



United Nations
Educational, Scientific and
Cultural Organization

FINANCIAL STATEMENTS 2015



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1

FINANCIAL REPORT OF
THE DIRECTOR-GENERAL



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 2015.

The External Auditor has expressed an unqualified (clean) opinion on the financial statements. His report is submitted to the Executive Board 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 2015.

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 as well as additional appropriations, 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 were 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 AND PROGRAMMES¹

UNESCO was created in 1945 with an aim at contributing 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 2015.

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 strategic objectives are translated into programmatic priorities through main lines of action and expected results in the C/5 Programme and Budget document adopted by the General Conference. Programmes are defined for four years while the budget allocation is approved every two years.

The following section provides a summary of key achievements of the implementation of UNESCO's Major Programmes:

EDUCATION

UNESCO has been at the forefront of global consultations on the future education agenda over the past three years. With the Incheon Declaration, the international community committed to a single education agenda, which subsequently led to the adoption of the Sustainable Development Goal 4 (SDG 4) on education and its related targets. UNESCO has been entrusted to continue its mandated role to lead and coordinate Education 2030.

Significant resources were invested in supporting countries most at risk of not achieving the Education For All (EFA) goals by 2015, with particular attention given to Africa. Furthermore, the promotion of gender equality and girls' and women's education remained high.

¹ 199 EX/4 PIR.

NATURAL SCIENCES

Key achievements include: support for science, technology and innovation (STI) policy formulation and implementation at national and sub-regional levels; publication of two World Water Assessment Reports and of the UNESCO Science Report – *Towards 2030*; and events leading up to, and at the UNFCCC COP 21, and the inclusion of references related to the oceans, water, gender equality, indigenous peoples and other topics in the resulting Paris Agreement on Climate Change. The capacities of more than 7,800 professionals in water related areas were strengthened during the period 2014-2015.

The Intergovernmental Oceanographic Commission (IOC) continued its work programme pertaining to health of people of the ocean, safety of people in the ocean at its coast, and societal capacity to face the consequences of climate change and variability.

SOCIAL AND HUMAN SCIENCES

Key achievements include: advancement of the research-policy nexus in social policies at regional level, in particular in Latin America and East Africa, as well as at national level; wide mobilization of stakeholders in support of the International Decade for the Rapprochement of Cultures; provision of policy advice for social inclusion and fight against poverty and discrimination at national and subregional levels, in Africa, Asia and Latin America.

The fifth session of the Conference of Parties to the International Convention against Doping in Sport endorsed practical measures for improved monitoring of the obligations of States Parties, and for the assessment of national anti-doping frameworks.

CULTURE

Culture was included in nine SDGs of the 2030 agenda, thus firmly recognizing the role of cultural heritage, cultural industries and creativity as enablers of sustainable development. The implementation of the cultural conventions continues to be a central priority, with a focus on capacity-building and policy support. This was further reinforced by the adoption at the 38th session of the UNESCO General Conference of the new UNESCO Recommendation on Museums and Collections.

Systematic attacks against cultural heritage in conflict situations continued to pose significant challenges. The General Conference, at its 38th session, adopted a strategy that aims at strengthening the ability of UNESCO to assist Member States in preventing and responding to the loss of cultural heritage during conflicts, and in facilitating the integration of culture into humanitarian, security and peace-building processes. Technical support was also extended in crisis-affected countries e.g. Syria, Libya, Mali and Yemen.

COMMUNICATION AND INFORMATION

The Organization continues to make positive inroads to promoting freedom of expression and media development, and the building of knowledge societies through universal access to and preservation of information and communication technologies (ICTs) globally. The International Programme for the Development of Communication (IPDC), the Information for All Programme (IFAP) and the Memory of the World (MoW) Programme continue to be key drivers of this process.

The role of ICTs in promoting development and the UNGA consensus on the WSIS+10 Review Outcomes reflected UNESCO's important contribution including the shaping of the SDG agenda and the pathway to achieving the 2030 agenda.

NET EQUITY POSITION

The Organization's net equity position has significantly improved: from a net negative equity of \$241.5 million in 2014 to a positive equity position of \$255.7 million as at 31 December 2015. This improvement, amounting to a positive variation of \$497.2 million, is mainly attributable to the decrease of the After-Service Health Insurance (ASHI) liability. The section on the ASHI liability provides more details on the variation of the liability.

In order to address the long-term funding of the ASHI, a number of measures have been introduced during the current financial period:

- a 4% payroll charge is being applied to the salary costs of staff participating in the Medical Benefits Fund and whose salaries are paid from extrabudgetary projects/funds.
- The General Conference, at its 38th session in November 2015, approved a 1% charge on the staff costs of the regular budget to fund the ASHI liability with effect from 1 January 2016.
- The General Conference further approved a transfer of \$2.1 million from the Regular Budget into the ASHI funds.

The Organization will be conducting studies in the coming financial period to determine an investment strategy for the ASHI assets. I will continue to consult the governing bodies, the External Auditor and United Nations agencies as we explore all mechanisms for addressing the funding and the overall management of the ASHI liability.

In addition to these measures on the long-term funding, the overall financial situation of the medical scheme over the short to the medium term has improved significantly. The total reserves available to cover the "pay as you go" scheme, has increased to 18 months of expenditure cover. This is an important milestone for the Fund as the level of reserves has reached the level recommended by the External Auditor.

Despite the continuous suspension of contributions from our largest contributing Member State, the Organization is able to meet its commitments in the short and medium term. The total cash balance as at 31 December 2015 amounted \$644.4 million. The cash resources of the regular budget of \$30.2 million represents just 4.7% of the cash position.

In the long term, the Organization's ability to expand its operations to meet the needs of Member States will be affected by the continued suspension of contributions. The total arrears due from Member States amounted to \$447 million as at 31 December 2015. This represents 88% of the biennial expenditure plan.

FINANCIAL STATEMENT HIGHLIGHTS

The consolidated deficit for the year is \$20 million compared to a deficit of \$19.7 million in the previous year. The regular programme operations generated a deficit of \$67.1 million, whereas the other combined operations generated a surplus of \$47.1 million.

Total revenue of \$742.5 million decreased by \$39.9 million compared to the previous period due to less voluntary contributions (\$13.5 million) and the decrease of assessed contributions (\$25.8 million). The decreased assessed contribution is attributable to euro/dollar as 57% of contributions are assessed in euros.

Overall, the net assets position improved by \$497.2 million – from a negative position of \$241.5 million as at 31 December 2014 to a positive situation of \$255.7 million as at 31 December 2015.

Total current assets of \$739.4 million decreased by \$47.4 million (6%) compared to the previous year. Short-term investments and cash and cash equivalents of \$644.4 million represent 87.1% of the current assets.

The decrease of \$499.7 million (36.8%) in non-current liabilities is attributable to the decrease of the After-Service Health Insurance (ASHI) liability for active and retired staff.

Gross outstanding assessed contribution has increased significantly over the last three years to \$447 million due to the suspension of payments by a Member State in 2011. The cumulative allowance made due to non-payment of contributions amounted to \$411 million (91.9% of the total due).

FINANCIAL PERFORMANCE

BUSINESS SEGMENT ANALYSIS

As shown in Table 1, the regular programme segment (GEF) recorded a higher deficit of \$67.1 million compared to a \$35.2 million in the previous financial period. The increase is due mainly to a decrease of revenue (exchange rate variations) as well as an increase of expenses. Expenses under the regular programme are generally higher during the second year of the biennium as programme implementation accelerates.

TABLE 1. SUMMARY FINANCIAL PERFORMANCE BY FUND

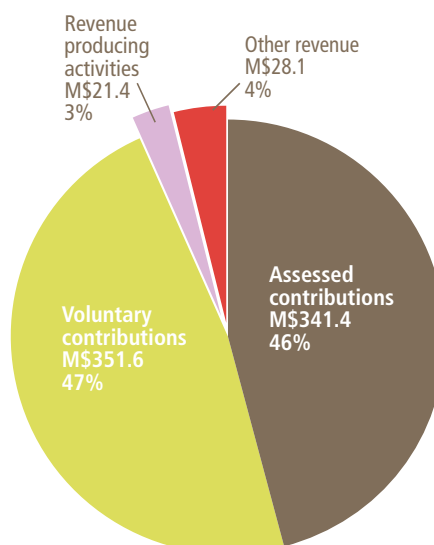
Expressed in million US dollars	GEF	OPF	PFF	SFF	Inter-fund transactions	TOTAL UNESCO
Total Revenue	360.0	53.6	357.4	31.0	(59.5)	742.5
Total Expenses	(427.1)	(36.7)	(330.9)	(27.3)	59.5	(762.5)
(Deficit)/Surplus – 2015	(67.1)	16.9	26.5	3.7	–	(20.0)
(Deficit)/Surplus – 2014	(35.2)	5.8	8.7	1.0	–	(19.7)

REVENUE ANALYSIS

Gross assessed contributions amounting to \$341.4 million represent 46% of total revenue. Voluntary contributions, representing 47% of total revenue, decreased by 3.6% to \$351.6 million.

FIGURE 1

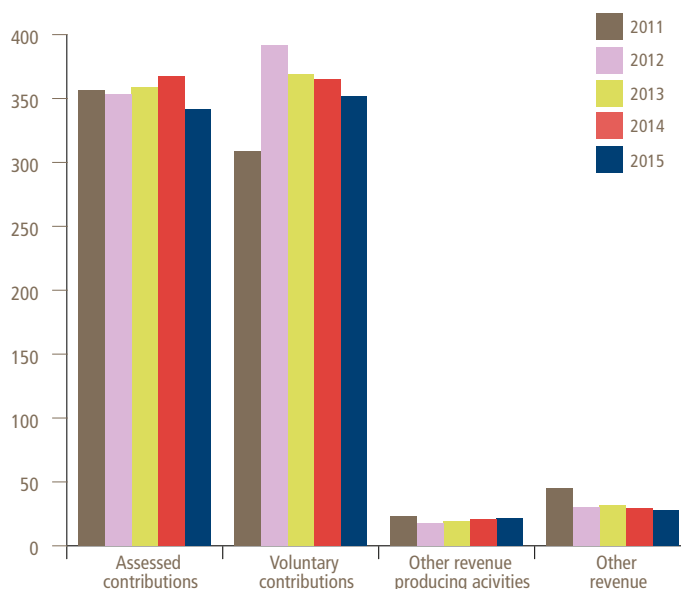
REVENUE BY SOURCE
(AMOUNTS IN USD
MILLIONS):
TOTAL \$742.5 MILLION



An allowance for the year of unpaid contributions of \$75.7 million was made to reflect the decision of two Member States to suspend their regular contributions, thus bringing the net assessed contributions revenue to \$265.7million.

