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ICCROM

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Title: Audited Financial Report as at 31 December 2018

Summary

ICCROM's audited Financial Statements as at 31 December 2018 is being presented to the 31st session of the General Assembly. The statements were audited by PricewaterhouseCoopers SpA which concluded its work on 5 July 2019. It should be noted that as ICCROM is now moving towards IPSAS compliance, this will be the final biennial audit. Starting in 2019, ICCROM has moved to an annual audit.

Action required

The General Assembly adopts ICCROM's audited Financial Statements as at 31 December 2018 audited by PricewaterhouseCoopers SpA.

ICCROM

International Centre for the Study of the Preservation and Restoration of Cultural Property

Financial Statements as at 31 December 2018

ICCROM

Introduction

1. This financial statement covers the period 1 January – 31 December 2018. This is the first financial statement by ICCROM to be presented with new ICCROM accounting policies inspired by IPSAS, and will be the first to be audited on an annual rather than biennial basis as requested by the ICCROM Council.

2. The 2018 – 2019 Programme of Work and Budget was prepared based on Zero Nominal Growth (ZNG) as has been the case since 2008, which represents a reduction of 16.4% in purchasing power over the past 11 years. Nevertheless, ICCROM has attempted to maintain the quality and quantity of its activities through more efficient use of its regular budget and through obtaining funding from voluntary contributions to the organization.

3. The year 2018 has been characterizated by intense activity to hire a Resource Mobilization Officer and to look for potential new financial partners. Some important contacts have been established with the EU (Culture Cannot Wait and APACHE Project), efforts have been made to strengthen the partnership with the Government of Sharjah, and a partnership has been launched with the British Council for the Sudan project being run from the Regional Office in Sharjah.

4. ICCROM has decreased doubtful contributions from EUR 504,791 as at 31-12-2017 to EUR 216,447 as at 31-12-2018, primarily through the payment from Brazil of their arrears (EUR 332,933). ICCROM has added, inter-alia, doubtful contributions from Venezuela for EUR 21,504 and Nigeria for EUR 14,662.

5. The ICCROM financial statement for 2018 is inspired by IPSAS criteria. This definition is standard when full compliance has not yet been reached. In ICCROM's case, there are two areas that need to be reached for full IPSAS compliance.

   a. The approved budget for the 2018-2019 biennium was not segregated by year. The proposed 2020- 2021 budget will be segregated by year.

   b. The valuation of the ICCROM Library as a fixed asset has not yet been completed. This valuation process was begun in 2019 and should be completed before the end of the year.

   In this way, it is expected that the ICCROM financial statements beginning in the 2020-2021 biennium will be fully IPSAS compliant.

6. ICCROM HQ has had to anticipate a consistent quantity of money for external funds. This can be deduced from the increase of receivables from EUR 612,311 as at 31/12/2017 to EUR 1,904,020 at the end of 2018. The difference of EUR 1,291,709 is mainly due to EUR 1,338,000 for Sharjah, as well as a number of minor projects. Other aspects to be considered include that ICCROM has made tax reimbursements that were not

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budgeted for some staff and two staff members claimed their reimbursements in arrears during the 2018, some legal expenses were not foreseen in the budget amounting to EUR 71,295, and there was a termination indemnity of EUR 47,833 for a staff member who left the organization.

7. Taking in consideration all these aspects outlined above, the operational surplus of EUR 90,439 as at 31/12/2018 must be considered as a very positive result.

INDEPENDENT AUDITOR'S REPORT

INTERNATIONAL CENTRE FOR THE STUDY OF
THE PRESERVATION AND RESTORATION OF
CULTURAL PROPERTY (ICCROM)

SPECIAL PURPOSE FINANCIAL STATEMENTS AS AT
31 DECEMBER 2018 AND FOR THE YEAR THEN ENDED

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INDEPENDENT AUDITOR'S REPORT

To the Council of the
International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM)

Opinion

In our opinion, the special purpose financial statements of ICCROM for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the basis of accounting described in Notes 3 and 4 to the special purpose financial statements.

