486 |
| Germany | 10,200,000 | - | | 10,200,000 |
| India | 50,000 | - | | 50,000 |
| International Seed Federation | 30,000 | - | | 30,000 |
| Ireland | 4,144,250 | - | | 4,144,250 |
| Norway | 15,176,617 | - | | 15,176,617 |
| New Zealand | 50,000 | - | | 50,000 |
| Slovak Republic | 20,000 | - | | 20,000 |
| Spain | 2,629,650 | - | | 2,629,650 |
| Sweden | 11,886,620 | - | | 11,886,620 |
| Switzerland | 10,262,704 | - | | 10,262,704 |
| Syngenta AG | 1,000,000 | - | | 1,000,000 |
| United Kingdom | 19,468,582 | - | | 19,468,582 |
| United States | 12,000,000 | 10,000,000 | | 22,000,000 |
| Private | 750 | - | | 750 |
| Interest earned | 1,608,707 | - | 18,317 | 1,627,024 |
| Realized & unrealized gain on investment fund (change in market value) less management fees | 13,187,699 | - | (3,839,628) | 9,348,071 |
| Realized Gains | (9,510,390) | - | (1,182,725) | (10,693,115) |
| TOTAL | 113,422,936 | 11,557,450 | (5,004,036) | 119,976,350 |

Further detail can be found in Note 6.

6. ENDOWMENT FUND

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

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

The Organization is an official signatory to the United Nations Principles for Responsible Investment (UNPRI), an international framework for incorporating sustainability into investment decision-making. The Principles were launched in 2006 by UN Secretary-General Kofi Annan as a framework to help investors achieve better long-term investment returns and sustainable markets, through better analysis of environmental, social and governance issues in the investment process.

Cash & Cash Equivalents

This comprises cash restricted for investment held in trust by the host organization, Bioversity International. The cash is held in bank accounts with Intesa San Paolo, Italy and Banca Popolare di Sondrio, Italy and is denominated in United States dollars. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents comprise contributions received for the endowment fund together with related interest earned. As contributions for the endowment fund are permanently restricted, cash and cash equivalents at year-end of USD 2,530,724 (December 31, 2010: USD 37,997,025) are reported as non current assets.

The significant decrease in cash and cash equivalents during the year is due to the investment of cash in the endowment fund.

Endowment Fund

The investments at year-end of USD117,445,626 (December 31, 2010: USD75,425,911) represent the principle together with changes in market value less management fees and income released. Changes in the market value of the funds and interest earned are reported as an increase or decrease in permanently restricted net assets.

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

| | 31/12/2011 | 31/12/2010 |
|--------------|--------------------|-------------------|
| Equities | 29,017,300 | 40,980,661 |
| Bonds | 60,921,958 | 27,604,333 |
| Hedge funds | 23,351,135 | 2,844,082 |
| Real estate | - | 1,018,753 |
| Commodities | 3,020,510 | - |
| Cash | 1,134,723 | 2,978,083 |
| Total | 117,445,626 | 75,425,911 |

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

| | Note | 2011 | 2010 |
|----------------------------|------|--------------------|--------------------|
| Balance as at 1/1 | | 113,422,936 | 95,355,525 |
| Contributions | a | 11,557,450 | 12,533,100 |
| Endowment Fund Gain (Loss) | b | (3,839,628) | 7,455,444 |
| Income Released | c | (1,182,725) | (1,985,695) |
| Interest Income | d | 18,317 | 64,560 |
| Balance as at 31/12 | | 119,976,350 | 113,422,936 |

Notes:

- a. Contributions during the year were received from government agencies. See also Note 5.
- b. Endowment fund gain represents the change in the market value of the fund and is reported as an increase to permanently restricted net assets.
- c. The Investment Objectives and Policies of the Trust permit the annual withdrawal of up to 4% of the average market value of the fund over the previous twelve quarters. During the year the Trust did not require the entire 4% and approximately 1.2% was withdrawn with the balance being retained in the fund. This amount released is reported in the statement of activities under net assets released from restrictions.
- d. Interest income relates to amounts earned during the year on cash and cash equivalents.

Investment Risk & Risk Management

The Organization invests in a professionally managed portfolio that contains equities, bonds, hedge funds, commodities and cash. Such investments are exposed to various risks, which include the following:

Volatility of investment returns, including the probability of losing money during any given time period. The asset allocation policy adopted by the Trust has a 5% chance of losing more than 9% over a single year (in inflation-adjusted terms). Over a five-year period, there is a 5% chance of losing 2% or more.

The risk that *purchasing power is depleted* over time, or *the risk that the portfolio fails to achieve a specified investment return*. The asset allocation policy adopted by the Trust has a 58% chance of achieving at least a 4% real compound return over a given 5-year period. In other words, it is more likely than not that the Trust's portfolio will return more than its maximum allowable spending amount over a 5-year period.

The Trust *faces currency risk* along at least two dimensions. The first is that, as of year-end 2011, approximately 21% of the portfolio was held in non-US Dollar-denominated instruments (or, if held in other currencies, not hedged back to the dollar). To the extent that the Trust measures its investment results in dollars, and requires dollars for its spending, a depreciation of these currencies against the dollar would have an adverse impact on investment returns. The second risk is the portfolio's 79% concentration in dollar exposure. Should the dollar experience a sharp depreciation relative to other currencies, this would have an adverse impact on the Trust's purchasing power in other currencies. The Trust's independent financial advisor, Cambridge Associates, believe the current currency mix provides ample diversification against these outcomes; it also reflects the prevalence of dollar-denominated instruments in global investment markets. They continuously monitor the currency mix to make sure it falls within expectations.

Liquidity risk, such as being unable to sell assets to meet spending requirements or being forced to sell assets at unfavorable prices. The Trust's allocation to hedge funds, for example, is not available for redemption until after year-end 2012. Still, over half (60%) of the portfolio was available within one week as of December 31, 2011. Cambridge Associates monitors the Trust's liquidity on a regular basis and believes that the current position is consistent with the Trust's stated preferences and liquidity needs.

Macroeconomic risks, including unexpected inflation and deflation. Cambridge Associates found that the Trust's policy portfolio would be expected to lose approximately 13% in value (in inflation-adjusted terms) during a severe economic contraction, and approximately 10% in the event of a surprise spike in inflation.

Concentration risk due to excessive holdings in one or more securities or investment types, or *manager risk* due to individual manager underperformance or volatility. This is mitigated in part by the requirement in the investment policy statement that no single manager account for more than 20% of the portfolio. Since the Trust holds a diversified portfolio of different managers and asset classes, Cambridge Associates believes that the risk of a single manager causing undue harm to the portfolio is well-controlled.

7. GRANT AND OPERATING EXPENDITURE

The Trust increased its programme of providing long-term sustainable funding to the world's most important collections of crop diversity; collections of banana, barley, bean, cassava, chickpea, edible aroids, faba bean, forages, lathyrus, lentil, maize, pearl millet, rice, sorghum, sweet potato, wheat and yam were supported in 2011. Grant expenditure decreased with respect to the previous year as the Global System Project, a five-year project funded by the Gates Foundation/UN Foundation is nearing completion. Work commenced on a ten-year project 'Adapting Agriculture to Climate Change: Collecting, Protecting and Preparing Crop Wild Relatives', which is funded by Norway.

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