



The Abdus Salam
**International Centre
for Theoretical Physics**



The Abdus Salam International Centre for Theoretical Physics

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

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THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

In accordance with the Financial Regulations (article 11) of the United Nations Educational, Scientific and Cultural Organization (UNESCO), attached are the financial statements and accompanying notes for the year ended 31 December 2021.

The financial statements are the responsibility of Management, and have been prepared in accordance with the International Public Sector Accounting Standards, and comply with the Financial Regulations of the United Nations Educational, Scientific and Cultural Organization. They include certain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management, provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions.

The External Auditor, in line with Article 12 of the Financial Regulations, also provides an opinion on the financial statements.

The financial statements numbered I to IV and the accompanying notes are hereby approved and submitted to the Steering Committee of The Abdus Salam International Centre for Theoretical Physics.

(Signed)

Mr Atish DABHOLKAR
Director
ICTP

(Signed)

Mrs Bona Magdolna
Chief Financial Officer
UNESCO

27 June 2022



INDEPENDENT AUDITOR'S REPORT

To the Steering Committee of the Abdus Salam International Centre for Theoretical Physics

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Abdus Salam International Centre for Theoretical Physics (ICTP), which comprise the statement of financial position as at 31 December 2021, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and 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 ICTP as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the ICTP in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the ICTP's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 ICTP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICTP's ability 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 ICTP to cease to continue as a going concern.
- 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 Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Abdus Salam International Centre for Theoretical Physics coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the UNESCO Financial Regulations.

In our opinion, the transactions of the Abdus Salam International Centre for Theoretical Physics that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the UNESCO Financial Regulations, we report that, in our opinion, the accounting principles in IPSASs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Abdus Salam International Centre for Theoretical Physics' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Abdus Salam International Centre for Theoretical Physics to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

(Signed)

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
27 June 2022

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Statement I
ICTP
I. STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Expressed in '000s Euro)	Notes	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,842	2,216
Investments	6	15,000	14,000
Accounts receivable from non-exchange transactions	7	340	496
Accounts receivables from exchange transactions	8	248	358
Advance payments	9, 23	505	248
Other receivables	10, 23	28	8
Receivable from UNESCO	11	289	127
Total Current Assets		20,252	17,453
Non Current Assets			
Property, plant and equipment	12	1,397	1,006
Total Non-current Assets		1,397	1,006
TOTAL ASSETS		21,649	18,459
LIABILITIES			
Current Liabilities			
Accounts payable (exchange transactions)	13	2,057	1,437
Employee benefits	14	9,334	9,596
Transfers payable		38	24
Voluntary contributions with conditions – Extra budgetary	15	2,028	2,069
Advance receipts		211	200
Other current liabilities		16	16
Total current liabilities		13,684	13,342
Non Current liabilities			
Employee benefits	14	16,255	15,474
Total non-current liabilities		16,255	15,474
TOTAL LIABILITIES		29,939	28,816
NET ASSETS	16	(8,290)	(10,357)

The accompanying notes form an integral part of these financial statements.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Statement II
ICTP
II. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR 1 JANUARY – 31 DECEMBER

(Expressed in '000s Euro)	Notes	2021	2020
REVENUE			
UNESCO Financial Allocation		376	407
Voluntary contributions - Core Funding		22,697	22,666
Voluntary contributions - Extra budgetary		2,263	1,970
In-kind contribution		1,054	1,018
Other revenue producing activities		60	39
Other revenue		206	171
Finance revenue		18	12
TOTAL REVENUE	17	26,674	26,283
EXPENSES			
Staff Costs		13,655	14,531
Consultants, experts and mission costs		861	861
Training, research and scientific activities		4,272	4,060
Supplies, consumables and other running costs		3,805	3,632
Contracted services		1,187	894
Depreciation and amortization		404	316
Other expenses		-	8
Foreign Exchange Losses		-	22
Finance costs		18	18
TOTAL EXPENSES	18	24,202	24,342
SURPLUS FOR THE YEAR		2,472	1,941

The accompanying notes form an integral part of these financial statements.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Statement III
ICTP
III. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR 1 JANUARY – 31 DECEMBER

(Expressed in '000s Euro)	Notes	2021	2020
NET ASSETS AT THE BEGINNING OF THE YEAR	16	(10,357)	(10,888)
Actuarial losses and gains and Other Adjustments		(405)	(1,410)
Surplus for the year	16	2,472	1,941
NET ASSETS AT THE END OF THE YEAR	16	(8,290)	(10,357)

The accompanying notes form an integral part of these financial statements.

Statement IV
ICTP
IV. CASH FLOW STATEMENT
FOR THE YEAR 1 JANUARY – 31 DECEMBER

(Expressed in '000s Euro)	Notes	2021	2020
Cash flows provided by/(used in) operating activities:			
Surplus for the year		2,472	1,941
Depreciation and amortization	18	404	316
Loss on Disposal from Property Plant and Equipment		-	-
(Increase) Decrease in accounts receivables (non-exchange transactions)	7	163	380
(Increase) Decrease in accounts receivables (exchange transactions)	8	110	(113)
(Increase) Decrease in other receivables	10, 23	(19)	9
(Increase) Decrease in receivables from UNESCO	11	(162)	43
(Increase) Decrease in advance payments	9, 23	(256)	104
Increase (Decrease) in advance receipts		11	(45)
Increase (Decrease) in accounts payable and accruals	13	622	(235)
Increase (Decrease) in employee benefits (Current and Non Current)	14	121	1,642
Increase (Decrease) voluntary contributions with conditions – extra budgetary	15	(41)	474
Increase (Decrease) in other current liabilities		0	5
Increase (Decrease) in transfers payable		13	(26)
Effect of exchange rates on operating activities		(17)	12
Net cash flows provided by/(used in) operating activities		3,421	4,507
Investing activities:			
Purchase of property, plant & equipment	12	(795)	(256)
Net (Purchase)/Redemption in current investments		(1,000)	(7,500)
Net cash flows (used in) investing activities		(1,795)	(7,756)
Net Increase (Decrease) in cash and cash equivalents		1,626	(3,249)
Cash and cash equivalents, beginning of year	5	2,216	5,465
Effect of exchange rates on cash & cash equivalent		-	-
Cash and cash equivalents, end of year	5	3,842	2,216

The accompanying notes form an integral part of these financial statements.

