UPOV

International Union for the Protection of New Varieties of Plants

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Council

Fifty-Fifth Ordinary Session
Geneva, October 29, 2021

C/55/5

Original: English
Date: August 23, 2021

to be considered by correspondence

FINANCIAL STATEMENTS FOR 2020

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, 2020 are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/6), which requires that the Council examines and approves the financial statements. The Financial Statements for 2020 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/55/5 contains the audit report of the External Auditor.

2. The Financial Statements for 2020 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 2020.

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2020

Contents

INTRODUCTION

1. The financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2020 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/6):

   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 2020 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 2020 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, 2020

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.

COVID-19 Pandemic

9. The World Health Organization declared the outbreak of the COVID-19 coronavirus a public health emergency of international concern (PHEIC) on January 30, 2020. It subsequently declared the outbreak a pandemic on March 11, 2020. The pandemic became a global challenge and impacted the global economy in an unprecedented manner. In its 2019 financial statements, UPOV disclosed the outbreak as a non-adjusting event after the reporting date, in accordance with IPSAS 14. This disclosure stated that, given the global effects of the pandemic, there would be significant impacts on the Union's operations in 2020, the extent of which could not reliably be estimated at that time. While the eventual impact on the way UPOV conducted its business in 2020 was profound, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was more limited. Although there can be no objective or exact method of determining the complete impact of the COVID-19 pandemic on these financial statements, certain broad trends can be identified and are reflected in the following summary of the effects of the pandemic on UPOV's operations and financial results.

10. On March 17, 2020, the World Intellectual Property Organization (WIPO) premises in Geneva, where UPOV headquarters are located, were closed in the face of the evolving health crisis and lockdown decisions made by the Host Government. Physical access to WIPO premises was limited to a small critical presence needed to perform essential services; all other staff continued to work remotely. UPOV already had in place a Business Continuity Plan that addressed the threat of significant disruption to critical functions, and was quickly able to adjust to these unprecedented circumstances. During the initial phase of the crisis, staff were provided laptops and other equipment to permit them to connect to UPOV systems safely from remote locations. UPOV services, including UPOV PRISMA, continued at optimal capacity. With the gradual decline of infection rates in the Geneva region, and the scaling back of lockdown measures by the Host Government, UPOV initiated a carefully planned and phased return-to-premises program in June 2020. However, in October 2020 the epidemiological situation in Geneva rapidly deteriorated as the second wave of the COVID-19 pandemic gripped most of the world. This culminated in the Host Government issuing a new series of recommendations, including for employers to implement remote working as much as possible. As of November 2, 2020, all UPOV personnel, except those exceptionally required to be on-site, resumed remote working.

11. Travel bans and restrictions during 2020 had a significant impact on UPOV's activities involving traditional, in-person implementation modalities, especially in the areas of capacity building and support services. This required UPOV to adapt its delivery methods in order to respond to the constraints caused by the pandemic. In financial terms, the cost of missions for staff fell from 244,290 Swiss francs in 2019, to 26,935 Swiss francs in 2020. Official meetings and conferences moved to virtual modes during the year. UPOV's third party travel costs, including participants and lecturers, fell from 93,523 Swiss francs in 2019 to 9,927 Swiss francs in 2020.

12. It is not possible to assess the impact of COVID-19 on income from UPOV PRISMA fees. However, after 100% growth in the number of applications made via UPOV PRISMA in the first quarter of 2020 (44), compared to 2019 (22), despite the introduction of a fee from January 2020, the second quarter figures were 38% lower in 2020 (40), compared to 2019 (65). In the second half of 2020, the figures were 5% higher than in 2019.

13. For UPOV's liabilities, the most noticeable consequence of the pandemic was an increase of 62,067 Swiss francs in the accumulated annual leave liability, largely due to the impact of staff not taking their planned leave entitlements in 2020 as a result of travel limitations. Due to these limitations, as an exceptional measure for 2020 UPOV increased the maximum annual accrual and carry-forward balance for annual leave.

