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to be considered by correspondence

FINANCIAL STATEMENTS FOR 2019*Document prepared by the Office of the Union**Disclaimer: this document does not represent UPOV policies or guidance*

1. The Financial Statements of UPOV for the year ended December 31, 2019 are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/5), which requires that the Council examines and approves the financial statements. The Financial Statements for 2019 are presented in the Annex to this document. The Annex also includes UPOV's Statement on Internal Control signed by the Secretary-General. Document C/54/6 contains the audit report of the External Auditor.

2. The Financial Statements for 2019 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV, beginning with the financial period starting in 2012 (see document C/45/18 "Report", paragraph 9(b)).

3. *The Council is invited to examine and approve the Financial Statements for 2019.*

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2019

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INTRODUCTION

1. The financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2019 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/5):

Regulation 6.5

- (1) The annual financial statements for each calendar year of the financial period shall be submitted by the Secretary-General to the External Auditor no later than March 31 following the end of the calendar year to which they relate.
 - (2) Within eight months after the end of each calendar year the Secretary-General shall submit the annual financial statements and the audit report of the External Auditor to the Council.
 - (3) The Council shall examine the annual financial statements. It may identify adjustments to the share of UPOV in common expenditures, if it finds that this share has not been correctly estimated and assessed by the Secretary-General. In such a case, after having consulted the Coordination Committee of WIPO, the Council shall establish the final allocation.
 - (4) The Council shall approve the annual financial statements, after they have been audited in accordance with Article 24 of the 1961 Convention, Article 25 of the 1978 Act and Article 29(6) of the 1991 Act.
2. The report of the External Auditor on the audit of the 2019 financial statements, together with his/her opinion on the financial statements, is also submitted to the Council of UPOV as prescribed under Regulation 6.5 and Annex II of the Financial Regulations and Rules of UPOV.
 3. The 2019 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV beginning with the financial period starting in 2012 (document C/45/18 "Report", paragraph 9(b)). This agreement led to the replacement of the previously applied United Nations System Accounting Standards (UNSAS) with IPSAS which are internationally recognized.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

Preparation of the Financial Statements under IPSAS

4. IPSAS requires the application of the full accrual basis of accounting. Accrual basis accounting means the recognition of transactions and events when they occur. As such they are recorded in the accounting records and reported in the financial statements of the financial periods to which they relate, and not only when cash or its equivalent is received or paid.
5. Under IPSAS, revenue for both contributions and extrabudgetary funds (funds in trust) is recognized when UPOV has a right to receive the contribution. Where contributions are due to UPOV, a receivable balance is shown, but the total balance is reduced to reflect amounts still outstanding from prior periods. Extrabudgetary fund arrangements are analyzed to see if UPOV needs to meet performance conditions, and if these are present, revenue is only recognized when the conditions are fulfilled.
6. The value of future employee benefits (for example, accumulated annual leave, repatriation grants and After-Service Health Insurance (ASHI)) that UPOV staff have earned but not yet received is recorded to capture the full cost of employing staff.
7. The application of IPSAS does not currently impact the preparation of the Program and Budget, which is still presented on a modified accrual basis. As this basis differs from the full accrual basis applied to the financial statements, a reconciliation between the budget and the principal financial statements is provided in accordance with the requirements of IPSAS.
8. IPSAS requires more detailed disclosures to be included in the notes to the financial statements in the interests of transparency. As such, UPOV provides information on the remuneration of key management personnel.

Financial Performance

9. UPOV's results showed a deficit for the year of 133,174 Swiss francs, with total revenue of 3,694,030 Swiss francs and total expenses of 3,827,204 Swiss francs. This can be compared to a deficit of 41,675 Swiss francs in 2018, with total revenue of 3,627,873 Swiss francs and total expenses of 3,669,548 Swiss francs. The financial performance of UPOV by source of funding can be summarized as follows:

Table 1. Summary Financial Performance by source of funding

	Regular Program and Budget 2019	Funds in Trust 2019	Inter-Segment Transactions 2019	TOTAL UPOV 2019	TOTAL UPOV 2018
<i>(in Swiss francs)</i>					
TOTAL REVENUE	3,489,495	231,124	-26,589	3,694,030	3,627,873
TOTAL EXPENSES	3,622,669	231,124	-26,589	3,827,204	3,669,548
SURPLUS/(DEFICIT) FOR THE YEAR	-133,174	-	-	-133,174	-41,675

10. UPOV's activities are financed mainly from two sources - contributions and extrabudgetary funds (funds in trust). Contributions of 3,446,424 Swiss francs represent approximately 93.3 per cent of UPOV's total revenue for 2019. Revenue recognized from extrabudgetary funds (funds in trust) totaled 231,121 Swiss francs for the year, representing 6.3 per cent of total revenue. UPOV also has balances of 423,763 Swiss francs relating to contributions received in advance. These balances are currently shown as liabilities, and will be recorded as revenue in the year to which they relate.
11. During 2017, UPOV launched the UPOV PRISMA PBR application tool. This online application tool enables applicants to submit application data to participating Plant Variety Protection Offices of members of the Union. At its fifty-first ordinary session, the UPOV Council decided to approve the fees revenue for the PRISMA PBR application tool at CHF150 per application for the 2018-2019 biennium. However, the Council agreed that the application tool would be made free of charge for an introductory period if the budgeted costs of the application were funded by means other than the regular budget. This introductory period was extended until December 31, 2019.
12. Personnel expenditure of 2,332,654 Swiss francs represents 60.9 per cent of the total expenses of 3,827,204 Swiss francs for the year 2019. As already highlighted, accrual accounting for post-employment and other long-term employee benefits requires the cost of the schemes to be recorded as the benefits are earned by staff, rather than on a pay-as-you-go basis. This methodology allows UPOV to better account for the true cost of employing its staff on an annual basis. The total interest and service cost for the year relating to ASHI, repatriation benefits and long-term accumulated annual leave is 184,851 Swiss francs.

Financial Position

13. UPOV has net assets of 896,605 Swiss francs as at December 31, 2019, compared to 683,159 Swiss francs at the end of 2018. The financial position of UPOV by source of funding can be summarized as follows:

Table 2. Summary Financial Position by source of funding

	Regular Program and Budget 2019	Funds in Trust 2019	Inter-Segment Balances 2019	TOTAL UPOV 2019	TOTAL UPOV 2018
<i>(in Swiss francs)</i>					
TOTAL ASSETS	4,450,747	448,155	-14,578	4,884,324	4,410,285
TOTAL LIABILITIES	3,554,142	448,155	-14,578	3,987,719	3,727,126
NET ASSETS	896,605	-	-	896,605	683,159

14. The net working capital (current assets less current liabilities) of UPOV is 2,966,764 Swiss francs as at December 31, 2019 (2,972,638 Swiss francs as at December 31, 2018). Cash and cash equivalent balances increased from 4,275,188 Swiss francs as at December 31, 2018, to 4,763,272 Swiss francs as at December 31, 2019.
15. Total accounts receivable at December 31, 2019, were 121,052 Swiss francs, compared to 135,097 Swiss francs as at December 31, 2018. The accounts receivable balance at the end of 2019 includes contributions of 77,038 Swiss francs, extrabudgetary funds (funds in trust) of 43,876 Swiss francs and miscellaneous debtors of 138 Swiss francs.
16. UPOV has total employee benefit liabilities of 2,356,399 Swiss francs as at December 31, 2019, compared to 2,489,970 Swiss francs as at December 31, 2018. For the liabilities relating to ASHI, repatriation benefits and long-term accumulated annual leave actuarial valuations have been used. The main liability, relating to ASHI, amounts to 2,026,390 Swiss francs as at December 31, 2019. This shows a decrease of 209,249 Swiss francs from the balance of 2,235,639 Swiss francs as at December 31, 2018. At its thirty-third extraordinary session on March 17, 2016, the Council of UPOV decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. As at December 31, 2019, the total balance of these funds is 870,169 Swiss francs (783,128 Swiss francs as at December 31, 2018). The funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. UPOV manages the ASHI funds in accordance with WIPO's Policy on Investments, under which they are classified as strategic cash.
17. In 2015, 183,824 Swiss francs, representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium, were transferred to a Special Project Fund to complete specific projects. The remaining balance of 158 Swiss francs at 2018 year end has been transferred to the UPOV Reserve Fund in 2019.

