



# FINANCIAL STATEMENTS 2021

**CERTIFICATION OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021.

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 External Auditor, in line with Article 12 of the Financial Regulations, also provides an opinion on the financial statements.

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).

(Signed)

Mr. Francesc Pedró  
Director

International Institute for Higher Education in Latin America  
and the Caribbean

(Signed)

Mrs. Magdolna Bona  
Chief Financial Officer

UNESCO

Date: 6/7/2022

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**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021  
STATEMENT I**

	Note	2021	2020
<b>Expressed in US dollars</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	59 527	59 271
Advance payment	6	6 232	46 943
Other receivables	7	1 353 852	479 879
<b>Total current assets</b>		<b>1 419 611</b>	<b>586 093</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	53 091	2 398
<b>Total non-current assets</b>		<b>53 091</b>	<b>2 398</b>
<b><u>TOTAL ASSETS</u></b>		<b>1 472 702</b>	<b>588 491</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals	9	14 604	20 175
Employee benefits	10	70 893	57 658
<b>Total current liabilities</b>		<b>85 497</b>	<b>77 833</b>
<b><u>TOTAL LIABILITIES</u></b>		<b>85 497</b>	<b>77 833</b>
<b><u>NET ASSETS</u></b>	11	<b>1 387 205</b>	<b>510 658</b>

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

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(STATEMENT II)**

Expressed in US dollars	Note	2021	2020
<b><u>REVENUE</u></b>			
UNESCO Financial Allocation		866 400	866 400
Voluntary contributions		1 393 591	252 966
In-kind contribution		293 400	413 000
Other/miscellaneous revenue		-	3 242
Finance Revenue		131	-
<b>Total revenue</b>	12	<b>2 553 522</b>	<b>1 535 608</b>
<b><u>EXPENSES</u></b>			
Staff costs		534 991	517 980
Consultants, external experts and mission costs		740 745	382 177
External training, grants and other transfers		6 106	6 134
Supplies, consumables and other running costs		347 316	439 366
Contracted services		41 550	16 554
Depreciation		5 685	1 794
Other expenses		383	-
Foreign exchange losses		199	2 382
Finance costs		-	69
<b>Total expenses</b>	13	<b>1 676 975</b>	<b>1 366 456</b>
<b><u>SURPLUS FOR THE YEAR</u></b>		<b>876 547</b>	<b>169 152</b>

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

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(STATEMENT III)**

Expressed in US dollars	Note	2021	2020
<b>Net Assets/Equity at the beginning of the year</b>	11	<u>510 658</u>	<u>341 506</u>
Surplus for the year		876 547	169 152
<b>Total change in Net Assets/Equity</b>		<u>876 547</u>	<u>169 152</u>
<b>Net Assets at the end of the year</b>	11	<u>1 387 205</u>	<u>510 658</u>

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

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(STATEMENT IV)**

Expressed in US dollars	Note	2021	2020
<b>Cash flows from operating activities</b>			
Surplus for the year		876 547	169 152
Depreciation		5 685	1 794
Decrease/(Increase) in advance payment		40 711	(6 343)
(Increase) in other receivables		(873 973)	(117 715)
(Decrease)/Increase in accounts payable and accruals		(5 571)	10 592
Increase/(Decrease) in Employee benefits		13 235	(30 500)
<b>Net cash flows from operating activities</b>		<b>56 634</b>	<b>26 980</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(56 378)	-
<b>Net cash flows from investing activities</b>		<b>(56 378)</b>	<b>-</b>
<b>Net increase in cash</b>		<b>256</b>	<b>26 980</b>
<b>Cash at the beginning of the year</b>	5	<b>59 271</b>	<b>32 291</b>
<b>Cash at the end of the year</b>	5	<b>59 527</b>	<b>59 271</b>

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 29<sup>th</sup> 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 the Institute were approved by the UNESCO Executive Board at its 155<sup>th</sup> session in September 1998.

### **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 (IPSASs) and comply with the UNESCO Financial Regulations.

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 financial statements are presented in 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 approximate market rates as they are set once a month, and revised mid-month 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 and other receivables.

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, as appropriate. IESALC determines the classification of its financial assets at initial recognition.

The subsequent measurement of financial assets depends on their 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.

Financial assets classified as loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method.

