International Agency for Research on Cancer

World Health Organization

**Governing Council**
**Sixty-fourth Session**

**GC/64/9 Rev.1**
04/05/2022

*Lyon, 12–13 May 2022*
*By web conference*

**REVISION 1**

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

For the year ended 31 December 2021

**2021**

# TABLE OF CONTENTS

# DIRECTOR'S FINANCIAL REPORT

## INTRODUCTION

1. The annual financial report of the Agency for the year ended 31 December 2021 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. While IPSAS requires reporting on an annual basis, IARC continues to have a biennial budget approved by the Governing Council. Hence, in addition to the annual result, this report also includes the biennial result for the approved 2020–2021 Regular Budget.

## FINANCIAL HIGHLIGHTS

4. IARC's main funding source came from the assessed contributions from Participating States, followed by voluntary contributions (including research grants). In 2021, 79.18% of IARC's activities were financed from these two funding sources. The rest 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 2021 was negative €38.22 million, representing a €19.36 million improvement compared to the prior year. The improvement in the net asset/equity was due to the decrease in the funding gap linked to the After Service Health Insurance (ASHI).

6. As shown on the Statement of Financial Performance, total expenses incurred exceeded the total revenue recognized during 2021, resulting in €5.92 million deficit. Expenses related to unfunded ASHI amounted to €10.21 million. Excluding the ASHI expenses, the Agency would have ended last year with a surplus.

7. While the Agency's financial performance shows a deficit, the cash flow of the Agency increased by €7.26 million from the prior year.

**Regular budget and budget utilization**

8. 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.

9. As at 31 December 2021, the collection of 2021 budgeted assessed contributions was at 85.64% detailed in Schedule 3.

10. A fund balance of €3.0 million from 2020 regular budget allocation was carried over to 2021. This fund balance includes €0.44 million encumbrances with firm commitments.

11. Total expenses and capital expenditure charged against the regular budget approved for 2021 amounted to €23.19 million. At the end of the reporting period, €2.09 million were earmarked for encumbrances for delivery in 2022.

12. The budget utilization (expenditures and encumbrances) rate for biennium 2020-2021 was at 100%. 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.

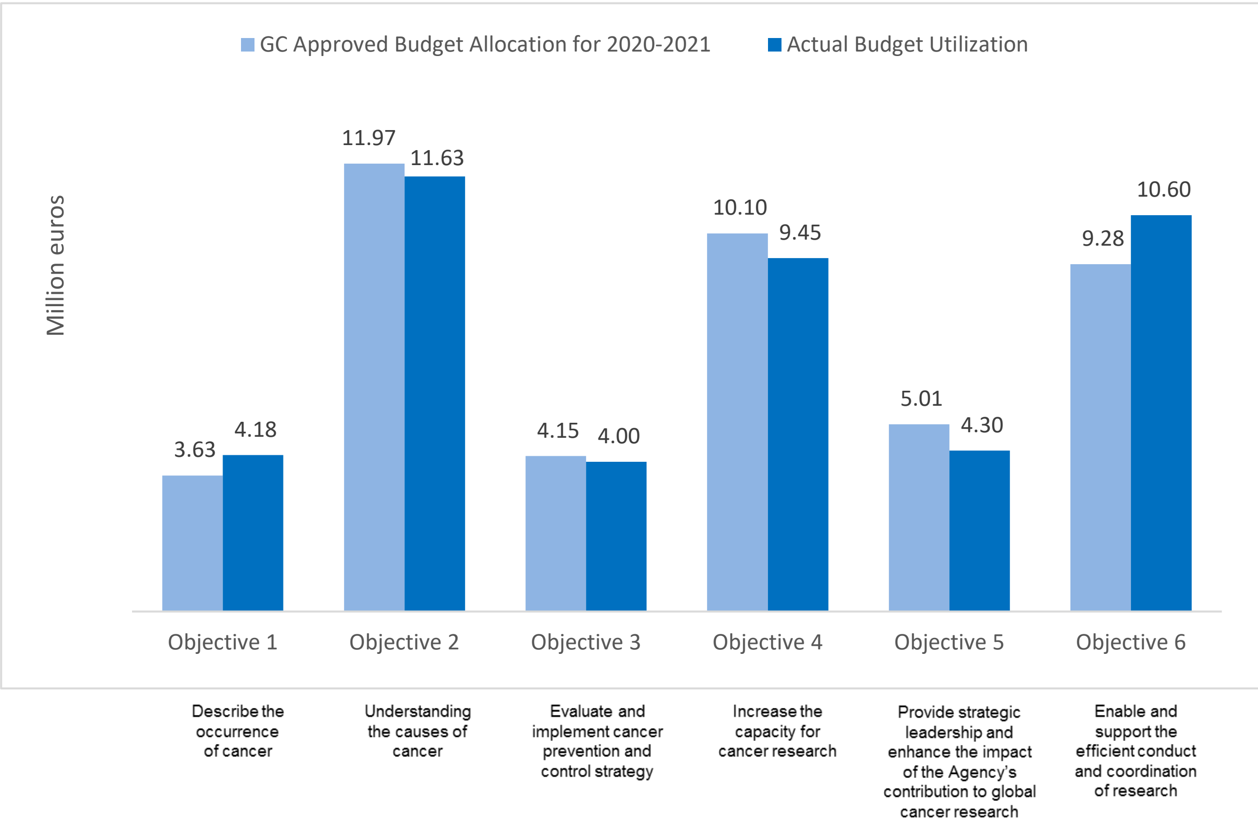



Figure 1: Approved regular budget and actual budget utilization in 2021

13. 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.

14. The exchange rate applied by the Governing Council when approving the 2020–2021 budget was €0.819/US$. The average United Nations Operational Rates of Exchange for the year 2021 was €0.843/US$. The depreciation of the value of the euro in 2021 resulted in total financial costs of €0.014 million. The Agency covered these unforeseen costs related to currency realignments from the budgetary provision authorized in Resolution GC/61/R5, paragraph 6.

**Voluntary Contributions**

15. The Voluntary Contributions Account comprises designated contributions, undesignated contributions and the Core Voluntary Contribution Account (CVCA). Designated contributions are specifically earmarked by the donor to finance special projects while undesignated contributions and CVCA do not have these conditions attached.

16. CVCA was established in 2019 to receive supplementary funds from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9). In 2021, additional contributions amounting to €0.058 million were received to supplement the 2020–2021 biennium regular budget as follows:

| | |
|---|---|
| Netherlands | 24 097 |
| United Kingdom of Great Britain and Northern Ireland | 33 407 |
| Total | €57 504 |

17. The recognition of revenue from Voluntary Contributions depends on conditions set in the agreements. The total revenue of the Voluntary Contributions Account recognized during 2021 amounted to €13.90 million as shown in Statement II, of which 2.12% was against undesignated voluntary contributions. Information document GC/64/Inf.Doc 3 provides additional details on the Voluntary Contributions.

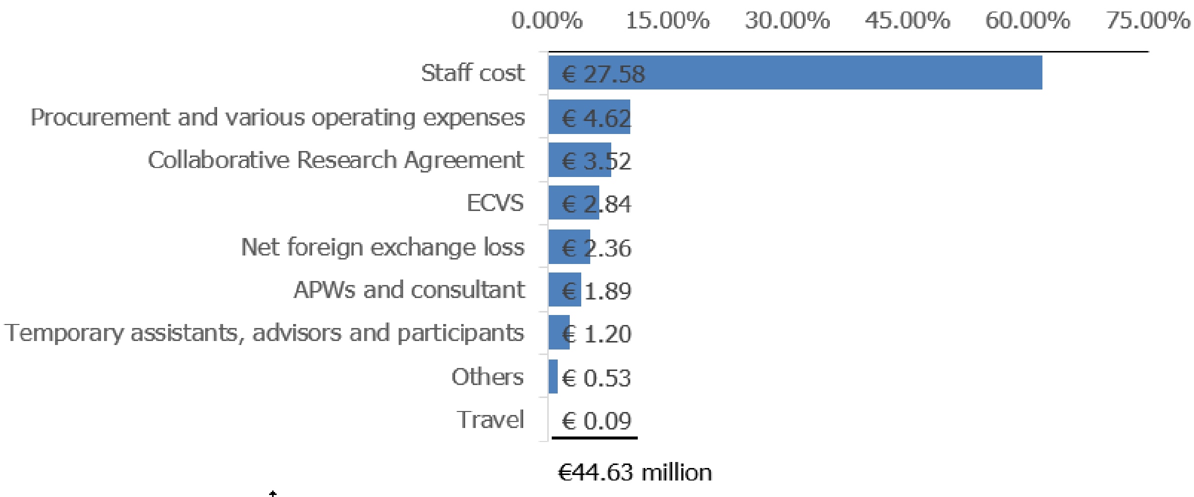
**Expenses**

18. Total expenses incurred in 2021 amounted to €44.63 million. 51.96% were charged on regular budget, 27.22% on voluntary contributions, and the remaining 20.82% on other funds.