Budgetary Performance

18. The budget of UPOV continues to be prepared on a modified accrual basis, and is presented in the financial statements as statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the Statement of Financial Performance is included in the notes to the financial statements.
19. The budget for the biennium 2018-19 showed income and expenditure of 6,940,000 Swiss francs. This compares to actual income and actual expenditure on a comparable basis (before Funds in Trust, and IPSAS adjustments) of 6,930,932 Swiss francs and 6,854,494 Swiss francs, respectively. The actual surplus for the biennium 2018-19 on a comparable basis is equal to 76,438 Swiss francs. The principal variations between the 2018-19 budget and actual numbers on a comparable basis are explained in the following paragraphs.
20. The actual income amounted to 6,931 thousand Swiss francs in the 2018-2019 Biennium, 9 thousand Swiss francs lower than the budgeted target. Income from contributions continued to be the single largest source of income representing 98.6 per cent of the total actual income, in line with the approved 2018-2019 Program and Budget. In the 2018-2019 Biennium, actual contributions were higher than budgeted, corresponding to an increase by the Russian Federation in its number of contribution units from one-half (0.5) to two (2.0) units, as of 2019. No income was generated from publications in the 2018-2019 Biennium because all publications are available free of charge.
21. Other income amounted to 97 thousand Swiss francs, 79 thousand Swiss francs less than the budgeted figure. Other income included:
 - Revenue generated from administrative support costs under the extra-budgetary funds i.e. Funds-in-Trusts (FITs), which at 58 thousand Swiss francs was slightly lower than the budgeted figure of 70 thousand Swiss francs.
 - Fee income from participants in the UPOV distance learning program, which at 40 thousand Swiss francs was significantly higher than the budgeted figure of 16 thousand Swiss francs.

22. Income of 90 thousand Swiss francs was budgeted from UPOV PRISMA fees in the 2018-2019 Biennium but no income was received as a result of a decision to make the use of UPOV PRISMA free of charge until the end of 2019.
23. Personnel resources: Personnel expenditure (before IPSAS adjustments) amounted to 4,371 thousand Swiss francs in 2018-2019, 401 thousand Swiss francs (8.4 per cent) less than the approved 2018-2019 Program and Budget. Expenditure on posts was in line with the budget as a result of the following variations: actual expenditure on two posts in the professional staff category was higher than projected because the posts were occupied several months earlier than planned. This was offset by two posts in the general service staff category being occupied at 80 per cent. Expenditure on temporary staff was only 15.6 per cent of the cost budgeted for 2018-19 because of two factors: firstly, as explained above, two posts in the professional staff category, initially covered by temporary staff, were filled earlier than planned; and there was no recruitment of budgeted temporary administrative staff because the work was performed by agency workers.
24. Non-Personnel Resources: Non-personnel expenditure (before IPSAS adjustments) amounted to 2,484 thousand Swiss francs in 2018-2019, 316 thousand Swiss francs, or 14.6 per cent higher than the budgeted target. Explanations by cost categories are provided below.
25. Internships and Fellowships: For the Biennium 2018-2019, expenditure on internships and fellowships, of 70 thousand Swiss francs, was significantly higher than the budgeted amount (40 thousand Swiss francs) as a result of recruitment of an IT intern for UPOV PRISMA and because of higher than budgeted expenditure on Fellow's travel.
26. Travel, Training and Grants: Total expenditure on Travel amounted to 445 thousand Swiss francs, 25 thousand Swiss francs (5.9 per cent) higher than the budget, although this represented a reduction of 9.6 per cent on expenditure on travel in the 2016-2017 Biennium (492 thousand Swiss francs). The higher costs reflect the additional time available to meet demand for staff missions as a result of the decision to change to a single set of UPOV sessions in Geneva.
27. Contractual Services: Total Contractual Services amounted to 727 thousand Swiss francs, 292 thousand Swiss francs higher than the budget, which is the result of higher than budgeted expenditure under Other Contractual Services.

Expenditure on Conferences of 139 thousand Swiss francs was in line with the budgeted figure (140 thousand Swiss francs). As a result of moving to a single set of UPOV sessions in Geneva, the cost of Conferences was 24.5 per cent (45 thousand Swiss francs) lower than in the 2016-2017 Biennium.

Expenditure on Publishing and Individual Contractual Services was minimal and broadly in line with the budget.

Higher expenditure on Other Contractual Services (580 thousand Swiss francs compared to 265 thousand Swiss francs) was due to:

- Additional expenditure for agency staff costs (324 thousand Swiss francs compared to 110 thousand Swiss francs) to provide cover for the two general service staff members working part-time (80%) and because budgeted temporary administrative staff work was performed by agency workers (see "Personnel Resources").
 - Higher than budgeted IT development costs (232 thousand Swiss francs compared to 135 thousand Swiss francs), which were necessary for UPOV PRISMA in order to develop machine to machine interfaces with PVP offices and to identify and implement improvements to the user interface.
 - Expenditure on social media tools (14 thousand Swiss francs) and external staff training (10 thousand Swiss francs).
28. Operating Expenses: Operating Expenses of 1,239 thousand Swiss francs were slightly lower than the budget due to the containment of the costs of services provided by WIPO to UPOV.
 29. Equipment and Supplies: Equipment and Supplies amounted to 3 thousand Swiss francs, 17 thousand Swiss francs lower than the budget.

STATEMENT ON INTERNAL CONTROL FOR 2019

Scope of Responsibility

As Secretary-General of the International Union for the Protection of New Varieties of Plants (UPOV), I am accountable, in accordance with the responsibility assigned to me, in particular, by Regulation 5.8 (d) of the Financial Regulations and Rules (FRRs) of UPOV, for maintaining a system of internal financial control that ensures:

- (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of UPOV;
- (ii) the conformity of obligations and expenditures with appropriations or other financial provisions approved by the Council or with the purposes and rules relating to specific trust funds;
- (iii) the effective, efficient and economic use of the resources of UPOV.

Purpose of the system of internal control

The system of internal control is designed to reduce and manage, rather than eliminate, the risk of failure to achieve UPOV's goals and results, and to implement and comply with related policies. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

Internal control is a process, effected by the Council, the Consultative Committee, the Secretary-General, Vice Secretary-General and other key officials, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations and safeguarding of assets;
- Reliability of financial reporting; and
- Compliance with applicable rules and regulations.

Thus, on an operational level, UPOV's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within UPOV through internal control processes to ensure the above objectives.

My current statement on UPOV's internal control processes, as described above, applies for the year ended December 31, 2019, and up to the date of the approval of UPOV's 2019 financial statements.