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***

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, 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 in hand. Cash that can only be used for a specific purpose is considered as restricted.

## **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. The level of accounts receivable related to voluntary contributions does not require discounting.

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

## **2.7 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 financial statements.

### ***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 the 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 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 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:

<b>Class of Property, Plant and Equipment</b>	<b>Depreciation period</b>
Communication and IT equipment	4 years
Furniture and Fixtures	5 years
Other equipment	5 years
Vehicles	5 years

**Impairment**

The carrying amount 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.

**2.8 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 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 participates in the United Nations Joint Staff Pension Fund (UNJSPF or 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 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, 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 plan during the financial year are recognized as staff costs in the Statement of Financial Performance.

In addition, IESALC participates in the UNESCO after service health insurance (ASHI) programme. Under this programme, 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 programme 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 contribution of IESALC to the UNESCO ASHI programme consists of contributions to the UNESCO Special Account for ASHI. IESALC's contribution to the Special Account for ASHI during the financial year are recognized as Staff 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, compensated absences (accumulated leave). The liability recognized for this 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 Staff costs expenses in the Statement of Financial Performance.

## **2.9 Tax**

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

## **2.10 Provisions and contingent liability**

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.

## **2.11 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 contributions made available from UNESCO under the biennial budget by its General Conference, presented as UNESCO financial allocation in the Statement of Financial Performance, are approved for each financial year and 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.

## **2.12 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.

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.

## **2.13 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.

## **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.

Furthermore, in early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant increase in economic uncertainty and volatility (i.e.: interest rates, foreign exchange rates, government/partner budgets, etc.). The impact on IESALC estimates, assumptions and judgements is presently limited, but it remains difficult to reliably estimate the length or severity of the pandemic, which could have further financial impacts.

### ***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 2.7 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***

- IPSAS 2 - Cash flows – Changes in Liabilities Arising from Financing Activities: the amendment to this standard is effective for annual reporting years beginning on or after 1 January 2021. The amendment establishes the disclosure principles that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment has no impact on IESALC’s financial statements disclosures.

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

- IPSAS 41 - Financial Instruments: the standard is effective for annual reporting year 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. IESALC has not yet assessed the impact of the adoption of the standard. IESALC plans to adopt this standard as of the effective date.
- 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.

**NOTE 5: CASH**

	2021	2020
<b>Expressed in US dollars</b>		
Cash with banks	59 527	59 271
<b>Total cash</b>	<b>59 527</b>	<b>59 271</b>

As at 31 December 2021, USD 59 527 of cash with bank is considered as restricted cash.

**NOTE 6: ADVANCE PAYMENTS**

	2021	2020
<b>Expressed in US dollars</b>		
Advance to staff	6 232	46 943
<b>Total Advance payments</b>	<b>6 232</b>	<b>46 943</b>

Advance payments to staff concern travel advances to staff members.

**NOTE 7: OTHER RECEIVABLES**

	<b>2021</b>	<b>2020</b>
<b>Expressed in US dollars</b>		
Receivable from UNESCO	1 353 852	479 879
<b>Total other receivables</b>	<b>1 353 852</b>	<b>479 879</b>

Receivable from UNESCO balances represent the balances owed to IESALC by UNESCO (HQ) at the end of the reporting period.

**NOTE 8: PROPERTY PLANT AND EQUIPMENT**

	Comms & IT Equipm't	Vehicles	Furniture and Fixtures	Other Equipm't	Total
<b>Expressed in US dollars</b>					
<b>1 January 2021</b>					
Cost or fair value	142 744	43 866	66 642	95 201	348 453
Accumulated depreciation	(140 346)	(43 866)	(66 642)	(95 201)	(346 055)
<b>Carrying amount</b>	<b>2 398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 398</b>
<b>Movements 12 months to 31 December 2021</b>					
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)
<b>Total movements 12 months to 31 December 2021</b>	<b>1 837</b>	<b>48 856</b>	<b>-</b>	<b>-</b>	<b>50 693</b>
<b>31 December 2021</b>					
Cost of fair value	145 513	96 212	66 642	95 201	403 568
Accumulated depreciation	(141 278)	(47 356)	(66 642)	(95 201)	(350 477)
<b>Carrying amount</b>	<b>4 235</b>	<b>48 856</b>	<b>-</b>	<b>-</b>	<b>53 091</b>

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

As at 31 December 2021, IESALC holds fully depreciated property plant and equipment which is still in use for a gross value of USD 343 651 (2020: USD 341 275). In 2021, cash payments of USD 56 378 were made in relation to fixed assets acquisition.

