



Inter-Parliamentary Union
For democracy. For everyone.

144th IPU Assembly

Nusa Dua, Indonesia
20-24 March 2022

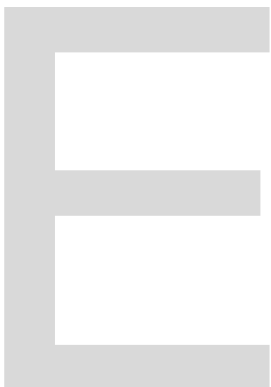


Executive Committee
Item 5
Governing Council
Item 10

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7 March 2022

Financial results for 2021

Financial report and audited financial statements



#IPU144

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1. Introduction

The audited financial statements for 2021 are once again fully compliant with International Public Sector Accounting Standards (IPSAS). They reflect the changes effected during the past nine years – consolidating the IPU closed Pension Fund with the IPU's own accounts, carrying out a regular full actuarial review of the Pension Fund, revaluing the IPU Headquarters building in Geneva at fair value and amortizing the 50-year loan that was offered by the Swiss Confederation in 2003 for the construction and renovation of the Headquarters building.

The content of the IPU Financial Report is derived from the body of the five audited financial statements and their comprehensive notes. A comparison of budget performance by category of expenditure and by strategic direction is found in Statement V: Statement of Comparison of Budget and Actual Amounts and in note 17 on segment reporting. Details of expenditure by line item are provided in note 18. This financial report therefore provides a summary of key information and a narrative explanation of budget variances, and points out where further information can be located in the financial statements and notes.

On 30 January 2020, the Director-General of the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) a public health emergency of international concern. On 11 March 2020, he revised the characterization of the COVID-19 outbreak to pandemic. There has been no negative impact of COVID-19 on the IPU's financial assets at the reporting date. Despite the financial performance of the markets early in 2020 following the COVID-19 outbreak, the IPU's investments in mutual funds recovered and generated a gain totalling CHF 465,596 at the end of the year. Overall, the IPU's net assets are increased by an operating surplus of CHF 378,270 in 2021. The principal of the IPU's working capital portfolio remains safe, in line with its investment policy on working capital, as it holds high-quality assets aimed at preserving principal.

The budget for 2021 was approved with no increase in Members' assessed contributions compared with 2020. Members' assessed contributions still remain below their level of 2007. The impact of COVID-19 has been assessed on activities that support the achievement of the IPU's Strategic Objectives, on future funding from major donors and on operational costs. The IPU has continued the engagement with its various stakeholders and ensured that its risk assessment framework is tailored to the COVID-19 environment.

Swiss regulations required the windows of the IPU Headquarters building to be replaced in 2018-2019, improving both energy efficiency and security, and the amortized cost of this work continues to be charged to the IPU's reserve for major repairs. In accordance with the decision of the Governing Council in Geneva in 2007, an additional amount of CHF 13,700 has been set aside in a reserve for the purpose of offsetting CO₂ emissions and to mitigate the environmental impact of operations.

After the increase in net assets, the liquid portion of the IPU's Working Capital Fund stands at its 2021 target level. The target level was set by the Executive Committee in 2006 at one half of the IPU's approved annual operating budget although the Working Capital Fund is now composed not only of available cash, cash equivalents and investments but also of IPSAS-required accounting adjustments which cannot be realized in cash. The accumulated balance of the Fund at 31 December 2021 amounted to CHF 11,402,964, of which CHF 2,395,823 related to IPSAS accounting adjustments for the headquarters building revaluation and amortization of the FIPOI building loan.

The following sections provide a summary of the revenues and expenses of the IPU during 2021, in particular where these amounts have varied from the Consolidated Budget as identified in Statement V: Statement of Comparison of Budget and Actual Amounts.

2. Revenue

The principal sources of revenue for the IPU are the assessed contributions of Members and voluntary funds from donors. A small proportion of total revenue is earned from interest, investments and other sources, including meeting room rentals. In 2021, overall revenue increased by 6 per cent to CHF 14,708,115. Members' assessed contributions remained level at CHF 10,931,800, still below the level of total assessed contributions in 2007. Interest and investment earnings performed very well, ending 2021 with an overall unrealized gain of CHF 428,449 across the combined IPU and closed Pension Fund portfolios. Other income of CHF 31,087 was received during the year.

2.1 Assessed contributions from Member Parliaments

In all, 176 Members and 13 Associate Members were assessed for a total of CHF 10,931,800 in 2021. By the end of 2021, all but CHF 948,011 of the current year (2021) assessments had been collected, with total arrears of contributions increasing year-on-year due mainly to the pandemic and to the situation of Venezuela, which owes a total of CHF 525,900 in arrears. There were 67 Members and Associate Members with contributions outstanding and two Members (Honduras and Papua New Guinea) have had their membership rights suspended since 2019 under Article 5.3 of the IPU Statutes. Of the Members in arrears at the year end, 14 were liable for suspension of all membership rights under Article 5.3 and 8 were liable for loss of voting rights under Article 5.2.

2.2 Voluntary contributions

The 2021 budget for voluntary contributions was set at CHF 5.0 million. As a consequence of lower-than-expected programme expenditure due to the COVID-19 pandemic and some grants not arriving when anticipated, actual expenditure of voluntary contributions was 66 per cent of the budgeted amount.

At the start of 2021, the IPU had pledges from donors for future years totalling CHF 3.6 million. During the year, donors firmly committed an additional amount of CHF 6.4 million, subject to specific conditions set forth in agreements. Meanwhile, CHF 3.3 million was spent and the end-of-year balance of pledges from donors totalled CHF 6.7 million, most of which relates to multiyear agreements.

The total amount of voluntary contributions earned/spent in 2021 was CHF 3.3 million, 23 per cent higher than in 2020.

2.3 Staff assessment

Six per cent of budgeted revenue came from the internal taxation of staff salaries. The rates of staff assessment, which are set by the International Civil Service Commission, are based upon the average tax rates in Geneva, London, Montreal, New York, Paris, Rome and Vienna. In line with IPSAS requirements, the IPU no longer recognizes this staff assessment element as either income or expenditure in Statement II: Statement of Financial Performance.

The IPU is contractually obliged to reimburse certain staff members for any national income taxes which are imposed on their IPU incomes. In 2021, CHF 70,945 was reimbursed to staff members who paid taxes to France and Canada.

2.4 Investment income and other revenues

In 2006, the IPU placed a portion of its funds in a balanced mutual fund in order to increase returns on the Working Capital Fund through diversification. Markets had fallen heavily at the outset of the pandemic but the IPU's investments recovered strongly and the year-end value of the IPU and Pension Fund portfolios reflected an overall gain of CHF 465,596 in 2021. The market value of the mutual fund units held has so far fallen slightly at the beginning of 2022 due to market volatility. Interest rates continue to remain very low or negative following the actions of the Swiss National Bank during the past several years, substantially limiting the opportunities for the IPU to generate low-risk income. The IPU maintains its prudent stance towards investments, and deposits cash in banks with credit ratings of A or higher.

3. Expenditure

Following the IPU Strategy for 2017–2021 and in line with the IPU's compliance with IPSAS, the IPU 2021 Consolidated Budget was organized according to the eight strategic objectives and the enabling actions.

A total of 74 per cent of the budget of the IPU is directly attributable to the activities planned to achieve the eight objectives of the Strategy. The balance of 26 per cent of expenditures comes from the enablers: effective internal governance and oversight, which covers costs relating to the President, the Executive Committee and the Executive Office; visibility, advocacy and communication for the IPU; gender mainstreaming and a rights-based approach; a properly resourced and efficient Secretariat, which includes the services of finance, administration and human resources, as well as all costs relating to office accommodation, asset depreciation, equipment rental, ICT and supplies for the Secretariat; as well as other charges, including grants and all contributions to reserves.

Further financial details can be found in Statement V: Statement of Comparison of Budget and Actual Amounts and in the segment reporting in note 17.

3.1 Strategic Objective 1: Build strong, democratic parliaments

The 2021 operating costs of activities towards achieving this objective were exactly on budget at CHF 2,570,229 in total. The budget included voluntary funds related to UNDP country partnerships, the Centre for Innovation in Parliament and the European Union-funded project in Djibouti.

3.2 Strategic Objective 2: Advance gender equality and respect for women's rights

Expenditure on gender equality work finished the year with savings achieved in travel and meeting costs. For this reason, the gender equality objective expenditure came in within budget for the year by 10 per cent with a total annual expenditure of CHF 1,263,927.

3.3 Strategic Objective 3: Protect and promote human rights

CHF 1,292,676 was spent on activities to promote and protect human rights, within budget by 19 per cent due to pandemic restrictions on travel, with the Committee on the Human Rights of Parliamentarians examining the situation of a total of 673 parliamentarians from 44 countries. Voluntary income was allocated from the grant from the Swedish International Development Cooperation Agency (Sida).

3.4 Strategic Objective 4: Contribute to peacebuilding, conflict prevention and security

Total expenditure of IPU funds on this objective was CHF 572,447, within budget by 54 per cent. Extrabudgetary expenditure foreseen in the area of counter-terrorism was lower than anticipated due to delays in the finalisation of two funding agreements which are now concluded. Under the partnership agreement between the IPU and the United Nations, the UN Office of Counter-Terrorism (UNOCT) supplemented its own funding to cover additional programme activities during 2020.

3.5 Strategic Objective 5: Promote inter-parliamentary dialogue and cooperation

Activities supporting Members accounted for expenditures of CHF 3,353,974 in 2021 and finished the year within budget by 10 per cent. The switch to selected virtual sessions of the governing bodies in response to the pandemic led to this expenditure reduction.

Comparative data on the core budget costs of each Assembly and the 2021 selected virtual sessions is given in the tables below. In the case of Doha, the host parliament provided additional financial support to supplement the IPU budget.

Comparative costs of the first Assembly (in CHF)

| Item | Virtual sessions 2021 | Virtual sessions 2020 | Doha 2019 |
|----------------------------------|-----------------------|-----------------------|----------------|
| Permanent staff overtime | 12,995 | 699 | 37,063 |
| Temp. staff/contractual services | 540,803 | 193,765 | 480,631 |
| Travel & related expenses | 0 | 0 | 364 |
| Freight/communication | 0 | 2,948 | 319 |
| Supplies/equipment/services | 0 | 0 | 8,593 |
| Publications/web | 0 | 716 | 14,177 |
| Gifts/hospitality | 250 | 75 | 8,132 |
| Total expense | 554,047 | 198,203 | 549,728 |

Comparative costs of the second Assembly (in CHF)

| Item | Madrid 2021 | Virtual sessions 2020 | Belgrade 2019 |
|----------------------------------|----------------|-----------------------|----------------|
| Permanent staff overtime | 26,608 | 8,085 | 34,797 |
| Temp. staff/contractual services | 438,265 | 215,468 | 566,273 |
| Travel & related expenses | 214,787 | 100 | 75,724 |
| Freight/communication | 8,176 | 0 | 11,682 |
| Supplies/equipment/services | 2,726 | 0 | 6,603 |
| Publications/web | 0 | 0 | 13,301 |
| Gifts/hospitality | 3,426 | 0 | 4,087 |
| Total expense | 695,988 | 223,654 | 712,467 |

3.6 Strategic Objective 6: Promote youth empowerment

Total expenditure on the objective to promote youth empowerment came in at CHF 324,417, 31 per cent within budget due primarily to travel and meeting restrictions. Additional funding pledged by the Government of Equatorial Guinea had not yet materialized so expenditure was deferred pending receipt of funds.

