



FINANCIAL STATEMENTS 2022

**APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

In accordance with the Financial Regulations (Article 11) of the United Nations Educational, Scientific and Cultural Organization (UNESCO), attached are the financial statements and accompanying notes for the year ended 31 December 2022.

The financial statements are the responsibility of Management and they have been prepared in accordance with International Public Sector Accounting Standards and comply with the Financial Regulations of the United Nations Educational, Scientific and Cultural Organization. They include certain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions.

The financial statements numbered I to IV and the accompanying notes are hereby approved and submitted to the Governing Board of the International Institute for Higher Education in Latin America and the Caribbean (IESALC).

The External Auditor, in line with Article 12 of the Financial Regulations, provides an opinion on the consolidated financial statements of UNESCO. IESALC's financial statements are included within the scope of consolidation for the preparation of the UNESCO financial statements.

(SIGNED)

Mr. Francesc Pedró
Director

International Institute for Higher Education in Latin America
and the Caribbean
July 11, 2023

(SIGNED)

Mrs. Magdolna Bona
Chief Financial Officer

UNESCO

Date: 12/07/2023

NOTES TO THE FINANCIAL STATEMENTS	9
NOTE 1: REPORTING ENTITY	9
NOTE 2: SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 3: ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS	16
NOTE 4: ACCOUNTING STANDARDS ISSUED	17
NOTE 5: Cash	17
NOTE 6: Advance Payments	18
NOTE 7: Other Receivables	18
NOTE 8: Property Plant and Equipment	18
NOTE 9: Accounts Payable and Accruals	19
NOTE 10: Employee Benefits	20
NOTE 11: Net Assets:	23
NOTE 12: Revenue	24
NOTE 13: Expenses	25
NOTE 14: Contingent assets and contingent liabilities	266
NOTE 15: Financial Risk Management	266
NOTE 16: Related Party Disclosures	28

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER
(STATEMENT I)**

Expressed in US dollars	Note	2022	2021
<u>ASSETS</u>			
Current Assets			
Cash	5	59 339	59 527
Advance payment	6	49 665	6 232
Other receivables	7	1 138 148	1 353 852
Total current assets		1 247 152	1 419 611
Non-current assets			
Property, plant and equipment	8	40 729	53 091
Total non-current assets		40 729	53 091
<u>TOTAL ASSETS</u>		1 287 881	1 472 702
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable and accruals	9	19 388	14 604
Employee benefits	10	67 820	70 893
Total current liabilities		87 208	85 497
<u>TOTAL LIABILITIES</u>		87 208	85 497
<u>NET ASSETS</u>	11	1 200 673	1 387 205

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER
(STATEMENT II)**

Expressed in US dollars	Note	2022	2021
<u>REVENUE</u>			
UNESCO Financial Allocation		866 400	866 400
Voluntary contributions		500 284	1 393 591
In-kind contribution		243 000	293 400
Foreign exchange gains		865	-
Finance Revenue		-	131
Total revenue	12	1 610 549	2 553 522
<u>EXPENSES</u>			
Personnel costs		520 766	534 991
Consultants, external experts and mission costs		855 238	740 745
External training, grants and other transfers		4 097	6 106
Supplies, consumables and other running costs		286 924	347 316
Contracted services		104 650	41 550
Depreciation		12 362	5 685
Foreign exchange losses		-	199
Other expenses		13 000	383
Finance costs		44	-
Total expenses	13	1 797 081	1 676 975
<u>(DEFICIT)/SURPLUS FOR THE YEAR</u>		(186 532)	876 547

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER
(STATEMENT III)**

Expressed in US dollars	Note	2022	2021
Net Assets at the beginning of the year	11	<u>1 387 205</u>	<u>510 658</u>
(Deficit)/Surplus for the year		(186 532)	876 547
Total change in Net Assets		<u>(186 532)</u>	<u>876 547</u>
Net Assets at the end of the year	11	<u>1 200 673</u>	<u>1 387 205</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER
(STATEMENT IV)**