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	Comms & IT Equipm't	Vehicles	Furniture and Fixtures	Other Equipm't	Total
<b>Expressed in US dollars</b>					
<b>1 January 2020</b>					
Cost or fair value	142 744	43 866	66 642	95 201	348 453
Accumulated depreciation	(138 552)	(43 866)	(66 642)	(95 201)	(344 261)
<b>Carrying amount</b>	<b>4 192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 192</b>
<b>Movements 12 months to 31 December 2020</b>					
Depreciation	(1 794)	-	-	-	(1 794)
<b>Total movements 12 months to 31 December 2020</b>	<b>(1 794)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 794)</b>
<b>31 December 2020</b>					
Cost of fair value	142 744	43 866	66 642	95 201	348 453
Accumulated depreciation	(140 346)	(43 866)	(66 642)	(95 201)	(346 055)
<b>Carrying amount</b>	<b>2 398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 398</b>

**NOTE 9: ACCOUNTS PAYABLE AND ACCRUALS**

	2021	2020
<b>Expressed in US dollars</b>		
Accruals	14 604	20 175
<b>Total Accounts payable and accruals</b>	<b>14 604</b>	<b>20 175</b>

Accruals are liabilities for goods and services that have been received or provided to IESALC during the period and which have not been invoiced or formally agreed with the suppliers. Accruals for 2021 have decreased by USD 5 571 compared to 2020 reflecting lower delivery of goods and services in 2021.

**NOTE 10: EMPLOYEE BENEFITS**

	2021			2020
	Actuarial valuation	Institute valuation	Total	
<b>Expressed in US dollars</b>				
Payroll and reimbursement	-	21 034	21 034	21 250
Accumulated annual leave	49 859	-	49 859	36 408
<b>Employee benefits (current)</b>	<b>49 859</b>	<b>21 034</b>	<b>70 893</b>	<b>57 658</b>
<b>Total employee benefits</b>	<b>49 859</b>	<b>21 034</b>	<b>70 893</b>	<b>57 658</b>

***Employee benefits – current***

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

Notwithstanding that AAL is fully included in short term 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 134 for AAL.

Accumulated annual leave (AAL) - IESALC staff can accumulate unused annual leave up to a maximum of 60 working days. Due to COVID-19, it was decided that staff could carry forward up to an additional 15 days (above the existing 60 days), to be used by end of March 2022. Upon separation, staff members are entitled to receive a sum of money for AAL that they hold up to 60 days.

***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 2021:

Assumptions used for Annual Leave		2021	2020
<b>Discount rate Annual Leave and Repatriation Grant</b>	The rate used is based on the Mercer Yield Curve	1.15% (maturity around 11.5 years)	0.70% (maturity around 10 years)
<b>Inflation rate</b>	For all benefits	1.75%	1.75%
<b>Pre-retirement Mortality Tables</b>	2019 United Nations in-service mortality table for annual leave and repatriation grant		
<b>Salary increase rate - Annual Leave</b>		2.00% per year	2.00%
<b>Salary increase rate - Repatriation Grant</b>		2.00% per year	linear increase between 2020 and 2030 from 1.21% to 1.75% rate per year from 2030 and beyond 1.75%
<b>Repatriation Travel and Removal trend</b>	For staff members without dependent For staff members with at least one dependent	USD 5 916 USD 7 718	USD 5 916 USD 7 718
<b>Retirement Age</b>		65	65
<b>Withdrawal Table</b>	Based on a study of UNESCO's turnover rates from 2017 and 2021		
<b>Take up rate – Repatriation benefits</b>	Staff eligible for repatriation benefits on leaving to actually claim their entitlement	75%	75%
<b>Take up rate – Accumulated annual leave</b>	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:

	2021	2020
<b>Expressed in US dollars</b>		
<b>Defined benefit obligation beginning of the year</b>	<b>36 408</b>	<b>31 532</b>
<b>Movement for period ended 31/12/2021</b>		
Service cost	1 217	1 190
Interest cost	255	315
Actuarial (gain)/loss	11 979	812
Foreign exchange difference	-	2 559
<b>Defined benefit obligation 31/12/2021</b>	<b>49 859</b>	<b>36 408</b>

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The total actuarial losses of USD 12 thousand were recognized through the Statement of Financial Performance.

