United Nations
Educational, Scientific and
Cultural Organization

FINANCIAL STATEMENTS 2013




Bureau of Financial Management
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Scientific and Cultural Organization
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FINANCIAL STATEMENTS
2013

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INTRODUCTION

In accordance with Article 11.1 of the Financial Regulations, I have the honour to submit the financial statements and financial report of the Organization for the year ended 31 December 2013. This is the fourth set of annual financial statements prepared in accordance with International Public Sector Accounting Standards.

The External Auditor has expressed an unqualified (clean) opinion on the financial statements. His report is submitted to the governing bodies in accordance with Article 12 of the Financial Regulations.

This section, the financial report, presents the Director-General's discussion and analysis of UNESCO's financial position and financial performance for the financial year ended 31 December 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) as required under Article 11.1 of the Financial Regulations of the Organization. Consolidated financial statements are prepared for all UNESCO operations and entities including the ten category 1 institutes. The financial statements cover all four business segments, namely;

The General Fund (GEF)
This segment, financed from the assessed contributions of Member States, covers the main operations of the Organization. The programme appropriations for the financial period are voted by the General Conference of Member States.

Other Proprietary Funds (OPF)
Includes revenue-generating activities, programme support costs for special accounts and trust funds, the Staff Compensation Fund, the Terminal Payment Fund and Headquarters-related special accounts.

Programme Fiduciary Fund (PFF)
This segment relates to programmes and activities financed from funding provided by donors through agreements or other legal authority. The UNESCO category 1 institutes which are set up as separate entities are accounted for under this segment.

Staff Fiduciary Funds (SFF)
Activities/funds under this segment have been established for the benefit of UNESCO's staff members through the Medical Benefits Fund, the Commissary, the Restaurant Services and the Day Nursery and Children's Club.

The financial statements consist of:

A Statement of Financial Position
This provides information about the accumulated surplus/deficit at the reporting year end date – the difference between UNESCO's total assets and liabilities. It gives information about the extent to which resources are available to support future operations and the unfunded liabilities.

A Statement of Financial Performance
This measures the net surplus or deficit of the reporting year – the difference between revenues and expenses. It provides information about the Organization's cost of programme delivery and the amounts and resources of revenue.

A Statement of Changes in Net Assets/Equity
Which highlights the sources of changes in the overall financial position.

A Cash Flow Statement

This provides information about UNESCO's liquidity and solvency including how the organization raised and used cash during the period and the repayment of borrowing. It measures the difference between the actual cash coming in and cash going out.

A Comparison of Budget and Actual Amounts

This highlights whether resources where used in accordance with the approved budget. It shows differences between the actual expenditure and the approved budget appropriation.

Notes to the Financial Statements

Which assist in understanding the financial statements. Notes comprise of a summary of significant accounting policies and other explanatory information. It provides additional information on the financial statements as required under IPSAS.

ORGANIZATIONAL BACKGROUND, OBJECTIVES & STRATEGY

UNESCO was created in London on 16 November 1945 by governments of the States Parties. It was to contribute to peace and security by promoting collaboration among the nations through education, science and culture in order to further universal respect for justice, for the rule of law, human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations Organization. Membership of the Organization comprises of 195 Member States and nine Associate Members as at 31 December 2013.

The current Medium-Term Strategy (37 C/4), approved by the General Conference in November 2013, sets out the strategic vision and programmatic framework for UNESCO's actions over the period 2014-2021 built around the following mission statement: *"As a specialized agency of the United Nations, UNESCO – pursuant to its Constitution – contributes to the building of peace, the eradication of poverty and sustainable development and intercultural dialogue through education, the sciences, culture, communication and information."* The strategy defines two overarching objectives – peace and equitable and sustainable development – as well as two global priorities – Africa and gender equality. The Strategy further defines nine strategic objectives.

These are then translated into programmatic priorities for five Major Programmes in four consecutive biennial programme and budget documents (C/5 documents) through main lines of action, for which expected results are defined in a result-based budgeting method and adopted by the General Conference. Each Programme and Budget document runs for four years (the Approved 37 C/5 from 2014-2017), while the Budget part must be specifically approved every two years.

Throughout the period covered by the Financial Statements, the Organization continued to make significant efforts in a very challenging financial environment to ensure programme delivery towards the attainment of objectives as set out in document 36 C/5 (Approved Programme and Budget 2012-2013) and document 37 C/5 (Approved Programme and Budget 2014-2017). The scope of activities under each expected result in document 36 C/5 has been significantly reduced due to cash flow restrictions.

MANAGING THE FUNDING GAP

The suspension of the payment of contributions by two Member States led to a funding gap of $188 million over the budgetary period 2012-2013 thus requiring a reduction of 29% of the approved budget. This necessitated the introduction of various measures to address the funding gap and as Statement V of the financial statements shows, an expenditure reduction of $144.96 million was achieved (77% of the funding gap). The reductions for programme implementation amounted to $98.5 million representing 68% of the total reductions. These reductions impacted the Organization's ability to deliver on its core priorities and programmes.

In addition to the reduction in the programmes to achieve the targeted budget expenditure of $465 million, other measures taken to balance the budget include;

- Suspension of recruitment: this resulted in a 20% vacancy rate in addition to the 4% of established posts abolished;
- Permanent reductions in non-Programme Sector costs through reorganization and simplifications in administration through investments in tools;
- Controls on temporary assistance, consultancies and travel;
- Suspension of budget for training, reclassification and merit-based promotions;
- Restriction of commitments to those activities that could be delivered by the end of the year.

During the current financial period, I launched a Voluntary Mutual Separation Programme (VSMP), similar to the one in 2011, to allow staff who wished to leave the Organization under conditions that are mutually beneficial to them and the Organization, to do so. The primary objective of the VSMP was to allow for organizational redesigning through delayering, merging, grouping and abolishing/un-freezing of posts. Seventy-four staff members at a total cost of $5.2 million were separated under the scheme (45 staff members were involved in 2011 at a cost of $3.3 million).

Following the approval by the General Conference of an expenditure plan of $507 million for the 2014-2015 budget period, a formal restructuring was launched in order to ensure that the Organization remains within the allocated budgetary envelope for the coming biennium. A provision of $9.4 million has been made to cover the costs associated with the restructuring.

The budget deficit (difference between the funding gap and the expenditure reductions achieved) after the introduction of the various measures amounted to $43 million. In order to cover the deficit, I was able to tap $42 million from the Emergency Fund Special Account which I set up to receive voluntary contributions to address the funding gap.

FINANCIAL STATEMENT HIGHLIGHTS

The consolidated deficit for the year is $31.7 million compared to a surplus of $0.1 million in the previous year. The regular programme operations generated a deficit of $64.4 million, whereas the other combined operations generated a surplus of $32.7 million. The increase in the consolidated deficit compared to the previous year is mainly due to a decrease of contributions received under extra budgetary funding and an increase of expenses under the regular programme;

Total revenue amounting to $779.1 million has decreased by 1.7% due mainly to less voluntary contributions revenue received during the year. Expenditure increased by 2.3% ($18.4 million) to $810.8 million. The costs associated with the Organizational restructuring led to an increase in employee benefit expenses.

Overall, net assets decreased by $59 million (24.2%) to $184.5 million mainly due to the deficit for the period of $31.7 million, currency exchange loss of $11.5 million for the translation of the financial statements of controlled entities and the first-time recognition of long-term employee benefits liabilities of $12.6 million of a UNESCO institute.

Total current assets of $791 million increased by $75 million (10.5%) compared to the previous year. Short-term investments, cash and cash equivalents of $723.2 million represent 91.4% of the current assets. Cash and cash equivalent increased by $56.7 million (63.6%) and short-term investments increased by $20.4 million (3.7%). The remaining current assets decreased by $2.1 million (3.1%).

The increase of $55.8 million (6.3%) in non-current liabilities is attributable to the increase of the After-Service Health Insurance (ASHI) liability for active and retired staff. The ASHI liability of $838.8 million is unfunded and it includes an amount of $12.6 million for ICTP and TWAS staff.

Gross outstanding assessed contribution has increased significantly over the last three years to $265.1 million. The cumulative allowance made due to non-payment of contributions amounted to $248.6 million (93.8% of the total due).

FINANCIAL PERFORMANCE

BUSINESS SEGMENT ANALYSIS

As shown in Table 1, the regular programme segment (GEF) recorded a deficit of $64.5 million compared to a deficit of $53.4 million in the previous financial period. The deficit is due mainly to the post-employment benefits expenses of $58.4 million which are unfunded. A significant amount of the post-employment expenses is attributable to the After-Service Health Insurance (ASHI) scheme.

TABLE 1. SUMMARY FINANCIAL PERFORMANCE BY FUND

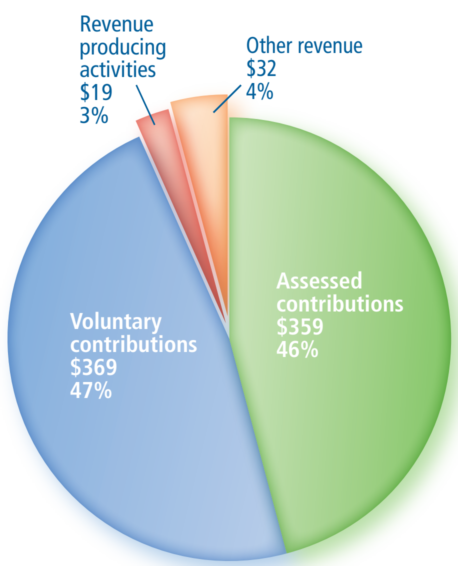
	GEF	OPF	PFF	SFF	Inter-fund transactions	TOTAL UNESCO
	$m	$m	$m	$m	$m	$m
Total Revenue	374.6	37.7	379.8	35.5	-48.5	779.1
Total Expenses	-439.1	-35.4	-353.4	-31.4	48.5	-810.8
(Deficit)/Surplus – 2013	**-64.5**	**2.3**	**26.4**	**4.1**		**-31.7**
(Deficit)/Surplus – 2012	-53.4	-0.8	51.4	2.9		0.1

REVENUE ANALYSIS

Gross assessed contributions accounted for 46% of the overall Organizational revenue. Though voluntary contributions have decreased by 5.6% to $369 million, it still surpassed Member States' assessed contributions by $10 million.

FIGURE 1

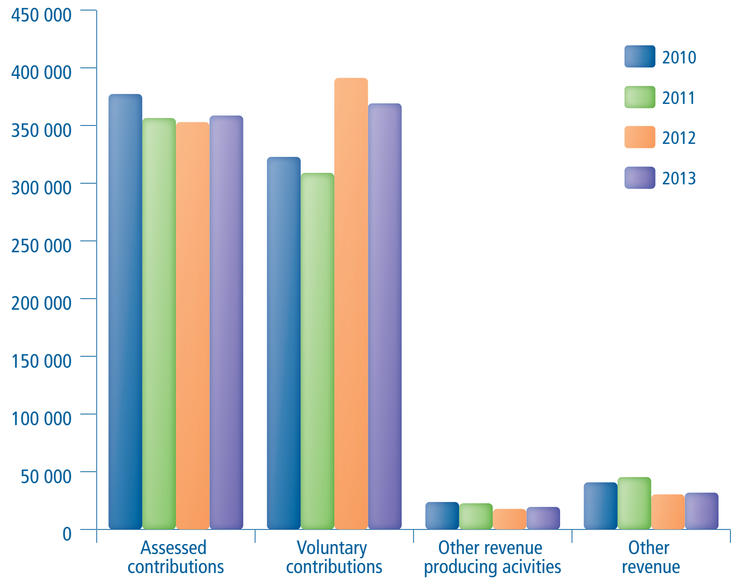
REVENUE BY SOURCE (AMOUNTS IN USD MILLIONS)



An allowance for unpaid contributions of $83.1 million was made to reflect the decision of two Member States to suspend their regular contributions, thus bringing the net assessed contributions revenue to $275.6 million. In net revenue terms, 60.4% of the revenue came from sources other than Member States' contributions to the regular budget.

FIGURE 2

REVENUE SOURCES:
4-YEAR COMPARISON
(IN USD THOUSANDS)



As Figure 2 above depicts, assessed contributions over the past four years have remained relatively stable reflecting the zero nominal growth budget in place in the last three biennia. Voluntary contributions registered a significant increase in 2012 due to additional contributions received under the Emergency Fund.

EXPENSE ANALYSIS

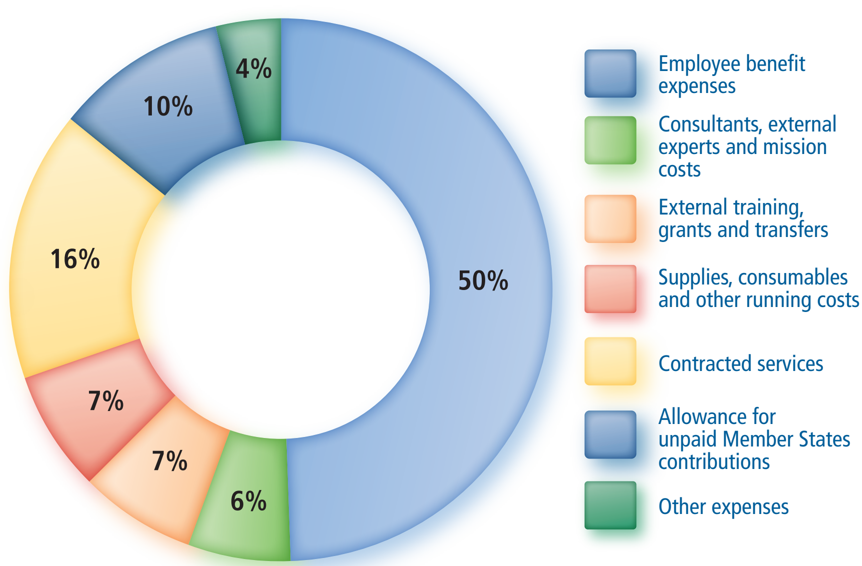
Employee benefits expenses increased by 4.9% to $402.1 million. Salaries of international and national staff based at Headquarters, in more than 50 field and liaison offices worldwide, and in the ten category 1 institutes amounted to $276.3 million (68.7% of employee benefit). A further $35.7 million (8.9%) was spent on temporary personnel to support the delivery of programmes and activities. The employee benefit expenses include a provision of $9.4 million for termination benefits associated with the staff restructuring. The remaining $80.7 million (20%) relate mainly to medical benefit expenses and accrual of After-Service Health Insurance costs for current and retired staff.

Consultants, external experts and mission costs increased by $7.6 million (18%) to $49.9 million: Consultants increased by $5.9 million (23.6%) and Staff mission costs increased by $1.9 million (17%).

Contracted services of $130.8 million represent expenses where a third party entity is engaged to perform work on behalf of the Organization. This could be a contract with a commercial organization, not-for-profit organizations and government ministries for the implementation of activities/programmes under UNESCO's mission and mandate.

FIGURE 3

COMPOSITION OF 2013
EXPENSES BY NATURE



The allowance for assessed contribution of $83.1 million represents mainly the unpaid contributions of the current year from the two Member States who have suspended the payment of their contributions to the Organization.