FIGURE 2

REVENUE SOURCES:
5-YEAR COMPARISON
(IN MILLION USD)



As Figure 2 above depicts, assessed contributions over the past five years have remained relatively stable reflecting the zero nominal growth budget in place. Voluntary contributions registered a significant increase in 2012 due to additional contributions received under the Emergency Fund. However, since 2013, these contributions have remained stable.

EXPENSE ANALYSIS

TABLE 2. CHANGE IN EXPENSES

Nature of expenses	(expressed in Millions of USD)			
	2015	2014	Net Change	Net Change (%)
Employee benefits expenses	360.4	365.4	(5.0)	(1.4%)
Consultants, external experts and mission costs	55.3	49.2	6.1	12.4%
External training, grants and other transfers	54.3	60.5	(6.2)	(10.2%)
Supplies, consumables and other running costs	56.7	56.1	0.6	1.1%
Contracted services	134.0	139.7	(5.7)	(4.1%)
Allowance for unpaid Member States contributions	75.7	86.5	(10.8)	(12.5%)
Other expenses	26.1	44.7	(18.6)	(41.6%)
Total expenses	762.5	802.1	(39.6)	(4.9%)

Employee benefits expenses decreased by 1.4% to \$360.4 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 \$236.1 million (65.5% of employee benefit). A further \$31.6 million (8.8%) was spent on temporary personnel to support the delivery of programmes and activities. The remaining \$92.7 million (25.7%) 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 \$6.1 million (12.4%) to \$55.3 million. The use of staff costs savings was relaxed during the second year of the biennium and the organization of the General Conference in 2015 led to an increased cost of this category compared to 2014.

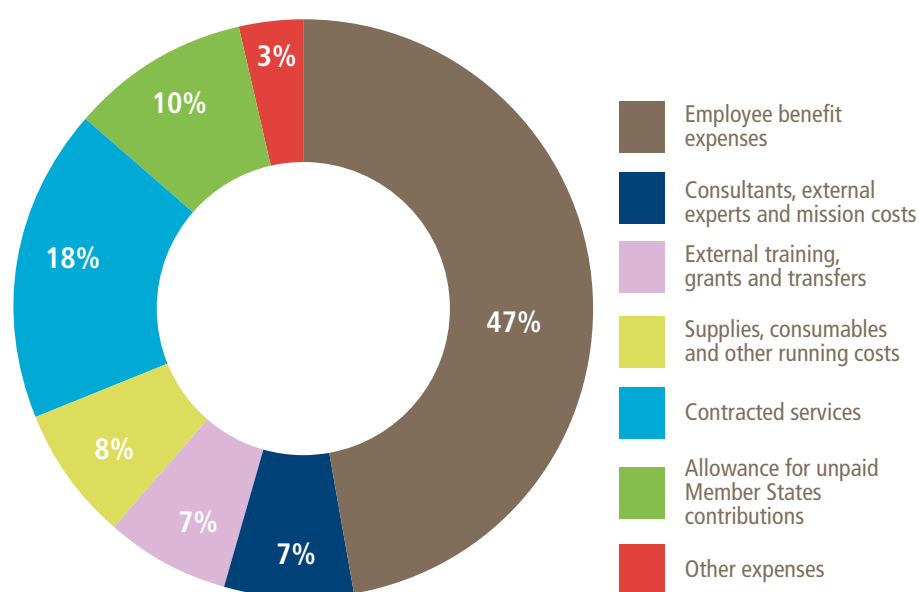
Contracted services of \$134 million have decreased by \$5.7 million (4.1%). They represent expenses where a third party entity is engaged to perform work on behalf of the Organization. This could be a contract with a commercial organization, not-for-profit organizations and government ministries for the implementation of activities/programmes under UNESCO's mission and mandate.

The allowance for assessed contribution of \$75.7 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.

The main variation under other expenses is due to a decrease in foreign exchange losses amounting to \$13.6 million.

FIGURE 3

COMPOSITION OF 2015 EXPENSES BY NATURE



BUDGETARY PERFORMANCE

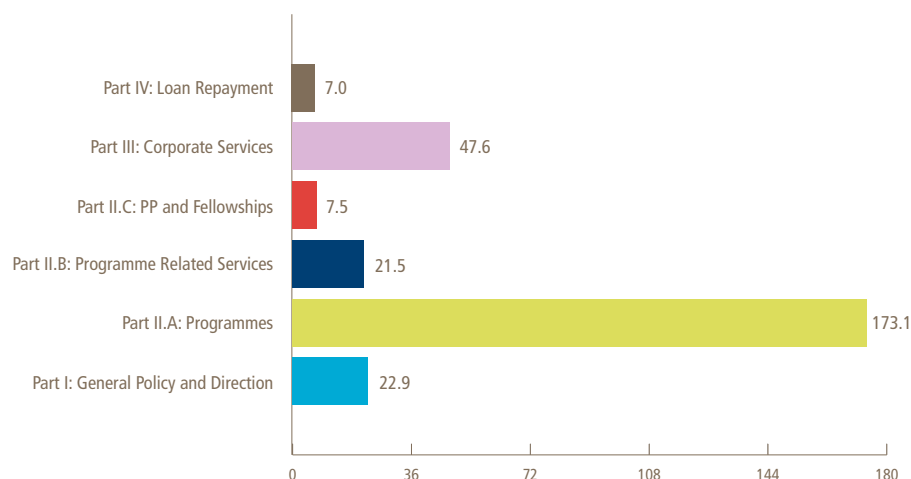
The Organization continues to be faced with the suspension of contributions from two Member States amounting to 22.4% of the approved biennial budget of \$653 million. The General Conference accordingly approved an expenditure plan of \$507 million for the 2014-2015 budgetary period in order to ensure that Organization operates within the expected cash flow.

The budget expenditure for the second year amounted to \$279.6 million as compared to a budgetary allocation of \$287.4 million. Member States decided to set aside \$7.5 million from the current budget for investment in training and ICT projects under the Invest for Efficiency Delivery Fund.

As Figure 4 shows, the expenditure on Programmes was \$173.1 million representing 61.9% of the expenditure for the year.

FIGURE 4

2015 BUDGETARY EXPENDITURE BY APPROPRIATION LINE (IN USD MILLIONS)



FINANCIAL POSITION

The net assets/equity of the main segment, GEF, is still negative. However, it improved by \$485.2 million (-\$203.7 million in 2015 compared to -\$688.9 million in 2014), mainly due to the decrease in the ASHI liability. The PFF overall position remained strong with net assets of \$362.5 million.

TABLE 3. SUMMARY FINANCIAL POSITION BY FUND

Expressed in million USD	GEF	OPF	PFF	SFF	Inter-fund transactions	TOTAL UNESCO
Total Assets	644.7	82.3	556.3	35.5	(5.1)	1 313.7
Total Liabilities	(848.4)	(13.8)	(193.8)	(7.1)	5.1	(1 058.0)
Net assets/Equity – 2015	(203.7)	68.5	362.5	28.4	–	255.7
Net assets/Equity – 2014	(688.9)	53.4	369.3	24.7	–	241.5

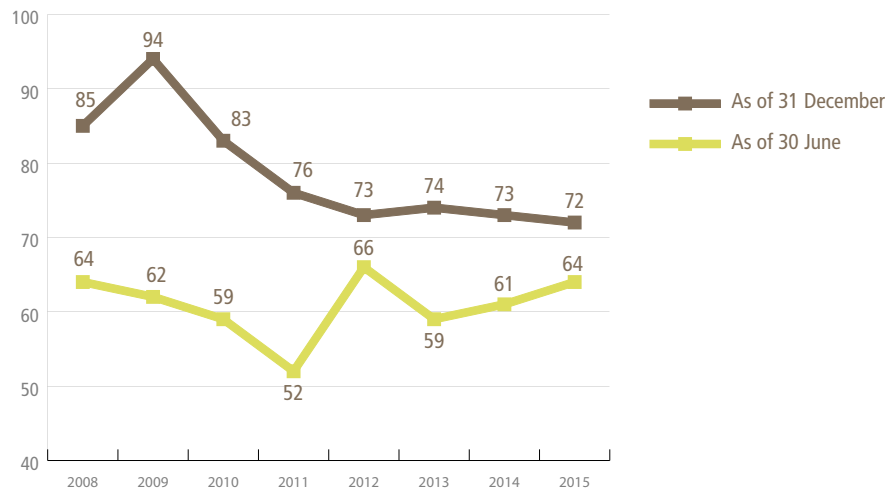
The net working capital (current assets less current liabilities) amounted to \$540.6 million. This high level of working capital is attributable to the significant amount of cash and short-term investments held for the execution of extra-budgetary projects. The regular programme segment (GEF) working capital of \$52.1 million represents only 9.6% of the overall situation.

CONTRIBUTIONS

The rate of collection of assessed contributions in the year of assessment remained stable since 2012.

FIGURE 5

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



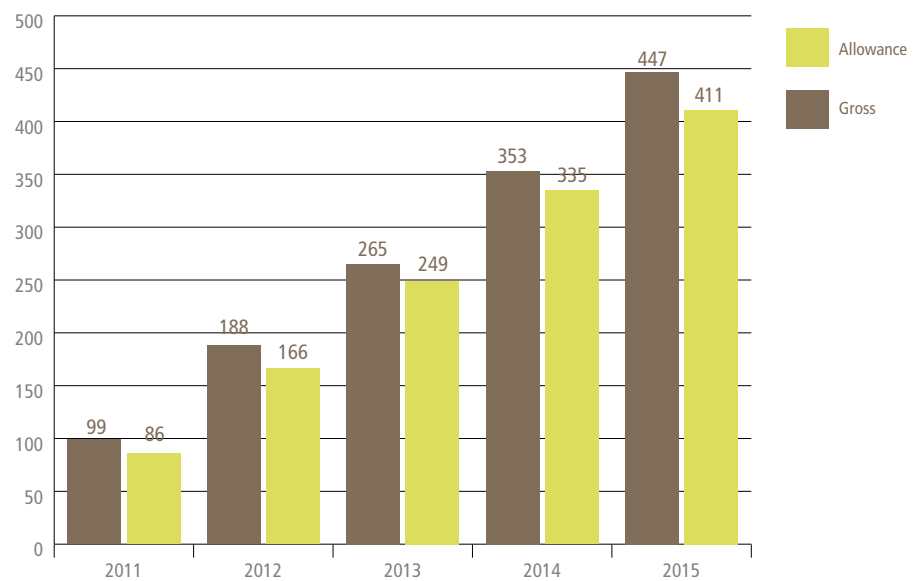
Note: collection rate in the year of assessment

Gross outstanding assessed contributions amounted to \$447 million, an increase of 27% over the previous year's level. Outstanding contributions are due from fifty six Member States and three Associate Members. One Member State owes 89% of the outstanding balance (\$399 million).