	Note	2022	2021
Expressed in US dollars			
Cash flows from operating activities			
(Deficit)/Surplus for the year		(186 532)	876 547
Depreciation		12 362	5 685
(Increase)/Decrease in advance payment		(43 433)	40 711
Decrease/(increase) in other receivables		215 704	(873 973)
Increase/(Decrease) in accounts payable and accruals		4 784	(5 571)
(Decrease)/Increase in Employee benefits		(3 073)	13 235
Net cash flows from operating activities		(188)	56 634
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(56 378)
Net cash flows from investing activities		-	(56 378)
Net increase in cash		(188)	256
Cash at the beginning of the year	5	59 527	59 271
Cash at the end of the year	5	59 339	59 527

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

The UNESCO institute for Higher Education in Latin America and the Caribbean (IESALC) was established within the framework of the United Nations Educational, Scientific and Cultural Organization (UNESCO) with the mission of contributing to the transformation of higher education in Latin America and the Caribbean region and its national higher education institutions and systems by focusing on ensuring the relevance and quality of teaching and research. UNESCO is considered the controlling entity of IESALC, which is included within the UNESCO Consolidated Financial Statements.

Following the 29th session of the UNESCO General Conference in November 1997, the Regional Centre for Higher Education in Latin America and the Caribbean (CRESALC) had been transformed into an International Institute for Higher Education in Latin America and the Caribbean. The statutes of IESALC were approved by the UNESCO Executive Board at its 155th session in September 1998.

As a Category 1 Institute, IESALC enjoys functional autonomy in programme implementation. The Governing Board of IESALC is composed of 9 members. The Governing Board approves the Institute's annual budget and determines the nature of its activities. It also approves the yearly report of activities presented to it by the Director of IESALC. The Director of IESALC is appointed by the Director-General of UNESCO and is responsible for day-to-day operations. The Director of IESALC also serves as the secretary to the Governing Board.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

[2.1 Basis of preparation and presentation](#)

Basis of preparation

The financial statements have been prepared on an accrual and going concern basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and comply with the financial regulations of the special account for IESALC.

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

Financial period

The financial statements are prepared on an annual basis, beginning on the first day of January and ending on the thirty-first day of December each year.

Presentation and Functional Currency

The presentation currency of the financial statements is the United States (US) dollars which is also the functional currency of IESALC.

2.2 Foreign currency transactions

Foreign currency transactions carried out during the financial year are converted into US dollars using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction. The UNORE approximates market rates as they are set bi-monthly and revised if there are significant exchange rate fluctuations relating to individual currencies.

Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the UNORE prevailing at the date of the initial 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 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.

2.3 Financial assets

IESALC's financial assets include cash, advance payments and other receivables.

Financial assets need to be classified at initial recognition. The subsequent measurement of financial assets depends on this classification. 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.

All financial assets were classified as loans and receivables (L&R) and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and subsequently measured at amortized cost.

The following table presents the classification and measurement of IESALC's financial assets:

Financial assets	Classification	Subsequent Measurement
Cash	L&R	Amortized cost
Advance Payments	L&R	Amortized cost
Other receivables	L&R	Amortized cost

Impairment of financial assets at amortized cost

IESALC assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, which have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

2.4 Financial liabilities

IESALC's financial liabilities include Accounts payable and accruals. The measurement of financial liabilities depends on their classification.

(a) Financial liabilities at fair value through surplus or deficit include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

(b) Financial liabilities classified as amortized cost are, after initial recognition, measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

IESALC has classified all its financial liabilities as amortized cost and are therefore, measured at amortized cost.

2.5 Cash

Cash includes cash at bank.

2.6 Other receivables

Receivables are initially measured at fair value and then, their carrying value adjusted for 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 IESALC will not be able to collect all amounts due according to the original terms of the receivables. In establishing the allowance, if any, the fair value of receivables is calculated as the estimated discounted cash flows arising from receivables to be collected in the future.

Receivables are classified into current and non-current on the basis of the timing of the expected amounts to be received.