19. About 61.80% of expenses were staff costs, 6.36% were costs of Early Career and Visiting Scientists (ECVS), and the remaining 31.84% were activity costs.

20. The most significant activity costs were procurement and other operating expenses (10.36%), Collaborative Research Agreements (7.90%), as well as APWs and consultants (4.23%). Travel costs were 0.19%, which is significantly lower than previous years due to a travel ban policy imposed since March 2020 due to the Covid-19 pandemic.

Figure 2: Total expenditure in 2021 on staff, ECVS, and activities




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

21. As described under Note 5.3 of the financial statements, accrued staff benefit liabilities as at 31 December 2021 amounted to €87.60 million, of which €78.98 million were unfunded.

22. The ASHI funded ratio has improved from 26% in 2020 to 32% in 2021. The net deficit or unfunded ASHI net liabilities decreased from €99.31 million in 2020 to €84.24 million in 2021, or a net decrease of €15.07 million.

The improvement in the funded ratio reflects favourable performance of both the Define Benefit Obligation (DBO) – liability and the assets.

The DBO has decreased due to gain from experience and assumption changes. This gain is primarily due to favourable claims experience during the year, an increase to anticipated short-term withdrawal rates (from a spring 2021 Aon study), and an increase in discount rates from 0.2% in 2020 to 0.4% in 2021.

The ASHI fund (asset) increased to US$45.54 in 2021 from US$42.19 in 2020 (or net increase of US$3.35 million), due to contributions and asset returns in excess of benefit payments. The asset returned an additional US$1.31 million, due to favourable equity market performance, partially offset by the unfavourable asset impact of rising market interest rates.

23. 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 a higher investment return over the long-term time horizon.

24. 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, and they do not impact IARC's healthy operational performance.

## REPORT OF THE EXTERNAL AUDITOR

**K Subramaniam**
Director External Audit
World Health Organisation

M 19, World Health Organisation
Avenue Appia, 1211 Geneva
Mob +41 787068832

### LETTER OF TRANSMITTAL

**28 March 2022**

**Dear Dr. Robbins,**

On behalf of Comptroller and Auditor General of India (CAG), I have the honour to present to the Governing Council, the External Auditor's report on the financial statements of the International Agency for Research on Cancer (IARC)

Yours sincerely,

**K Subramaniam**

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

**K Subramaniam**
Director External Audit
World Health Organisation

लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

M 19, World Health Organisation
Avenue Appia, 1211 Geneva
Mob +41 787068832

**REPORT OF THE EXTERNAL AUDITOR TO THE GOVERNING COUNCIL ON THE FIANCIAL STATEMENTS OF THE INTERNATIONAL AGENCY FOR RESEARCH ON CANCER (IARC) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**28 March 2022**

**Dear Dr. Weiderpass,**

On behalf of Comptroller and Auditor General of India (CAG), I have the honour to present 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 external audit has received in the performance of the audit mandate.

**Yours sincerely,**

**K Subramaniam**

**Dr. Elisabete Weiderpass**
**Director**
**Management Committee**
**International Agency for Research on Cancer**
**150 Cours Albert Thomas**
**69372 Lyon**
**France**

## Report of the External Auditor on the financial statements

### Audit Opinion

### 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 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IARC as at 31 December 2021, and its financial performance, and cash flows 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 IPSAS compliant financial statements and the other information, which comprises the information included in the Financial Report for the year ended 31 December 2021.

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.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a long-form report on our audit of the International Agency for Research on Cancer.

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

28 March 2022

# 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 Advisory 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 and Corporate Dashboards 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 September 2021. 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, 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 adopted with slight modifications by IARC. IARC Branches have 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 member of personnel is expected to identify risks at their own level with escalation coming through communication to Branch Heads, who are represented on the Senior Advisory 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 Advisory 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. The most significant control and risk issues identified in 2021 are listed further below.

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 and 2021. The checklist was completed and submitted to the Director by responsible units. The 2021 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 2021-2025 established by IARC Participating States. In 2021, the Sections of Infections (INF) and Mechanisms of Carcinogenesis (MCA) were 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 and above, 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 2021.

Based on consolidated findings of IARC's Principal Risk Register in 2021, 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 **covid-19 pandemic**, 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. | 1. Maintain close contact with PS<br>2. Actively attract new PS by explaining value and benefits of IARC membership<br>3. Avoid politicizing IARC<br>4. Keep discussions focused on scientific and technical issues |
| External forces resulting in **interruptions of utility services** (city water/gas/electricity and other services) **to the IARC building**, potentially affecting histopathology and other scientific equipment and scientific output. | 1. Electricity risks mitigated by use of surge protector and UPS provision.<br>2. Split samples/reagents between cold room and fridge |
| Due to the **lack of growth of assessed contributions** (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. | 1. A resource mobilization strategy has been developed<br>2. Targeted resource mobilization with main existing and potential new donors<br>3. IARC Investment case<br>4. Transformation of the resource mobilization, communications and partnerships as part of an integrated Strategic Engagement and Outreach function<br>5. Liaison with PS, GC Chair and WHO on a regular basis to avoid a diplomatic deadlock |
| Due to the **deteriorating conditions of the building**, there is a risk of business interruptions, affecting business continuity (including effective storage of samples in the IARC BioBank). | 1. In coordination with French authorities much needed renovation works being carried out continuously<br>2. Contingency plans elaborated, and teleworking encouraged during covid-19 pandemic<br>3. Move to the Nouveau Centre |
| Due to the **evolving global economic crisis**, 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. | 1. Resource mobilization strategy elaborated and put in action with active outreach to potential donors<br>2. Request for expression of interest launched on UN global marketplace<br>3. Discussions with LCL ongoing for a potential bank loan<br>4. GCSF being explored as potential partial source of funding |
| Due to a **suboptimal data security systems**, 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. | 1. Implement priority agency-wide security roadmap initiatives - covering governance, prevention, detection, response and recovery<br>2. Execute Cybersecurity campaign to increase user awareness across the Agency<br>3. Update and implement Cybersecurity policies |
| Due to **suboptimal implementation of internationally recognized data security and data privacy guidelines** (similar to GDPR), there is a | 1. Elaborate Data Protection Policy with WHO<br>2. Liaise with IOs and EDPS to find solutions for IARC while an overarching solution is put in place |

| Risk description | Risk response actions |
|---|---|
| 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. | 3. Continue to improve IARC's data security measures |
| Due to changing **security climate**, **physical security** of IARC staff and premises can be compromised, potentially leading to loss of life, human suffering, financial loss and reputational damage to IARC. | 1. The capacity of Security services has been increased at WHO<br>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)<br>3. Regular security and safety training provided to staff<br>4. UNDSS BSAFE and UN SSAFE training courses are mandatory. |

## 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 2021 in line with its Internal Control Framework.

Elisabete Weiderpass, MD, MSc, PhD
IARC Director

International Agency for Research on Cancer

World Health Organization

## CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

| | |
|---|---|
| Tamás Landesz, MBA, MPA, MALD, PhD | Elisabete Weiderpass, MD, MSc, PhD |
| Director of Administration and Finance | IARC Director |