Financial Performance

14. UPOV's results showed a surplus for the year of 249,073 Swiss francs, with total revenue of 3,912,066 Swiss francs and total expenses of 3,662,993 Swiss francs. This can be compared to a deficit of 133,174 Swiss francs in 2019, with total revenue of 3,694,030 Swiss francs and total expenses of 3,827,204 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 2020	Funds in Trust 2020	Inter-Segment Transactions 2020	TOTAL UPOV 2020	TOTAL UPOV 2019
			(in Swiss francs)		
TOTAL REVENUE	3,662,683	279,503	-30,120	3,912,066	3,694,030
TOTAL EXPENSES	3,413,610	279,503	-30,120	3,662,993	3,827,204
SURPLUS/(DEFICIT) FOR THE YEAR	**249,073**	**-**	**-**	**249,073**	**-133,174**

15. UPOV's activities are financed mainly from two sources - contributions and extrabudgetary funds (funds in trust). Contributions of 3,612,710 Swiss francs represent approximately 92.3 per cent of UPOV's total revenue for 2020. Revenue recognized from extrabudgetary funds (funds in trust) totaled 278,556 Swiss francs for the year, representing 7.1 per cent of total revenue. UPOV also has balances of 405,438 Swiss francs relating to contributions received in advance. These balances are currently shown as liabilities, and will be recorded as revenue in the year that the corresponding obligations have been satisfied.

16. 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. The application tool was free of charge for an introductory period until December 31, 2019. At its fifty-third ordinary session, the UPOV Council decided to introduce a UPOV PRISMA fee per application of 90 Swiss Francs, starting in January, 2020. The revenue recognized from UPOV PRISMA fees represents 16,912 Swiss francs for 2020.

17. Personnel expenditure of 2,333,148 Swiss francs represents 63.7 per cent of the total expenses of 3,662,993 Swiss francs for the year 2020. 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 282,235 Swiss francs.

Financial Position

18. UPOV has net assets of 367,647 Swiss francs as at December 31, 2020, compared to 896,605 Swiss francs at the end of 2019. 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 2020	Funds in Trust 2020	Inter-Segment Balances 2020	TOTAL UPOV 2020	TOTAL UPOV 2019
			(in Swiss francs)		
TOTAL ASSETS	4,840,056	505,516	-58,919	5,286,653	4,884,324
TOTAL LIABILITIES	4,472,409	505,516	-58,919	4,919,006	3,987,719
NET ASSETS	**367,647**	**-**	**-**	**367,647**	**896,605**

19. The net working capital (current assets less current liabilities) of UPOV is 3,575,726 Swiss francs as at December 31, 2020 (3,194,377 Swiss francs as at December 31, 2019). The 2019 net working capital figure has been updated due to a change in presentation regarding the allocation of long-term employee benefit liabilities between current and non-current liabilities; the details of this change are presented in note 2 of the financial statements. Cash and cash equivalent balances increased from 4,763,272 Swiss francs as at December 31, 2019 to 5,099,354 Swiss francs as at December 31, 2020.

20. Total accounts receivable at December 31, 2020 were 187,299 Swiss francs, compared to 121,052 Swiss francs as at December 31, 2019. The accounts receivable balance at the end of 2020 includes contributions of 184,968 Swiss francs, Working Capital Fund of 1,667 Swiss francs and miscellaneous debtors of 664 Swiss francs.

21. UPOV has total employee benefit liabilities of 3,368,415 Swiss francs as at December 31, 2020, compared to 2,356,399 Swiss francs as at December 31, 2019. 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 3,033,695 Swiss francs as at December 31, 2020. This shows an increase of 1,007,305 Swiss francs from the balance of 2,026,390 Swiss francs as at December 31, 2019. The calculation of the ASHI liability is performed by an independent actuary. In accordance with IPSAS requirements, the ASHI liability recognized in the financial statements represents the present value of all expected future benefits to existing retirees and their dependents, and all accrued post-employment benefits of active staff. On average, medical costs increase with age, so the most significant expected medical costs remain to be paid in the future. UPOV staff and retirees participate in WIPO's collective medical insurance plan. To manage the cost and risk of the collective medical insurance plan, WIPO has secured an insurance contract that allows a level per person premium to be paid for all existing retirees and active staff, thus reducing the cash paid on behalf of older retirees relative to their incurred medical cost.