What we have audited

ICCROM's special purpose statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement financial performance for the year ended 31 December 2018;
- the statement of changes in net assets for the year ended 31 December 2018;
- the cash flow statements for the year ended 31 December 2018; and
- the notes, which include a summary of significant accounting policies.

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 special purpose financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Independence

We are independent of ICCROM in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter – Basis of accounting and restriction on distribution and use

We draw attention to Notes 3 and 4 to the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared on a voluntary basis and for the purpose of complying with ICCROM's Financial Regulation as revised and approved by the General Assembly in April 2000 based on the version adopted by the Provisional Council in its second session on 16-18 April 1959. As a result, the special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the special purpose financial statements in accordance with the basis of accounting described in Notes 3 and 4 to the special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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 ICCROM'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 ICCROM'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 special purpose 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 ICCROM to cease to continue as a going concern.

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.

Rome, 5 July 2019

PricewaterhouseCoopers SpA

Scott Cunningham
(Partner)

Statement I

Financial position as at 31 December 2018

	Notes		31 December 2018		1 January 2018 (restated)
Assets					
Current assets					
Cash and cash equivalents	Note 6		1.804.164		2.309.250
Investments	Note 7		5.412.045		5.518.956
Epa Fund	Note 8		2.545.246		2.614.221
Receivables — non-exchange transactions	Note 9		1.904.020		612.312
Advances issued, net	Note 10		257.138		366.805
Inventories	Note 11		84.294		-
Total current assets			**12.006.907**		**11.421.544**
Non-current assets					
Property, plant and equipment	Note 12		58.533		29.563
Intangible assets	Note 13		288.000		260.000
Total non-current assets			**346.533**		**289.563**
Total assets			**12.353.439**		**11.711.107**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	Note 14	-	398.453	-	439.616
Endowment Fund (Epa)	Note 8	-	2.545.246	-	2.614.222
Deferred revenues	Note 15	-	1.638.184	-	1.119.718
Employee benefits	Note 16	-	4.222.836	-	4.059.467
Total current liabilities		-	**8.804.719**	-	**8.233.023**
Net assets					
Reserves	Note 17	-	3.548.720	-	3.478.084
Total net assets		-	**3.548.720**	-	**3.478.084**
Total liabilities and net assets/equity		-	**12.353.439**	-	**11.711.107**

Statement II

Financial performance for the year ended 31 December 2018

	Notes		31 December 2018
Revenue			
Member state contributions, net	Note 18	-	3.989.165
Other contributions, net	Note 19	-	2.953.653
Investment revenue	Note 20	-	9.531
Other revenue	Note 21	-	337.467
Total revenue		-	**7.289.817**
Expenses			
Personnel costs	Note 22		4.511.739
Travel and training	Note 23		783.245
Administrative services	Note 23		353.291
Maintenance and repairs	Note 23		267.254
Consulting and other services	Note 23		1.037.141
Equipment	Note 23		62.489
Depreciation and amortization	Note 12, 13		40.383
Finance costs	Note 24		143.836
Total expenses			**7.199.378**
Surplus for the year		-	**90.439**

This statement has been presented only for the current year as there is no comparable information. ICCROM presented in previous year a biennial financial statements and starting from the present year, annual financial statements. In the Notes there is more information about financial performances of the year compared with the previous biennium.

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Statement III

Changes in net assets for the year ended 31 December 2018

	Reserves	Accumulated Surplus	Total net assets
Balance at 31 December 2017	3.184.523	175.620	3.360.143
Adjustments for property, plant and equipment	-	289.562	289.562
Adjustments for accrued liabilities	-171.621		-171.621
Balance at 1 January 2018 (restated)	**3.012.902**	**465.182**	**3.478.084**
Changes in net assets/equity			
Previous period surplus	465.182	-465.182	-
Actuarial gain	4.904		4.904
Inventory	84.293		84.293
Transfers from reserves	-109.000		-109.000
Deficit/surplus for the year		90.439	90.439
Balance at 31 December 2018	**3.458.281**	**90.439**	**3.548.720**

Please refer to Note 5 for the adjusted balance as 1 January 2018 and to Note 17 for movements of the year.

