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Sixty-third Session**

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10/04/2021**

*Lyon, 17–18 May 2021  
By web conference*

**FINANCIAL REPORT,  
REPORT OF THE EXTERNAL AUDITOR,  
AND FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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## **DIRECTOR'S FINANCIAL REPORT**

### **INTRODUCTION**

1. The annual financial report of the Agency for the year ended 31 December 2020 is submitted in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations. The financial statements and notes to the financial statements of the Agency have been prepared in full compliance with International Public Sector Accounting Standards (IPSAS), which continues to bring greater transparency, consistency, comparability and reliability of financial information, and higher standards of financial reporting.
2. This financial report includes the Statement on Internal Control that provides specific assurance on the effectiveness of internal control in IARC.
3. The statutory components of this report have been audited by the External Auditor, the Comptroller and Auditor General of India. The Report of the External Auditor, together with his unqualified (clean) opinion on the financial statements, is included in this report in accordance with Article VI, Paragraph 6.2 of the IARC Financial Regulations.

### **FINANCIAL HIGHLIGHTS**

4. IARC's main funding source came from the assessed contributions from Participating States, followed by voluntary contributions. In 2020, 73% of IARC's activities were financed from these two funding sources. The remaining was financed from the Governing Council Special Fund and the Special Account for Programme Support Cost.
5. The net assets/equity of the Agency as at the end of 2020 was negative €57.58 million, €16.94 million lower than the prior year. The negative balance was due to a significant increase of unfunded liability related to staff benefits that was largely a result of a continued decrease of discount rate applied to the valuation of After Service Health Insurance (ASHI).
6. As shown on the Statement of Financial Performance, total expenses incurred exceeded total revenue recognized during 2020, resulting in €5.06 million deficit. Expenses related to unfunded ASHI were €7.54 million; €11.58 million of unfunded service costs were included in staff cost and this was partially offset by the net foreign exchange rate gain. Excluding these expenses, the Agency would have ended last year with a surplus.
7. Other non-staff costs decreased by €4.58 million from the prior year, reflecting impacts of the COVID-19 pandemic. Several activities had to be postponed or delayed while some had to adjust the approach such as virtual meetings/trainings instead of in-person.
8. While the Agency's financial performance shows a deficit, the cash flow of the Agency remained at a similar level as in the prior year with cash balance of €34.68 million.

## Regular budget and budget utilization

9. The regular budget 2020–2021 was approved by the Governing Council in May 2019 amounting to €44.15 million, fully funded from assessed contributions from Participating States, of which €21.87 million was allocated to 2020 and €22.28 million was allocated to 2021.
10. As at 31 December 2020, the collection of 2020 budgeted assessed contributions was at 80.24% as per the details shown in Schedule 3.
11. A fund balance of €0.31 million from the 2018–2019 biennium budget was carried over to 2020. This fund balance was fully committed for delivery in 2020 however only €0.19 million was liquidated. The unspent balance of €0.12 million was credited to the Governing Council Special Fund as per Article V, Paragraph 5.5 of the IARC Financial Regulations.
12. Total expenses and capital expenditure charged against the regular budget approved for 2020 amounted to €18.89 million. At the end of the reporting period, there was a net fund balance of €3.00 million, of which €0.44 million was already committed for delivery in 2021.
13. The budget utilization rate including encumbrances for 2020 was at 88.28%. Figure 1 below shows the breakdown of budget utilization by six main Objectives in comparison to the initial budget approved by the Governing Council as presented in Statement V.

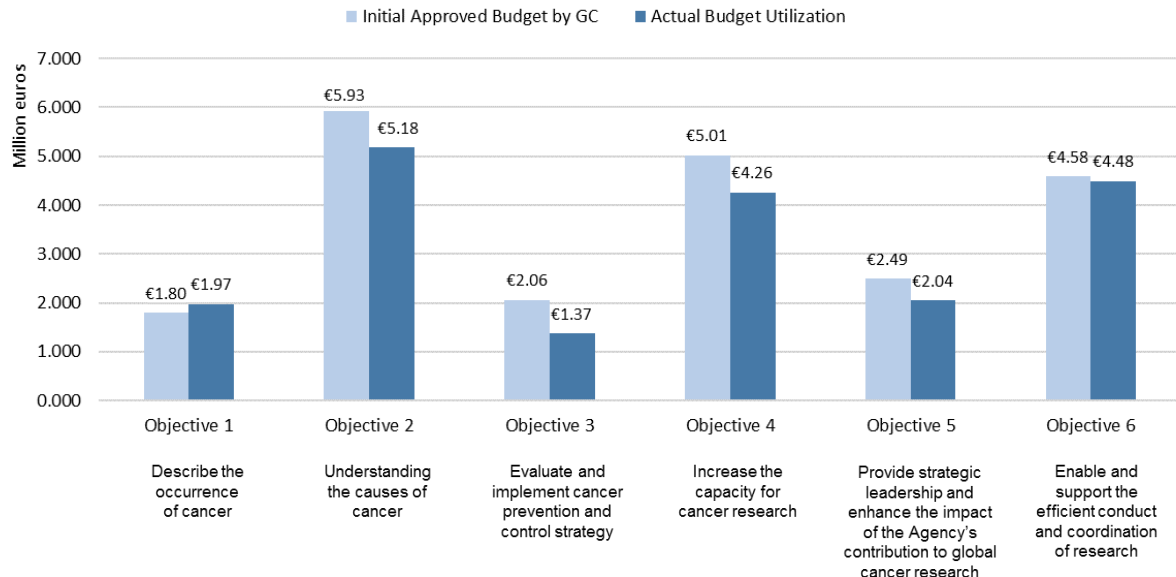


Figure 1: Approved regular budget and actual budget utilization in 2020 (amount in million euros)

14. Authorized by the Governing Council under Resolution GC/61/R5, paragraph 5, the Director approved budget transfers between sections during the biennium, not exceeding 15% of the section's budget from which the credit was transferred.

15. The exchange rate applied by the Governing Council when approving the 2020–2021 budget was €0.819/USD. The average United Nations Operational Rates of Exchange for the year 2020 was €0.881/USD. The depreciation of the value of the euro in 2020 resulted in total financial costs of €0.038 million. The Agency covered these unforeseen costs related to currency realignments from the budgetary provision authorized in Resolution GC/61/R5, paragraph 6.
16. A total budget of €0.17 million was allocated to the Director's Development Provision in 2020 to finance new initiatives and existing studies that required additional resources to ensure their successful implementation. Due to the pandemic, only €0.05 million from this provision was allocated during 2020 to support the communication of the World Cancer Report (Objective 4 Increase the capacity for cancer research). The unspent fund balance was carried over to 2021.

### Voluntary Contributions

17. The Voluntary Contributions Account comprises the Core Voluntary Contribution Account (CVCA), designated contributions, and undesignated contributions. Designated contributions are specifically earmarked by the donor to finance special projects while undesignated contributions do not have these conditions attached.
18. CVCA was established in 2019 to receive supplementary funds from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9). Total contribution amounting to €0.117 million was received during 2019 and 2020 to supplement the 2020–2021 biennium regular budget as follows:

Australia (AUD100 000 received in 2019)	62 260
Netherland (received in 2020)	22 771
United Kingdom (received in 2020)	31783
Total	€116 814

19. The recognition of revenue from Voluntary Contributions depends on conditions set in the agreements. The total revenue of the Voluntary Contributions Account recognized during 2020 amounted to €15.21 million as shown in Statement II, of which 0.5% was against undesignated voluntary contributions. Information document GC/63/Inf.Doc 3 provides additional details on the Voluntary Contributions.

### Expenses

20. Total expenses incurred in 2020 were €46.62 million and after offsetting with €2.69 million of the net foreign exchange rate gain showing a net amount of €43.92 million. 43% were charged on regular budget, 30% on voluntary contributions, and the remaining 27% on other funds.
21. About 78% of expenses were staff costs, 6% were costs of Early Career and Visiting Scientists (ECVS), and the remaining 16% were costs of activities.

22. The major cost of activities were procurement and other operating expenses (€4.18 million), Collaborative Research Agreements (€3.42 million), and assets and inventory costs (€0.76 million). The travel ban policy was imposed since March 2020, resulting in a dramatic decrease of travel costs in 2020 (€0.23 million compared to €1.98 million in 2019).

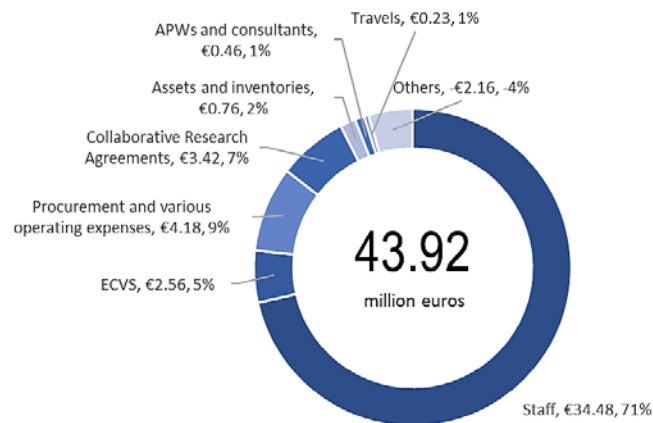


Figure 2: Total expenditure in 2020 on staff, ECVS, and activities (amount in million euros and percent of total)

### Unfunded ASHI liabilities and plan to fill the gap

23. As described under Note 5.3 of the financial statements, accrued staff benefit liabilities as at 31 December 2020 amounted to €102.56 million, of which €94.93 million were unfunded. The increase in liabilities and particularly the unfunded portion were related to unfunded ASHI liabilities.
24. The unfunded ASHI liabilities alone increased from €79.27 million to €99.31 million, a net increase of €20.04 million or 25% from the prior year. Factors contributed to the increase included an effect of actuarial financial assumption changes (particularly the continued decrease of discount rate from 0.6% in 2019 to 0.2% in 2020), the plan amendments, and the increase of service cost. The increases were partially offset by the strong asset returns, additional contributions from active participants and the organization, as well as the unrealized exchange rate gain. Further details on this are provided in an information document (GC/63/Inf.Doc. No.4).
25. In addressing the unfunded ASHI liabilities, IARC follows the plan set by WHO. According to the current plan, full funding is expected to be achieved by 2035 through a combination of various cost containment measures, increase of contributions from the organization, and achieving the current target of 4.5% investment return over a long-term time horizon. During 2021, the actuarial will calculate an updated, projected date for full funding of the ASHI liabilities.
26. It is important to recognize that ASHI liabilities are long-term liabilities that do not need to be fully funded now or in the near future.

## REPORT OF THE EXTERNAL AUDITOR

*Girish Chandra Murmu*



भारत के नियंत्रक एवं महालेखापरीक्षक  
COMPTROLLER & AUDITOR GENERAL OF INDIA

### LETTER OF TRANSMITTAL

1 April 2021

**Dear Dr. Robbins,**

I have the honour to present to the Governing Council, the External Auditor's report on the financial statements of International Agency for Research on Cancer (IARC) for the financial year ended 31 December 2020.

*Warm regards,*

Yours sincerely,

**Girish Chandra Murmu**

**Dr Stephen M. Robbins  
Chairperson, Governing Council  
International Agency for Research on Cancer  
150 Cours Albert Thomas  
69372 Lyon  
France**

*Girish Chandra Murmu*



भारत के नियंत्रक एवं महालेखापरीक्षक  
COMPTROLLER & AUDITOR GENERAL OF INDIA

1 April 2021

Dear Dr Weiderpass,

**REPORT OF THE EXTERNAL AUDITOR  
TO THE GOVERNING COUNCIL ON THE FINANCIAL STATEMENTS  
OF THE INTERNATIONAL AGENCY FOR RESEARCH ON CANCER (IARC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

I have the honour to present to you the above report which may kindly be transmitted to the IARC Governing Council. All matters contained in the report have been communicated to the appropriate staff and management of the IARC.

I express my appreciation for the cooperation and assistance that I have received in the performance of my audit mandate.