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 \$411 million thus bringing the net assessed contributions in the statement of financial position to \$36 million.

FIGURE 6

GROSS OUTSTANDING CONTRIBUTIONS VS. ALLOWANCE (IN USD MILLIONS)

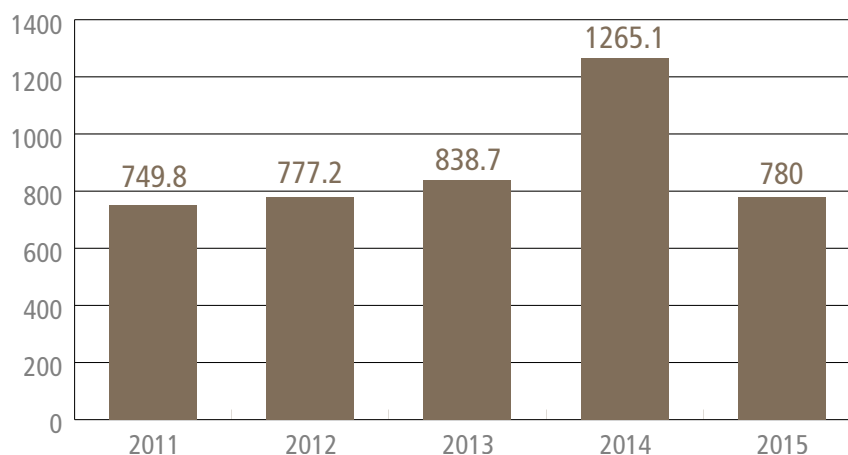


AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY

The total liability as at 31 December 2015 amounted to \$780 million, a decrease of 38.3% over the 2014 level.

FIGURE 7

ASHI LIABILITY
(IN USD MILLIONS)



The main assumptions governing the calculation of the ASHI liability were revised during the year. Three main factors led to the significant decrease in the liability:

- The review of the medical curve – to reflect the average cost of the claim reimbursed to the insured staff members. This reduced the liability by \$150 million;
- the update of the medical inflation – to better align to the market values – a reduction in the liability by \$183 million;
- A change in the discount rate: an additional reduction of \$160 million triggered by the increase of the discount rate from 2.30% to 2.85%.

The current status of funding for the ASHI liability is explained on page 8 under Net Equity Position.

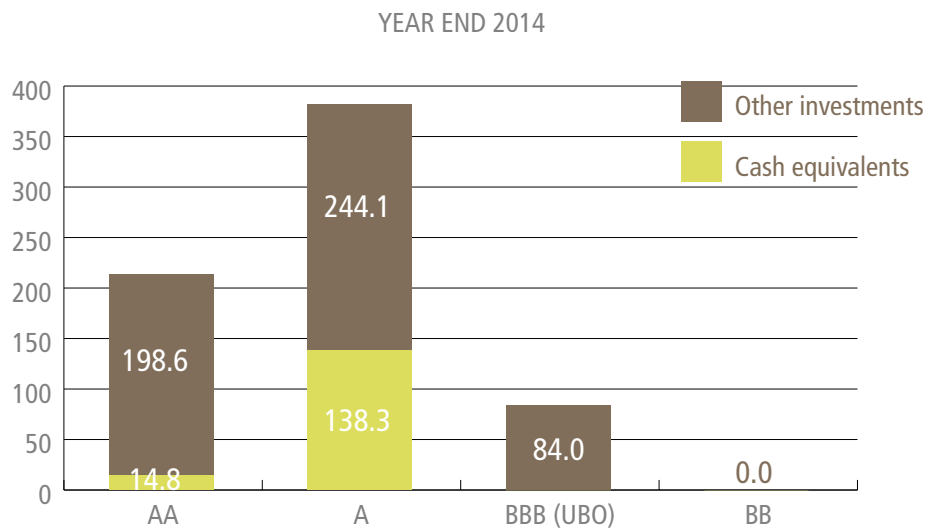
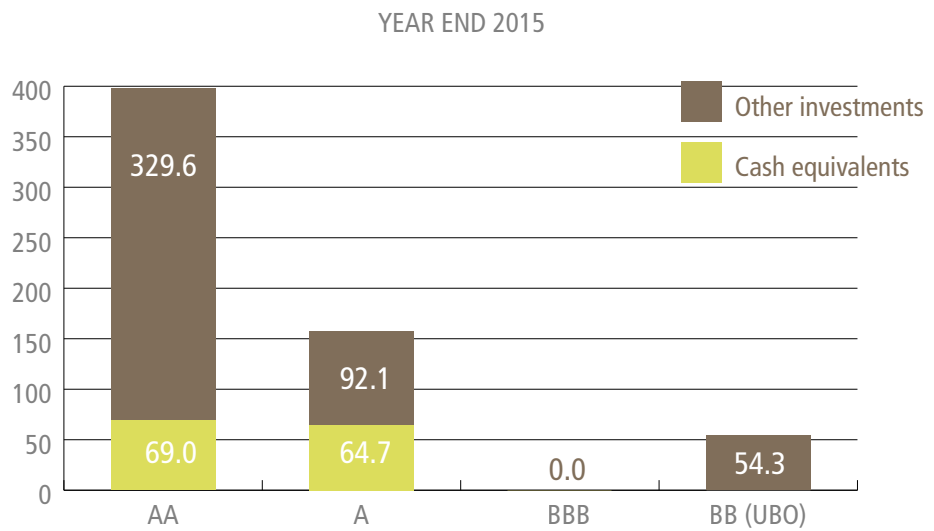
INVESTMENT PORTFOLIO

The investment portfolio of UNESCO amounted to \$606.9 million as at 31 December 2015. The portfolio is mainly composed of investments in saving accounts, money market term deposits and other short-term investments with major banking institutions with strong credit ratings. The credit risk profile of investments has improved with 65% placed with AA-rated banks as compared to 31% at the end of the previous year.

For UNESCO Brasilia (UBO) whose functional currency is the Brazilian Real (BRL), investments were made in short-term BRL Brazilian Government Treasury Bills that were downgraded from BBB to BB in 2015.

FIGURE 8

RATING BREAKDOWN OF UNESCO'S INVESTMENT PORTFOLIO (IN USD MILLION)



UNESCO's investments outperformed their benchmarks both in US dollar and euro in 2015. UNESCO's conservative Investment Policy has protected the investment portfolio in a context of volatile financial markets and weaker economic prospects than previously anticipated.

Irina Bokova
Director-General

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STATEMENT ON INTERNAL CONTROL





United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Statement on Internal Control for 2015

25 March 2016

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 2015, and up to the date of the approval of the Organization's 2015 financial statements.

Risk management and control framework

The Organization has initiated an enhanced 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.

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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 2015, 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

Last year, I reported on the issue of the financing of the After Service Health Insurance (ASHI) long-term liability. Since, the Organization has taken significant steps towards addressing the funding challenges associated with the ASHI liability. ASHI funding for non-regular programme staff was introduced on 1 January 2015. Furthermore, the General Conference, at its 38th session, approved the funding of ASHI for regular programme staff with effect from 1 January 2016. Though the current level of funding is limited compared to the ASHI liability, these measures in the medium to long-term, will address a major financial risk of the Organization.

Since 2011, the Organization has made significant efforts to contain costs and reorganize to live within a reduced expenditure plan. Achieving efficiency gains now requires making sound investment choices to streamline processes and provide the organization with the adequate tools and resources while maintaining a solid internal control framework.

At the 197th Session of the Executive Board, I presented the "Invest for Efficient Delivery" Plan which is the outcome of ongoing efforts of the Organization to set a new course and sharpen its global lead roles and impact in the implementation of the Sustainable Development Goals (SDGs) agenda. To this end, UNESCO will take a comprehensive look at its objectives, priorities, operations and funding modalities in pursuance of the following two main goals:

- I. Achieving a better, clearer and more strategic global, regional and country-level positioning and leadership of UNESCO; and
- II. Establishing operational modalities that are better suited to deliver globally, regionally and locally UNESCO's programmes.

- 3 -


- As part of my commitment to improving the implementation of UNESCO's programme for training Staff, the global training objectives resumed by providing structured training to staff members on financial management as applicable to main processes and promoting use of existing organizational tools to facilitate administration. This included fostering a common understanding of UNESCO's main expenditure processes and associated roles/responsibilities and accountabilities to strengthen the internal control framework. 218 Programme specialists and 48 Administrative officers from field offices have participated in the piloted regional training workshops which focused on project and financial management;
- Revitalizing the Risk Management Committee as part of UNESCO's overall accountability framework, with revised scope and terms of reference to better integrate enterprise-wide risk management in the Organization. In this regard, business continuity planning and response are among current priorities;
- Reducing the number of corporate committees as a step towards a "fitter for purpose" structure and revising the structure of the Senior Management Team to become a more effective driver of the Organization's change and strategic reflection in ensuring overall organizational performance;
- Establishing a Division of Field Support and Coordination to enhance efficient communication, accountability and a streamlined flow of information between the Field Network and Headquarters;
- Developing the first IATI-compliant¹ Transparency Portal for UNESCO, providing guidance for future investment, and modernizing monitoring and reporting. Members at the 196th Executive Board session highly commended the efforts and the progress achieved so far in this area, in particular with regard to the UNESCO Transparency Portal and connectivity in the field, which was based on a clear strategy².