Statement V
ICTP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 1: REPORTING ENTITY

The International Centre for Theoretical Physics (ICTP) was founded in 1964 under the auspices of the International Atomic Energy Agency (IAEA). The United Nations Educational, Scientific and Cultural Organization (UNESCO) joined the IAEA in 1970 as a full partner in the financing as well as in the scientific and administrative management of the ICTP. As from 1 January 1996, it is financed and administered in the framework of an Agreement signed between the Italian government, the IAEA and UNESCO. As of the same date, the administrative responsibility for the ICTP was transferred from the IAEA to UNESCO on behalf also of the Italian government and the IAEA itself. The ICTP was renamed The Abdus Salam International Centre for Theoretical Physics on 21 November 1997 to honour its founder and first director on the first anniversary of his death.

The main objectives of the ICTP are:

- (a) to help foster the growth of advanced studies and research in physical and mathematical sciences, especially in developing countries;
- (b) to provide an international forum for scientific contacts among scientists from all countries; and
- (c) to provide facilities to conduct original research by its visitors, associates and fellows, principally from developing countries.

The Steering Committee is composed of one high level representative, each designated respectively by the Italian government, the Director General of the IAEA and the Director General of UNESCO, and of the Director of the ICTP. The representatives may be accompanied by experts. Its functions are:

- a) to formulate the general guidelines for the ICTP's activities, taking into account its objectives;
- b) subject to the budgetary appropriation by the respective organizations, to determine:
 - i) the annual level of the budget;
 - ii) the level of respective contributions;
 - iii) the financial plans;
 - iv) the use of funds available for the operation of the ICTP;
- c) to consider the proposals of the Director for the program, work plans, financial plans, and budget proposals of the ICTP and to take decisions thereon;
- d) to consider the annual and other reports of the Director on the activities of the ICTP;
- e) to submit a report on the ICTP's activities to UNESCO and the IAEA;
- f) to recommend to the Director General of UNESCO the names of candidates for the post of the Director of the ICTP;
- g) to adopt its own rules and procedures, which shall include the following provisions: the Steering Committee shall normally meet twice a year; the decisions of the Steering Committee shall be taken by a two third majority except in cases concerning the level of contributions in which case decision shall require the consent of each contributor concerned.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual and going concern basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and comply with UNESCO'S Financial Regulations.

The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

Financial year

The financial statements are prepared on an annual basis, beginning on the first day of January and ending on the thirty-first day of December each year.

Presentation and functional currency

The financial statements are presented in Euros (EUR) which is also its functional currency.

2.2 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions carried out during the financial year are converted into Euros using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction. The UNORE approximate market rates as they are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the UNORE prevailing at the date of the initial transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into EUR at the exchange rate prevailing on the date of the Statement of Financial Position.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

2.3 FINANCIAL ASSETS

ICTP's financial assets include: cash and cash equivalents, investments, accounts receivable from exchange and non-exchange transactions, receivable from UNESCO and accrued interest.

Financial assets within the scope of IPSAS 29 - Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, as appropriate. ICTP determined the classification of its financial assets at initial recognition.

The subsequent measurement of financial assets depends on their classification. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date.

Financial assets classified as loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method.

The following table presents the classification and measurement of ICTP's financial assets:

Financial assets	Classification	Subsequent Measurement
Cash and cash equivalents	L&R	Amortized cost
Investments	L&R	Amortized cost
Accounts receivable from exchange transactions	L&R	Amortized Cost
Accounts receivable from non-exchange transactions	L&R	Amortized cost
Receivable from UNESCO	L&R	Amortized cost
Accrued Interest	L&R	Amortized cost

Impairment of financial assets at amortized cost

ICTP assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events after the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

2.4 FINANCIAL LIABILITIES

ICTP's financial liabilities includes accounts payable and accruals, transfers payable and other current liabilities.

All financial liabilities are recognized initially at fair value.

ICTP has classified all its financial liabilities as amortized cost.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are

derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand which is available on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include saving accounts and short-term deposits with a maturity of three months or less from the date of investment.

2.6 INVESTMENTS

Investments are term deposits with an initial maturity of more than three months but less than one year and term accounts, which are investments that may be realized within 12 months. These financial instruments are held with international banking groups which are assigned deposit ceilings in accordance with the Investment Policy of UNESCO.

Financial assets with maturities in excess of 12 months or not expected to be realized within 12 months at the reporting date are categorized as non-current assets. Other financial assets are classified as current assets.

At each reporting date ICTP assesses whether there is any objective evidence that an investment or group of investments is impaired. Any impairment losses are recognized in the Statement of Financial Performance.

2.7 ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS, RECEIVABLES FROM EXCHANGE TRANSACTIONS AND OTHER RECEIVABLES

Receivables are initially measured at fair value and then, their carrying value is adjusted for any allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that ICTP will not be able to collect all amounts due according to the original terms of the receivables. In establishing the allowance, the fair value of receivables is calculated as the estimated discounted cash flows arising from receivables to be collected in the future. The level of account receivable related to voluntary contribution does not require discounting.

Receivables are classified into current and non-current on the basis of the expected amounts to be received.

2.8 ADVANCE PAYMENTS

ICTP advances funds to third parties under non-exchange contracts for the delivery of ICTP's programs and activities. Such transfers to third parties are treated as Advance Payments if the conditions on the transferred assets are not fulfilled at the reporting date.

2.9 ADVANCE RECEIPTS

A liability is recognized for amounts received from donors where no binding agreement is yet in place at the time of the receipt of the asset from the donor. This is mainly common under framework agreements and other voluntary contributions where funds can be received before agreement is reached on the allocation of the contribution received from the donor. Assessed contributions received prior to the commencement of the relevant specified budget year are recorded as an asset and a corresponding liability is recognized as an advance receipt.

2.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) is carried at cost less accumulated depreciation and impairment.

Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the financial statements.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to ICTP and the cost of the item can be measured reliably.