# FINANCIAL STATEMENTS

## STATEMENT I – Statement of Financial Position

**International Agency for Research on Cancer**
**Statement of Financial Position**
**As at 31 December 2021**
(amount in Euros)

| | Notes | As at **31 December 2021** | As at **31 December 2020** |
|---|---|---|---|
| **ASSETS** | Note 4 | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4.1 | 41 940 064 | 34 677 017 |
| Accounts receivable, net | 4.2 | 17 295 652 | 17 922 156 |
| Staff receivables | 4.3 | 98 417 | 107 561 |
| Prepayments | 4.4 | 491 315 | 308 792 |
| Inventories | 4.6 | 304 756 | 288 091 |
| **Total current assets** | | 60 130 204 | 53 303 617 |
| **Non-current assets** | | | |
| Accounts receivable, net | 4.2 | 8 743 978 | 4 000 515 |
| Property, plant and equipment - net | 4.7 | 1 454 876 | 1 738 617 |
| **Total non-current assets** | | 10 198 854 | 5 739 132 |
| **TOTAL ASSETS** | | **70 329 058** | **59 042 749** |
| **LIABILITIES** | Note 5 | | |
| **Current liabilities** | | | |
| Contributions received in advance | 5.1 | 1 129 922 | 675 486 |
| Accounts payable | 5.2 | 1 650 997 | 1 369 196 |
| Accrued staff benefits | 5.3 | 1 348 112 | 1 471 199 |
| Deferred revenue | 5.4 | 9 633 758 | 7 961 270 |
| **Total current liabilities** | | 13 762 789 | 11 477 151 |
| **Non-current liabilities** | | | |
| Accrued staff benefits | 5.3 | 86 256 065 | 101 087 406 |
| Deferred revenue | 5.4 | 8 532 922 | 4 060 842 |
| **Total non-current liabilities** | | 94 788 987 | 105 148 248 |
| **TOTAL LIABILITIES** | | **108 551 776** | **116 625 399** |
| **NET ASSETS/EQUITY** | Note 6 | | |
| **Fund** | | | |
| Regular Budget | 6.1 | 2 090 258 | 2 997 702 |
| Voluntary Contributions | 6.2 | 17 045 937 | 16 258 430 |
| Working Capital Fund | 6.3 | 1 749 542 | 2 338 845 |
| Other IARC funds | | | |
| Governing Council Special Funds | 6.4 | 13 335 189 | 9 290 457 |
| Special Account for Programme Support Costs | 6.5 | 4 727 596 | 4 382 133 |
| Participating States - Others | 6.6 | (77 223 569) | (92 900 933) |
| Trust Fund | 6.7 | 52 329 | 50 716 |
| **TOTAL NET ASSETS/EQUITY BALANCES** | | (38 222 718) | (57 582 650) |
| **TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES** | | **70 329 058** | **59 042 749** |

## STATEMENT II – Statement of Financial Performance

**International Agency for Research on Cancer**
**Statement of Financial Performance**
**For the year ended 31 December 2021**
(amount in Euros)

| | Notes | for the year ended **31 December 2021** | for the year ended **31 December 2020** |
|---|---|---|---|
| **REVENUE** | Note 7 | | |
| Assessed contributions | 7.1 | 22 848 571 | 21 661 671 |
| Voluntary contributions | 7.2 | 13 897 713 | 15 207 992 |
| Revenue-producing activities | 7.3 | 1 946 778 | 1 937 150 |
| Other operating revenue | 7.4 | 7 002 | 22 453 |
| Trust Funds | 7.5 | 6 035 | 9 575 |
| Financial revenue | 7.6 | 2 942 | 29 657 |
| **Total revenue** | | **38 709 041** | **38 868 498** |
| **EXPENSES** | Note 8 | | |
| Staff cost | 8.1 | 27 580 782 | 34 474 517 |
| Temporary assistants, advisors and participants | 8.2 | 1 201 497 | 664 746 |
| Fellows | 8.3 | 2 838 072 | 2 555 175 |
| Duty travel (staff, fellows) | 8.4 | 86 880 | 88 191 |
| Research and other agreements | 8.5 | 5 415 758 | 3 876 245 |
| Procurement and various operating expenses | 8.6 | 4 623 615 | 4 180 246 |
| Cost of distribution and disposal of inventories | 8.7 | 160 450 | 238 627 |
| Depreciation | 8.8 | 351 157 | 524 908 |
| Financial cost | 8.9 | 16 102 | 16 682 |
| **Total expenses** | | **42 274 313** | **46 619 337** |
| Net foreign exchange loss (gain) | 8.10 | 2 358 475 | (2 694 629) |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | **(5 923 747)** | **(5 056 210)** |

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

**International Agency for Research on Cancer**
**Statement of Changes in Net Assets/Equity**
**For the year ended 31 December 2021**
(amount in Euros)

| | Notes | Balance as at **31 December 2020** | **Surplus (deficit) in 2021** | **Remeasurement Gain/(Loss) on DBO and Plan Asset** | Balance as at **31 December 2021** |
|---|---|---|---|---|---|
| **Fund** | | | | | |
| Non-restricted (Participating States) | | | | | |
| Regular Budget | 6.1 | 2 997 702 | ( 907 444) | | 2 090 258 |
| Working Capital Fund | 6.3 | 2 338 845 | ( 589 303) | | 1 749 542 |
| Other IARC Funds | 6.4-6.6 | (79 228 343) | (5 216 120) | 25 283 679 | (59 160 784) |
| Total non-restricted | | (73 891 796) | (6 712 867) | 25 283 679 | (55 320 984) |
| Restricted | | | | | |
| Voluntary Contributions | 6.2 | 16 258 430 | 787 507 | | 17 045 937 |
| Trust Fund | 6.7 | 50 716 | 1 613 | | 52 329 |
| Total restricted | | 16 309 146 | 789 120 | | 17 098 266 |
| **Total net assets/equity balance** | | **(57 582 650)** | **(5 923 747)** | **25 283 679** | **(38 222 718)** |

## STATEMENT IV – Statement of Cash Flows

**International Agency for Research on Cancer**
**Statement of Cash Flows**
**For the year ended 31 December 2021**
(amount in Euros)

| | Notes | As at **31 December 2021** | As at **31 December 2020** |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net surplus (deficit) for the year | | (5 923 747) | (5 056 210) |
| Depreciation | 8.8 | 351 157 | 524 908 |
| Unrealized (gains)/losses on revaluation | 8.9 | 3 622 986 | (3 881 945) |
| (Increase) decrease in current accounts receivable, current | 9 | 1 024 668 | ( 28 461) |
| (Increase) decrease in staff receivables | 9 | 9 540 | 24 085 |
| (Increase) decrease in prepayments | | ( 182 523) | 96 821 |
| (Increase) decrease in interest receivables | | | 16 610 |
| (Increase) decrease in inventories | | ( 16 665) | ( 53 006) |
| (Increase) decrease in accounts receivable, non-current | 9 | (4 483 961) | 235 151 |
| Increase (decrease) in assessed contributions received in advance | | 454 436 | ( 299 122) |
| Increase (decrease) in accounts payable | 9 | 281 817 | 141 545 |
| Increase (decrease) in accrued staff benefit, current liabilities | | ( 123 087) | 454 729 |
| Increase (decrease) in deferred revenue, current liabilities | | 1 672 488 | (1 807 892) |
| Increase (decrease) in accrued staff benefit, non-current liabilities | 9 | 6 171 274 | 12 012 043 |
| Increase (decrease) in deferred revenue, non-current liabilities | | 4 472 080 | 55 215 |
| **Net increase (decrease) in cash flows from operating activities** | | **7 330 463** | **2 434 471** |
| **Cash flows from investing activities** | | | |
| (Increase) decrease in property, plant and equipment | 9 | **( 67 416)** | **( 152 356)** |
| **Net increase (decrease) in cash and cash equivalents** | | **7 263 047** | **2 282 115** |
| **Cash and cash equivalents at the beginning of the year** | | **34 677 017** | **32 394 902** |
| **Cash and cash equivalents at the end of the year** | 4.1 | **41 940 064** | **34 677 017** |

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

**International Agency for Research on Cancer**
**Statement of Comparison of Budget and Actual Amounts (Regular Budget Appropriation for 2020-2021)**
**For the year ended 31 December 2021**
(amount in Euros)

| Purpose of appropriation | 2020-21 Programme Budget Appropriations | | | | Budget Utilization | | | | % utilization |
|---|---|---|---|---|---|---|---|---|---|
| | Approved Appropriations by Governing Council | | Transfers (IARC Financial Regulations 3.3) | Effective appropriations | Expenses | | Encumbrance | Total Utilization | |
| | 2020 | 2021 | | | 2020 | 2021 | 2021 | | |
| 1. Describe the occurrence of cancer | 1 795 693 | 1 837 530 | 544 231 | 4 177 454 | 1 933 609 | 2 210 949 | 32 896 | 4 177 454 | *9.46%* |
| 2. Understand the causes of cancer | 5 927 078 | 6 045 493 | ( 343 627) | 11 628 944 | 4 978 395 | 6 279 165 | 371 384 | 11 628 944 | *26.34%* |
| 3. Evaluate and implement cancer prevention and control strategies | 2 056 552 | 2 096 598 | ( 148 695) | 4 004 455 | 1 319 968 | 2 589 309 | 95 178 | 4 004 455 | *9.07%* |
| 4. Increase the capacity for cancer research | 5 014 406 | 5 089 389 | ( 657 795) | 9 446 000 | 4 237 668 | 4 546 749 | 661 583 | 9 446 000 | *21.40%* |
| 5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research | 2 488 551 | 2 518 252 | ( 709 460) | 4 297 343 | 1 932 879 | 2 256 745 | 107 719 | 4 297 343 | *9.73%* |
| 6. Enable and support the efficient conduct and coordination of research | 4 583 471 | 4 696 780 | 1 315 346 | 10 595 597 | 4 465 530 | 5 308 569 | 821 498 | 10 595 597 | *24.00%* |
| **TOTAL** | **21 865 751** | **22 284 042** | | **44 149 793** | **18 868 049** | **23 191 486** | **2 090 258** | **44 149 793** | *100.00%* |

**RECONCILIATION** (see Note 10)

| | |
|---|---|
| **TOTAL EXPENSES AS PER STATEMENT V** | **23 191 486** |
| **a) Time differences:** | |
| Regular Budget expenditure in other periods | |
| **b) Basis differences:** | |
| Common fund activities | 267 076 |
| Other non-Regular Budget utilisation | 21 174 226 |
| Sub-total | **21 441 302** |
| **TOTAL EXPENSES AS PER STATEMENT II** | **€ 44 632 788** |

# 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 2021 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.

<u>UNJSPF</u>: 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).