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 2015 and up to the date of approval of the financial statements.



Irina Bokova
Director-General

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OPINION OF THE EXTERNAL AUDITOR



Cour des comptes
FRANCE



The First President

Paris, 22 JUL. 2016

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 2015. These financial statements include a Statement of Financial Position as at 31 December 2015, 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 2015, 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 2015 in conformity with the IPSAS.


Didier MIGAUD

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APPROVAL OF THE FINANCIAL STATEMENTS



**APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

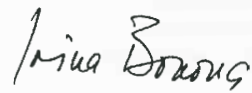
Established by:



Nutan Wozencroft
Chief Financial Officer

30 June 2016

Approved by:



Irina Bokova
Director-General

30 June 2016

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CONSOLIDATED FINANCIAL STATEMENTS



I. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Expressed in '000 US dollars	Note	31/12/2015	31/12/2014 restated
ASSETS			
Current Assets			
Cash and cash equivalents	6	171 037	187 392
Short-term investments	7	473 318	524 399
Accounts receivable (non-exchange transactions)	8	36 197	20 614
Receivables from exchange transactions	9	2 105	2 353
Inventories	10	635	946
Advance payments	11	50 307	45 053
Other current assets	12	5 786	5 996
Total current assets		739 385	786 753
Non-current assets			
Accounts receivable (non-exchange transactions)	8	2 610	1 177
Long-term investments	7	2 797	2 505
Property, plant and equipment	13	568 783	580 696
Intangible assets	14	129	196
Total non-current assets		574 319	584 574
TOTAL ASSETS		1 313 704	1 371 327
LIABILITIES			
Current Liabilities			
Accounts payable (exchange transactions)	15	30 065	20 111
Employee benefits	16	8 768	8 842
Transfers Payable	17	15 796	17 705
Conditions on voluntary contributions	18	49 619	45 526
Advance receipts	19	77 014	138 695
Borrowings current portion	20	6 605	7 336
Other current liabilities	21	10 917	15 645
Total current liabilities		198 784	253 860
Non-current Liabilities			
Employee benefits	16	832 337	1 318 180
Conditions on voluntary contributions	18	771	1 552
Borrowings Long-term portion	20	20 338	29 142
Other non-current liabilities	21	5 780	10 078
Total non-current liabilities		859 226	1 358 952
TOTAL LIABILITIES		1 058 010	1 612 812
NET ASSETS		255 694	(241 485)
NET ASSETS/EQUITY			
Reserves and fund balances	22	255 694	(241 485)
NET ASSETS/EQUITY		255 694	(241 485)

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

II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015

Expressed in '000 US dollars	Note	31/12/2015	31/12/2014
REVENUE			
Assessed contributions		341 374	367 213
Voluntary contributions		351 554	365 095
Other revenue producing activities		21 414	21 097
Other/miscellaneous revenue		15 692	15 430
Finance revenue		12 424	13 583
Total revenue	23	742 458	782 418
EXPENSES			
Employee benefit expenses		360 385	365 397
Consultants, external experts and mission costs		55 305	49 242
External training, grants and other transfers		54 273	60 489
Supplies, consumables and other running costs		56 725	56 066
Contracted services		133 968	139 714
Depreciation and amortization		18 085	18 633
Allowance for assessed contributions		75 699	86 469
Other expenses		761	2 759
Foreign exchange losses		2 509	16 125
Finance costs		4 782	7 272
Total expenses	24	762 492	802 166
DEFICIT FOR THE PERIOD		(20 034)	(19 748)

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 2015

Expressed in '000 US dollars	Note	31/12/2015	31/12/2014
Net Assets/Equity at the beginning of the period		(241 485)	184 476
Exchange differences on certain foreign currency transactions	22	(26 465)	(11 466)
Actuarial gain/(loss)	22	549 537	(384 443)
Other adjustments	22	751	(1 184)
Return of funds to donors	22	(6 610)	(9 120)
Total of item recognized directly in Net Assets/Equity		517 213	(406 213)
Deficit for the period	22	(20 034)	(19 748)
Total recognized revenue and expense for the period		497 179	(425 961)
Net Assets/Equity at the end of the period		255 694	(241 485)

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

IV. CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Expressed in '000 US dollars	Note	31/12/2015	31/12/2014 restated
Cash flows from operating activities			
(Deficit) for the period		(20 034)	(19 748)
Depreciation and amortization		18 085	18 633
(Increase) in accounts receivable		(17 232)	(2 035)
Decrease in inventories		269	198
(Increase) in advance payments		(6 903)	(5 806)
Decrease in other current assets		7 507	65
Increase in accounts payable		9 655	1 383
Increase in employee benefits		65 321	36 447
Increase/(Decrease) in transfers payable		590	(1 071)
(Decrease) in borrowings due to revaluations		(3 639)	(5 341)
Increase in Conditions on voluntary contributions		4 314	6 165
(Decrease) in advance receipts		(58 288)	(5 728)
(Decrease) in other liabilities		(21 969)	(3 319)
Loss/(Gain) on disposal of property, plant and equipment		248	(13)
Net cash flows from operating activities		(22 076)	19 830
Cash flows from investing activities			
Purchase of property, plant and equipment		(6 706)	(4 536)
Sale of property, plant and equipment		–	75
Decrease/(Increase) in short-term investments		26 260	(34 361)
Decrease/(Increase) in long-term investments		(285)	160
Net cash flows from investing activities		19 269	(38 662)
Cash flows from financing activities			
Repayment of loans		(6 719)	(8 072)
Net cash flows from financing activities		(6 719)	(8 072)
Net increase/(decrease) in cash and cash equivalents		(9 526)	(26 904)
Cash and cash equivalents, beginning of period	6	187 392	(220 604)
Exchange rate effects		(6 829)	(6 308)
Cash and cash equivalents, end of period	6	171 037	187 392

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 2015 – GENERAL FUND

Main Appropriation line Expressed in '000 US dollars	2015 Original Allotment	2014 Balance	Authorized Transfers ^{1,2}	Additional Appropriations ³	2015 Allotment as Adjusted	Actual expenditure	Final Budget less Actual Expenditure
PART I – GENERAL POLICY AND DIRECTION							
A. Governing bodies <i>(Including General Conference and Executive Board)</i>	6 095	893	172	125	7 285	6 854	431
B. Direction	8 496	506	(20)	248	9 230	8 823	407
C. Participation in the joint machinery of the United Nations system	6 380	2 273	1	–	8 654	7 205	1 449
TOTAL PART I	20 971	3 672	153	373	25 169	22 882	2 287
PART II – PROGRAMMES AND PROGRAMME-RELATED SERVICES							
A. Programmes							
Major Programme I – Education	39 251	5 157	(47)	4 153	48 514	47 934	580
Major Programme II – Natural sciences	19 010	4 385	1 280	1 704	26 379	27 850	(1 471)
Major Programme III – Social and human sciences	10 847	1 503	405	812	13 567	13 377	190
Major Programme IV – Culture	18 342	3 522	728	2 301	24 893	26 508	(1 615)
Major Programme V – Communication and information	11 381	503	(230)	863	12 517	12 936	(419)
UNESCO Institute for Statistics	3 799	–	184	–	3 983	3 983	–
Management of Field Offices	38 636	5 437	(1 633)	814	43 254	40 541	2 713
Total, Part II.A	141 266	20 507	687	10 647	173 107	173 129	(22)
B. Programme Related Services							
1. Coordination and monitoring of action to benefit Africa	2 395	30	–	194	2 619	2 866	(247)
2. Coordination and monitoring of action to benefit Gender Equality	732	(12)	–	11	731	808	(77)
3. UNESCO's response to post-conflict and post-disaster situation	679	85	–	(164)	600	583	17
4. Strategic planning, programme monitoring and budget preparation	3 182	252	(48)	23	3 409	3 515	(106)
5. Organization-wide knowledge management	2 393	35	–	–	2 428	2 586	(158)
6. External relations and public information	10 181	(677)	(176)	315	9 643	11 092	(1 449)
Total, Part II.B	19 562	(287)	(224)	379	19 430	21 450	(2 020)
C. Participation Programme and Fellowships	7 157	973	(240)	–	7 890	7 533	357
Total, Part II.C	7 157	973	(240)	–	7 890	7 533	357
TOTAL PART II	167 985	21 193	223	11 026	200 427	202 112	(1 685)
PART III – CORPORATE SERVICES							
A. Human resources management	14 368	1 160	35	38	15 601	16 061	(460)
B. Financial Management	6 063	527	100	–	6 690	6 731	(41)
C. Management of support services	23 071	1 919	(50)	7	24 947	24 782	165
TOTAL, PART III	43 502	3 606	85	45	47 238	47 574	(336)
TOTAL, PARTS I-III	232 458	28 471	461	11 444	272 834	272 568	266
PART IV – LOAN REPAYMENTS FOR THE RENOVATION OF THE HEADQUARTERS PREMISES & THE IBE BUILDING	7 037	6	–	–	7 043	7 031	12
PART V – ANTICIPATED COST INCREASES	4 000	3 500	–	–	7 500	–	7 500
TOTAL APPROPRIATION	243 495	31 977	461	11 444	287 377	279 599	7 778

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

- Information concerning "between lines" transfers which were presented to the Executive Board can be found in documents 197 EX/4 Part II (Ref. 197 EX/Decision 4) and 199 EX/4 Part II.
- Between year transfers do not require approval from the Governing Bodies as they do not modify the biennial appropriation lines.
- Information concerning "additional appropriations" presented to the Executive Board can be found in documents 197 EX/4 Part II and 199 EX/4 Part II.

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 49 field offices located around the world, 4 liaison offices in Geneva, New York, Addis Ababa and Brussels, and 10 category 1 institutes, 1 centre and 1 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 stand-alone 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), Buenos Aires (Argentina) and Dakar (Senegal)	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 include 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 three categories: loans and receivables, fair value through surplus or deficit and held-to-maturity. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. Financial assets with maturities in excess of 12 months at the reporting date or not expected to be realized within 12 months are categorized as non-current assets. Other financial assets are classified as current assets.