2.7 Advance payments

IESALC can advance funds to third parties under non-exchange contracts for the delivery of IESALC's programs and activities. Such transfers to third parties, as and when made, are treated as Advance Payments if the conditions on the transferred assets are not fulfilled at the reporting date.

2.8 Property Plant and equipment

Property, Plant and Equipment (PP&E) is measured 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 Financial Statements as applicable.

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 IESALC and the cost of the item can be measured reliably. When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are recognized 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 IESALC and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E, 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:

Class of Property, Plant and Equipment	Depreciation Period
Communication and IT equipment	4 years
Furniture and fixtures	5 years
Other equipment	5 years
Vehicles	5 years

The residual values and useful lives of assets are reviewed and adjusted, if applicable, at each financial year-end.

Impairment

The carrying amounts of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount 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 impairment loss is recognized in the Statement of Financial Performance. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. For this purpose, all property, plant and equipment assets are considered as non-cash generating assets.

2.9 Employee benefits

IESALC recognizes the following categories of employee 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) and other benefits (education grant, home leave, etc.). An expense is recognized under personnel cost when employees render service to IESALC and a liability is recognized for an entitlement that has not been settled at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits that are payable after the completion of employment.

UNESCO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. IESALC contributes to UNJSPF through UNESCO. The Fund is a funded, multi-employer defined benefit plan. As specified in 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 Fund 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 Fund. UNESCO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UNESCO's proportionate share, and thereby IESALC'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 39, Employee Benefits. IESALC's contributions to the Fund during the financial year are recognized as expenses in the Statement of Financial Performance.

In addition, IESALC participates in the UNESCO after service health insurance (ASHI) scheme. Under this scheme, staff retiring, 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. The ASHI scheme at UNESCO is a defined benefit plan for entities under common control.

UNESCO performs annually both a long-term projection and an actuarial valuation of the ASHI scheme to measure its employee benefits obligation. The plan exposes participating Institutes to actuarial risks associated with the current and former employees of other group entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual entities participating in the plan. IESALC, as well as other participating group entities, is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 39 basis with sufficient reliability for accounting purposes, and hence has recorded this plan as if it were a defined contribution plan.

The contributions of IESALC to the UNESCO ASHI scheme consists of 4% charge on salary of the participating staff. IESALC's contributions to the Special Account for ASHI during the financial year are recognized as personnel costs expenses in the Statement of Financial Performance.

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 and relates to repatriation grants and compensated absences (accumulated leave). The liability recognized for these other long-term benefits is the present value of the defined benefit obligations at the reporting date. These liabilities are calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the Statement of Financial Performance.

In addition, IESALC participates in the Terminal Payment Fund (TPF). This Fund was set up in accordance with Article 6, paragraph 6, of the Financial Regulations of UNESCO to cover costs of separation of staff members such as: termination payments, repatriation grants and death grants. IESALC, in line with the other participating organizations in the Fund, is not in a position to identify IESALC's proportionate share of the liability associated with this other long-term benefit with sufficient reliability for accounting purposes. Hence, IESALC has treated this benefit as if it were a defined contribution plan in line with the requirements of IPSAS 39. IESALC's contribution to the TPF during the financial year are recognized as personnel costs expenses in the Statement of Financial Performance. IESALC's contributions to UNESCO's TPF made during the year amount to USD 9 415 (2021: USD 4 638).

2.10 Tax

IESALC enjoys the privilege of tax-exemption. As such, IESALC's assets, income and other property are exempt from all direct taxation.

2.11 Provisions, contingent liability, and contingent assets

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.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where IESALC has a present obligation but cannot reliably measure the possible outflow of resources.

Contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits.

2.12 Revenue recognition

Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured based on the increase in net assets recognized.

The revenues from non-exchange transactions are as follows:

- UNESCO financial allocation

The financial contribution made available from UNESCO's biennial budget approved by its General Conference, presented as UNESCO financial allocation in the Statement of Financial Performance, are recognized as revenue at the beginning of the relevant year as soon as the amounts are communicated to IESALC.