3.7 Strategic Objective 7: Mobilize parliaments around the global development agenda

CHF 602,780 was expended on Strategic Objective 7, two thirds of which came from voluntary sources. Many national and regional activities on the SDGs and climate change were restricted by the pandemic in 2021. Expenditure against this objective was therefore lower than anticipated at 49 per cent of budget. Health-related activities were implemented as far as circumstances permitted under the new agreement with the World Health Organization (WHO).

3.8 Strategic Objective 8: Bridge the democracy gap in international relations

This objective was primarily met through the work of the Office of the Permanent Observer of the IPU to the United Nations in New York. The costs of the Office and its activities came in at CHF 761,090, within budget by 17 per cent due to the restriction of physical activities and the relative weakness of the US dollar against the Swiss franc during most of the year.

3.9 Enablers and other charges

Effective internal governance and oversight

Results for the management and governance enabler were achieved for a total expenditure of CHF 984,734 in 2021, within budget by 6 per cent.

Visibility, advocacy and communications

A total of CHF 1,057,715 was spent on this enabler during the year for the communications function. Further work was completed on the IPU website and open data platform redevelopment –these capital costs are reported below under Section 5. Expenditure on visibility, advocacy and communications ended the year exactly on budget.

Gender mainstreaming and a rights-based approach

A budgetary allocation of CHF 10,000 was made towards training and information activities relating to the promotion of gender mainstreaming and a rights-based approach to the work of the IPU, of which CHF 1,843 was used in 2021 (18 per cent).

Properly resourced and efficient Secretariat

The expenditures on Support Services (which include finance, administration and human resources services, office accommodation, asset depreciation, equipment rental, ICT and supplies) were CHF 2,565,649, within budget by 8 per cent. Budget savings were generated primarily in the areas of equipment leasing, depreciation, telecommunications, postage and stationery costs.

Other charges

An allowance for doubtful accounts is set aside to cover the write-off of outstanding debts. In 2021, some Members were less prompt in paying assessed contributions and the situation of Venezuela and its late payments remained unresolved. In accordance with IPSAS, provision is required for all debts more than two years old, and the reserve was therefore increased by CHF 112,883 to CHF 665,833 (34 per cent of the total amount receivable from Members).

The annual grant to the Association of Secretaries General of Parliaments was CHF 5,896 due to the Covid-induced restrictions on sessions of the Association.

No addition to the reserve for major building repairs to IPU Headquarters was budgeted in 2021 as the level of the reserve was assessed to be adequate. The reserve currently stands at CHF 393,534. The Headquarters' windows were renovated in 2018 and 2019 and the depreciation cost of this is being offset against the accumulated reserve funds until 2043, as foreseen.

In accordance with the decision of the Governing Council in Geneva in 2007, an amount of CHF 13,700 was set aside in a reserve for the purpose of offsetting CO₂ emissions and to mitigate the environmental impact of operations. The total accumulated reserve of CHF 36,091 will be used for climate-change-related activities in 2022 and beyond.

The Parliamentary Solidarity Fund stood at CHF 92,744 at the end of the year. One request for travel support by the Solomon Islands, approved in 2019, was deferred due to the pandemic and will be used when circumstances permit.

4. Gender analysis

Under the IPSAS presentation of the Financial Statements, expenditure on the objective of advancing gender equality is shown directly in Statement V: Statement of Comparison of Budget and Actual Amounts. In 2021, gender-specific expenditure totalled CHF 1,263,927, which represents 9 per cent of the IPU's total expenses.

Women are employed in the Secretariat in equal or greater numbers than men in both the professional and general service categories:

| Representation in the Secretariat | 2021 | | 2020 | |
|-----------------------------------|------|-------------------|------|-------------------|
| | No. | Per cent of total | No. | Per cent of total |
| Women on staff – general services | 12 | 80% | 14 | 82% |
| Women on staff – professional | 14 | 50% | 14 | 54% |
| Women on staff – total | 26 | 60% | 28 | 65% |
| Women recruited during year | 2 | 50% | 3 | 100% |
| Women promoted during year | 0 | 100% | 3 | 75% |

5. Capital expenditures

In 2021, CHF 81,461 was spent on furniture, vehicles, equipment and premises, including the routine replacement of outdated IT and communications equipment.

Overall, capital expenditures ended the year at 58 per cent of budget.

6. Staff pension fund

The closed legacy Pension Fund covers the pension commitments made to former employees of the IPU who have already retired. In compliance with IPSAS requirements, the accounts of the closed Pension Fund were consolidated into the IPU Financial Statements from 2012 onwards.

An actuarial study was carried out to calculate the valuation of the pension liabilities of the IPU as of 31 December 2021. The results of the study are set out in note 11 to the Financial Statements, along with details of all of the IPU's other employee benefit liabilities.

7. Recommendations

In accordance with Rule 13.3 of the financial regulations, it is recommended that the Governing Council approve the financial administration of the IPU and the financial results for 2021.

8. Management's responsibility for financial reporting

The management of the IPU is responsible for the reliability, integrity and objectivity of the accompanying financial statements and annual financial report. The financial statements have been prepared in accordance with IPSAS. Where necessary, the statements include amounts that are based on judgements and estimates by management. To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Governing Council is responsible for approving the annual financial statements. The Governing Council has delegated certain responsibilities to the Internal Auditors, including the responsibility for reviewing the annual financial statements and meeting with management and the External Auditor, as necessary, on matters relating to the financial reporting process.

These financial statements have been audited by the External Auditor appointed by the Executive Committee.



Martin Chungong
Secretary General



Andrée Lorber
Director
Division of Support Services

9. External auditor's opinion

Report of the External Auditor on the financial statements: Audit Opinion

Opinion

We have audited the financial statements of the Inter-Parliamentary Union (the IPU), which comprise the statement of financial position (statement I) as at 31 December 2021, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the IPU as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary General of the IPU is responsible for IPSAS-compliant financial statements and the other information, which comprises the financial report for the year ended 31 December 2021.

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

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

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

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Secretary General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the IPU that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the financial regulations and rules of the IPU and legislative authority.

In accordance with Financial Regulation XIII of the IPU, we have also issued a long-form report on our audit of the IPU.

(Signed) Girish Chandra Murmu
Comptroller and Auditor General of India

10. Statement of financial position

INTER-PARLIAMENTARY UNION

Statement I:

Statement of Financial Position

at 31 December 2021

In CHF (Swiss francs)

| | 2021 | 2020 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash on Hand | 8,005 | 14,874 |
| Cash in current accounts | 14,923,627 | 9,764,131 |
| Cash held by investment fund manager | 375,088 | 414,496 |
| Term deposits and savings accounts | 47 | 534,886 |
| Sub total cash and cash equivalents (Note 3) | 15,306,766 | 10,728,388 |
| Accounts Receivable | | |
| from Members (Note 4) | 1,313,881 | 1,123,263 |
| from Donors (Note 4) | 714,772 | 2,089,986 |
| from Tax Reimbursements | 23,786 | 353 |
| Others | 18,391 | 32,137 |
| Sub total accounts receivable | 2,070,829 | 3,245,739 |
| Investments (Note 5) | 5,845,177 | 6,264,691 |
| Other current assets (Note 6) | 262,269 | 286,301 |
| Sub-total current assets | 23,485,041 | 20,525,118 |
| Non-current assets | | |
| Fixed Assets (Note 7) | | |
| Building and Grounds | 7,514,097 | 7,771,817 |
| Furnishings | 6,660 | 11,073 |
| General Equipment | 12,833 | 28,233 |
| IT Equipment | 145,740 | 108,930 |
| Vehicles | - | - |
| | 7,679,331 | 7,920,053 |
| Intangible assets (Note 8) | 91,391 | 192,958 |
| Accounts receivable from donors (Note 4) | - | 176,600 |
| Sub-total non-current assets | 7,770,722 | 8,289,611 |
| Total Assets | 31,255,763 | 28,814,729 |

LIABILITIES

| | | |
|--|-------------------|-------------------|
| Accounts Payable and Accrued Payables | 288,259 | 281,097 |
| Advances from Members | 135,114 | 189,744 |
| Deferred revenue (Note 9) | 6,709,170 | 3,436,333 |
| Loans (Note 10) | <u>189,600</u> | <u>189,600</u> |
| Sub-total current liabilities | 7,322,143 | 4,096,774 |
| Borrowings Long Term (Note 10) | 4,730,962 | 4,862,464 |
| Deferred Revenue (Note 9) | - | 176,600 |
| Closed Pension Fund (Note 11) | 9,776,406 | 11,335,624 |
| Other Employee benefits (Note 11) | <u>1,488,286</u> | <u>1,382,061</u> |
| Sub-total non-current liabilities | 15,995,654 | 17,756,748 |
| Total Liabilities | 23,317,797 | 21,853,522 |
| NET ASSETS | | |
| Restricted Funds (Note 13) | 429,624 | 441,619 |
| Actuarial Gain (loss) recognized in net assets | -3,894,620 | -4,493,111 |
| Accumulated fund balance (Working Capital Fund after contribution) | <u>11,402,964</u> | <u>11,012,704</u> |
| Net Assets | <u>7,937,968</u> | <u>6,961,212</u> |

11. Statement of financial performance

INTER-PARLIAMENTARY UNION

Statement II:

Statement of Financial Performance

for the year ended 31 December 2021

In CHF (Swiss francs)