When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Leasehold improvements are initially recorded at cost and subsequently presented at depreciated cost.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ICTP and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Class of Property, Plant and Equipment	Useful life (in years)
Communications and IT equipment	4 years
Vehicles	5 years
Furniture and fixtures	5 years
Other equipment	5 years
Leasehold improvements	15-50 years (or the shorter of lease term and useful life)

The residual values and useful lives of assets are reviewed and adjusted, if applicable, at each financial year-end.

Impairment

The carrying amount of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. For this purpose, all property, plant and equipment assets are considered as non-cash generating assets.

2.11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable are financial liabilities for goods and services that have been received by ICTP and invoiced but not yet paid by the reporting date.

Accrued liabilities are financial liabilities for goods and services that have been received by ICTP and which have neither been paid for nor invoiced to ICTP at the reporting date.

2.12 EMPLOYEE BENEFITS

ICTP recognizes the following categories of employee benefits:

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise of first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) and other benefits (education grant, home leave, etc.).

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An expense is recognized when employees render service to ICTP and a liability is recognized for an entitlement that has not been settled at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits that are payable after the completion of employment.

UNESCO, participates in the United Nations Joint Staff Pension Fund (UNJSPF or Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The institutes contribute to UNJSPF through UNESCO. 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 plan. UNESCO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNESCO's proportionate share, and thereby ICTP'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, UNESCO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 - Employee Benefits. ICTP's contributions to the plan during the financial year are recognized as staff costs in the Statement of Financial Performance.

In addition, ICTP provides an after service health insurance programme (AMIP). This programme provides health insurance coverage to retired staff and their dependents. The right to benefit for such coverage (AMIP) is acquired and accumulated during the retirees' active service at ICTP. The liability recognised for this plan is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost and current service costs are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

The contributions of the Institute to AMIP is assessed yearly which is based on a sliding percentage as described in their insurance contract.

The current portion of this post employment benefit is presented in the current liabilities portion of the statement of financial position.

Other long- term employee benefits

Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period and relates to repatriation grants (RG), compensated absences (accumulated leave) and Italian end of service (SPS). The liability recognized for these other long term

benefits is the present value of the defined benefit obligations at the reporting date. These liabilities are calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the Statement of Financial Performance.

2.13 PROVISIONS AND CONTINGENT LIABILITY

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where ICTP has a present obligation but cannot reliably measure the possible outflow of resources.

2.14 TAX

ICTP, being an Institute of UNESCO, enjoys the privilege of tax-exemption. Therefore, its assets, income and other property are exempt from all direct taxation.

2.15 REVENUE RECOGNITION

Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured based on the increase in net assets recognized. The revenue from non-exchange transactions are as follows:

- UNESCO Financial Allocation and Voluntary Contributions – Core funding

These are contributions that have been made available from the Italian government, the IAEA and UNESCO in force of the specific agreement signed in 1993. They are approved for each financial year and are recognized as revenue at the beginning of the relevant year as soon as the amounts are communicated to ICTP.

- Voluntary contributions - Extra budgetary

Voluntary contributions and other transfers, which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability. Conditions are imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As ICTP satisfies the conditions on voluntary contributions through performance in the

specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are recognized as revenue when received.

- In-kind contributions

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. These contributions include the use of premises and utilities. In the case of the use of premises, the contribution value is based on the commercial rate for renting the building.

In-kind contributions of services, such as the services of volunteers, are not recognized.

Revenue from exchange transactions

Other sources of revenue from exchange transactions are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

2.16 EXPENSES

Expenses are defined as decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is paid.

Non-exchange transactions

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In such cases, expenses are recognized as services are performed and the condition on transferred assets fulfilled consistent with the terms of the agreement. Advance payments are amortized based on objective evidence to reflect the risk of non-recovery.

Where revenue is recognized from in-kind contributions, a corresponding expense is also recognized in the financial statements.

2.17 LEASES

Lease agreements entered into for equipment or office premises are classified as operating leases as these arrangements do not transfer substantially all of the risks and rewards of ownership.

NOTE 3: ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of financial statements in accordance with IPSAS requires ICTP to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year. However,

uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future years.

The areas where estimates, assumptions or judgement are significant to ICTP's financial statements include, but are not limited to: employee benefits, and the useful lives of Property, plant and equipment and In-kind contribution for the use of the premises. Changes in estimates are reflected in the year in which they become known.

Furthermore, in early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant increase in economic uncertainty and volatility (i.e.: interest rates, foreign exchange rates, government/partner budgets, etc.). The impact on ICTP estimates, assumptions and judgements is presently limited, but it is currently difficult to reliably estimate the length or severity of the pandemic, which could have future financial impacts. To date, COVID impact has been limited to a decrease in extra budgetary voluntary contributions, revenue producing activities and finance revenues as well as a significant decrease in travel expenditures.

Judgements

- *In-kind contribution calculation for the use of the premises*

ICTP undertakes a valuation of the in-kind contribution for the use of premises. This exercise is performed by an expert hired by ICTP.

The factors that impact the valuation are the following:

- Availability of similar assets for rent; and
 - Office space shared with other organizations
- Estimates and assumptions

ICTP based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of ICTP.

- *Employee benefits*

Employee benefits (AMIP, RG, AAL and SPS) are determined using actuarial valuation, which involves making various assumptions on financial and non-financial elements that may differ from actual developments in the future such as determination of the discount rate, future salary increases, mortality rates and future cost increases. The employee benefit liability is highly sensitive to the variation of these assumptions and some of them are reviewed at each reporting date. Details about employee benefits are provided in Note 14.

- *Useful lives of Property, plant and equipment*

The useful lives of Property, plant and equipment are assessed using the following indicators to inform potential future use, value from disposal and impairment:

- The condition of the asset based on the assessment of experts employed by ICTP;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed;
- Availability of funding to replace the asset; and
- Changes in the market in relation to the asset

Note 2.10 provides information on the determined current useful lives.

NOTE 4: ACCOUNTING STANDARDS ISSUED

Accounting standards adopted during the year

- IPSAS 2 - Cash flows – Changes in Liabilities Arising from Financing Activities: the amendment to this standard is effective for annual reporting years beginning on or after 1 January 2021. The amendment establishes the disclosure principles that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments did not impact ICTP's financial statements.