*Warm regards,*

Yours sincerely,

**Girish Chandra Murmu**

**Dr Elisabeth Weiderpass  
Director  
International Agency for Research on Cancer  
150 Cours Albert Thomas  
69372 Lyon  
France**



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Governing Council of the International Agency for Research on Cancer**

#### **Opinion**

We have audited the financial statements of the International Agency for Research on Cancer (IARC) which comprise the statement of financial position (statement I) as at 31 December 2020, the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IARC as at 31 December 2020, and its financial performance, changes in net assets/equity, cash flows, and comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of IARC in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Information other than the financial statements and the auditor's report thereon**

Management is responsible for the other information, which comprises the information included in the Financial Report for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines

to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of IARC to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate IARC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of IARC.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of IARC;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- (d) Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of IARC to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

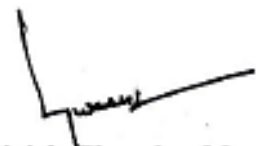
Our conclusions are based on the audit evidence obtained up to the date of our auditor's report;

- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

Furthermore, in our opinion, the transactions of IARC that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the IARC Financial Regulations.



**Girish Chandra Murmu**  
**Comptroller and Auditor General of India**

1 April 2021

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Director of the International Agency for Research on Cancer (IARC), I am accountable to the Governing Council for the administration of IARC and implementation of IARC programmes. Under WHO Financial Regulations XII and in accordance with the delegation of authority from the Director-General of the World Health Organization, I am accountable for maintaining a sound internal control to ensure the accomplishment of established objectives and operational goals; the efficient and effective use of IARC resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of IARC assets. Every individual within IARC has a role in effecting internal control that varies in responsibility and level of involvement.

### Purpose of internal control

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

Internal control is a key role of management and an integral part of the overall process of managing operations. As such it is the responsibility of IARC management at all levels to:

- establish a control environment and culture that promotes effective internal control;
- identify and assess risks that may affect the achievement of objectives including the risk of fraud and corruption;
- specify and propose policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with exposure identified;
- ensure an effective flow of information and communication so that all IARC personnel have the information they need to fulfil their responsibilities; and
- monitor the effectiveness of internal control.

### IARC's operating environment

IARC operates from a single location, headquartered in Lyon, France. IARC's exposure to challenging operating environments is limited with low levels of inherent risk in terms of the security of employees and its ability to maintain high standards of internal control. IARC staff occasionally visit project sites in countries with security risks and in these cases IARC monitors the security situation in each country in order to mitigate the risk of exposure of its personnel. Significant risks are captured in IARC's Principal Risk Register, subject to regular review by the Senior Leadership Team in its function as IARC's Risk Management Committee, chaired by the Director.

IARC's internal control system operates continually to ensure the above objectives through robust internal control processes, embedded in IARC's Enterprise Resource Planning solution and associated systems such as eWorkflows to the extent possible.

## **The Internal Control Framework and Enterprise Risk Management**

The IARC Internal Control Framework (ICF), along with the IARC Enterprise Risk Management (ERM) Policy, and the IARC Management Dashboard are critical systems and tools to ensure IARC achieves its mandate and objectives.

The IARC ICF defines roles and responsibilities, accountabilities, and delegations of authority within IARC. Inherent in the ICF is the clear segregation of duties designed to ensure an appropriate level of checks and balances upon the activities of individuals, minimizing the risk of errors or fraud. The ICF is reviewed regularly to ensure its relevance and effectiveness, especially when a new/updated policy, process, or system is implemented. It was last updated in December 2020. Communication on changes to the ICF is provided to IARC personnel as part of the briefing/training on the relevant policy, process, or system being implemented/amended.

The IARC ERM Policy was issued in October 2014. The objectives of IARC's risk management approach are twofold: to support informed decision making and to embed risk management in corporate operational processes. The key objective of corporate risk management at IARC is to ensure that the organization understands the risks inherent to its operations and chooses the appropriate strategy to manage them.

In 2017, the IARC's Risk Management Tool was further expanded, based on lessons learned from previous years, since the introduction of the IARC Risk Log in 2014. In 2019, WHO's simplified online Risk Management Tool was adapted to IARC and launched. IARC Sections used the new tool to identify risks related to their work plans, evaluate those risks according to their likely impact and probability and develop risk response plans to address them. Every IARC staff member is expected to identify risks at their own level with escalation coming through communication to Section Heads, who comprise the Senior Leadership Team. This bottom-up risk management process is complemented with a top-down phase of validation and escalation. The most significant risks encountered by IARC in achieving its mandate are then reflected in a corporate level risk register, which is discussed and reviewed regularly by the Senior Leadership Team, functioning by extension as IARC's Risk Management Committee. In 2020, IARC's corporate level risk register was renamed into IARC's Principal Risk Register and further adapted to reflect IARC's specific operational needs.

IARC Director has the overall responsibility for assessing risks associated with the implementation of programmes and the overall operations of IARC. The Director is assisted in this task by the Senior Leadership Team (acting as IARC's Risk Management Committee), and strategic monitoring and reporting tools, such as the IARC Management Dashboard.

## **Review of effectiveness of internal controls**

The review of the effectiveness of IARC's internal control is mainly based on the following:

- The internal control self-assessment checklist that was implemented in 2019 as a pilot and further refined in 2020. The checklist was completed and submitted to the Director by responsible units. The 2020 self-assessment exercise deemed IARC internal controls to be overall strong. Respondents identified opportunities for improvement in some functional areas. The results of the self-assessment exercise will be carefully reviewed, and action plans developed to address areas for improvement.
- The IARC Director's periodically review of the IARC Management Dashboard, with the participation of the Director of Administration and Finance (DAF) and the Administration and Finance Officer (AFO), allows to monitor and verify compliance, identify trends, and address problematic areas, as early as possible.
- The Annual External Audit Report issued by the IARC External Auditor provides independent oversight and reporting on IARC's compliance with financial rules and regulations. The Comptroller and Auditor General of India is invited to provide observations and recommendations to the IARC Governing Council. IARC's full compliance with IPSAS has been confirmed by the External Auditor, since its first adoption in 2012.
- The annual scientific peer-reviews carried out by independent Review Panels established by the IARC Scientific Council provide valuable insights to the IARC Director on the quality and relevance of IARC's scientific work. The results of the peer-reviews are reported annually to the Governing Council, holding IARC accountable to its Medium-term Strategy established by IARC Participating States. In 2020, the Section of Genetics (GEN) was reviewed in detail and obtained outstanding results.
- The biennial report of the IARC Ethics Committee reviews compliance of all IARC scientific projects against IARC's Scientific Code of Conduct. All IARC Ethics Committee members obtained the WHO certificate on Global Health Research Ethics. The work of the IARC Ethics Committee is supported by the IARC Ethics Advisory Group, a small group of international bioethics experts, providing specialist expertise to help resolve complex ethical issues.
- Feedback is obtained from the annual staff Declaration of Interests (DOI) submitted by the IARC Director, all staff members at grade P5/P6/D1, staff members who are responsible for the procurement of goods and services or who otherwise perform procurement functions, including on an acting basis, and staff members at grade P4 or below whom the Director identifies as staff members who, by virtue of their functions or other relevant considerations, should file a yearly Declaration of Interests.

## **Significant control and risk issues**

No significant internal control issues noted in 2020.

Based on consolidated findings of IARC's Principal Risk Register in 2020, the risks with severe inherent risk qualification are listed below. Following the implementation of risk response actions all these risks have been reduced to 'significant' or 'moderate' rating.

Risk description	Risk response actions
Due to the <b>covid-19 pandemic</b> , there is a risk of economic crisis, diplomatic deadlock, lack of funding, increased operating costs and decreased scientific activities, potentially affecting IARC competitiveness and overall existence.	<ol style="list-style-type: none"> <li>1. Maintain close contact with PS</li> <li>2. Actively attract new PS by explaining value and benefits of IARC membership</li> <li>3. Avoid politicizing IARC</li> </ol>
External forces resulting in <b>interruptions of utility services</b> (city water/gas/electricity and other services) <b>to the IARC building</b> , potentially affecting histopathology and other scientific equipment and scientific output.	<ol style="list-style-type: none"> <li>1. Electricity risks mitigated by use of surge protector and UPS provision.</li> <li>2. Split samples/reagents between cold room and fridge</li> </ol>
Due to the <b>lack of growth of assessed contributions</b> (e.g., Participating States' zero growth policy, global economic crisis), core activities are at risk of being funded, potentially affecting the effectiveness of IARC and the perception of the Agency by IARC's stakeholders.	<ol style="list-style-type: none"> <li>1. A resource mobilization strategy has been developed</li> <li>2. Targeted resource mobilization with main existing and potential new donors</li> <li>3. IARC Investment case</li> <li>4. Transformation of the resource mobilization, communications and partnerships as part of an integrated Strategic Engagement and Outreach function</li> <li>5. Liaison with PS, GC Chair and WHO on a regular basis to avoid a diplomatic deadlock</li> </ol>
Due to the <b>deteriorating conditions of the building</b> , there is a risk of business interruptions, affecting business continuity (including effective storage of samples in the IARC BioBank).	<ol style="list-style-type: none"> <li>1. In coordination with French authorities much needed renovation works being carried out continuously</li> <li>2. Contingency plans elaborated, and teleworking encouraged during covid-19 pandemic</li> </ol>
Due to the <b>evolving global economic crisis</b> , resulting from the covid-19 pandemic, especially affecting potential private sector donors, there is a risk of not being able to fill the funding gap for the Nouveau Centre building in time, before the move in 2022.	<ol style="list-style-type: none"> <li>1. Resource mobilization strategy elaborated and put in action with active outreach to potential donors</li> <li>2. Request for expression of interest launched on UN global marketplace</li> <li>3. Discussions with LCL ongoing for a potential bank loan</li> <li>4. GCSF being explored as potential partial source of funding</li> </ol>
Due to a <b>suboptimal data security systems</b> , there is a risk of hacking of IARC digital assets leading to loss or theft of data, unavailability of services, financial / or reputational damage, affecting the agency's ability to fulfil scientific commitments and continue serving as a global resource.	<ol style="list-style-type: none"> <li>1. Implement priority agency-wide security roadmap initiatives - covering governance, prevention, detection, response and recovery</li> <li>2. Execute Cybersecurity campaign to increase user awareness across the Agency</li> <li>3. Update and implement Cybersecurity policies</li> </ol>

Risk description	Risk response actions
Due to <b>suboptimal implementation of internationally recognized data security and data privacy guidelines</b> (similar to GDPR), there is a potential risk of loss of personal and sensitive information, possibly affecting data sharing with USA and EU, as well as the scientific reputation of the Agency.	<ol style="list-style-type: none"> <li>1. Elaborate Data Protection Policy with WHO</li> <li>2. Liaise with IOs and EDPS to find solutions for IARC while an overarching solution is put in place</li> <li>3. Continue to improve IARC's data security measures</li> </ol>
Due to changing <b>security climate, physical security</b> of IARC staff and premises can be compromised, potentially leading to loss of life, human suffering, financial loss and reputational damage to IARC.	<ol style="list-style-type: none"> <li>1. The capacity of Security services has been increased at WHO</li> <li>2. Significant improvements have been made to the physical security of premises to meet minimum operating security standards (both in the Tower, and planned for NC)</li> <li>3. Regular security and safety training provided to staff</li> <li>4. UNDSS BSAFE and UN SSAFE training courses are mandatory.</li> </ol>

## Conclusion

IARC is committed to addressing the internal control and risk management issues identified above.

All internal controls have inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time. IARC will continue to evaluate and adapt its internal controls as part of its commitment to continuous improvement in these areas.

In summary, I conclude, to the best of my knowledge and information, that IARC operated satisfactory systems of internal control for the year ended 31 December 2020 in line with its Internal Control Framework.



Elisabete Weiderpass, MD, MSc, PhD  
 IARC Director



**International Agency for Research on Cancer**

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**CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

The appended financial statements numbered I to V, relevant notes to the statements and schedules 1 to 3 are approved.

A handwritten signature in blue ink that reads "T. Landesz".

Tamás Landesz, MBA, MPA, MALD, PhD  
Director of Administration and Finance

A handwritten signature in blue ink that reads "Elisabete Weiderpass".