TABLE 2. CHANGE IN EXPENSES

Nature of Expense	(expressed in Millions of USD)			
	2013	2012	Net Change (USD)	Net Change (%)
Employee benefits expenses	402.1	383.2	18.9	4.9
Consultants, external experts and mission costs	49.9	42.3	7.6	18.0
External training, grants and transfers	55.9	61.2	-5.3	-8.7
Supplies, consumables and other running costs	58.7	62.0	-3.3	-5.3
Contracted services	130.8	132.9	-2.1	-1.6
Allowance for unpaid Member States contributions	83.1	79.3	3.8	4.8
Other expenses				
Depreciation & amortization	18.7	19.0	-0.3	-1.6
Finance costs	9.4	7.2	2.2	30.6
Other	2.2	5.2	-3.0	-57.7
Total Expenses	**810.8**	**792.3**	**18.5**	**2.3**

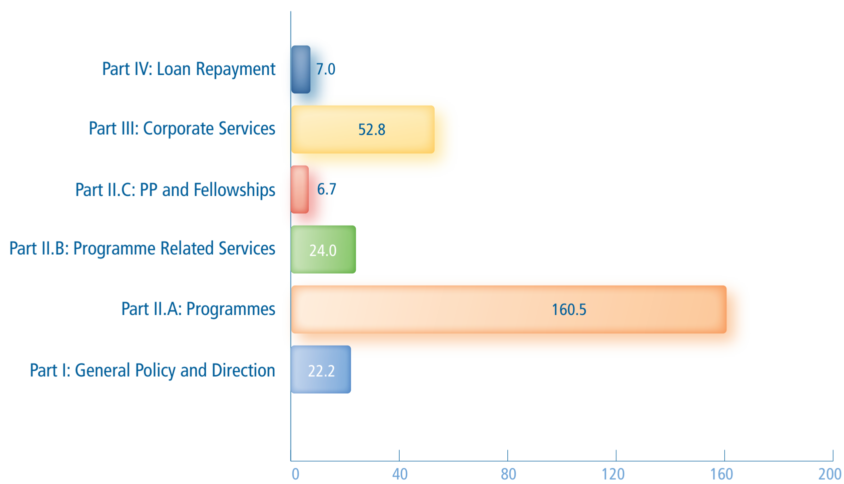
BUDGETARY PERFORMANCE

In line with IPSAS, this section analyses only the regular budget (36 C/5) as approved by the General Conference. The core budget of the Organization approved by the General Conference covering the two-year budget period 2012-2013 was $653 million. The decision by two Member States to suspend the payment of their contributions resulted in a funding gap of $188 million. Consequently, the expenditure ceiling was adjusted to $465 million for the two-year period. The total budget expenditure for the period 2012-2013 amounted to $520.4 million, with $12.4 million financed by additional contributions received from donors, thus leaving a deficit of $43 million compared to the expenditure ceiling of $465 million. This deficit was financed through a transfer of $42 million from the Emergency Fund and a savings of $1 million arising from liquidations of prior period budget commitments.

The budget expenditure for the second year of the biennium amounted to $273 million. As Figure 4 shows, the expenditure on the five Major Programmes of the Organization was $160.5 million representing 59% of the expenditure for the year.

FIGURE 4

2013 BUDGETARY EXPENDITURE BY APPROPRIATION LINE (IN USD MILLIONS)



FINANCIAL POSITION

The net assets/equity of the main segment, GEF, deteriorated from a negative balance of $254 million in 2012 to $274 million as at 31 December 2013. The negative equity is mainly due to the ASHI liability of $826.1 million and the cumulative allowance of $248.6 million for unpaid contributions. The PFF overall position remains strong with net assets of $384.4 million.

TABLE 3. SUMMARY FINANCIAL POSITION BY FUND

	GEF	OPF	PFF	SFF	Inter-fund balances	TOTAL UNESCO
	$m	$m	$m	$m	$m	$m
Total Assets	694.7	62.4	615.5	33.5	(15.5)	1 390.6
Total Liabilities	(968.7)	(12.3)	(231.1)	(9.5)	15.5	(1 206.1)
NET ASSETS/EQUITY	**(274)**	**50.1**	**384.4**	**24.0**	**–**	**184.5**

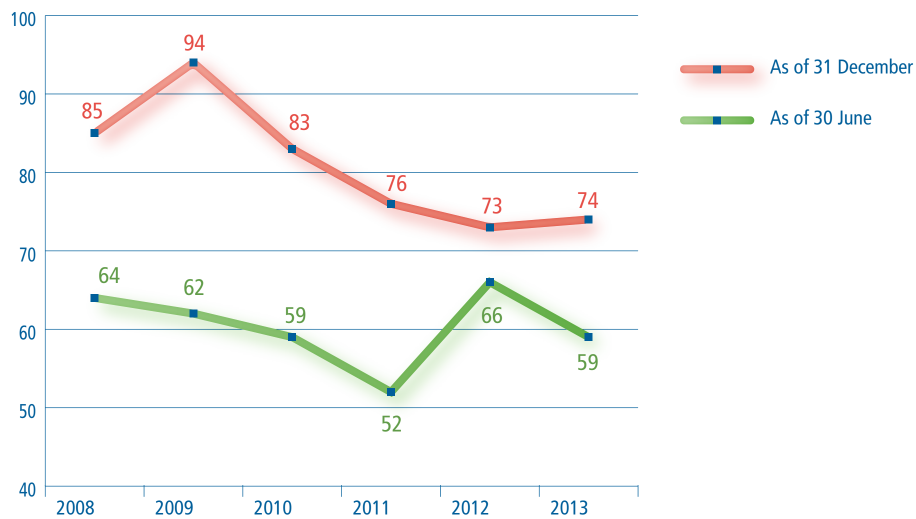
The net working capital (current assets less current liabilities) amounted to $520 million. This high level of working capital is attributable to the significant amount of cash held for the execution of extrabudgetary projects. The regular programme segment (GEF) working capital of $41.1 million represents just 8% of the overall situation.

CONTRIBUTIONS

The rate of collection of assessed contributions in the year of assessment has slightly improved to 74% as compared to the previous year (73%).

FIGURE 5

ASSESSED CONTRIBUTIONS COLLECTION RATE (IN % IN THE YEAR OF ASSESSMENT)



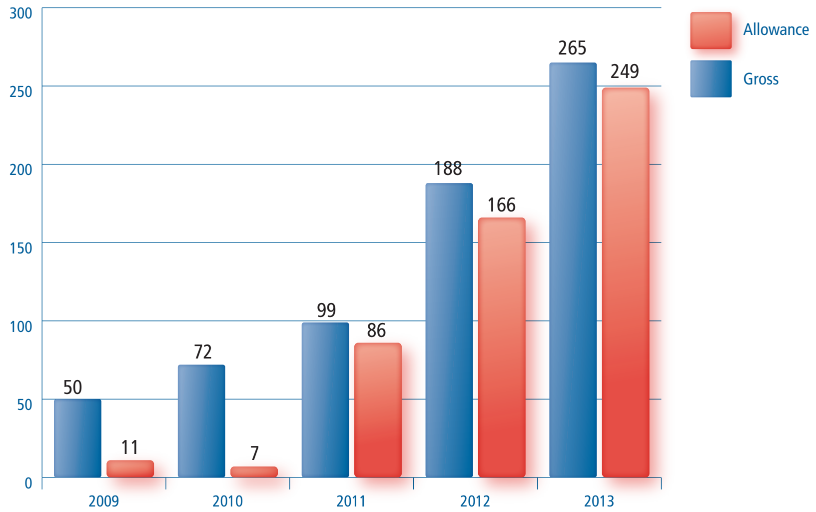
Note: collection rate in the year of assessment

Gross outstanding assessed contributions amounted to $265.1 million, an increase of 41% over the previous year's level. Outstanding contributions are due from 52 Member States and two Associate Members. One Member State owes 90% ($239 million) of the outstanding balance.

The gross assessed contributions are due and payable to the Organization in accordance with the Constitution and Financial Regulations of the Organization and none of the balance is written-off. However, as required under IPSAS, an allowance is made for the non-payment of contributions and the cumulative amount is $248.6 million thus bringing the net assessed contributions in the statement of financial position to $16.5 million.

FIGURE 6

GROSS OUTSTANDING CONTRIBUTIONS VS. ALLOWANCE (IN USD MILLIONS)

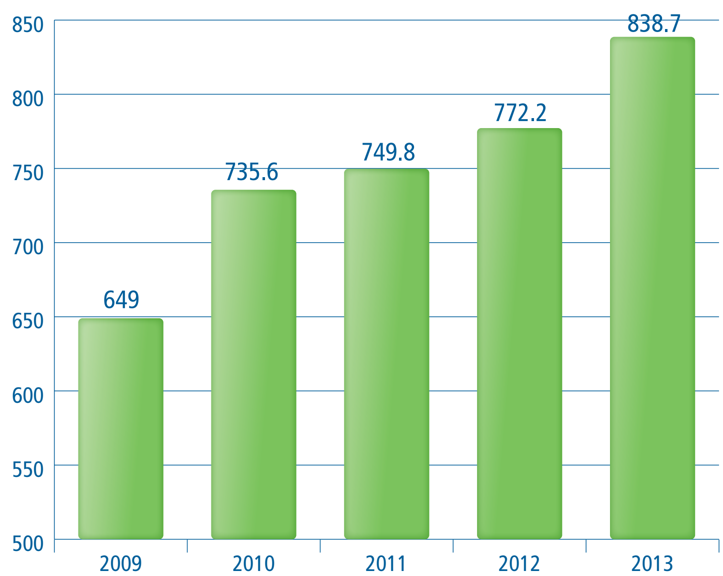


AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY

The total liability as at 31 December 2013 amounted to $838.8 million, an increase of 7.9% over the 2012 level. Overall, the liability has increased by 29.2% over the past five years.

FIGURE 7

ASHI LIABILITY (IN USD MILLIONS)



The liability is currently unfunded with the Organization continuing the route of "pay as you go". Following a proposal from the Secretariat, the General Conference has envisaged approving funding for ASHI from 1 January 2016. A decision will be taken by the General Conference at the 38th session.

INVESTMENTS

As at the end of 2013, the investment portfolio of UNESCO amounted to $579.8 million consisting mainly of extrabudgetary funds invested in short term deposits with highly rated international banks. In a context of very low interest rates both in USD and EUR, the performance of the investment portfolio was in line with the established benchmarks. The Investment Policy of UNESCO was revised in 2013 allowing more diversification of investments in accordance with the primary objective of the investment management which is to preserve the value of the Organization's resources.

RISK MANAGEMENT AND INTERNAL CONTROL

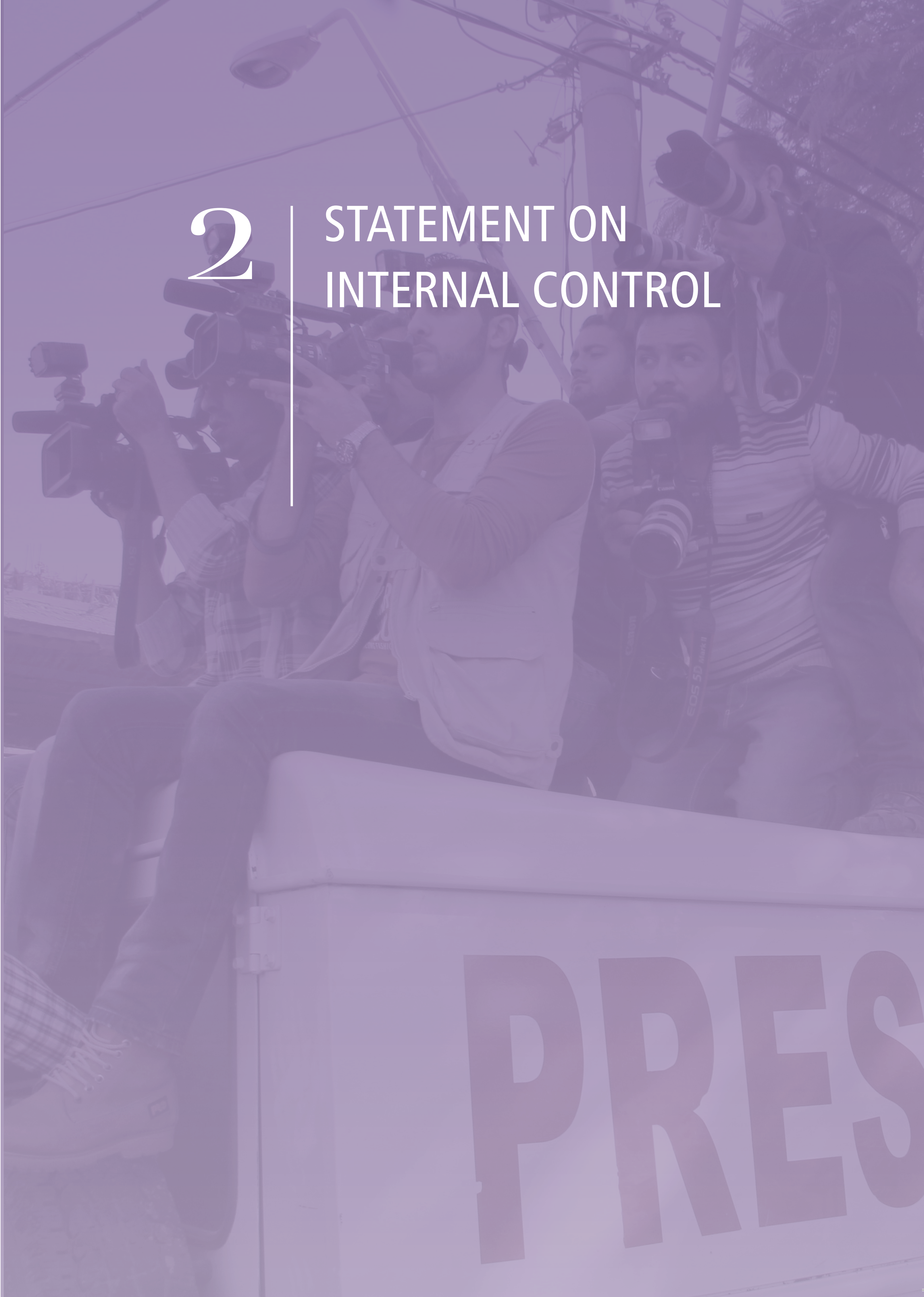
Risk management has been integrated in UNESCO's Medium-Term Strategy for 2008-2013 (34 C/4) in the following terms: "Recognizing and managing risks must […] be key parameters for a deliberate risk-based approach to management, including the development of risk management policies." Subsequently, a Risk Management Committee was established in November 2008. Its role is to pilot the risk process in UNESCO and to manage major threats or opportunities in light of the current context and latest trends and evaluations. The approach is to manage risks by focusing on those considered most critical, judged more likely to happen and with a high impact. The Risk Management Committee is following up on those top risks, assigned to a specific risk owner entity in the secretariat including field offices, and covering categories such as strategic focus, delivery and impact, reform, human and financial resources.

The primary objective of UNESCO's internal control framework is to continuously put in place measures to attain programmatic and organizational objectives within an evolving Organization and to meet stakeholders' expectations. In the Statement of Internal Control (SIC), I have reported on the internal control system of the Organization and in particular on the main remedial actions taken to manage the significant matters that arose during the year.

The Organization is exposed to a variety of financial risks- credit risks, market risks (foreign currency exchange and interest rates) and liquidity risks. In order to manage the risks, the principle considerations for investment management are, in order of priority- Security of principal, Liquidity and Rate of return. More details on the financial risk management approach are presented in Note 26 of the financial statements.

Irina Bokova
Director-General

2 STATEMENT ON INTERNAL CONTROL



STATEMENT ON INTERNAL CONTROL FOR 2013

28 March 2014

Scope of responsibility

As Director-General of the United Nations Educational, Scientific and Cultural Organization (UNESCO), in accordance with the responsibility assigned to me and, in particular, Article 10 of the Financial Regulations, I am accountable for maintaining a sound system of internal control to "ensure the accomplishment of established objectives and goals for operations; the economical use of resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of assets."

Purpose of the system of internal control

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's aims and objectives and related policies. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

Internal control is a process, effected by the Governing Bodies, the Director-General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations and safeguarding of assets,
- Reliability of financial reporting and
- Compliance with applicable rules and regulations.

Thus, on an operational level, UNESCO's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within the Organization through internal control processes to ensure the above objectives.

My current statement on UNESCO's internal control processes, as described above, applies for the year ended 31 December 2013, and up to the date of the approval of the Organization's 2013 financial statements.

Risk management and control framework

The Organization is implementing a risk management programme which includes:

- Identification of risks classified according to relevance, impact and probability of occurrence,
- The establishment of a risk management committee whose mandate is to develop action plans to address major risks, to build up an integrated risk management framework, to strengthen risk management capacities and a risk management culture, and to regularly re-evaluate risks and the Organization's tolerance levels in light of the evolving environment, and
- The "Risk Management handbook" setting out the basic concepts and mechanisms underlying risk management and enabling UNESCO staff to set up risk profile as well as a risk management plan as applicable to their Sections, Divisions or Offices.

In addition, a comprehensive "Internal Control System Framework" has been designed and recently reviewed to ensure that the Organization's objectives are achieved efficiently through the establishment of a policy framework for internal control, comprising policies, procedures and processes underpinned by appropriate ethical values. These include, but are not limited to, current and comprehensive manuals for the management and control of administrative processes such as financial management, contracting, travel and human resources.

Furthermore, my senior team and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organization.