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Revenue (Note 18) | | |
| Assessed Contributions | 10,931,800 | 10,936,476 |
| Voluntary Contributions | 3,316,779 | 2,695,169 |
| Investment income | 428,449 | 221,683 |
| Other Income | 31,087 | 75,165 |
| Total Revenue | 14,708,115 | 13,928,494 |
| Expenses (Note 18) | | |
| Personnel Expenditure – permanent staff | 8,490,222 | 8,045,118 |
| Personnel Expenditure – temporary staff | 3,267,217 | 2,559,781 |
| Change in closed pension fund provision | -837,083 | -853,699 |
| Travel Expenditure | 550,223 | 250,762 |
| Contractual Services | 1,469,453 | 867,932 |
| Operating Expenses | 496,623 | 416,189 |
| Supplies, Materials and Equipment | 114,034 | 112,028 |
| Allowance for Doubtful Accounts | 118,314 | 211,283 |
| Grants and Honoraria | 76,516 | 59,250 |
| Depreciation and amortization of assets (Note 7 & 8) | 441,194 | 426,610 |
| Amortization of loan (Note 10) | 58,099 | 59,594 |
| Statutory Write-off of Member Contributions | 47,332 | - |
| Loss on Foreign Exchange | 37,700 | 46,710 |
| Total Expenses | 14,329,845 | 12,201,558 |
| Operating Surplus/(Deficit) | 378,270 | 1,726,937 |

12. Statement of changes in net assets

INTER-PARLIAMENTARY UNION

Statement III:

Statement of Changes in Net Assets

for the year ended 31 December 2021

In CHF (Swiss francs)

| | Accumulated Fund Balance | Actuarial Gain (loss) | Reserves | Total |
|---|-----------------------------|--------------------------|----------------|------------------|
| Restated Closing balance 31 December 2017 | 9,368,551 | -3,259,247 | 434,251 | 6,543,555 |
| Transfer to reserves (Note 14) | -28,100 | - | 28,100 | - |
| Recognition of actuarial gain (loss) | - | -528,146 | - | -528,146 |
| Net result 2018 | <u>-576,073</u> | <u>-</u> | <u>-30,668</u> | <u>-606,741</u> |
| Closing balance 31 December 2018 | 8,764,378 | -3,787,393 | 431,683 | 5,408,668 |
| Transfer to reserves (Note 13) | -25,100 | - | 25,100 | - |
| Recognition of actuarial gain (loss) | - | -475,346 | - | -475,346 |
| Net result 2019 | <u>550,199</u> | <u>-</u> | <u>-18,874</u> | <u>531,325</u> |
| Closing balance 31 December 2019 | 9,289,477 | -4,262,739 | 437,909 | 5,464,647 |
| Transfer to reserves (Note 13) | -14,500 | - | 14,500 | - |
| Recognition of actuarial gain (loss) | - | -230,372 | - | -230,372 |
| Net result 2020 | <u>1,737,727</u> | <u>-</u> | <u>-10,790</u> | <u>1,726,937</u> |
| Closing balance 31 December 2020 | 11,012,704 | -4,493,111 | 441,619 | 6,961,212 |
| Transfer to reserves (Note 13) | -13,700 | - | 13,700 | - |
| Recognition of actuarial gain (loss) | - | 598,491 | - | 598,491 |
| Net result 2021 | <u>403,964</u> | <u>-</u> | <u>-25,694</u> | <u>378,270</u> |
| Closing balance 31 December 2021 | 11,402,968 | -3,894,620 | 429,625 | 7,937,973 |

13. Statement of cash flows

INTER-PARLIAMENTARY UNION

Statement IV:

Statement of Cash Flows

for the year ended 31 December 2021

In CHF (Swiss francs)

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Cash flows from Operating Activities | | |
| Operating surplus (deficit) | 378,270 | 1,726,937 |
| Less investment income included in net result | <u>-428,449</u> | <u>-221,683</u> |
| Net result excluding income from investing activities | -50,180 | 1,505,253 |
| Depreciation | 441,194 | 426,610 |
| Amortization of loan | 58,099 | 59,594 |
| (Increase) decrease in receivables | 1,351,510 | 1,553,355 |
| (Increase) decrease in other current assets | 24,032 | -200,552 |
| Increase (decrease) in payables and deferred revenue | 3,048,768 | -2,196,778 |
| Increase (decrease) in pension fund liability recognized on Statement II | -960,727 | -853,699 |
| Increase (decrease) in other employee benefit liabilities | <u>106,226</u> | <u>-49,920</u> |
| Net cash flows from Operating Activities | 4,018,921 | 243,863 |
| Cash flows from Investing Activities | | |
| (Increase) decrease in Investments | 419,514 | 680,477 |
| Investment income included in net result | 428,449 | 221,683 |
| (increase) decrease in Intangible assets | - | -39,325 |
| (increase) decrease in Property, plant and equipment | <u>-98,905</u> | <u>-81,461</u> |
| Net cash flows from Investing Activities | 749,058 | 781,374 |
| Cash flows from Financing Activities | | |
| Loan repayment to Swiss Federal Government | <u>-189,600</u> | <u>-189,600</u> |
| Net cash flows from Financing Activities | -189,600 | -189,600 |
| Net increase/(decrease) in Cash and Cash Equivalents | 4,578,379 | 835,637 |
| Cash and Cash Equivalents at beginning of period | 10,728,392 | 9,892,755 |
| Cash and Cash Equivalents at end of period | 15,306,771 | 10,728,392 |

* The difference of CHF 5 between the Cash and Cash Equivalents at end of period according to Statement IV and Statement I is explained by a difference in rounding.

14. Statement of comparison of budget and actual amounts

INTER-PARLIAMENTARY UNION

Statement V: Statement of Comparison of Budget and Actual Amounts

for the year ended 31 December 2021

In CHF (Swiss francs)

| | Original Budget | Final Budget | Actual on comparable basis | Difference |
|---|--------------------|-----------------|----------------------------------|------------|
| Revenue | | | | |
| Assessed contributions | 10,920,800 | 10,920,800 | 10,931,800 | 11,000 |
| Working Capital Fund | 622,000 | 622,000 | - | -622,000 |
| Staff assessment | 1,085,500 | 1,085,500 | 971,062 | -114,438 |
| Voluntary contributions | 5,037,200 | 5,037,200 | 3,316,779 | -1,720,421 |
| Interest | 100,000 | 100,000 | 92,360 | -7,640 |
| Other income | 16,000 | 16,000 | 26,162 | 10,162 |
| Total revenue | 17,781,500 | 17,781,500 | 15,338,163 | -2,443,337 |
| Expenses | | | | |
| Build strong, democratic parliaments | 2,568,400 | 2,568,400 | 2,570,229 | 1,829 |
| Advance gender equality and respect for women's rights | 1,415,800 | 1,415,800 | 1,263,927 | -151,873 |
| Protect and promote human rights | 1,601,000 | 1,601,000 | 1,292,676 | -308,324 |
| Contribute to peacebuilding, conflict prevention and security | 1,230,100 | 1,230,100 | 572,447 | -657,653 |
| Promote inter-parliamentary dialogue and cooperation | 3,733,900 | 3,733,900 | 3,353,974 | -379,926 |
| Promote youth empowerment | 473,500 | 473,500 | 324,417 | -149,083 |
| Mobilize parliaments around the global development agenda | 1,186,600 | 1,186,600 | 602,780 | -583,820 |
| Bridge the democracy gap in international relations | 923,500 | 923,500 | 761,090 | -162,410 |
| Effective internal governance and oversight | 1,052,000 | 1,052,000 | 984,734 | -67,266 |
| Visibility, advocacy and communications | 1,056,400 | 1,056,400 | 1,057,715 | 1,315 |
| Gender mainstreaming and a rights-based approach | 10,000 | 10,000 | 1,843 | -8,157 |
| Properly resourced and efficient Secretariat | 2,795,600 | 2,795,600 | 2,565,649 | -229,951 |
| Other charges | 107,600 | 107,600 | 168,492 | 60,892 |
| Eliminations | -372,900 | -372,900 | -235,751 | 137,149 |
| Total expenses | 17,781,500 | 17,781,500 | 15,284,221 | -2,497,279 |
| Operating Surplus | - | - | 53,942 | 53,942 |

NOTE 1 NATURE OF THE ORGANIZATION

1. The Inter-Parliamentary Union (IPU) is the international organization of parliaments and has a unique inter-State character. It is the focal point for worldwide parliamentary dialogue. Since 1889, the IPU has worked for peace and cooperation among peoples and for the firm establishment of representative institutions. The IPU shares the objectives of, and works in close cooperation with, the United Nations, where it has official Observer status at the UN General Assembly. It also cooperates with regional inter-parliamentary organizations, as well as with international, intergovernmental and non-governmental organizations which are motivated by the same ideals.
2. The IPU is an international parliamentary political organization and possesses international legal personality. It is representative in character and structure, subject to the rule of law, and governed by its Statutes. States and international organizations dealing with the IPU have recognized its standing, authority and capacity to act in the international arena, within the area of its functional responsibilities, as the international organization of parliaments.
3. The IPU's main decision-making body is its Governing Council, established by the IPU Statutes and consisting of three delegates of all of the Members of the IPU. It normally holds two sessions per year. The Governing Council elects the President of the IPU, appoints the Secretary General, sets the policy, guides the activities of the IPU and monitors their implementation. The Council adopts the work programme and budget, establishes the scale of assessed contributions, authorizes the acceptance of donations and legacies and approves the accounts. An Executive Committee composed of the President of the IPU and 15 members elected by the Governing Council proposes the annual work programme and budget to the Governing Council, oversees the administration of the IPU Secretariat, including establishing the scales of salaries and allowances of staff members, and appoints the External Auditor.
4. The IPU is funded by assessed contributions paid by its Members and voluntary contributions from Members and donors. The IPU operates within the framework of an annual work programme and budget, which provides the appropriations that constitute the expenditure authorizations approved by the Governing Council for each financial year. The approval of the appropriations provides the Secretary General with the authority to commit and authorize expenses and to make payments for the purposes assigned within the limits of the appropriations.
5. Since 1 January 2005, the IPU has been affiliated to the United Nations Joint Staff Pension Fund (UNJSPF). The IPU has a closed Pension Fund which is governed by the Regulations of the Pension Fund for members of staff of the IPU. In accordance with these Regulations, the assets of the Pension Fund are administered separately from those of the IPU. The Pension Fund is administered by a Management Board comprising a representative of the IPU's Executive Committee, who serves as President of the Board, the Secretary General, an expert in financial administration appointed by the Executive Committee, a representative of the staff of the IPU and a representative of the current retirees who are beneficiaries of the Fund. The Regulations of the Fund provide that the IPU is fully responsible for the benefits owed to existing pensioners and their survivors.
6. The Financial Regulations of the Inter-Parliamentary Union is the overall instrument governing the IPU's financial administration.

NOTE 2 ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Financial Statements have been prepared on a full accrual and going-concern basis and the accounting policies have been applied consistently throughout the period. The Statements comply with the requirements of International Public Sector Accounting Standards (IPSAS). IPSAS 41, related to changes in accounting for financial instruments, amendments to IPSAS 36 related to long-term interest in Associates and Joint Ventures, amendments to IPSAS 19 related to Collective and Individual Services and IPSAS 42 related to Social Benefits will be adopted when they become effective as postponed to 1 January 2023 by the IPSAS Board COVID-19 Deferral of Effective Dates adopted in November 2020. IPSAS-43 Leases, issued by the IPSAS Board in February 2022 will be adopted on its effective date of 1 January 2025.