Elisabete Weiderpass, MD, MSc, PhD  
IARC Director

## FINANCIAL STATEMENTS

### STATEMENT I – Statement of Financial Position

<b>International Agency for Research on Cancer</b>			
<b>Statement of Financial Position</b>			
<b>As at 31 December 2020</b>			
(amount in Euros)			
	Notes	As at 31 December 2020	As at 31 December 2019
<b>ASSETS</b>	Note 4		
<b>Current assets</b>			
Cash and cash equivalents	4.1	34 677 017	32 394 902
Accounts receivable, net	4.2	17 922 156	18 273 238
Staff receivables	4.3	107 561	132 132
Prepayments	4.4	308 792	405 613
Interest receivables	4.5		16 610
Inventories	4.6	288 091	235 085
<b>Total current assets</b>		<u>53 303 617</u>	<u>51 457 580</u>
<b>Non-current assets</b>			
Accounts receivable, net	4.2	4 000 515	4 015 790
Property, plant and equipment - net	4.7	1 738 617	2 111 169
<b>Total non-current assets</b>		<u>5 739 132</u>	<u>6 126 959</u>
<b>TOTAL ASSETS</b>		<u><b>59 042 749</b></u>	<u><b>57 584 539</b></u>
<b>LIABILITIES</b>	Note 5		
<b>Current liabilities</b>			
Contributions received in advance	5.1	675 486	974 608
Accounts payable	5.2	1 369 196	1 228 324
Accrued staff benefits	5.3	1 471 199	1 016 470
Deferred revenue	5.4	7 961 270	9 769 162
<b>Total current liabilities</b>		<u>11 477 151</u>	<u>12 988 564</u>
<b>Non-current liabilities</b>			
Accrued staff benefits	5.3	101 087 406	81 237 910
Deferred revenue	5.4	4 060 842	4 005 627
<b>Total non-current liabilities</b>		<u>105 148 248</u>	<u>85 243 537</u>
<b>TOTAL LIABILITIES</b>		<u><b>116 625 399</b></u>	<u><b>98 232 101</b></u>
<b>NET ASSETS/EQUITY</b>	Note 6		
<b>Fund</b>			
Regular Budget	6.1	2 997 702	310 761
Voluntary Contributions	6.2	16 258 430	14 063 625
Working Capital Fund	6.3	2 338 845	2 951 086
Other IARC funds			
Governing Council Special Funds	6.4	9 290 457	10 698 885
Special Account for Programme Support Costs	6.5	4 382 133	4 446 731
Participating States - Others	6.6	(92 900 933)	(73 165 066)
Trust Fund	6.7	50 716	46 416
<b>TOTAL NET ASSETS/EQUITY BALANCES</b>		<u>(57 582 650)</u>	<u>(40 647 562)</u>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES</b>		<u><b>59 042 749</b></u>	<u><b>57 584 539</b></u>

**STATEMENT II – Statement of Financial Performance**

<b>International Agency for Research on Cancer</b>			
<b>Statement of Financial Performance</b>			
<b>For the year ended 31 December 2020</b>			
(amount in Euros)			
	Notes	for the year ended <b>31 December 2020</b>	for the year ended <b>31 December 2019</b>
<b>REVENUE</b>			
	Note 7		
Assessed contributions	7.1	21 661 671	22 415 500
Voluntary contributions	7.2	15 207 992	14 566 789
Revenue-producing activities	7.3	1 937 150	1 311 011
Other operating revenue	7.4	22 453	30 439
Trust Funds	7.5	9 575	14 040
Financial revenue	7.6	29 657	101 908
<b>Total revenue</b>		<b><u>38 868 498</u></b>	<b><u>38 439 687</u></b>
<b>EXPENSES</b>			
	Note 8		
Staff cost	8.1	34 474 517	25 969 051
Temporary assistants, advisors and participants	8.2	664 746	1 576 555
Fellows	8.3	2 555 175	2 407 460
Duty travel (staff, fellows)	8.4	88 191	880 810
Research and other agreements	8.5	3 876 245	6 044 719
Procurement and various operating expenses	8.6	4 180 246	4 937 240
Cost of distribution and disposal of inventories	8.7	238 627	237 653
Depreciation	8.8	524 908	616 138
Financial cost	8.9	16 682	23 524
<b>Total expenses</b>		<b><u>46 619 337</u></b>	<b><u>42 693 150</u></b>
Net foreign exchange loss (gain)	8.10	<u>(2 694 629)</u>	637 424
<b>TOTAL SURPLUS (DEFICIT) FOR THE YEAR</b>		<b><u>(5 056 210)</u></b>	<b><u>(4 890 887)</u></b>

**STATEMENT III – Statement of Changes in Net Assets/Equity**

<b>International Agency for Research on Cancer</b>					
<b>Statement of Changes in Net Assets/Equity</b>					
<b>For the year ended 31 December 2020</b>					
<i>(amount in Euros)</i>					
	Notes	Balance as at 31 December 2019	Surplus (deficit) in 2020	Remeasurement Gain/(Loss) on DBO and Plan Asset	Balance as at 31 December 2020
<b>Fund</b>					
Non-restricted (Participating States)					
Regular Budget	6.1	310 761	2 686 941		2 997 702
Working Capital Fund	6.3	2 951 086	( 612 241)		2 338 845
Other IARC Funds	6.4-6.6	(58 019 450)	(9 330 015)	(11 878 878)	(79 228 343)
<b>Total non-restricted</b>		<b>(54 757 603)</b>	<b>(7 255 315)</b>	<b>(11 878 878)</b>	<b>(73 891 796)</b>
Restricted					
Voluntary Contributions	6.2	14 063 625	2 194 805		16 258 430
Trust Fund	6.7	46 416	4 300		50 716
<b>Total restricted</b>		<b>14 110 041</b>	<b>2 199 105</b>		<b>16 309 146</b>
<b>Total net assets/equity balance</b>		<b>(40 647 562)</b>	<b>(5 056 210)</b>	<b>(11 878 878)</b>	<b>(57 582 650)</b>

**STATEMENT IV – Statement of Cash Flows**

<b>International Agency for Research on Cancer</b>			
<b>Statement of Cash Flows</b>			
<b>For the year ended 31 December 2020</b>			
(amount in Euros)			
	Notes	As at <b>31 December 2020</b>	As at <b>31 December 2019</b>
<b>Cash flow from operating activities</b>			
Net surplus (deficit) for the year		(5 056 210)	(4 890 887)
Depreciation	8.8	524 908	616 138
Unrealized (gains)/losses on revaluation	8.9	(3 881 945)	814 573
(Increase) decrease in accounts receivable, current	9	(28 461)	(1 220 591)
(Increase) decrease in staff receivables	9	24 085	1 547
(Increase) decrease in prepayments		96 821	(124 812)
(Increase) decrease in interest receivables		16 610	(3 408)
(Increase) decrease in inventories		(53 006)	20 689
(Increase) decrease in accounts receivable, non-current	9	235 151	2 093 441
Increase (decrease) in assessed contributions received in advance		(299 122)	71 229
Increase (decrease) in accounts payable	9	141 545	(647 515)
Increase (decrease) in accrued staff benefit, current liabilities		454 729	(38 887)
Increase (decrease) in deferred revenue, current liabilities		(1 807 892)	2 158 039
Increase (decrease) in accrued staff benefit, non-current liabilities	9	12 012 043	3 339 131
Increase (decrease) in deferred revenue, non-current liabilities		55 215	(2 129 677)
<b>Net increase (decrease) in cash flows from operating activities</b>		<b>2 434 471</b>	<b>59 010</b>
<b>Cash flows from investing activities</b>			
(Increase) decrease in property, plant and equipment	9	(152 356)	(218 857)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2 282 115</b>	<b>(159 847)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>32 394 902</b>	<b>32 554 749</b>
<b>Cash and cash equivalents at the end of the year</b>	4.1	<b>34 677 017</b>	<b>32 394 902</b>

## STATEMENT V – Statement of Comparison of Budget and Actual Amounts

<b>International Agency for Research on Cancer</b> <b>Statement of Comparison of Budget and Actual Amounts (Regular Budget Appropriation for 2020-2021)</b> <b>For the year ended 31 December 2020</b> (amount in Euros)								
Purpose of appropriation	2020 Programme Budget Appropriations			Budget Utilization			Budget Balance Forwarded to 2021	% utilization
	Approved Appropriations by Governing Council	Transfers (IARC Financial Regulations 3.3)	Effective appropriations	Expenses	Encumbrance	Total Utilization		
	2020			2020	2020			
1. Describe the occurrence of cancer	1 795 693	348 990	2 144 683	1 933 609	35 742	1 969 351	175 332	9.01%
2. Understand the causes of cancer	5 927 078	( 67 725)	5 859 353	4 978 395	199 258	5 177 653	681 700	23.68%
3. Evaluate and implement cancer prevention and control strategies	2 056 552	( 324 517)	1 732 035	1 319 968	49 603	1 369 571	362 464	6.26%
4. Increase the capacity for cancer research	5 014 406	( 262 131)	4 752 275	4 237 668	20 124	4 257 792	494 483	19.47%
5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	2 488 551	43 491	2 532 042	1 932 879	111 694	2 044 573	487 469	9.35%
6. Enable and support the efficient conduct and coordination of research	4 583 471	261 892	4 845 363	4 465 530	19 085	4 484 615	360 748	20.51%
<b>TOTAL</b>	<b>21 865 751</b>		<b>21 865 751</b>	<b>18 868 049</b>	<b>435 506</b>	<b>19 303 555</b>	<b>2,562,196</b>	<b>88.28%</b>
<b>RECONCILIATION</b> (see Note 10)								
<b>TOTAL EXPENSES AS PER STATEMENT V</b>				<b>18 868 049</b>				
<b>a) Time differences:</b>								
Regular Budget expenditure in other periods				<b>188 699</b>				
<b>b) Basis differences:</b>								
Common fund activities				319 546				
Other non-Regular Budget utilisation				<u>24 548 414</u>				
Sub-total				<u><b>24 867 960</b></u>				
<b>TOTAL EXPENSES AS PER STATEMENT II</b>				<b>€ 43 924 708</b>				

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1: Reporting entity**

The International Agency for Research on Cancer (IARC) is the specialized cancer agency of the World Health Organization (WHO) established by the World Health Assembly in 1965 through its Resolution WHA18.44. IARC has its headquarters in Lyon, France.

The objective of the IARC is to promote international collaboration in cancer research. The Agency is inter-disciplinary, bringing together skills in epidemiology, laboratory sciences and biostatistics to identify the causes of cancer so that preventive measures may be adopted, and the burden of disease and associated suffering reduced. A significant feature of the IARC is its expertise in coordinating research across countries and organizations; its independent role as an international organization facilitates this activity.

The financial records of IARC are not consolidated in the financial statements of the WHO. According to the guidance for determining which entities should be consolidated within an economic entity provided by IPSAS 6, "Consolidated Financial Statements and Accounting for Controlled Entities", IARC does not meet the requirements to be consolidated under the WHO as IARC has its own governing body and is not controlled by the World Health Assembly.

The financial statements only include the operations of IARC, which has no subsidiaries or interest in associates or jointly controlled entities.

### **Note 2: Basis for preparation and presentation**

#### **2.1 Accounting standards**

The financial statements of IARC for the period ended 31 December 2020 have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared using the historical cost convention and under the assumption that IARC is a going concern and will meet its mandate for the foreseeable future.

#### **2.2 Financial regulations**

These financial statements have also been prepared according to the IARC Financial Regulations, and the WHO Financial Regulations and Rules, with the annual accounting period of 1 January through 31 December.

#### **2.3 Functional currency and conversion of foreign currencies**

The functional and reporting currency of IARC is euros. Transactions in currencies other than euros are translated into euros at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities in currencies other than euros are translated into euros at the prevailing UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

## 2.4 Financial statements

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position (Statement I)
- Statement of Financial Performance (Statement II)
- Statement of Changes in Net Assets/Equity (Statement III)
- Statement of Cash Flows (Statement IV)
- Statement of Comparison of Budget and Actual Amounts (Statement V)
- Notes, comprising of a summary of significant accounting policies, explanation of the financial statements, and other relevant information.

The Cash Flow Statement is prepared using the indirect method.

In addition, the following Schedules have been prepared to provide supplementary information to the Statement of Financial Performance and on the status of collection of contribution from Participating States:

- Statement of Financial Performance by major funds (Schedule 1)
- Statement of Financial Performance by other funds (Schedule 2)
- Status of Collection of Contributions from Participating States (Schedule 3)

## 2.5 Presentation change in Statement II

Previously, the net foreign exchange loss/gain was shown under the "EXPENSES" heading. Due to its increasing significance and fluctuation (i.e. gain in one year and loss in the following year), this line is now presented separately below the "EXPENSES". This change further aligns the presentation of IARC's financial statements with those of WHO.