- (a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including term deposits, and term accounts. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost. UNESCO's loans and receivables are classified as investments in the Statement of Financial Position (see Note 7 Investments).
- (b) Financial assets at fair value through surplus or deficit are classified in this category if so designated by management. At initial recognition, they are measured at fair value and any transaction costs are expensed. Subsequently, they are measured at their fair values at each reporting date and the resulting 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).
- (c) Held-to-maturity category consists of financial assets with fixed or determinable payments and fixed maturity for which UNESCO has the positive intention and ability to hold to maturity. After their initial recognition at fair value plus transaction costs, they are measured at amortized cost using the effective interest rate method. 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

Communications and IT equipment	4 years
Vehicles	5 years
Furniture and fixtures	5 years
Other equipment	5 years
Buildings	15-50 years
Land	N/A

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	
Software acquired separately	5 years
Software internally developed	5 years
Licenses and rights	2-6 years (or period of license or right if shorter)

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) 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 valuation as at 31 December 2015 was based on full valuation using the Projected Unit Credit Service Prorate.

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 2015, accrued interests were considered as part of either short-term investments or long-term investments. These accrued interests due within 12 months following the reporting period have been reclassified as other current assets.

The effect of the change on the restated Statement of Financial Position for the year ended 31 December 2014 is as follows:

	As Reported	Adjustment	As Restated
Expressed in '000 US dollars			
Short term investments	526 103	(1 704)	524 399
Other current assets	4 284	1 712	5 996
Long-term investments	2 513	(8)	2 505

The effect of the change on the restated Cash flow statement for the year ended 31 December 2014 is as follows:

	As Reported	Adjustment	As Restated
Expressed in '000 US dollars			
(Increase)/decrease in other current assets	989	(924)	65
(Increase) in advance payments	(6 184)	378	(5 806)
Decrease/(Increase) in short term investments	(34 910)	549	(34 361)
Decrease in Long term investments	163	(3)	160

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 extrabudgetary 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 2015

Expressed in '000 US dollars	GEF	OPF	PFF	SFF	Inter-fund balances	TOTAL UNESCO
ASSETS						
Current Assets						
Cash and cash equivalents	26 712	54 189	80 441	9 695	–	171 037
Short-term investments	3 440	20 000	426 763	23 115	–	473 318
Accounts receivable (non-exchange transactions)	33 422	28	2 747	–	–	36 197
Receivables from exchange transactions	64	811	366	1 045	(181)	2 105
Inventories	–	316	33	286	–	635
Advance payments	17 126	251	32 242	886	(198)	50 307
Other current assets	2 459	5 049	2 670	347	(4 739)	5 786
Total current assets	83 223	80 644	545 262	35 374	(5 118)	739 385
Non-current assets						
Accounts receivable (non-exchange transactions)	2 610	–	–	–	–	2 610
Long-term investments	–	–	2 797	–	–	2 797
Property, plant and equipment	558 864	1 694	8 100	125	–	568 783
Intangible assets	41	–	88	–	–	129
Total non-current assets	561 515	1 694	10 985	125	–	574 319
TOTAL ASSETS	644 738	82 338	556 247	35 499	(5 118)	1 313 704
LIABILITIES						
Current Liabilities						
Accounts payable (exchange transactions)	6 673	1 582	20 974	1 017	(181)	30 065
Employee benefits	4 802	662	2 670	634	–	8 768
Transfers Payable	4 257	2	11 537	–	–	15 796
Conditions on voluntary contributions	486	–	49 133	–	–	49 619
Advance receipts	6 271	393	69 871	479	–	77 014
Borrowings current portion	6 605	–	–	–	–	6 605
Other current liabilities	2 043	1 574	7 211	5 026	(4 937)	10 917
Total current liabilities	31 137	4 213	161 396	7 156	(5 118)	198 784
Non-current Liabilities						
Employee benefits	796 159	4 647	31 531	–	–	832 337
Conditions on voluntary contributions	771	–	–	–	–	771
Borrowings long-term portion	20 338	–	–	–	–	20 338
Other non-current liabilities	–	4 932	848	–	–	5 780
Total non-current liabilities	817 268	9 579	32 379	–	–	859 226
TOTAL LIABILITIES	848 405	13 792	193 775	7 156	(5 118)	1 058 010
NET ASSETS	(203 667)	68 546	362 472	28 343	–	255 694
NET ASSETS/EQUITY						
Reserves and fund balances	(203 667)	68 546	362 472	28 343	–	255 694
NET ASSETS/EQUITY	(203 667)	68 546	362 472	28 343	–	255 694

STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR
 THE YEAR ENDED 31 DECEMBER 2015

Expressed in '000 US dollars	GEF	OPF	PFF	SFF	Inter-fund transactions	TOTAL UNESCO
REVENUE						
Assessed contributions	337 639	–	3 735	–	–	341 374
Voluntary contributions	16 747	6 000	329 453	–	(646)	351 554
Other revenue producing activities	51	11 521	2 546	7 473	(177)	21 414
Other/miscellaneous revenue	679	2 530	2 053	23 177	(12 747)	15 692
Foreign exchange gains	1 867	–	–	–	(1 867)	–
Finance revenue	650	4 008	7 387	379	–	12 424
Inter–segment transfers	2 312	29 579	12 158	–	(44 049)	–
Total revenue	359 945	53 638	357 332	31 029	(59 486)	742 458
EXPENSES						
Employee benefits expenses	235 943	19 699	96 106	21 630	(12 993)	360 385
Consultants, external experts and mission costs	19 333	3 646	34 549	–	(2 223)	55 305
External training, grants and other transfers	27 478	286	38 744	–	(12 235)	54 273
Supplies, consumables and other running costs	26 180	6 571	26 913	2 623	(5 562)	56 725
Contracted services	22 129	3 436	107 886	649	(132)	133 968
Depreciation and amortization	14 996	411	2 620	58	–	18 085
Allowance for assessed contributions	75 699	–	–	–	–	75 699
Other expenses	194	15	421	131	–	761
Foreign exchange losses	–	481	2 122	2 183	(2 277)	2 509
Finance costs	815	15	3 946	6	–	4 782
Inter–segment transfers	4 318	2 193	17 553	–	(24 064)	–
Total expenses	427 085	36 753	330 860	27 280	(59 486)	762 492
SURPLUS (DEFICIT) FOR THE PERIOD	(67 140)	16 885	26 472	3 749	–	(20 034)

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	31/12/2015	31/12/2014 Restated
Cash with banks	171 000	187 322
Current cash accounts	37 310	33 404
Sight/Saving accounts	64 690	120 618
Short term deposits	69 000	33 300
Cash in hand	37	70
Total cash and cash equivalents	171 037	187 392

As at 31 December 2015, cash and cash equivalents amount to \$171 million out of which cash held in current bank accounts at headquarters, field offices and institutes accounts for 22% of this total.

The other portion of 78% is invested in sight/saving accounts with daily liquidity and short-term deposits with an initial maturity up to three months.

NOTE 7 – INVESTMENTS

Expressed in '000 US dollars	31/12/2015	31/12/2014 Restated
Current portion		
Loans and receivables		
Term deposits	348 184	396 345
Term accounts	70 882	44 154
Fair value through surplus or deficit		
Brazilian Government Treasury Bills (up to 365 days)	54 252	83 900
Total current portion	473 318	524 399
Non-current portion		
Fair value through surplus or deficit		
Equity investments	–	1 531
Fixed-income investments	–	974
Held to maturity		
Bonds	2 797	–
Total non-current portion	2 797	2 505
Total investments	476 115	526 904

Investments classified under loans and receivables include term deposits with a maturity of more than three months but less than one year and term accounts which are investments that may be realized within 12 months. These financial

instruments are held with international banking groups which are assigned deposit ceilings in accordance with the Investment Policy of UNESCO.

The UNESCO Brasilia Office (UBO) invests in floating-yield Brazilian Government Treasury Bills (“Letra Financeiro do Tesouro”) with a maturity up to 365 days through a dedicated fund in accordance with the Investment Policy of UNESCO. This investment vehicle is classified at fair value through surplus or deficit under current assets and amounts to \$54.2 million as at 31 December 2015.

Until March 2015, the Nessim Habib Fund amounting to \$2.5 million as at 31 December 2014 was invested in bonds, equity and fixed-income mutual funds and were valued at fair value through surplus and deficit. Since March 2015, the Fund is invested in bonds which are held-to-maturity and classified under non-current investments to the extent that their respective remaining maturity is more than one year at the reporting date. As at the end of 2015, the amortized cost of these bonds is \$2.8 million. In accordance with the Financial Regulation concerning the Nessim Habib Fund (61 EX/38), the capital of the fund is invested in industrial securities either in Switzerland or in the United States of America.

NOTE 8 – ACCOUNTS RECEIVABLE (NON-EXCHANGE TRANSACTIONS)

Expressed in '000 US dollars	31/12/2015	31/12/2014
Assessed contributions (current)	444 060	349 986
Assessed contributions (non-current)	3 189	3 488
Gross assessed contributions	447 249	353 474
Allowance for assessed contributions (current)	(410 189)	(332 758)
Allowance for assessed contributions (non-current)	(579)	(2 311)
Net assessed contributions	36 481	18 405
Voluntary contributions (current)	2 326	3 386
Voluntary contributions (non-current)	–	–
Total accounts receivable (non-exchange transactions)	38 807	21 791
Current portion	36 197	20 614
Non current portion	2 610	1 177
Net accounts receivable (non-exchange transactions)	38 807	21 791

Assessed contributions receivable represent uncollected revenues committed to UNESCO by Member States and Associate 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 biennium 2012-2013 and unpaid instalments due under payment plans. Outstanding assessed contributions from the 2014-2015 biennium and deferred 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	31/12/2015	31/12/2014
Arrears not under payment plans:		
1988-2003	3 103	3 103
2004-2005	22	22
2006-2007	25	25
2008-2009	30	32
2010-2011	79 195	79 199
2012-2013	163 501	173 598
	245 876	255 979
Other current assessed contributions	198 184	94 007
Gross assessed contributions (current)	444 060	349 986
Allowance for arrears	(410 189)	(332 758)
Net assessed contributions (current)	33 871	17 228
Gross assessed contributions (non-current)	3 189	3 488
Discount for non-current assessed contributions	(579)	(2 311)
Net assessed contributions (non-current)	2 610	1 177
Total net assessed contributions	36 481	18 405

Specific allowance for an amount of \$404.7 million 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 US dollars	31/12/2015	31/12/2014
Amounts receivable for goods and services	3 153	3 540
Allowance for doubtful accounts	(1 048)	(1 187)
Net receivables from exchange transactions	2 105	2 353

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 US dollars	31/12/2015	31/12/2014
Publications	2 592	3 286
Supplies	292	440
Gross inventories	2 884	3 726
Write-down	(2 249)	(2 780)
Net inventories	635	946

Publications include publications held for sale. Full details of publications held to be distributed at no or nominal charges 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	31/12/2015	31/12/2014
Advances to staff	4 025	4 071
Activity financing advance payments	1 125	1 413
Implementing partner advances	15 366	13 556
IHE advances to project partners	12 567	11 488
Participation Programme advance payments	12 625	11 885
Other advance payments	4 599	2 640
Total advance payments	50 307	45 053

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 2015.