<u>ASHI</u>: 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 US$ and GBP accounts. Balances as at 31 December 2021 were converted to euros using UNORE (US$ 6 665 121 at €0.881/US$ and GBP3 545 969 at €1.187/GBP).

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Cash on hand | 18 348 | 6 592 |
| Cash at UNDP | 122 210 | 279 269 |
| Bank deposits | 41 799 506 | 34 391 156 |
| Total | €41 940 064 | €34 677 017 |

### 4.2 Accounts receivable, net

The total account receivable amounted to €26 039 630 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 2021, there was accumulated allowances for doubtful accounts receivable amounting to €1 680 808. The details of current and non-current accounts receivable are provided below.

| | Current | Non-Current | Total 31-Dec-21 | 31-Dec-20 |
|---|---|---|---|---|
| Uncollected assessed contributions | 4 256 515 | | 4 256 515 | 4 774 830 |
| Designated voluntary contributions | 13 014 539 | 8 743 978 | 21 758 517 | 16 336 392 |
| Other accounts receivable* | 1 705 406 | | 1 705 406 | 1 868 304 |
| Total accounts receivable | 18 976 460 | 8 743 978 | 27 720 438 | 22 979 526 |
| Less: Accumulated allowances | (1 680 808) | | (1 680 808) | (1 056 855) |
| Total accounts receivable, net | €17 295 652 | €8 743 978 | €26 039 630 | €21 922 671 |

*Other accounts receivable comprises of royalties and sales of publication receivables (€1 539 166), VAT refund (€164 466), and supplier's deposit (€1 774).

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

| | Current | Non-Current | Total 31-Dec-21 | Total 31-Dec-20 |
|---|---|---|---|---|
| Opening balance of allowance for assessed contribution | 1 056 855 | 0 | 1 056 855 | 444 614 |
| 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 | 1 056 855 | 0 | 1 056 855 | 444 614 |
| Add: Allowance for assessed contribution | 623 953 | 0 | 623 953 | 612 241 |
| Allowance for designated VC | 0 | 0 | 0 | 0 |
| Allowance for other receivables | 0 | 0 | 0 | 0 |
| Total allowances for doubtful receivables | 1 680 808 | 0 | 1 680 808 | 1 056 855 |
| Less: 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 | €1 680 808 | €0 | €1 680 808 | €1 056 855 |

### 4.3 Staff receivables

The total balance of staff receivables amounted to €98 417, net decrease by €9 144 from the prior period. Breakdown by type of receivables are as follows.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Education grant advance | 66 436 | 82 404 |
| Duty travel advance | 26 454 | 21 088 |
| Salary advance | 5 527 | 934 |
| Home leave advance | | 3 042 |
| Miscellaneous advance | | 93 |
| Total | €98 417 | €107 561 |

### 4.4 Prepayments

The total value of prepayments is €491 315, 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 2022 is included in this account.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Prepayment to suppliers | 257 524 | 121 324 |
| Stipend advance | 233 791 | 185 488 |
| Prepaid insurance | | 1 980 |
| Total | €491 315 | €308 792 |

### 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 2021.

### 4.6 Inventories

The amount of €304 756 represents the value of IARC publication inventories, of which €69 463 relates to the Work in Progress and €235 293 relates to Finished Goods held for sales at WHO Press as at the end of the reporting period.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Balance at beginning of year | 288 091 | 235 085 |
| Additions | 177 115 | 291 633 |
| Distributions | (159 177) | (236 413) |
| Disposals/adjustments | (1 273) | (2 214) |
| Balance at end of year | €304 756 | €288 091 |

### 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 €1 454 876. 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-21 | Total 31-Dec-20 |
|---|---|---|---|---|---|---|---|
| *Cost or valuation:* | | | | | | | |
| Balance at beginning of year | 2 906 098 | 4 939 803 | 976 833 | 14 441 | 113 689 | 8 950 864 | 8 798 509 |
| Additions | | 67 416 | | | | 67 416 | 152 356 |
| Disposals | | (62 132) | (117 092) | | (62 089) | (241 313) | |
| Balance at end of year | 2 906 098 | 4 945 087 | 859 741 | 14 441 | 51 600 | 8 776 967 | 8 950 865 |
| *Accumulated depreciation:* | | | | | | | |
| Balance at beginning of year | 1 796 795 | 4 361 373 | 925 950 | 14 441 | 113 689 | 7 212 248 | 6 687 340 |
| Charges for the year | 72 654 | 67 415 | 50 094 | | | 351 157 | 524 908 |
| Disposals | | (62 132) | (117 092) | | (62 089) | (241 313) | |
| Balance at end of year | 1 869 449 | 4 527 649 | 858 952 | 14 441 | 51 600 | 7 322 091 | 7 212 248 |
| *Net book value:* | | | | | | | |
| At beginning of year | 1 109 303 | 578 431 | 50 883 | 0 | 0 | 1 738 617 | 2 111 169 |
| At end of year | 1 036 649 | 417 438 | 789 | 0 | 0 | 1 454 876 | 1 738 617 |

In addition, IARC has 157 items of PP&E with the total gross acquisition value of €4 816 890 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 €1 129 922 represents 2022 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Assessed contribution received in advance | 1 113 522 | 669 401 |
| Voluntary contribution received in advance | 14 315 | 4 000 |
| Other revenue received in advance | 2 085 | 2 085 |
| Total | €1 129 922 | €675 486 |

### 5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 650 997. Staff/STA/fellows payable below include payment of travel and expense reimbursements.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Staff/STA/fellows | 767 | 7 821 |
| Suppliers | 66 643 | 146 |
| Accrued expenses | 1 583 587 | 1 361 229 |
| Total | €1 650 997 | €1 369 196 |

### 5.3 Accrued staff benefits

Accrued staff benefits, total €87 604 177, include short-term benefits, post employee benefits (staff health insurance – ASHI), and other long-term benefits. This amount includes unfunded liabilities totalling €78 983 201 (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:

| | Current | Non-Current | Total 31-Dec-21 | Total 31-Dec-20 |
|---|---|---|---|---|
| Short-term employee benefits | 1 058 482 | - | 1 058 482 | 1 259 181 |
| Other long-term employee benefits | 170 423 | 2 017 521 | 2 187 944 | 1 904 690 |
| Termination benefits | 119 207 | | 119 207 | 81 653 |
| Post employee benefits (i.e. ASHI) | - | 84 238 544 | 84 238 544 | 99 313 081 |
| Total | €1 348 112 | €86 256 065 | €87 604 177 | €102 558 605 |

**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 €8 620 976 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 during 2018-2019).

*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% during 2018-2019).

| | TQ | TP | POC | Total 31-Dec-21 | Total 31-Dec-20 |
|---|---|---|---|---|---|
| Fund balance at beginning of year | 2 958 289 | 4 065 384 | 607 291 | 7 630 964 | 6 704 060 |
| Plus: Fund inflow during the year | 749 184 | 600 603 | 316 481 | 1 666 268 | 1 377 504 |
| Less: Fund outflow during the year | (366 940) | (309 316) | | (676 256) | (450 600) |
| Fund balance at end of year | €3 340 533 | €4 356 671 | €923 772 | €8 620 976 | €7 630 964 |

The outflow fund in 2021 includes the following payments on employee benefits.

| | Current | Non-Current | Total 31-Dec-21 |
|---|---|---|---|
| Recruitment entitlements | 39 208 | | 39 208 |
| Separation entitlements | 195 843 | 161 109 | 356 952 |
| Education grants | 223 605 | | 223 605 |
| Home leave travels | 50 596 | | 50 596 |
| Periodic medical and insurance | 5 895 | | 5 895 |
| Total fund outflow | € 515 147 | € 161 109 | € 676 256 |

**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. The value of each day of accumulated unused annual leave is calculated according to the Staff Rules, Section 3, paragraph 380.2.2. and 630.8.