Statement IV

Cash flow for the year ended 31 December 2018

		31 December 2018
Cash flows from operating activities		
Surplus for the year		90.439
Adjustments to reconcile deficit for the year to net cash flows:		
Depreciation and amortization		40.383
Transfer from reserves	-	109.000
Loss on investment funds not realized		137.146
Interest on bank accounts	-	9.532
Decrease in receivables — non-exchange transactions	-	1.291.708
(Increase) in advances issued, net		109.667
Accounts payable and accrued liabilities	-	41.163
(Decrease) in payables — funds held in trust		518.466
Increase in employee benefits		129.483
Net cash flows used in operating activities	-	**425.819**
Cash flows from investing activities		
Interest received		9.531
Purchases of property, plant and equipment	-	97.353
Net cash flows used in investing activities	-	**87.821**
Effect of exchange rate changes on cash and cash equivalents		**8.554**
Net decrease in cash and cash equivalents	-	**505.086**
Cash and cash equivalents including funds held in trust — beginning of year		**2.309.250**
Cash and cash equivalents including funds held in trust — end of year		**1.804.164**
Decrease in cash and cash equivalent	-	**505.086**

This statement has been presented only for the current year as there is no comparable information, as Statement II.

Notes to the financial statements for the year ended December 31, 2018

(1) Reporting entity

ICCROM was established as an intergovernmental organization headquartered in Rome following an agreement signed between UNESCO and the government of Italy in 1957 and ratified in 1960. The mission of ICCROM is to contribute to the conservation and restoration of cultural property worldwide by initiating, developing, promoting and facilitating conditions for such conservation and restoration.

ICCROM's host country is Italy. Following the adhesion by Italy to the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations in 1985, the government of Italy listed ICCROM as an organization to which the provisions of the Convention were applicable[1]. In particular, under Art. VI, sect. 19 of the Convention, all employees should benefit from tax exemption on their income tax due on their salary and emoluments. However, to-date ICCROM is still subject to the provision of the Headquarters Agreement whereby Italian staff and non-Italian employees who for tax purposes have their residence in Italy pay income tax on their salary and emoluments from ICCROM.

In 1978, ICCROM Council introduced a reimbursement system in order to place ICCROM staff members subject to taxation in the position they would have been if their official emoluments were not taxed. In 1992, as the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations went into effect, the practice of reimbursing staff continued. In 2011, ICCROM opened a discussion with the Italian government to request a clarification on the tax status of its employees who are tax residents of Italy and has since requested the full applicability of the Convention by its host country.

In addition, the government of Italy is responsible for the payment of operating costs related to the usage of the building where ICCROM is headquartered.

(2) Adoption of new accounting policies

The financial statements of ICCROM have been prepared in accordance with the accounting policies described in Notes 3 and 4 and are inspired by International Public Sector Accounting Standards (IPSAS). As these annual financial statements of ICCROM are the first to be prepared with these new accounting policies, certain transitional provisions have been identified in note 3.

Prior to 1 January 2018, ICCROM prepared its financial statements in accordance with the ICCROM Financial Regulations, which prescribed the use of a modified accrual basis of

[1] Official journal 19 May 1992 No 115

accounting. For this reason, the 2017 audited financial statements are not comparable with the 2018 financial statements of ICCROM.