Review of effectiveness

My review of the effectiveness of the system of internal controls is mainly informed by:

- My senior managers, in particular Assistant Directors-General, Directors of Bureaux and Offices, Directors and Heads of Established Offices and Institutes away from Headquarters who play important roles and are accountable for expected results, performance, controlling their Sector/Bureaux/Office/Institute's activities and the resources entrusted to them. The information channels mainly rely on periodic meetings held by the Senior Management Team, the Programme Management Committee and the Corporate Services Committee.
- For the year ended 31 December 2013, control issues, together with a remedial action plan, have been identified through a self-assessment process, as confirmed by my senior managers' personal written attestation;
- The Internal Oversight Service, on whose reports of internal audits, evaluations and advisory services I rely. These reports, which are also provided to the Oversight Advisory Committee and summarized in the Internal Oversight Service's annual report, include independent and objective information on the adequacy and effectiveness of the Organization's system of internal controls and programme effectiveness together with recommendations for improvement;
- The Oversight Advisory Committee whose purpose is to advise me on risk management, financial and internal controls and the related functions of oversight;
- The Ethics Advisor who provides confidential advice and counsel to the Organization and its staff on ethics and standards of conduct and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior including conflict of interest;
- The Risk Management Committee;
- The Joint Inspection Unit of the United Nations system which undertakes independent inspections aimed at improving management and economy and achieving greater co-ordination between the UN organizations;
- The external auditor, whose comments are submitted to the Executive Board and the General Conference; and
- The Governing Bodies' observations.

Significant matter(s) arising during the year

In 2013, the Organization's operations were impacted by the suspension of funding from Member States which had begun in the last quarter of 2011 and continued on to 2012 and 2013. As reported to the Governing Bodies during the year, due to the financial constraints, the scope of activities has been reduced compared with what was originally foreseen. Some activities were delayed, postponed or cancelled, however the Organization made significant efforts to rationalize the use of the limited resources, to reduce costs and to raise funds in order to deliver on core programme areas while maintaining an effective internal control system. The actions taken included short term and temporary measures to cut on expenditures but also longer term and structural measures to further gain efficiency, of which:

- The use of the Emergency Multi-Donor fund with 75 million US dollars of contributions received as of 31 December 2013 to address funding gaps for priority actions and reform initiatives;
- The decrease in consultancy fees, the number and limitation in travel expenditure with reinforced planning and tools to improve process efficiency;
- The optimization of office spaces at headquarters, which will be continued in 2014;
- The freeze of recruitments except for identified critical mission posts;
- The reorganization of central services' administrative units;
- The reorganization and redistribution of tasks and functions in all sectors and services with a focus to increase the efficiency of programme support services.

Besides, following the move to International Sector Public Accounting Standards, the After-Service Health Insurance (ASHI) liability is recognized in the financial statements of the Organization. However, no provision for funding the ASHI liability is made. The External Auditor in the annual audits of the Organization's financial statements has invited the Organization to consider ways and means of financing the ASHI liability in the medium- and long-term and to set a timetable to take a final decision on this important matter. The Secretariat proposed to the Governing Bodies that a charge of 1 per cent of total staff costs across all funding sources with effect from 1 January 2016 as funding of the ASHI liability in respect of active members. At its 37th session, the General Conference envisaged this proposal subject to the continuing application of a realistic lapse factor as part of the budgeting techniques[1], which is a first step towards a sustainable funding mechanism.

During the year, I continued to report regularly and in full transparency to Member States on the achievements and challenges based on a detailed road map, presented at the 189th session of the Executive Board, which sets out key targets for the implementation of the 2012 – 2013 objectives considering the financial constraint.

Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls noted during the year brought to my attention and, as reported to the Governing Bodies, several measures are currently being taken through structural adjustments and reinforced capacities.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the external auditor from providing an unqualified opinion on the Organization's financial statements nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2013 and up to the date of approval of the financial statements.

Irina Bokova
Director-General

1 Resolution 85 of the 37th General Conference (37C/Resolutions, Volume I).

3 OPINION OF THE EXTERNAL AUDITOR

Cour des comptes

The First President

Paris, 22 JUIL. 2014

To the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO)

AUDIT OPINION

We have audited the Financial Statements of the UNESCO for the 12 month period ending 31 December 2013. These financial statements include a Statement of Financial Position as at 31 December 2013, a Statement of Financial Performance, a Statement of Changes in Net Assets, a Statement of Cash Flow, a Statement of Comparison of Budget and Actual Amounts and Notes including a summary of the accounting principles and other information.

By virtue of Article 11.1 of the Financial Regulations, the Director-General is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the external auditor's professional judgment, as well as the risk evaluation that the financial statements include significant misstatements, resulting either from frauds or errors. In the context of this risk evaluation, the auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to design appropriate audit procedures and not in order to express any opinion on the internal control. An audit also consists in evaluating that the accounting method applied and the presentation of the financial statements are appropriate and that the significant accounting estimates are reasonable.

.../

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Based on our audit, the financial statements give a fair view of the financial position of the UNESCO as at 31 December 2013, as well as the financial performance, the cash flow and the comparison of budget and actual amounts for the 12 month period ending 31 December 2013 in conformity with the IPSAS.

Didier MIGAUD

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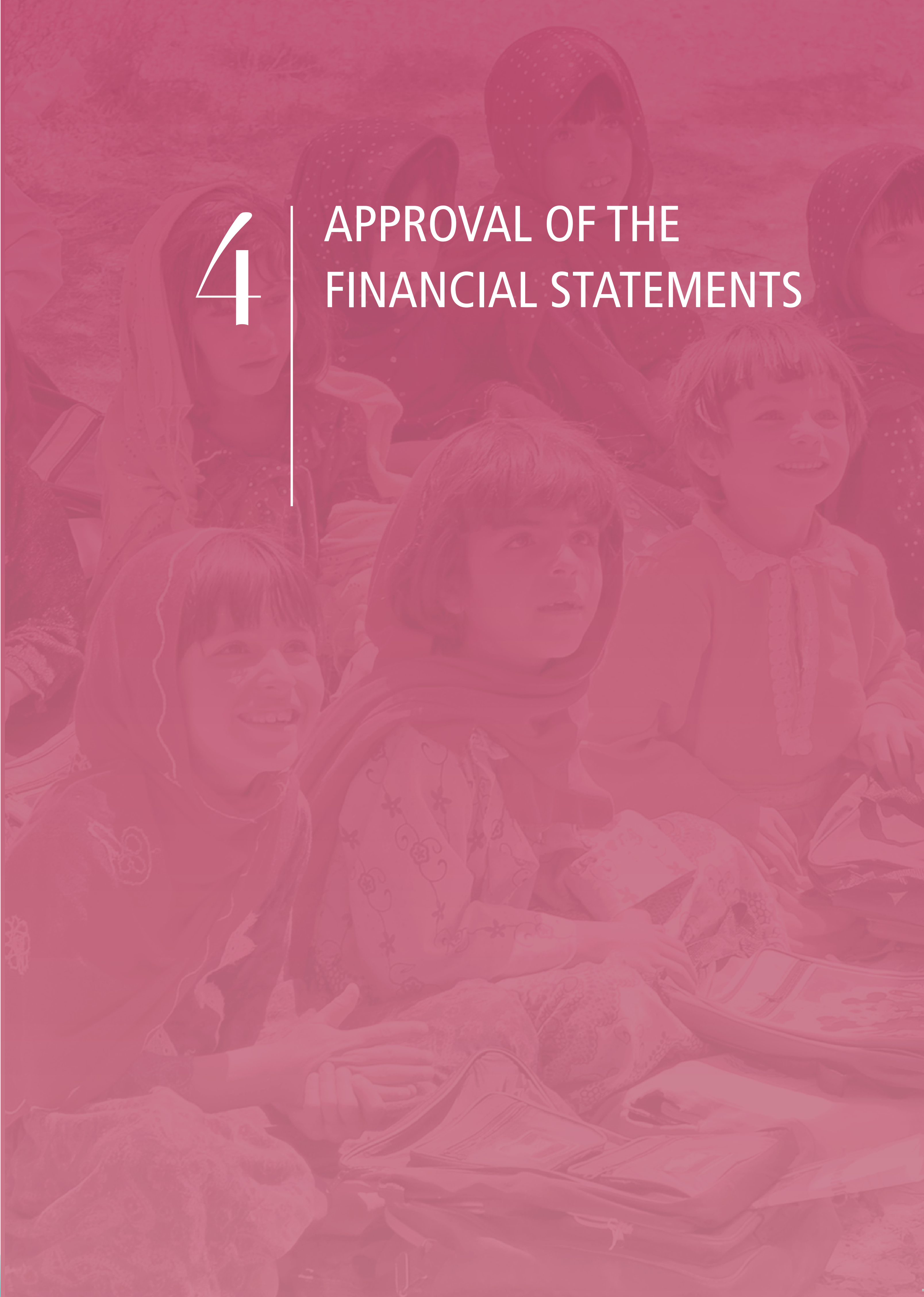
4 APPROVAL OF THE FINANCIAL STATEMENTS



APPROVAL OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Established by:

Nutan Wozencroft

Chief Financial Officer

28 March 2014

Approved by:

Irina Bokova

Director-General

28 March 2014

5 CONSOLIDATED FINANCIAL STATEMENTS

$184 476 000
NET ASSETS/EQUITY

$779 128 000
TOTAL REVENUE

$810 813 000
TOTAL EXPENSES

I. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

Expressed in '000 US dollars	Note	31/12/2013	31/12/2012
ASSETS			
Current Assets			
Cash and cash equivalents	6	146 035	89 289
Short-term investments	7	577 139	556 690
Accounts receivable (non-exchange transactions)	8	19 515	29 367
Receivables from exchange transactions	9	1 724	1 921
Inventories	10	1 203	1 482
Advance payments	11	40 667	34 160
Other current assets	12	4 727	3 053
Total current assets		**791 010**	**715 962**
Non-current assets			
Accounts receivable (non-exchange transactions)	8	1 364	1 485
Long-term investments	7	2 676	2 269
Property, plant and equipment	13	595 287	608 301
Intangible assets	14	280	490
Total non-current assets		**599 607**	**612 545**
TOTAL ASSETS		**1 390 617**	**1 328 507**
LIABILITIES			
Current Liabilities			
Accounts payable (exchange transactions)	15	19 700	21 602
Employee benefits	16	23 102	8 930
Transfers Payable	17	20 173	23 792
Conditions on voluntary contributions	18	39 619	35 913
Advance receipts	19	148 716	93 772
Current portion of borrowings	20	8 283	7 924
Other current liabilities	21	11 287	13 671
Total current liabilities		**270 880**	**205 604**
Non-current Liabilities			
Employee benefits	16	882 518	825 027
Conditions on voluntary contributions	18	2 868	5 203
Long-term loans	20	39 991	43 559
Other non-current liabilities	21	9 884	5 661
Total non-current liabilities		**935 261**	**879 450**
TOTAL LIABILITIES		**1 206 141**	**1 085 054**
NET ASSETS		**184 476**	**243 453**
NET ASSETS/EQUITY			
Reserves and fund balances	22	184 476	243 453
NET ASSETS/EQUITY		**184 476**	**243 453**

The accompanying notes form an integral part of these consolidated financial statements.

II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in '000 US dollars	Note	31/12/2013	31/12/2012 Restated
REVENUE			
Assessed contributions		358 616	352 970
Voluntary contributions		369 196	391 278
Other revenue producing activities		19 470	17 801
Other/miscellaneous revenue		17 368	17 828
Foreign exchange gains		2 976	602
Finance revenue		11 502	11 960
Total revenue	**23**	**779 128**	**792 439**
EXPENSES			
Employee expenses		402 061	383 234
Consultants, external experts and mission costs		49 882	42 282
External training, grants and other transfers		55 890	61 221
Supplies, consumables and other running costs		58 696	61 988
Contracted services		130 844	132 911
Depreciation and amortization		18 734	19 024
Allowance for assessed contributions		83 058	79 267
Other expenses		2 220	5 243
Finance costs		9 428	7 211
Total expenses	**23**	**810 813**	**792 381**
SURPLUS/(DEFICIT) FOR THE PERIOD		**-31 685**	**58**

The accompanying notes form an integral part of these consolidated financial statements.

III. STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in '000 US dollars	Note	31/12/2013	31/12/2012 Restated
NET ASSETS/EQUITY AT THE BEGINNING OF THE PERIOD		**243 453**	**250 321**
Exchange differences on certain foreign currency transactions	22	-11 495	-9 612
Increase in Working Capital Fund	22	138	992
Actuarial gain/(loss)	22	1 866	23 734
Other adjustments	22	-14 446	-8 016
Return of funds to donors	22	-3 355	-14 024
Total of item recognized directly in Net Assets/Equity		**-27 292**	**-6 926**
Surplus / (Deficit) for the period	22	-31 685	58
Total recognized revenue and expense for the period		**-58 977**	**-6 868**
NET ASSETS/EQUITY AT THE END OF THE PERIOD		**184 476**	**243 453**

The accompanying notes form an integral part of these consolidated financial statements.

IV. CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in '000 US dollars	Note	31/12/2013	31/12/2012 Restated
Cash flows from operating activities			
Surplus/(Deficit) for the period		-31 685	58
Depreciation and amortization		18 734	19 024
(Increase)/Decrease in accounts receivable		10 120	-5 418
Decrease in inventories		300	3 007
(Increase)/Decrease in advance payments		-6 987	9 242
(Increase)/Decrease in other current assets		-10 596	1 167
(Decrease) in accounts payable		-1 328	-7 855
Increase in employee benefits		59 552	42 886
(Decrease) in transfers payable		-1 958	-14 024
Increase in borrowings due to revaluations		1 768	1 342
(Decrease) in investments due to revaluations		-	-10
Increase in Conditions on voluntary contributions		4 347	4 216
Increase/(Decrease) in advance receipts		53 939	-24 425
Increase/(Decrease) in other liabilities		7 739	-8 894
Loss/Gain on disposal of property, plant and equipment		-103	361
Net cash flows from operating activities		**103 842**	**20 677**
Cash flows from investing activities			
Purchase of property, plant and equipment		-5 510	-3 536
Purchase of intangible assets		-44	-378
Sale of property, plant and equipment		468	-
(Increase) in short-term investments		-33 212	-34 118
(Increase) in long-term investments		-407	-722
Net cash flows from investing activities		**-38 705**	**-38 754**
Cash flows from financing activities			
Repayment of loans		-8 077	-7 829
Increase in working capital contributions		138	992
Net cash flows from financing activities		**-7 939**	**-6 837**
Net increase/(decrease) in cash and cash equivalents		**57 198**	**-24 914**
Cash and cash equivalents, beginning of period	6	89 289	114 289
Exchange rate effects		-452	-86
CASH AND CASH EQUIVALENTS, END OF PERIOD	6	**146 035**	**89 289**

The accompanying notes form an integral part of these consolidated financial statements.