The Financial Statements include the accounts of the IPU and the accounts of the closed Pension Fund. All internal transactions and balances are eliminated on consolidation.

Advances from Members

Advances from Members represent advance payment of assessed contributions for future financial periods received during the current reporting period.

Borrowing

Borrowing includes an interest-free loan from the Swiss Confederation, which is valued at amortized cost using the effective interest rate methodology.

Cash Flow Statement

The cash flow statement is prepared using the indirect method.

Cash, investments and other financial assets

Cash and cash equivalents include cash in hand, deposits held at call with banks, savings deposits without term limit and term deposits held up to 90 days. Investments include shares in mutual funds valued at market value. All investments are publicly traded, readily convertible to cash and subject to limited risk of change in value.

Closed Pension Fund

Prior to becoming a participating organization in the UNJSPF, the IPU had its own pension fund, established in 1965. The Pension Fund was closed to new members on 1 January 2005 and continues for those who were pensioners (including survivors) at the time of closure under the management of a Board. The IPU's representative on the Pension Board provides a report to the Executive Committee each year on the activities and status of the Pension Fund. In accordance with the requirements of IPSAS, the assets, liabilities, revenue and expense of the Pension Fund have been consolidated into the IPU's Financial Statements. The unfunded liability of the closed Pension Fund is a liability of the IPU. In addition, active staff members with permanent contracts dated earlier than 1 May 1996 have the option of retiring at age 60 rather than at age 62 as provided in the UNJSPF regulations. Eligible staff members who chose this option contribute to a Bridge Pension, to which the IPU also contributes. The IPU is ultimately responsible for any unfunded liability resulting from this benefit.

Employee benefits

Provisions are established for the liabilities for separation benefits payable (repatriation grants and travel) as determined by an independent actuary using the projected unit credit actuarial methodology and encashment of accumulated leave calculated by the IPU at nominal value. In addition, provisions are established for home leave deferred, overtime earned but not paid at the reporting date and education grants payable at the reporting date that have not been included in current expenditure.

Active employees participate in the UNJSPF, of which the IPU is a member organization. The UNJSPF was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall

be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and its specialized agencies.

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

Expense recognition

Expenses are recognized as goods are received and services rendered.

Financial Instruments

Financial instruments are recognized when the IPU becomes a party to the contractual provisions of the instrument and are derecognized when the right to receive cash flow from another entity in connection with a financial asset or the obligation to deliver cash to another entity in connection with a financial liability has expired.

Investments are non-derivative financial assets designated as held for trading and are valued at fair value through surplus and deficit based on quoted active market prices at the reporting date. Cash and cash equivalents represent financial assets held for short-term periods and are valued at nominal value at the reporting date. Cash deposits held for periods longer than 12 months are valued at fair value through surplus and deficit.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on active markets comprising assessed contributions and other amounts receivable in cash. Short-term receivables are valued at amortized cost. Longer-term receivables covering arrears for Members are valued at amortized cost less allowances for estimated irrecoverable amounts. Voluntary contributions receivable in currencies other than Swiss francs are revalued to reflect the value in Swiss francs at the reporting date.

Accounts payable and borrowings are non-derivative financial liabilities with fixed payments not quoted on an active market that are payable in cash. Accounts payable, due to their short-term nature, are valued at nominal value, which is the equivalent of amortized cost. Borrowings (loans) are valued at amortized cost using the effective interest rate method.

Foreign currency transactions

The functional currency of the IPU is the Swiss franc (CHF) and these Financial Statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations official rate of exchange on the date of the transaction. 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 Swiss francs are recognized in the Statement of Financial Performance.

Fixed assets

Equipment is valued at historic cost less accumulated depreciation and impairment. Equipment or sets of equipment and other fixed assets costing in excess of CHF 2,000 are capitalized as an asset. The IPU Headquarters building is valued at fair value as determined by an independent valuation in accordance with International Valuation Standards as at 31 December 2012. No further revaluation will be undertaken. The IPU reviews the value of its property and equipment at the end of each reporting period to determine whether carrying values are recoverable and to determine the extent of any impairment loss with any resulting impairment charged as an expense.

The fair value of buildings and the historic cost of each item of equipment in its class of equipment are depreciated on a straight-line basis so as to write off the full cost of fixed assets over their estimated useful lives, which are estimated as follows:

| Category | Useful Life |
|---|-------------|
| Buildings – original structure | 100 years |
| Buildings – new structure | 75 years |
| Buildings – technical installations and equipment | 30 years |
| Buildings – interior works | 40 years |
| Buildings - windows | 25 years |
| Furnishings | 10 years |
| Vehicles | 5 years |
| General equipment | 4 years |
| IT hardware and software | 4 years |

The initial recognition of the difference between cost and fair value of the Headquarters building has been recognized directly in revaluation surplus, which forms part of the net assets. Accumulated depreciation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount.

The land on which the Headquarters building sits has been made available to the IPU by the Canton of Geneva, which has granted, through the *Fondation des immeubles pour les organisations internationales* (FIPOI), surface rights, including the right to construct buildings for a period of 50 years with an option of an extension for an additional period. These surface rights were acquired by the IPU at no cost and no value has been recognized in the Statement of Financial Position as the IPU has only limited authority to dispose of the rights which revert to the Republic and Canton of Geneva unless renewed.

Official gifts are considered heritage items and no value has been recognized in the Statement of Financial Position.

Intangible assets

Costs associated with the development of software and the IPU's website are capitalized at historic cost and depreciated over a useful life of four years if they exceed a threshold of CHF 2,000.

Inventories

Stocks of publications for future distribution are written down to a net realizable value of zero in each reporting period.

Investments

Investments in long-term bonds held to maturity are valued at fair value at the reporting date. Investments in shares in money market funds available for trading are valued at fair value at the reporting date.

Net assets

Net assets include the unrestricted accumulated surplus and deficit of the IPU, which comprise its Working Capital Fund, revaluation surplus reflecting the difference between historic cost and current value of the Headquarters building and reserves established by the IPU Governing Council for Headquarters building maintenance and for carbon emissions offset.

Payables and accruals

Accounts payable include invoices received from suppliers not yet settled, including the revaluation of invoices payable in currencies other than Swiss francs. Accounts payable are valued at fair value through surplus and deficit. Accruals are liabilities for the cost of goods and services that have been received by or provided to the IPU during the year and which have not been invoiced by suppliers at the reporting date.

Provisions

Provisions are recognized when the IPU 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.

Receivables

Receivables from assessed contributions are recognized when they become due. An allowance for doubtful receivables is recorded at the end of each fiscal period equal to the arrears of Members' contributions older than two years. For all other receivables an allowance for non-recovery is established based on a review of the outstanding amounts at the reporting date. Recoverable taxes paid in the jurisdictions in which the IPU is located are recognized as receivables when they become due in accordance with the agreements with each jurisdiction. Donor contributions receivable in currencies other than Swiss francs are revalued at the reporting date.

Revenue Recognition

Assessed contributions are recognized as revenue at the beginning of each year. Voluntary contributions supported by enforceable agreements are 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. If the agreements contain conditions, revenue recognition is deferred until the liability is discharged through performance of the specific conditions contained in the agreement.

Revenue from investments is recognized when earned. Other revenues are recognized when services are performed or when products are shipped.

Segment reporting

Segment reporting reflects the strategic directions of the Organization as established by the Governing Council.

Taxes

The IPU has been expressly recognized by the two countries in which it is physically located, Switzerland and the United States of America, as an international organization entitled to the appropriate privileges and immunities. It enjoys a special international organization tax-exempt status in both countries. In Switzerland, under the terms of a 1971 Accord, the IPU is exempted from direct and indirect federal, cantonal and community taxes and is subject to the same duties as other international organizations. In the United States, the IPU is exempted from direct federal taxes and duties under the terms of the International Organizations Immunities Act and is exempted from the payment of New York State and local sales and use taxes.

Use of Estimates

The preparation of the Financial Statements in conformity with IPSAS requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the IPU may undertake in the future. Actual results could differ from these estimates. Estimates include, but are not limited to, separation benefit obligations, financial risk on accounts receivable, degree of impairment of fixed assets and valuation of the Headquarters building. Changes in estimates are reflected in the Statement of Financial Performance in the period in which they become known.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash deposits are held in instant-access bank accounts, interest-bearing accounts and short-term deposits of 90 days or fewer. The average rate of interest earned on interest-bearing accounts and investments was negative in 2021 (negative in 2020).

Restricted funds included funds held on behalf of donors for use in carrying out specific performance required by binding agreements, funds allocated for repairs and renovation of the IPU headquarters building and cash held on behalf of the Pension Fund, which must be held separately from those of the IPU in accordance with the Pension Fund Regulations.

The Organization minimizes the credit risk involved by holding all of its funds in banks with high Fitch, Moody's or Standard and Poor's credit ratings as follows:

| Amount in CHF | 31 December 2021 | 31 December 2020 |
|---|-------------------|-------------------|
| Cash on hand | 8,005 | 14,874 |
| Current accounts with banks - Swiss francs | 12,240,021 | 8,267,965 |
| Current accounts with banks - Other currencies | <u>1,839,234</u> | <u>605,095</u> |
| Total unrestricted cash and current accounts | 14,079,255 | 8,873,059 |
| Current accounts with banks restricted reserve funds - Swiss francs | 393,534 | 404,324 |
| Current accounts with banks - Other currencies | - | - |
| Current accounts with banks pension fund - Swiss francs | <u>450,838</u> | <u>486,748</u> |
| Total restricted cash and current accounts | 844,371 | 891,072 |
| Sub total cash and current accounts | 14,923,627 | 9,764,131 |
| Cash held by investment fund manager | 325,443 | 320,408 |
| Pension fund cash held by investment fund manager - Swiss francs | <u>49,645</u> | <u>94,088</u> |
| Sub total cash held by investment fund managers | 375,088 | 414,496 |
| Term deposit USD | 47 | - |
| Term deposit CHF | - | <u>534,886</u> |
| Sub-total term deposits and savings accounts | 47 | 534,886 |
| Total cash and cash equivalents | 15,306,766 | 10,728,388 |

| Cash and cash equivalents | AA | A | Not rated | Total |
|---------------------------|---------|------------|-----------|------------|
| | 812,956 | 14,485,805 | 8,005 | 15,306,766 |
| Per cent | 5% | 95% | 0% | 100% |

The Organization has no confirmed credit lines but does maintain limited and informal overdraft arrangements with banks in which it has funds on deposit. These arrangements may be withdrawn by the banks at any time. No overdraft facilities were required in 2021 or 2020.

| | | | | | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|------------------|
| Kuwait | 43,800 | - | - | - | - | - | - | 43,800 |
| Kyrgystan | 2,380 | - | - | - | - | - | - | 2,380 |
| Lebanon | 17,467 | - | - | - | - | - | - | 17,467 |
| Libya | 15,300 | 15,300 | 28,200 | 28,200 | 14,220 | - | - | 101,220 |
| Madagascar | 10,971 | - | - | - | - | - | - | 10,971 |
| Malawi | 10,276 | - | - | - | - | - | - | 10,276 |
| Mali | 10,186 | - | - | - | - | - | - | 10,186 |
| Marshall Islands | 11,000 | 897 | - | - | - | - | - | 11,897 |
| Mauritania | 10,940 | - | - | - | - | - | 20,324 | 31,263 |
| Micronesia (Federated States of) | 11,000 | 532 | - | - | - | - | - | 11,532 |
| Myanmar | 210 | - | - | - | - | - | - | 210 |
| Niger | 10,752 | - | - | - | - | - | - | 10,752 |
| Pakistan | 723 | - | - | - | - | - | - | 723 |
| Palestine | 11,000 | - | - | - | - | - | - | 11,000 |
| Paraguay | 445 | - | - | - | - | - | - | 445 |
| Qatar | 47,100 | - | - | - | - | - | - | 47,100 |
| Saint Lucia | 11,000 | 11,000 | 10,400 | 10,400 | - | - | - | 42,800 |
| Saint Vincent and the Grenadines | 11,000 | 11,000 | 10,400 | - | - | - | - | 32,400 |
| Sao Tome and Principe | 11,000 | 11,000 | 10,400 | - | - | - | - | 32,400 |
| Senegal | 12,100 | - | - | - | - | - | - | 12,100 |
| Sierra Leone | 11,000 | 816 | - | - | - | - | - | 11,816 |
| Somalia | 11,000 | 10,953 | - | - | - | - | - | 21,953 |
| Suriname | 12,100 | - | - | - | - | - | - | 12,100 |
| Syrian Arab Republic | 12,100 | - | - | - | - | - | - | 12,100 |
| Tajikistan | 11,000 | 7,106 | - | - | - | - | - | 18,106 |
| Tonga | 11,000 | - | - | - | - | - | - | 11,000 |
| Tuvalu | 11,000 | 11,000 | 10,400 | 657 | - | - | - | 33,057 |
| United Republic of Tanzania | 12,100 | 12,100 | - | - | - | - | - | 24,200 |
| Uzbekistan | 6,650 | - | - | - | - | - | - | 6,650 |
| Vanuatu | 11,000 | 11,000 | 10,214 | - | - | - | - | 32,214 |
| Venezuela (Bolivarian Republic of) | 99,700 | 99,700 | 81,300 | 81,300 | 79,700 | 84,200 | - | 525,900 |
| Yemen | 583 | - | - | - | - | - | - | 583 |
| Zambia | 202 | - | - | - | - | - | - | 202 |
| Andean Parliament | 2,200 | 2,200 | 2,100 | 1,800 | - | - | - | 8,300 |
| Central American Parliament | 188 | - | - | - | - | - | - | 188 |
| WAEMU | 1,100 | 1,100 | 1,000 | 1,000 | 211 | - | - | 4,411 |
| CEMAC | 1,100 | 1,100 | 963 | - | - | - | - | 3,163 |
| East Africa Legislative Assembly | 1,100 | - | - | - | - | - | - | 1,100 |
| European Parliament | 6,600 | - | - | - | - | - | - | 6,600 |
| Latin American Parliament | 2,200 | - | - | - | - | - | - | 2,200 |
| ECOWAS | 1,100 | 1,100 | 1,000 | 1,000 | 900 | - | - | 5,100 |
| Minor balances | 160 | - | - | - | - | - | - | 160 |
| Total | 948,011 | 365,870 | 270,957 | 177,212 | 113,139 | 84,200 | 20,324 | 1,979,714 |
| <i>Comparative Figures 2020</i> | | | 255,144 | 158,049 | 92,200 | 0 | 47,557 | |
| Less doubtful accounts | | | -270,957 | -177,212 | -113,139 | 84,200 | -20,324 | -665,833 |
| Net receivable from Members | 948,011 | 365,870 | 270,957 | 177,212 | 0 | 0 | 0 | 1,313,881 |

Under Rule 10.2 of the Financial Regulations, the Secretary General may, after full investigation, write off losses of assets, provided that a statement of all such amounts written off shall be submitted to the Auditors with the annual accounts. The Secretary General wrote off in 2021 the arrears totalling CHF 47.332 of Sudan, whose affiliation was suspended by the Governing Council in 2021 as there was neither a parliament in place nor any indication that one would be established soon. The record of these amounts owing will be kept off book.

In 2021, Mauritania paid the IPU the minimum amount under Rule 5.10 of the IPU Financial Regulations and, therefore, a portion of the debt due from Mauritania has been reinstated and the allowance for doubtful accounts adjusted accordingly.

Allowance for Doubtful Accounts (contributions)

The IPU has established an allowance for doubtful accounts. This allowance is the best estimate of accounts, including Member contributions, that have been recorded as income and set up as accounts receivable, but which may never be received.

After a net increase of the provision of CHF 112,883 (increase of CHF 231,607 in 2020), the allowance for doubtful accounts stood at CHF 665,833 representing 34 per cent (33 per cent in 2020) of the outstanding arrears.

| Amount in CHF | 31 December 2021 | 31 December 2020 |
|------------------------|------------------|------------------|
| Opening Balance | 552,949 | 321,343 |
| Change in provision | 112,883 | 231,607 |
| Statutory Write-Offs | | - |
| Closing Balance | 665,833 | 552,949 |

Receivables from donors

The IPU receives funds from several donors for the implementation of various activities.

| Accounts receivable from donors | 31 December 2021 | 31 December 2020 |
|---------------------------------|------------------|------------------|
| Equatorial Guinea | 9,423 | 9,657 |
| China | 183,000 | 176,600 |
| UN Development Programme | - | 43,389 |
| WHO | 45,750 | - |
| Spain Madrid Assembly | 93,195 | - |
| IDEA InterPares | 227,422 | 178,767 |
| Sida | - | 1,619,391 |
| PMNCH | - | 33,750 |
| European Union - Djibouti | 155,982 | 28,432 |
| Sub total current | 714,772 | 2,089,986 |
| China | - | 176,600 |
| Total | 714,772 | 2,266,586 |

Tax reimbursements

The IPU is entitled to reimbursement by the Swiss Confederation under the terms of its headquarters agreement of VAT and withholding taxes paid and taxes withheld on Pension Fund investments. The amount represents the amount receivable for taxes paid in 2021 outstanding at the reporting date.

NOTE 5 INVESTMENTS

In accordance with the financial regulations and the investment policy approved by the Executive Committee, monies not needed for immediate requirements are invested in mutual funds. Total return on investments in 2021 was a net gain of CHF 279,876 (gain of CHF 221,683 in 2020).

| Amount in CHF | 31 December 2021 | 31 December 2020 |
|------------------------------------|------------------|------------------|
| Current assets | | |
| Mutual funds | <u>2,933,712</u> | <u>2,789,856</u> |
| Sub total IPU Investments | 2,933,712 | 2,789,856 |
| | | |
| Mutual funds - flexible fund CHF | 2,911,465 | 3,474,835 |
| Sub total Pension Fund Investments | 2,911,465 | 3,474,835 |
| | | |
| Total Investments | 5,845,177 | 6,264,691 |

Investments in mutual funds are available for trading but are generally held for investment income. The units held by the IPU and the Pension Fund are valued at fair value at the reporting date.

NOTE 6 OTHER CURRENT ASSETS

The IPU has already paid some expenses that relate to 2022 for items such as insurance, subscriptions and postage meter deposits. These disbursements have been reported as current assets and include the guarantee deposit on leased facilities in New York City. Other current assets also include staff benefit and travel advances.

| Amount in CHF | 31 December 2021 | 31 December 2020 |
|-----------------------------------|-------------------------|-------------------------|
| Project and travel advances | 71,965 | 73,400 |
| Prepaid expenses | 181,182 | 204,099 |
| Guarantee deposit | 9,121 | 8,802 |
| Total other current assets | 262,269 | 286,301 |

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

The IPU has a Headquarters building and annex in Geneva, Switzerland. The building's original structure was completely renovated in 2002 and a new section built to extend and develop the basement area. The building is located on land owned by the Canton of Geneva, which has been set aside for the use of the IPU for a period of 50 years from 2003 to 2052, with an option to extend. The terms of a lease agreement were finalized during 2009 between the Canton of Geneva, the Federal Government of Switzerland and the IPU, and the agreement was signed at the end of 2010 (see Note 2 – Fixed assets).

At 31 December 2011, the value of the building was determined by an independent external valuation consultant as the fair value of the building at that date in accordance with International Valuation Standards. Depreciation has been computed and included in the fair value recognized as the deemed cost as of the date of implementation of IPSAS. In 2018 and 2019 the windows were replaced, and the building value adjusted and depreciation commenced.

Depreciation is recorded in accordance with the policy described in Note 2. A detailed inventory is kept for all computer-related hardware and software as this is routinely replaced and upgraded and represents a significant investment.

| Amount in CHF | Buildings and grounds | | Furnishings | | Communications | | General Equipment | | Vehicles | | Total | |
|-----------------------------------|-----------------------|------------|-------------|----------|----------------|------------|-------------------|-----------|----------|-----------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Historic cost at 01 January | 10,017,551 | 10,017,551 | 563,289 | 563,289 | 433,624 | 380,666 | 105,026 | 105,026 | 69,981 | 69,981 | 11,189,470 | 11,136,512 |
| Additions | - | - | - | - | 98,905 | 81,461 | - | - | - | - | 98,905 | 81,461 |
| Disposals | - | - | - | - | -39,206 | -28,502 | - | - | - | - | -39,206 | -28,502 |
| Historic cost at 31 December | 10,017,551 | 10,017,551 | 563,289 | 563,289 | 493,323 | 433,624 | 105,026 | 105,026 | 69,981 | 69,981 | 11,249,169 | 11,189,470 |
| Accumulated depreciation | -2,245,734 | -1,988,014 | -552,216 | -545,778 | -324,694 | -309,418 | -76,793 | -61,393 | -69,981 | -65,406 | -3,269,417 | -2,970,009 |
| Adjust depreciation for disposals | - | - | - | - | 39,206 | 28,502 | - | - | - | - | 39,206 | 28,502 |
| Depreciation current period | -257,719 | -257,719 | -4,413 | -6,438 | -62,095 | -43,778 | -15,400 | -15,400 | - | -4,575 | -339,627 | -327,910 |
| Total accumulated depreciation | -2,503,453 | -2,245,734 | -556,629 | -552,216 | -347,583 | -324,694 | -92,193 | -76,793 | -69,981 | -69,981 | -3,569,839 | -3,269,417 |
| Net carrying value at 01 January | 7,771,817 | 8,029,536 | 6,660 | 11,073 | 108,930 | 84,647,206 | 28,233 | 5,919,374 | 0 | 6,353,363 | 7,679,331 | 7,920,053 |
| Net carrying value at 31 December | 7,514,097 | 7,771,817 | 6,660 | 11,073 | 145,740 | 108,930 | 12,833 | 28,233 | 0 | 0 | 7,679,331 | 7,920,053 |