- Voluntary contributions

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.

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 IESALC 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.

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

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized, and valued at fair value. The contribution value is based on the commercial rate for renting the building.

In-kind contributions of services, such as the services of volunteers, are not recognized.

2.13 Expenses

Expenses are defined as 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. 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.

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.

Where revenue is recognized from in-kind contributions, a corresponding expense or asset is also recognized in the financial statements.

2.14 Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods and services that have been received by IESALC and invoiced but not yet paid by the reporting date.

Accrued liabilities are financial liabilities for goods and services that have been received by IESALC and which have neither been paid for nor invoiced to IESALC at the reporting date.

2.15 Leases

Lease agreements entered into for equipment or office premises are classified as operating leases as these arrangements do not transfer substantially all of the risks and rewards of ownership. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

NOTE 3: ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in accordance with IPSAS requires IESALC to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The areas where estimates, assumptions or judgement are significant to IESALC's financial statements include, but are not limited to employee benefit, in-kind contributions and useful lives of Property, Plant and Equipment. Changes in estimates are reflected in the year in which they become known.

Estimates and assumptions

IESALC based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of IESALC.

Below is a list of key assumptions:

a) Useful lives of Property, Plant and Equipment

The useful lives of Property, Plant and Equipment are assessed using the following indicators to inform potential future use and value from disposal and impairment:

- the condition of the asset based on the assessment of experts employed by IESALC;
- the nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- the nature of the processes in which the asset is deployed;
- availability of funding to replace the asset; and
- changes in the market in relation to the asset.

Note 2.8 provides information on the determined current useful lives.

b) Employee benefits:

Employee benefits are determined using actuarial valuation which involves making various assumptions on financial and non-financial elements that may differ from actual developments in the future such as determination of the discount rate, future salary increases, mortality rates and future cost increases. The employee benefit liability is highly sensitive to the variation of these assumptions and some of them are reviewed at each reporting date. Details about employee benefits are provided in Note 10.

Judgements

IESALC undertakes a valuation of the in-kind contribution for the use of storage space. The principal factor that impacts the valuation is the availability of similar assets for rent.

NOTE 4: ACCOUNTING STANDARDS ISSUED

Accounting standards adopted during the year:

No accounting standard was adopted during the year.

Accounting standards issued and to be adopted at a later date:

- IPSAS 41 - Financial Instruments: the standard is effective for annual reporting years beginning on or after 1 January 2023. The standard establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing and uncertainty of an entity’s future cash flows. Preliminary assessment suggests that the adoption of this standard will mainly have implication for disclosure in the notes to the financial statements, but no significant impact on the statements.
- IPSAS 42 – Social Benefits: the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes principles and requirements on the recognition, measurement, and presentation of Social Benefits in the financial statements. IESALC has assessed that the adoption of the standard will not have any impact on the financial statements.
- IPSAS 43 – Leases: the standard is effective for annual reporting year beginning on or after 1 January 2025. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases in the financial statements. IESALC has not yet assessed the impact of the adoption of the standard.
- IPSAS 44 - Non-current assets held for sale and discontinued operations: the standard is effective for annual reporting year beginning on or after 1 January 2025. The standard specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. The adoption of the standard has no impact on IESALC’s financial statements.

NOTE 5: Cash

	2022	2021
Expressed in US dollars		
Cash with banks	59 339	59 527
Total cash	59 339	59 527

NOTE 6: Advance Payments

Expressed in US dollars	2022	2021
Advance to staff	46 284	6 232
Other advances	3 381	-
Total Advance payments	49 665	6 232

Advance payments relate mainly to education grant paid to a staff member.