Accounting standards issued and to be adopted at a later date

- IPSAS 41 - Financial Instruments: the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing and uncertainty of an entity's future cash flows. ICTP has not yet assessed the impact of the adoption of the standard. ICTP plans to adopt this standard as of the effective date.
- IPSAS 42 – Social Benefits: the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes principles and requirements on the recognition, measurement and presentation of Social Benefits in the financial statements. ICTP has assessed that the impact of the adoption of the standard will not have any impact on the financial statements.
- IPSAS 43 – Leases: the standard is effective for annual reporting year beginning on or after 1 January 2025. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases in the consolidated financial statements. ICTP has not yet assessed the impact of the adoption of the standard.

NOTE 5: CASH AND CASH EQUIVALENTS

Expressed in '000s Euro	2021	2020
Cash		
Cash in hand	28	16
Current accounts	3,814	2,200
Total cash and cash equivalents	<u>3,842</u>	<u>2,216</u>

NOTE 6: INVESTMENTS

Expressed in '000s Euro	2021	2020
Current portion		
Loans and receivables (L&R)		
Term Deposits	15,000	14,000
Total Investments	<u>15,000</u>	<u>14,000</u>

NOTE 7: ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

Expressed in '000s Euro	2021	2020
Voluntary contributions (current)	340	496
Total accounts receivable (non-exchange transaction)	<u>340</u>	<u>496</u>

Voluntary contributions receivable represent uncollected revenues committed to ICTP by external donors for completion of program work.

NOTE 8: ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

Expressed in '000s Euro	2021	2020
Amounts receivables for goods and services	248	358
Total accounts receivable (exchange transactions)	<u>248</u>	<u>358</u>

The amounts receivables mainly represent uncollected revenues for services rendered by ICTP's to third parties.

NOTE 9: ADVANCE PAYMENTS

Expressed in '000s Euro	2021	2020 (note 23)
Advances to staff	58	47
Other advance payments	447	201
Total advance payments	505	248

Advance payments to staff concern travel advances for staff members whereas other advances relate to prepayments for goods and services not yet delivered. Other advance payments relate to rent, subscriptions, university fees and grants paid in 2021 but relevant to year 2022.

NOTE 10: OTHER RECEIVABLES

Expressed in '000s Euro	2021	2020 (note 23)
Accrued Interest	6	6
Other	22	2
Total Other receivables	28	8

NOTE 11: RECEIVABLE FROM UNESCO

Expressed in '000s Euro	2021	2020
Receivable from UNESCO	289	127
Total Receivable from UNESCO	289	127

The receivable from UNESCO balance is agreed upon by both parties and is classified as current based on ICTP's projected cash flow requirement.

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NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Expressed in '000s Euro	Comms & IT Equipm't	Vehicles	Furniture and Fixtures	Other Equipm't	Leasehold Improvements	Total
1 January 2021						
Cost or fair value	3,430	163	244	1,962	304	6,103
Accumulated depreciation	(2,911)	(147)	(239)	(1,777)	(23)	(5,097)
Carrying amount	<u>519</u>	<u>16</u>	<u>5</u>	<u>185</u>	<u>281</u>	<u>1,006</u>
Movements 12 months to 31 December 2021						
Additions	395			348	52	795
Disposals	(63)			(124)		(187)
Disposals depreciation	63			124		187
Depreciation	(302)	(5)	(2)	(75)	(20)	(404)
Total movements 12 months to 31 December 2021	<u>93</u>	<u>(5)</u>	<u>(2)</u>	<u>273</u>	<u>32</u>	<u>391</u>
31 December 2021						
Cost or fair value	3,762	163	244	2,186	356	6,711
Accumulated depreciation/disposal	(3,150)	(152)	(241)	(1,728)	(43)	(5,314)
Carrying amount	<u>612</u>	<u>11</u>	<u>3</u>	<u>458</u>	<u>313</u>	<u>1,397</u>

Expressed in '000s Euro	Comms & IT Equipm't	Vehicles	Furniture and Fixtures	Other Equipm't	Leasehold Improvements	Total
1 January 2020						
Cost or fair value	3,286	163	242	1,916	255	5,862
Accumulated depreciation	(2,681)	(141)	(236)	(1,732)	(6)	(4,796)
Carrying amount	<u>605</u>	<u>22</u>	<u>6</u>	<u>184</u>	<u>249</u>	<u>1,066</u>
Movements 12 months to 31 December 2020						
Additions	152	-	2	53	49	256
Disposals	(8)	-	-	(7)	-	(15)
Disposals depreciation	8	-	-	7	-	15
Depreciation	(238)	(6)	(3)	(52)	(17)	(316)
Total movements 12 months to 31 December 2020	<u>(86)</u>	<u>(6)</u>	<u>(1)</u>	<u>1</u>	<u>32</u>	<u>(60)</u>
31 December 2020						
Cost or fair value	3,430	163	244	1,962	304	6,103
Accumulated depreciation/disposal	(2,911)	(147)	(239)	(1,777)	(23)	(5,097)
Carrying amount	<u>519</u>	<u>16</u>	<u>5</u>	<u>185</u>	<u>281</u>	<u>1,006</u>

At 31 December 2021 ICTP holds fully depreciated PP&E which is still in use for a gross value of €4,510k (€4,494k in 2020).

At 31 December 2021, there are no heritage assets to declare (consistent with 31 December 2020).

At 31 December 2021, ICTP has committed purchasing assets of a value of €347K within the next year.