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013 – GENERAL FUND

Main Appropriation Line $'000	Original Budget	2012 Balance	Authorized Transfers	Additional Appro-priation	Final Budget 2013 Allotment as Adjusted	Actual Expenditure	Final Budget less Actual Expenditure Unobligated balance
PART I General Policy and Direction							
A. Governing Bodies *(Including General Conference and Executive Board)*	10 570	542	-1 774	–	9 338	6 414	2 924
B. Direction	10 606	506	-214	74	10 972	9 210	1 762
C. Participation in the joint machinary of the United Nations	8 850	328	-870	-	8 308	6 636	1 672
TOTAL PART I	**30 026**	**1 376**	**-2 858**	**74**	**28 618**	**22 260**	**6 358**
PART II – Programmes and Programme Related Services							
A. Programmes							
Major Programme I – Education	84 769	2 428	-12 547	1 771	76 421	43 396	33 025
Major Programme II – Natural Sciences	39 306	779	-616	928	40 397	21 887	18 510
Major Programme III – Social and Human Sciences	19 383	932	-340	446	20 421	12 118	8 303
Major Programme IV – Culture	34 396	1 528	-2 283	1 635	35 276	23 541	11 735
Major Programme V – Communication and Information	22 407	6	-1 951	331	20 793	11 948	8 845
UNESCO Institute for Statistics	8 341	–	-2 362	–	5 979	3 674	2 305
Intersectoral Platforms	7 124	1 194	-1 498	14	6 834	2 423	4 411
Field -Management of decentralized progs.	45 087	2 078	-3 867	729	44 027	40 472	3 555
Supplementary funding for the Field Network Reform	5 303	2 298	1 399	–	9 000	1 081	7 919
Total Part II.A	**266 116**	**11 243**	**-24 065**	**5 854**	**259 148**	**160 540**	**98 608**
B. Programme Related Services							
1. Coordination and monitoring of action to benefit Africa	3 195	200	746	10	4 151	2 588	1 563
2. Coordination and monitoring of action to benefit Gender Equality	1 439	-7	-376	–	1 056	713	343
3. Strategic planning, programme monitoring and budget preparation	5 879	209	-492	92	5 688	3 704	1 984
4. Organization-wide knowledge management	2 180	752	1 360	–	4 292	2 984	1 308
5. External relations and public information	17 921	106	-2 763	–	15 264	14 034	1 230
Total Part II.B	**30 614**	**1 260**	**-1 525**	**102**	**30 451**	**24 023**	**6 428**
C. Participation Programme and fellowships							
1. Participation programme (PP)	17 913	5 184	-10 024	–	13 073	6 227	6 846
2. Fellowships programme (FEL)	1 333	80	-415	–	998	487	511
Total Part II.C	**19 246**	**5 264**	**-10 439**	–	**14 071**	**6 714**	**7 357**
TOTAL PART II	**315 976**	**17 767**	**-36 029**	**5 956**	**303 670**	**191 277**	**112 393**
PART III – Corporate services							
A. Human resources management	26 462	207	-6 236	–	20 433	14 313	6 120
B. Financial management	7 522	811	196	–	8 529	7 936	593
C. Management of support services	44 554	-911	-3 845	27	39 825	30 549	9 276
TOTAL PART III	**78 538**	**107**	**-9 885**	**27**	**68 787**	**52 798**	**15 989**
TOTAL PARTS I-III	**424 540**	**19 250**	**-48 772**	**6 057**	**401 075**	**266 335**	**134 740**
Reserve for reclassifications/merit based promotions	1 300	–	–	–	1 300	–	1 300
PART IV – LOAN REPAYMENT FOR THE RENOVATI OF THE HEAQUARTERS PREMISES & BUILDING	12 291	16	-5 324	–	6 983	7 040	-57
PART V – ANTICIPATED COST INCREASES	7 957	510	510	–	8 977	–	8 977
TOTAL APPROPRIATION	**446 088**	**19 776**	**-53 586**	**6 057**	**418 335**	**273 375**	**144 960**

Note: The budget and accounting basis is different.
This Statement of Comparison of Budget and Actual amounts is prepared on the budget basis.

VI. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The United Nations Educational, Scientific and Cultural Organization (UNESCO) was created in London on 16 November 1945 by governments of the States Parties to contribute to peace and security by promoting collaboration among the nations through education, science and culture in order to further universal respect for justice, for the rule of law and for human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations Organization. As one of the specialized agencies referred to in Article 57 of the Charter of the United Nations Organization, the provisions of Articles 104 and 105 of that Charter concerning the legal status of that Organization, its privileges and immunities, apply in the same way to UNESCO.

UNESCO is governed by a General Conference, consisting of the representatives of its Member States, which determines the policies and main lines of work of the Organization. The Executive Board, which consists of 58 Member States elected by the General Conference, takes, in accordance with the decisions of the General Conference, all necessary measures to ensure the effective and rational execution of the programme of work by the Director-General.

The Organization has its Headquarters located in Paris, France. It is also composed of 50 field offices located around the world, 4 liaison offices in Geneva, New York, Addis Ababa and Brussels, and ten category 1 institutes, one centre and one Maison de la paix (Bujumbura) spread worldwide which specialize in the fields of competency of UNESCO.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual and going concern basis and comply with the requirements of International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) are applied.

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires UNESCO management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 – Critical Accounting Estimates and Judgements.

The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

2.2 CONSOLIDATION

Included within the scope of consolidation for the preparation of the UNESCO financial statements are UNESCO Headquarters, field offices, liaison offices, centres and category 1 institutes.

Where institutes or operations are considered to constitute standalone entities, they are consolidated in the UNESCO financial statements only if they are deemed to be controlled by UNESCO according to the definition of control contained within the IPSAS standards. Under IPSAS, control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

The consolidated category 1 institutes are considered to constitute controlled entities. They are listed in the following table along with their locations and functional currencies:

Institute	Location	Functional Currency
UNESCO International Institute for Educational Planning (IIEP)	Paris (France) and Buenos Aires (Argentina)	USD
UNESCO International Bureau of Education (IBE)	Geneva (Switzerland)	USD
UNESCO Institute for Lifelong Learning (UIL)	Hamburg (Germany)	EUR
UNESCO Institute for Information Technologies in Education (IITE)	Moscow (Russian Federation)	USD
UNESCO International Institute for Capacity-Building in Africa (IICBA)	Addis Ababa (Ethiopia)	USD
UNESCO International Institute for Higher Education in Latin America and the Caribbean (IESALC)	Caracas (Venezuela)	USD
UNESCO-IHE Institute for Water Education (IHE)	Delft (Netherlands)	EUR
International Centre for Theoretical Physics (ICTP)	Trieste (Italy)	EUR
UNESCO Institute for Statistics (UIS)	Montreal (Canada)	USD
Mahatma Gandhi Institute of Education for Peace and Sustainable Development (MGIEP)	New Delhi (India)	USD

All consolidated entities prepare their accounting information on an accrual and going concern basis and comply with the requirements of IPSAS. The financial performance and financial position of entities whose functional currency is different to the presentation currency of UNESCO consolidated financial statements are translated into the presentation currency of UNESCO (see Note 2.3).

2.3 FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are presented in United States (US) dollars, which is the functional currency of UNESCO.

Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into US dollars at the exchange rate prevailing on the date of the statement of financial position. Foreign currency transactions are translated into US dollars using the UNORE prevailing at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Some entities which are included in the consolidated financial statements of UNESCO have different functional currencies to the US dollar, which are translated for consolidation purposes as follows:

- Assets and liabilities for each statement of financial position presented are translated at the exchange rate prevailing on the date of the Statement of Financial Position;
- Revenues and expenses for each statement of financial performance are translated at exchange rates prevailing at the dates of transactions (UNORE);
- All resulting exchange differences are recognized as a separate component of net assets/equity.

2.4 SEGMENT REPORTING

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At UNESCO, segment information is based on the principal activities and sources of financing of the Organization. As such, UNESCO reports separate financial information for four segments: the General Fund (GEF), Other Proprietary Funds (OPF), Programme Fiduciary Funds (PFF) and Staff Fiduciary Funds (SFF).

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value. Cash and cash equivalents held in a fiduciary capacity (Programme Fiduciary Funds and Staff Fiduciary Funds) that can only be used for a specific purpose are considered as restricted.

2.6 INVESTMENTS

UNESCO classifies its investments into the following two categories: loans and receivables and financial assets at fair value through surplus or deficit:

(a) Loans and receivables: these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including term deposits. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. UNESCO's loans and receivables are classified in investments in the Statement of Financial Position (see Note 7 Investments).

(b) Financial assets at fair value through surplus or deficit: a financial asset is classified in this category if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognized in the Statement of Financial Performance. Financial assets in this category are classified in investments in the Statement of Financial Position (see Note 7 Investments).

At each reporting date UNESCO assesses whether there is any objective evidence that an investment or group of investments is impaired. Any impairment losses are recognized in the Statement of Financial Performance.

2.7 CONTRIBUTIONS AND OTHER RECEIVABLES

Receivables are measured at fair value less any allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UNESCO will not be able to collect all amounts due according to the original terms of the receivables. In establishing the allowance for assessed contributions, the fair value of receivables is calculated as the estimated discounted cash flows arising from receivables to be collected in the future. This discounting approach is not applied to voluntary contributions. Assessed contributions received prior to the commencement of the relevant specified budget period are recorded as an asset and a corresponding advance receipt liability is recognized.

Receivables are classified into current and non-current on the basis of their due date and not on the "expected amounts" to be received.

2.8 INVENTORIES

Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or consumption in the production of goods or the provision of services at no or nominal charge are valued at the lower of cost and current replacement cost. Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance. The cost of inventories is assigned in line with the weighted average cost formula.

2.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) is carried at cost less accumulated depreciation and impairment. Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the accounts.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to UNESCO and the cost of the item can be measured reliably. In most instances, an item of PP&E is recognized at its cost. When an asset is donated, it is recognized at fair value as at the date of acquisition. UNESCO applies thresholds when considering whether to capitalize PP&E additions. PP&E is recognized as an asset if it has a cost or fair value of $1,000 or more per unit, unless it is considered to be a Small Attractive Item (such as PCs, laptops, cameras, printers, personal digital assistants) for which a threshold of $300 or more per unit is applied.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance.

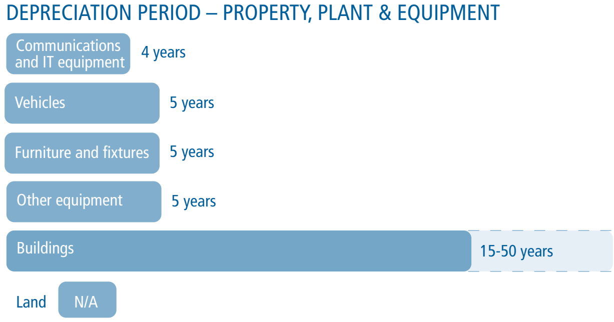
Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to UNESCO and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E other than land, at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

DEPRECIATION PERIOD – PROPERTY, PLANT & EQUIPMENT



Buildings are analysed by components and different depreciation periods are applied as follows: foundations and walls – 50 years; other structural components – 30 years; fittings – 15 years; technical installations – 25 years. The residual values and useful lives of assets are reviewed and adjusted, if applicable, at each financial year-end.

Impairment

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the book value of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss if any. Any provision for impairment is included in the Statement of Financial Performance.

The "measurement after recognition" method used for property, plant and equipment is the "cost model" described in IPSAS 17, paragraph 43, which provides that "after recognition as an asset, an item of property, plant, and equipment shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses".

2.10 INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment. Intangible assets are capitalized in the financial statements if they have a cost exceeding $50,000.

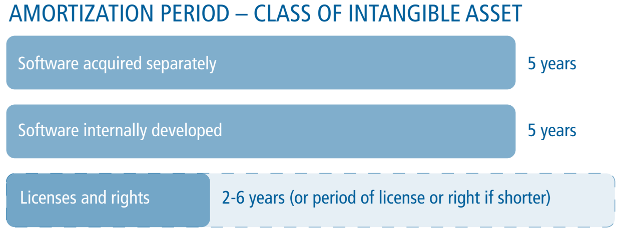
Software acquisition and development

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by UNESCO are capitalized as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Amortization

Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

AMORTIZATION PERIOD – CLASS OF INTANGIBLE ASSET



2.11 EMPLOYEE BENEFITS

UNESCO recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;

- post-employment benefits;
- other long-term employee benefits and
- termination benefits.

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) compensated absences (annual leave, sick leave, maternity/paternity/adoption leave) and other short-term benefits (education grant, reimbursement of taxes) and the current portion of long-term benefits provided to current employees. These are treated as current liabilities. Some elements of normally short-term benefits may not be expected to be settled within 12 months of the reporting date. This may be the case with some annual leave entitlements. These elements which are expected to be settled more than 12 months after the end of the reporting date are treated as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material.

Post-employment benefits

Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump-sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans. For defined contribution post-employment plans, the obligation for each period is determined by the amounts to be contributed for that period, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

United Nations Joint Staff Pension Fund (UNJSPF)

UNESCO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNESCO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNESCO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNESCO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNESCO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

After Service Health Insurance (ASHI)

The After-Service Health Insurance programme extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff based on certain eligibility requirements. The ASHI programme at UNESCO is a defined benefit plan. Accordingly a liability is recognized to reflect the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. The latest full actuarial valuations for the UNESCO ASHI programme were carried out as at 31 December 2012 using the Projected Unit Credit Service Prorate. The valuation as at 31 December 2013 was based on a roll forward of the results of the 2012 full valuation.

Other long-term employee benefits

Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period. These are treated as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material.

Termination benefits

Termination benefits generally include indemnities for voluntary redundancy, and are expected to be settled within 12 months of the reporting date.

2.12 BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are currently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless UNESCO has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Where UNESCO holds interest-free loans or does not pay interest on loans, the benefit to UNESCO of the arrangement is treated as an in-kind contribution.

2.13 PROVISIONS

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.14 TAX

UNESCO enjoys privileged tax-exemption; as such the Organization's assets, income and other property are exempt from all direct taxation.

2.15 REVENUE RECOGNITION

Accrual accounting under IPSAS does not require the matching of revenue to related expenses. The cash-flows arising from revenue and related expenses can take place in current and future accounting periods.

Non-Exchange Revenue

Revenue from non-exchange transactions is measured based on the increase in net assets recognized. Where the full criteria for recognition of an asset under a non-exchange agreement are not fulfilled, a contingent asset may be disclosed.

Assessed contributions are assessed and approved for a two-year budget period. The amount of these contributions is then apportioned between the two years for invoicing and payment. Assessed contributions are recognized as revenue at the beginning of the apportioned year in the relevant two year budget period.

Voluntary contributions and other transfers which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability. In such cases, revenue is recognized as the condition liability is discharged. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are recognized as revenue when received.

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. These contributions include the use of premises and utilities. In-kind contributions of services, such as the services of volunteers, are not currently recognized.

Exchange Revenue

Other sources of revenue from exchange transactions are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

2.16 EXPENSES

Under accrual accounting, expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.

Non-exchange transactions

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In such cases, expenses are recognized as services are performed and the condition on transferred assets fulfilled consistent with the terms of the agreement. Advance payments are amortized based on objective evidence to reflect the risk of non-recovery. Where revenue is recognized from in-kind contributions, a corresponding expense is also recognized in the financial statements.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgement. The areas where estimates, assumptions or judgement are significant to UNESCO's financial statements include, but are not limited to: post-employment benefit obligations, provisions for litigation, financial risk on inventories and accounts receivable, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

UNESCO Staff Savings and Loan Services (USLS) is excluded from the UNESCO consolidated financial statements. USLS is not considered to be a controlled entity, as UNESCO does not govern the financial and operating policies of USLS, and does not benefit from its activities. However, as UNESCO is deemed to hold a relationship of significant influence with USLS, appropriate disclosures are made in the Notes to the UNESCO financial statements – see Note 29 Relationships of Significant Influence.

UNESCO leases the land for its headquarters sites at Place de Fontenoy and Rue Miollis from the host government. Under the lease agreements, the lease terms are for 99 years, and can be renewed for unlimited subsequent periods of 99 years. UNESCO pays a nominal amount in rent for the use of the land. Given that the agreements effectively grant UNESCO the right to use the land at the two sites in perpetuity for a nominal rent, it is considered appropriate to recognize the land as an asset in the UNESCO financial statements – see Note 13 Property, Plant & Equipment.

NOTE 4 – **CHANGES IN ACCOUNTING POLICIES**

Prior to 2013, return of funds to donors was treated through the Statement of Financial Performance as an expense or reduction of revenue. The External Auditors observed that these refunds relate to revenue recognized in previous financial periods and thus are part of the net assets/equity at the time of the refund and thus constitute a direct movement in net assets/equity and not an expense. Accordingly the Organization's accounting policy on refunds to donors was changed and all refunds treated through the Statement of Financial Position as a reduction of net assets/equity. The comparatives financial statements were restated accordingly to reflect the change in accounting policy.

The effect of the change on the restated Statement of Financial Performance for the year ended 31 December 2012 is as follows:

	As Reported	Adjustment	As Restated
Expressed in '000 US dollars			
Voluntary contributions	391 038	240	391 278
Total revenue	**792 199**	**240**	**792 439**
Other expenses	19 027	-13 784	5 243
Total expenses	**806 165**	**-13 784**	**792 381**
Surplus/(Deficit) for the period	**-13 966**	**14 024**	**58**

The effect of the change on the restated Statement of Changes in Net Assets/Equity for the year ended 31 December 2012 is as follows:

	As Reported	Adjustment	As Restated
Expressed in '000 US dollars			
Other adjustment to reserves	-8 008	-14 032	-22 040
Currency Exchange reserves	-9 620	8	-9 612
Total of items recognized directly in net Assets/Equity	**7 098**	**-14 024**	**-6 926**
Surplus/(Deficit) for the period	**-13 966**	**14 024**	**58**

The effect of the change on the restated Cash Flow Statement the year ended 31 December 2012 is as follows:

	As Reported	Adjustment	As Restated
Expressed in '000 US dollars			
Cash flow from operating activities:			
Surplus/(Deficit) for the period	-13 966	14 024	58
Increase/ (decrease) in other liabilities	5 130	-14 024	-8 894

NOTE 5 – **SEGMENT INFORMATION**

Segment information is based on the principal activities and sources of financing of the Organization. These segments are as follows:

- General Fund (GEF) includes both the General and Working Capital Funds set up in accordance with Financial Regulations 6.1 and 6.2. This segment has been established for the purpose of accounting for the expenditure of the regular programme appropriation voted by the General Conference of UNESCO for a given financial period.
- Other Proprietary Funds (OPF) include revenue-generating activities, programme support costs for special accounts and trust funds, the Staff Compensation Fund, the Terminal Payments Fund, and Headquarters-related special accounts. This segment carries out the programmes, or groups other authorized expenditure, of UNESCO. The funds have been established in accordance with Financial Regulation 6.5 and normally have individual special financial regulations.
- Programme Fiduciary Funds (PFF) includes institutes, special accounts and trust funds set up in accordance with Financial Regulation 6.5. This segment carries out extra-budgetary programme activities in accordance with the respective agreements signed between UNESCO and donors or other legal authority. The resources of each fund in this segment can only be used for the purposes for which the respective fund has been established.
- Staff Fiduciary Funds (SFF) is the segment that has been established for the benefit of UNESCO's staff members, namely through the Medical Benefits Fund (MBF), the UNESCO Commissary Fund (UCF), the UNESCO Restaurant Service (URS) and the UNESCO Day Nursery and Children's Club (UNC). The resources of each fund in this segment can only be used for the purposes for which the respective fund has been established.

STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 31 DECEMBER 2013

Expressed in '000 US dollars	GEF	OPF	PFF	SFF	Inter-fund balances	TOTAL UNESCO
ASSETS						
Current Assets						
Cash and cash equivalents	61 250	12 512	61 003	11 270	–	146 035
Short-term investments	4 262	42 516	510 846	19 515	–	577 139
Accounts receivable (non-exchange transactions)	14 394	–	5 121	–	–	19 515
Receivables from exchange transactions	59	568	535	640	-78	1 724
Inventories	–	603	44	556	–	1 203
Advance payments	18 121	377	21 783	1 028	-642	40 667
Other current assets	11 324	5 055	2 721	362	-14 735	4 727
Total current assets	**109 410**	**61 631**	**602 053**	**33 371**	**-15 455**	**791 010**
Non-current assets						
Accounts receivable (non-exchange transactions)	1 364	–	–	–	–	1 364
Long-term investments	–	–	2 676	–	–	2 676
Property, plant and equipment	583 790	754	10 597	146	–	595 287
Intangible assets	114	–	166	–	–	280
Total non-current assets	**585 268**	**754**	**13 439**	**146**	**–**	**599 607**
TOTAL ASSETS	**694 678**	**62 385**	**615 492**	**33 517**	**-15 455**	**1 390 617**
LIABILITIES						
Current Liabilities						
Accounts payable (exchange transactions)	5 365	1 015	12 370	1 028	-78	19 700
Employee benefits	17 084	840	4 354	824	–	23 102
Transfers Payable	306	-	19 867	-	–	20 173
Conditions on voluntary contributions	1 113	-	38 506	-	–	39 619
Advance receipts	34 563	378	113 663	112	–	148 716
Current portion of borrowings	8 283	–	–	34	-34	8 283
Other current liabilities	1 547	2 012	15 511	7 560	-15 343	11 287
Total current liabilities	**68 261**	**4 245**	**204 271**	**9 558**	**-15 455**	**270 880**
Non-current Liabilities						
Employee benefits	853 549	2 940	26 029	–	–	882 518
Conditions on voluntary contributions	2 868	–	–	–	–	2 868
Long-term loans	39 991	–	–	–	–	39 991
Other non-current liabilities	4 010	5 108	766	–	–	9 884
Total non-current liabilities	**900 418**	**8 048**	**26 795**	**–**	**–**	**935 261**
TOTAL LIABILITIES	**968 679**	**12 293**	**231 066**	**9 558**	**-15 455**	**1 206 141**
NET ASSETS	**-274 001**	**50 092**	**384 426**	**23 959**	–	**184 476**
NET ASSETS/EQUITY						
Reserves and fund balances	-274 001	50 092	384 426	23 959	–	184 476
NET ASSETS/EQUITY	**-274 001**	**50 092**	**384 426**	**23 959**	–	**184 476**

STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Expressed in '000 US dollars	GEF	OPF	PFF	SFF	Inter-fund transactions	TOTAL UNESCO
REVENUE						
Assessed contributions	354 902	–	3 714	–	–	358 616
Voluntary contributions	15 080	637	354 290	–	-811	369 196
Other revenue producing activities	77	12 689	2 683	8 070	-4 049	19 470
Other / miscellaneous revenue	1 364	2 191	1 058	26 229	-13 474	17 368
Foreign exchange gains	2 786	1	–	858	-669	2 976
Finance revenue	281	3 541	7 377	303	–	11 502
Inter-segment transfers	106	18 681	10 733	–	-29 520	–
Operating revenue	**374 596**	**37 740**	**379 855**	**35 460**	**-48 523**	**779 128**
EXPENSES						
Employee benefit expenses	261 103	23 167	103 629	27 771	-13 609	402 061
Consultants, external experts and mission costs	11 205	2 962	37 847	–	-2 132	49 882
External training, grants and other transfers	22 455	142	43 845	1	-10 553	55 890
Supplies, consumables and other running costs	27 936	4 439	27 812	2 777	-4 268	58 696
Contracted services	15 381	3 941	110 981	608	-67	130 844
Depreciation and amortization	15 540	419	2 694	81	–	18 734
Allowance for assessed contributions	83 058	–	–	–		83 058
Other expenses	719	206	1 141	154	–	2 220
Foreign exchange losses	––	––	846	–	-846	–
Finance costs	1 647	26	7 747	8	–	9 428
Inter-segment transfers	–	162	16 886	–	-17 048	–
Operating expenses	439 044	35 464	353 428	31 400	-48 523	810 813
SURPLUS (DEFICIT) FOR THE PERIOD	**-64 448**	**2 276**	**26 427**	**4 060**	**-**	**-31 685**

Note that some internal activities lead to accounting transactions that create inter-segment assets, liabilities, revenue and expenses. Inter-segment transactions are reflected in the Statement of Financial Position by Segment and Statement of Financial Performance by Segment to accurately present these financial statements.

NOTE 6 – CASH AND CASH EQUIVALENTS

Expressed in '000 US dollars	31/12/2013	31/12/2012
Cash with banks	145 987	89 242
Cash in hand	48	47
Total cash and cash equivalents	**146 035**	**89 289**

Cash is principally held in UNESCO Headquarters interest bearing euro and US dollar bank accounts including cashable investments that amounted to K$133,086 and generated an average return of 0.25% in USD and 0.56% in EUR. A limited amount of cash balances are also held on the Headquarters interest bearing convertible currency accounts, field offices and Institutes US dollar and local currency accounts.

Cash and cash equivalents include K$73,762 available under proprietary funds. The remaining balance of K$72,273 is held by UNESCO in a fiduciary capacity (see Note 5 Segment Information).

NOTE 7 – INVESTMENTS

Expressed in '000 US dollars	31/12/2013	31/12/2012
Current portion		
Loans and receivables		
Term deposits (maturing within 12 months)	476 438	454 692
Accrued interest	779	308
Fair value through surplus or deficit		
Brazilian Government Treasury Bills (up to 184 days)	99 922	101 690
Total current portion	**577 139**	**556 690**
Non-current portion		
Fair value through surplus or deficit		
Other	2 676	2 269
Total non-current portion	**2 676**	**2 269**
Total investments	**579 815**	**558 959**

The term deposits are held with international banks which are assigned deposit ceilings in accordance with the Investment Policy of UNESCO. Term deposits and accrued interest as at 31 December 2013 include K$46,778 held by UNESCO in proprietary funds. K$530,361 is held in a fiduciary capacity, including K$19,515 in Staff Fiduciary Funds. The average interest rate on term deposits for the twelve months ended 31 December 2013 was 0.14% for euro deposits and 0.38% for US dollar deposits.

The UNESCO Brasilia Office (UBO) invests in Brazilian Government Treasury Bills, in accordance with the Investment Policy of UNESCO. As at 31 December 2013, the balance of these investments was K$99,922. These are floating-yield bills issued by the Brazilian Treasury ("Letra Financeiro do Tesouro"). The average interest rate on Brazilian Government Treasury Bill investments was 8.07% for the 12 months ended 31 December 2013.

The non-current investment represents the investment portfolio of the Nessim Habif Trust Fund, which includes bonds and equity funds. In accordance with the Financial Regulation concerning the Nessim Habif Fund (61 EX/38), the capital of the fund is invested in industrial securities either in Switzerland or in the United States of America.

The maturity analysis of investments is as follows:

31/12/2013	Term deposits	Brazilian Government Treasury Bills	Nessim Habif trust fund
Expressed in '000 US dollars			
Term deposits (with maturities 12 months or less)	476 438	–	–
Other investments maturing within 1 year	–	99 922	–
Investments maturing after 1 year but less than five years	–	–	–
More than five years	–	–	2 676
Total	**476 438**	**99 922**	**2 676**

NOTE 8 – ACCOUNTS RECEIVABLE (NON-EXCHANGE TRANSACTIONS)

Expressed in '000 US dollars	31/12/2013	31/12/2012
Assessed contributions (current)	260 933	183 762
Assessed contributions (non-current)	4 137	3 895
Gross assessed contributions	**265 070**	**187 657**
Allowance for assessed contributions (current)	-245 826	-163 131
Allowance for assessed contributions (non-current)	-2 773	-2 410
Net assessed contributions	**16 471**	**22 116**
Voluntary contributions (current)	4 408	8 736
Voluntary contributions (non-current)	–	–
Total accounts receivable (non-exchange transactions)	**20 879**	**30 852**
Current portion	19 515	29 367
Non current portion	1 364	1 485
Net accounts receivable (non -exhange transactions)	**20 879**	**30 852**

Assessed contributions receivable represent uncollected revenues committed to UNESCO by Member States and Associated Members for completion of the programme of work. Non-current assessed contributions are those contributions which are due more than 12 months after the reporting date. This relates to payment plans agreed.

The allowance for assessed contributions is calculated by providing against the entire balance of arrears up to the 2010-2011 biennium which are not under payment plans. Outstanding assessed contributions from the 2012-2013 biennium and amounts under payment plans are discounted to their present value based on the year in which they are expected to be received:

Expressed in '000 US dollars	31/12/2013	31/12/2012
Arrears not under payment plans:		
1988-2003	3 103	3 103
2004-2005	22	29
2006-2007	25	46
2008-2009	32	57
2010-2011	79 199	83 488
	82 381	**86 723**
Other current assessed contributions	178 552	97 039
Gross assessed contributions (current)	**260 933**	**183 762**
Allowance for arrears	-245 795	-162 977
Discount other current assessed contributions	-31	-154
Net assessed contributions (current)	**15 107**	**20 631**
Gross assessed contributions (non-current)	4 137	3 895
Discount for non-current assessed contributions	-2 773	-2 410
Net assessed contributions (non-current)	**1 364**	**1 485**
Total net assessed contributions	**16 471**	**22 116**

Specific allowance for an amount of K$241,921 has been made against contributions due from two Member States who have suspended their contributions to the Organization.

NOTE 9 – ACCOUNTS RECEIVABLE (EXCHANGE TRANSACTIONS)

Expressed in '000 USD	31/12/2013	31/12/2012
Amounts receivable for goods and services	2 993	3 234
Allowance for doubtful accounts	-1 269	-1 313
Net receivables from exchange transactions	**1 724**	**1 921**

The allowance for receivables from exchange transactions is an estimated irrecoverable amount based on an aged analysis of outstanding amounts at the reporting date.

NOTE 10 – INVENTORIES

Expressed in '000 USD	31/12/2013	31/12/2012
Publications	3 829	3 787
Supplies	568	685
Gross inventories	**4 397**	**1 482**
Write-down	-3 194	-2 990
Net inventories	**1 203**	**1 482**

Publications include publications held for sale. Full details of publications held to be distributed at no or nominal charge are not currently available, and therefore costs related to these publications are recognized as expenses as they are incurred. Publications for free distribution generally have short useful lives, and therefore the value of any remaining stock at year end would be significantly depreciated. Supplies include principally restaurant supplies and commissary supplies. Inventories are written down to their net realizable value.

NOTE 11 – ADVANCE PAYMENTS

Expressed in '000 US dollars	31/12/2013	31/12/2012
Advances to staff	4 002	4 365
Activity financing advance payments	1 863	3 029
Implementing partner advances	10 354	6 350
IHE advances to project partners	8 289	5 168
Participation Programme advance payments	13 768	12 311
Other advance payments	2 391	2 937
Total advance payments	**40 667**	**34 160**

Advance payments on non-exchange contracts (Financing Activity Contracts, Implementation Partnership Agreements/ Intergovernmental Body Allocation contracts, Participation Programme and IHE projects) relate to transfers made to third parties where the conditions on the transferred assets are yet to be accepted by UNESCO as fulfilled as at 31 December 2013.

Under the Participation Programme, transfers of funds are considered to be advance payments until a financial report confirming use of the funds in accordance with the agreement is received and accepted by UNESCO. Advance payments under the Participation Programme can be allocated to biennia as follows:

Expressed in '000 US dollars	31/12/2013	31/12/2012
Biennium		
2006-2007	–	1 397
2008-2009	1 281	2 094
2010-2011	1 935	3 204
2012-2013	10 552	5 616
Participation Programme advance payments	**13 768**	**12 311**

Outstanding advance payments dating back more than three biennia are written off at the end of the reporting period. As a consequence, the remaining advance payment balance relating to 2006-2007 biennium has been written off at the end of 2013.

NOTE 12 – OTHER CURRENT ASSETS

Expressed in '000 US dollars	31/12/2013	31/12/2012
VAT receivables	3 083	1 846
Other	1 644	1 207
Total other current assets	**4 727**	**3 053**

The VAT receivables relate to value-added tax (VAT) recoverable from fiscal authorities. Other is principally made of the balance due from the United Nations Development Programme (UNDP) of K$1,211.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (PP&E)

Expressed in '000 US dollars	Land	Buidings	Comms & IT Equipm't	Vehicles	Furniture and Fix-tures	Other Equipm't	Total
As at January 1, 2013							
Cost or fair value	254 713	383 314	28 242	6 427	2 887	14 979	690 562
Accumulated depreciation	–	-41 275	-23 608	-5 111	-2 438	-9 829	-82 261
Carrying amount	**254 713**	**342 039**	**4 634**	**1 316**	**449**	**5 150**	**608 301**
Movements period to 31/12/2013							
Additions	–	234	3 101	706	199	1 270	5 510
Disposals	–	–	-1 492	-336	-16	-2 039	-3 883
Disposals depreciation	–	–	1 479	336	16	1 687	3 518
Impairment	–	–	–	–	–	–	–
Depreciation	–	-13 766	-2 525	-645	-210	-1 334	-18 480
Exchange adjustments depn	–	-19	-272	-6	-31	-183	-511
Exchange adjustments cost	–	109	347	6	38	332	832
Total movements 12 months to 31 December 2013	**–**	**-13 442**	**638**	**61**	**-4**	**-267**	**-13 014**
As at December 31, 2013							
Cost or fair value	254 713	383 657	30 198	6 803	3 108	14 542	693 021
Accumulated depreciation	–	-55 060	-24 926	-5 426	-2 663	-9 659	-97 734
Carrying amount	**254 713**	**328 597**	**5 272**	**1 377**	**445**	**4 883**	**595 287**

As at December 31, 2013, UNESCO holds fully depreciated PP&E which is still in use for a gross value of K$17,041.

The carrying value of UNESCO buildings is detailed in the following table:

Description	Opening Carry Value	Depreciation for period	Additions for period	Exchange adjustment	Closing Carry Value
Expressed in '000 US dollars	31/12/2012				31/12/2013
7 Place Fontenoy	186 739	-7 616	–	–	179 123
1 Rue Miollis	138 458	-5 649	–	–	132 809
Apartment, place Vauban	5 476	-117	–	–	5 359
IBE buidling, Geneva	7 818	-271	–	–	7 547
Ocampo Villa, Buenos Aires	1 410	-28	–	–	1 382
IHE building renovation, Delft	2 138	-85	234	90	2 377
Total	**342 039**	**-13 766**	**234**	**90**	**328 597**

Heritage assets

UNESCO also has a significant number of "Works of Art" (also referred to as heritage assets), including paintings, statues and various other objects, which have been mainly donated by governments, artists and other partners. An internal fund has been set-up to cover accidental damage to these works, which have a considerable intrinsic value. The value of these works is not recognized in the financial statements of UNESCO in compliance with IPSAS 17.