NOTE 8 INTANGIBLE ASSETS

In 2018 the IPU completed work on an extensive revision to its public website and open data platform. The development included a complete redesign of the site and the data platform making information accessible and including a greater depth of parliamentary data. The site became live and active in 2018. Depreciation commenced when the site became fully functional. Additional work was completed in 2019 and 2020 to make the site more interactive for use by Members.

| Amount in CHF | Website development | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| Historic cost at 01 January | 406,267 | 366,942 |
| Additions | | 39,325 |
| Disposals | - | - |
| Historic cost at 31 December | 406,267 | 406,267 |
| Accumulated amortization | -213,309 | -114,609 |
| Amortization current period | -101,567 | -98,699 |
| Net carrying amount | -314,875 | -213,309 |
| Net carrying value at 01 January | 192,958 | 252,332 |
| Net carrying value at 31 December | 91,391 | 192,958 |

NOTE 9 DEFERRED REVENUE

The IPU receives funds from several donors for the implementation of various activities. Total disbursements from voluntary funds in 2021 were CHF 3,316,779 (CHF 2,695,169 in 2020). At 31 December 2021 the net advance of voluntary contributions was CHF 6,656,997 (CHF 3,612,933 in 2020).

| Project (Amount in CHF) | Funder | Unexpended Balance of Prior Commitments | New/Expired Commitment in 2021 | Funds used in 2021 | Balance of Commitment | Deferred Revenue |
|-------------------------------|----------------------|---|--------------------------------------|-----------------------|--------------------------|---------------------|
| Gender | Irish Aid | -197,207 | -156,250 | 268,204 | -85,253 | 85,253 |
| Reconciliation | CIDA | -8,261 | - | - | -8,261 | 8,261 |
| Global Funding | SIDA | -1,964,378 | 1,630 | 1,619,748 | -343,000 | 343,000 |
| Gender | DFATD Canada | - | -1,467,948 | 172,566 | -1,295,382 | 1,295,382 |
| Development Funding | China | -125,003 | -1,414,500 | 164,159 | -1,375,343 | 1,375,343 |
| Global Programme Support | Angola | -24,857 | - | 24,857 | - | - |
| Parliamentary Solidarity Fund | IPU Members | -92,744 | - | - | -92,744 | 92,744 |
| Madrid Assembly | Spain | - | -93,195 | 93,195 | - | - |
| RD Congo | UNDP | -4,082 | - | - | -4,082 | 4,082 |
| Myanmar | UNDP | - | - | - | - | - |
| Myanmar | UNDP | - | -83,452 | 83,452 | - | - |
| Inter pares | IDEA | -186,716 | -48,654 | 235,370 | - | - |
| CEDAW Handbook | Swiss Parliament | -17,500 | -8,000 | - | -25,500 | 25,500 |
| Handbook on Statelessness | UNHCR | -826 | - | - | -826 | 826 |
| MNCH | WHO | -80,586 | -181,650 | 89,985 | -172,252 | 172,252 |
| MNCH | PMNCH | -1,874 | 1,874 | - | - | - |
| Migration | Micronesia | -52,441 | - | - | -52,441 | 52,441 |
| Peace | Micronesia | -54,600 | - | - | -54,600 | 54,600 |
| Governance | Micronesia | -63,700 | - | - | -63,700 | 63,700 |
| LDC5 Conference | UNOHRLLS | - | -80,420 | 34,725 | -45,694 | 45,694 |
| Djibouti | European Union | -59,420 | 48,805 | 10,615 | - | - |
| Djibouti | European Union | - | -320,229 | 104,478 | -215,751 | 215,751 |
| Countering Terrorism | China | -511,367 | -12,800 | 310,622 | -213,545 | 213,545 |
| Peace | Arab Parliament | - | -54,420 | 5,171 | -49,249 | 49,249 |
| Peace and Gender | United Arab Emirates | - | -493,807 | 99,632 | -394,175 | 394,175 |
| Global Funding | Qatar | - | -2,050,000 | - | -2,050,000 | 2,050,000 |
| Equatorial Guinea | Equatorial Guinea | -167,370 | - | - | -167,370 | 167,370 |
| Total | CHF | -3,612,934 | -6,413,016 | 3,316,779 | -6,709,170 | 6,709,170 |

NOTE 10 BORROWINGS

The IPU borrowed CHF 9,480,000 from the Swiss Confederation for the construction and renovation of its Headquarters building in Geneva, Switzerland. The loan is valued at amortized cost using the effective interest rate method based on the Swiss franc Swiss Confederation Bond (fixed 30 years) in effect at 1 January 2012 of 1.15 per cent.

The loan was interest-free and currently requires reimbursement of the principal only. The value of the interest with a rate of 1.15 per cent waived in 2021 was CHF 58,099 (CHF 59,594 in 2020) and the value of interest to be waived until the final payment on the loans due in 2052 is CHF 957,038 (CHF 1,015,136 in 2020). The value of the waiver of interest is equal to the future value of the loan discount.

The total borrowing and amounts outstanding shown as current and non-current liabilities at the reporting date are as follows:

| Amount in CHF | 2021 | 2020 |
|--|------------------|------------------|
| Current liabilities | | |
| FIPOI loan payable - current | 189,600 | 189,600 |
| Non-current liabilities | | |
| FIPOI loan payable - 1-5 years | 948,000 | 948,000 |
| FIPOI loan payable - after 5 years | <u>4,740,000</u> | <u>4,929,600</u> |
| Sub-total non-current liabilities | 5,688,000 | 5,877,600 |
| Less discounting of non-current at effective interest rate | <u>957,038</u> | <u>1,015,136</u> |
| Sub-total non-current liabilities at amortized cost | 4,730,962 | 4,862,464 |
| Total borrowings | 4,920,562 | 5,052,064 |

NOTE 11 EMPLOYEE BENEFIT LIABILITIES

United Nations Joint Staff Pension Fund (UNJSPF)

(a) The IPU 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. The IPU and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the IPU'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, the IPU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. The IPU's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

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.

The IPU's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

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

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 7,993.15 million, of which 0.01% was contributed by the IPU.

During 2021, contributions paid to the Fund amounted to USD 1.03 million (2020 USD 1.04 million). Expected contributions due in 2022 are approximately USD 1.0 million.

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

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

(b) The IPU guarantees a legacy Pension Fund that will pay pensions to former employees and some current employees of the IPU based on various factors, including the number of years of service and salary at retirement. The legacy Pension Fund was closed to new members in 2005. The Pension Fund is governed directly by the IPU and has no independent governance structure. Under the terms of the IPU's Headquarters agreement with the Swiss Federal Council the Pension Fund is not subject to any Swiss Federal or Cantonal regulatory authority. Since the Pension Fund is closed and one-half of the actuarial determined liability is funded by investments the risk of the Pension Fund having a future impact on the cash flow of the Organization is minimal. The pension liability has been calculated by an independent actuary utilizing the projected unit credit methodology. Each year, the IPU reviews and selects assumptions that will be used in the valuation. For the 2021 valuation, the assumptions utilized are as follows:

| | 31-Dec-21 | 31-Dec-20 |
|-----------------------|-----------|-----------|
| Actuarial assumptions | | |
| Discount rate | 0.20% | 0.20% |
| Salary increases | 1.00% | 1.00% |
| Pension increase | 1.00% | 1.00% |

The net liability to the IPU, which is the difference between the adjusted market value of the assets of the pension fund and the present value of the accrued pension liability, is as follows:

| Amount in CHF | 2021 | 2020 |
|---------------------------|------------------|------------------|
| Accrued Pension Liability | 9,776,406 | 11,335,624 |
| Pension Fund Assets | 3,430,996 | 4,067,396 |
| Net Liability | 6,345,410 | 7,268,228 |

| | 31-Dec-21 | 31-Dec-20 |
|-------------------------------------|-----------------|----------------|
| Change in benefit obligation | | |
| Benefit obligation at 01 January | 11,335,624 | 11,958,951 |
| Current service cost | 10,024 | 10,094 |
| Interest cost | 21,679 | 23,031 |
| Employee contributions | 4,925 | 10,350 |
| Pension paid by plan | -997,355 | -897,174 |
| Actuarial gain/loss | <u>-598,491</u> | <u>230,372</u> |
| Benefit obligation at 31 December | 9,776,406 | 11,335,624 |

Amounts recognized in the Net Assets

| | | |
|--|----------------|-----------------|
| Amount recognized at beginning of period | -4,493,111 | -4,262,739 |
| Actuarial gain (loss) - Financial | 0 | 0 |
| Actuarial gain (loss) - Demographic | <u>598,491</u> | <u>-230,372</u> |
| Cumulative amount recognized in net assets | -3,894,620 | -4,493,111 |

Summary of membership data

| | | |
|---|---------|---------|
| Number of retirees | 10 | 10 |
| Number of active participants | 1 | 4 |
| Total insured salaries | 123,851 | 488,360 |
| Average age (years) of active participants | 56.3 | 56.3 |
| Average expected remaining service years of active participants | 3.7 | 3.7 |

The calculation of the net liability to the IPU is made as a defined benefit obligation which requires the immediate recognition of actuarial gains and losses in a separate component of net assets in accordance with IPSAS 39 which became effective on 1 January 2018.

Sensitivity analysis

- Discount rate

Increasing the discount rate by 0.5% (from 0.2% to 0.7%) would reduce the present benefit obligation for the pensions by CHF 363,041 and the liability for the active members by CHF 11,225.

- Pension increase rate

Increasing the pension increase rate by 0.5% (from 1.0% to 1.5%) would increase the present benefit obligation for the pensions by CHF 382,859 (no significant change for the remaining active member).

- Salary increase rate

Increasing the salary increase rate by 0.5% (from 1.0% to 1.5%) would increase the present benefit obligation for the active members by CHF 11,492.

(c) Post-employment benefits include separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects for certain internationally recruited personnel which are considered other long-term benefits, and the liability has been calculated using the projected unit credit actuarial methodology.