NOTE 13: ACCOUNTS PAYABLE AND ACCRUALS

Expressed in '000s Euro	2021	2020
Suppliers payable	669	163
Accruals	1,388	1,274
Total accounts payable	<u><u>2,057</u></u>	<u><u>1,437</u></u>

NOTE 14: EMPLOYEE BENEFITS

Expressed in '000s Euro	2021			2020
	Actuarial valuation	ICTP valuation	Total	
Home leave, accrued annual leave and other EOS allowances	-	392	392	844
Payroll and reimbursements	-	93	93	181
After Service Medical Insurance Plan	258	-	258	247
Accumulated annual leave	1,889	-	1,889	1,524
Repatriation benefits	11	-	11	8
Italian end of service benefit	6,691	-	6,691	6,792
Employee benefits (current)	8,849	485	9,334	9,596
Repatriation benefits	850	-	850	795
After Service Medical Insurance Plan	15,405	-	15,405	14,679
Employee benefits (non-current)	16,255	-	16,255	15,474
Total employee benefits	25,104	485	25,589	25,070

Employee benefits – current

Current employee benefits include payroll and allowances, education grant, home leave, accumulated annual leave (AAL), Italian end of service benefit (SPS), as well as the current term portion of the After Service Medical Insurance Plan (AMIP) and Repatriation benefits.

Notwithstanding that AAL and SPS are fully included as current employee benefits as required by the standards since ICTP does not have an unconditional right to defer settlement of the liability for a least 12 months.

Accumulated annual leave (AAL) - ICTP staff can accumulate unused annual leave up to a maximum of 60 working days. Due to COVID-19, staff who were not able to take annual leave entitlement during 2021 can carry forward up to an additional 15 days (above the existing 60 days), to be used by end of March 2022. Upon separation from ICTP, staff members are entitled to receive a sum of money for AAL that they hold at the date of separation up to 60 days

Italian end of service benefit (SPS) - The Italian end of service benefit (known as “liquidazione”) is a separation lump sum payable to local General Service staff working for ICTP in Italy, employees can be eligible to receive this benefit prior to their separation from ICTP. The amount of the payment is based on the number of completed years of service at the time of separation from ICTP.

Employee benefits – non-current

Non-current employee benefits relate to post-employment and other long-term employee benefits. These include After Service Medical Insurance Plan and the long term portion of repatriation benefits.

After Service Medical Insurance Plan (AMIP – ICTP provides health insurance coverage to retired staff and their dependents (AMIP), which accrues during the retirees’ active service at ICTP. This is a multi-employer defined benefit plan. Under the scheme, eligible employees, who have reached their fifty-

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fifth birthday and who have completed at least ten years of participation in the plan as at the date of their separation, may opt to remain (indefinitely) in that plan as an associate participant with ICTP continuing to participate in the funding of their contributions. ICTP performs annually both a long-term projection and an actuarial valuation of the AMIP scheme to measure its employee benefits obligation. The ICTP finances its AMIP liability on a pay-as-you-go basis.

Repatriation benefits - A staff member who has completed one year of continuous service outside the country of his/her recognized home is entitled upon separation from ICTP to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. For eligible staff members hired after July 1st, 2016 the grant is payable starting on five years of expatriate service according to the current scale. Staff members are also entitled to travel and removal costs for repatriation on separation from ICTP. In addition, employees can be eligible to receive this benefit prior to their separation from ICTP.

Actuarial valuations

An actuarial valuation was carried out to calculate the ICTP's estimated liability related to AAL, SPS, AMIP and repatriation grants. The following assumptions and methods have been used to determine the value of post-employment and other long term benefits for ICTP as at 31 December 2021:

Assumptions used for AMIP Plan, annual leave, repatriation grant and Italian end of service benefit		2021	2020
Discount rate - After Service Medical Insurance Plan (AMIP)	The rate used is based on the Mercer Yield Curve	1.50% (maturity around 21 years)	1.20% (maturity around 21 years)
Take up rate - After Service Medical Insurance Plan (AMIP)	Staff eligible for AMIP benefits on leaving to actually claim their entitlement	100%	100%
Discount rate - Repatriation benefits, Accumulated annual leave and Liquidazione (SPS)	The rate used is based on the Mercer Yield Curve	1.15% (maturity around 11.5 years)	0.70% (maturity around 10 years)
Salary increase rate - Accumulated annual leave		2.00%	2.00%
Salary increase rate - Italian end-of-service benefit (SPS)		2.50%	2.50%

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Salary increase rate - Repatriation grant		2.00%	linear increase between 2020 and 2030 from 1.21% to 1.75% rate per year from 2030 and beyond 1.75%
Retirement Age	For all benefits	65	65
Medical Healthcare trend –AMIP	The rate is defined as the sum of long-term inflation and medical inflation in Italy	4.85%	4.45%
Inflation rate	For all benefits	1.75%	1.75%
Take up rate - Repatriation benefits	Staff eligible for repatriation benefits on leaving to actually claim their entitlement	75%	75%
Take up rate - Accumulated annual leave	Staff eligible for accumulated annual leave to actually claim their entitlement at separation	100%	100%
Pre-retirement Mortality Tables	2019 United Nations in-service mortality table for annual leave and repatriation grant; and A62D ISTAT table for Italian end-of-service benefit		
Post-retirement Mortality Tables	Updated 2017 UN Generational mortality tables for AMIP		
Withdrawal tables	Based on a study of UNESCO's turnover rates from 2017 and 2021		

The following tables and text provide additional information and analysis on employee benefit liabilities calculated by actuaries:

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Expressed in '000s Euro	After Service Medical Insurance Plan	Accumulated Annual Leave	Repatriation Benefits	Liquidazione (SPS)	2021
Defined Benefit Obligation beginning of the year (Current + Non Current)	14,926	1,524	803	6,792	24,045
Movement for period ended 31/12/2021					
Service Cost	378	68	25	448	919
Interest Cost	178	11	6	47	242
(Actual gross benefits payments)	(224)	(39)	-	(253)	(516)
Actuarial (gain)/loss	405	325	27	(343)	414
Defined benefit obligation 31/12/2021 (Current + Non Current)	15,663	1,889	861	6,691	25,104

Expressed in '000s Euro	After Service Medical Insurance Plan	Accumulated Annual Leave	Repatriation Benefits	Liquidazione (SPS)	2020
Defined Benefit Obligation beginning of the year (Current + Non Current)	13,238	1,478	745	6,315	21,776
Movement for period ended 31/12/2020					
Service Cost	316	67	25	410	818
Interest Cost	197	15	7	61	280
(Actual gross benefits payments)	(233)	(84)	-	(728)	(1,045)
Actuarial (gain)/loss	1,408	48	26	734	2,216
Defined benefit obligation 31/12/2020 (Current + Non Current)	14,926	1,524	803	6,792	24,045