On 1 January 2018, ICCROM adopted the new accounting policies, and the conversion has resulted in significant changes in the type and measurement of assets, liabilities, revenues and expenses recognized. Accordingly, adjustments and reclassifications were made to the ICCROM statement of financial position as at 31 December 2017 under the ICCROM Financial Regulations accounting standards to arrive at the ICCROM restated 1 January 2018 opening statement of financial position. The net effect of the changes resulting from the adoption of the new accounting policies amounted to an increase in total net assets of € 117 thousand on 1 January 2018, details of which are in note 5.

(3) Basis for preparation and authorization for issue

Basis of measurement

These financial statements are prepared on an accrual basis of accounting. ICCROM applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

Commencing on 1 January 2004, in accordance with a decision of the General Assembly dated 20 November 2003, the functional currency of ICCROM is the Euro. For the preparation of the special-purpose financial statements, the following criteria have been applied:

(i) Extra-budgetary funds denominated in US$ have been converted into Euro at the United Nations monthly rate of exchange. Extra-budgetary contributions receivable and funds in trust are converted into Euro at the same exchange rate used when the transactions were initially recorded. Differences in the statement of income and expenditure between the initial exchange rate and the actual exchange rate are recorded when ICCROM receives payment and is included in Member Contributions.

(ii) Prior to 1 January 2004, ICCROM's functional currency was the US$. All assets, liabilities and reserves balances at that date were converted into Euro at a rate of US$ 1.248 = Euro 1, which was the official United Nations rate prevailing on 1 January 2004.

(iii) Other income and expenditure denominated in currencies other than the Euro have been converted into Euro at the United Nations monthly rate of exchange.

(iv) Gains or losses arising on the translation into Euro of US$ denominated bank and deposit balances at the financial statement date are recorded in the statement of financial performance.

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Critical accounting estimates

Preparing financial statements requires ICCROM to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; and contingent assets and liabilities.

(4) Significant accounting policies

4.1 Financial assets classification

ICCROM classifies financial assets into the following categories: loans and receivables; and fair value through surplus or deficit in the statement of financial performance. 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. All financial assets are initially measured at fair value. ICCROM initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date ICCROM becomes party to the contractual provisions of the instrument.

Financial assets denominated in foreign currency are translated into Euro at the United Nations operational rates of exchange prevailing at the reporting date with gains and losses recognized in surplus or deficit in the statement of financial performance.

Financial assets classification	Type of ICCROM financial assets
Loans and receivables	Cash and cash equivalents, receivables non-exchange, advances issued and prepayments
Fair value through surplus or deficit	Investments

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortized cost.

Cash and cash equivalents include cash, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Receivables non-exchange comprises contributions. Contributions receivable represent uncollected revenue committed to ICCROM by donors based on enforceable commitments which are recognized as revenue. These non-exchange receivables are stated at nominal value less impairment for estimated irrecoverable amounts.

Advances issued represents cash paid to suppliers for project expenditures expected to be reimbursed by donors.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

4.2 Inventories

Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost or current replacement cost. Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

4.3 Property, plant and equipment

All property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is € 1,000 or more per unit.

ICCROM elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to ICCROM and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred. Project assets that are not controlled by ICCROM are expensed as incurred. ICCROM is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. ICCROM has control over assets when it is implementing the project directly.

Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, i.e., major components of property, plant and equipment.

The estimated useful lives are as follows:

Class	**Estimated Useful Life (years)**
Vehicles	4
Furniture and fixtures	10

Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

4.4 Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss.

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. The threshold for recognition of externally developed software is € 1,000.

Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	**Estimated Useful Life (years)**
Licenses	10

4.5 Impairment of non-cash generating assets

Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, ICCROM reviews for impairment during the biannual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment deficit is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Library

The ICCROM Library, established in 1959 with a grant from the Gulbenkian Foundation, contains the world's most extensive collection of resources on every aspect of heritage conservation in a wide variety of languages. It offers support to ICCROM staff, governmental agencies, and conservation students and professionals both in Rome and throughout the world.

The value of the library is not included in the statement of financial position. The evaluation process of library assets will be concluded during 2019.