NOTE 7: Other Receivables

Expressed in US dollars	2022	2021 Restated
Receivable from UNESCO	1 109 740	1 325 444
VAT Receivables	28 408	28 408
Total other receivables	1 138 148	1 353 852

The receivable from UNESCO represents amounts due by UNESCO relating to the UNESCO financial allocation, voluntary contributions received on behalf of IESALC and decentralized funds from UNESCO projects used, inter alia, to cover payroll payments processed by UNESCO. The receivable balance is kept within the operating account of UNESCO's cash pool to maximize the return on deposited funds. Interest revenues are allocated to IESALC in the proportion of its share held in the operating account of UNESCO's cash pool.

In 2022, other receivables were broken down between receivables from UNESCO and VAT receivables. 2021 receivables have been adjusted accordingly.

NOTE 8: Property, Plant and Equipment

Expressed in US dollars	Comms & IT Equip'm't	Vehicles	Furniture and Fixtures	Other Equip'm't	2022
01 January 2022					
Cost	145 513	96 212	66 642	95 201	403 568
Accumulated depreciation	(141 278)	(47 356)	(66 642)	(95 201)	(350 477)
Carrying amount	4 235	48 856	-	-	53 091
Movements 12 months to 31 December 2022					
Depreciation	(1 893)	(10 469)	-	-	(12 362)
Total movements	(1 893)	(10 469)	-	-	(12 362)
31 December 2022					
Cost	145 513	96 212	66 642	95 201	403 568
Accumulated depreciation	(143 171)	(57 825)	(66 642)	(95 201)	(362 839)
Carrying amount	2 342	38 387	-	-	40 729

INSTITUTE FOR HIGHER EDUCATION IN LATIN AMERICA AND THE CARIBBEAN (IESALC)

Heritage assets: IESALC does not own any relevant work or arts.

As at 31 December 2022, IESALC holds fully depreciated property plan and equipment which is still in use for a gross value of USD 343 651 (2021: USD 343 651). In 2022, no cash payments during the period and no outstanding commitments at the end of the year were made in relation to fixed assets acquisition.

Expressed in US dollars	Comms & IT Equipm't	Vehicles	Furniture and Fixtures	Other Equipm't	2021
01 January 2021					
Cost	142 744	43 866	66 642	95 201	348 453
Accumulated depreciation	(140 346)	(43 866)	(66 642)	(95 201)	(346 055)
Carrying amount	2 398	-	-	-	2 398
Movements 12 months to 31 December 2021					
Additions	4 032	52 346	-	-	56 378
Disposal Depreciation	1 263	-	-	-	1 263
Disposal	(1 263)	-	-	-	(1 263)
Depreciation	(2 195)	(3 490)	-	-	(5 685)
Total movements	1 837	48 856	-	-	50 693
31 December 2021					
Cost	145 513	96 212	66 642	95 201	403 568
Accumulated depreciation	(141 278)	(47 356)	(66 642)	(95 201)	(350 477)
Carrying amount	4 235	48 856	-	-	53 091

NOTE 9: Accounts Payable and Accruals

Expressed in US dollars	2022	2021
Accruals	19 388	14 604
Accounts payable and accruals	19 388	14 604

Accruals are liabilities for goods and services that have been received or provided to the entity during the period but the goods received note or service entry sheet had not been registered at year-end.

NOTE 10: Employee Benefits

	2022		Total	2021
	Actuarial valuation	IESALC valuation		
Expressed in US dollars				
Payroll and reimbursement	-	21 044	21 044	21 034
Accumulated annual leave	46 776	-	46 776	49 859
Employee benefits (current)	46 776	21 044	67 820	70 893
Total employee benefits	46 776	21 044	67 820	70 893

Employee benefits – current

Current employee benefits include payroll and allowances, death grant, education grant, home leave and accumulated annual leave (AAL).

Accumulated annual leave (AAL) - IESALC staff can accumulate unused annual leave up to a maximum of 60 working days. Upon separation, staff members are entitled to receive a sum of money for AAL that they hold at the date of separation. Notwithstanding that AAL is fully included as current as required by the standards since IESALC does not have an unconditional right to defer settlement of the liability for a least 12 months, expected payments in the next year are anticipated to be USD 122 for AAL.