For 2020, a special measure was exceptionally implemented allowing up to 45 days unused annual leave days encashment (i.e. 15 days beyond the 30 days set out in SR 630.8) on leaving the service of the Organization as at 31 December 2020.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Accrued annual leave | 1 031 908 | 1 226 219 |
| Educational grants | 26 574 | 32 962 |
| Accrued staff salaries | | |
| Total Defined Benefit Obligation at end of year | €1 058 482 | €1 259 181 |

**Reconciliation**:

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Defined Benefit Obligation at beginning of year | 1 259 181 | 902 205 |
| Plus: Expense incurred during the year | 166 241 | 746 405 |
| Less: Actual payment | (366 940) | (389 429) |
| Defined Benefit Obligation at end of year | €1 058 482 | €1 259 181 |

### 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 2021 was used for 2021 financial statements.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Grant in case of death | 160 393 | 145 919 |
| Repatriation grant | 1 588 842 | 1 377 425 |
| Repatriation removal | 314 997 | 274 146 |
| Repatriation travel | 102 645 | 89 092 |
| Termination for reasons of health | 21 067 | 18 108 |
| Total Defined Benefit Obligation at end of year | €2 187 944 | €1 904 690 |

**Actuarial summary**

| | **31/12/2021 Valuation** | **31/12/2020 Valuation** |
|---|---|---|
| **Reconciliation of Defined Benefit Obligation--142(a)(ii)** | | |
| Defined Benefit Obligation at Beginning of Year | 1 904 690 | 2 077 480 |
| Service Cost | 167 184 | 183 565 |
| Interest on Defined Benefit Obligation | 5 518 | 16 162 |
| (Actual Gross Benefit Payments) | (161 109) | (100 171) |
| Participant Contributions | | |
| Changes in Accounting Methods | | |
| Plan Amendments | | |
| (Gain)/Loss Due to Financial Assumption Changes | 17 401 | (91 185) |
| (Gain)/Loss Due to Other Changes | 254 260 | (181 161) |
| Defined Benefit Obligation at End of Year | €2 187 944 | €1 904 690 |

| | | |
|---|---|---|
| **Reconciliation of Assets--142(a)(i)** | | |
| Market Value of Assets at Beginning of Year | | |
| (Actual Gross Benefit Payments) | (161 109) | (100 171) |
| Participant Contributions | | |
| Organization Contributions | 161 109 | 100 171 |
| Interest on Assets | | |
| Gain/(Loss) on Plan Assets | | |
| Market Value of Assets at End of Year | € | € |
| | | |
| **Reconciliation of Funded Status--142** | | |
| Defined Benefit Obligation (DBO) | 2 187 944 | 1 904 690 |
| (Plan Assets) | | |
| Net (Surplus)/Deficit in Statement of Financial Position | €2 187 944 | €1 904 690 |
| Current (Asset)/Liability | € 170 423 | € 130 365 |
| Noncurrent (Asset)/Liability | €2 017 521 | €1 774 325 |
| | | |
| Total (Gain)/Loss during the Year | 271 661 | (272 346) |
| | | |
| **Sensitivity Analysis--147(a)** | | |
| Defined Benefit Obligation | | |
| Current Discount Rate Assumption Minus 1% | €2 351 825 | €2 097 918 |
| Current Discount Rate Assumption | €2 187 944 | €1 904 690 |
| Current Discount Rate Assumption Plus 1% | €1 963 357 | €1 738 095 |
| | | |
| Approximate Duration (in Years) of Defined Benefit Obligation | 9 | 10 |

| **Statement of Financial Performance** | **2021** | **2020** |
|---|---|---|
| Service Cost | 167 184 | 183 565 |
| Interest on (Surplus)/Deficit | 5 518 | 16 162 |
| Remeasurements | 271 661 | (272 346) |
| Total Expense | € 444 363 | (€ 72 619) |
| | | |
| **Expected Accounting Contributions During Next Year--149(b)** | | |
| Expected Contributions during Next Year | € 171 103 | € 130 560 |
| | | |
| **Selected Assumptions at 31 December** | | |
| Discount Rate | 0.8% | 0.3% |
| General Inflation Rate | 2.1% | 1.4% |

**Summary of Principal Plan Provisions in the Valuation**

| | |
|---|---|
| Effective Date | Based on the 1 February 2016 WHO Staff Regulations and Staff Rules.<br><br>Those provisions were subsequently updated to reflect an increased vesting requirement for the repatriation grant for post-2016 hires and temporary COVID-19 measures. Those changes are described in from WHO's Human Resources, dated 01 July 2020,<br>10 November 2020, and 24 November 2021.<br><br>IARC confirmed that no other changes, materially impacting the valuation, were adopted through 31 December 2021.<br><br>Below, we document the provisions for only those Terminal Payments benefits included in the valuation. |

| | |
|---|---|
| **Eligibility** | |
| Grant in Case of Death | All staff members. Benefit is payable on the death of a staff member, except for deaths attributable to the performance of official duties. (Those deaths instead result in Special Fund for Compensation benefits.)<br><br>The payment is made:<br><br>▪ To the spouse, if the staff member was married, or<br>▪ In equal shares to any children, if the staff member was unmarried.<br><br>We understand that the benefit is payable to the estate if the deceased staff member had no spouse or children. |
| Repatriation Grant | Expatriate staff members who meet the requirement for years of service outside their recognized country of residence at separation. That requirement is one year for staff hired before 2017 and five years for staff hired in 2017 or later.<br><br>For staff meeting the service requirement, benefit is payable upon separation for any reason other than summary dismissal, including death, disablement, termination, or retirement.<br><br>Payment of the benefit is contingent upon relocation from the country of the final duty station to another country. |
| Relocation Shipment | For shipment of household goods, expatriate staff appointed for a scheduled period of at least two years away from the area of their official station, provided the staff actually complete at least one year of that service.<br><br>Payment of the benefit is contingent upon relocation from the country of the final duty station to another country. |
| Repatriation Travel | Separation of an expatriate staff member having served one year of service while stationed away from the recognized country of residence, regardless of the scheduled duration of the appointment.<br><br>Payment of the benefit is contingent upon relocation from the country of the final duty station to another country. |
| Termination for Reasons of Health | All staff members. Benefit is payable upon the determination that a staff member is incapable of performing his or her current duties due to disablement, except for disablements attributable to the performance of official duties. (Those disablements instead result in Special Fund for Compensation benefits.) |
| **Benefit Formula** | |
| Terminal Remuneration | Terminal remuneration is defined as follows:<br><br>▪ For professional and higher grade staff, net base pay only.<br>▪ For general service staff, net base pay plus language allowance and non-resident's allowance. |

| | |
|---|---|
| Relocation Shipment | An eligible staff member is reimbursed for expenses associated with the transportation of personal effects and the shipment of household goods, subject to limits that vary by staff member type (temporary or permanent).<br><br>Alternatively, upon furnishing evidence of relocation:<br><br>▪ An eligible fixed-term or continuing term staff member may elect a lump sum of \$10,000 if the staff member has no dependents or \$15,000 if the staff member has one or more dependents.<br><br>▪ A temporary staff member may elect a lump sum of \$7,000 if the staff member has no dependents or \$11,000 if the staff member has one or more dependents.<br><br>If an eligible staff member with no dependents dies in service, we understand that the relocation shipment benefit is payable if member's personal effects and household goods are removed from the country of the final duty station. |
| Repatriation Grant | The amount of the grant is dependent on full completed years and completed months of expatriate service and terminal remuneration.<br><br>The schedule of repatriation grant benefits is laid out in Exhibit A.<br><br>Upon death of a staff member, the grant payable is at the lower rate in Exhibit A if there is one surviving family member and at the higher rate if there is more than one surviving member. We understand that the grant is payable at the lower rate, to the estate, if there is no surviving family member. |
| Repatriation Travel | At separation, an eligible staff member may elect to be paid the actual cost of travel for each family member, including the staff member.<br><br>Upon the staff member's death in service, the survivors may elect to be paid the actual cost of travel for each family member, including the transportation of the staff member's remains.<br><br>Alternatively, the staff member or survivors may elect reimbursement for each family member of 30% of the average fully flexible economy class airfare (or cost for certain alternative travel methods) as determined by WHO, based on the specific travel anticipated.<br><br>As a result of COVID-19, the reimbursement includes any mandatory quarantine expenses and COVID-19 tests required for travel. |
| Termination Indemnity | The indemnity is based on years and completed months of service and terminal remuneration.<br><br>Below, we summarize only the provisions specific to termination indemnities routinely paid upon disability or death, which are included in the valuation. All other termination indemnities are accounted for as Termination Benefits and, therefore, excluded from the valuation. |
| Termination for Reasons of Health | The base benefit is a lump sum indemnity based on terminal remuneration and the length of service, as shown in Exhibit B.<br><br>The indemnity is reduced by the first 12 months of any disability annuity from the UNJSPF and by any accidental or illness insurance payments in the first 12 months. If the disablement is due to performance of official duties, a benefit is instead paid from the Special Fund for Compensation.<br><br>The resulting net benefit may then be increased by the Director-General by up to 50%. |
| Grant in Case of Death | The benefit is one month of terminal remuneration per year of service, with a minimum of three months of terminal remuneration and a maximum of nine months of terminal remuneration. |

**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 2021 determined by professional actuaries within the overall report to WHO is US$ 95 616 963, equivalent to € 84 238 544 at UNORE of €0.881/US$.