The actuarial loss of €405k (2020: €1,408) related to AMIP was recognized through net assets in the Statement of Financial Position and in the Statement of Changes in Net Assets. The annual expense amounts recognized in the Statement of Financial Performance are as follows:

Expressed in '000s Euro	After Service Medical Insurance Plan	Accumulated Annual Leave	Repatriation Benefits	Liquidazione (SPS)	Total 2021
Service Cost	378	68	25	448	919
Interest Cost	178	11	6	47	242
Actuarial (gain)/loss		325	27	(343)	9
Total expenses recognized	556	404	58	152	1,170

Expressed in '000s Euro	After Service Medical Insurance Plan	Accumulated Annual Leave	Repatriation Benefits	Liquidazione (SPS)	Total 2020
Service Cost	316	67	25	410	818
Interest Cost	197	15	7	61	280
Actuarial (gain)/loss		48	26	734	808
Total expenses recognized	513	130	58	1,205	1,906

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Current service cost is the increase in the present value of defined obligation resulting from employee service in the current year. Interest cost is the increase during the year in the present value of the defined benefit obligation which arises because the benefits are one year closer to settlement.

Sensitivity analysis

Assumed healthcare cost trends and discount rate have a significant effect on the amounts calculated for the AMIP liability and expenses. A half percentage point change would have the following effects:

After Service Medical Insurance Plan - healthcare cost trends	Medical cost trend 4.35%	Medical cost trend 4.85%	Medical cost trend 5.35%
Expressed in '000s Euro			
Defined benefit obligation as at 31/12/2021	14,450	15,661	17,006
% Variation	-7.7%	0.0%	8.6%

The defined benefit obligation of all the plans is available only from year 2013, year of the first recognition of the AMIP liability. The present value of the total defined benefit obligation for the current and previous year are disclosed in the following table:

Expressed in '000s Euro	2021	2020
After Service Medical Insurance Plan	15,663	14,926
Accumulated Annual Leave	1,881	1,524
Repatriation Benefits	861	803
Liquidazione (SPS)	6,691	6,792

The expected benefits payment by ICTP in 2022 to the AMIP plan is €258k.

The expected benefits payments by ICTP in 2022 to the accumulated annual leave, repatriation defined benefit and SPS plans is €56k, €11k and €62k respectively.

United Nations Joint Staff Pension Fund

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

ICTP participates in UNESCO's financial obligation to the Fund, consisting 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

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this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

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

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. 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 2.22% was contributed by UNESCO.

During 2021, ICTP's contributions paid to UNJSPF amounted to €2.0 million (2020: €2 million). Expected contributions due in 2022 are approximately €2.1 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 UNJSPF and reports to the UNJSPF Pension Board and to the United Nations General Assembly on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website.

NOTE 15: VOLUNTARY CONTRIBUTIONS WITH CONDITIONS

Expressed in '000s Euro	2021	2020
Voluntary contributions with conditions beginning of the year	2,069	1,595
Movements for the year ended 31 December		
Amounts recognized as revenue	-1,516	-1,550
New contributions received	1,475	2,024
Voluntary contributions with conditions at the year ended 31 December	2,028	2,069

ICTP recognizes as a liability conditions attached to Extra budgetary contracts. Conditions are imposed by donors on the use of funds, and include both a performance obligation to use the funds in a specified manner, and an enforceable obligation to return the funds if they are not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As ICTP satisfies the conditions on these Extra budgetary projects/contracts through performance in the specified manner, the balance of the liability is reduced and an amount of revenue equal to that reduction is recognized.

NOTE 16: NET ASSETS

Expressed in '000s Euro	Opening Balance 1 January 2021	Surplus for the period	Other adjustments to reserves	Closing Balance 31 December 2021
Restricted Reserves	590	-	-	590
Actuarial losses and gains and Other Adjustments	(10,947)	2,472	(405)	(8,880)
Total net assets	(10,357)	2,472	(405)	(8,290)

Expressed in '000s Euro	Opening Balance 1 January 2020	Surplus for the period	Other adjustments to reserves	Closing Balance 31 December 2020
Restricted Reserves	590	-	-	590
Actuarial losses and gains and Other Adjustments	(11,478)	1,941	(1,410)	(10,947)
Total net assets	(10,888)	1,941	(1,410)	(10,357)

Restricted Reserves have been created within the legislative authority of ICTP as is deemed to be required for the purpose of sound administration or legal obligations and are summarized as follows:

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Expressed in '000s Euro	2021	2020
Future acquisition of office space	537	537
New Information System Project	23	23
Operation of the guest houses	30	30
Total restricted reserves	590	590

ICTP has the following restricted reserves:

- a) Reserve for future acquisition of office space
- b) Reserve for the new Information System Project.
- c) Reserve for operation of the guesthouses

A liability for future premiums to be paid under the After-service Medical Insurance Plan was recognized for the first time at the end of the year 2013. Remeasurements of the AMIP net defined benefit liability, which include actuarial gains or losses, are recognized directly in Net Assets.

NOTE 17: REVENUE

Expressed in '000s Euro	2021	2020
Voluntary contributions		
Voluntary contributions - Core Funding	23,073	23,073
Voluntary contributions - Extra budgetary	2,263	1,970
In-kind contribution	1,054	1,018
Total Voluntary contributions	26,390	26,061
Other revenue producing activities		
Income from Services Rendered	60	39
Total Other revenue producing activities	60	39
Other revenue		
Other operating gains	51	13
Interfund Transfers	155	158
Total Other revenue	206	171
Finance revenue	18	12
Total Revenue	26,674	26,283

Voluntary contributions - Core Funding consist of the financial allocations determined by the Italian government for €20,593 (€20,593k in 2020), the General Conference of the IAEA for €2,105 (€2,073k in 2020) and the General Conference of UNESCO for €375k (€407k in 2020).

Voluntary contributions - Extra budgetary consist of contributions received from public or private organizations, associations or individuals for €2,263k (€1,970k in 2020).

In-kind contribution represent an estimate of the commercial rate for renting the buildings made available to the ICTP by the Italian government through the University of Trieste, for use at no charge for €1,054k, (€1,018k in 2020). A corresponding expense is also recognized.