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 IESALC to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. For eligible staff members hired after July 1st, 2016 the grant is payable starting on five years of expatriate service according to the current scale. Staff members are also entitled to travel and removal costs for repatriation on separation from IESALC.

Actuarial valuations

An actuarial valuation was carried out to calculate IESALC's estimated liability related to AAL.

The following assumptions and methods have been used to determine the value of this benefit as at 31 December:

Assumptions used for annual leave		2022	2021
Discount rate	The rate used is based on the Mercer Yield Curve	4.15% (maturity around 11.5 years)	1.15% (maturity around 11.5 years)
Inflation rate	For all benefits	2.00%	1.75%
Pre-retirement Mortality Tables before the retirement age assumption	2019 United Nations in-service mortality table		
Salary increase rate		2.25%	2.00%
Retirement Age		65	65
Withdrawal tables	Based on a study of UNESCO's turnover rates from 2017 and 2021		
Take up rate	Staff eligible for accumulated annual leave to actually claim their entitlement at separation.	100%	100%

The following tables and text provide additional information and analysis on accumulated annual leave liability calculated by actuaries:

	2022	2021
Expressed in US dollars		
Defined benefit obligation beginning of the year	49 859	36 408
Movement for period ended 31/12/2022		
Service cost	4218	1 217
Interest cost	573	255
Actuarial (gains)/losses	(6 661)	11 979
Foreign exchange difference	(1 213)	-
Defined benefit obligation 31/12/2022	46 776	49 859

Actuarial gains for accumulated annual leave obligations recognized through the Statement of Financial Performance amount to USD 6 661 for the year ended 31 December 2022 (a loss in 2021: USD 11 979).

INSTITUTE FOR HIGHER EDUCATION IN LATIN AMERICA AND THE CARIBBEAN (IESALC)

The annual expense amounts recognized in the Statement of Financial Performance related to accumulated annual leave are as follows:

Expressed in US dollars	2022	2021
Service cost	4218	1 217
Interest cost	573	255
Actuarial (gains)/losses	(6 661)	11 979
Foreign exchange difference	(1 213)	-
Total expenses recognized for year ended 31/12/2022	(3 083)	13 451

Service cost is the increase in the present value of the defined obligation resulting from employee service in the current year. Interest cost is the increase during the year in the present value of the defined benefit obligation which arises because the benefits are one year closer to settlement.

The expected contribution of IESALC in 2023 to the accumulated annual leave defined benefit is USD 122, which represents expected benefit payments for the year.

Contributions to UNESCO ASHI scheme made during the year amount to USD 13 167 (2021: USD 13 121).

United Nations Joint Staff Pension Fund (UNJSPF)

The 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 Fund will be sufficient to meet its liabilities.

IESALC participates in UNESCO's financial obligation to the Fund consisting 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 Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4 % in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations

INSTITUTE FOR HIGHER EDUCATION IN LATIN AMERICA AND THE CARIBBEAN (IESALC)

of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. 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.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 2.19 % was contributed by UNESCO.

IESALC's contribution made during the year 2022 amounts to USD 67 422, compared to USD 65 755 in 2021.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund's website

NOTE 11: Net Assets:

Expressed in US dollars	01/01/2022 Opening Balance	Deficit for the period	31/12/2022
Other surpluses	1 495 875	(186 532)	1 309 343
Actuarial losses	(108 670)	-	(108 670)
Total Net Assets	1 387 205	(186 532)	1 200 673

NOTE 12: Revenue

	2022	2021
Expressed in US dollars		
REVENUE		
UNESCO Financial Allocation	866 400	866 400
Total UNESCO Financial Allocation	866 400	866 400
Voluntary contributions		
Voluntary contributions - Extra-budgetary	500 284	1 393 591
In-kind contribution	243 000	293 400
Total voluntary contributions	743 284	1 686 991
Foreign exchange gains	865	-
Finance revenue	-	131
Total revenue	1 610 549	2 553 522

IESALC uses its premises free of charge. This includes electricity, water, heating and maintenance of the building under the terms of a special support agreement with the government of Venezuela. The annual value of this arrangement during 2022 was estimated at USD 180,000 for rental and US USD 63 000 for utilities (electricity, water etc.) The in-kind contribution decreased by USD 50 400 due to currency devaluation and a continued decline of real estate market.