22. The ASHI liability calculation incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, age-grading for medical claims, retirement rates and mortality rates. Changes to these assumptions year on year lead to actuarial gains and losses which are recognized as part of the liability in the Statement of Financial Position. A breakdown of the movement in the liability due to actuarial gains and losses is provided in Note 5 of these financial statements. The increase in the liability in 2020 was mainly due to a modification of the expected future age-related medical costs. The ASHI liability is the ultimate cost of providing future post-employment medical costs, derived from the medical insurance premiums by applying an age-specific grading factor based on an analysis of recent claims data which has led to changes and increases at certain age groups. This is different from considering only the medical insurance premiums, which are mitigated by lower expected costs for the younger staff and new joiners.

23. 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, 2020, the total balance of these funds is 942,891 Swiss francs (870,169 Swiss francs as at December 31, 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.

STATEMENT ON INTERNAL CONTROL FOR 2020

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.

In signing this statement, I also rely on assurances, as detailed below, provided by the former Secretary-General for the period January 1 to September 30, 2020, the Vice Secretary-General, UPOV's assurance functions and information provided to me in the UPOV Assurance Summary.

Purpose of the system of internal control

Our system of internal control is a process, effected by the Council, the Consultative Committee, the Secretary General, Vice Secretary-General and other key officials, designed to provide reasonable assurance of UPOV's ability to reach its aims, objectives and related policies. The aim of this system of internal control is to manage risk to a tolerable level rather than to eliminate it entirely. As such, it sets out to provide reasonable assurance over the:

- Reliability of financial reporting – transactions authorized and properly recorded and material errors or irregularities are either prevented or detected in a timely manner;
- Effectiveness and efficiency of processes, the safeguarding of assets, and the exercise of economy; and
- Compliance with UPOV's regulatory framework and any other 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, 2020, and up to the date of the approval of UPOV's 2020 financial statements.

Internal control framework

UPOV has in place results based management processes, driven by a biennial program and budget approved by its members. Consideration and approval of UPOV's program and budget is undertaken 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."

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[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 prevail[2]*. 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

UPOV continued to monitor its key risks throughout 2020, which are recorded in the WIPO Enterprise Risk Management system and will continue to be managed and re-assessed over time. Critical risks and appropriate responses were reviewed regularly. These include the following key risks that we faced in 2020 and beyond:

- *Pandemic Disruption Risk*
  The COVID-19 pandemic continues to bring a number of risks to UPOV's program of work, including maintaining sufficient engagement with members, capacity building, outreach, training, budgetary impact, health-related issues and supplier failure or delay.

  Control and mitigation: Mitigation actions include the organization of virtual and hybrid virtual/physical meetings; access to UPOV's services for staff, continued monitoring of pandemic impact on budget and close communication with members.

- *Strategic Direction Risk*
  The Strategic Business Plan (SBP) lays out the priorities and income sources for UPOV for the period (2021 – 2025) 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 to provide information on the implementation of the SBP and to present proposals on resourcing for consideration by the Consultative Committee. The Consultative Committee requested that the Strategic Business Plan be updated on a biennial basis.

- *Funding Risk*
  The draft Program and Budget for the 2020-2021 Biennium anticipates some income from sources other than contributions from members of the Union. If this income is not achieved, the Program and Budget will need to be adapted accordingly.

  Control and mitigation: 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.

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[2] Subject to the UPOV Convention and the WIPO/UPOV Agreement, the Financial Regulations and Rules of UPOV (document UPOV/INF/4/6) 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.

Review of effectiveness

As Secretary-General of UPOV, I am ultimately accountable for the effectiveness of the system of internal controls. My assertion is supported and informed by:

- A statement on internal control from the former Secretary-General, referring to the period January 1 to September 30, 2020 which has been reviewed by me and the Vice Secretary-General;

- UPOV's Vice Secretary-General, who is accountable for achieving expected results, implementing UPOV's mandated activities, and managing the entrusted resources. The Vice Secretary-General's Management Representation Letter, confirms his 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 internal validation of entity level controls as well as key process level controls in place in WIPO;

- WIPO's Chief Ethics Officer, who is accountable for ensuring the design, development and implementation of an effective Ethics program to enhance integrity, compliance with ethics rules, and the ethical conduct of UPOV's business. Policies on Financial Disclosure and Declaration of Interests, Protect Against Retaliation for Reporting Misconduct and for Cooperating with Duly Authorized Audits or Investigations further contribute to setting the right tone in this area;