Internal control framework

UPOV has in place results based management processes, which culminate in a biennial program and budget approved by its members, and which guide all its operations. Consideration and approval of UPOV's program and budget is done alongside the presentation of an integrated financial overview, including budget estimates, resource availability and reserve movements to help assess the financial sustainability of UPOV over the medium term. Comprehensive and detailed reporting to members is provided in accordance with UPOV's FRRs, providing clarity and transparency in the financial as well as programmatic performance of UPOV.

With regard to the financial administration of UPOV, the "Agreement between the World Intellectual Property Organization and the International Union for the Protection of New Varieties of Plants (WIPO/UPOV Agreement)"¹, signed on November 26, 1982, states the following:

"Article 1: "Requirements of UPOV

"(1) WIPO shall satisfy the requirements of UPOV as regards

[...]

(iv) financial administration of UPOV (receiving and disbursing funds, bookkeeping, internal financial control, etc.),

[...]

"(2) The requirements of UPOV shall be met on a basis of strict equality with the requirements of the various Unions administered by WIPO."

¹ See document UPOV/INF/8.

“Article 8: Administrative and Financial Regulations of UPOV

“(1) Subject to the other Articles of this Agreement and to paragraphs (2) and (3) of this Article, the provisions of the Staff Regulations and Staff Rules of WIPO and the provisions of the Financial Regulations and Rules of WIPO, including future modifications thereof, shall, *mutatis mutandis*, apply also in respect of the staff of the Office of UPOV and the finances of UPOV, provided that the Council of UPOV may agree with the Director General of WIPO to any exceptions and additions to the same in which case such agreed exceptions and additions shall prevail². The said texts shall be considered to constitute the administrative and financial regulations of UPOV referred to in Article 201 of the UPOV Convention.

[...]

“(3) In all financial matters concerning UPOV, the Controller of WIPO shall be responsible to the Council of UPOV.”

Risk Management

During the course of 2019, UPOV strengthened its risk management processes and undertook a comprehensive risk assessment. The results of this risk assessment are recorded in the WIPO Enterprise Risk Management system and will continue to be managed and re-assessed over time. Key organizational risks include:

- *Strategic Direction Risk*

The Strategic Business Plan (SBP) lays out the priorities and income forecasts for UPOV for the period (2018 – 2023) and is used to guide direction of work for that period. However, if underlying assumptions change, or if the plan did not respond optimally to the challenges it identifies, expected results are at risk and the budget may not be balanced.

Control and mitigation: Monitor progress and remain open to refining the plan, as demonstrated in the update to the plan issued in 2019, to provide information on the implementation of the SBP and to present proposals on resourcing for consideration by the Consultative Committee.

- *Funding Risk*

The draft Program and Budget for the 2020-2021 Biennium anticipates significant income from UPOV PRISMA and the PLUTO database. If this income is not achieved, the Program and Budget cannot be implemented in full.

Control and mitigation: promote UPOV PRISMA and PLUTO database to users and, as necessary, undertake savings in third party travel, staff missions and temporary staff.

- *Funding Risk*

Extrabudgetary funds from members of the Union form a key element of the financing for UPOV operations, in particular provision for training and assistance activities. Any reduction in these extrabudgetary funds could have a significantly detrimental impact on UPOV's capabilities to deliver its sub-programs.

Control and mitigation: Continue to demonstrate to relevant members of the Union the benefit of their extrabudgetary funds.

Review of effectiveness

My review of effectiveness of the system of internal controls is mainly informed by:

- UPOV's Vice Secretary-General, who is accountable for achieving expected results, implementing UPOV's mandated activities, and managing the resources entrusted to him.
- The Management Representation Letter signed by the Vice Secretary-General recognizes the Vice Secretary-General's responsibility for having and maintaining well-functioning systems and a mechanism for internal control aimed at presenting and/or detecting instances of fraud and major errors. The assurance provided is underpinned by a systematic process of self-assessment and

² Subject to the UPOV Convention and the WIPO/UPOV Agreement, the Financial Regulations and Rules of UPOV (document UPOV/INF/4/5) are set out on the basis of the “Financial Regulations and Rules of the World Intellectual Property Organization (WIPO)”, according to:

(a) the changes in accordance with the principle of “*mutatis mutandis*”; and
(b) the exceptions and additions agreed by the Council of UPOV with the Director General of WIPO.

internal validation of entity level controls as well as key process level controls in place in WIPO identified on the basis of the requirements of the FRRs as well as the Staff Regulations and Rules;

- WIPO's Chief Ethics Officer, who provides confidential advice and counsel to staff and senior managers on ethical behavior, standards of conduct, conflicts of interest, etc., and promotes overall ethical awareness and responsible behavior. The Chief Ethics Officer is also responsible for the implementation of the policies on financial disclosure and declaration of interests, and for protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations;
- The Internal Oversight Division (IOD), on whose assurance and advisory services I rely, through reports, if any, of internal audit and evaluation as well as management implication reports resulting from investigations;
- The External Auditor, whose Report, containing his/her opinion, observations and comments, is submitted to the Consultative Committee and the Council of UPOV; and
- The observations of the Consultative Committee and the Council of UPOV.

Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance.

Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

As Secretary-General, I ensure that the “tone at the top” is a clear message that rigorous internal control is critical to UPOV and I am committed to addressing any weaknesses in internal controls noted during the year and to ensure that continuous improvement of the system of internal controls is in place.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses with regards to UPOV's financial statements, nor are there significant matters arising which would need to be raised in the present document for the year ending December 31, 2019.

In conclusion, I am confident that the UPOV's system of internal control was effective throughout the financial reporting period January 1, 2019 through December 31, 2019, and remains so on the date I sign this statement.

Francis Gurry
Secretary-General

Date:.....

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2019
(in Swiss francs)

		December 31, 2019	December 31, 2018
ASSETS	Note		
Current assets			
Cash and cash equivalents	3	4,763,272	4,275,188
Accounts receivable (non-exchange transactions)	4	120,914	124,881
Accounts receivable (exchange transactions)	4	138	10,216
		<u>4,884,324</u>	<u>4,410,285</u>
Non-current assets		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>4,884,324</u>	<u>4,410,285</u>
LIABILITIES			
Current liabilities			
Accounts payable	5	-	2,597
Employee benefits	6	286,240	200,491
Transfers payable	7	544	1,352
Advance receipts	8	768,104	316,115
Other current liabilities	9	862,672	917,092
		<u>1,917,560</u>	<u>1,437,647</u>
Non-current liabilities			
Employee benefits	6	<u>2,070,159</u>	<u>2,289,479</u>
		<u>2,070,159</u>	<u>2,289,479</u>
TOTAL LIABILITIES		<u>3,987,719</u>	<u>3,727,126</u>
Reserve Fund	11	809,578	942,594
Special Project Fund	11	-	158
Actuarial gains/(losses) through Net Assets	11	-473,818	-807,939
Working Capital Fund	11	<u>560,845</u>	<u>548,346</u>
NET ASSETS		<u><u>896,605</u></u>	<u><u>683,159</u></u>

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2019
(in Swiss francs)

	Note	2019	2018
REVENUE	13		
Contributions		3,446,424	3,323,050
Extrabudgetary funds (funds in trust)		231,121	282,467
Other/miscellaneous revenue		16,485	22,356
TOTAL REVENUE		3,694,030	3,627,873
EXPENSES	14		
Personnel expenditure		2,332,654	2,210,760
Internships and Fellowships		41,429	28,892
Travel, Training and Grants		337,813	417,012
Contractual services		493,738	392,107
Operating expenses		620,008	619,355
Supplies and materials		1,562	17
Furniture and equipment		-	1,405
TOTAL EXPENSES		3,827,204	3,669,548
SURPLUS/(DEFICIT) FOR THE YEAR		-133,174	-41,675