NOTE 14 – INTANGIBLE ASSETS

Expressed in '000 US dollars	Softwared Internally Developed	Software Acquired	Total
As at January 1, 2013			
Cost or fair value	19 532	701	20 233
Accumulated amortization	-19 378	-365	-19 743
Carrying amount	**154**	**336**	**490**
Movements 12 months to 31 December 2013			
Additions	–	44	44
Disposals	–		
Disposals amortization	–		
Impairment	–		
Amortization	-154	100	-254
Total movements 12 months to 31 December 2013	**-154**	**-56**	**-210**
As at 31 December 2013			
Cost or fair value	19 532	745	20 277
Accumulated depreciation	-19 532	-465	-19 997
Carrying amount	**–**	**280**	**280**

UNESCO currently only recognizes software as intangible assets, as it is not considered probable that significant future economic benefits from copyrights and intellectual property will flow to UNESCO.

NOTE 15 – ACCOUNTS PAYABLE

Expressed in '000 US dollars	31/12/2013	31/12/2012
Suppliers payable	7 368	8 231
Accruals	10 990	11 501
Other payables	1 342	1 870
Total accounts payable	**19 700**	**21 602**

Suppliers payable relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to UNESCO during the period and which have not been invoiced or formally agreed with the suppliers.

NOTE 16 – EMPLOYEE BENEFITS

	31/12/2013			31/12/2012
	Actuarial valuation	UNESCO valuation	Total	
Expressed in '000 US dollars				
Payroll and reimbursements	–	13 696	13 696	8 930
Provision for restructuring	–	9 406	9 406	–
Employee benefits (current)	**–**	**23 102**	**23 102**	**8 930**
After Service Health Insurance	838 751	–	838 751	777 205
Accumulated annual leave	15 716	543	16 259	18 856
Repatriation benefits	18 376	–	18 376	20 127
Italian end of service benefit	9 132	–	9 132	8 839
Employee benefits (non-current)	**881 975**	**543**	**882 518**	**825 027**
Total employee benefits	**881 975**	**23 645**	**905 620**	**833 957**

Employee benefit liabilities are determined by professional actuaries or calculated by UNESCO based on personnel data and past payment experience.

Employee benefits – current

Current or short-term employee benefits include payroll and allowances, death grant, education grant and home leave.

The provision for restructuring of $9.4 million relates to termination indemnities. The termination indemnity is in respect of staff posts abolished under the Organization's restructuring plan.

Employee benefits – non-current

Non-current employee benefits relate to post-employment and other long-term employee benefits. These include After-Service Health Insurance, accumulated annual leave, repatriation benefits and the Italian end of service benefit.

After-Service Health Insurance (ASHI) – UNESCO operates the ASHI scheme which is a defined employee benefit plan. Under the scheme, staff retiring from UNESCO, who have reached their fifty-fifth birthday and who have completed at least ten years of participation in the Medical Benefits Fund as at the date of their separation, may opt to remain (indefinitely) in that Fund as an associate participant with UNESCO continuing to participate in the funding of their contributions. UNESCO performs annually both a long-term projection and an actuarial valuation of the ASHI scheme to measure its employee benefits obligation.

Accumulated annual leave (AAL) – UNESCO staff can accumulate unused annual leave up to a maximum of 60 working days. On separation from UNESCO, staff members are entitled to receive a sum of money equivalent to their pay for the period of AAL that they hold at the date of separation.

Repatriation benefits – A staff member who has completed one year of continuous service outside the country of his/her recognized home is entitled upon separation from UNESCO to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. Staff members are also entitled to travel and removal costs for repatriation on separation from UNESCO.

Italian end-of-service benefit – The Italian end-of-service benefit (known as "liquidazione") is a separation lump sum payable to local General Service staff working for UNESCO in Italy. The amount of the payment is based on the number of completed years of service at the time of separation from UNESCO.

Actuarial valuations

Liabilities arising from ASHI, accrued annual leave, repatriation benefits and Italian end-of-service benefit are determined by actuaries. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. The following assumptions and methods have been used to determine the value of post-employment and other long-term benefits for UNESCO as at 31 December 2013:

Discount rate – ASHI	4.00% – the rate used is based on the Mercer Yield Curve as of 31/12/2013 with a maturity around 23.75 years.
Discount rate – Repatriation benefits and Accumulated annual leave	4.00% – the rate used is based on the Mercer Yield Curve as of 31/12/2013 with a maturity around 23.75 years.
Salary scale (including inflation)	2.00%
Pension increase rate (including inflation)	2.00%
Medical cost trend rate (including inflation) – Initial	5.00%
Medical cost trend rate (including inflation) – Ultimate	5.00%
Inflation rate	2.00%
ASHI Plan duration (for discount rate justification purposes)	23.75 years
ASHI	It was assumed that 100% of staff eligible to benefit from the ASHI after service actually claim their entitlement.
Repatriation benefits	It was assumed that 75% of staff eligible for repatriation benefits on leaving actually claim their entitlement.
Accumulated annual leave	As the accumulation of annual leave by employee historically remains stable year on year, it is assumed that the total accumulated balance is a long-term employee benefit taken by staff members on separation from UNESCO.

The following tables and text provide additional information and analysis on employee benefit liabilities calculated by actuaries:

Expressed in '000 US dollars	ASHI	AAL	Repatriation benefits	Italian end of service benefit	Total
Defined benefit obligation at 31/12/2012	777 205	18 364	20 127	8 839	824 535
Movement for period ended 31/12/2013					
Service cost	27 398	1 342	723	578	30 041
Interest cost	32 714	744	825	407	34 690
(Actual gross benefits payments)	-12 105	-3 250	-2 208	-1 485	-19 048
Participant contributions	–	–	–	–	–
Actuarial (gain)/loss	903	-1 484	-1 091	-194	-1 866
New actuarial valuation	12 636	–	–	–	12 636
Adjustments to benefits paid	–	–	–	987	987
Defined benefit obligation 31/12/2013	**838 751**	**15 716**	**18 376**	**9 132**	**881 975**

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate which reflects the estimated timing of benefit payments is based on market yields, at the reporting date, on Mercer Yield Curves.

Actuarial gains or losses arise when the actuarial assessment differs from the long-term expectation on the obligations: they result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

Actuarial gains or losses relating to the ASHI, AAL and repatriation benefits obligation are accounted for using the "reserve recognition" approach, and are recognized through net assets/equity in the Statement of Financial Position and in the Statement of Changes in Net Assets/Equity in the year in which they occur.

Actuarial losses recognized directly in net assets/equity are K$1,866 for the year ended 31 December 2013.

The annual expense amounts recognized in the Statement of Financial Performance are as follows:

Expressed in '000 US dollars	ASHI	AAL	Repatriation benefits	Italian end of service benefit	Total
Service cost	27 398	1 342	723	578	30 041
Interest cost	32 714	744	825	407	34 690
Other expenses	–	–	–	–	–
Total expenses recognized for year ended 31/12/2013	**60 112**	**2 086**	**1 548**	**985**	**64 731**

Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period. Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement. The other expenses relate to the actuarial gains recognized directly in the Statement of Financial Performance.

Assumed healthcare cost trends have a significant effect on the amounts calculated for the ASHI liability and expenses. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

After Service Health Insurance – healthcare cost trends	Medical cost trend rate 4%	Medical cost trend rate 5%	Medical cost trend rate 6%
Expressed in '000 US dollars			
Defined benefit obligation as at 31/12/2013	641 013	826 170	1 082 994
% Variation	-22.4%		31.1%
Normal cost as of 31/12/2013	20 009	29 352	43 346
% Variation	-31.8%		47.7%

The expected contribution of UNESCO in 2014 to the ASHI plan is K$14,838 which represents expected gross benefit payments for the year. Expected contributions from participants in 2014 are K$5,042. The expected contribution of UNESCO in 2014 to the accumulated annual leave and repatriation defined benefit plans is K$691 and K$745 respectively, which represents expected benefit payments for the year.

United Nations Joint Staff Pension Fund (UNJSPF)

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

UNESCO financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. The actuarial valuation using data as of 31 December 2013 is being performed.

At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect no later than from 1 January 2014. The relate change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as of 1 January 2014.

During 2013, UNESCO's contributions paid to UNJSPF amounted to K$38,303 (2012 K$38,955). Expected contributions due in 2014 are K$33,545.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

NOTE 17 – **TRANSFERS PAYABLE**

Expressed in '000 US dollars	31/12/2013	31/12/2012
Interest payable to donors	19 709	19 496
Other transfers payable	464	4 296
Total transfers payable	**20 173**	**23 792**

Transfers payable mainly relate to accrued interest payable to donors for $19.7M which remained relatively stable. The decrease under other transfers payable is due to the reclassification of the $4M available for distribution to Member States under the 2010-2011 incentive scheme for prompt payment of contributions as a long term liability following the resolution of the General Conference (37 C Resolution 79, III.2) to postpone the distribution of the amount until 1 January 2016.

NOTE 18 – CONDITIONS ON VOLUNTARY CONTRIBUTIONS

Expressed in '000 US dollars	31/12/2013	31/12/2012
Conditions on monetray contributions (current)	38 506	34 245
Conditions on in-kind voluntary contributions (current)	1 113	1 668
Conditions on voluntary contributions (current)	**39 619**	**35 913**
Conditions on in-kind voluntary contributions (non-current)	2 868	5 203
Conditions on voluntary contributions (non-current)	**2 868**	**5 203**
Total conditions on voluntary contributions	**42 487**	**41 116**

UNESCO recognizes as a liability conditions attached to monetary voluntary contributions. Conditions are imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNESCO satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Conditions on in-kind voluntary contributions relate to the two loans on which UNESCO does not pay interest (see Note 20 Borrowings). The amount recognized as a liability is the total present value of the interest which would normally be payable on a similar loan. As interest-free repayments are made by UNESCO over the loan period, the carrying amount of the liability is reduced and an amount of in-kind revenue equal to that reduction is recognized. This liability is allocated between current and non-current based on the period in which the in-kind revenue is expected to be recognized.

NOTE 19 – ADVANCE RECEIPTS

Expressed in '000 US dollars	31/12/2013	31/12/2012
Framework agreements	57 059	40 999
IHE voluntary contributions received in advance	33 296	23 238
Other voluntary contributions received in advance	24 700	18 588
Assessed contributions received in advance	32 236	10 416
Other advance receipts	1 425	531
Total advance receipts	**148 716**	**93 772**

UNESCO recognizes as a liability amounts received under non-exchange contracts where a binding agreement is not considered to be in place yet. This is especially relevant to Framework Agreements, where amounts can be received before agreement is reached on the allocation of the contribution.

NOTE 20 – BORROWINGS

Expressed in '000 US dollars	31/12/2013	31/12/2012
IBE building loan	146	142
Phase II Belmont plan loan	8 137	7 777
URS loan	–	5
Current portion of borrowings	**8 283**	**7 924**
IBE building loan	927	1 015
Phase II Belmont plan loan	39 064	42 544
Long-term portion of borrowings	**39 991**	**43 559**
Total borrowings	**48 274**	**51 483**

Borrowings are recognized in the financial statements at amortized cost with values based on cash flows discounted using a discount rate of 2.45% (Phase II Belmont plan loan) and 3.00% (IBE building loan).

The maturity analysis of the IBE building and Phase II Belmont plan loans is as follows:

Expressed in '000 US dollars	31/12/2013	
	IBE buidling loan	Phase II Belmont plan loan
Within three months	–	2 053
Later than three months and not later than one year	146	6 084
Later than one year and not later than five years	669	35 905
Later than five years	258	3 159
Total borrowings	**1 073**	**47 201**

IBE Building

UNESCO received loans from the Property Foundation for International Organizations (FIPOI) of Switzerland for the balance of KCHF (thousands of Swiss francs) 4,437 to partly finance the purchase of buildings for the UNESCO International Bureau of Education (IBE). Following a renegotiation of the payment schedule in December 1997 it was agreed to fix the amount of the loan outstanding as of 1 January 1998 at KCHF3,223 (K$2,270) repayable in equal annual instalments of KCHF133 from 1998 until 2021, with a final payment of KCHF19 in 2022. The renegotiated loan is interest-free, and for the presentation of the financial statements, in-kind revenue is recognized for the benefit to UNESCO of not paying interest. The non-amortized balance of the loan as at 31 December 2013 is KCHF1,088 (KCHF1,221 at 31 December 2012).

Phase II Belmont Plan

By 32 C/Resolution 74, the General Conference had "authorized the Director-General to contract an interest-free loan of K€79,875 with a lender chosen by him in cooperation with the Government of France and to take into account the necessity of making provision in future budgets for the funds required for reimbursement of the sums borrowed". An agreement was signed on 23 March 2004 between UNESCO, the *Caisse des Dépôts et Consignations* (CDC) and the Government of France for the interest-free loan which would be drawn in five yearly instalments from 2004 to 2008 and repaid over eight biennia starting in 2006. The loan repayments are fully guaranteed by the Government of France. Under the arrangement, interest costs are paid by the Government of France and for the 12 months to 31 December 2013 these payments totalled K€1,075 (K$1,425). For the presentation of the financial statements, in-kind revenue is recognized for the benefit to UNESCO of not paying interest. As at 31 December 2013, the non-amortized balance of the loan is K€36,996 (K€42,985 at 31 December 2012).

NOTE 21 – **OTHER LIABILITIES**

Expessed in '000 US dollars	31/12/2013	31/12/2012
Unredeemed coupons	1 403	1 718
Provision for litigation	398	156
Other current liabilities	9 486	11 797
Other current liabilities	**11 287**	**13 671**
Unredeemed coupons	5 108	5 587
Provisions	–	74
Other non-current liabilities	4 776	–
Other non-current liabilities	**9 884**	**5 661**
Total other liabilities	**21 171**	**19 332**

An amount of K$6,511 of unredeemed coupons have been issued by UNESCO. The UNESCO coupons programme provides private individuals, institutions or Member States with the possibility of buying, with their local non-convertible currencies, coupons denominated in US dollars and guaranteed by UNESCO. Coupons are used for the purchase of books, publications and material for educational, scientific or cultural purposes, and for paying subscriptions to institutions and university registration fees. UNESCO undertakes to reimburse suppliers accepting these coupons in payment of their invoices. If the recipient of the coupons does not use them, they can send them back for a cash reimbursement or for exchange with coupons bearing a new validity date. The current coupon validity period is four years, however if expired unused coupons are sent to UNESCO, replacement coupons will be issued. Unredeemed coupons are classified between current and non-current based on amounts expected to be redeemed within the next twelve months.

By the end of 2013, K$4,757 of unpaid claims and outstanding invoices of K$2,387 due to the claim administrator relating to MBF are still pending under the other current liabilities. The other current liabilities also include K$1,170 of deferred income.

The other non-current liabilities related mainly to the $4M available under the 2010-2011 incentive scheme which have been considered as a long term liability (see Note 17).

Provision for litigation movements are explained as follows:

Expressed in '000 US dollars	31/12/2013
As at January 1, 2013	
Current portion	156
Non current portion	–
Total	**156**
Movements during the year	
Additions	398
Reversals	–
Utilizations	-156
Other (reclassification)	
Total movements	**242**
As at December 31, 2013	
Current portion	398
Non current portion	–
Total	**398**

NOTE 22 – **NET ASSETS/EQUITY**

	31/12/2012	Deficit for the period	Other adjustments to reserves	31/12/2013
Expressed in '000 US dollars				
General Fund Reserves	-291 741	-64 448	41 949	-314 240
Working Capital Fund	31 085	–	138	31 223
Restricted Reserves	507 439	32 763	-59 750	480 452
Currency Exchange Reserves	-11 320	–	-11 495	-22 815
Actuarial gains/losses through reserves	7 990	–	1 866	9 856
Total reserves and fund balances	**243 453**	**-31 685**	**-27 292**	**184 476**

Reserves under the main operations of the Organization financed from Member States assessed contributions are classified as General Fund reserves.

Working Capital Fund corresponds to advances from Member States determined by the General Conference.

Restricted reserves refer to results from operations under Programme Fiduciary Funds, Other Proprietary Funds and Staff Fiduciary Funds. The use of such reserves is either determined by specific financial regulations or agreements signed with donors.

Currency exchange reserves are exchanges differences arising from the presentation into USD of the financial statements of consolidated entities whose functional currencies are different from USD.