- WIPO Internal Oversight Division (IOD), on whose assurance and advisory services I rely and through IOD reports, if any, on UPOV. A synergy exists with IOD performing the audits of both UPOV and WIPO. These reports are also available to the Vice Secretary-General and the External Auditor and include recommendations, independent and objective observations on the efficiency and effectiveness of UPOV's system of internal controls and risk management processes, as well as program performance, and other related activities of oversight;

- 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

Based on the contents of this statement and the evidence that underpins it, I conclude that, to the best of my knowledge and information, there have been no material weaknesses that would affect the reliability of UPOV's financial statements, nor are there significant matters arising which would need to be raised in the present document for the period covered.

Daren Tang
Secretary-General

Date:…………………………..

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2020
(in Swiss francs)

		December 31, 2020	December 31, 2019
ASSETS	**Note**		
Current assets			
Cash and cash equivalents	3	5,099,354	4,763,272
Accounts receivable (non-exchange transactions)	4	186,635	120,914
Accounts receivable (exchange transactions)	4	664	138
		5,286,653	4,884,324
Non-current assets		-	-
TOTAL ASSETS		**5,286,653**	**4,884,324**
LIABILITIES			
Current liabilities			
Employee benefits	5	160,336	58,627
Transfers payable	6	858	544
Advance receipts	7	863,699	768,104
Other current liabilities	8	686,034	862,672
		1,710,927	1,689,947
Non-current liabilities			
Employee benefits	5	3,208,079	2,297,772
		3,208,079	2,297,772
TOTAL LIABILITIES		**4,919,006**	**3,987,719**
Reserve Fund	10	1,058,651	809,578
Actuarial gains/(losses) through Net Assets	10	-1,266,015	-473,818
Working Capital Fund	10	575,011	560,845
NET ASSETS		**367,647**	**896,605**

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2020
(in Swiss francs)

	Note	2020	2019
REVENUE	12		
Contributions		3,612,710	3,446,424
Extrabudgetary funds (funds in trust)		278,566	231,121
UPOV PRISMA fees		16,912	-
Other/miscellaneous revenue		3,878	16,485
TOTAL REVENUE		**3,912,066**	**3,694,030**
EXPENSES	13		
Personnel expenditure		2,333,148	2,332,654
Internships and Fellowships		24,282	41,429
Travel, Training and Grants		36,862	337,813
Contractual services		643,340	493,738
Operating expenses		621,186	620,008
Supplies and materials		4,175	1,562
TOTAL EXPENSES		**3,662,993**	**3,827,204**
SURPLUS/(DEFICIT) FOR THE YEAR		**249,073**	**-133,174**

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2020
(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, 2019	10	**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**
Surplus/(deficit) for the current year 2019		-133,174	-	-	-	-133,174
Net Assets at December 31, 2019	10	**809,578**	**-**	**-473,818**	**560,845**	**896,605**
Actuarial gains/(losses)		-	-	-792,197	-	-792,197
Working Capital fund contributions		-	-	-	14,166	14,166
Total of items recognized directly in Net Assets in 2020		**-**	**-**	**-792,197**	**14,166**	**-778,031**
Surplus/(deficit) for the current year 2020		249,073	-	-	-	249,073
Net Assets at December 31, 2020	10	**1,058,651**	**-**	**-1,266,015**	**575,011**	**367,647**

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2020
(in Swiss francs)

	Note	2020	2019
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	249,073	-133,174
Increase (decrease) in employee benefits	5	1,012,016	-133,571
(Increase) decrease in receivables	4	-66,247	14,045
Increase (decrease) in advance receipts	7	95,595	451,989
Increase (decrease) in other liabilities	6+8	-176,324	-57,825
Net cash flows from operating activities		**1,114,113**	**141,464**
Cash flows from financing activities			
Contributions to Working Capital Fund	10	14,166	12,499
Net cash flows from financing activities		**14,166**	**12,499**
Effect of recognition of Actuarial gains/(losses) through Net Assets	5	**-792,197**	**334,121**
Net increase (decrease) in cash and cash equivalents		**336,082**	**488,084**
Cash and cash equivalents at beginning of year	3	**4,763,272**	**4,275,188**
Cash and cash equivalents at end of year	3	**5,099,354**	**4,763,272**