Other revenue producing activities/Income from services rendered include income from rent of offices and conference rooms and from accommodation in the guesthouses. The revenue from guesthouses is €33k (€25k in 2020).

Other revenue represent income from administrative services rendered to The World Academy of Sciences for the advancement of science in developing countries (TWAS); savings on liquidation/cancellation of prior year's accrual and other minor items.

Finance revenue is represented by interests from a saving account and short-term deposits.

€15.7k of interest received is included in the net cash flows provided by operating activities (2020: €12.4k).

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NOTE 18: EXPENSES

Expressed in '000s Euro	2021	2020
Staff Costs		
International & National staff	13,212	14,219
Temporary staff	443	312
Total Staff Costs	13,655	14,531
Consultants, experts and mission costs		
Consultants	808	825
Delegates & external individuals missions	-	(3)
Staff mission costs	53	39
Total consultants, experts and mission costs	861	861
Training, research and scientific activities		
Financial Contributions	-	-
Grants and Fellowships	4,130	3,892
External Training & Seminars	142	168
Total training, research and scientific activities	4,272	4,060
Supplies, consumables and other running costs		
Communications	131	80
Equipment	277	269
Leases	1,801	1,701
Utilities	490	410
Maintenance and repairs	722	581
Other supplies	384	591
Total supplies, consumables and other running costs	3,805	3,632
Contracted services		
Contracted research	186	202
Contracted Seminars & Meetings	38	20
Contracted Document Production	3	1
Other contracted services	960	671
Total contracted services	1,187	894
Depreciation and amortization	404	316
Other expenses	-	8
Foreign exchange losses	-	22
Finance costs	18	18
Total expenses	24,202	24,342

Staff costs

International & National staff expenses include salaries, post adjustments, entitlements and pensions and health plan contributions for Professional and General Service category staff. The contribution of ICTP to the health plan is € 765k (€ 837k in 2020). This line also includes movements in the actuarial liability for Employee Benefits and staff travels expenses which are not related to mission costs (home leave, family visit, education grants, interviews, separation). Temporary staff expenses include all costs relating to the employment of temporary staff.

Consultants, experts and mission costs

Consultants expenses represent the cost of contracting consultants, including insurance and travel expenses. Staff mission costs are the mission and training costs for ICTP staff. These concern principally travel and per diem expenses. Delegates & external individuals' mission costs are expenses for travel and per diem of representatives, delegates, individuals and others (i.e. non-staff).

Training, Research and Scientific Activities

Financial contributions include contributions made to scientific joint activities, publications, conferences and program activities. This include study grants, fellowships, subventions, sponsorships and grant-in-aid. Expenses for external training and seminars are mainly travel and per diem costs for participants.

Supplies, Consumables and Other Running Costs

Communications expenses concern mainly telephone and postal/freight costs. Equipment expenses represent equipment purchases and costs during the year which do not meet the criteria for capitalization as PP&E or intangible assets. This line includes the expense which corresponds to the in-kind voluntary contribution for leases provided to ICTP at no cost. Maintenance and repairs expenses are mainly those incurred in relation to ICTP premises, including building renovation that does not meet the criteria for capitalization as PP&E. Other supplies include office supplies.

Contracted Services

Contracted services represent expenses where ICTP has engaged a third party to perform work on behalf of ICTP. Major categories of these types of arrangements include research, seminars and meetings and document production. Significant amounts fall within the category other contracted services. It should be noted that under certain arrangements, especially non-exchange contracts with not-for-profit organizations and government ministries for the implementation of activities under ICTP's mission and mandate, contracts are established which cover several types of services and work which cannot be easily allocated to a single category of contracted services.

Depreciation and Amortization

Depreciation and Amortization is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment over their useful lives.

Other Expenses, Foreign Exchange Losses and Finance Costs

Other Expenses and Finance Cost are mainly due to bank charges and commissions.

NOTE 19: CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS

Contingent liabilities

ICTP is subject to a variety of claims and suits that arise from time to time in the normal course of business. These claims can be related to third party or human resource claims.

As at 31 December 2021, ICTP has contingent liabilities of €15k (2020 – €9k) for claims or legal actions related to International Labour Organization Administrative Tribunal. No allowance for loss has been provided as the outcome, amount and timing of the outflow is uncertain. With respect to these legal claims, ICTP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Operating lease commitments

ICTP enters into operating lease arrangements for the use of the facilities, photocopying and printing equipment. Future minimum lease rental payments for the following years are:

Expressed in '000s Euro	2021	2020
Within one year	668	694
Later than one year and not later than five years	2,599	2,552
Later than five years	713	1,339
Total operating lease commitments	3,980	4,585

Contingent assets

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2021, there are no contingent assets.

NOTE 20: FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, currency and interest rate risk arises in the normal course of ICTP's operations. The following presents information about ICTP's exposure to each of the above risks, policies and processes for measuring and managing risk, and ICTP's management of capital.

ICTP's financial risks are managed in accordance with the risk policies of UNESCO. UNESCO's risk management policies along with its Investment Policy and Financial Rules and Regulations aim to minimize potential adverse effects on the resources available to ICTP to fund its activities.

The primary objective of UNESCO's Investment Policy is the preservation of the value of resources of the Organization. Within this general objective the principal considerations for investment management are, in order of priority, security of principal, liquidity, and rate of return.

UNESCO has an Investment Committee comprising senior management representatives and external member(s) that advise the Chief Financial Officer on investment and cash management policy of UNESCO, on overall investment strategy and on related risk management.

Fair value of financial assets and liabilities

Fair values and fair value hierarchy

The fair value of cash and cash equivalents, investments, accounts receivable from exchange and non-exchange transactions, Receivable from UNESCO and Accrued Interest approximate their recorded carrying amount due to their short term nature.

The fair value of Accounts payable, Accrued liabilities, Transfers payable and Other current liabilities approximate their carrying value.

Credit risk

Credit risk is the risk of financial loss to the ICTP if counterparties to financial instruments fail to meet their contractual obligations. This situation could affect cash, investments and receivables. The maximum exposure to credit risk is the carrying amount of those financial assets.