Actuarial gains and losses reserves are losses and gains arising from the valuation of long-term employee benefits such as after-service health insurance.

NOTE 23 – **REVENUE**

Expressed in '000s US dollars	31/12/2013	31/12/2012 Restated
Total assessed contributions	**358 616**	**352 970**
Voluntary contributions		
Monetary voluntary contributions	339 562	350 390
Inter-organization funds	14 908	25 586
In-kind voluntary contributions	14 726	15 302
Total voluntary contributions	**369 196**	**391 278**
Other revenue producing activities		
Revenue producing activities	9 093	8 218
Income from services rendered	10 377	9 583
Total other revenue producing acivities	**19 470**	**17 801**
Other/miscellaneous revenue		
Other operating gains	4 023	4 590
Contributions to MBF	13 345	13 238
Total other/miscellaneous revenue	**17 368**	**17 828**
Foreign exchange gains	2 976	602
Finance revenue	11 502	11 960
Total revenue	**779 128**	**792 439**

Assessed contributions are recognized as revenue at the beginning of the year to which they are apportioned in the relevant two year budget period. Assessed contributions received in euros are converted at the UNORE as opposed to the Constant Dollar Rate. As a result of this the financial statements show a different total value for assessed contributions when compared to the Regular Programme and Budget (see Note 26 Budget).

Voluntary contributions are analysed between *monetary voluntary contributions*, *inter-organization funds* and *in-kind voluntary contributions*. Where an in-kind contribution is recognized as revenue, a corresponding expense is also recognized. In-kind contributions include the use of field office and institute premises for no or nominal rent, and free utilities, maintenance and communications. In the case of the use of premises, the contribution value is based on the commercial rate for renting the building. In-kind contributions for premises are estimated at K$13,266. In-kind voluntary contributions also include K$1,461 which corresponds to the calculated value to UNESCO of not paying loan interest on the Phase II Belmont Plan loan and the IBE building loan.

Revenue producing activities for K$9,093 include principally sales income from the UNESCO Restaurant Service and the UNESCO Commissary Fund. Total *Income from services rendered* of K$10,377 relates principally to rental services of UNESCO premises and facilities.

NOTE 24 – EXPENSES

Expressed in '000 US dollars	31/12/2013	31/12/2012 Restated
Employee benefit expenses		
International & National staff	276 273	268 352
Provision for restructuring	9 406	–
Temporary staff	35 731	34 455
Other personnel costs	80 651	80 427
Total employee benefit expenses	**402 061**	**383 234**
Consultants, external experts and mission costs		
Consultants	31 058	25 126
National professionals	1 217	1 720
Staff mission costs	13 100	11 193
Delegates & external individuals missions	2 245	2 240
Other contracts	2 262	2 003
Total consultants, external experts and mission costs	**49 882**	**42 282**
Grants and other transfers		
Financial contributions	7 856	19 751
Grants and fellowships	28 646	25 916
External training and seminars	19 388	15 554
Total grants and other transfers	**55 890**	**61 221**
Supplies, consumables and other running costs		
Communications	3 241	3 472
Equipment	10 695	12 936
Leases	19 657	20 957
Utilities	7 880	7 328
Maintenance and repairs	8 980	8 846
Other supplies	8 243	8 449
Total supplies, consumables and other running costs	**58 696**	**61 988**
Contracted services		
Contracted research	5 637	13 987
Contracted seminars and meetings	7 745	9 546
Contracted document production	3 890	7 437
Other contracted services	113 572	101 941
Total contracted services	**130 844**	**132 911**
Depreciation and amortization		
Depreciation	18 480	18 697
Amortization	254	327
Total depreciation and amortization	**18 734**	**19 024**
Allowance for assessed contribution	**83 058**	**79 267**
Total other expenses	**2 220**	**5 243**
Total finance costs	**9 428**	**7 211**
Total expenses	**810 813**	**792 381**

Total expenses compared to the previous financial period increased by $18.4 million.

24.1 EMPLOYEE BENEFIT EXPENSES

International and national staff expenses include salaries, post adjustments, entitlements and pensions and health plan contributions for Professional and General Service category staff. This line also includes movements in the actuarial liability for Accumulated Annual Leave and Repatriation Benefits. *Temporary staff* expenses include all costs relating to the employment of temporaries and supernumeraries. *Other personnel costs* include reimbursement of medical claims and the movement in the ASHI actuarial liability where this is recognized in the Statement of Financial Performance. This line also includes staff travel expenses which are not related to mission costs (home leave, family visit, education grant, interview, separation).

Employee benefits increased by $18.8 million in 2013 compared to 2012. This increase is mainly related to the ongoing restructuring of the Organization: termination indemnities were paid to staff under a Voluntary Mutual Separation Scheme of an amount of approximately $5 million and at year-end, an amount of $9.4 million, was made as provision for staff termination expenses in relation to the restructuring.

24.2 CONSULTANTS, EXTERNAL EXPERTS AND MISSION COSTS

Consultants expenses represent the cost of contracting consultants, including insurance and travel expenses. *Staff mission costs* are the mission and training costs for UNESCO staff, temporaries and supernumeraries. These concern principally travel and per diem expenses. *Delegates and external individuals missions* are expenses for travel and per diem of representatives, delegates, individuals and others (i.e. non-staff). *Other contracts* concern principally interpreter fees. These expenses have increased by $7.6 million, mainly due to $5.9 million increase in consultants, $1.9 million in staff mission costs.

24.3 GRANTS AND OTHER TRANSFERS

Financial contributions include contributions made to United Nations joint activities, publications, conferences and programme activities. *Grants and fellowships* include study grants, fellowships, subventions, sponsorships and grant-in-aid. Expenses for *external training and seminars* are mainly travel and per diem costs for participants. These expenses decreased by $5.3 million in 2013 compared to 2012.

24.4 SUPPLIES, CONSUMABLES AND OTHER RUNNING COSTS

Communications expenses concern mainly telephone and postal/freight costs. *Equipment* expenses represent equipment purchases and costs during the year which do not meet the criteria for capitalization as PP&E or Intangible Assets. *Leases* represents primarily premises rental cost. This line includes the expense which corresponds to the in-kind voluntary contribution for premises provided to UNESCO at no or nominal cost. *Maintenance and repairs* expenses are mainly those incurred in relation to UNESCO premises. *Other supplies* include office supplies, and also notably supplies for the UNESCO Restaurant Service and the UNESCO Commissary Fund.

24.5 CONTRACTED SERVICES

Contracted services represent expenses where UNESCO has engaged a third party to perform work on behalf of UNESCO. Major categories of these types of arrangements include *research*, *seminars and meetings* and *document production*. Significant amounts fall within the category *other contracted services*. It should be noted that under certain arrangements, especially non-exchange contracts with not-for-profit organizations and government ministries for the implementation of activities under UNESCO's mission and mandate, contracts are established which cover several types of services and work which cannot be easily allocated to a single category of contracted services.

24.6 DEPRECIATION AND AMORTIZATION

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment (PP&E) over their useful lives (see Note 13). This relates principally to UNESCO buildings. Amortization is the expense resulting from the systematic allocation of the amortizable amount of intangible assets over their useful lives (see Note 14).

24.7 ALLOWANCE FOR ASSESSED CONTRIBU-TION

This amount corresponds to the allowance for unpaid Member States contributions.

24.8 OTHER EXPENSES, FOREIGN EXCHANGE AND FINANCE COSTS

Other expenses are largely composed of the net decrease in inventory ($2.6 million).

Finance costs of K$9,428 principally include the calculated interest cost of K$1,461 which corresponds to the in-kind revenue recognized for the value to UNESCO of not paying loan interest on the Phase II Belmont Plan loan and the IBE building loan (see Note 23 Revenue) as well as the investment interest to donors for K$5,026 and K$2,463 relating to IHE's SWAP arrangement linked to financing of premises.

NOTE 25 – **CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS**

25.1 LEGAL OR CONTINGENT LIABILITIES

On 31 December 2013, 143 employment cases were pending before the labour courts of Brazil. Of these cases, 27 are in the phase of execution of an award against UNESCO. The total amount claimed in the pending cases is KBRL9,147 (approximately K$3,891). The Organization, at this time, cannot provide an estimate as to the outcome of the above lawsuits nor can it determine the likelihood or the amount of loss or legal costs associated with the outcome.

On 31 May 2013, three cases were pending before the Paris court of appeal which upheld three judgements, reaffirming UNESCO immunity from jurisdiction without deciding the legal obligations between UNESCO and the three plaintiffs. The Organization, at this time, cannot provide an estimate as to the outcome of the request to the President of the French Civil Court nor can it determine the likelihood of loss or any cost that might be associated with this outcome.

Staff members have also lodged complaints which are pending before the UNESCO Appeals Board or the International Labour Organization Administrative Tribunal.

25.2 OPERATING LEASE COMMITMENTS

UNESCO enters into operating lease arrangements for the use of field office and institute premises, and for the use of photocopying and printing equipment. Future minimum lease rental payments for the following periods are:

Expressed in '000 US dollars	31/12/2013	31/12/2012
Within one year	2 358	2 995
Later than one year and not later than five years	3 121	3 914
Later than five years	–	–
Total operating lease commitments	**5 479**	**6 909**

Operating lease arrangements for field office premises can generally be cancelled by providing notice of up to 90 days. Individual operating lease agreements for photocopiers at headquarters generally made under the auspices of the overall long-term supply agreements.

Due to construction damages at the façade of IHE building caused by the construction activities, in front of the building, the lease is extended at 1 year Euribor (including credit margin) and for the remaining value of K€4,162.

25.3 CONTINGENT ASSETS

Under a number of existing voluntary contribution agreements, UNESCO will gain control of the voluntary contribution asset (contributions receivable) if certain stipulations set out in the agreement are met by UNESCO. Until the stipulations are met, these assets are not recognized in the Statement of Financial Position. As at 31 December 2013, there are voluntary contributions with an approximate value of K$106,596 (31 December 2012: K$105,744) under existing agreements where it is considered probable that UNESCO will meet the stipulations set out in the agreement.

NOTE 26 – **BUDGET**

The General Fund is established for the purpose of accounting for the expenditure of the regular programme appropriation voted by the General Conference of UNESCO for a biennium of two consecutive calendar years beginning with an even-numbered year. It is financed from assessed contributions from Member States. Appropriations are available for obligation during the financial period to which they relate and for a further 12 months. The General Fund budget is approved on a modified cash basis, whereby receipts are budgeted when it is planned that cash will be received and expenditures are budgeted when it is planned that payments will be made. The expenditures are classified between General Policy and Direction (Part I), Programmes and Programme Related Services (Part II), Corporate Services (Part III), Loan Repayment (Part IV) and Anticipated Cost Increases (Part V).

The General Conference set $653 million as the level for assessed contributions from the 195 Member States for the 2012-2013 biennium. However, as a result of the decision of two Member States to suspend the payment of their contributions, the Director-General instituted a budget expenditure plan of $465 million, thus aiming to reduce the approved biennial budget by 29% (or $188 million).

In order to present the biennial budget on an annual basis, in the first year of the biennium the budget represents allotments issued based on work plans. For the second year, the budget represents the remaining un-allotted amounts of the biennium plus the unused funds of the first year. For the year ended 31 December 2013, the allotment including authorized transfers and additional appropriations amounted to $418.3 million (see Statement V page 25).

The original budget of $446.1 million for the year is adjusted for authorized transfers, additional appropriations and unused funds of 2012 to arrive at the final budget for the year. The authorized transfers of $53.6 million represent the transfer of funds between the two years of the budget. The additional appropriations of $6.1 million are voluntary contributions received to support directly the programmes and activities of the regular programme.

The two-year budget situation from 1 January 2012 to 31 December 2013 showed a surplus of $144.9 million compared to the original approved ceiling of $653 million. This surplus is $43.1 million less than the $188 million needed to cover the suspension of the Member States contribution. The table below shows the actual expenditures for the biennium compared to both the original Approved Budget and the Director-General Expenditure Plan.

26.1 2012-2013 REGULAR PROGRAMME BIENNIUM BUDGET

BUDGETARY SITUATION AS AT 31 DECEMBER 2013

Main Appropriation Line	36 C/5 Approved as adjusted (1)	Expenditure (delivered/ unliquidated)	Unspent Surplus / (Deficit)	DG expenditure workplan adjusted (2)	Expenditure (delivered/ unliquidated)	Unspent Surplus / (Deficit)
Expressed in '000 US dollars						
PART I – General Policy and Direction						
A. Governing Bodies *(Including General Conference and Executive Board)*	13 096	10 172	2 924	10 429	10 172	257
B. Direction	20 512	18 750	1 762	18 888	18 750	138
C. Participation in the joint machinary of the United Nations system	12 037	10 366	1 671	4 814	10 366	-5 552
TOTAL PART I	**45 645**	**39 288**	**6 357**	**34 131**	**39 288**	**-5 157**
PART II – Programmes and Programme-Related Services						
A. Programmes						
Major Programme I – Education	117 646	84 622	33 024	81 480	84 622	-3 142
Major Programme II – Natural sciences	61 361	42 851	18 510	43 040	42 851	189
Major Programme III – Social and human sciences	30 304	22 002	8 302	21 192	22 002	-810
Major Programme IV – Culture	55 602	43 866	11 736	39 724	43 866	-4 142
Major Programme V – Communication and information	32 533	23 688	8 845	22 566	23 688	-1 122
UNESCO Institute for Statistics	9 128	6 823	2 305	6 299	6 823	-524
Intersectoral platforms	7 163	2 751	4 412	2 888	2 751	137
Field – Management of decentralized programmes	81 194	77 639	3 555	63 451	77 639	-14 188
Supplementary funding for the Field Network Reform	9 000	1 081	7 919	4 913	1 081	3 832
Total Part II.A	**403 931**	**305 323**	**98 608**	**285 553**	**305 323**	**-19 770**
B. Programme-Related Services						
1. Coordination and monitoring of action to benefit Africa	6 611	5 047	1 564	5 229	5 047	182
2. Coordination and monitoring of action to benefit Gender Equality	1 903	1 560	343	1 499	1 560	-61
3. Strategic planning, programme monitoring and budget preparation	9 459	7 475	1 984	6 807	7 475	-668
4. Organization-wide knowledge management	6 246	4 937	1 309	4 705	4 937	-232
5. External relations and public information	26 770	25 541	1 229	18 543	25 541	-6 998
Total Part II.B	**50 989**	**44 560**	**6 429**	**36 783**	**44 560**	**-7 777**
C. Participation Programme and Fellowships						
1. Participation programme (PP)	19 380	12 534	6 846	13 465	12 534	931
2. Fellowships programme (FEL)	1 644	1 133	511	1 219	1 133	86
Total Part II.C	**21 024**	**13 667**	**7 357**	**14 684**	**13 667**	**1 017**
TOTAL PART II	**475 944**	**363 550**	**112 394**	**337 020**	**363 550**	**-26 530**
PART III – Corporate services						
A. Human resources management	33 910	27 791	6 119	25 972	27 791	-1 819
B. Financial management	14 342	13 748	594	11 792	13 748	-1 956
C. Management of support services	71 296	62 020	9 276	53 479	62 020	-8 541
TOTAL PART III	**119 548**	**103 559**	**15 989**	**91 243**	**103 559**	**-12 316**
TOTAL PARTS I-III	**641 137**	**506 397**	**134 740**	**462 394**	**506 397**	**-44 003**
Reserve for reclassifications/merit based promotions	1 300	–	1 300	–	–	–
PART IV – LOAN REPAYMENT FOR THE RENOVATION OF THE HEAQUARTERS PREMISES & BUILDING	14 014	14 071	-57	14 014	14 071	-57
PART V – ANTICIPATED COST INCREASES	8 977	–	8 977	1 020	–	1 020
Residual budget from 2010-2011 liquidations	–	–	–	1 000	–	1 000
TOTAL APPROPRIATION	**665 428**	**520 468**	**144 960**	**478 428**	**520 468**	**-42 040**

(1) 36 C/5 budget approved by the General Conference of $653 million is adjusted by $12.4 million of additional appropriations.
(2) DG Expenditure Work plan of $465 million is adjusted by $12.4 million of additional appropriations and $1 million relating to residual budget from 2010-2011 liquidations.

26.2 BUDGET RECONCILIATION

UNESCO reports bi-annually to the Executive Board on the status of the budget implementation through the Management Chart.