Revaluation of this account as of 31 December 2021 resulted to a unrealized foreign exchange loss of €8 042 532, of which €3 761 468 was charged directly to net asset/equity in Statement III (net unrealized foreign exchange gain of €7 166 574 in 2020, of which €3 125 149 was charged directly to net asset/equity in Statement III).

In accordance with IPSAS 39, the actuarial gain of US$ 32 968 385, equivalent to €29 045 147 using the 31 December 2021 UNORE of €0.881/US$ was charged directly to net assets/equity (Statement III) in 2021 (US$18 409 849 actuarial loss in 2020, equivalent to €15 004 027 using UNORE of €0.815/US$).

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

## Actuarial summary

| | 31-Dec-21 Valuation (US$) | 31-Dec-20 Valuation (US$) |
|---|---|---|
| **Reconciliation of Defined Benefit Obligation–142(a)** | | |
| Defined Benefit Obligation at beginning of year | 163 688 307 | 124 128 646 |
| Service cost | 8 570 309 | 6 904 131 |
| Interest on Defined Benefit Obligation | 326 111 | 741 361 |
| (Actual after service gross benefit payments) | (338 949) | (400 971) |
| (Actual after service administrative expenses) | (24 593) | (26 737) |
| Actual contributions by after service participants | 239 079 | 239 116 |
| Plan amendments adopted during the year | | 9 681 185 |
| Changes in accounting methods | | 0 |
| (Gain)/Loss on Defined Benefit Obligation Due to Financial Assumption Changes | (18 850 000) | 25 822 421 |
| (Gain)/Loss on Defined Benefit Obligation Due to Other Assumption Changes | (12 854 803) | (3 400 845) |
| Defined Benefit Obligation at end of year | US$ 140 755 461 | US$ 163 688 307 |
| | | |
| **Reconciliation of Incurred-But-Not-Paid Reserve–142(a)** | | |
| Incurred-But-Not-Paid Reserve at beginning of year | 356 000 | 399 000 |
| Interest on Incurred-But-Not-Paid Reserve during the year | 712 | 2 394 |
| (Gain)/Loss on Incurred-But-Not-Paid Reserve | 45 288 | (45 394) |
| Incurred-But-Not-Paid Reserve at end of year | 402 000 | US$ 356 000 |
| | | |
| **Reconciliation of Assets–142(a)** | | |
| Market value of ASHI at beginning of year | 42 187 766 | 36 051 424 |
| (Actual total SHI gross benefit payments) | (1 124 279) | (999 846) |
| (Actual total SHI administrative expenses) | (81 574) | (66 670) |
| Actual total SHI participant contributions | 1 039 011 | 1 008 550 |
| Actual total SHI organization contributions | 2 125 086 | 2 009 485 |
| Organization additional contributions during the year | | 0 |
| Interest on gross SHI assets | 85 618 | 218 490 |
| Gain/(loss) on Plan Assets | 1 308 870 | 3 966 333 |
| Market value of SHI assets at end of year | US$ 45 540 498 | US$ 42 187 766 |
| | | |
| **Reconciliation of Funded Status–142** | | |
| Defined Benefit Obligation | | |
| Active | 96 915 508 | 117 160 816 |
| Inactive | 43 839 953 | 46 527 491 |
| Incurred-But-Not-Paid Reserve | 402 000 | 356 000 |
| Total Defined Benefit Obligation | 141 157 461 | 164 044 307 |
| (ASHI Plan Assets) | (45 540 498) | (42 187 766) |
| Net (Surplus)/Deficit | US$ 95 616 963 | US$ 121 856 541 |
| Current (asset)/liability | 0 | 0 |
| Noncurrent (asset)/liability | US$ 95 616 963 | US$ 121 856 541 |
| | | |
| Total (Gain)/Loss during the year | US$ (32 968 385) | US$ 18 409 849 |

| | 31-Dec-21 Valuation (US$) | 31-Dec-20 Valuation (US$) |
|---|---|---|
| **Statement of Financial Performance** | | |
| Service cost | 8 570 309 | 6 904 131 |
| Interest on (Surplus)/Deficit | 241 205 | 525 265 |
| Past service (credit)/cost | | 9 681 185 |
| Total expense | US$ 8 811 514 | US$ 17 110 581 |
| | | |
| **Sensitivity Analysis–147(a)** | | |
| Defined Benefit Obligation at end of year | | |
| Current medical inflation assumption minus 1% | 107 373 677 | 123 866 899 |
| Current medical inflation assumption | 141 157 461 | 164 044 307 |
| Current medical inflation assumption plus 1% | 187 183 821 | 219 306 805 |
| | | |
| Current discount rate assumption minus 1% | 185 344 780 | 218 239 355 |
| Current discount rate assumption | 141 157 461 | 164 044 307 |
| Current discount rate assumption plus 1% | 109 843 137 | 126 078 242 |
| | | |
| **Expected Accounting Contributions–149(b)** | | |
| Expected contributions during next year | | |
| Contribution by/for active staff, net of claims/admin costs | 1 802 000 | 1 892 000 |
| Contribution by WHO for Inactives | 647 000 | 617 000 |
| Total expected contributions | US$ 2 449 000 | US$ 2 509 000 |

**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 2021 |
| Discount Rate | 0.4% (decreased from 0.2% in the prior valuation as at 31 December 2020)<br><br>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 | 1.2% (increased from 1.1% in the prior valuation as at 31 December 2020)<br>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 the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2%. 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 2021, contribution paid to the Fund amounted to US$ 6 095 181 (US$ 6 014 546 in 2020, US$ 6 013 290 in 2019, and US$ 5 744 060 in 2018).

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.

### 5.4 Deferred revenue

Deferred revenue represents multi-year agreements signed in and prior to 2021 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.

| | 31-Dec-20 | 31-Dec-20 |
|---|---|---|
| Current liabilities | 9 633 758 | 7 961 270 |
| Non-current liabilities | 8 532 922 | 4 060 842 |
| Total deferred revenue | €18 166 680 | €12 022 112 |

**Note 6: Net assets/equity**

The net assets/equity of the Agency increased by €19 359 932 at the end of the reporting period, largely due to the decrease in the funding gap related to the ASHI and the increase of Governing Council Special Fund. 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 in 2021 comprises of €22 284 042 budget approved for 2021 and €2 997 702 fund balance from 2020 approved regular budget. As at the end of reporting period, €2 090 258 was committed for delivery in subsequent calendar year.

**6.2 Voluntary Contributions**

| | 31-Dec-21 | 31-Dec-20 |
|---|---:|---:|
| Designated voluntary contribution | 16 036 103 | 15 389 121 |
| Undesignated voluntary contribution | 1 004 128 | 836 750 |
| Core voluntary contribution | 5,706 | 32 559 |
| Total | €17 045 937 | €16 258 430 |

**6.3 Working Capital Fund**

Fund balance decreased by €589 303, 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---:|---:|
| Beginning balance at beginning of year | 2 338 845 | 2 951 086 |
| Add: New Participating States contribution to WCF | 34 650 | 0 |
| Decrease in allowances upon receipt of assessed contribution in arrears | 0 | 0 |
| Less: Allowances for assessed contribution in arrears | (623 953) | (612 241) |
| Ending balance as at end of year | €1 749 542 | €2 338 845 |

**6.4 Governing Council Special Fund**

The fund balance of €13 335 189 includes reserves, i.e. expenses authorized by the Governing Council which are not yet incurred. The net increase of €4 044 732 came from contribution from new Participating States (see also Note 3.10b), revenue from sales of publications and net foreign exchange gain.