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

<b>Expressed in US dollars</b>	<b>2021</b>	<b>2020</b>
Service cost	1 217	1 190
Interest cost	255	315
Actuarial (gain)/loss	11 979	812
Foreign exchange difference	-	2 559
<b>Total expenses recognized for year ended 31/12/2021</b>	<b>13 451</b>	<b>4 876</b>

The expected contribution of IESALC in 2022 to the accumulated annual leave defined benefit is USD 134, which represents expected benefit payments for the year.

### 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 Pension 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 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% 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 2019, 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 plan. In addition, the market value of assets also exceeded the actuarial value of all accrued

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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 (2018, 2019 and 2020) amounted to USD 7,993.15 million, of which 2.22% was contributed by UNESCO.

During 2021, contributions paid to the Fund amounted to USD 43.41 million (2020 USD 41.27 million). Expected contributions due in 2022 are approximately USD 42.98 million.

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**

<b>Expressed in US dollars</b>	<b>01/01/2021 Opening Balance</b>	<b>Surplus for the period</b>	<b>31/12/2021</b>
Other surpluses	619 328	876 547	1 495 875
Actuarial (gain)/loss	(108 670)	-	(108 670)
<b>Total Net Assets</b>	<b>510 658</b>	<b>876 547</b>	<b>1 387 205</b>

**NOTE 12: REVENUE**

	<b>2021</b>	<b>2020</b>
<b>Expressed in US dollars</b>		
<b>REVENUE</b>		
UNESCO Financial Allocation	866 400	866 400
<b>Total UNESCO Financial Allocation</b>	<b>866 400</b>	<b>866 400</b>
<b>Voluntary contributions</b>		
Voluntary contributions - Extra-budgetary	1 393 591	252 966
In-kind contribution	293 400	413 000
<b>Total voluntary contributions</b>	<b>1 686 991</b>	<b>665 966</b>
<b>Other miscellaneous/revenue</b>	<b>-</b>	<b>3 242</b>
<b>Finance Revenue</b>	<b>131</b>	<b>-</b>
<b>Total revenue</b>	<b>2 553 522</b>	<b>1 535 608</b>

IESALC uses its premises in Caracas (Av Los Chorros c/c Acueducto, Edif. Asovincar, sebulan,Caracas) 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 2021, was estimated at USD 230,400 for rental and USD 63 000 for utilities (electricity, water etc.). The in-kind contribution decreased by USD 119 600 due to currency devaluation and the decline of real estate market.

Substantial voluntary contributions (USD 1 393 591) were received in 2021 as a result of the return of an aggressive fundraising campaign.



**NOTE 13: EXPENSES**

<b>Expressed in US dollars</b>	<b>2021</b>	<b>2020</b>
<b>Staff costs</b>		
<i>International &amp; National staff</i>	518 473	497 099
<i>Temporary staff</i>	7 775	7 776
<i>Other personnel costs</i>	8 743	13 105
<b>Total staff costs</b>	<b>534 991</b>	<b>517 980</b>
<b>Consultants, external experts and mission costs</b>		
<i>Staff mission costs</i>	18 152	17 206
<i>Consultants</i>	717 659	364 971
<i>Delegates &amp; external individuals missions</i>	4 934	-
<b>Total consultants, external experts and mission costs</b>	<b>740 745</b>	<b>382 177</b>
<b>External training, grants and other transfers</b>		
<i>Financial contributions</i>	6 106	6 134
<b>Total external training, grants and other transfers</b>	<b>6 106</b>	<b>6 134</b>
<b>Supplies, consumables and other running costs</b>		
<i>Communications</i>	11 142	14 824
<i>Equipment</i>	38 026	7 609
<i>Leases</i>	230 400	350 000
<i>Utilities</i>	64 462	63 000
<i>Maintenance and repairs</i>	800	30
<i>Other supplies</i>	2 486	3 903
<b>Total supplies, consumables and other running costs</b>	<b>347 316</b>	<b>439 366</b>
<b>Contracted services</b>		
<i>Contracted Seminars &amp; Meetings</i>	4 500	-
<i>Contracted document production</i>	-	430
<i>Other contracted services</i>	37 050	16 124
<b>Total contracted services</b>	<b>41 550</b>	<b>16 554</b>
<b>Depreciation</b>	<b>5 685</b>	<b>1 794</b>
<b>Other expenses</b>	<b>383</b>	<b>-</b>
<b>Foreign exchange losses</b>	<b>199</b>	<b>2 382</b>
<b>Finance costs</b>	<b>-</b>	<b>69</b>
<b>Total expenses</b>	<b>1 676 975</b>	<b>1 366 456</b>