### **Note 3: Significant accounting policies**

#### **3.1 Accounts receivable**

Accounts receivable are recorded at their estimated net realized value. It includes the accounts receivable from assessed contributions, designated voluntary contributions, and other accounts receivable. Accounts receivable are classified as current when the receivables are due within one year from the reporting date and as non-current when the receivables are due after one year from the reporting date.

- a. *Assessed contribution accounts receivable.* Assessed contribution from Participating States is due on 1 January each year. Assessed contribution accounts receivable are recognized annually, at the beginning of the year as per the assessments approved by the Governing Council. An allowance for doubtful receivables is established for the uncollected contributions that are outstanding for more than two years or for any rescheduled amounts or pending contributions with high risk of non-collectability. The allowance is reversed when the source of such interim financing is reimbursed. In accordance with IARC financial regulations Article V, clause 5.3, pending receipt of statutory annual contributions to the budget, appropriations may be temporarily financed from the Working Capital Fund or if the cash balance of the Working Capital Fund is inadequate, by internal borrowing from other available cash resources of the Agency, excluding Trust Funds.
- b. *Designated voluntary contribution accounts receivable.* Accounts receivable from designated voluntary contributions are recognized based on the payment terms specified in a binding agreement between IARC and the donors. Accounts receivable from designated voluntary contributions that are outstanding for more than 365 days after due date are reviewed once a year and an allowance for doubtful receivables is recognized when there is a risk that the receivables may be impaired.
- c. *Other accounts receivable.* For other types of account receivable, the allowance for doubtful receivables is established upon having an evidence of its doubtfulness and passing due date for more than 365 days.

#### **3.2 Inventories**

IARC recognizes publications as part of its inventory. These publications are consigned to the WHO Press while the ownership remains with IARC.

IARC publication inventories are held for distribution at no charge or for a nominal charge and hence they are stated at the lower of cost and current replacement cost (IPSAS 12, paragraph 17). The costs of publication comprise printing, editing, and translation costs as applicable. The cost of publications issued between 2010 and 2013 is valued based on the actual printing costs while the cost of publication issued prior to 2010 is valued based on the average printing cost per page of publications issued between 2010 and 2013. Where there is insufficient information to determine the cost, such as old publications issued in the 1900s and as at the end of reporting period have no stock, a nominal value of €1 is applied.

Inventory carrying value is determined using the weighted average cost method. When inventories are sold, exchanged or distributed, their carrying amount is recognized as an expense.

### 3.3 Property, plant and equipment

Property, plant, and equipment (PP&E) account consists of IARC-owned buildings, furniture and fixtures, laboratory and office equipment, and motor vehicles.

IARC has recognized PP&E since 2010. In the initial recognition, assets, except buildings, acquired prior to 1 January 2010 were expensed at the date of purchase and have not been recognized as assets.

Buildings that were recognized in the beginning balance as at 1 January 2010 are the Sasakawa Memorial Hall (May 1988), the Biological Resources Centre (November 1995), and the Latarjet building (November 2000). The main building of IARC, the tower, as well as the land are owned by the Ville de Lyon and therefore are not included under the PP&E.

Since 1 January 2010, the PP&E with a value €3000 and above are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value as at the date of acquisition.

PP&E are stated at historical cost less accumulated depreciation and impairment. All PP&E of the Agency are non-cash generating assets.

Depreciation is charged on property, plant and equipment to write-down value or residual value over the useful life using the straight-line method, except for Land (if any) which is not subject to depreciation.

The estimated useful lives for fixed assets classes are as follows:

Asset Class	Estimated useful life (years)
Buildings	40
Fixtures and fittings	8
Motor vehicles	5
Laboratory equipment	5
Office equipment	3

### 3.4 Intangible assets

Intangible assets are the non-physical items of value that IARC owns. Intangible assets, which are above the pre-established threshold of €75 000, are stated at historical cost less accumulated amortization and any impairment. Amortization is determined for intangible assets over their estimated useful lives using the straight-line method. The estimated useful lives for intangible assets classes are as follows:

Intangible Asset Classes	Amortization Method	Estimated Useful Life (in Years)
Software acquired externally	Straight Line	3
Software internally developed	Straight Line	3
Licences and rights	Straight Line	3

IARC's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life.

### 3.5 Leases

A lease is an agreement whereby the lessor conveys to the lessee (the Agency), in return for a payment or series of payments, the right to use an asset for an agreed period of time. In general, there are two main types of leases, i.e. finance leases and operating leases. Necessary accounting entries and disclosures are made accordingly.

A finance lease is a lease that substantially transfers all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. If the lease agreement qualifies to be a finance lease, IARC has to recognize an asset and a liability:

- The asset represents the right to use the asset during the lease term. This asset will be depreciated over its useful life.
- The liability represents the minimum lease payments IARC has to pay to the landlord/lessor.

An operating lease is a lease other than a finance lease. It is not considered as an asset and payments to the landlord/lessor are accounted for as a rent and are expensed.

### 3.6 Accounts payable

Accounts Payable consist of amounts payable to staff and Early Career and Visiting Scientists (ECVS), suppliers, and accrued expenses.

- Amounts payable to staff and ECVS refer to unpaid travel claims and reimbursement of expenses.
- Amounts payable to suppliers are amounts due for goods or services that invoices have been received but not yet paid for.
- Accrued expenses are financial liabilities in respect of goods or services under procurement contracts and deliverables under collaborative research agreements that have been received by or provided to the Agency and which have neither been paid for nor invoiced to IARC.

Accounts payable are recognized at cost as the effect of discounting is considered immaterial.

### 3.7 Deferred revenue

Deferred revenue derives from legally binding agreements between IARC and its donors. Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties, i.e. the Agency and the donor, and (2) the funds are earmarked and due in a future period. Deferred revenue is presented as non-current if revenue is due after one year from the reporting date.

### 3.8 Employee benefits

IARC recognizes four categories of employee benefits, i.e. short-term benefits, post-employment benefits, other long-term benefits, and termination benefits.

#### *a. 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. These comprise of first-time employment benefits (assignment grants), regular monthly benefits (salaries, allowances), compensated absences (annual leave, sick leave, and maternity/paternity/adoption leave) and other short-term benefits (education grant, reimbursement of taxes). They are calculated on a walk-away basis as if all staff terminated on the last day of the calendar year, and therefore their values are not discounted. These are treated as current liabilities.

#### *b. Post-employment benefits*

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

UNJSPF: IARC 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. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with participation of current and former employees of other organizations in the Pension 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. IARC and the UNJSPF, in line with the other participating organizations in the Fund are not in a position to identify IARC's proportionate share of the defined benefit obligation, the plan assets and the costs

associated with the plan with sufficient reliability for accounting purposes. IARC has therefore treated it as a defined contribution plan in line with the requirements of IPSAS 39 (Employee Benefits). IARC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

ASHI: After Service Health Insurance (ASHI) – The Staff Health Insurance Fund covers current IARC staff members, retired staff members and their eligible dependants. The Fund is administered by WHO headquarters and financed from the contributions made by the participants (1/3) and the Organization (2/3). The value of the Agency's liability toward the employees on ASHI is provided by WHO at the end of the year based on the valuation carried out by independent actuaries.

*c. Other long-term employee benefits*

Other long-term employee benefits are benefits which are payable after the completion of employment and expected to be settled more than 12 months after the end of the reporting period such as repatriation grants and travel, and termination for reason of health. These are treated as non-current liabilities. The value of IARC's long term employee benefits is estimated by independent actuaries.

*d. Termination benefits*

Termination benefits generally include indemnities for voluntary redundancy (abolition of post, end-of-service grant, and separation by mutual agreement), and are expected to be settled within 12 months of the reporting date. They are accounted for as they are incurred.

### **3.9 Provisions and contingent liabilities**

Provisions are made for future liabilities and charges where IARC has a present legal or constructive obligation as a result of past events and it is probable that IARC will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of IARC.

### **3.10 Revenue**

The Agency receives revenue from various sources which can be classified into eight categories as follows.

- a. *Assessed contributions from Participating States.* Revenue from contributions from Participating States for the programme budget is recorded annually on an accrual basis as per the assessments approved by the Governing Council.

- b. *Assessed contribution from new Participating States.* Revenue derived from the unbudgeted assessed contributions from new Participating States following the method of assessments as described in Resolution GC/15/R9 and the gradual increase in contributions per IARC Financial Regulations Article IV.4.3 and Resolutions GC/37/R9 and GC/54/R18.

In accordance with IARC Financial Regulation Article V.5.5, unbudgeted contributions of new Participating States are credited to the Governing Council Special Fund.

€34 650 (or US\$ 50 000 equivalent @0.693) from the first contribution of each new Participating State is transferred to the Working Capital Fund in accordance with Resolution GC/5/R14.

- c. *Voluntary contributions.* Revenue under voluntary contributions comprises Core Voluntary Contribution Account (CVCA), designated contribution, and undesignated contribution.
- CVCA was established in 2019 to receive supplementary fund from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9).
  - Designated voluntary contributions are specifically earmarked by the donor to finance special projects.
  - Undesignated voluntary contributions are donations not intended for a specific project and it is governed by Governing Council resolutions.

IARC considers that while there are restrictions on the use of CVCA and designated voluntary contributions, these restrictions do not meet the definition of a condition as described under IPSAS 23.

Revenue under designated voluntary contributions is recognized when agreements are signed by IARC and the donors. For CVCA and undesignated voluntary contributions, revenue is recognized upon receipt of fund.

- d. *Revenue producing activities.* Revenue is earned from sale of IARC publications and is recorded at fair value of the consideration received. The revenue is credited to the Governing Council Special Fund.

These publications are for non-profit dissemination and the sale of these publications is not part of the ordinary course of operations of IARC. The publication inventories are held for sale by WHO in accordance with the agreement between IARC and WHO.

- e. *Other operating revenue.* Other operating revenue is recorded when funds are earned. It includes sale of equipment and materials, and savings from prior period obligations.
- f. *Trust fund.* This refers to fees collected from personnel enrolled in language courses offered by IARC, which are used to partially finance consultancy fees paid to teachers. Revenue is recorded at fair value of the consideration received.

- g. *Income from services rendered.* This refers to the Agency programme support cost collected from designated voluntary contributions at the standard rate of 13%, in accordance with IARC/WHO Financial Regulations and Rules (World Health Assembly Resolution WHA34.17). These are recorded on a monthly basis on the actual expenses incurred. To avoid double counting, this income and the equivalent of expenses are eliminated as shown in Schedule 1.
- h. *Contribution in kind.* Contribution in kind received by IARC, if any, is recorded as goods received. They are treated both as revenue and expense in the Voluntary Contribution. A valuation is done for each donation to ensure that goods are recorded at an amount equal to the fair market value. Donated Property, Plant and Equipment are valued at fair market value and recognized as fixed asset and revenue.

### 3.11 Expenses

Expenses are recognized based on the "delivery principle", i.e. when goods or services have been received or services have been rendered with IARC assuming title or satisfactory receipt over the goods or services. These also include expendable equipment, i.e. physical assets with a value below €3000, which are not capitalized as PP&E (see Note 3.3) and recognized as expense upon receipt.

An encumbrance represents a firm commitment or obligation for goods or services which have not been delivered. Encumbrances are not reported in the Statement of Financial Performance but are presented in Statement of comparison of budget and actual amounts for the financial period under Statement V.

### 3.12 Fund accounting reporting

Fund accounting is a method of segregating resources into categories (i.e. funds) to enable the identification of both sources and uses of funds. Establishment of such funds help to ensure better reporting of revenue and expenses. The Regular Budget, the Working Capital Fund, the Governing Council Special Fund, Voluntary Contributions Account (designated and undesignated donations), Programme Support Cost account, and the Trust Fund serve to ensure the proper segregation of revenue and expenses.

Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during all funds consolidation. Intra-fund transfers such as Programme Support Costs within the Voluntary Contributions are also eliminated.

The types of funds are further explained below.

- a. *Regular Budget (RB).* This refers to the General Fund for the administrative services and permanent activities of the Agency as defined by Article 5.1 of IARC's financial regulations. The fund is financed by the annual assessed contributions from Participating States and possible other funding sources as approved by the Governing Council. Pending the receipt of statutory annual contributions to the regular budget, appropriations may be temporarily financed from the Working Capital Fund.