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2019
(in Swiss francs)

	Note	Reserve Fund	Special Project Fund	Actuarial gains/(losses) through Net Assets	Working Capital Fund	Net Assets Total
Net Assets at January 1, 2018	11	970,470	13,957	-901,276	546,679	629,830
Actuarial gains/(losses)		-	-	93,337	-	93,337
Working Capital fund contributions		-	-	-	1,667	1,667
Total of items recognized directly in Net Assets in 2018		-	-	93,337	1,667	95,004
Deficit for the current year 2018		-27,876	-13,799	-	-	-41,675
Net Assets at December 31, 2018	11	942,594	158	-807,939	548,346	683,159
Actuarial gains/(losses)		-	-	334,121	-	334,121
Working Capital fund contributions		-	-	-	12,499	12,499
Transfer to Accumulated Surpluses		158	-158	-	-	-
Total of items recognized directly in Net Assets in 2019		158	-158	334,121	12,499	346,620
Deficit for the current year 2019		-133,174	-	-	-	-133,174
Net Assets at December 31, 2019	11	809,578	-	-473,818	560,845	896,605

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2019
(in Swiss francs)

	Note	2019	2018
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	-133,174	-41,675
Increase (decrease) in employee benefits	6	-133,571	33,265
(Increase) decrease in receivables	4	14,045	-48,901
Increase (decrease) in advance receipts	8	451,989	-71,479
Increase (decrease) in other liabilities	5+7+9	-57,825	193,788
Net cash flows from operating activities		141,464	64,998
Cash flows from financing activities			
Contributions to Working Capital Fund	11	12,499	1,667
Net cash flows from financing activities		12,499	1,667
Effect of recognition of Actuarial gains/(losses) through Net Assets	6	334,121	93,337
Net increase (decrease) in cash and cash equivalents		488,084	160,002
Cash and cash equivalents at beginning of year	3	4,275,188	4,115,186
Cash and cash equivalents at end of year	3	4,763,272	4,275,188

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2019
(in thousands of Swiss francs)

	Original Budget 2019 (1)	Final Budget 2019 (1)	Actual Amounts on comparable basis 2019	Difference 2019 (2)
Income				
Contributions	3,382	3,382	3,457	75
Other	88	88	52	-36
Total income	3,470	3,470	3,509	39
Expenditure				
Personnel resources	2,386	2,386	2,210	-176
Internships and Fellowships	20	20	41	21
Travel, Training and Grants	210	210	206	-4
Contractual services	218	218	421	203
Operating expenses	626	626	620	-6
Supplies and materials	5	5	2	-3
Furniture and equipment	5	5	-	-5
Total expenditure	3,470	3,470	3,500	30
Result	-	-	9	9
Funds in Trust (before IPSAS adjustments)			216	
Expenditures financed from Special Project Fund			-	
IPSAS adjustments to Regular Program and Budget (3)			-142	
IPSAS adjustments to Funds in Trust (3)			-216	
Adjusted net deficit per IPSAS (Statement II)			-133	

- (1) – represents the second year of the approved 2018-2019 biennial budget;
(2) – represents the difference between the final (revised) budget and actual income and expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 12 of these financial statements.

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the biennium ended December 31, 2019
(in thousands of Swiss francs)

	Original Budget 2018-2019 (1)	Final Budget 2018-2019 (1)	Actual Amounts on comparable basis 2018-2019	Difference 2018-2019 (2)
Income				
Contributions	6,764	6,764	6,834	70
Other	176	176	97	-79
Total income	6,940	6,940	6,931	-9
Expenditure				
Personnel resources	4,772	4,772	4,371	-401
Internships and Fellowships	40	40	70	30
Travel, Training and Grants	420	420	445	25
Contractual services	435	435	727	292
Operating expenses	1,253	1,253	1,239	-14
Supplies and materials	10	10	2	-8
Furniture and equipment	10	10	1	-9
Total expenditure	6,940	6,940	6,855	-85
Result	-	-	76	76
Funds in Trust (before IPSAS adjustments)			173	
Expenditures financed from Special Project Fund			-14	
IPSAS adjustments to Regular Program and Budget (3)			-237	
IPSAS adjustments to Funds in Trust (3)			-173	
Adjusted net deficit per IPSAS (Statement II)			-175	

(1) – represents the approved 2018-2019 biennial budget;

(2) – represents the difference between the final (revised) budget and actual income and expense on a comparable basis (before IPSAS adjustments);

(3) – the IPSAS adjustments to the surplus are detailed in Note 12 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES, GOVERNANCE AND BUDGET OF THE UNION

The International Union for the Protection of New Varieties of Plants (UPOV) is an intergovernmental organization with headquarters in Geneva. UPOV's mission is to provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society.

UPOV was established by the International Convention for the Protection of New Varieties of Plants (the UPOV Convention), which was signed in Paris in 1961. The Convention entered into force in 1968. It was revised in Geneva in 1972, 1978 and 1991. The 1991 Act entered into force on April 24, 1998. The main objectives of UPOV are, in accordance with the UPOV Convention, to:

- provide and develop the legal, administrative and technical basis for international cooperation in plant variety protection;
- assist States and organizations in the development of legislation and the implementation of an effective plant variety protection system; and
- enhance public awareness and understanding of the UPOV system of plant variety protection.

In accordance with Article 25 of the 1991 Act and Article 15 of the 1978 Act, the Council and the Office of the Union are the permanent organs of UPOV.

The Council governs UPOV, and consists of the representatives of the members of the Union. The Council is responsible for safeguarding the interests and encouraging the development of UPOV, for adopting its program and budget and for taking all necessary decisions to ensure the efficient functioning of UPOV. The Council meets once a year in ordinary session. If necessary, it is convened to meet in extraordinary session. The Council has established a number of bodies, which meet once a year.

The Office of the Union is the Secretariat of UPOV, and is under the direction of the Secretary-General. The staff of the Office of UPOV, other than the Vice Secretary-General, is under the direction of the Vice Secretary-General of UPOV. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and the World Intellectual Property Organization (WIPO), a Specialized Agency of the United Nations. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. The Vice Secretary-General is responsible for the delivery of the results indicated in the approved program and budget. Under the Agreement, WIPO satisfies the requirements of UPOV with regard to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV.

UPOV is predominantly funded by contributions and extrabudgetary funds (funds in trust) from members of the Union. UPOV operates within the framework of a biennial program and budget. The proposed program and budget covers estimates for income and expenditure for the financial period to which it relates. It is submitted by the Secretary-General to the Consultative Committee for discussion, comments and recommendations, including possible amendments. The Council adopts the program and budget after consideration of the proposed program and budget and the recommendations of the Consultative Committee.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Swiss francs, which is the reporting and functional currency of UPOV. The accounting policies have been applied consistently to all years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flow is prepared using the indirect method. The financial statements are prepared on an accrual and going-concern basis.

IPSAS 41 Financial Instruments has been applied in 2019, which is prior to the required implementation date of January 1, 2022.

IPSAS 42 Social Benefits, was published in January 2019 with an implementation date of January 1, 2022. It is not expected that this standard will impact the Union's financial statements.