The budget and the accounting bases differ. The financial statements include all controlled entities for the financial period from 1 January 2013 to 31 December 2013 and a classification based on the nature of expenses is used in the Statement of Financial Performance. The financial statements differ from the budget, which deals with receipts and expenditures relating to General Fund assessments only and classifies expenses by programmes. The budget is prepared on the modified cash basis and the financial statements on the accrual basis. Under the budget assessed contributions to be received in Euros and the corresponding expenditure are translated into US dollars at the Constant Dollar Rate (CDR). In the financial statements assessed contributions received in Euros and their corresponding expenditure are translated into US dollars using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction.

A Statement of Comparison of Budget and Actual Amounts for the General Fund is provided in these financial statements (see Statement V). Reconciliations between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the financial statements for the twelve months ended 31 December 2013 are presented in this Note.

In order to reconcile the budget actual amounts to the financial statements (Cash Flow Statement and Statement of Financial Performance), differences between the budget scope and financial statements scope and budget reporting and financial statements presentation have to be taken into account.

a) Reporting scope (entity) differences
The budget concerns receipts and expenditures relating to General Fund assessments only. The Financial Statements include all UNESCO controlled entities, and as such include results for all Funds and the non-budgetary result for the General Fund. Details of the results of the Other Proprietary Funds, Programme Fiduciary Funds and Staff Fiduciary Funds are shown in Note 4 Segment Information.

b) Basis adjustments
The budget is prepared on the modified cash basis. The financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In order to reconcile the budgetary result to the Cash Flow Statement, the non-cash elements such as unliquidated obligations and non-received assessed contributions are removed as basis differences. The principal adjustments impacting the reconciliation between the budget and the Statement of Financial Performance are as follows:

- Capital expenditures capitalized and depreciated over useful life under accrual accounting (generally recorded as current year expenses in the budget);
- Under IPSAS, the UNORE is applied as opposed to the CDR;
- Under accrual accounting, employee benefit liabilities are reported in the Statement of Financial Position, and movements in liabilities impact the Statement of Financial Performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

c) Timing differences
The budget and the financial statements both represent the year to 31 December 2013. As such there are no timing differences in the reconciliation.

d) Presentation Differences
Presentation differences concern differences in the format and classification schemes in the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts.

26.3 RECONCILIATION: BUDGETARY RESULT WITH NET DEFICIT

31/12/2013		
Expressed in '000 US dollars		
Deficit per Statement of Financial Performance		-31 685
a) Scope differences		
OPF surplus	-2 276	
PFF surplus	-26 427	
SFF surplus	-4 060	
Sub-total		**-32 763**
GEF deficit		**-64 448**
b) Accounting basis adjustments		
Revenue		
Constant Dollar adjustment	-28 381	
Budgetary allotment adjustment	65 985	
Foreign exchange gain and other non-budgetary income	-4 546	
	33 058	
Expenses		
Employee benefits	58 436	
Constant Dollar Adjustment	19 219	
Prior budgetary period expenses and accounts adjustment	2 649	
Allowance for unpaid Member States' contributions	83 058	
Fixed assets addition, depreciation and amortization	14 339	
Renovation loan repayment	-7 030	
	170 671	
c) Budget basis adjustment		
Unliquidated obligations	-14 097	
Budget surplus 2012	19 776	
Total adjustments		**209 408**
Budget result on modified cash basis		**144 960**

26.4 RECONCILIATION: BUDGETARY RESULT WITH NET CASH FLOW

31/12/2013	Expressed in '000 US dollars	Operating activities	Investing activities	Financing activities	Total
Actual net surplus as per the Statement of Comparison of Budget and Actual Amounts		**144 960**	–	–	**144 960**
Basis differences	Unliquidated obligations	14 097	–	–	14 097
	Unreceived contributions for year	-92 961	–	–	-92 961
	Other basis differences	-9 356	–	–	-9 356
	Budgetary result with cash basis	**56 740**	–	–	**56 740**
Timing differences		–	–	–	–
Presentation differences		13 319	-5 380	-7 939	
Entity differences		33 784	-33 325	–	459
Actual amount in the Cash Flow Statement		**103 842**	**-38 705**	**-7 939**	**57 198**

26.5 UNLIQUIDATED OBLIGATIONS

Expressed in US dollars	31/12/2013	31/12/2012
General Fund		
Commitment portion	3 550	3 275
Accrual portion	11 460	2 065
Unliquidated obligations	**15 010**	**5 340**
Other Proprietary Funds		
Commitment portion	692	1 198
Accrual portion	254	415
Unliquidated obligations	**946**	**1 613**
Programme Fiduciary Funds		
Commitment portion	46 645	53 118
Accrual portion	4 251	7 137
Unliquidated obligations	**50 896**	**60 255**
Total unliquidated obligations	**66 852**	**67 208**

For budgetary purposes UNESCO records 'unliquidated obligations'. Unliquidated obligations include both budget commitments which have not yet given rise to the delivery of a service at the reporting date, and real accruals for goods and services received but not yet invoiced and for travel which has taken place during the year. Budget commitments are not recorded in the financial statements whereas real accruals are recognized in accordance with IPSAS. GEF unliquidated obligations, except those related to renovation costs, are included in the actual amounts of the General Fund budget expenditure as at 31 December 2013. The table above provides the split of unliquidated obligations between commitments and accruals for goods and services received not yet invoiced and travel costs.

NOTE 27 – **FINANCIAL RISK MANAGEMENT**

UNESCO has developed risk management policies in accordance with its Financial Rules and Regulations. The Organization is exposed to a variety of financial risks, including credit risk, market risk (foreign currency exchange and interest rate), and liquidity risk. The primary objective of the Investment Policy of UNESCO is the preservation of the value of resources of the Organization, in US dollar terms. Within this general objective the principal considerations for investment management are, in order of priority:

1. Security of principal;
2. Liquidity;
3. Rate of return.

27.1 CREDIT RISK

In accordance with its Investment Policy, UNESCO applies limits on bank exposure based on the following criteria: a minimum short term rating of A-1/P-1/F1 from at least one rating agencies (S&P, Fitch, Moody's), a minimum long-term rating of A/A2/A from at least one rating agencies, a minimum Tier One capital of $1.5 Billion and all banks should be established in a country with a long-term rating of AA-/Aa3/AA- from at least two rating agencies.

The UNESCO Brasilia Office (UBO) is authorized to invest in Brazilian Government Treasury Bills. The credit risk associated with these investments is the sovereign risk of Brazil which is rated BBB by all three major rating agencies as 31 December 2013.

UNESCO does not have significant credit risk in relation to accounts receivable since contributors are principally Member States. However, an allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UNESCO will not be able to collect all amounts due according to the original terms of the receivables.

27.2 MARKET RISK

UNESCO is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. The Split Assessment system, whereby the Organization receives 57% of regular programme assessed contributions in euros in order to cover expenses which are denominated in that currency, is a means of ensuring that most of the exposure to exchange fluctuations between euros and US dollars is removed. The Organization has field offices, centres and institutes worldwide and, consequently, it maintains a minimum level of assets in local currencies.

Extrabudgetary foreign currency exchange risk is managed through individual project budget planning for foreign currency expenditure. UBO's functional currency is the Brazilian Real. As revenue and expenses for UBO are in the same currency, there is limited exposure to foreign currency exchange risk.

The Organization is exposed to interest rate risk on its financial interest bearing assets. For cash and cash equivalents, term deposits and other investments, the Investment Committee regularly follows up that the rate of return is in line with the benchmarks set up in the Investment Policy. Interest rate risk is limited by the nature of investments which are held until maturity.

A sensitivity analysis of the market risks related to these investments would not disclose significant variations in value given the nature of the counterparty risk and maturity period of the investments.

27.3 LIQUIDITY RISK

Investments are made with due consideration to the Organization's cash requirements for operating purposes.

Investments in Brazilian Government Treasury Bills are floating-yield investments with a maximum of 365 days maturity and can be liquidated by UNESCO at any point during this period. As an exceptional measure in order to meet financial commitments the Organization may, within the terms and conditions prescribed by the General Conference, negotiate and contract external short-term loans.

NOTE 28 – EVENTS AFTER THE REPORTING DATE

UNESCO's reporting date is 31 December 2013. The financial statements were authorized for issue on 31 March 2014, the date at which they were submitted to the External Auditor by the Director-General. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issue that would have impacted these statements.

NOTE 29 – RELATIONSHIPS OF SIGNIFICANT INFLUENCE

The UNESCO Staff Savings and Loan Service (USLS) was created in 1954 as the UNESCO credit union. The object of USLS is to provide the possibility to its members on a mutualist basis of investing their savings and of borrowing money for suitable purposes. The UNESCO Staff Savings and Loan Service Fund, is established as a trust fund, under Financial Regulation 6.5.

USLS is operated for the benefit of its members. The net profit remaining after providing for the reserve is allotted to the payment of interest to the depositors. A statutory reserve is established for the purpose of compensating for any loss sustained in the operations of USLS. UNESCO is considered to exercise significant influence in relation to USLS, notably through its representation on the Board of Management, and its right of veto over decisions of the Board of Management. UNESCO does not control USLS, and therefore USLS is not included in the UNESCO consolidated financial statements. No interest in USLS is recorded in the UNESCO consolidated financial statements. Summary aggregate financial information of USLS is provided below:

Expressed in '000 US dollars	31/12/2013	31/12/2012
Revenue	3 997	7 144
Expenses	-1 056	-1 340
Interest apportionment on deposit accounts	-2 941	-5 804
Deficit (apportioned to reserves)	**–**	**–**
Assets	445 716	475 731
Liabilities	423 021	450 306
Net assets/equity	**22 695**	**25 425**

Note that USLS financial statements are prepared in Euros.

NOTE 30 – RELATED PARTY DISCLOSURES

30.1 GOVERNING BODIES

UNESCO is governed by a General Conference, consisting of the representatives of the Member States of the Organization. They do not receive any remuneration from the Organization.

The General Conference elects the 58 Member States which form the Executive Board. The Executive Board assures the overall management of UNESCO and meets twice a year. The Organization pays for travel costs, subsistence allowance and office expenses to cover costs incurred by the representatives of the Member States in the execution of their duties as Members. The Chairman of the Executive Board receives a representation allowance during his term of office as Chairman.

Representatives of Member States are appointed separately by the Government of each Member State, and are not considered as key management personnel of UNESCO as defined under IPSAS.

30.2 KEY MANAGEMENT PERSONNEL

Key management personnel of UNESCO are the Director-General, the Deputy Director-General, the Assistant Directors-General and the Directors of the Central Services as they have the authority and responsibility for planning, directing and controlling the activities of UNESCO.

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions.

31/12/2013								
	Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2013	Outstanding advances against entitlements Education Grant	Outstanding loans	Reimbursement of US Income Tax
Key Management Personnel	Expressed in US dollars							
	22	4 654 650	289 216	1 120 973	6 064 838	52 457	–	–

The Director-General is also provided with rent-free accommodation in the UNESCO-owned apartment at Place Vauban.

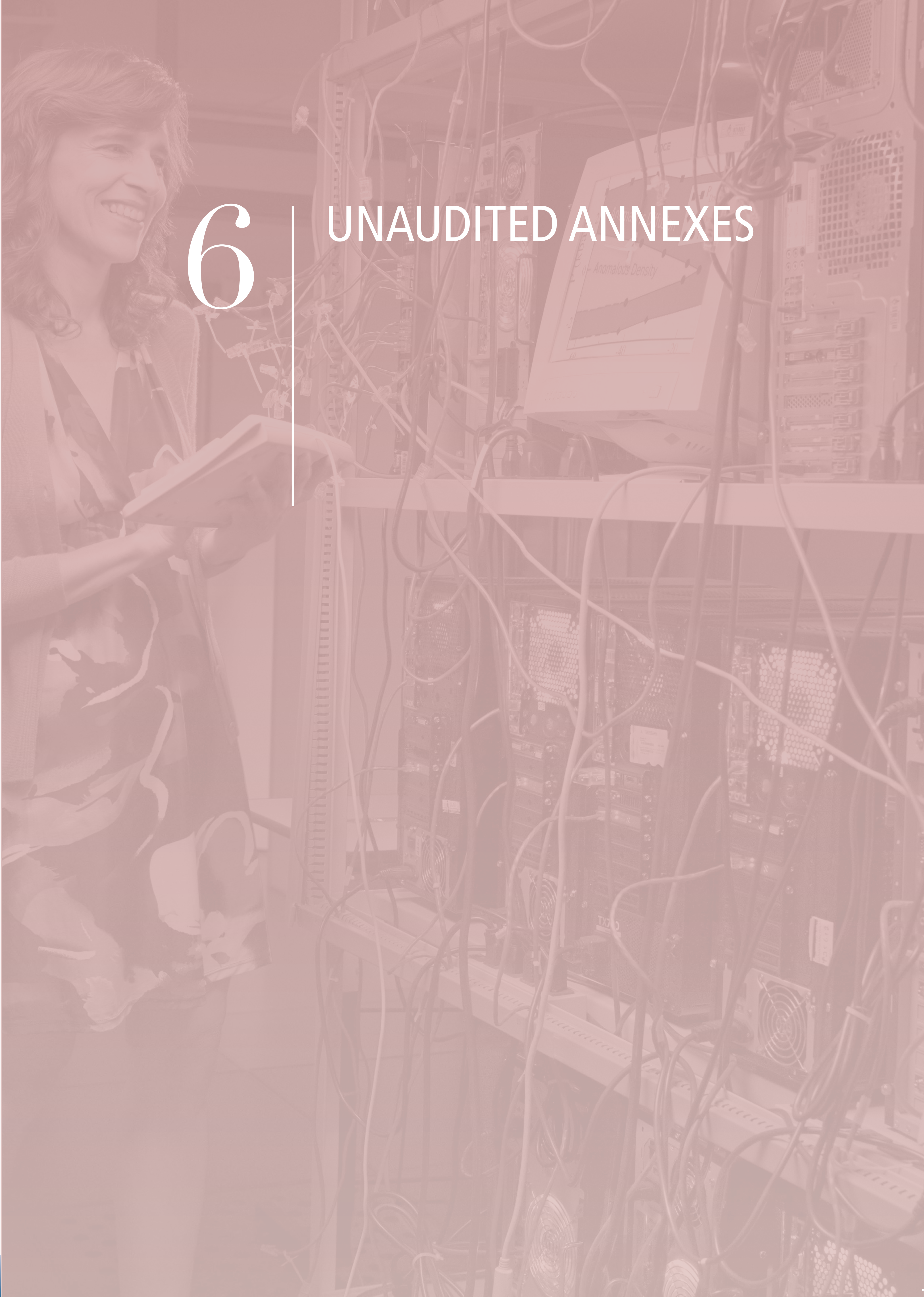
Advances are those made against entitlements in accordance with staff rules and regulations. Loans granted to key management personnel are those granted under staff rules and regulations. Advances against entitlements and loans are widely available to all UNESCO staff.

30.3 CATEGORY 2 INSTITUTES

Institutes and centres under the auspices of UNESCO (category 2) are entities which are not legally part of the Organization, but which are associated with it through formal arrangements approved by the General Conference (171 EX/18 page 17).

During the year-ended 31 December 2013, UNESCO entered into contracted arrangements with some of these institutes. The total amount invoiced to UNESCO for the year is K$267.

6 UNAUDITED ANNEXES



ANNEX I

UNESCO *EX GRATIA* PAYMENTS

In accordance with the provisions of Financial Regulation 10.3, the following ex gratia payments, made during the financial period ended 31 December 2013, are hereby reported:

Expressed in '000 US dollars		
(i)	Amount granted to a staff member following an administrative decision taken on the basis of the Appeals Board recommendation	10
(ii)	Amount granted to a staff member following an administrative decision taken on the basis of the Appeals Board recommendation	10
(iii)	Amount granted to a staff member following an administrative decision taken on the basis of the Appeals Board recommendation	2
(iv)	Amount granted to a service contract employee to face the medical cost incurred following the bomb attack in the UNESCO Abuja Field Office	3
Total ex gratia payments during 2013		**25**

ANNEX II

WAIVERS GRANTED FOR CONTRACTS SUBMITTED TO THE CONTRACTS COMMITTEE – 2013

In accordance with 176 EX/Decision 39.7 (c), information on waivers granted after review by the Contracts Committee during 2013 is as follows:

	Regular programme		Extrabudgetary		TOTAL	
	Contracts Submitted	$	Contracts Submitted	$	Contracts Submitted	$
Total Contracts Approved	16	3 724 555	66	40 344 201	82	44 068 756
Total Waivers Approved	2	570 809	4	1 186 670	6	1 757 479

Bureau of Financial Management
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