- b. *Working Capital Fund (WCF)*. This refers to a fund as defined by Article 5.2 of IARC's financial regulations. Revenue of working capital fund came from assessed contributions from new Participating States as described under Note 3.10b or transfer from Governing Council Special Fund.
- c. *Governing Council Special Fund (GCSF)*. This refers to a fund as defined by Article 5.5 of IARC's financial regulations. The fund shall be used for purposes to be decided by the Governing Council from time to time by a minimum two-thirds of its members who are representatives of each Participating State.
- d. *Voluntary Contributions (VC)*. This fund refers to CVCA, designated contributions, and undesignated contributions as described under Note 3.10c.
- e. *Special Account for Programme Support Cost (PSC)*. This account contains income from services rendered as described under Note 3.10g and expenditures financed by this fund.
- f. *Trust fund (TF)*. Trust funds were maintained by the Agency to finance language courses for the benefit of staff as described under Note 3.10f.
- g. *Participating States – other*. The following accounts are grouped and presented in the financial statements as *Participating States – other*.
  - *Common Fund*. This fund reflects the movement in the asset and liability accounts of IARC resulting from changes in inventory and depreciation.
  - *Special Purpose Fund*. This fund contained TQ, TP, and Post Occupancy Charge (POC) Funds and Service Health Insurance Funds.

### 3.13 Budget comparison

The Agency's budget and accounting bases differ. Budgets within the Agency are approved on a modified cash basis, rather than the full accrual basis of IPSAS and are prepared on a biennial basis vis-a-vis an annual basis. While annual figures are available, the fund balance of the first year of the biennium can be carried over and spent in the second year.

The Agency's budget is an integrated budget endorsed by the Governing Council when they approve the itemized Regular Budget. There are no approved budgets for other funds.

As required under IPSAS 24 (Presentation of Budget Information in Financial Statements), the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation, and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

*Timing differences* consist of regular budget expenses incurred in the current financial period which are not part of the current approved biennium budget.

*Basis differences* occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include Common Fund activities (i.e. the new



capital assets purchased, depreciation of assets, and cost of distribution and disposals of inventories) and other non-regular budget utilization.

The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final approved budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 9 provides reconciliation between the actual amounts presented in the Statement V to the actual amounts presented in the Statement of Financial Performance (Statement II).

## Note 4: Assets

### 4.1 Cash and cash equivalents

These comprise of cash on hand, cash at UNDP, and bank deposit accounts that are highly liquid (i.e. can be withdrawn anytime) held by the Agency for all funds. Cash and cash equivalents are held for purposes of meeting short-term cash commitments, and not for investment or other purposes.

Bank deposits include deposits held in USD and GBP accounts. Balances as at 31 December 2020 were converted to euros using UNORE (US\$ 7 462 819 at €0.815/US\$ and GBP2 835 888 at €1.101/GBP).

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Cash on hand	6 592	12 438
Cash at UNDP	279 269	144 178
Bank deposits	34 391 156	32 238 286
<b>Total</b>	<b>€34 677 017</b>	<b>€32 394 902</b>

### 4.2 Accounts receivable, net

The total account receivable amounted to €21 922 671 at the end of the reporting period. These include outstanding amounts for assessed contributions, designated voluntary contributions, and other accounts receivable. As at the end of 2020, there was accumulated allowances for doubtful accounts receivable amounting to €1 056 855. The details of current and non-current accounts receivable are provided below.

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u> <u>31-Dec-20</u>	<u>31-Dec-19</u>
Uncollected assessed contributions	4 774 830		4 774 830	3 975 134
Designated voluntary contributions	12 335 877	4 000 515	16 336 392	17 253 329
Other accounts receivable*	1 868 304		1 868 304	1 505 269
<b>Total accounts receivable</b>	<b>18 979 011</b>	<b>4 000 515</b>	<b>22 979 526</b>	<b>22 733 642</b>
<u>Less: Accumulated allowances</u>	<u>(1 056 855)</u>	<u>0</u>	<u>(1 056 855)</u>	<u>(444 614)</u>
<b>Total accounts receivable, net</b>	<b>€17 922 156</b>	<b>€4 000 515</b>	<b>€21 922 671</b>	<b>€22 289 028</b>

\*Other accounts receivable comprise of royalties and sales of publication receivables (€1 736 224), VAT refund (€123 559), and supplier's deposit (€8 521).

**Total accumulated allowances for doubtful accounts receivable:**

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u> <u>31-Dec-20</u>	<u>Total</u> <u>31-Dec-19</u>
Opening balance of allowance for assessed contribution	444 614	0	444 614	0
Opening balance of allowance for designated VC	0	0	0	0
Opening balance of allowance for other receivables	0	0	0	0
Total opening balance at beginning of year	444 614	0	444 614	0
<u>Add:</u> Allowance for assessed contribution	612 241	0	612 241	444 614
Allowance for designated VC	0	0	0	0
Allowance for other receivables	0	0	0	0
Total allowances for doubtful receivables	1 056 855	0	1 056 855	444 614
<u>Less:</u> Reversal of allowance for assessed contribution	0	0	0	0
Reversal of allowance for designated VC	0	0	0	0
Reversal of allowance for other receivables	0	0	0	0
Total accumulated allowances at end of year	€1 056 855	€0	€1 056 855	€444 614

**4.3 Staff receivables**

The total balance of staff receivables amounted to €107 561, net decrease by €24 571 from the prior period. Breakdown by type of receivables are as follows.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Education grant advance	82 404	106 984
Duty travel advance	21 088	23 549
Salary advance	934	1 599
Home leave advance	3 042	
Miscellaneous advance	93	
Total	€107 561	€132 132

**4.4 Prepayments**

The total value of prepayments is €308 792, which consists of payments to suppliers in advance of receipt of goods or services. In addition, fellows of IARC are paid one month in advance and the payment of stipend for January 2021 is included in this account.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Prepayment to suppliers	121 324	210 792
Prepaid insurance	1 980	1 980
Stipend advance	185 488	192 841
Total	€308 792	€405 613

**4.5 Interest receivable**

Interest receivable represents amount due from bank deposits for interest earned for the reporting period that has not been received. There was no interest receivable as at 31 December 2020.

#### 4.6 Inventories

The amount of €288 091 represents the value of IARC publication inventories, of which €29 335 relates to the Work in Progress and €262 298 relates to Finished Goods held for sales at WHO Press as at the end of the reporting period.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Balance at beginning of year	235 085	255 774
Additions	291 633	216 964
Distributions	(236 413)	(216 956)
Disposals/adjustments	(2 214)	(20 697)
Balance at end of year	<u>€288 091</u>	<u>€235 085</u>

#### 4.7 Property, plant and equipment, net

The value of property, plant and equipment (PP&E) net of accumulated depreciation at the end of reporting period is €1 738 617. These include buildings owned by IARC, laboratory and office equipment, furniture and fixtures, and motor vehicle.

	Buildings	Lab equipment	Office equipment and other equipment	Furniture and fixtures	Motor vehicles	Total 31-Dec-20	Total 31-Dec-19
<i><u>Cost or valuation:</u></i>							
Balance at beginning of year	2 906 098	4 787 448	976 833	14 441	113 689	8 798 509	8 911 352
Additions		152 356				152 356	218 857
Disposals							(331 700)
Balance at end of year	<u>2 906 098</u>	<u>4 939 804</u>	<u>976 833</u>	<u>14 441</u>	<u>113 689</u>	<u>8 950 865</u>	<u>8 798 509</u>
<i><u>Accumulated depreciation:</u></i>							
Balance at beginning of year	1 724 141	4 009 572	825 497	14 441	113 689	6 687 340	6 402 902
Charges for the year	72 654	351 801	100 453			524 908	616 138
Disposals							(331 700)
Balance at end of year	<u>1 796 795</u>	<u>4 361 373</u>	<u>925 950</u>	<u>14 441</u>	<u>113 689</u>	<u>7 212 248</u>	<u>6 687 340</u>
<i><u>Net book value:</u></i>							
At beginning of year	<u>1 181 957</u>	<u>777 876</u>	<u>151 336</u>	<u>0</u>	<u>0</u>	<u>2 111 169</u>	<u>2 508 450</u>
At end of year	<u>1 109 303</u>	<u>578 431</u>	<u>50 883</u>	<u>0</u>	<u>0</u>	<u>1 738 617</u>	<u>2 111 169</u>

In addition, IARC has 147 items of PP&E with the total gross acquisition value of €4 399 903 that are fully depreciated and still in use as at the end of the reporting period.

## Note 5: Liabilities

### 5.1 Revenue received in advance

The total amount of €675 486 represents 2021 assessed contributions received in advance from Participating States, voluntary contribution received in advance, and revenue from publications received in advance. Details of assessed contributions received in advance can be found under Schedule 3.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Assessed contribution received in advance	669 401	897 668
Voluntary contribution received in advance	4 000	74 855
Other revenue received in advance	2 085	2 085
<b>Total</b>	<b>€675 486</b>	<b>€974 608</b>

### 5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 369 196. Staff/STA/fellows payable below include salary payable, staff association payable, and payment (such as travel/expense reimbursements and stipend) payable to staff/STA/fellows.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Staff/STA/fellows	7 821	25 743
Suppliers	146	34 619
Accrued expenses	1 361 229	1 167 962
<b>Total</b>	<b>€1 369 196</b>	<b>€1 228 324</b>

### 5.3 Accrued staff benefits

Accrued staff benefits, total €102 558 605, include accrued staff salaries, short-term benefits, post employee benefits (staff health insurance – ASHI), and other long-term benefits. This amount includes unfunded liabilities totalling €94 927 641 (see also Note 6.6b).

The valuation of short-term benefits was done by the Agency while the valuation of staff health insurance and other long-term benefits were determined by independent consulting actuaries.

#### a) Summary of accrued staff benefits:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u> <u>31-Dec-20</u>	<u>Total</u> <u>31-Dec-19</u>
Short-term employee benefits	1 259 181		1 259 181	902 205
Other long-term employee benefits	130 365	1 774 325	1 904 690	2 077 480
Termination benefits	81 653		81 653	
Post employee benefits (i.e. ASHI)		99 313 081	99 313 081	79 274 695
<b>Total</b>	<b>€1 471 199</b>	<b>€101 087 406</b>	<b>€102 558 605</b>	<b>€82 254 380</b>

**b) TQ, TP, and POC accounts:**

These accounts were established to finance statutory benefits of staff members. They are collected through staff payroll. There is a total balance of €7 630 964 at the end of the reporting period.

*TQ Account:* This account was established for financing short-term employee benefits. It is funded by a budgetary provision set at the rate of 8% of professional staff salary and post adjustment. The TQ rate was decreased from 10% to 8% starting from 1 January 2018.

*TP Account:* This account was established for financing long-term employee benefits, post employee benefits, and termination benefits. It is funded by a budgetary provision set at the rate of 2.0% of salary and post adjustment for fixed-term staff members and 4.0% for temporary appointment staff members during 2020-2021 (3.5% and 5.5% respectively in 2019).

*POC Account:* The Post Occupancy Charge (POC) was established in 2018 for financing the enabling and supportive functions, including funding or supporting the temporary backfilling of staff members on maternity leave. It is funded by a budgetary provision set at 2.0% of all staff salary and post adjustment during 2020-2021 (0.50% in 2019).

	<u>TQ</u>	<u>TP</u>	<u>POC</u>	<u>Total</u> <u>31-Dec-20</u>	<u>Total</u> <u>31-Dec-19</u>
Fund balance at beginning of year	2 555 246	3 857 270	291 544	6 704 060	6 106 270
<u>Plus:</u> Fund inflow during the year	753 472	308 285	315 747	1 377 504	1 409 408
<u>Less:</u> Fund outflow during the year	(350 429)	(100 171)		(450 600)	(811 618)
Fund balance at end of year	€2 958 289	€4 065 384	€607 291	€7 630 964	€6 704 060

The outflow fund in 2020 includes the following payments on employee benefits.