(d) Other short-term benefits concern the policy providing that staff members earn 30 days of annual leave credit each year, which may be taken or accumulated with up to 60 days paid on separation or retirement. A liability has been established equal to the nominal value of leave accumulated at the reporting date. At 31 December, the total liability of benefits payable to staff was:

| Amount in CHF | 2021 | 2020 |
|----------------------------------|------------------|------------------|
| Post employment benefits | | |
| Reinstallation premiums | 598,157 | 549,681 |
| Grants for removal expenses | 198,804 | 154,653 |
| Sub Total | 796,960 | 704,334 |
| Other short-term benefits | | |
| Encashment of unused leave | 691,326 | 677,727 |
| Home leave | | |
| Sub Total | 691,326 | 677,727 |
| TOTAL | 1,488,286 | 1,382,061 |

NOTE 12 LEASES

The IPU has a five-year lease expiring in 2022 for office accommodation at 336 East 45th Street, New York, United States of America. The annual lease payment for 2021 was CHF 121,285 (CHF 122,866 in 2020). The lease is cancellable with six months' notice by the IPU.

NOTE 13 RESERVES

(a) The IPU has established a reserve to pay for major repairs to the Headquarters building at some later date. In September 2001, the Governing Council resolved to contribute CHF 55,000 per annum to this reserve beginning in 2008 until 2014. Beginning in 2018, the depreciation of the windows replaced in 2018 and 2019 has been charged to the reserve.

| Amount in CHF | 2021 | 2020 |
|------------------------|----------------|----------------|
| Opening Balance | 404,324 | 415,114 |
| Contributions | - | - |
| Expenditures | 10,790 | 10,790 |
| Closing Balance | 393,534 | 404,324 |

(b) The IPU has established a reserve for offsetting carbon emissions from IPU activities, especially those involving travel. In 2021, an amount of CHF 13,700 (CHF 14,500 in 2020) was contributed to the reserve to compensate for emissions of CO₂ from regular activities. Expenditures of CHF 14,904 in 2021 (no expenditures in 2020) were made on climate-change-related activities using funds from the reserve.

| Amount in CHF | 2021 | 2020 |
|------------------------|---------------|---------------|
| Opening Balance | 37,295 | 22,795 |
| Contributions | 13,700 | 14,500 |
| Expenditures | 14,904 | - |
| Closing Balance | 36,091 | 37,295 |

NOTE 14 CONTINGENT LIABILITIES

During the course of 2021, several staff members received notices of tax assessment from the Ministry of Economy, Finance and Industry of France. The IPU is contractually obligated to reimburse to staff members any national taxes paid in respect to income earned from the IPU and it believes that all amounts for prior years were settled during 2021.

NOTE 15 RECONCILIATION OF BUDGET TO ACTUAL COMPARISON AND STATEMENT OF FINANCIAL PERFORMANCE

| Amount in CHF | Operating | Financing | Investing | Total |
|---|-----------------|-----------|-----------|-----------------|
| Presentation differences | | | | |
| Revenue on budgetary basis | 15,338,163 | - | - | 15,338,163 |
| Less staff assessment included in revenue | <u>-971,062</u> | - | - | <u>-971,062</u> |
| Revenue net of staff assessment | 14,367,101 | - | - | 14,367,101 |
| | | | | |
| Expense on budgetary basis | 15,284,221 | - | - | 15,284,221 |
| Less staff assessment | <u>-971,062</u> | - | - | <u>-971,062</u> |
| Expense net of staff assessment | 14,313,159 | - | - | 14,313,159 |
| | | | | |
| Amount on a comparable basis (Statement V) | 53,942 | - | - | 53,942 |
| | | | | |
| Basis differences | | | | |
| | - | - | - | - |
| Subtotal basis differences | - | - | - | - |
| | | | | |
| Entity differences | | | | |
| Adjustment to Closed Pension Fund liability | -324,328 | - | - | -324,328 |
| Subtotal entity differences | -324,328 | - | - | -324,328 |
| | | | | |
| Surplus per Statement of Financial Performance | 378,270 | - | - | 378,270 |

In the budgetary comparison, transfers to the reserves are reported as expenses as they are charged to the revenue received from assessed contributions. On the Statement of Financial Performance, transfers from accumulated fund balance to reserves are reported as an adjustment to net assets and not included in current expense.

In the presentation of revenue and expense on a budgetary basis, staff costs are presented on a gross basis as established by the International Civil Service Commission (ICSC). The amount of the staff assessment less the amount of any reimbursement paid to staff members to cover national income taxes is presented as revenue. On the Statement of Financial Performance, staff costs are presented net of the staff assessment plus the amount of reimbursement paid to staff members. The difference in presentation has no impact on the presentation of the net result.

| Amount in CHF | 2021 | 2020 |
|-------------------------------|------------------|------------------|
| Gross Staff Assessment | 1,042,007 | 1,046,096 |
| | | |
| Reimbursements | 2021 | 2020 |
| - France | 36,964 | 69,081 |
| - Canada | 33,981 | - |
| Total | 70,945 | 69,081 |
| | | |
| Net Staff Assessment | 971,062 | 977,015 |

NOTE 16 RELATED PARTY TRANSACTIONS

The IPU's main statutory bodies are the Assembly, the Governing Council and the Executive Committee, which are composed of representatives of Member Parliaments. The representatives do not receive remuneration from the IPU.

The IPU is managed by a Secretary General, appointed by the Governing Council, and senior officers (directors) appointed by the Secretary General and considered key management personnel. All are remunerated by the IPU. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel, pension contributions, medical and accident insurance, education grants, home leave and other entitlements paid in accordance with the Staff Rules and Regulations and applicable to all staff. All key management personnel are members of the UNJPSF and are eligible for participation in the Staff Health Insurance plan.

Key management personnel and their aggregate remuneration were as follows:

| | 2021 | 2021 | 2020 | 2020 |
|--|---------------------------|--------------------------------|---------------------------|--------------------------------|
| | Number of individual s | Aggregate remuneration cost | Number of individual s | Aggregate remuneration cost |
| | (as an average) | (in CHF) | (as an average) | (in CHF) |
| Senior officers: | 5.0 | | 5.0 | |
| Net salary and post adjustment | | 996,771 | | 991,900 |
| Employer medical and pension contributions | | 235,592 | | 236,342 |
| Other allowances | | <u>97,964</u> | | <u>101,818</u> |
| Sub total | | 1,330,327 | | 1,330,061 |
| Separation benefits paid | | - | | - |
| Total | | 1,330,327 | | 1,330,061 |

There were no loans to key management personnel or to their close family members that were not available to other categories of staff. There was no other remuneration or compensation paid to key management personnel or their close family members.

The IPU has no ownership interest in associations or joint ventures and no controlled entities. The IPU's agreement with the UNJSPF requires that its salaries be established in accordance with those of the United Nations Common System. The policies are promulgated by the International Civil Service Commission (ICSC), which is an entity established by the UN General Assembly. The methodology for determining general service staff salaries in accordance with salary surveys are determined by the ICSC. Salaries for professional staff, levels of dependency allowance and education grants are recommended by the ICSC to the UN General Assembly, which makes a decision for the entire UN Common System, and the final decision rests with the governing bodies of the IPU.

NOTE 17 SEGMENT REPORTING

Segment information is presented in a format based upon the strategic objectives and enablers approved by the Governing Council in the 2021 budget. Only revenue and expense are presented by segment. All assets and liabilities belong to the IPU as a whole and there is no reasonable basis for allocation of individual assets, liabilities and net assets to individual segments.

| | Strategic Objectives | Enablers | Other charges | Pension Fund | Eliminations | Total |
|---|----------------------|------------------|-----------------|----------------|-------------------|-------------------|
| Revenue | | | | | | |
| Assessed Contributions | 6,673,892 | 4,151,483 | 106,424 | 0 | 0 | 10,931,800 |
| Voluntary Contributions | 3,304,846 | 11,934 | 0 | 0 | 0 | 3,316,779 |
| Investment income | 0 | 92,360 | 0 | 336,090 | 0 | 428,450 |
| Other Income | 0 | 261,913 | 0 | 14,775 | -245,601 | 31,087 |
| Total revenue | 9,978,738 | 4,517,690 | 106,424 | 350,864 | -245,601 | 14,708,116 |
| Expense | | | | | | |
| Personnel Expenditure – permanent staff | 5,700,242 | 2,911,955 | 0 | 858,936 | -980,912 | 8,490,222 |
| Personnel Expenditure – temporary staff | 2,848,877 | 418,340 | 0 | 0 | 0 | 3,267,217 |
| Actuarial Gain/(Loss) on Pension Fund | 0 | 0 | -327,377 | -509,705 | 0 | -837,083 |
| Travel Expenditure | 459,986 | 90,237 | 0 | 0 | 0 | 550,223 |
| Contractual Services | 1,501,309 | 189,561 | 0 | 14,335 | -235,751 | 1,469,453 |
| Operating Expenses | 168,416 | 340,908 | 0 | -12,701 | 0 | 496,622 |
| Supplies, Materials and Equipment | 34,022 | 80,012 | 0 | 0 | 0 | 114,034 |
| Allowance for Doubtful Accounts | 0 | 0 | 115,263 | 3,050 | 0 | 118,314 |
| Grants and Honoraria | 40,621 | 30,000 | 5,896 | 0 | 0 | 76,516 |
| Depreciation | 0 | 441,194 | 0 | 0 | 0 | 441,194 |
| Amortization of loan | 0 | 58,099 | 0 | 0 | 0 | 58,099 |
| Write-off of Member Contributions | 0 | 47,332 | 0 | 0 | 0 | 47,332 |
| Loss on Foreign Exchange | 0 | 37,700 | 0 | 0 | 0 | 37,700 |
| Total expense | 10,753,473 | 4,645,339 | -206,218 | 353,914 | -1,216,663 | 14,329,845 |

Personnel expenditure for permanent staff is reflected for each segment at gross value (including staff assessment). The staff assessment (revenue and expense) and the IPU contribution to the closed pension fund are eliminated prior to consolidation.

NOTE 18 REVENUE AND EXPENSE

Assessed contributions

Members and Associate Members of the Organization pay an annual contribution to the IPU to finance its activities in accordance with the work programme and budget and scale of contributions adopted by the Governing Council in accordance with Article 21 of the IPU Statutes. Assessed contributions are due at the beginning of the budget year and payable by 31 March of each year in accordance with Financial Rule 5.4.

Voluntary contributions

Members and other donors contribute funds to the Organization for the purpose of financing specific projects and activities. Funds are accepted by the Secretariat with the approval of the Governing Council.

Programme support costs

The IPU charges programme support costs for the projects it implements with funding from other agencies. The IPU collected fees in the amount of CHF 235,751 on project direct costs of CHF 3,316,779 (CHF 195,449 on project direct costs of CHF 2,694,754 in 2020).

Other income

Other income includes as follows:

| Amount in CHF | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Staff contributions to pension fund | 4,925 | 10,350 |
| Other | 26,162 | 64,816 |
| Total Other Income | 31,087 | 75,165 |

“Other” includes sales of publications, asset disposals and extraordinary income. In 2021 an adjustment was processed to correct the outstanding amount of taxes receivable to reflect the actual amount receivable in accordance with information provided to the investment manager by Swiss Authorities resulting in a credit of CHF 26,078 which has been included in other income.