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2020
(in thousands of Swiss francs)

	Original Budget 2020 (1)	Final Budget 2020 (1)	Actual Amounts on comparable basis 2020	Difference 2020 (2)
Income				
Contributions	3,473	3,473	3,548	75
UPOV PRISMA fees	125	125	17	-108
Other	76	76	33	-43
Total income	**3,674**	**3,674**	**3,598**	**-76**
Expenditure				
Personnel resources	2,470	2,470	2,186	-284
Internships and Fellowships	35	35	24	-11
Travel, Training and Grants	263	263	28	-235
Contractual services	283	283	403	120
Operating expenses	619	619	621	2
Supplies and materials	2	2	4	2
Furniture and equipment	2	2	-	-2
Total expenditure	**3,674**	**3,674**	**3,266**	**-408**
Result	**-**	**-**	**332**	**332**

Funds in Trust (before IPSAS adjustments)	154
IPSAS adjustments to Regular Program and Budget (3)	-83
IPSAS adjustments to Funds in Trust (3)	-154
Adjusted net surplus per IPSAS (Statement II)	**249**

(1) – represents the first year of the approved 2020-2021 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 11 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 42 Social Benefits, was published in January 2019 with an original implementation date of January 1, 2022. This implementation date has now been deferred to January 1, 2023 due to the COVID-19 pandemic and the challenges it has created. 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 two segments: (1) the Regular Program and Budget and (2) Funds in Trust. The UPOV performance by segment is presented in the following notes 12 and 13. 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, 2020, 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, 2020, 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.

Changes in Presentation

In the Statement of Financial Position the basis for allocating long-term employee benefit liabilities between current and non-current liabilities has been modified. Previously the current allocation was based on the expected expense in the following twelve months, and this has been changed to reflect the amounts expected to be settled in the following twelve months. This modification results in a presentation of the current portion of benefits included in the benefit obligation as it stands at the reporting date. As a result of this change, 227,613 Swiss francs have been reallocated from current to non-current employee benefits in the 2019 comparative numbers in the Statement of Financial Position. This change in presentation has no effect on UPOV Net Assets.

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, 2020	December 31, 2019
	(in Swiss francs)	
Deposits with banks	3,134,856	2,942,557
Total unrestricted cash	**3,134,856**	**2,942,557**
Deposits with banks - working capital funds	575,011	560,845
Deposits with banks - funds in trust	446,596	389,701
Total restricted cash	**1,021,607**	**950,546**
Deposits with banks - funds held for ASHI liability	942,891	870,169
Total strategic cash	**942,891**	**870,169**
TOTAL CASH AND CASH EQUIVALENTS	**5,099,354**	**4,763,272**

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, 2020, the total balance of these funds is 942,891 Swiss francs (870,169 Swiss francs as at December 31, 2019). 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, 2020	December 31, 2019
	(in Swiss francs)	
Receivable non-exchange transactions		
Contributions	184,968	77,038
Extrabudgetary funds (funds in trust)	-	43,876
Working Capital Fund	1,667	-
	186,635	120,914
Receivable exchange transactions		
Other debtors	664	138
	664	138
TOTAL ACCOUNTS RECEIVABLE	**187,299**	**121,052**

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.

NOTE 5: EMPLOYEE BENEFITS

	December 31, 2020	December 31, 2019
	(in Swiss francs)	
Accumulated leave - posts	49,927	829
Accumulated leave - temporary positions	1,580	-
Repatriation grant and travel	34,665	11,366
Home leave	12,045	-
Overtime	1,261	4,005
After-Service Health Insurance	60,858	42,427
Total current employee benefit liabilities	**160,336**	**58,627**
Accumulated leave	104,676	93,287
Repatriation grant and travel	130,566	220,522
After-Service Health Insurance	2,972,837	1,983,963
Total non-current employee benefit liabilities	**3,208,079**	**2,297,772**
TOTAL EMPLOYEE BENEFIT LIABILITIES	**3,368,415**	**2,356,399**

Long-term employee benefits include After-Service Health Insurance (ASHI), repatriation grant and travel, and accumulated leave (posts):

ASHI: Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for After-Service Health Insurance (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, 2021, monthly medical premiums amount to 596 Swiss francs for adults and 265 Swiss francs for children.