**6.5 Special Account for Programme Support Cost**

Fund balance had increase from €4 382 133 in 2020 to €4 727 596 during the reporting period.

## 6.6 Participating State – Others

The amount of €(77 223 569) 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:

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Inventories | 304 756 | 288 091 |
| Property, plant and equipment, net | 1 454 876 | 1 738 617 |
| Total common fund | €1 759 632 | €2 026 708 |

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

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Fund balance in TQ, TP, and POC accounts (Note 5.3b) | 8 620 976 | 7 630 964 |
| Accrued staff salaries funded from other source | 0 | 0 |
| Less: Total accrued staff benefits (Note 5.3a) | (87 604 177) | (102 558 605) |
| Total special purpose fund | €(78 983 201) | €(94 927 641) |

## 6.7 Trust Fund

This account has a balance of €52 329, 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Budgeted assessed contribution | 22 284 042 | 21 865 751 |
| Unbudgeted assessed contribution | 1 188 482 | 408 161 |
| Increase in allowance for doubtful accounts receivable | (623 953) | (612 241) |
| Total | €22 848 571 | €21 661 671 |

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 €22 284 042 shown on these Financial Statements represents the contribution from Participating States for 2021 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 contributions from Hungary and People's Republic of China, whose memberships were accepted in 2019 and 2021, respectively. The 2021 contributions were assessed in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and Resolution GC/54/R18.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Contribution from Hungary | 623 953 | 408 161 |
| Contribution from People's Republic of China | 564 529 | |
| Total | € 1 188 482 | € 408 161 |

Increase in allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable amounting to €623 953 was established for assessed contribution pending from a Participating State.

### 7.2 Voluntary contributions

The total revenue from voluntary contributions was €13 897 713. There was no write off nor allowance for doubtful accounts receivable in 2021.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Core Voluntary Contribution Account | 57 504 | 54 554 |
| Designated voluntary contributions* | 13 545 357 | 15 082 416 |
| Undesignated voluntary contributions | 294 852 | 71 022 |
| Total | €13 897 713 | €15 207 992 |

*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 2021 amounted to €1 946 778, which slightly increased from the prior year.

### 7.4 Other operating revenue

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Sale of equipment and materials | 1 236 | 579 |
| Other income | 5 766 | 21 874 |
| Total | €7 002 | €22 453 |

### 7.5 Trust fund

The amount of €6 035 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 €308 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 (€221) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€87). The remaining interest income amounting to €2 634 was credited to the Governing Council Special Fund.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Interest income apportioned to VC account | 308 | 4 251 |
| Interest income credited to GCSF account | 2 634 | 25 406 |
| Total | €2 942 | €29 657 |

### 7.7 Income from services rendered

The total programme support cost of €832 664 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).

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Staff cost | 22 522 607 | 22 895 649 |
| Actuarial cost | 5 058 175 | 11 578 868 |
| Total | €27 580 782 | €34 474 517 |

### 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Temporary assistant cost | 1 198 866 | 574 840 |
| Temporary advisor and participant cost | 2 631 | 89 906 |
| Total | €1 201 497 | €664 746 |

### 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Stipend and other entitlements | €2 838 072 | €2 555 175 |

### 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Travel cost | €86 880 | €88 191 |

### 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).

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Collaborative research and consortium agreements | 4 532 093 | 3 419 036 |
| Consultants cost | 433 143 | 229 470 |
| Agreement for the performance of work and others | 450 522 | 227 739 |
| Total | €5 415 758 | €3 876 245 |

### 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Utility and maintenance cost | 1 431 866 | 1 434 991 |
| Supplies & materials | 1 099 754 | 1 087 460 |
| Equipment and furniture | 952 913 | 828 387 |
| Security cost | 420 379 | 425 231 |
| Others operating cost | 718 703 | 404 177 |
| Total | €4 623 615 | €4 180 246 |

### 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.

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Cost of distribution and disposal of inventories | €160 450 | €238 627 |

### 8.8 Depreciation expense

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

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Depreciation | €351 157 | €524 908 |

### 8.9 Financial cost

This includes bank charges only.

### 8.10 Net foreign exchange loss

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

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Net realized foreign exchange loss (gain) | (1 264 511) | 1 187 316 |
| Net unrealized foreign exchange loss (gain) | 3 622 986 | (3 881 945) |
| Total net foreign exchange loss (gain) | €2 358 475 | €(2 694 629) |

### 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.

| | GCSF | RB | VC |
|---|---|---|---|
| Transfer from GCSF to RB for budgetary cost due FX loss (currency realignment) | (14 500) | 14 500 | |
| Transfer unspent balance from RB to GCSF | 266 | (266) | |
| Transfer fund balance of closed projects to GCSF | 129 240 | | (129 240) |
| Net transfer between funds | €115 006 | €14 234 | €(129 240) |

**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 2021. 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-21 | As at 31-Dec-20 |
|---|---|---|
| Accounts receivable (current) | | |
| Changes in Statement I from prior year | 626 504 | 351 082 |
| Unrealized exchange rate gain/(loss) | 398 164 | (379 543) |
| (Increase) decrease in accounts receivable (current) as per Statement IV | 1 024 668 | (28 461) |
| Staff receivable | | |
| Changes in Statement I from prior year | 9 144 | 24 571 |
| Unrealized exchange rate gain/(loss) | 396 | (486) |
| (Increase) decrease in staff receivable as per Statement IV | 9 540 | 24 085 |
| Accounts receivable (non-current) | | |
| Changes in Statement I from prior year | (4 743 463) | 15 275 |
| Unrealized exchange rate gain/(loss) | 259 502 | 219 876 |
| (Increase) decrease in accounts receivable (non-current) as per Statement IV | (4 483 961) | 235 151 |
| Property, plant and equipment | | |
| Changes in Statement I from prior year | 283 741 | 372 552 |
| Depreciation | (351 157) | ( 524 908) |
| (Increase) decrease in property, plant and equipment as per Statement IV | (67 416) | ( 152 356) |
| Accounts payable | | |
| Changes in Statement I from prior year | 281 801 | 140 872 |
| Unrealized exchange rate gain/(loss) | 16 | 673 |
| (Increase) decrease in accounts payable as per Statement IV | 281 817 | 141 545 |

| | As at 31-Dec-21 | As at 31-Dec-20 |
|---|---|---|
| Accrued staff benefits liabilities (non-current) | | |
| Changes in Statement I from prior year | (14 831 341) | 19 849 496 |
| Unrealized exchange rate gain/(loss) | (4 281 064) | 4 041 425 |
| ASHI remeasurement | 25 283 679 | (11 878 878) |
| (Increase) decrease in accrued staff benefits liabilities (non-current) as per Statement IV | 6 171 274 | 12 012 043 |

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

Through the 61st 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 2021 is presented below:

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Actual amount on comparison - Statement V | 23 191 486 | 18 868 049 |
| Time difference | 0 | 188 699 |
| Basis differences | 21 441 302 | 24 867 960 |
| Actual expenses – Statement II | €44 632 788 | €43 924 708 |

**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 2021. 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 | €322 916 | €41 486 | €119 086 | €483 488 | €18 314 | - |

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

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

There were no write-off and no ex-gratia payments made in 2021.

## Note 13: Events after the reporting date

The reporting date for these financial statements is 31 December 2021. 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 2021, 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