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u> <u>31-Dec-20</u>
Recruitment entitlements	65 680		65 680
Separation entitlements	53 760	100 171	153 931
Education grants	210 495		210 495
Home leave travels	17 036		17 036
Periodic medical and insurance	3 458		3 458
Total fund outflow	€350 429	€100 171	€450 600

**c) Valuation of accrued short-term staff benefits:**

These include the accrued annual leave balance, educational grants, and home leaves. They are on a walk-away basis as if all staff terminated on the last day of the calendar year, and therefore their values are not discounted. A special measure was implemented in 2020 allowing up to 45 days annual leave days encashment (i.e. 15 days beyond the 30 days set out in SR 630.8 that was the basis for 2019 valuation of accrued annual leave) on separation for continuing and fixed-term staff until 31 December 2021. The value of annual leave balance is calculated according to the Staff Rules, Section 3, paragraph 380.2.2.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Accrued annual leave	1 226 219	820 412
Educational grants	32 962	42 793
Accrued staff salaries		39 000
Total Defined Benefit Obligation at end of year	<u>€1 259 181</u>	<u>€902 205</u>

**Reconciliation:**

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Defined Benefit Obligation at beginning of year	902 205	868 214
<u>Plus:</u> Expense incurred during the year	746 405	620 110
<u>Less:</u> Actual payment	<b>(389 429)</b>	<b>(586 119)</b>
Defined Benefit Obligation at end of year	<u>€1 259 181</u>	<u>€902 205</u>

**d) Valuation of accrued other long-term staff benefits:**

This includes grant in case of death, repatriation grant, repatriation removal, repatriation travel, and termination for reasons of health. Each year at year end, the actuaries determine this value based on agreed assumptions and methods. The latest full actuarial valuation was completed as of 31 December 2019. A roll forward of census data as of 31 October 2019 (proxy for 31 December 2019) to 31 December 2020 was used for 2020 financial statements.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Grant in case of death	145 919	156 529
Repatriation grant	1 377 425	1 532 522
Repatriation removal	274 146	277 823
Repatriation travel	89 092	91 530
Termination for reasons of health	18 108	19 076
Total Defined Benefit Obligation at end of year	<u>€1 904 690</u>	<u>€2 077 480</u>

**Actuarial summary**

	<u>31-Dec-20</u> Valuation	<u>31-Dec-19</u> Valuation
<b>Reconciliation of Defined Benefit Obligation – 142 (a)(ii)</b>		
Defined Benefit Obligation at Beginning of Year	2 077 480	1 928 140
Service Cost	183 565	207 385
Interest on Defined Benefit Obligation	16 162	29 347
(Actual Gross Benefit Payments)	<b>(100 171)</b>	<b>(225 500)</b>
Participant Contributions	0	0
Changes in Accounting Methods	0	0
Plan Amendments	0	0
(Gain)/Loss on DBO Due to Financial Assumption Changes	<b>(91 185)</b>	156 000
(Gain)/Loss on DBO Due to Other Assumption Changes	<b>(181 161)</b>	<b>(17 892)</b>
Defined Benefit Obligation at End of Year	<u>€1 904 690</u>	<u>€2 077 480</u>
<b>Reconciliation of Funded Status – 142</b>		
Defined Benefit Obligation	1 904 690	2 077 480
(Plan Assets)	0	0
Net (Surplus)/Deficit in Statement of Financial Position	<u>1 904 690</u>	<u>2 077 480</u>
Current (Asset)/Liability	130 365	114 265
Noncurrent (Asset)/Liability	1 774 325	1 963 215
	<u>31-Dec-20</u>	<u>31-Dec-19</u>

**Statement of Financial Performance**

	Valuation	Valuation
Service Cost	183 565	207 385
Interest on (Surplus)/Deficit	16 162	29 347
Remeasurements	(272 346)	138 108
Total Expense	€ (72 619)	€374 840

**Actuarial assumptions and methods:**

Measurement Date	31 December 2020
Discount Rate	0.3% (decreased from 0.8% in the prior valuation as at 31 December 2019)  Based on the Aon Hewitt iBoxx Euro zone yield curve and the expected cash flows for the benefits as of the valuation date. The resulting discount rate is rounded to the nearest 0.1%
Annual General Inflation	1.4% (decreased from 1.8% in the prior valuation as at 31 December 2019)
Annual Salary Scale	General inflation, plus 0.5% for productivity growth, plus merit/promotion increases.
Future Exchange Rates	Equal to official United Nations spot rates at 31 December 2020.
Long-Term Disability Rates	50% of those recommended by the UN Task Force via harmonization guidance, based on a study that WHO performed of its experience from 2005–2016.
Mortality Rates	Mortality rates match the rates recommended by the U.N. Task Force via harmonization guidance provided in January 2021.
Value of Assets	Under IPSAS 39, the plan is treated as having no assets for accounting purposes.
Recognition of Actuarial Gains and Losses	Gains and losses are recognized immediately in the expense for the year in which they arise.
Utilization of Repatriation Benefits	70% of participants meeting the service criteria at separation are assumed to elect benefits, based on a study of experience from 2005 through 2009 for the Pan-American Health Organization. This assumption was approximately validated against WHO's benefit payments experience for 2013 and 2014.  In early 2019, the aggregate reasonability of the payment assumptions for repatriation benefits (encompassing utilization and per capita costs) was validated against WHO's benefit payments experience for 2017 through 2019.
Repatriation Grant	Married staff members who die in service are assumed to have at least one dependent child at death.  85% of male staff members and 55% of female staff are assumed to have at least one dependent at separation.
Repatriation Travel	The average cost per ticket is \$3,789 per staff member in 2020. This cost includes the staff member for all contingencies (including death). Based on a study of WHO's experience from 1 January 2010 to 30 September 2011. The above figure is converted to euros with the 31 December 2020 exchange rate.  The average cost per ticket was projected to the valuation date with general inflation assumptions from the past valuations and is projected thereafter with the general inflation assumption from the current valuation.



Relocation Shipment	<p>Under the plan rules, the lump-sum benefit for removal on repatriation is \$10,000/\$15,000 single/married for fixed-term staff and \$7,000/\$10,500 single/married for short-term staff.</p> <p>In 2014, about 10% of WHO's staff covered by TP were short-term. Therefore, the assumed average lump-sum benefits are weighted averages of the benefits for fixed-term staff and short-term staff, calculated as follows:</p> $\begin{aligned} & \$10,000 \times 90\% + \$7,000 \times 10\% = \$9,700 \text{ for single staff.} \\ & \$15,000 \times 90\% + \$10,500 \times 10\% = \$14,550 \text{ for married staff.} \end{aligned}$ <p>These figures are not indexed to inflation. The above figures are converted to euros with the 31 December 2019 exchange rate</p>
Termination for Reasons of Health	<p>96% of in-service disablements are assumed to result in the standard termination for reasons of health benefit.</p> <p>The other 4% of in-service disablements are assumed to result in an SFFC benefit and no termination for reasons of health benefit from the TP.</p>
Grant in Case of Death	<p>90% of in-service deaths are assumed to result in the standard grant in case of death.</p> <p>The other 10% of in-service deaths are assumed to result in an SFFC benefit and no grant in case of death from the TP.</p>

#### **e) Valuation of staff health insurance:**

The Agency accounts for the After Service Health Insurance (ASHI) as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity in accordance with IPSAS 39 (Employee Benefits). The defined benefit obligation as of 31 December 2020 determined by professional actuaries within the overall report to WHO is US\$ 121 856 541, equivalent to € 99 313 081 at UNORE of €0.815/US\$.

Revaluation of this account as of 31 December 2020 resulted to a net unrealized foreign exchange gain of €7 166 574, of which €3 125 149 was charged directly to net asset/equity in Statement III (net unrealized foreign exchange loss of €1 390 746 in 2019, of which €460 750 was charged directly to net asset/equity in Statement III).

In accordance with IPSAS 39, the actuarial loss of US\$ 18 409 849, equivalent to €15 004 027 using the 31 December 2020 UNORE of €0.815/US\$ was charged directly to net assets/equity (Statement III) in 2020 (US\$15 544 581 actuarial loss in 2019, equivalent to €13 927 945 using UNORE of €0.896/US\$).

The following tables were taken from the actuaries' report to WHO and all figures are in US dollars.

### Actuarial summary

	31-Dec-20 Valuation (US\$)	31-Dec-19 Valuation (US\$)
<b>Reconciliation of Defined Benefit Obligation–142(a)</b>		
Defined Benefit Obligation at beginning of year	124 128 646	99 842 008
Service cost	6 904 131	4 714 646
Interest on Defined Benefit Obligation	741 361	1 290 793
(Actual after service gross benefit payments)	(400 971)	(487 823)
(Actual after service administrative expenses)	(26 737)	(32 969)
Actual contributions by after service participants	239 116	243 593
Plan amendments adopted during the year	9 681 185	(185 207)
Changes in accounting methods	0	0
(Gain)/Loss on Defined Benefit Obligation Due to Financial Assumption Changes	25 822 421	17 951 728
(Gain)/Loss on Defined Benefit Obligation Due to Other Assumption Changes	(3 400 845)	791 877
Defined Benefit Obligation at end of year	US\$ 163 688 307	US\$ 124 128 646
<b>Reconciliation of Incurred-But-Not-Paid Reserve–142(a)</b>		
Incurred-But-Not-Paid Reserve at beginning of year	399 000	383 000
Interest on Incurred-But-Not-Paid Reserve during the year	2 394	4 979
(Gain)/Loss on Incurred-But-Not-Paid Reserve	(45 394)	11 021
Incurred-But-Not-Paid Reserve at end of year	US\$ 356 000	US\$ 399 000
<b>Reconciliation of Assets–142(a)</b>		
Market value of ASHI at beginning of year	36 051 424	30 687 724
(Actual total SHI gross benefit payments)	(999 846)	(1 121 135)
(Actual total SHI administrative expenses)	(66 670)	(75 770)
Actual total SHI participant contributions	1 008 550	981 700
Actual total SHI organization contributions	2 009 485	1 962 093
Organization additional contributions during the year	0	0
Interest on gross SHI assets	218 490	406 767
Gain/(loss) on Plan Assets	3 966 333	3 210 045
Market value of SHI assets at end of year	US\$ 42 187 766	US\$ 36 051 424
<b>Reconciliation of Funded Status–142</b>		
Defined Benefit Obligation		
Active	117 160 816	86 753 468
Inactive	46 527 491	37 375 178
Incurred-But-Not-Paid Reserve	356 000	399 000
Total Defined Benefit Obligation	164 044 307	124 527 646
(ASHI Plan Assets)	(42 187 766)	(36 051 424)
Net (Surplus)/Deficit	US\$ 121 856 541	US\$ 88 476 222
Current (asset)/liability	0	0
Noncurrent (asset)/liability	US\$ 121 856 541	US\$ 88 476 222
Total (Gain)/Loss during the year	US\$ 18 409 849	US\$ 15 544 581

	31-Dec-20 Valuation (US\$)	31-Dec-19 Valuation (US\$)
<b>Statement of Financial Performance</b>		
Service cost	6 904 131	4 714 646
Interest on (Surplus)/Deficit	525 265	889 005
Past service (credit)/cost	9 681 185	(185 207)
Total expense	US\$ 17 110 581	US\$ 5 418 444
<b>Sensitivity Analysis–147(a)</b>		
Defined Benefit Obligation at end of year		
Current medical inflation assumption minus 1%	123 866 899	96 027 219
Current medical inflation assumption	164 044 307	124 128 646
Current medical inflation assumption plus 1%	219 306 805	163 298 399
Current discount rate assumption minus 1%	218 239 355	164 644 655
Current discount rate assumption	164 044 307	124 128 646
Current discount rate assumption plus 1%	126 078 242	95 711 070
<b>Expected Accounting Contributions–149(b)</b>		
Expected contributions during next year		
Contribution by/for active staff, net of claims/admin costs	1 892 000	1 314 000
Contribution by WHO for Inactives	617 000	553 000
Total expected contributions	US\$ 2 509 000	US\$ 1 867 000

### **Actuarial assumptions and methods:**

Each year WHO identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements, in accordance with IPSAS 39 (Employee Benefits). In addition, each actuarial assumption is required to be disclosed in absolute terms.

In 2020, WHO performed a full valuation to estimate the liabilities. Normally, a full valuation is done every three years.

Measurement date	31 December 2020
Discount Rate	0.2% (decreased from 0.6% in the prior valuation as at 31 December 2019)
	WHO bases its discount rates on the yields on high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposures—specific to the ASHI—for each grouping of offices. IARC is grouped under Europe. The rate is a weighted average of the rate from the SIX Swiss Exchange curve and the rate from the iBoxx Euro Zone curve. The resulting rate is rounded to the nearest 0.1%.