Foreign Currency

The functional currency of UPOV is the Swiss franc and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations Operational Rates of Exchange (UNORE) which represent those prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than UPOV's functional currency are recognized in the Statement of Financial Performance.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At UPOV, segment information is based on the principal activities and sources of financing of UPOV. As such, UPOV reports separate financial information for three segments: (1) the Regular Program and Budget, (2) Funds in Trust, and (3) the Special Project Fund. The UPOV performance by segment is presented in the following notes 13 and 14. As the UPOV Assets and liabilities are not managed by segment this information is not presented in the notes to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits held up to 90 days and other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

Receivables

Contributions are recognized as revenue at the beginning of the financial year. An allowance for receivables is made in full for any member who has contributions receivable where an element of the arrears is dated prior to the last biennium.

Equipment

Equipment is valued at cost less accumulated depreciation and impairment. Equipment is recognized as an asset if it has a cost of 5,000 Swiss francs or more per unit. As at December 31, 2019, no items are capitalized as Equipment.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by UPOV are capitalized as an intangible asset if the recognition criteria under IPSAS 31 are met. Direct costs include the software development employee costs. As at December 31, 2019, no costs have been capitalized as intangible assets.

Employee Benefits

Liabilities are established for After-Service Health Insurance (ASHI), repatriation grants and travel, and long-term accumulated annual leave as determined by an independent actuary on an annual basis utilizing the projected unit credit methodology of valuation. For the ASHI liability actuarial gains and losses are recognized in net assets. In addition, liabilities are established for the value of short-term accumulated annual leave, home leave not taken, overtime earned but unpaid, separation benefits and for education grants payable at the reporting date that have not been included in current expenditure.

In accordance with the WIPO/UPOV Agreement signed on November 26, 1982, UPOV 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 in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UPOV and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UPOV's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UPOV has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. UPOV's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions

Provisions are recognized when UPOV has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

Revenue Recognition

Revenue from non-exchange transactions such as extrabudgetary funds (funds in trust) supported by enforceable agreements is recognized as revenue at the time the agreement becomes binding unless the agreement includes conditions related to specific performance or the return of unexpended balances. Such agreements require initial recognition of a liability to defer revenue recognition and then revenue is recognized as the liability is discharged through performance of the specific conditions included in the agreement.

Contributions are recognized as revenue at the beginning of each year of the budget period to which the contribution relates.

In-kind contributions of services are not recognized in the financial statements.

Expense Recognition

Expenses are recognized as goods are received and services delivered.

Financial Instruments

Financial Assets

Financial assets are recognized initially at fair value, normally being the transaction price. After initial recognition, UPOV classifies its financial assets as measured at amortized cost.

The classification depends on UPOV's management model for the financial assets and the contractual cash flow characteristics of the financial assets.

UPOV assesses on a forward looking basis the expected credit losses associated with its financial assets classified as measured at amortized cost.

Financial Liabilities

UPOV initially recognizes its financial liabilities at fair value. After initial recognition, financial liabilities are subsequently measured at amortized cost.

Change in Accounting Policy

UPOV recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Impact of new International Public Sector Accounting Standards

IPSAS 41 *Financial Instruments* was published in August 2018 and replaces IPSAS 29 *Financial Instruments: Recognition and Measurement*. UPOV has adopted IPSAS 41 and the related consequential amendments to other IPSASs in the financial reporting period commencing January 1, 2019. The Organization's revised accounting policies in relation to financial instruments are provided above. The new standard had no effect on the Union's net assets as at January 1, 2019.

IPSAS 41 provides a single classification and measurement approach for financial assets that reflects the management model for managing the assets and their contractual cash flow characteristics. For financial liabilities, the existing classification and measurement requirements of IPSAS 29 are largely retained. The table below illustrates the classification of financial assets under IPSAS 41 and IPSAS 29 at the date of initial application, January 1, 2019. There were no differences in carrying amounts for financial assets or financial liabilities.

Financial Assets	Category IPSAS 29	Category IPSAS 41
Cash and cash equivalents	Financial assets at fair value through surplus and deficit	Amortized cost
Receivables	Loans and receivables (at amortized cost)	Amortized cost

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI and repatriation grant and travel (the value of which is calculated by an independent actuary), other employee benefit liabilities, financial risk on accounts receivable and accrued charges. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
<i>(in Swiss francs)</i>		
Deposits with banks	2,942,557	2,850,296
Total unrestricted cash	2,942,557	2,850,296
Deposits with banks - working capital funds	560,845	548,346
Deposits with banks - funds in trust	389,701	93,418
Total restricted cash	950,546	641,764
Deposits with banks - funds held for ASHI liability	870,169	783,128
Total strategic cash	870,169	783,128
TOTAL CASH AND CASH EQUIVALENTS	4,763,272	4,275,188

Cash deposits are generally held in instant access bank accounts.

Working Capital Fund balances are considered as restricted, although interest received on Working Capital Fund balances is credited to the general fund of UPOV. Funds in trust held on behalf of donors of extrabudgetary funds are deposited in the currency in which expenditures will be reported, based upon agreements with donors.

At its thirty-third extraordinary session on March 17, 2016, the Council of UPOV decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. As at December 31, 2019, the total balance of these funds is 870,169 Swiss francs (783,128 Swiss francs as at December 31, 2018). In accordance with the Council decision at the fifty-third ordinary session on November 1, 2019, the funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. UPOV manages the ASHI funds in accordance with WIPO's Policy on Investments, under which they are classified as strategic cash.

NOTE 4: ACCOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
<i>(in Swiss francs)</i>		
Receivable non-exchange transactions		
Contributions	77,038	114,587
Extrabudgetary funds (funds in trust)	43,876	10,294
	<u>120,914</u>	<u>124,881</u>
Receivable exchange transactions		
Education grant advances	-	9,466
Other debtors	138	750
	<u>138</u>	<u>10,216</u>
TOTAL ACCOUNTS RECEIVABLE	121,052	135,097

Contributions represent uncollected revenue related to the UPOV contribution system. The amount of the annual contribution of each member of the Union is calculated on the basis of the number of contribution units applied to the member (Article II of the 1972 Act, Article 26 of the 1978 Act and Article 29 of the 1991 Act of

the Convention). When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts due from periods prior to the last biennium.

International staff, other than those living in their home country, are eligible to receive a grant covering admissible costs of education for dependent children until the fourth year of post-secondary school studies, but not beyond the end of the school year in which the child reaches the age of 25. For the 2019-2020 scholastic year, reimbursement is based on a global sliding scale, with declining reimbursement rates, and a fixed maximum amount of reimbursement. International staff are eligible to receive an advance equal to the estimated amount of the education grant for each child at the beginning of the scholastic year. Staff advances for education grants represent the total grants advanced for the 2019-2020 scholastic year.

NOTE 5: ACCOUNTS PAYABLE

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Trade creditors - accounts payable	-	2,550
Miscellaneous creditors	-	47
TOTAL ACCOUNTS PAYABLE	-	2,597

NOTE 6: EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Accumulated leave - posts	9,301	3,813
Accumulated leave - temporary positions	-	813
Repatriation grant and travel	20,636	18,976
Overtime	4,005	5,361
Education grants	-	9,467
After-Service Health Insurance	252,298	162,061
Total current employee benefit liabilities	286,240	200,491
Accumulated leave	84,815	52,796
Repatriation grant and travel	211,252	163,105
After-Service Health Insurance	1,774,092	2,073,578
Total non-current employee benefit liabilities	2,070,159	2,289,479
TOTAL EMPLOYEE BENEFIT LIABILITIES	2,356,399	2,489,970

Under IPSAS, employee benefits comprise:

Short-term employee benefits which include salary, allowances, grant on initial assignment, grants for the education of dependent children, annual leave, accident and life insurance, where these benefits are expected to be settled within twelve months;

Long-term employee benefits (or after-service employee benefits) which include post-employment benefits such as ASHI, and other long-term employee benefits such as separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects, and long-term accumulated annual leave; and

Termination benefits which include an indemnity payable to staff members holding a permanent, continuing or fixed term contract whose appointment is terminated by the Organization prior to the end of their contract.