4.6 Financial liabilities classification

Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by ICCROM. Liabilities are stated at invoice amounts, less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred revenue and other payables. Deferred revenue represents funds received from donors which will be recognized as revenue in future accounting years.

4.7 Employee benefits

Short-term employee benefits

Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g. wages salaries), compensated absences (e.g. paid leave, such as annual leave), other short-term and non-monetary benefits, and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

Post-employment benefits are those payable after completion of employment, but exclude termination payments.

Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Postemployment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date.

Post-employment benefits include GS Separation payments, repatriation grant and after service health coverage.

ICCROM also indemnifies general service employees in respect of taxation arising in the normal course of events that would be due upon payment of this leaving fund based on current tax rates. This amount is also fully provided for and charged to income in the period in which it accrues.

4.8 Defined contribution plan

Defined benefit plans

The defined benefit plans of ICCROM include after-service health insurance and GS separation payments. The obligation of ICCROM in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on high quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to a reserve in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized in surplus or deficit in the statement of financial performance in the year in which they arise.

After service medical benefits accrual

ICCROM records as a liability an amount determined to fund the actuarially defined benefit obligation in respect of the after service medical benefit plan. Increases in the liability are recorded as an expense in the statement of income and expenditure. The liability is projected forward to calculate the probable amount payable and is then discounted using the projected unit credit method, taking into consideration the time before the actual payment of the benefit. The measurement of the liability recognized in the statement of assets, liabilities and reserves balances is carried out by third party actuaries, based on actuarial assumptions specifically applicable to ICCROM, primarily the discount rate, future expected inflation, mortality rates and employee turnover.

United Nation Joint Staff Pension Fund

ICCROM is a member organization of the United Nations Joint Staff Pension Fund (UNJSPF), which was established to provide retirement, death, disability and related benefits to the relevant staff. The UNJSPF is a funded defined benefit plan, providing benefits based on retirement age, pensionable remuneration and length of contributory service. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provisions 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. At the time of this report the United Nations General Assembly has not invoked this provision.

ICCROM makes contributions on behalf of its staff (currently payable by the participant and ICCROM at 7.9 per cent and 15.8 per cent, respectively, of the staff member's pensionable remuneration) and would be liable for its share of the unfunded liability, if any. The total retirement contributions made during the year amount to € 544,517 (UNJSPF), which are included in total retirement compensation of € 712.596. ICCROM is not able to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has not recorded any assets in its accounts in this regard, nor included other related information such as the return on plan assets.

4.9 Leases

Operating lease

Leases are classified as operating leases where ICCROM is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership.

Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

4.10 Revenue recognition

Member State Contributions

ICCROM's operating budget is funded primarily by contributions from its 136 Member States. Member State contributions for the 2018/2019 biennium are calculated on the basis of the scale of assessment adopted by the United Nations General Assembly for the years 2016, 2017 and 2018 The ICCROM scale is established with the same minimum and maximum rates, all the other rates being adjusted to take into account the difference in membership between the two organizations in order to derive an ICCROM scale of 100%. Contributions are determined on the basis of the rate of assessment assigned to each Member State, taken in proportion to the total of these rates.

Member State contributions are recognized as income and receivables at the beginning of the calendar year to which they refer.

When a Member State neglects to pay its annual contribution for three consecutive years, its entire outstanding balance is included in the Provision for Member States in Arrears - Doubtful Contributions. Such countries are, however, excluded from this provision if any monetary contributions have been remitted during the period, or if they have a repayment plan with ICCROM which is being respected by them.

In accordance with the amendment to Article 9 of ICCROM Statutes, approved by the General Assembly in November 2003, a Member State shall be deemed to have suspended its membership if it has omitted to pay its contributions during six consecutive calendar years. When this occurs, all contributions outstanding are written off in the financial statements.

In the event of readmission of the Member State, which requires payment of all contributions in arrears, the written off contributions are recorded as an extraordinary addition to the operational reserve.