**International Agency for Research on Cancer**
**Statement of Financial Performance by Major Funds and Other Funds**
**For the year ended 31 December 2021**
(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 2021** |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | Note 7 | | | | | | | | |
| Assessed contributions | 7.1 | 22 284 042 | ( 589 303) | 1 153 832 | | | 22 848 571 | | **22 848 571** |
| Voluntary contributions | 7.2 | | | | 13 897 713 | | 13 897 713 | | **13 897 713** |
| Revenue-producing activities | 7.3 | | | 1 946 778 | | | 1 946 778 | | **1 946 778** |
| Other operating revenue | 7.4 | | | 7 002 | | | 7 002 | | **7 002** |
| Trust Fund | 7.5 | | | | | 6 035 | 6 035 | | **6 035** |
| Income from services rendered | 7.7 | | | 832 664 | | | 832 664 | ( 832 664) | |
| Financial revenue | 7.6 | | | 2 634 | 308 | | 2 942 | | **2 942** |
| Total revenue | | 22 284 042 | ( 589 303) | 3 942 910 | 13 898 021 | 6 035 | 39 541 705 | ( 832 664) | **38 709 041** |
| **EXPENSES** | Note 8 | | | | | | | | |
| Staff cost | 8.1 | 17 086 596 | | 5 945 329 | 4 548 857 | | 27 580 782 | | **27 580 782** |
| Temporary assistants, advisors and participants | 8.2 | 558 286 | | 129 557 | 513 654 | | 1 201 497 | | **1 201 497** |
| Fellows | 8.3 | 1 267 124 | | 114 169 | 1 456 779 | | 2 838 072 | | **2 838 072** |
| Duty travel (staff, fellows) | 8.4 | 34 482 | | 3 830 | 48 568 | | 86 880 | | **86 880** |
| Research and other agreements | 8.5 | 1 032 172 | | 47 093 | 4 332 071 | 4 422 | 5 415 758 | | **5 415 758** |
| Procurement and various operating expenses | 8.6 | 3 081 980 | | 301 867 | 1 239 768 | | 4 623 615 | | **4 623 615** |
| Cost of distribution & disposal of inventory | 8.7 | | | 160 450 | | | 160 450 | | **160 450** |
| Depreciation | 8.8 | | | 351 157 | | | 351 157 | | **351 157** |
| Financial cost | 8.9 | 14 125 | | 1 977 | | | 16 102 | | **16 102** |
| Programme support cost | 8.11 | | | | 832 664 | | 832 664 | ( 832 664) | |
| Total expenses | | 23 074 765 | | 7 055 429 | 12 972 361 | 4 422 | 43 106 977 | ( 832 664) | **42 274 313** |
| Net foreign exchange loss (gain) | 8.10 | | | **2 358 475** | | | **2 358 475** | | **2 358 475** |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | ( 790 723) | ( 589 303) | (5 470 994) | 925 660 | 1 613 | (5 923 747) | | **(5 923 747)** |
| Capital expenditures | | | | | | | | | |
| Inventories | | ( 73 733) | | 74 090 | ( 357) | | | | |
| Property plant & equipment | | ( 57 222) | | 65 778 | ( 8 556) | | | | |
| Transfer between funds | 8.12 | 14 234 | | 115 006 | ( 129 240) | | | | |
| **TOTAL CHANGES IN FUND BALANCES** | | ( 907 444) | ( 589 303) | (5 216 120) | 787 507 | 1 613 | (5 923 747) | | **(5 923 747)** |

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

**International Agency for Research on Cancer**
**Statement of Financial Performance by Other Funds**
**For the year ended 31 December 2021**
(amount in Euros)

| | Notes | Governing Council Special Fund | Special Account for Programme Support Costs | Common Fund PPE | Common Fund Inventories | Special Purpose Fund | Participating States Others | for the year ended **31 December 2021** |
|---|---|---|---|---|---|---|---|---|
| **REVENUE** | Note 7 | | | | | | | |
| Assessed contributions | 7.1 | 1 153 832 | | | | | | **1 153 832** |
| Voluntary Contribution | 7.2 | | | | | | | |
| Revenue-producing activities | 7.3 | 1 946 778 | | | | | | **1 946 778** |
| Other operating revenue | 7.4 | 7 002 | | | | | | **7 002** |
| Income from service rendered | 7.7 | | 832 664 | | | | | **832 664** |
| Financial revenue | 7.6 | 2 634 | | | | | | **2 634** |
| Total revenue | | 3 110 246 | 832 664 | | | | | **3 942 910** |
| **EXPENSES** | Note 8 | | | | | | | |
| Staff cost | 8.1 | 735 128 | 152 026 | | | 5 058 175 | 5 058 175 | **5 945 329** |
| Temporary assistants, advisors and participants | 8.2 | 110 213 | 19 344 | | | | | **129 557** |
| Fellows | 8.3 | 52 832 | 61 337 | | | | | **114 169** |
| Duty travel (staff, fellows) | 8.4 | 2 837 | 993 | | | | | **3 830** |
| Research and other agreements | 8.5 | 3 864 | 43 229 | | | | | **47 093** |
| Procurement and various operating expenses | 8.6 | 93 572 | 208 295 | | | | | **301 867** |
| Cost of distribution & disposal of inventory | 8.7 | | | | 160 450 | | 160 450 | **160 450** |
| Depreciation | 8.8 | | | 351 157 | | | 351 157 | **351 157** |
| Financial cost | 8.9 | | 1 977 | | | | | **1 977** |
| Total expenses | | 998 446 | 487 201 | 351 157 | 160 450 | 5 058 175 | 5 569 782 | **7 055 429** |
| Net foreign exchange loss (gain) | 8.10 | (1 922 589) | | | | 4 281 064 | 4 281 064 | **2 358 475** |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | 4 034 389 | 345 463 | ( 351 157) | ( 160 450) | (9 339 239) | (9 850 846) | **(5 470 994)** |
| Capital expenditures | | | | | | | | |
| Inventories | | ( 103 025) | | | 177 115 | | 177 115 | **74 090** |
| Property, plant & equipment | | ( 1 638) | | 67 416 | | | 67 416 | **65 778** |
| Transfer between funds | 8.12 | 115 006 | | | | | | **115 006** |
| **TOTAL CHANGES IN FUND BALANCES** | | 4 044 732 | 345 463 | ( 283 741) | 16 665 | (9 339 239) | (9 606 315) | **(5 216 120)** |

## SCHEDULE 3 - Status of Collection of Assessed Contributions

**International Agency for Research on Cancer**
**Status of Collection of Assessed Contributions**
**As at 31 December 2021**
(amount in euros)

| Participating States | 2021 Assessments | | | Assessments of prior financial years | | | Total balance as of 31-Dec-21 |
|---|---|---|---|---|---|---|---|
| | Assessments | Collected | Balance as of 31-Dec-21 | Balance as of 01-Jan-21 | Collected during 2021 | Balance as of 31-Dec-21 | |
| *<u>Budgeted Assessment</u>:* | | | | | | | |
| Australia | 891 361 | 891 361 | | | | | |
| Austria | 757 658 | 757 658 | | | | | |
| Belgium | 757 658 | 608 671 | 148 987 | | | | 148 987 |
| Brazil | 891 361 | 477 004 | 414 357 | 362 996 | 362 996 | | 414 357 |
| Canada (4) | 891 361 | 891 361 | | | | | |
| Denmark | 757 658 | 757 658 | | 753 457 | 753 457 | | |
| Finland | 623 953 | 623 953 | | | | | |
| France | 1 158 770 | 1 158 770 | | | | | |
| Germany | 1 158 770 | 1 158 770 | | | | | |
| India | 757 658 | | 757 658 | 743 436 | 743 436 | | 757 658 |
| Islamic Republic of Iran (1) | 623 953 | | 623 953 | 1 056 855 | | 1 056 855 | 1 680 808 |
| Ireland | 623 953 | 623 953 | | 612 241 | 612 241 | | |
| Italy | 891 361 | 891 361 | | | | | |
| Japan | 1 693 588 | 1 693 588 | | | | | |
| Morocco | 623 953 | 623 953 | | | | | |
| Netherlands | 757 658 | 757 658 | | | | | |
| Norway | 757 658 | 757 658 | | | | | |
| Qatar (4) | 623 953 | 623 953 | | | | | |
| Republic of Korea | 891 361 | 825 197 | 66 164 | 78 253 | 78 253 | | 66 164 |
| Russian Federation | 891 361 | 891 361 | | | | | |
| Spain | 891 361 | 891 361 | | 7 | 7 | | |
| Sweden | 757 658 | 757 658 | | | | | |
| Switzerland | 757 658 | 757 658 | | | | | |
| United Kingdom | 1 158 770 | 1 158 770 | | | | | |
| United States of America | 1 693 588 | 505 047 | 1 188 541 | 1 167 585 | 1 167 585 | | 1 188 541 |
| **TOTAL** | **22 284 042** | **19 084 382** | **3 199 660** | **4 774 830** | **3 717 975** | **1 056 855** | **4 256 515** |
| % of collection | | **85.64%** | | | | | |
| *<u>Unbudgeted Assessment</u>:* | | | | | | | |
| Hungary (2) | 623 953 | 623 953 | | | | | |
| People's Republic of China (3) | 564 529 | 564 529 | | | | | |
| **GRAND TOTAL** | **23 472 524** | **20 272 864** | **3 199 660** | **4 774 830** | **3 717 975** | **1 056 855** | **4 256 515** |

(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 2021 contribution equalled to full assessment of Group 5 Participating States was accounted under the unbudgeted assessment. In addition to 2021 contribution, advance contribution for 2022 was also received (€241 037).
(3) People's Republic of China: Membership was accepted in 2021. The 2021 contribution equalled to one-third of assessment of Group 1 Participating States was accounted under the unbudgeted assessment.
(4) In addition to the above, 2022 assessed contributions were received in advance from Canada (€872 405) and Qatar (€80).