Short-Term Employee Benefits

UPOV has recognized liabilities for the following short-term benefits, the value of which is based on the amount payable to each staff member at the reporting date:

Accumulated leave (temporary staff): accumulated annual leave is classified as a short-term employee benefit for staff members holding temporary contracts. Temporary staff members may accrue up to 15 days annual leave in a given year, and a maximum of 15 days accrued leave may be paid at the end of an appointment. There is no liability at the reporting date (the total liability was 813 Swiss francs at December 31, 2018).

Overtime: certain staff members are eligible to be paid in cash for overtime accrued after the expiry of a period established in the SRR. The total liability at the reporting date for overtime is 4,005 Swiss francs (5,361 Swiss francs at December 31, 2018).

Education grants: certain internationally recruited staff members, other than those living in their home country, are eligible to receive a grant covering 75 per cent of the costs of education for dependent children until the fourth year of post-secondary school studies, but not beyond the end of the school year in which the child reaches the age of 25. The liability for education grants payable relates to the number of months which have elapsed between the start of the school year/university year and December 31, 2019, for which fees are therefore due. There is no liability at the reporting date (the total liability was 9,467 Swiss francs at December 31, 2018).

Long-Term Employee Benefits

Accumulated leave (posts): accumulated annual leave is classified as a long-term employee benefit for staff members holding permanent, continuing or fixed term contracts, and the liability is calculated by an external actuary. Staff in posts may accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. On separation from service, staff in posts who have accumulated annual leave can receive a payment in lieu of an amount equivalent to their salary for the period of accumulated annual leave. In exceptional circumstances, a staff member may be granted advance annual leave up to a maximum of 10 working days. The total outstanding liability at the reporting date is 94,116 Swiss francs, compared to 56,609 Swiss francs at December 31, 2018. The increase in the liability is largely due to a modification in the 2019 actuarial calculation, whereby the attribution of costs reflects the qualifying period of service and accrued benefit at the valuation date, as opposed to a linear attribution over the period of employment as previously applied.

Repatriation grant and travel: UPOV has a contractual obligation to provide benefits such as repatriation grants and travel for certain internationally recruited staff members at the time of their separation from service. On the basis of an actuarial valuation carried out in December 2019 by an independent actuary, the obligation was estimated as follows at the reporting date:

	December 31, 2019	December 31, 2018
	(in Swiss francs)	
Current liability	20,636	18,976
Non-current liability	211,252	163,105
Total liability for repatriation grant and travel	231,888	182,081

After Service Health Insurance (ASHI): UPOV also has a contractual obligation to provide post-employment medical benefits for its staff members in the form of insurance premiums for the collective medical insurance plan. Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for ASHI coverage if they continue to participate in the collective medical insurance plan after separation from service. In accordance with the Staff Regulations and Rules, a share of 65 per cent of the monthly medical insurance premium is paid by UPOV. From January 1, 2019, monthly medical premiums amount to 596 Swiss francs for adults and 265 Swiss francs for children. The present value of the defined benefit obligations for post-employment medical benefits is determined using the projected unit credit method including discounting the estimated future cash outflows using a discount rate determined using AA Corporate Bond Yield Curves. For the 2019 calculation, the discount rate was determined by averaging the currency-denominated discount rates, weighted by the major currencies in which underlying medical costs are incurred. In addition, the attribution of costs was modified to reflect the qualifying period of service and accrued benefit at the valuation date, as opposed to a linear attribution over the period of employment. These changes, combined with other movements in actuarial assumptions, largely explain the overall decrease in the ASHI liability in 2019. In accordance with IPSAS, UPOV's

ASHI liability is considered as unfunded as no plan assets are held in a legally separate entity or fund, and therefore no plan assets are deducted from the liability as recognized in the statement of financial position. However, it should be noted that UPOV holds in a separate account funds established for the future financing of the ASHI liability (see Note 3). On the basis of an actuarial valuation carried out in December 2019 by an independent office, UPOV's ASHI liability was estimated as follows at the reporting date:

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Current liability	252,298	162,061
Non-current liability	1,774,092	2,073,578
Total liability for After-Service Health Insurance (ASHI)	2,026,390	2,235,639

The table below details the expense for ASHI recognized in the statement of financial performance:

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Interest cost	19,951	15,334
Current service cost	142,111	141,370
Expense recognized in the statement of financial performance	162,062	156,704

The table below details the changes in the ASHI defined benefit obligation, including the impact of actuarial gains/(losses):

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Defined benefit obligation at beginning of year	2,235,639	2,209,461
Interest cost	19,951	15,334
Current service cost	142,111	141,370
Contribution paid	-37,190	-37,189
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	-511,380	2,503
(Gain)/loss on change in financial assumptions	-18,146	-104,700
(Gain)/loss on change in demographic assumptions	195,405	8,860
Defined benefit obligation recognized at end of year	2,026,390	2,235,639

Contributions paid by UPOV for ASHI totaled 37,190 Swiss francs for 2019 (37,189 Swiss francs in 2018). Expected contributions to ASHI in 2020 are 42,427 Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2019, was 19 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2019 and the previous four years:

	2019	2018	2017	2016	2015
	<i>(in Swiss francs)</i>				
Defined benefit obligation	2,026,390	2,235,639	2,209,461	2,234,293	1,577,193
Experience (gain)/loss adjustments on plan liability	-511,380	2,503	-98,740	-42,922	-1,159

The principal assumptions used in determining the ASHI liability and defined benefit obligation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.50%	0.90%
Discount rate currency	CHF, EUR, USD (weighted)	CHF
Medical cost trend rate	3.00%	3.50%

Actuarial assumptions have a significant effect on the amounts calculated for the ASHI liability. The following sensitivity analysis shows how the defined benefit obligation would have been affected by changes in significant actuarial assumptions:

After-Service Health Insurance (ASHI)	1 per cent decrease in medical cost trend rate (2.00%)	Actual medical cost trend rate (3.00%)	1 per cent increase in medical cost trend rate (4.00%)
	<i>(in Swiss francs)</i>		
Defined benefit obligation recognized at December 31, 2019	1,698,642	2,026,390	2,444,855
Per cent variation	-16.2%		20.7%

After-Service Health Insurance (ASHI)	0.25 per cent decrease in discount rate (0.25%)	Actual discount rate (0.50%)	0.25 per cent increase in discount rate (0.75%)
	<i>(in Swiss francs)</i>		
Defined benefit obligation recognized at December 31, 2019	2,126,840	2,026,390	1,932,573
Per cent variation	5.0%		-4.6%

United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

UPOV'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 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% 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 2017, 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. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to USD 7,131.56 million, of which 0.017 per cent was contributed by UPOV (including participants and UPOV contributions).

During 2019, contributions (including UPOV contributions only) paid to the Fund amounted to 300,685 Swiss francs (2018: 276,107 Swiss francs). Expected contributions due in 2020 are approximately 290,664 Swiss francs.