External Funding

In addition to its Member State contributions, ICCROM receives certain funds defined as being extra-budgetary. These funds are in effect contributions received for specified projects, and are deemed to be earned and reported as revenues when ICCROM has incurred expenditures in compliance with the specific restrictions. Such amounts committed to ICCROM but not yet earned are reported as Deferred revenues. See further details in Note 16.

4.11 Expense recognition

Expenses are recognized when goods/services are delivered/rendered and accepted by ICCROM or as specified below.

Advances transferred to executing entities/implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities/ implementing partners and confirmed by receipt by ICCROM of certified expense reports as applicable, i.e., financial reports, Funding Authorization and Certificate of Expenditures forms or project delivery reports. Once those expense reports are received, ICCROM recognizes expenses in its statement of financial performance.

4.12 Commitments, provisions and contingencies

Commitments

Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which ICCROM has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Contracts for the supply of goods or services which ICCROM is expecting to be delivered in the ordinary course of operations;
- Non-cancellable minimum lease payments;
- Other non-cancellable commitments.

Provisions

A provision is recognized if, as a result of a past event, ICCROM has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

(5) Opening balances and prior-period adjustments

Opening balances

The following table shows the adjustments made to the audited ICCROM accounting standards statement of financial position of ICCROM as at 31 December 2017 (reclassified and restated) to the new accounting policies opening statement of financial position of ICCROM as at 1 January 2018:

	ICCROM closing balances 31 December 2017	Effect of transition to new accounting policies	Opening balances as at 1 January 2018 (restated)
Assets			
Current assets			
Cash and cash equivalents	2.309.250	-	2.309.250
Investments	5.518.956	-	5.518.956
Epa Fund	2.614.221	-	2.614.221
Receivables	612.312	-	612.312
Advances issued, net	-	366.805 (1)	366.805
Inventories	-	-	-
Other current assets	366.805	- 366.805	-
Total current assets	**11.421.544**	**-**	**11.421.544**
Non-current assets			-
Property, plant and equipment	-	29.563 (2)	29.563
Intangible Assets	-	260.000 (3)	260.000
Total non-current assets	**-**	**289.563**	**289.563**
Total assets	**11.421.544**	**289.563**	**11.711.107**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	439.616	-	439.616
Advances payable	-	-	-
Endowment Fund (Epa)	2.614.222	-	2.614.222
Deferred revenues	1.119.718	-	1.119.718
Employee benefits	3.887.846	171.621 (4)	4.059.467
Total current liabilities	**8.061.402**	**171.621**	**8.233.023**
Net assets			
Equity	3.360.142	117.942	3.478.084
Total net assets	**3.360.142**	**117.942**	**3.478.084**
Total liabilities and net assets	**11.421.544**	**289.563**	**11.711.107**

Adjustment 1 – reclassification of amounts deposited in the UNDP account for payroll expenses and advances issued to employees.
Adjustment 2 – capitalization of property, plant and equipment bought in 2017.
Adjustment 3 – capitalization of SAP license. The roll out of SAP occurred in 2018 and the related depreciation will commence in 2018.
Adjustment 4 – booking of unused holidays through net assets.

(6) Cash and Cash Equivalents

	31 December 2018	31 December 2017 (restated)
Petty cash	6.143	1.759
Cash at bank accounts	1.798.021	2.307.491
Total cash and cash equivalents, net	**1.804.164**	**2.309.250**

The activities the Regional Office in Sharjah have caused ICCROM to be in a position to need more liquidity. This decrease is in line with the effort to minimize the impact of this on our corporate cash flow.