Repatriation grant and travel: The Union has a contractual obligation to provide benefits such as repatriation grants, travel and removal for certain internationally recruited staff members at the time of their separation from service.

Accumulated leave (posts): Accumulated annual leave is classified as a long-term employee benefit for staff members holding permanent, continuing or fixed term contracts. Staff in posts may normally accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. Notwithstanding the foregoing, due to the COVID-19 pandemic exceptional measures were introduced to allow the accrual of up to 20 days annual leave in 2020, and a total accumulated balance of 80 days to be carried forward to 2021. 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, up to a maximum of 60 days.

Employee benefit liabilities for ASHI, repatriation grant and travel, and accumulated leave (posts) are calculated by an independent actuary. Actuarial assumptions have a significant effect on the amounts calculated for employee benefit liabilities.

The ASHI liability of 3,033,695 Swiss francs, represents 90.1 per cent of the total employee benefits liability as at December 31, 2020. The ASHI liability increased by 1,007,305 Swiss francs compared to the 2019 balance. The ASHI liability is based on a calculation performed by an independent actuary, which incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, age-grading for medical claims, retirement rates and mortality rates. Changes to these assumptions year on year lead to actuarial gains and losses which are recognized as part of the liability in the Statement of Financial Position. The increase in the liability in 2020 was mainly due to a modification of the age-grading which is used to reflect the underlying cost of claims for ASHI participants. A further lowering of the discount rate from 0.50 per cent to 0.30 per cent also led to an increase in the liability, although this was partly offset by a decrease in the medical cost trend rate from 3.00 per cent to 2.90 per cent.

The principal actuarial assumptions applied in determining long-term employee benefits liabilities are detailed below. Discount rates were determined using AA Corporate Bond Yield Curves:

	December 31, 2020	December 31, 2019
After-Service Health Insurance		
Discount rate	0.30%	0.50%
Discount rate currency	CHF, EUR, USD (weighted)	CHF, EUR, USD (weighted)
Medical cost trend rate	2.90%	3.00%
Age-grading rates:		
50-59	10.00%	3.00-3.50%
60-64	8.00%	2.50%
65-69	4.00%	2.00%
70-74	2.00%	1.50%
75-79	1.00%	1.00%
80+	0.00%	0.00-0.50%
Repatriation Grant and Travel		
Discount rate	2.10%	3.00%
Discount rate currency	USD	USD
Rate of salary increase	2.71%	2.54%
Accumulated leave (posts)		
Discount rate	0.00%	0.10%
Discount rate currency	CHF	CHF
Rate of salary increase	UNJSPF rates	UNJSPF rates

The present value of the defined benefit obligations for ASHI is determined using the projected unit credit method including discounting the estimated future cash outflows. 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). The table below details the expense for ASHI recognized in the Statement of Financial Performance:

	December 31, 2020	**December 31, 2019**
	(in Swiss francs)	
Interest cost	10,026	19,951
Current service cost	242,272	142,111
Expense recognized in the statement of financial performance	**252,298**	**162,062**

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

	December 31, 2020	**December 31, 2019**
	(in Swiss francs)	
Defined benefit obligation at beginning of year	2,026,390	2,235,639
Interest cost	10,026	19,951
Current service cost	242,272	142,111
Contribution paid	-37,190	-37,190
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	18,635	-511,380
Medical cost trend rate	*-55,111*	*-346,436*
Discount rate and currency weighting	*117,602*	*328,290*
(Gain)/loss on change in financial assumptions	62,491	-18,146
Medical claims age-grading	*735,080*	*334,199*
Other demographic assumptions	*-24,009*	*-138,794*
(Gain)/loss on change in demographic assumptions	711,071	195,405
Defined benefit obligation recognized at end of year	**3,033,695**	**2,026,390**

As can be seen in the table above, the most significant movement in the 2020 ASHI liability is the result of actuarial losses from changes to the medical claims age-grading factors. Consistent with the approach taken in 2019, in the 2020 actuarial calculation age-grading factors have been applied to premiums to derive the expected future underlying medical claims costs for active staff, retirees and dependents. The 2020 age-grading factors were based on an analysis of claims data over a four-year period which led to changes in the factors compared to those applied in the prior year. No specific modifications were made to any of the 2020 actuarial assumptions, including those related to medical claims or mortality rates, as a result of the COVID-19 pandemic. Currently there is insufficient available information to understand the long-term effects of COVID-19 on these future trends. Contributions paid by the Union for ASHI totaled 37,190 Swiss francs for 2020 (37,190 Swiss francs in 2019). Expected contributions to ASHI in 2021 are also 37,190 Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2020, was 20 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2020 and the previous four years:

	2020	2019	2018	2017	2016
			(in Swiss francs)		
Defined benefit obligation	3,033,695	2,026,390	2,235,639	2,209,461	2,234,293
Experience (gain)/loss adjustments on plan liability	18,635	-511,380	2,503	-98,740	-42,922

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, the discount rate and the rate of sickness premium increase. The per cent changes used in the analysis are considered reasonable based on historical movements:

After-Service Health Insurance (ASHI)	1 per cent decrease in medical cost trend rate *(1.90%)*	Actual medical cost trend rate *(2.90%)*	1 per cent increase in medical cost trend rate *(3.90%)*
		(in Swiss francs)	
Defined benefit obligation recognized at December 31, 2020	2,524,695	3,033,695	3,687,370
Per cent variation	-16.8%		21.5%

After-Service Health Insurance (ASHI)	0.25 per cent decrease in discount rate *(0.05%)*	Actual discount rate *(0.30%)*	0.25 per cent increase in discount rate *(0.55%)*
		(in Swiss francs)	
Defined benefit obligation recognized at December 31, 2020	3,190,266	3,033,695	2,887,698
Per cent variation	5.2%		-4.8%

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 Pension 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 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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 at December 31, 2019, and a roll forward of the participation data as at December 31, 2019 to December 31, 2020 will be used by the Fund for its 2020 financial statements.

The actuarial valuation as at December 31, 2019, resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent 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 at December 31, 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. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to USD 7,546.92 million, of which 0.017 per cent was contributed by UPOV (including participants and UPOV contributions).

During 2020, contributions (including UPOV contributions only) paid to the Fund amounted to 293,809 Swiss francs (300,685 Swiss francs in 2019). Expected contributions due in 2021 are approximately 313,667 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 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 is 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 6: TRANSFERS PAYABLE

	December 31, 2020	December 31, 2019
	(in Swiss francs)	
Application fees due to PVP Offices	858	544
TOTAL TRANSFERS PAYABLE	**858**	**544**

As at December 31, 2020, 858 Swiss francs collected via UPOV PRISMA have not been transferred to PVP Offices (544 Swiss francs at December 31, 2019).

NOTE 7: ADVANCE RECEIPTS

	December 31, 2020	December 31, 2019
	(in Swiss francs)	
Advance payment of contributions	405,438	423,763
Non-exchange revenue deferred	458,261	344,341
TOTAL ADVANCE RECEIPTS	**863,699**	**768,104**

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 8: OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
	(in Swiss francs)	
Amounts payable to WIPO	686,034	862,672
TOTAL OTHER CURRENT LIABILITIES	**686,034**	**862,672**

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

NOTE 9: 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 the cost of such services in accordance with the terms of said agreement. In 2020 UPOV paid 618,000 Swiss francs to WIPO to cover the cost of these services, which UPOV recognized in operating expenses for the year. In addition, UPOV reimbursed WIPO for funds disbursed on its behalf. 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):

	2020		2019	
	Number of Individuals	**Aggregate remuneration**	**Number of Individuals**	**Aggregate remuneration**
	(on a full-time equivalent basis)	*(in Swiss francs)*	*(on a full-time equivalent basis)*	*(in Swiss francs)*
Key management personnel	6.67	1,540,261	6.00	1,412,081

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

NOTE 10: NET ASSETS

	December 31, 2019	Working Capital Fund contributions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds In Trust Surplus for the Year (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2020
				(in Swiss francs)			
Program and Budget Surplus/(Deficit)	-	-	331,803	-	-82,730	-249,073	-
Funds in Trust Surplus/(Deficit)	-	-	-	153,851	-153,851	-	-
Reserve Fund	809,578	-	-	-	-	249,073	1,058,651
Actuarial gains/losses through Net Assets	-473,818	-	-	-	-792,197	-	-1,266,015
Working Capital Fund	560,845	14,166	-	-	-	-	575,011
NET ASSETS	**896,605**	**14,166**	**331,803**	**153,851**	**-1,028,778**	**-**	**367,647**

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2020, the Working Capital Fund stands at 575,011 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, revised by the UPOV Council at its fifty-fourth ordinary session: 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 Council shall decide on the use of the income in excess of the expenditure for the financial period.