Cash and cash equivalents and Investments

The investment management function is centralized at UNESCO headquarters whereas field offices and institutes are not permitted to engage in investing. In accordance with its Investment Policy, UNESCO applies limits on investment counterparty exposures to mitigate credit risk. These limits are based on several criteria including a minimum long-term rating of A-, a minimum short-term rating of A-1, and all investment counterparties being established in a country with a long-term rating of at least AA-. All investments were compliant with UNESCO's Investment Policy.

The credit risk exposure related to cash and cash equivalents and investments is not significant.

Receivables

ICTP had receivables in the amount to €882k (€987k in 2020) which encompasses a Receivable from UNESCO, public and private organizations or persons whom have contributed funds to ICTP.

At year end, an objective review is performed to review these receivables, and when there is objective evidence, based on a review on outstanding amounts at the reporting date that a group will not comply with the original terms of the receivables an allowance would be established.

The credit risk exposure related to receivables is not significant as contributions are primarily from governments and related bodies, and all receivables have been assessed as collectable.

Liquidity risk

Liquidity risk is the risk that ICTP might not have adequate funds to meet its obligations as they fall due. ICTP ensures on the basis of cash flow forecasts and approved budgets that it has sufficient cash on demand to meet expected operating expenses.

As at the year-end, ICTP's Cash and cash equivalents, Investments and Receivable from UNESCO balance equalled €19,131k (€16,343k in 2020) which is substantially more than the current liabilities equalling €13,684k (€13,342k in 2020). Therefore, ICTP is not exposed to significant liquidity risk.

Currency risk

Currency risk is the risk that the fair value of a financial instrument fluctuates due to changes in foreign exchange rates. ICTP is exposed to currency risk on revenues and expenses denominated in foreign currencies, predominately US Dollars. A 1% increase/decrease in exchange rate would not have a material impact on the financial statements.

As mandated by UNESCO, ICTP mitigates this risk by maintaining all cash in Euros. In addition, foreign currency risk related to ICTP's extra-budgetary activities is managed through individual project budget planning for foreign currency expenditure. Therefore, ICTP is not exposed to significant Currency risk.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. ICTP is mainly exposed to interest rate risk on its financial interest bearing assets.

A 1% increase or decrease in interest rates would not have a material impact on the financial statements.

Concentration risk

The concentration risk is mitigated by the counterpart and country limits established by the Investment Policy of UNESCO.

The maximum exposure to any single banking group is limited to 7% or 10% of UNESCO's internally managed investment portfolio depending on the financial rating of the counterpart.

Furthermore, the exposure to a specific country should not exceed 25% of the portfolio, except for France, which, as the host country of the organization, has a limit of 35% with a condition that 10% of this 35% is allocated in instruments that are cashable within three business days.

All investments were compliant with UNESCO's Investment Policy.

NOTE 21: CAPITAL MANAGEMENT

ICTP defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated balances and reserves. ICTP's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives. ICTP's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis.

ICTP's capital structure is managed in light of global economic conditions, the risk characteristics of the underlying assets and working capital requirements. ICTP manages its capital by reviewing on a regular basis, the actual results against the approved budgets by the ICTP Steering Committee.

NOTE 22: RELATED PARTY DISCLOSURES

Governing Body

ICTP is governed by a Steering Committee, consisting of representatives of the Italian Government, the IAEA and UNESCO, plus the Director of ICTP. The three representatives do not receive any remuneration from the ICTP. ICTP may pay only for travel costs and subsistence allowance to cover costs incurred to attend the bi-annual meetings.

ICTP / UNESCO transactions

Transactions between ICTP and UNESCO, the controlling entity, are recorded on a gross basis. The services received without charge are not recorded. The main services received without charge are the following:

- Payroll management services
- Information Technology services
- Internal audit services
- Legal services

Key Management Personnel

The staff members that fall into the category of key management personnel of ICTP are the Director of ICTP and the members of the ICTP Directorate Management Committee (Sr. Officer Operations & Interim Head Budget and Finance, Human Resources Officer, Sr. Coordinator Programmes and Advancement a.i., Sr. Coordinator Research and Partnerships a.i.).

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustments, employer pension and health insurance contributions, entitlements such as education grants, home leave and representation allowances. Advances against entitlements are those made in accordance with staff rules and regulations and relate to education grants. No remuneration was provided to family members of key personnel management. The Director of ICTP is accommodated in a residence at the ICTP premises for which the Director pays for the accommodation and utility costs.

	Number of Individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration	Outstanding advances against entitlements	Other receivables
		Expressed in '000s Euro					
2021	5	575	39	169	783		
2020	5	571	28	164	763		13

UNESCO / TWAS transactions

ICTP hosts on its premises The World Academy of Sciences for the advancement of science in developing countries (TWAS) since its foundation in 1983. TWAS is a project of UNESCO and as such is maintaining separate accounts and is producing separate financial reports. In force of an agreement stipulated at that time and integrated recently, ICTP is providing to it a number of services by means of its administrative infrastructure. Direct costs borne on behalf of TWAS are accounted for via a clearing

account opened in its name and are billed to it on a monthly basis for refund. The balance of the clearing account is zero at the end of the year.

Moreover, TWAS is paying to ICTP an annual global sum as a compensation for the services rendered, which is recognized as revenue. The amount is calculated as a percentage of running costs of ICTP and for year 2021 amounted to €144k (€141k in 2020).

NOTE 23: RECLASSIFICATION OF COMPARATIVE INFORMATION

In 2021, ICTP reclassified, from other receivables to advance payments, expenses related to rental, periodicals subscriptions paid in advance in order to align the classification with UNESCO practice.

The effect of the reclassification on the Statement of financial position for year ended 31 December 2020 is as follows:

Expressed in '000 Euro	As previously reported	Reclassification	As Reclassified
Advance payments	50	198	248
Other receivables	206	-198	8

The effect of the change on the Statement of Cash Flow for the year ended 31 December 2020 is as follows:

Expressed in '000 Euros	As previously reported	Reclassification	As Reclassified
(Increase)/Decrease in advance payments	61	43	104
(Increase)/Decrease in other receivables	52	-43	9