Under the Participation Programme, transfers of funds to partners are considered as 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	31/12/2015	31/12/2014
Biennium		
2008-2009	–	1 179
2010-2011	1 081	1 376
2012-2013	930	1 840
2014-2015	10 614	7 490
Participation Programme advance payments	12 625	11 885

NOTE 12 – OTHER CURRENT ASSETS

Expressed in '000 US dollars	31/12/2015	31/12/2014
VAT receivables	2 604	2 426
Accrued interests	1 668	1 712
Other	4 406	4 750
Gross other current assets	8 678	8 888
Allowance for doubtful accounts	(2 892)	(2 892)
Net other current assets	5 786	5 996

The VAT receivables relate to value-added tax (VAT) recoverable from fiscal authorities. Other is principally reimbursable income taxes from governments amounting to \$3.6 million. An allowance for long outstanding taxes amounting to \$2.9 million was recorded.

Accrued interests are earnings from investments and cash equivalents that have been recognized but not yet received by UNESCO at the reporting date and are expected to be realized within 12 months. The amount earned in 2015 (\$1.7 million) remained stable compared to 2014.

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

Expressed in '000 US dollars	Land	Buildings	Comms & IT Equipment	Vehicles	Furniture and Fixtures	Other Equipment	Total
As at 1 January 2015							
Cost or fair value	254 713	384 183	30 015	7 706	3 125	14 308	694 050
Accumulated depreciation	–	(68 771)	(25 479)	(6 256)	(2 743)	(10 105)	(113 354)
Carrying amount	254 713	315 412	4 536	1 450	382	4 203	580 696
Movements 12 months to 31 December 2015							
Additions	–	1 339	3 212	1 003	307	1 049	6 910
Disposals	–	–	(2 896)	(255)	(23)	(310)	(3 484)
Disposals depreciation	–	–	2 723	220	23	270	3 236
Depreciation	–	(13 790)	(2 368)	(574)	(164)	(1 122)	(18 018)
Exchange adjustments cost	–	51	754	(31)	(133)	(875)	(234)
Exchange adjustments deprn adjustments cost	–	(258)	(886)	21	116	557	(450)
adjustments deprn	–	–	266	–	8	44	318
adjustments deprn	–	–	(161)	–	(6)	(24)	(191)
Total movements 12 months to 31 December 2015	–	(12 658)	644	384	128	(411)	(11 913)
As at 31 December 2015							
Cost or fair value	254 713	385 573	31 351	8 423	3 284	14 216	697 560
Accumulated depreciation	–	(82 819)	(26 171)	(6 589)	(2 774)	(10 424)	(128 777)
Carrying amount	254 713	302 754	5 180	1 834	510	3 792	568 783

As at 31 December 2015, UNESCO holds fully depreciated PP&E which is still in use for a gross value of \$42.7 million.

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	01/01/2015				31/12/2015
7 Place Fontenoy	171 507	(6 404)	2 194	–	167 297
7 Place Fontenoy – WIP	855	–	(855)	–	–
1 Rue Miollis	127 160	(6 893)	–	–	120 267
Apartment, place Vauban	5 243	(116)	–	–	5 127
IBE building, Geneva	7 277	(270)	–	–	7 007
Ocampo Villa, Buenos Aires	1 352	(32)	–	–	1 320
IHE building renovation, Delft	2 018	(75)	–	(207)	1 736
Total	315 412	(13 790)	1 339	(207)	302 754

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	Software internally developed	Software acquired externally	Total
As at 1 January 2015			
Cost or fair value	19 532	745	20 277
Accumulated amortization	(19 532)	(549)	(20 081)
Carrying amount	–	196	196
Movements 12 months to 31 December 2015			
Additions	–	–	–
Disposals	–	–	–
Disposals amortization	–	–	–
Impairment	–	–	–
Amortization	–	(67)	(67)
Exchange adjustments amort	–	–	–
Exchange adjustments cost	–	–	–
Total movements 12 months	–	(67)	(67)
As at 31 December 2015			
Cost or fair value	19 532	745	20 277
Accumulated amortization	(19 532)	(616)	(20 148)
Carrying amount	–	129	129

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	31/12/2015	31/12/2014
Suppliers payable	8 740	7 627
Accruals	20 013	11 319
Other payables	1 312	1 165
Total accounts payable	30 065	20 111

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

Expressed in '000 US dollars	31/12/2015			31/12/2014
	Actuarial valuation	UNESCO valuation	Total	
Payroll and reimbursements	–	8 768	8 768	8 842
Employee benefits (current)	–	8 768	8 768	8 842
After-Service Health Insurance	780 019	–	780 019	1 265 128
Accumulated annual leave	18 298	507	18 805	19 068
Repatriation benefits	23 479	19	23 498	23 413
Italian end of service benefit	10 015	–	10 015	10 571
Employee benefits (non-current)	831 811	526	832 337	1 318 180
Total employee benefits	831 811	9 294	841 105	1 327 022

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, education grant and home leave.

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 2015:

Discount rate – ASHI	2.85% – the rate used is based on the Mercer Yield Curve as of 31/12/2015 with a maturity around 30 years.
Discount rate – Repatriation benefits and Accumulated annual leave	2.10% – the rate used is based on the Mercer Yield Curve as of 31/12/2015 with a maturity around 10 years.
Salary scale (including inflation)	2.00%
Pension increase rate (including inflation)	2.00%
Medical cost trend rate (including inflation)	4.25%
Inflation rate	1.75%
ASHI Plan duration (for discount rate justification purposes)	30 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 31/12/2014	1 265 129	18 494	23 403	10 571	1 317 597
Movement for period ended 31/12/2015					
Service cost	46 973	987	1 334	625	49 919
Interest cost	28 904	415	529	221	30 069
(Actual gross benefits payments)	(8 460)	(1 998)	(2 308)	(670)	(13 436)
Actuarial (gain)/loss	(550 815)	542	586	150	(549 537)
Foreign exchange difference	(1 712)	(142)	(65)	(882)	(2 801)
Defined benefit obligation 31/12/2015	780 019	18 298	23 479	10 015	831 811

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 gains recognized directly in net assets/equity are \$549.5 million for the year ended 31 December 2015. The significant decrease in 2015 of the ASHI liability is due to the cumulative effect of reviewing some assumptions concerning ASHI: increase of the discount rate from 2.30% to 2.85%, a reduced medical curve and a decrease in the projected medical inflation rate.

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	46 973	987	1 334	625	49 919
Interest cost	28 904	415	529	221	30 069
Total expenses recognized for year ended 31/12/2015	75 877	1 402	1 863	846	79 988

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

After-Service Health Insurance – health care cost trends	Medical cost trend rate 3.25%	Medical cost trend rate 4.25%	Medical cost trend rate 5.25%
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Expressed in '000 US dollars

Defined benefit obligation as at 31/12/2015	582 107	764 541	1 019 109
% Variation	(23.86%)		33.30%
Normal cost as of 31/12/2015	15 824	23 908	36 015
% Variation	(33.81%)		50.64%

The expected contribution of UNESCO in 2016 to the ASHI plan is \$11.9 million which represents expected gross benefit payments for the year. The expected contribution of UNESCO in 2016 to the accumulated annual leave and repatriation defined benefit plans is \$1.1 million and \$1.2 million 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 actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2015. At 31 December 2013, the funded ratio

of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130.0% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 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 2013, 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 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 not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

During 2015, UNESCO's contributions paid to UNJSPF amounted to \$34.5 million (\$36.4 million in 2014). Expected contributions due in 2016 are \$31.5 million.

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 website at www.unjspf.org.

NOTE 17 – TRANSFERS PAYABLE

Expressed in '000 US dollars	31/12/2015	31/12/2014
Interest payable to donors	11 238	17 067
Other transfers payable	4 558	638
Total transfers payable	15 796	17 705

Transfers payable relate mainly to accrued interests payable to donors under extra-budgetary projects for \$11.2 million. The increase under other transfer payable corresponds to the \$4 million available under the 2010-2011 incentive scheme which have been reclassified from non-current to current liability as they became due by 1 January 2016 (37 C/Resolution 79, III.2).

NOTE 18 – CONDITIONS ON VOLUNTARY CONTRIBUTIONS

Expressed in '000 US dollars	31/12/2015	31/12/2014
Conditions on monetary contributions (current)	49 133	44 776
Conditions on in-kind voluntary contributions (current)	486	750
Conditions on voluntary contributions (current)	49 619	45 526
Conditions on in-kind voluntary contributions (non-current)	771	1 552
Conditions on voluntary contributions (non-current)	771	1 552
Total conditions on voluntary contributions	50 390	47 078

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	31/12/2015	31/12/2014
Framework agreements	29 618	51 503
IHE voluntary contributions received in advance	29 555	32 936
Other voluntary contributions received in advance	15 782	23 049
Assessed contributions received in advance	271	29 580
Other advance receipts	1 788	1 627
Total advance receipts	77 014	138 695

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	31/12/2015	31/12/2014
IBE building loan	131	131
Phase II Belmont plan loan	6 474	7 205
Current portion of borrowings	6 605	7 336
IBE building loan	615	727
Phase II Belmont plan loan	19 723	28 415
Long-term portion of borrowings	20 338	29 142
Total borrowings	26 943	36 478

Borrowings are recognized in the financial statements at amortized cost with values based on cash flows discounted using a discount rate of 1.95% (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:

31/12/2015	IBE building loan	Phase II Belmont plan loan
Expressed in '000 US dollars		
Within three months	–	1 630
Later than three months and not later than one year	131	4 844
Later than one year and not later than five years	599	19 723
Later than five years	16	–
Total borrowings	746	26 197

IBE Building

UNESCO received loans from the Property Foundation for International Organizations (FIPOI) of Switzerland for the balance of CHF (Swiss francs) 4.4 million 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 CHF3.2 million (\$2.3 million) repayable in equal annual instalments of CHF0.1 million from 1998 until 2021, with a final payment of CHF0.02 million 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 2015 is CHF0.8 million (CHF0.9 million as at 31 December 2014).