Annual General Inflation	1.1% (decreased from 1.3% in the prior valuation as at 31 December 2019)
	The rates are based on the United Nations common assumptions (for long-duration plans) as directed by the United Nations System Task Force on Accounting Standards. Specifically, the rate for Europe is a weighted average of the rates for Switzerland (1.0%) and the Euro Zone (1.4%), and 2.0% for the United States with the result rounded to the nearest 0.1%.
Annual Salary Scale	General inflation, plus 0.5% for productivity growth, plus merit/promotion increases.

#### **f) United Nations Joint Staff Pension Fund:**

The regulations of the United Nations Joint Staff Pension Fund (the "Fund") 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.

IARC's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the 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 a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be 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 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1 (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 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 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.

During 2020, contribution paid to the Fund amounted to US\$ 6 014 546 (US\$ 6 013 290 in 2019, US\$ 5 744 060 in 2018, and US\$ 5 624 697 in 2017).

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 its website at [www.unjspf.org](http://www.unjspf.org).

#### 5.4 Deferred revenue

Deferred revenue represents multi-year agreements signed in and prior to 2020 for which the revenue recognition has been deferred to future financial periods. Deferred revenue is split into current and non-current depending on the schedule of payment as stated in the donor agreements.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Current liabilities	7 961 270	9 769 162
Non-current liabilities	4 060 842	4 005 627
Total deferred revenue	<u>€12 022 112</u>	<u>€13 774 789</u>

## Note 6: Net assets/equity

The net assets/equity of the Agency decreased by €16 935 088 at the end of the reporting period due to the increase in the funding gap related to the ASHI. Statement III provides the summary of changes in net assets/equity by fund and Schedules 1 and 2 provide details of changes in fund balances including revenue and expenditure incurred.

The presentation of net assets/equity in Statement I is segregating the equity by fund as follows:

### 6.1 Regular Budget

Total available fund comprises of €21 865 751 budget approved for 2020 and €310 761 fund balance from 2019 approved regular budget that was committed in 2019 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €2 997 702.

### 6.2 Voluntary Contributions

The fund balance of €16 258 430 includes designated and undesignated voluntary contributions.

### 6.3 Working Capital Fund

Fund balance decreased by €612 241, as a net result of contribution from new Participating States (see also Note 3.10b) and fund used for the establishment of allowances for assessed contribution in arrears.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Beginning balance at beginning of year	2 951 086	3 361 050
<u>Add:</u> New Participating States contribution to WCF	0	34 650
Decrease in allowances upon receipt of assessed contribution in arrears	0	0
<u>Less:</u> Allowances for assessed contribution in arrears	<b>(612 241)</b>	<b>(444 614)</b>
Ending balance as at end of year	<u>€2 338 845</u>	<u>€2 951 086</u>

### 6.4 Governing Council Special Fund

The fund balance of €9 290 457 includes reserves, i.e. expenses authorized by the Governing Council which are not yet incurred.

### 6.5 Special Account for Programme Support Cost

Fund balance had decreased from €4 446 731 to €4 382 133 during the reporting period.

## 6.6 Participating State – Others

The amount of €(92 900 933) represents the net value in Common Fund and Special Purpose Fund accounts.

a) Common Fund includes the inventories and net carrying value of PP&E as follows:

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Inventories	288 091	235 085
Property, plant and equipment, net	1 738 617	2 111 169
Total common fund	<u>€2 026 708</u>	<u>€2 346 254</u>

b) Special Purpose Fund represents the unfunded portion of employee benefits liabilities as described under note 5.3.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Fund balance in TQ, TP, and POC accounts (Note 5.3b)	7 630 964	6 704 060
Accrued staff salaries funded from other source	0	39 000
<u>Less: Total accrued staff benefits (Note 5.3a)</u>	<u>(102 558 605)</u>	<u>(82 254 380)</u>
Total special purpose fund	<u>€(94 927 641)</u>	<u>€(75 511 320)</u>

## 6.7 Trust Fund

This account has a balance of €50 716, which will be used for financing language courses in the following years.

## Note 7: Revenue

### 7.1 Assessed contributions

This account includes budgeted and unbudgeted assessed contributions from Participating States, and receipt from arrears in assessed contributions.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Budgeted assessed contribution	21 865 751	22 237 465
Unbudgeted assessed contribution	408 161	622 649
Increase in allowance for doubtful accounts receivable	<span style="color: red;">(612 241)</span>	<span style="color: red;">(444 614)</span>
Total	<u>€21 661 671</u>	<u>€22 415 500</u>

#### Budgeted assessed contribution

This refers to contribution from Participating States for the biennial programme budget as per assessments approved by the Governing Council, which is recorded on an accrual basis at the beginning of each year against account receivable. The amount of €21 865 751 shown on these Financial Statements represents the contribution from Participating States for 2020 approved programme budget (Resolution GC/61/R5). The status of the collection is shown in Schedule 3.

#### Unbudgeted assessed contribution

The unbudgeted assessed contribution includes contribution from Hungary, whose memberships were accepted in 2019. The 2020 contributions were assessed in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and Resolution GC/54/R18.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Contribution from Hungary	408 161	207 550
Contribution from Islamic Republic of Iran		415 099
Total	<u>€ 408 161</u>	<u>€ 622 649</u>

#### Increase in allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable amounting to €612 241 was established for assessed contribution pending from a Participating State.



## 7.2 Voluntary contributions

The total revenue from voluntary contributions was €15 207 992. There was no write off nor allowance for doubtful accounts receivable in 2020.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Core Voluntary Contribution Account	54 554	62 260
Designated voluntary contributions*	15 082 416	14 411 740
Undesignated voluntary contributions	71 022	92 789
<b>Total</b>	<b>€15 207 992</b>	<b>€14 566 789</b>

\*Designated voluntary contributions include the contributions received when IARC personnel were invited to some events and designated to support activities of the Agency.

## 7.3 Revenue producing activities

The revenue received from sale of IARC publications in 2020 amounted to €1 937 150, which slightly increased from the prior year.

## 7.4 Other operating revenue

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Sale of equipment and materials	579	210
Other income	21 874	30 229
<b>Total</b>	<b>€22 453</b>	<b>€30 439</b>

## 7.5 Trust fund

The amount of €9575 represents fees collected from personnel enrolled in the language courses offered by IARC.

## 7.6 Financial revenue

This account represents interest income on bank deposits. Interest income amounting to €4251 was apportioned to the designated voluntary contribution account in accordance with the agreement condition and approval by the Governing Council under Resolution GC/55/R23 (€3498) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€753). The remaining interest income amounting to €25 406 was credited to the Governing Council Special Fund.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Interest income apportioned to VC account	4 251	6 012
Interest income credited to GCSF account	25 406	95 896
<b>Total</b>	<b>€29 657</b>	<b>€101 908</b>

## 7.7 Income from services rendered

The total programme support cost of €1 041 424 collected from the designated voluntary contribution during the reporting period are eliminated in the Statement II (see Note 3.10g). It can be found in Schedules 1 and 2.

## Note 8: Expenses

### 8.1 Staff cost

This amount represents the total cost of employing staff at all levels, professional and general service staff. It includes base salary, post adjustment, and other types of entitlements paid by the Agency. Staff costs also include the movement in the actuarial cost for staff health insurance and terminal payments liability (refer to Note 5.3) that is recognized in the Statement of Financial Performance (Statement II).

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Staff cost	22 895 649	23 305 597
Actuarial cost	11 578 868	2 663 454
Total	<u>€34 474 517</u>	<u>€25 969 051</u>

### 8.2 Temporary assistants, advisors and participants

For temporary assistants, the costs include the payroll cost of temporary staff, non-payroll staff entitlements and terminal payments, the Agency share on the staff pension fund and staff health insurance. For temporary advisors and participants, the costs are related to those meetings they participate.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Temporary assistant cost	574 840	725 677
Temporary advisor and participant cost	89 906	850 878
Total	<u>€664 746</u>	<u>€1 576 555</u>

### 8.3 Fellows

Costs include the Stipend cost and other entitlements of IARC personnel in the Early Career and Visiting Scientist (ECVS) category that include visiting scientists and senior visiting scientists under the collaboration programmes, postdoctoral scientists on the fellowship programmes, and students (masters and doctorate) on the trainee programmes.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Stipend and other entitlements	<u>€2 555 175</u>	<u>€2 407 460</u>

### 8.4 Duty travel

The travel cost of staff and fellows paid by the Agency is included in the total duty travel costs. This includes airfare, per diem and incidentals. This does not include statutory travel which is accounted for within staff costs.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Travel cost	<u>€88 191</u>	<u>€880 810</u>

### 8.5 Research and other agreements

These include cost for Collaborative Research Agreement (CRA), consortium and partnership agreements, consultant contracts and other types of contracts, including Agreements for the Performance of Work (APW), Material Transfer Agreement (MTA), and Data Transfer Agreement (DTA).

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Collaborative research and consortium agreements	3 419 036	5 614 595
Consultants cost	229 470	200 736
Agreement for the performance of work and others	227 739	229 388
Total	<u>€3 876 245</u>	<u>€6 044 719</u>

### 8.6 Procurement and various operating expenses

These include cost of procurement of equipment and furniture below the capitalization threshold, office services and various other operating expenses.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Utility and maintenance cost	1 434 991	1 532 112
Supplies & materials	1 087 460	1 502 027
Equipment and furniture	828 387	799 550
Security cost	425 231	435 070
Others operating cost	404 177	668 481
Total	<u>€4 180 246</u>	<u>€4 937 240</u>

### 8.7 Cost of distribution and disposal of inventories

It includes the cost of inventories that were distributed and disposed during the reporting period using weighted average cost method.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Cost of distribution and disposal of inventories	<u>€238 627</u>	<u>€237 653</u>

### 8.8 Depreciation expense

It includes the depreciation of property, plant and equipment during the reporting period using straight line method.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Depreciation	<u>€524 908</u>	<u>€616 138</u>

### 8.9 Financial cost

This includes bank charges and rounding differences.

### 8.10 Net foreign exchange loss

This includes net realized and unrealized foreign exchange gains or losses.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Net realized foreign exchange loss (gain)	1 187 316	(177 149)
Net unrealized foreign exchange loss (gain)	(3 881 945)	814 573
Total net foreign exchange loss (gain)	<u>(€2 694 629)</u>	<u>€637 424</u>

### 8.11 Programme support cost

This is the support cost charged to the designated voluntary contribution during the reporting period and is eliminated in the Statement II. It can be found in Schedules 1 and 2 (see also Note 7.7).

### 8.12 Transfer between Funds

The following table provides details of fund transfers during the reporting period between Regular Budget (RB) and GCSF, and between Designated Voluntary Contribution (VC) and GCSF related to closure of projects.

	<u>GCSF</u>	<u>RB</u>	<u>VC</u>
Transfer from GCSF to RB for budgetary cost due FX loss (currency realignment)	(38 400)	38 400	
Transfer unspent balance from RB to GCSF	122 062	(122 062)	
Transfer fund balance of closed projects to GCSF	32 443		(32 443)
Net transfer between funds	<u>€116 105</u>	<u>€(83 662)</u>	<u>€(32 443)</u>

## Note 9: Reconciliation of key figures in Statement I and Statement IV

Statement of Cash Flows (Statement IV) is closely linked with the Statement of Financial Position (Statement I). Statement IV explains the effects of change in cash and cash equivalents balance at the beginning and end of the reporting period in terms of the cash flow impact of changes in the components of Statement I, including assets, liabilities and net assets/equity.

Some components of Statement I that affect cashflow, i.e. accounts receivable, staff receivables, account payable, and accrued staff benefits included also transactions in non-euro denominated currencies, such as US\$, GBP, NOK, etc. At the end of the reporting period, these items were revaluated using the UNORE as at 31 December 2020. The net unrealized foreign exchange gains or losses were accounted under the respective components in Statement I.

This Note provides additional information to facilitate the reconciliation of changes of such components as well as the changes in property, plant and equipment between Statement I and Statement IV.