Investment income

Total returns on investments were:

| Amount in CHF | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| Interest | -37,146 | 10,946 |
| Capital Gains (Losses) | 465,596 | 210,737 |
| Total Investment Income | 428,449 | 221,683 |

Expense

Expenses are reported on an accrual basis, recognizing expense when goods are received and services are rendered. All inter-fund charges for services have been eliminated prior to consolidation on the Statement of Financial Performance.

Personnel Expenditure – permanent staff includes short-term employee benefits such as base salary, post adjustment, dependency allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for permanent staff. The pension contribution from the IPU to the closed Pension Fund has been eliminated on consolidation.

| Amount in CHF | 2021 | 2020 |
|--|------------------|------------------|
| Salaries and allowances - regular staff | 5,393,693 | 5,274,996 |
| Dependent allowance | 275,598 | 278,343 |
| Pension contribution UNJSPF | 1,034,407 | 1,042,011 |
| Health insurance | 350,530 | 361,195 |
| Education allowance | 315,398 | 253,921 |
| Other allowances | 28,261 | 18,942 |
| Separation benefits | 141,020 | -3,862 |
| Pension and survivor benefits | 858,936 | 866,079 |
| Other benefits | 102,228 | -25,807 |
| Less eliminations | -9,850 | -20,700 |
| Total personnel expense - permanent staff | 8,490,222 | 8,045,118 |

Personnel expenditure – temporary staff includes costs of short-term staff and consultants.

| Amount in CHF | 2021 | 2020 |
|--|------------------|------------------|
| Temporary Staff | 143,806 | 140,482 |
| Interpreters | 623,843 | 382,889 |
| Translators | 145,078 | 109,025 |
| Consultants | 2,354,490 | 1,927,385 |
| Total personnel expense - temporary staff | 3,267,217 | 2,559,781 |

Closed Pension Fund adjustment reflects the net impact of actuarial adjustments on the defined benefit obligation.

| Amount in CHF | 2021 | 2020 |
|---|-----------------|-----------------|
| Current service cost | 10,024 | 10,094 |
| Interest cost | 21,679 | 23,031 |
| Employee contributions | 4,925 | 10,350 |
| Pension paid by plan | -997,355 | -897,174 |
| Refunds of contributions of participants in bridge pension | 123,645 | 0 |
| Net credit to employee benefits recognized on statement of Financial Performance | -837,083 | -853,699 |

Travel expenditure includes the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business, travel for delegates and travel for participants and experts in connection with training activities.

| Amount in CHF | 2021 | 2020 |
|---------------------------------|----------------|----------------|
| Transportation | 187,496 | 117,799 |
| Allowances | 210,704 | 132,963 |
| Incidentals | 152,023 | - |
| Total travel expenditure | 550,223 | 250,762 |

Contractual services include costs of translation and editing, printing and publishing, conference services and software and database maintenance. The management fees charged for project support costs are eliminated on consolidation.

| Amount in CHF | 2021 | 2020 |
|--|------------------|----------------|
| Translating/editing | 486,653 | 317,564 |
| Printing and publishing | 41,095 | 36,234 |
| Conference Venue Services | 690,575 | 276,443 |
| Computer maintenance and on line databases | 10,035 | 10,362 |
| Audit costs | 18,300 | 12,200 |
| Pension fund investment management and banking | 14,335 | 15,778 |
| Management services | 235,751 | 195,449 |
| Other | 208,460 | 199,351 |
| Eliminations | -235,751 | -195,449 |
| Total contractual services | 1,469,453 | 867,932 |

Operating expenses include the costs of maintenance and cleaning of the Headquarters building, communications (postage and telephone), meeting costs and bank charges. The over/under expense covers the charge for writing down old balances relating to a deceased participant in the closed pension in accordance with the accounting policies.

| Amount in CHF | 2021 | 2020 |
|------------------------------------|----------------|----------------|
| Rent | 121,285 | 122,866 |
| Heating | 31,078 | 23,916 |
| Electricity | 25,070 | 24,403 |
| Water | 1,609 | 5,920 |
| Premises and grounds maintenance | 65,272 | 58,696 |
| Cleaning | 74,629 | 18,300 |
| Security | 14,242 | 12,130 |
| Insurance | 3,989 | 2,393 |
| Vehicles | 9,691 | 4,679 |
| GE Maintenance, insurance & rental | 63,780 | 44,804 |
| Communications | 48,803 | 49,102 |
| Internet connectivity | 14,981 | 23,894 |
| Website | - | - |
| Press and publicity costs | 3,540 | 1,313 |
| Hospitality | 15,514 | 16,622 |
| Institutional gifts | 6,664 | 1,691 |
| Bank charges | 9,175 | 5,468 |
| Over/Under | -12,701 | -9 |
| Total Operating expenses | 496,623 | 416,189 |

Supplies, materials and equipment include office equipment that does not meet the threshold in Note 2.

| Amount in CHF | 2021 | 2020 |
|---|----------------|----------------|
| Paper | 1,410 | 299 |
| Stationery | 8,879 | 8,674 |
| Miscellaneous office supplies | 25,635 | 33,558 |
| Coffee/tea/drinking water | 9,048 | 2,353 |
| Sundry | 752 | 359 |
| IT maintenance and repair | 13,926 | 16,398 |
| Software and supplies | 50,983 | 46,571 |
| Books | 517 | 21 |
| Periodicals | 2,886 | 3,796 |
| Total supplies , materials and equipment | 114,034 | 112,028 |

Expenses related to depreciation of plant and equipment are explained in Note 7 and amortization of intangible Assets in Note 8 above.

The expense related to the increase in the **provision for doubtful debts** is explained in Note 5 to the Financial Statements above.

| Amount in CHF | 2021 | 2020 |
|---|----------------|----------------|
| Change in provision for assessed contributions receivable | 112,883 | 231,607 |
| Less special debt reinstated as receivable | - | -20,324 |
| Creation of provision for pension fund receivable | 3,050 | - |
| Creation of provision for non-member receivable | 2,381 | - |
| Total change in provisions | 118,314 | 211,283 |

Expenses for grants and honoraria include grants to the Association of Secretaries General of Parliaments (ASGP) and the International Knowledge Network of Women in Politics (iKNOW Politics) and the honoraria for the President of the IPU.

| Amount in CHF | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Grants | 46,516 | 29,250 |
| Honorariums | 30,000 | 30,000 |
| Total grants and honorariums | 76,516 | 59,250 |

NOTE 19 FINANCIAL RISKS

The IPU's financial position includes the following financial instruments:

| Amount in CHF | 2021 | 2020 |
|--|-------------------|-------------------|
| Cash and cash equivalents | 15,306,720 | 10,193,502 |
| Deposits | 47 | 534,886 |
| Accounts receivable - assessed contributions | 1,313,881 | 1,123,263 |
| Accounts receivable - voluntary contributions | 714,772 | 2,266,586 |
| Accounts receivable - other | 42,176 | 32,490 |
| Investments | 5,845,177 | 6,264,691 |
| Borrowing | -4,920,562 | -5,052,064 |
| Accounts Payable | -288,259 | -281,097 |
| Net financial assets less financial liabilities | 18,013,951 | 15,082,256 |

The IPU is exposed to certain market, credit and liquidity risks as follows:

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including currency risk, interest rate risk and other price risk. The IPU is exposed to foreign currency exchange and interest rate risk. It receives revenue from fees and voluntary contributions and incurs expenses in currencies other than its presentation currency (CHF). The IPU is exposed to foreign exchange risk arising from fluctuations of currency exchange rates. It does not use derivative financial instruments to hedge exchange risk.

A change in the currency exchange rate between the Swiss franc and other currencies (US dollar and euro) in which financial instruments are held or revenue or expense transactions recognized of +/-5 per cent would have had the following impact on the financial statements:

| Amount in CHF | Impact on surplus/deficit | Impact on Net Assets |
|---------------|---------------------------|----------------------|
| Impact +5% | 153,434 | 42,471 |
| Impact -5% | -169,585 | -42,471 |

The IPU also has a limited exposure to the risk of changes in interest rates. Its operating budget is financed primarily from revenue from Members' contributions and the sale of goods and services. Though only 0.5 per cent of its operating budget is financed from revenue derived from investment income, the investments by the Pension Fund are held in a mutual fund, which is exposed to the risk of changes in market conditions. Should investment revenue decrease or increase the funds available to finance the closed Pension Fund, the contribution from the operating budget would increase or decrease accordingly. The IPU does not utilize financial instruments to hedge interest rate risk.

Liquidity risk

Liquidity risk is the risk that the IPU will encounter difficulties in meeting obligations associated with financial liabilities. The IPU has limited exposure to liquidity risk, owing to its substantial unrestricted cash reserves, which are replenished from the results of its operations. The IPU's investment policy has been developed to ensure that its investments are held primarily in liquid short-term deposits.

The IPU's total of cash and cash equivalents at 31 December 2021 of CHF 15.3 million is sufficient to meet its current liabilities at that date of CHF 7.3 million. On an ongoing basis, it is anticipated that the IPU will have sufficient liquidity to pay all of its debts due. The maturity of the financial liabilities is reflected in Statement I – Statement of Financial Position.

Credit risk

Credit risk is the risk that a counter party of the IPU's financial assets will fail to discharge its obligations. The IPU's accounts receivable derive almost exclusively from its Member Parliaments; the IPU therefore considers its credit risks to be limited to a small selection of cases. Credit risk is re-evaluated annually, and changes are reflected in the calculation of the provision for doubtful debts. Cash and cash equivalents are held in banks with sovereign risk or with credit ratings of A- or higher, based on ratings by Fitch and Standard and Poor's (S&P). The asset value of accounts receivable has been reduced through the use of a provision for doubtful debts to reflect receivables for which payment is not anticipated in the short term.

Impact of COVID-19 Pandemic

On 30 January 2020, the Director-General of the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) a public health emergency of international concern. On 11 March 2020, he revised the characterization of the COVID-19 outbreak to pandemic. There has been no negative impact of COVID-19 on the IPU's financial assets at the reporting date. Despite the financial performance of the markets since the COVID-19 outbreak, the principal of the IPU's working capital portfolio remains safe, in line with its investment policy on working capital, as it holds high-quality assets aimed at preserving principal. The extent of any future financial impact will depend on future developments that cannot be reliably predicted. The impact of COVID-19 has been assessed on activities that support the achievement of the IPU's Strategic Objectives, on future funding from major donors and on operational costs. The IPU will continue the engagement with its various stakeholders to ensure that its risk assessment framework is tailored to the COVID-19 environment.