NOTE 13: Expenses

	2022	2021
Expressed in US dollars		
Personnel costs		
<i>International & National staff</i>	496 022	518 473
<i>Temporary staff</i>	6 336	7 775
<i>Other personnel costs</i>	18 408	8 743
Total personnel costs	520 766	534 991
Consultants, external experts and mission costs		
<i>Staff mission costs</i>	5 213	18 152
<i>Consultants</i>	841 874	717 659
<i>Delegates & external individuals missions</i>	8 151	4 934
Total consultants, external experts and mission costs	855 238	740 745
External training, grants and other transfers		
<i>Financial contributions</i>	3 826	6 106
<i>External training and seminars</i>	271	-
Total grants and other transfers	4 097	6 106
Supplies, consumables and other running costs		
<i>Communications</i>	13 329	11 142
<i>Equipment</i>	19 031	38 026
<i>Leases</i>	180 000	230 400
<i>Utilities</i>	71 977	64 462
<i>Maintenance and repairs</i>	986	800
<i>Other supplies</i>	1 601	2 486
Total supplies, consumables and other running costs	286 924	347 316
Contracted services		
<i>Contracted Seminars & Meetings</i>	21 502	4 500
<i>Contracted document production</i>	900	-
<i>Other contracted services</i>	82 248	37 050
Total contracted services	104 650	41 550
Depreciation	12 362	5 685
Other expenses	13 000	383
Foreign exchange losses	-	199
Finance costs	44	-
Total expenses	1 797 081	1 676 975

Personnel costs:

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. Temporary staff expenses include all costs relating to the employment of temporaries and service contracts. Other personnel costs include payroll charge for ASHI as well as staff travel expenses which are not related to mission costs (home leave, family visit, education grant, interview, separation).

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 IESALC's staff, temporaries and service contracts. These concerns 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.

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.

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 IESALC's no or nominal cost. Maintenance and repairs expenses are mainly those incurred in relation to IESALC's premises.

Contracted services

Contracted services represent expenses where IESALC's has engaged a third party to perform work on behalf of IESALC. Major categories of these types of arrangements include research, seminars and meetings and document production. Other contracted services include, among others, implementing partner agreements, activity financing contracts, contract for services and other fees for contracted activities.

Depreciation

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 2.8).

Other expenses, foreign exchange and finance costs

Finance costs are mainly due to bank charges and commissions.

NOTE 14: Contingent assets and contingent liabilities

As at 31 December 2022, there are no contingent assets, nor contingent liabilities.

NOTE 15: Financial Risk Management

Exposure to credit, liquidity, currency, interest rate and concentration risk arises in the normal course of IESALC's operations. The following presents information about IESALC's exposure to each of the above risks, policies and processes for measuring and managing risk and IESALC's management of capital. IESALC's financial risks are managed in accordance with the risk management policies of UNESCO. UNESCO's risk management policies, along with its Investment Policy and the Financial

INSTITUTE FOR HIGHER EDUCATION IN LATIN AMERICA AND THE CARIBBEAN (IESALC)

Regulations and Rules of the Special Account of IESALC, aim to minimize potential adverse effects on the resources available to IESALC to fund its activities.

The primary objective of UNESCO's Investment Policy is the preservation of the value of resources of the Organization. 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 representatives and external members that advise the Chief Financial Officer on investment and cash management policy of UNESCO, on overall investment strategy and on related risk management.

15.1 Fair value of financial assets and liabilities

The fair value of cash, and other receivables approximate their recorded carrying amount due to their short term nature.

The fair value of accounts payables and accruals and other liabilities approximate their recorded carrying amount due to their short-term nature.

IESALC does not hold any investments or borrowings as at 31 December 2022 (no change from 31 December 2021).