(7) Investments

	31 December 2017 (restated)	Purchases	Maturities	Amortization	31 December 2018
Investments					
Reserve deposits					
BPS - Investment deposit time	2.550.000	- 7.650	7.650		2.550.000
BPS - portfolio management (ICCROM)	915.086		14.503		929.589
UBS Reserves	2.052.828		- 121.462		1.931.366
UNFCU Reserves ($)	1.042		47		1.089
Total current invesments	**5.518.956**	**- 7.650**	**- 99.262**	**-**	**5.412.044**

Investments consist of time deposits with varying maturity dates whose carrying values approximate the fair value.

(8) EPA Fund

The Fund for the "Ecole du Patrimoine Africain" (EPA) was established in May 2001 for the specific purpose of supporting the School in achieving its training activities in the conservation and enhancement of cultural heritage in sub-Saharan French-speaking as well as Portuguese-speaking and Spanish-speaking African countries. Only the interest produced by the Fund was to be allocated partially or in full to cover all operational costs of EPA.

The EPA Fund is under the fiduciary responsibility of ICCROM and its Director-General. It is managed through a Management Committee composed of four members: the Director

General of ICCROM, the Dean of the University of Abomey-Calavi in Benin and two investment advisors.

Between 2000 and 2013, contributions were received from 24 donors including governments, institutions and various private individuals. The change in the endowment balance relates to the change in the fair value of the related deposit investment account. As at 31 December 2018, the endowment fund reached a total amount of EUR 2,545,246.

In Article 11 of the EPA Fund Statutes, it is stated that the Management Committee of the EPA Fund may wind up and close the EPA Fund after consultation with the Council of ICCROM. This decision must be taken unanimously by the members of the EPA Fund Management Committee. In the event of winding up, the resources shall be returned to the donors, if they so wish, in an amount proportional to their contributions.

On 17 February 2017, considering EPA's critical financial situation which deteriorated over the past several years and the school's inability to fulfil its mandate, the EPA Fund Management Committee decided to wind up the EPA Fund and the EPA Fund Statutes ceased to be in force on 10 October 2017 in compliance with Article 11 of the Statutes. The Fund continued to meet its obligations in respect of EPA until 31 December 2017. The Management Committee also included in the resolution specific provisions whereby ICCROM would recover sums advanced to EPA in 2016 and 2017 in addition to the sums accrued by the Fund (interest) which were due to EPA for these years. The resolution of the EPA Fund followed a decision taken by the EPA Board of Directors in late 2016, at the time chaired by the Chancellor of the University of Abomey-Calavi (UAC), to partially merge the African Heritage School with the University.

The Committee decided that the 24 donors to the EPA Fund be notified of the decision and asked whether they would like their donations to be returned to them or used for another purpose identified by them. It was decided that until then the Fund would be managed by ICCROM.

On May 2018 the investment portfolio was liquidated and the resulting amounts have been deposited in the bank account dedicated to the EPA Fund.

(9) Receivables – non-exchange transactions

	31 December 2018	31 December 2017 (restated)
Contributions receivable	608.435	615.824
Receivable on contracts	1.512.032	501.278
Total receivables — non-exchange transactions, gross	**2.120.467**	**1.117.103**
Reserves for doubtful contributions	- 216.447	- 504.791
Total receivables — non-exchange transactions, net	**1.904.020**	**612.311**

The composition of Contributions receivable is detailed in Schedule 1

The increase of receivables on contracts from EUR 501,278 at the end of 2017 to EUR 1,386,408 at the end of 2018 is mainly due to the amount still to be received from Sharjah for 2018 (EUR 1,388,000).

The decrease of the doubtful contributions from EUR 504,791 at the end of 2017 to EUR 216,447 at the end of 2018 is due to the payment of their arrears by Brazil and the accruals of Venezuela and Nigeria for their unpaid contributions for 2018. The table below shows the ageing of receivables:

	31 December 2018
Year 2018	1.859.752
Biennium 2016-2017	145.063
Previous biennia (from 2004-2005 to 2014-2015)	78.135
Before 2004	37.516
Total receivables — non-exchange transactions	**2.120.467**

(10) Advances Issued

Advances issued as at 31 December 2018 are related to amounts deposited in the UNDP account for payroll expenses (€ 239.974) and advance issued to employees (€ 17.164).