Phase II Belmont Plan

By 32 C/Resolution 74, the General Conference had “authorized the Director-General to contract an interest-free loan of €79.9 million 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 2015 these payments totalled \$0.6 million (\$0.9 million as at 31 December 2014). 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 2015, the non-amortized balance of the loan is €25.0 million (€31.0 million as at 31 December 2014).

NOTE 21 – OTHER LIABILITIES

Expressed in '000 US dollars	31/12/2015	31/12/2014
Unredeemed coupons	1 025	1 155
Provision for litigation	1 107	2 440
Other current liabilities	8 785	12 050
Unpaid claims from MBF	3 986	5 078
Outstanding invoices due to claim administrator	844	1 236
Return of funds to donors	1 706	2 018
Deferred income	456	1 062
UN invoice	107	2 149
Others	1 686	507
Other current liabilities	10 917	15 645
Unredeemed coupons	4 719	5 240
Other non-current liabilities	1 061	4 838
Other non-current liabilities	5 780	10 078
Total other liabilities	16 697	25 723

An amount of \$5.7 million 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 15 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 12 months.

Provision for litigation movements:

Expressed in '000 US dollars	31/12/2015
As at January 1, 2015	
Current portion	2 440
Non-current portion	–
Total	2 440
Movements during the year	
Additions	770
Reversals	(2 022)
Utilizations	(81)
Other (reclassification)	–
Total movements	(1 333)
As at December 31, 2015	
Current portion	1 107
Non-current portion	–
Total	1 107

NOTE 22 – NET ASSETS/EQUITY

Expressed in '000 US dollars	31/12/2014	Deficit for the period	Other adjustments to reserves	31/12/2015
General Fund Reserves	(353 812)	(67 140)	2 717	(418 235)
Working Capital Fund	31 223	–	–	31 223
Restricted Reserves	489 972	47 106	(8 576)	528 502
Currency Exchange Reserves	(34 281)	–	(26 465)	(60 746)
Actuarial gains/losses through reserves	(374 587)	–	549 537	174 950
Total reserves and fund balances	(241 485)	(20 034)	517 213	255 694

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 as 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 exchange 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 arise from the valuation of long term employee benefits such as after-service health insurance.

NOTE 23 – REVENUE

Expressed in '000s US dollars	31/12/2015	31/12/2014
Total assessed contributions	341 374	367 213
Voluntary contributions		
Monetary voluntary contributions	322 051	333 145
Inter-organization funds	17 453	19 083
In-kind voluntary contributions	12 050	12 867
Total voluntary contributions	351 554	365 095
Other revenue producing activities		
Revenue producing activities	8 957	8 373
Income from services rendered	12 457	12 724
Total other revenue producing activities	21 414	21 097
Other/miscellaneous revenue		
Other operating gains	3 974	2 356
Contributions to MBF	11 718	13 074
Total other/miscellaneous revenue	15 692	15 430
Total finance revenue	12 424	13 583
Total revenue	742 458	782 418

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 \$11.4 million. In-kind voluntary contributions also include \$0.6 million 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 \$8.9 million include principally sales income from the UNESCO Restaurant Service and the UNESCO Commissary Fund. *Total Income from services rendered* of \$12.4 million relates principally to rental services of UNESCO's and institutes' premises and facilities.

Finance revenue: 62% of the finance revenue was generated by investments classified at fair value through surplus or deficit, the other 38% being generated by cash equivalents and investments classified as loans and receivables.

NOTE 24 – EXPENSES

	31/12/2015	31/12/2014
Employee benefit expenses		
International & National staff	236 078	258 931
Provision for restructuring	–	(7 078)
Temporary staff	31 584	30 413
Other personnel costs	92 723	83 131
Total employee benefit expenses	360 385	365 397
Consultants, external experts and mission costs		
Consultants	36 142	30 487
National professionals	825	1 104
Staff mission costs	13 467	13 004
Delegates & external individuals missions	1 484	2 253
Other contracts	3 387	2 394
Total consultants, external experts and mission costs	55 305	49 242
External training, grants and other transfers		
Financial contributions	8 069	11 099
Grants and fellowships	25 321	30 491
External training and seminars	20 883	18 899
Total external training, grants and other transfers	54 273	60 489
Supplies, consumables and other running costs		
Communications	3 751	3 959
Equipment	13 984	11 011
Leases	15 705	17 732
Utilities	6 114	8 140
Maintenance and repairs	9 385	7 510
Other supplies	7 786	7 714
Total supplies, consumables and other running costs	56 725	56 066
Contracted services		
Contracted research	3 324	2 693
Contracted seminars and meetings	4 291	7 409
Contracted document production	1 131	539
Other contracted services	125 222	129 073
Total contracted services	133 968	139 714
Depreciation and amortization		
Depreciation	18 018	18 549
Amortization	67	84
Total depreciation and amortization	18 085	18 633
Allowance for assessed contribution	75 699	86 469
Total other expenses	761	2 759
Total foreign exchange losses	2 509	16 125
Total finance costs	4 782	7 272
Total expenses	762 492	802 166

Total expenses compared to the previous financial period decreased by \$39.7 million.

24.1 EMPLOYEE BENEFIT EXPENSES

International & 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 decreased by \$5.01 million in 2015 compared to 2014: international and national staff cost (including the provision for restructuring) decreased by \$15.8 million, but other personnel costs and temporary staff costs increased by \$9.6 million and \$1.2 million respectively.

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 & 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.

24.3 EXTERNAL TRAINING, 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.

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 CONTRIBUTION

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

24.8 OTHER EXPENSES, FOREIGN EXCHANGE AND FINANCE COSTS

Finance costs of \$4.8 million principally include the calculated interest cost of \$0.6 million 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 payment of investment interest to donors for \$3.6 million.

■ NOTE 25 – CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS

25.1 LEGAL OR CONTINGENT LIABILITIES

25.1.1 On 31 December 2015, 128 employment cases were pending before the Labour Courts in Brazil. Of these 25 are in the phase of execution of an award against UNESCO. The total amount claimed in the pending cases is approximately \$2.1 million (BRL 8.3 million). 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.

25.1.2 Four cases are pending before the French Labour court. The total claim represents approximately \$0.4 million (K€86 per case, totalling K€344K). 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.

25.1.3 Among the four service contracts holders who brought up cases against UNESCO with the Instituto Ecuatoriano Seguridad Social (IESS) of Ecuador, two have been settled in 2015. These cases concern social security contributions for service contract holders. Discussions between UNESCO, IESS and the Ecuadorian Ministry of Foreign Affairs are ongoing to address these employment issues.

25.1.4 Staff members have also lodged complaints which are pending before the UNESCO Appeals Board or the International Labour Organization Administrative Tribunal. There were 20 outstanding cases corresponding to \$4.1 million. It is highly unlikely, following an assessment of the outstanding cases, that UNESCO would incur financial liabilities for these cases.

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	31/12/2015	31/12/2014
Within one year	1 745	1 786
Later than one year and not later than five years	820	1 958
Later than five years	–	–
Total operating lease commitments	2 565	3 744

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 construction activities in front of the building, the lease is extended at 1-year Euribor (including credit margin) and for the remaining value of \$4.6 million.

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 2015, there are voluntary contributions with an approximate value of \$120.6 million (31 December 2014: \$141.8 million) 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 twelve 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 2014-2015 biennium. However, as a result of the decision of two Member States to suspend the payment of their contributions, the General Conference approved a budget expenditure plan of \$507 million, thus aiming to reduce the approved biennial budget by 22.4% (or \$146 million).

For the year ended 31 December 2015, the allotment including authorized transfers and additional appropriations amounted to \$287.4 million (see Statement V).

The original budget of \$243.5 million for the year is adjusted for authorized transfers, additional appropriations to arrive at the final budget for the year. The authorized transfers of \$0.46 million represent the transfer of funds between the two years of the budget. The additional appropriations of \$11.4 million are voluntary contributions received to support directly the programmes and activities of the regular programme.

26.1 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 2015 to 31 December 2015 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 12 months ended 31 December 2015 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 5 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 2015. 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.

26.2 RECONCILIATION: BUDGETARY RESULT WITH NET DEFICIT

31/12/2015	
Expressed in '000 US dollars	
Deficit per Statement of Financial Performance	(20 034)
a) Scope differences	
OPF surplus	(16 885)
PFF surplus	(26 472)
SFF surplus	(3 749)
Sub Total	(47 106)
GEF deficit	(67 140)
b) Accounting basis adjustments	
Revenue	
Constant Dollar adjustment	(11 122)
Budgetary allotment adjustment	(79 985)
Foreign exchange gain and other non-budgetary income	(5 376)
	<u>(96 483)</u>
Expenses	
Employee benefits	64 786
Constant Dollar Adjustment	(4 686)
Prior budgetary period expenses and accounts adjustment	6 518
Allowance for unpaid Member States' contributions	75 727
Fixed assets addition, depreciation and amortization	13 636
Renovation loan repayment	(7 031)
	<u>148 950</u>
c) Budget basis adjustment	
Unliquidated obligations	(9 527)
2014 Budget surplus	31 978
Total adjustments	74 918
Budget result on modified cash basis	7 778

26.3 RECONCILIATION: BUDGETARY RESULT
WITH NET CASH FLOW

31/12/2015	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		7 778	–	–	7 778
Basis differences	<i>Unliquidated obligations</i>	9 527	–	–	9 527
	<i>Unreceived contributions for year</i>	100 142	–	–	100 142
	<i>Other basis differences</i>	(163 010)	–	–	(163 010)
Presentation difference		10 178	(3 459)	(6 719)	–
	Budgetary result with cash basis	(35 385)	(3 459)	(6 719)	(45 563)
Timing differences		–	–	–	–
Entity differences		13 309	22 728	–	36 037
Actual amount in the Cash Flow Statement		(22 076)	19 269	(6 719)	(9 526)

26.4 UNLIQUIDATED OBLIGATIONS

Expressed in '000 US dollars	31/12/2015	31/12/2014
General Fund		
Commitment portion	5 539	4 343
Accrual portion	3 988	3 265
Unliquidated obligations	9 527	7 608
Other Proprietary Funds		
Commitment portion	1 162	1 486
Accrual portion	796	583
Unliquidated obligations	1 958	2 069
Programme Fiduciary Funds		
Commitment portion	40 504	60 405
Accrual portion	10 672	5 595
Unliquidated obligations	51 176	66 000
Total unliquidated obligations	62 661	75 677

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 2015. 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

Classification

The table below shows the value of UNESCO's financial assets at year end. No financial asset is classified as available for sale as at 31 December 2015.