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The total expenses increased by 23% (USD 310 519) mainly due to a significant increase in consultants cost (by USD 352 688 or 97%) mainly due to growing project activities in higher education following the resumption of the activity in 2021. However, leases expenses decreased by 34% (USD 119 600) due to the devaluation of the currency caused by the economic crisis.

### ***Staff 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 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. This line also includes 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 supernumeraries. 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 2.7).

**Other expenses, foreign exchange and finance costs**

Finance costs are mainly related to bank charges and commissions.

**NOTE 14: Contingent assets**

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2021, there are no contingent assets.

**NOTE 15: OBLIGATIONS**

	2021	2020
<b>Expressed in US dollars</b>		
Commitment portion	7 125	168 715
Accrual portion	12 810	13 183
<b>Total unliquidated obligations</b>	<b>19 935</b>	<b>181 898</b>

For budgetary purposes IESALC 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 accruals for goods and services received but not yet invoiced/settled. Budget commitments are not recorded in the financial statements whereas accruals are recognized in accordance with IPSAS. 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 16: FINANCIAL RISK MANAGEMENT**

Exposure to credit, liquidity, currency and interest rate 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 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.

### 16.1 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 2021 (no change from 31 December 2020).

The fair value of accounts payables and voluntary contributions approximate their recorded carrying amount due to their short-term nature.

### 16.2 Credit risk

Credit risk is the risk of financial loss to IESALC if customers or counterparties to financial instruments fail to meet their contractual obligations. It mainly arises from IESALC's cash and receivables.

#### ***Cash and receivables***

The majority of the receivables is a receivable from UNESCO, which can be settled when requested by IESALC. At year-end, an objective review is performed to review these receivables, and when there is objective evidence, based on a review on outstanding amounts at the reporting date that a group will not comply with the original terms of the receivables an allowance would be established.

IESALC only held cash at 31 December 2021. That combined with their composition of receivables, IESALC is not exposed to significant credit risk.

### 16.3 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 amount to USD 1 413 379, which is higher than the current liabilities equalling USD 85 497. Therefore, IESALC is not exposed to a significant liquidity risk.

### 16.4 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. Foreign currency risk related to extra budgetary activities is managed through individual project budget planning for foreign currency expenditure.

### 16.5 Interest rate risk

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. IESALC is mainly exposed to interest rate risk on its financial interest-bearing assets. IESALC did not hold any investments as at 31 December 2021. IESALC is not exposed to any significant interest rate risk.

## 16.6 Concentration risk

The concentration risk of IESALC is mitigated by the counterpart and country limits established by the Investment Policy of UNESCO. The maximum exposure to any single banking group is limited to 7% or 10% of UNESCO's internally managed investment portfolio depending on the financial rating of the counterpart. IESALC did not hold any investments as at 31 December 2021, and due to the composition of the receivables, IESALC is not exposed to any significant concentration rate risk.

## NOTE 17: 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 is personnel of the senior management team of IESALC, who has the authority and responsibility for implementing and directing the programme voted by the 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.

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The remuneration of key management personnel is as follows:

<b>Year</b>	<b>Number of individuals</b>	<b>Compensation and Post Adjustment</b>	<b>Entitlements (Allowances, Grants and Subsidies)</b>	<b>Pension and Health Plans</b>	<b>Total Remuneration 2021</b>	<b>Outstanding advances against entitlements Ed Grant</b>
2021	3	265 483	30 419	68 113	364 015	40 600
2020	3	263 301	28 048	66 920	358 269	40 600

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.