15.2 Credit risk

Credit risk is the risk of financial loss to the Institute if customers or counterparties to financial instruments fail to meet their contractual obligations. It mainly arises from IESALC's cash, and receivables. The maximum exposure to credit risk is the carrying amount of those financial assets.

IESALC participates in UNESCO's cash pooling mechanism. Participation in UNESCO's cash pool implies sharing the risk and returns with all participants. Given that the funds from all participants are commingled and invested on a pool basis, each participant is exposed to the overall risk of the cash pool to the extent of the amount of cash participated.

Cash

IESALC only held cash at 31 December 2022 and did not hold any cash equivalents nor direct investments at year-end. To mitigate the credit risk, cash is held with major international banks of high credit standing selected in accordance with UNESCO's policies. As such, the credit risk exposure related to cash is not significant.

Receivables

Receivables relate mainly to receivable from UNESCO. These funds are held in UNESCO's cash pool. The credit risk exposure to that receivable is limited to its carrying amount. This risk is not significant due to the restrictions on the credit ratings (minimum A-) of banking institutions that UNESCO can transact with, and UNESCO's strong short-term liquidity position.

15.3 Liquidity risk

Liquidity risk is the risk that IESALC might not have adequate funds to meet its obligations as they fall due. IESALC ensures on the basis of cash flow forecasts and approved budget that it has sufficient cash on demand to meet expected operating expenses.

As at the year-end, IESALC's cash and other receivables amounted to USD 1 197 487, which is higher than the current liabilities equalling USD 87 208. Therefore, IESALC is not exposed to a significant liquidity risk.

15.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in foreign exchange rates. IESALC is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies. A 1% increase/decrease in exchange rate would not have a material impact on the financial statements.

Foreign currency risk related to voluntary contribution activities is managed through individual project budget planning for foreign currency expenditure. Therefore, IESALC is not exposed to significant currency risk.

15.5 Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. IESALC is mainly exposed to interest rate risk on its financial interest-bearing assets. IESALC did not hold any investments as at 31 December 2022 and is not exposed to any significant interest rate risk.

15.6 Concentration risk

IESALC has a significant concentration of risk with UNESCO, who are the counterparty for 86% of IESALC's total assets at 31 December 2022 (2021: 92%), IESALC considers this concentration of risk is sufficiently mitigated by the strong short-term liquidity position of UNESCO.

NOTE 16: Related Party Disclosures

Governing Bodies

IESALC is governed by a Governing Board, composed of representatives of nine Member States elected by the General Conference of UNESCO. The members are chosen for their competence and sit in a personal capacity and do not receive any remuneration from the Organization. The role of the Governing Board is to draw up the draft general programme and budget of IESALC for each biennium for submission to the General Conference as well as to ensure the consistency of the activities foreseen within the Education Sector's strategy and programme.

The Governing Board meets in ordinary session twice every year. The Board may meet in extraordinary session, if convened by IESALC's Director. The Board elects a President and a Vice-President. The mandates of the Board Members are for four years and such mandates conclude with the closures of the UNESCO General Conference.

The Director of IESALC shall be appointed by the Director-General from a short list of candidates who apply for the post after appropriate international announcement. The Director is remunerated by the Organization.

Key Management Personnel

Key management personnel of IESAPC are members of the senior management team of IESALC who has the authority and responsibility for implementing and directing the programme voted by IESALC Governing Board.

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

Key management personnel also qualify for post-employment benefits (Note 10) at the same level as other employees. Key management personnel are ordinary members of UNJSPF.

The remuneration of key management personnel is as follows:

Year	Number of individuals	Compensation and Adjustment Post	Entitlements (Allowances, Grants and Subsidies)	Pension and Health Plans	Total Remuneration 2022	Outstanding advances against entitlements Ed Grant
Expressed in US dollars						
2022	3	266 560	40 711	69 834	377 105	46 284
2021	3	265 483	30 419	68 113	364 015	40 600

Advances are those made against entitlements in accordance with Staff Rules and Regulations. Advances against entitlements are widely available to all UNESCO staff.