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

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

NOTE 7: TRANSFERS PAYABLE

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Application fees due to PVP Offices	544	1,352
TOTAL TRANSFERS PAYABLE	544	1,352

The UPOV Council has decided to charge no fee for the use of UPOV PRISMA during an introductory phase. However, this decision does not affect the fees that Plant Variety Protection (PVP) Offices receive per application. As at December 31, 2019, 544 Swiss francs collected via UPOV PRISMA have not been transferred to PVP Offices (1,352 Swiss francs at December 31, 2018).

NOTE 8: ADVANCE RECEIPTS

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Advance payment of contributions	423,763	229,701
Non-exchange revenue deferred	344,341	86,414
TOTAL ADVANCE RECEIPTS	768,104	316,115

Contributions received in advance are recorded as advance receipt liabilities and are recognized as revenue in the year to which they relate. Extrabudgetary funds from donors to Funds in Trust containing conditions requiring UPOV to provide services to recipient governments or other third parties are treated as deferred revenue until the services covered by the extrabudgetary funds (funds in trust) are performed, whereupon revenue is recognized.

NOTE 9: OTHER CURRENT LIABILITIES

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Amounts payable to WIPO	862,672	917,092
TOTAL OTHER CURRENT LIABILITIES	862,672	917,092

Other current liabilities are amounts payable to WIPO, which relate to services provided under the WIPO/UPOV Agreement.

NOTE 10: RELATED PARTY TRANSACTIONS

The Council of UPOV consists of the representatives of the members of the Union. They do not receive remuneration from UPOV.

UPOV has no ownership interest in associates or joint ventures and no controlled entities. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and WIPO. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. Under the Agreement, WIPO satisfies the requirements of UPOV as regards to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV. In accordance with the Agreement, the Office of the Union exercises its functions in complete independence of WIPO.

The key management personnel are the Secretary-General, the Vice Secretary-General and officers in posts. The current Director General of WIPO has declined any salary or allowance from his function as Secretary-General of UPOV. The other key management personnel are remunerated by UPOV. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Regulations and Rules. Key management personnel are members of the UN Joint Staff Pension Fund (UNJSPF) to which the personnel and UPOV contribute and are also eligible for participation in the collective medical insurance plan.

Key management personnel and their aggregate remuneration were as follows (note that the table does not include the Secretary-General as he does not receive remuneration from UPOV):

	2019		2018	
	Number of Individuals	Aggregate remuneration	Number of Individuals	Aggregate remuneration
	<i>(on a full-time equivalent basis)</i>	<i>(in Swiss francs)</i>	<i>(on a full-time equivalent basis)</i>	<i>(in Swiss francs)</i>
Key management personnel	6.00	1,412,081	5.50	1,289,367

There was no other remuneration or compensation to key management personnel or to their close family members.

NOTE 11: NET ASSETS

	December 31, 2018	Working Capital Fund contributions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds in Trust Surplus for the Year (before IPSAS adjustments)	Special Project Fund Expenditures (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2019
	<i>(in Swiss francs)</i>							
Program and Budget Surplus/(Deficit)	-	-	9,178	-	-	-142,352	133,174	-
Funds in Trust Surplus/(Deficit)	-	-	-	215,698	-	-215,698	-	-
Reserve Fund	942,594	-	-	-	-	-	-133,016	809,578
Special Project Fund	158	-	-	-	-	-	-158	-
Actuarial gains/losses through Net Assets	-807,939	-	-	-	-	334,121	-	-473,818
Working Capital Fund	548,346	12,499	-	-	-	-	-	560,845
NET ASSETS	683,159	12,499	9,178	215,698	-	-23,929	-	896,605

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2019, the Working Capital Fund stands at 560,845 Swiss francs. As per Regulation 4.2, the purposes for which the Working Capital Fund is utilized are:

- (a) to meet budgeted expenditure pending the receipt of the contributions of members of the Union;
- (b) to meet unavoidable unforeseen expenses arising from the execution of the approved program;
- (c) to meet such other expenses as may be determined by the Council.

Advances made from the Working Capital Fund to meet the expenditure requirements listed above are to be reimbursed in accordance with Regulation 4.2.

The Reserve Fund represents the accumulated surpluses and deficits of UPOV. In accordance with Regulation 4.6 of the UPOV Financial Regulations and Rules, the use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of the Union, unless otherwise decided by the Council. Any member of the Union may request that the reimbursement attributed to it be deposited in a special account or trust fund as specified by the member.

In 2015, 183,824 Swiss francs, representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium, were transferred to a Special Project Fund to complete specific projects. The remaining balance of 158 Swiss francs at 2018 year end, has been transferred to the UPOV Reserve Fund in 2019.

Following the implementation of IPSAS 39 in 2017, actuarial gains and losses for ASHI have to be recognized directly through net assets. The amount of actuarial losses in net assets at December 31, 2019 equals 473,818 Swiss francs due to actuarial gains of 334,121 Swiss francs recognized in 2019.

NOTE 12: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON (STATEMENT V) AND STATEMENT OF FINANCIAL PERFORMANCE (STATEMENT II)

The UPOV Program and Budget is established on a modified accrual basis in accordance with the UPOV Financial Regulations and Rules, and is approved by the Council. The Regular Program and Budget for the 2018-2019 Biennium established a budget estimate of income and expenditure for the biennium of 6,940,000 Swiss francs.

For 2019, the second year of the biennium, the original and final budget estimate for income and expenditure was 3,470,000 Swiss francs. Actual income on a modified accrual basis for the second year of the biennium was 3,508,871 Swiss francs. Actual expense on a modified accrual basis for the second year of the biennium was 3,499,693 Swiss francs. For the 2018/19 biennium, the original and final budget estimate for income and expenditure was 6,940,000 Swiss francs. Actual income on a modified accrual basis for the biennium was 6,930,932 Swiss francs. Actual expense on a modified accrual basis for the biennium was 6,854,494 Swiss francs. The analysis of budgetary performance on page 4 of these financial statements provides an explanation of the material differences between the budget and the actual amounts.

UPOV's budget and financial accounts are prepared using two different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis.

As required by IPSAS-24, a reconciliation is provided between the actual amounts on a comparable basis with the budget as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. UPOV's budget is adopted by the Council on a biennial basis, however, separate estimates are prepared for each of the two annual periods. Therefore there are no timing differences to report. Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the full recognition of employee benefit costs, allowances and provisions. Entity differences represent the inclusion in UPOV's financial accounts of Funds in Trust and the Special Project Fund, which are not included in UPOV's Regular Program and Budget. Presentation differences where applicable may represent the treatment of acquisitions of equipment as investing activities in Statement IV rather than as operating activities in Statement V.