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, 2020 equals 1,266,015 Swiss francs due to actuarial losses of 792,197 Swiss francs recognized in 2020.

NOTE 11: 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 2020-2021 Biennium established a budget estimate of income and expenditure for the biennium of 7,347,000 Swiss francs.

For 2020, the first year of the biennium, the original and final budget estimate for income and expenditure was 3,673,500 Swiss francs. Actual income on a modified accrual basis for the first year of the biennium was 3,598,315 Swiss francs. Actual expense on a modified accrual basis for the first year of the biennium was 3,266,512 Swiss francs. The UPOV Performance Report for 2020 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.

The amounts presented in the reconciliation below can be compared to the amounts presented in thousands of Swiss francs in the Statement V page 13.

	2020			
	Operating	**Investing**	**Financing**	**Total**
		(in Swiss francs)		
Actual amount on comparable basis (Statement V)	**331,803**	**-**	**-**	**331,803**
Changes in accounts receivable	64,368	-	-	64,368
Changes in employee benefit liabilities	-147,098	-	-	-147,098
Deferral of revenue Funds in Trust	-153,851	-	-	-153,851
Total Basis differences	**-236,581**	**-**	**-**	**-236,581**
Funds in Trust	153,851	-	-	153,851
Total Entity differences	**153,851**	**-**	**-**	**153,851**
Actual amount in the Statement of Financial Performance (Statement II)	**249,073**	**-**	**-**	**249,073**

NOTE 12: REVENUE

	Regular Program and Budget 2020	**Funds in Trust 2020**	**Special Project Fund 2020**	**Inter-Segment Transactions 2020**	**TOTAL 2020**	**TOTAL 2019**
			(in Swiss francs)			
REVENUE						
Contributions	3,612,710	-	-	-	3,612,710	3,446,424
Extrabudgetary funds (funds in trust)	-	278,566	-	-	278,566	231,121
UPOV PRISMA system fees	16,912	-	-	-	16,912	-
Other/miscellaneous revenue	2,941	937	-	-	3,878	16,485
Program support charges	30,120	-	-	-30,120	-	-
TOTAL REVENUE	**3,662,683**	**279,503**	**-**	**-30,120**	**3,912,066**	**3,694,030**

Contributions under the Regular Program and Budget represent amounts payable in January 2020. 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 13: EXPENSES

	Regular Program and Budget 2020	Funds in Trust 2020	Special Project Fund 2020	Inter-Segment Transactions 2020	TOTAL 2020	TOTAL 2019
			(in Swiss francs)			
EXPENSES						
Personnel expenditure	2,333,148	-	-	-	2,333,148	2,332,654
Internships and Fellowships	24,282	-	-	-	24,282	41,429
Travel, Training and Grants	28,041	8,821	-	-	36,862	337,813
Contractual services	402,938	240,402	-	-	643,340	493,738
Operating expenses	621,026	160	-	-	621,186	620,008
Supplies and materials	4,175	-	-	-	4,175	1,562
Program support costs	-	30,120	-	-30,120	-	-
TOTAL EXPENSES	**3,413,610**	**279,503**	**-**	**-30,120**	**3,662,993**	**3,827,204**

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 14: 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, 2020	December 31, 2019
	(in Swiss francs)	
Financial assets		
Amortized cost	5,286,653	4,884,324
Total carrying value	**5,286,653**	**4,884,324**
Financial liabilities		
Amortized cost	686,892	863,216
Total carrying value	**686,892**	**863,216**

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, 2020 are as follows:

Credit Rating	A-1 S&P short-term	Total
	(in Swiss francs)	
Cash and Cash Equivalents	5,099,354	**5,099,354**
Percent	100.0%	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 15: EVENTS AFTER THE REPORTING DATE

UPOV's reporting date is December 31, 2020 and its financial statements were authorized for issuance on the same date as the External Auditor's opinion.

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

[End of Annex and of document]