Expressed in '000 US dollars	Fair value through surplus and deficits		Loans & Receivables		Held to maturity		Book value	
	2015	2014	2015	2014	2015	2014	2015	2014 restated
Cash and cash equivalents	–	–	171 037	187 392	–	–	171 037	187 392
Investments	54 252	86 405	419 066	440 499	2 797	–	476 115	526 904
Receivables: non-exchange transactions	–	–	38 807	21 791	–	–	38 807	21 791
Receivables: exchange transactions, net	–	–	2 105	2 353	–	–	2 105	2 353
Advance payments	–	–	50 307	45 053	–	–	50 306	45 053
Total financial assets	54 252	86 405	681 322	697 088	2 797	–	738 370	783 493

The table below shows the value of UNESCO's financial liabilities outstanding at year end. As at 31 December 2015, there was no outstanding financial liability recorded at fair value through surplus or deficit.

Expressed in '000 US dollars	Fair value through surplus and deficits	Other financial liabilities		Book value	
		2015	2014	2015	2014
Payables	–	30 065	20 111	30 065	20 111
Transfers payable	–	11 793	17 705	11 793	17 705
Borrowings	–	26 943	36 478	26 943	36 478
Other liabilities	–	5 101	9 947	5 101	9 947
Total financial liabilities	–	73 902	84 241	73 902	84 241

Fair values

The following table compares the carrying amount and fair value of UNESCO's financial instruments.

Financial assets	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Expressed in '000 US dollars				
Investments at fair value through surplus/deficit	54 252	54 252	86 405	86 405
Investments classified as Loans and Receivables	419 066	418 916	440 499	440 454
Investments classified as Held to maturity	2 797	2 790	–	–
Cash and cash equivalents	171 037	171 037	187 392	187 392
Receivables	40 912	40 912	24 144	24 144
Total financial assets	688 064	687 907	738 440	738 395

The fair value of the financial assets reflect amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

There were no differences between the carrying value of other financial liabilities and their fair value.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, term deposits, receivables, payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments
- The fair value of term accounts for which there is a liquidity option and a penalty in case of early exit, takes into account such penalty when it is not already integrated in the carrying value.
- Fair value of quoted fixed income securities is based on price quotations at the reporting date. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of financial assets is derived from quoted market prices in active markets, if available.

Fair value hierarchy

Three fair value hierarchies are defined by IPSAS based on the significance of the inputs used in the valuation as:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices)
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2015, the Organization holds the following financial instruments measured at fair value through surplus and deficit:

Expressed in '000 US dollars	Level 1		Level 2		Level 3	
	2015	2014	2015	2014	2015	2014
Investments	54 252	86 405	–	–	–	–
Total	54 252	86 405	–	–	–	–

UNESCO's risk management policies along with its Investment Policy and Financial Rules and Regulations aim to minimize potential adverse effects on the resources available to UNESCO to fund its activities. The primary objective of UNESCO's Investment Policy 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: security of principal, liquidity, and rate of return. UNESCO has an Investment Committee comprising senior management which meets at least twice a year to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established investment guidelines.

27.1 CREDIT RISK

Credit risk is the risk of financial loss to the Organization if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from UNESCO's cash and cash equivalents, investments, and receivables.

Investments, cash and cash equivalent

UNESCO utilizes credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, to evaluate credit risk on its financial instruments. The investment management function is centralized at UNESCO Headquarters, and field offices and institutes are not generally permitted to engage in investing.

In accordance with its Investment Policy, UNESCO applies limits on bank exposures based on the following criteria: a minimum short term rating of A-1, a minimum long term rating of A-, 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-.

Funds in Brazilian Real can be invested in Brazilian Government Treasury Bills up to one year. The credit risk associated with these investments is the sovereign risk of Brazil which is rated BB by major credit rating agencies as 31 December 2015.

Credit rating	2015					2014	Variation
	Cash & cash equivalent	Money market instruments classified as loans & receivables	Investments at fair value through surplus and deficit	Bonds held to maturity	TOTAL		
Expressed in '000 US dollars							
AA	69 032	328 027	–	1 617	398 676	213 445	185 230
A	94 953	90 881	–	1 180	187 014	409 493	(222 479)
BBB	3 428	–	–	–	3 428	86 688	(83 260)
BB	–	–	54 252	–	54 252	–	54 252
N/A	3 587	158	–	–	3 745	4 851	(1 106)
Total	171 000	419 066	54 252	2 797	647 115	714 477	(67 363)

Receivables

Receivable are mainly from sovereign Member States. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date that a state will not comply with the original terms of the receivables.

tables below, UNESCO's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. The Organization ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

27.2 LIQUIDITY RISK

Liquidity risk is the risk of the Organization not being able to meet its obligations as they fall due. As shown in the

The table below shows the liquidity profile of UNESCO's financial assets. More than 99% of UNESCO's investments are short term.

Expressed in '000 US dollars	2015	Percentage	2014 restated	Percentage
Current investments, cash and cash equivalents	644 355	99.6%	711 791	99.6%
Cash and cash equivalents	171 037	26.4%	187 392	26.2%
Current investments	473 318	73.2%	524 399	73.4%
Non-current investments	2 797	0.4%	2 505	0.4%
Total investments, cash and cash equivalents	647 152	100.0%	714 296	100.0%

The breakdown of financial liabilities by maturity is shown below:

Expressed in '000 US dollars	2015		2014	
	≤ 12 months	>12 months	≤ 12 months	>12 months
Payables	30 065	–	20 111	–
Transfers payable	11 793	–	17 705	–
Borrowings	6 605	20 338	7 336	29 142
Other liabilities	169	4 932	4 707	5 240
Total financial liabilities	48 632	25 270	49 859	34 382

27.3 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the fair value of a financial instrument fluctuates due to changes in foreign exchange rates. UNESCO is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately Euros along with minor exposure to other currencies.

The Split Assessment system, whereby the Organization receives a portion 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 mitigated. In addition, the Organization has field offices, centres and institutes worldwide and, consequently, UNESCO maintains a minimum level of assets in local currencies to minimize foreign exchange risk.

Extrabudgetary foreign currency exchange risk is managed through individual project budget planning for foreign currency expenditure. UNESCO Brasilia'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.

27.4 INTEREST RATE RISK

The Organization is mainly exposed to interest rate risk on its financial interest bearing assets. The Investment Committee regularly follows up that the rate of return of investments is in line with the benchmarks set up in the Investment Policy.

Interest rate risk arises from the effects of market interest rates fluctuations on the fair value of financial assets and liabilities and/ or on future cash flows.

Investments classified as held-to-maturity are not marked to market and therefore surplus/deficit reported in UNESCO's financial statements is not impacted by changes in interest rates.

UBO's Brazilian Treasury Bills that are carried at fair value through surplus and deficit are floating rate debt securities. UNESCO's surplus/deficit would be negatively impacted in case of decreasing BRL interest rates.

UNESCO's other investments and cash equivalents are classified as loans and receivables and valued at amortized cost. While these financial assets are not marked to market and therefore not directly impacted in case of changes of interest rates, a lower re-investment rate may have a significant impact on surplus and deficit. Accordingly, the sensitivity analysis below measures the impact of changing interest rate on this category over a one-year time horizon.

Interest rate sensitivity analysis

	Increase (+) Decrease (-) in basis point	Effect on surplus/ deficit before tax in '000 US dollars	
		2015	2014
Financial assets			
Investments classified at fair value through surplus or deficit	50 (50)	271 (271)	415 (415)
Investments classified as loans and receivables	50 (50)	2 095 (2 095)	2 202 (2 202)
Cash and cash equivalents	50 (50)	668 (668)	770 (770)

As shown above, in case interest rates decrease, UNESCO's finance revenue would be significantly reduced.

27.5 MARKET RISK

Market risk is the risk of losses arising from movements in market prices other than those detailed above. This risk is actually not significant to UNESCO. As compared to 2014 when equity investments amounted to \$1.5 million, there is no exposure to equity as at the end of 2015.

NOTE 28 – EVENTS AFTER THE REPORTING DATE

UNESCO's reporting date is 31 December 2015. The financial statements were authorized for issue on 31 March 2016, 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	31/12/2015	31/12/2014
Revenue	6 669	7 494
Expenses	(1 359)	(1 476)
Interest apportionment on deposit accounts	(5 310)	(6 018)
Deficit (apportioned to reserves)	–	–
Assets	511 206	556 283
Liabilities	482 883	526 795
Net assets/equity	28 323	29 488

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 Corporate 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 representation allowances and other allowance, grants and subsidies, and employer pension and health insurance contributions.

Key management personnel qualify also for post-employment benefits, such as after-service health insurance, repatriation benefits and payment of unused annual leave. The actuarial assumptions applied to measure such employee benefits are disclosed in Note 16.

Key management personnel are ordinary members of UNJSPF with the exception of one staff member who does not participate in to the Fund. Amounts paid by UNESCO in lieu of contributions to the plan, which represents 15.8% of the pensionable remuneration, are included in total remuneration.

Number of individuals	Compensation and Post Adjustment	Entitlements (Allowances Grants and Subsidies)	Pension and Health Plans	Total Remuneration 2015	Outstanding advances against entitlements Ed Grant	Outstanding loans	Reimbursement of US Income Tax
Expressed in '000 US dollars							
20	3 575	727.9	963.1	5 266	90.1	–	–

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

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 2015, UNESCO entered into contracted arrangements with some of these institutes. The total amount invoiced to UNESCO for the year is \$0.7 million.



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