	2019			Total
	Operating	Investing	Financing	
	<i>(in Swiss francs)</i>			
Actual amount on comparable basis (Statement V)	9,178	-	-	9,178
Changes in accounts receivable	-19,376	-	-	-19,376
Changes in transfers payable	-	-	-	-
Changes in employee benefit liabilities	-122,976	-	-	-122,976
Deferral of revenue Funds in Trust	-215,698	-	-	-215,698
Total Basis differences	-358,050	-	-	-358,050
Funds in Trust	215,698	-	-	215,698
Expenditures financed from Special Project Fund	-	-	-	-
Total Entity differences	215,698	-	-	215,698
Actual amount in the Statement of Financial Performance (Statement II)	-133,174	-	-	-133,174

	2018-2019			Total
	Operating	Investing	Financing	
<i>(in Swiss francs)</i>				
Actual amount on comparable basis (Statement V)	76,438	-	-	76,438
Changes in accounts receivable	-64,368	-	-	-64,368
Changes in transfers payable	-29	-	-	-29
Changes in employee benefit liabilities	-173,091	-	-	-173,091
Deferral of revenue Funds in Trust	-172,935	-	-	-172,935
Total Basis differences	-410,423	-	-	-410,423
Funds in Trust	172,935	-	-	172,935
Expenditures financed from Special Project Fund	-13,799	-	-	-13,799
Total Entity differences	159,136	-	-	159,136
Actual amount in the Statement of Financial Performance (Statement II)	-174,849	-	-	-174,849

NOTE 13: REVENUE

	Regular Program and Budget 2019	Funds in Trust 2019	Special Project Fund 2019	Inter-Segment Transactions 2019	TOTAL 2019	TOTAL 2018
<i>(in Swiss francs)</i>						
REVENUE						
Contributions	3,446,424	-	-	-	3,446,424	3,323,050
Extrabudgetary funds (funds in trust)	-	231,121	-	-	231,121	282,467
UPOV PRISMA system fees	-	-	-	-	-	-
Publications revenue	-	-	-	-	-	-
Investment revenue	-	-	-	-	-	-
Other/miscellaneous revenue	16,482	3	-	-	16,485	22,356
Program support charges	26,589	-	-	-26,589	-	-
TOTAL REVENUE	3,489,495	231,124	-	-26,589	3,694,030	3,627,873

Contributions under the Regular Program and Budget represent amounts payable in January 2019. Extrabudgetary funds under Funds in Trust represent revenue received in connection with contributions made by donors to individual projects not included in the Regular Program and Budget. Revenue from extrabudgetary funds (funds in trust) is deferred until earned through the delivery of the specific services provided in the plan of work agreed with the donor.

NOTE 14: EXPENSES

	Regular Program and Budget 2019	Funds in Trust 2019	Special Project Fund 2019	Inter-Segment Transactions 2019	TOTAL 2019	TOTAL 2018
<i>(in Swiss francs)</i>						
EXPENSES						
Personnel expenditure	2,332,654	-	-	-	2,332,654	2,210,760
Internships and Fellowships	41,429	-	-	-	41,429	28,892
Travel, Training and Grants	206,480	131,333	-	-	337,813	417,012
Contractual services	420,696	73,042	-	-	493,738	392,107
Operating expenses	619,848	160	-	-	620,008	619,355
Supplies and materials	1,562	-	-	-	1,562	17
Furniture and equipment	-	-	-	-	-	1,405
Program support costs	-	26,589	-	-26,589	-	-
TOTAL EXPENSES	3,622,669	231,124	-	-26,589	3,827,204	3,669,548

Personnel expenditure includes short-term employee benefits such as base salary, post adjustment, dependents' allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for posts and temporary positions. As a result of the implementation of IPSAS, personnel expenditure also includes amounts for the movements in employee benefit liabilities.

Travel and fellowships include the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business and travel for participants and lecturers in connection with training activities. Contractual services include translators, interpreters and other non-staff service agreements. Operating expenses include items such as premises rent, maintenance and bank charges.

NOTE 15: FINANCIAL INSTRUMENTS

UPOV is exposed to certain liquidity, interest rate, foreign currency exchange and credit risks which arise in the normal course of its operations. This note presents information about UPOV's exposure to each of the above risks and the policies and processes for measuring and managing risk.

Unless otherwise agreed by the Council, UPOV's investment policy shall be the same as WIPO's investment policy for operating cash. The Secretary-General may seek the advice of the Advisory Committee on Investments of WIPO for matters relating exclusively to UPOV. The Secretary-General shall inform the Consultative Committee regularly of any investments. The authority to make and prudently manage investments in accordance with the investment policy is delegated to the Controller of WIPO. In 2015, the policy was comprehensively revised and adopted by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO. Some further amendments to the Policy on Investments were adopted at the Fifty-Seventh Series of Meetings in 2017. The revised policy contains two specific investment policies, one covering operating and core cash and a second one covering strategic cash. Operating cash is the cash required by UPOV to meet daily payment requirements. Core cash is the balance of cash remaining once operating and strategic cash have been deducted. Strategic cash is the cash which has been set aside to finance after-service employee benefit liabilities, including ASHI.

Financial Instruments Overview

Financial instruments are categorized as follows:

Financial Assets and Liabilities	Category
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost
Transfers payable	Amortized cost

The carrying amounts of the categories of financial assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
	<i>(in Swiss francs)</i>	
Financial assets		
Amortized cost	4,884,324	4,410,285
Total carrying value	4,884,324	4,410,285
Financial liabilities		
Amortized cost	863,216	921,041
Total carrying value	863,216	921,041

Fair values

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Cash and short-term deposits, receivables from exchange transactions, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Receivables from non-exchange transactions are evaluated by the Union based on parameters such as interest rates and risk characteristics. When applicable, an allowance is established to offset the value of receivables due from

contributions. The allowance covers amounts of contributions with arrears dated prior to the last biennium. For UPOV's financial assets and liabilities at the reporting date, the carrying amount is equivalent to the fair value.

Credit risk

Credit risk is the risk of financial loss to UPOV if counterparties to financial instruments fail to meet their contractual obligations and it arises principally from receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. For the purposes of financial reporting, UPOV calculates expected credit losses allowances associated with its financial assets.

UPOV's accounts receivable are almost exclusively from members of the Union representing sovereign States and relevant Intergovernmental Organizations, and therefore risks related to credit are considered minor.

Cash and cash equivalents may only be held with institutions with a minimum short-term credit rating of A-2/P-2 or a minimum long-term credit rating of A/A2. Accordingly, the credit ratings attached to cash and cash equivalents as at December 31, 2019 are as follows:

Credit Rating	A-1	A-2	Total
	S&P short-term (in Swiss francs)		
Cash and Cash Equivalents	268,953	4,494,319	4,763,272
Percent	5.6%	94.4%	100.0%

Liquidity risk

Liquidity risk is the risk of UPOV not being able to meet its obligations as they fall due. UPOV does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. The investment policy requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet UPOV's cash flow requirements. Operating cash balances are invested over the short term (periods not exceeding twelve months to maturity) in low-risk asset classes which are easily liquidated at little or no cost. Core cash will be invested over the medium term (periods exceeding twelve months), in such a way that occasional access to a portion of the cash is possible thus facilitating scheduled large payments. Strategic cash is to be invested over the long term, and currently has no short or medium term liquidity requirements.

Currency risk

UPOV may receive revenue from extrabudgetary funds (funds in trust) in currencies and incur expenses in currencies other than its functional currency, the Swiss franc, and as a result is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. UPOV does not use derivative financial instruments to hedge exchange risk.

Market risk

Market risk is the risk of changes in market prices, such as interest rates, affecting income or the value of financial instrument holdings. UPOV is not subject to market risk.

NOTE 16: EVENTS AFTER THE REPORTING DATE

UPOV's reporting date is December 31, 2019 and its financial statements were authorized for issuance on the same date as the External Auditor's opinion.

On January 30, 2020, the Director-General of the World Health Organization declared the outbreak of the COVID-19 coronavirus a public health emergency of international concern (PHEIC). This is a non-adjusting event for the 2019 financial statements, however, given the global effects of this pandemic, there may be significant impacts on the Union's operations in 2020, the extent of which cannot be reliably estimated at this time. No other material events, favorable or unfavorable, which would have impacted upon the statements have been incurred between the reporting date and the date on which the financial statements were authorized for issue.