	As at 31-Dec-20	As at 31-Dec-19
Accounts receivable (current) as per Statement I	17 922 156	18 273 238
Changes in Statement I from prior year	351 082	(1 256 696)
Unrealized exchange rate gain/(loss)	( 379 543)	36 105
(Increase) decrease in accounts receivable (current) as per Statement IV	( 28 461)	(1 220 591)
Staff receivable as per Statement I	107 561	132 132
Changes in Statement I from prior year	24 571	1 427
Unrealized exchange rate gain/(loss)	( 486)	120
(Increase) decrease in staff receivable as per Statement IV	24 085	1 547
Accounts receivable (non-current) as per Statement I	4 000 515	4 015 790
Changes in Statement I from prior year	15 275	2 089 967
Unrealized exchange rate gain/(loss)	219 876	3 474
(Increase) decrease in accounts receivable (non-current) as per Statement IV	235 151	2 093 441
Property, plant and equipment as per Statement I	1 738 617	2 111 169
Changes in Statement I from prior year	372 552	397 281
Depreciation	( 524 908)	( 616 138)
(Increase) decrease in property, plant and equipment as per Statement IV	( 152 356)	( 218 857)
Accounts payable as per Statement I	1 369 196	1 228 324
Changes in Statement I from prior year	140 872	( 647 669)
Unrealized exchange rate gain/(loss)	673	154
(Increase) decrease in accounts payable as per Statement IV	141 545	( 647 515)

	As at <b>31-Dec-20</b>	As at <b>31-Dec-19</b>
Accrued staff benefits liabilities (non-current) as per Statement I	101 087 406	81 237 910
Changes in Statement I from prior year	19 849 496	18 582 252
Unrealized exchange rate gain/(loss)	4 041 425	( 854 426)
ASHI remeasurement	<b>(11 878 878)</b>	<b>(14 388 695)</b>
(Increase) decrease in accrued staff benefits liabilities (non-current) as per Statement IV	12 012 043	3 339 131

### Note 10: Comparison of budget and actual amounts

Through the 61<sup>st</sup> Governing Council meeting, Resolution GC/61/R5, the total effective regular budget was approved for 2020–21 for €44 149 793, of which €21 865 751 and €22 284 042 are allocated for 2020 and 2021 work plans, respectively. Authorized under the same Resolution, the Director approved the transfers between sections of the budget during the biennium, not exceeding to 15% of the section from which the credit was transferred. Details are shown under column “Transfers” in the Statement of Comparison of Budget and Actual Amounts (Statement V)

Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) for the period ended 31 December 2020 is presented below:

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Actual amount on comparison - Statement V	18 868 049	24 053 451
Time difference	188 699	
Basis differences	24 867 960	19 277 123
Actual expenses – Statement II	<b>€43 924 708</b>	<b>€43 330 574</b>

### Note 11: Related party and other key management personnel disclosure

IPSAS 20 requires the Agency to disclose information concerning the remuneration and benefits of Key Management Personnel (KMP), and details of transactions between such individuals and entities that are “significantly influenced” by IARC/WHO (referred to as “related party transactions”). KMP of the Agency include staff at director level and above.

The table below details the number of KMP of IARC and the aggregate remuneration and benefits paid for 2020. The aggregate remuneration of KMP includes net salaries, post adjustment, entitlements such as representation allowance and educational grants, employee pension and current health insurance contributions.

Number of Individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans (in addition to normal entitlement)
2	€326 952	€36 633	€121 762	€485 347	€15 564	-

**Note 12: Amounts written off and ex-gratia payments**

There were no write-off and no ex-gratia payments made in 2020.

**Note 13: Events after the reporting date**

The reporting date for these financial statements is 31 December 2020. There have been no events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

**Note 14: Contingent liabilities, commitments and contingent assets**

**14.1 Contingent assets and liabilities**

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2020, there are no material contingent assets to disclose. IARC also has no pending legal cases.

**14.2 Operating lease commitments**

IARC entered into an operating lease arrangement for printers since November 2012.

IARC has no finance lease as at the end of the reporting date.

**SCHEDULE 1 - Statement of Financial Performance by Major Funds**

<b>International Agency for Research on Cancer</b>									
<b>Statement of Financial Performance by Major Funds and Other Funds</b>									
<b>For the year ended 31 December 2020</b>									
(amount in Euros)									
	Notes	Regular Budget	Working Capital Fund	Other funds	Voluntary Contributions Account	Trust funds	Sub-totals	Eliminations	for the year ended 31 December 2020
<b>REVENUE</b>									
Assessed contributions	Note 7								
Voluntary contributions	7.1	21 865 751	( 612 241)	408 161	15 207 992		21 661 671		21 661 671
Revenue-producing activities	7.2						15 207 992		15 207 992
Other operating revenue	7.3			1 937 150			1 937 150		1 937 150
Trust Fund	7.4			22 453		9 575	22 453		22 453
Income from services rendered	7.5						9 575		9 575
Financial revenue	7.7			1 041 424			1 041 424	(1 041 424)	
Total revenue	7.6	21 865 751	( 612 241)	3 434 594	15 212 243	9 575	39 909 922	(1 041 424)	38 868 498
<b>EXPENSES</b>									
Staff cost	Note 8								
Temporary assistants, advisors and participants	8.1	15 195 963		13 957 823	5 320 731		34 474 517		34 474 517
Fellows	8.2	169 265		158 092	337 389		664 746		664 746
Duty travel (staff, fellows)	8.3	757 267		288 392	1 509 516		2 555 175		2 555 175
Research and other agreements	8.4	41 434		11 976	34 781		88 191		88 191
Procurement and various operating expenses	8.5	275 074		76 036	3 519 860	5 275	3 876 245		3 876 245
Cost of distribution & disposal of inventory	8.6	2 546 642		444 866	1 188 738		4 180 246		4 180 246
Depreciation	8.7			238 627			238 627		238 627
Financial cost	8.8			524 908			524 908		524 908
Programme support cost	8.9	671		15 981	30		16 682		16 682
Total expenses	8.11	18 986 316	( 612 241)	15 716 701	12 952 469	5 275	47 660 761	(1 041 424)	46 619 337
Net foreign exchange loss (gain)	8.10			( 2 694 629)			( 2 694 629)		( 2 694 629)
<b>TOTAL SURPLUS (DEFICIT) FOR THE YEAR</b>		2 879 435	( 612 241)	( 9 587 478)	2 259 774	4 300	( 5 056 210)		( 5 056 210)
Capital expenditures									
Inventories		( 89 213)		95 962	( 6 749)				
Property plant & equipment		( 19 619)		45 396	( 25 777)				
Transfer between funds	8.12	( 83 662)		116 105	( 32 443)				
<b>TOTAL CHANGES IN FUND BALANCES</b>		2 686 941	( 612 241)	( 9 330 015)	2 194 805	4 300	( 5 056 210)		( 5 056 210)



## SCHEDULE 2 - Statement of Financial Performance by Other Funds

<b>International Agency for Research on Cancer</b>					
<b>Statement of Financial Performance by Other Funds</b>					
<b>For the year ended 31 December 2020</b>					
<b>(amount in Euros)</b>					
	Notes	Governing Council Special Fund	Special Account for Programme Support Costs	Participating States Others	for the year ended <b>31 December 2020</b>
<b>REVENUE</b>					
	Note 7				
Assessed contributions	7.1	408 161			<b>408 161</b>
Voluntary Contribution	7.2				
Revenue-producing activities	7.3	1 937 150			<b>1 937 150</b>
Other operating revenue	7.4	22 453			<b>22 453</b>
Income from service rendered	7.7		1 041 424		<b>1 041 424</b>
Financial revenue	7.6	25 406			<b>25 406</b>
Total revenue		<u>2 393 170</u>	<u>1 041 424</u>		<b><u>3 434 594</u></b>
<b>EXPENSES</b>					
	Note 8				
Staff cost	8.1	1 725 950	653 005	11 578 868	<b>13 957 823</b>
Temporary assistants, advisors and participants	8.2	144 130	13 962		<b>158 092</b>
Fellows	8.3	215 438	72 954		<b>288 392</b>
Duty travel (staff, fellows)	8.4	11 398	578		<b>11 976</b>
Research and other agreements	8.5	44 847	31 189		<b>76 036</b>
Procurement and various operating expenses	8.6	126 513	318 353		<b>444 866</b>
Cost of distribution & disposal of inventory	8.7			238 627	<b>238 627</b>
Depreciation	8.8			524 908	<b>524 908</b>
Financial cost	8.9		15 981		<b>15 981</b>
Total expenses		<u>2 268 276</u>	<u>1 106 022</u>	<u>12 342 403</u>	<b><u>15 716 701</u></b>
Net foreign exchange loss (gain)	8.10	<u>1 346 796</u>		<u>(4 041 425)</u>	<b><u>(2 694 629)</u></b>
<b>TOTAL SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1 221 902)</b>	<b>( 64 598)</b>	<b>(8 300 978)</b>	<b>(9 587 478)</b>
Capital expenditures					
Inventories		( 195 671)		291 633	<b>95 962</b>
Property, plant & equipment		( 106 960)		152 356	<b>45 396</b>
Transfer between funds	8.12	116 105			<b>116 105</b>
<b>TOTAL CHANGES IN FUND BALANCES</b>		<b><u>(1 408 428)</u></b>	<b><u>( 64 598)</u></b>	<b><u>(7 856 989)</u></b>	<b><u>(9 330 015)</u></b>

### SCHEDULE 3 - Status of Collection of Assessed Contributions

<b>International Agency for Research on Cancer</b> <b>Status of Collection of Assessed Contributions</b> <b>As at 31 December 2020</b> (amount in euros)							
Participating States	2020 Assessments			Assessments of prior financial years			Total balance as of 31-Dec-20
	Assessments	Collected	Balance as of 31-Dec-20	Balance as of 01-Jan-20	Collected during 2020	Balance as of 31-Dec-20	
<i>Budgeted Assessment:</i>							
Australia	874 630	874 630	-	-	-	-	-
Austria	743 436	743 436	-	-	-	-	-
Belgium (3)	743 436	743 436	-	-	-	-	-
Brazil	874 630	511 634	362 996	208 366	208 366	-	362 996
Canada (3)	874 630	874 630	-	-	-	-	-
Denmark	743 436	-	743 436	753 457	743 436	10 021	753 457
Finland	612 241	612 241	-	-	-	-	-
France	1 137 018	1 137 018	-	-	-	-	-
Germany	1 137 018	1 137 018	-	-	-	-	-
India	743 436	-	743 436	753 457	753 457	-	743 436
Islamic Republic of Iran (1)	612 241	-	612 241	444 614	-	444 614	1 056 855
Ireland	612 241	-	612 241	-	-	-	612 241
Italy	874 630	874 630	-	-	-	-	-
Japan	1 661 797	1 661 797	-	-	-	-	-
Morocco	612 241	612 241	-	622 649	622 649	-	-
Netherlands	743 436	743 436	-	-	-	-	-
Norway	743 436	743 436	-	-	-	-	-
Qatar	612 241	612 241	-	-	-	-	-
Republic of Korea	874 630	796 377	78 253	19 874	19 874	-	78 253
Russian Federation	874 630	874 630	-	-	-	-	-
Spain	874 630	874 623	7	7	7	-	7
Sweden	743 436	743 436	-	-	-	-	-
Switzerland	743 436	743 436	-	-	-	-	-
United Kingdom	1 137 018	1 137 018	-	-	-	-	-
United States of America	1 661 797	494 212	1 167 585	1 172 710	1 172 710	-	1 167 585
<b>TOTAL</b>	<b>21 865 751</b>	<b>17 545 556</b>	<b>4 320 195</b>	<b>3 975 134</b>	<b>3 520 499</b>	<b>454 635</b>	<b>4 774 830</b>
<i>% of collection</i>		<b>80.24%</b>					
<i>Unbudgeted Assessment:</i>							
Hungary (2)	408 161	408 161	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>22 273 912</b>	<b>17 953 717</b>	<b>4 320 195</b>	<b>3 975 134</b>	<b>3 520 499</b>	<b>454 635</b>	<b>4 774 830</b>

- (1) Islamic Republic of Iran: Membership was accepted in 2018. The 2018 and 2019 contributions equalled to one-third and two-thirds of assessment of Group 5 Participating States, respectively, were accounted under the unbudgeted assessment. The 2018 contribution was partially received.
- (2) Hungary: Membership was accepted in 2019. The 2020 contribution equalled to two-thirds of assessment of Group 5 Participating States was accounted under the unbudgeted assessment. In addition to 2020 contribution, advance contribution for 2021 was also received (€629 588).
- (3) In addition to the above, 2021 assessed contributions were received in advance from Belgium (€39 070), Netherlands (€663), and Qatar (€80).