The UNDP (United Nations Development Program) is a member of the United Nations which specializes in sustainable development projects and the coordination of UN bodies at national level, including the management of UN Resident Coordination System.

Based on the service agreement dated 01.02.2017 with the UNDP, UNDP provides the provision of payroll data processing services and the payment of amounts due to the ICCROM staff according to the information received from ICCROM.

(11) Inventories

Inventory is only related to ICCROM publications in stock, evaluated taking into consideration the expected income from the sale.

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(12) Property, plant and equipment

	Furniture and fixtures	*Vehicles*	*Total*
Balance at 1 January 2018			
Cost	0	29.563	29.563
Carrying amount at 1 January 2018 (restated)	**0**	**29.563**	**29.563**
Year ended 31 December 2018			
Additions	9.388	27.965	37.353
Disposals	0	0	0
Depreciation	-992	-7.391	-8.383
	8.396	**20.574**	**28.970**
Carrying amount at 31 December 2018			
Cost	9.388	57.528	66.916
Accumulated depreciaton	-992	-7.391	-8.383
Balance at 31 December 2018	**8.396**	**50.137**	**58.533**

As included in table above, property, plant and equipment are related to furniture bought during 2018 and two vehicles, one in the headquarter in Rome and one in the regional office of Sharjah.

(13) Intangible assets

	Software acquired
Balance at 1 January 2018	
Cost	260.000
Carrying amount at 1 January 2018 (restated)	**260.000**
Year ended 31 December 2018	
Additions	60.000
Disposals	
Depreciation	-32.000
	-32.000
Carrying amount at 31 December 2018	
Cost	320.000
Accumulated amortization	-32.000
Balance at 31 December 2018	**288.000**

Intangible assets are related to a SAP license bought in 2017 and 2018. The roll out of the system occurred in 2018.

Taking into consideration the average useful life of a SAP system, the depreciation plan has been built on a time horizon of 10 years.

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(14) Accounts payable and accrued liabilities

Accounts payable (€ 247.011) are mainly related to the end of year 2018 expenditures, above all for projects at our regional office in Sharjah. Accruals as at 31 December 2018 are € 53.011 and are related, mainly, to the payment by Member States of their contributions in advance.

(15) Deferred revenues

Funds received but not yet earned because expenditures have not been incurred in compliance with the specific restrictions set forth for the project are recorded in "Deferred revenues".

Funds earned but yet to be received from donors are recorded in "Receivable on contracts".

The table below shows the reconciliation of Deferred revenues for the year ended 31 December 2018.

Deferred revenues as at 1 January 2018 (restated)	**1.119.718**
Ita Gvt Extraord. Contr. For Maintenance	231.015
Japan Gvt - Secondment	67.109
New contracts	3.033.584
Expenses External Funds	-2.813.242
Deferred revenues as at 31 December 2018	**1.638.184**

(16) Employee benefits

Employee benefits are mainly related to the following:

(a) Accrued Separation Payment Expenses, € 1.037.784 - in accordance with ICCROM Staff Rules Regulations (Article 24), general service employees are entitled to a "separation payment" which is due to them upon termination of employment for any reason. The amount payable is based on the length of service of the employee and the current rate of remuneration. Employees hired before 1 January 1991 receive one month of net base salary for each twelve months spent working in ICCROM. Employees hired after 1 January 1991 receive one month of net base salary for every thirteen and one-half months of employment.

Staff members may request an advance against the accrued separation payment, which is recorded as a deduction of the liability. Effective 1 November 2014, the option to repay advances was discontinued.

(b) Accrued Repatriation Grant, € 110.148 - For those employees recruited outside Italy, ICCROM has an obligation at the termination of their respective contracts of employment to pay a repatriation grant. In order to qualify, the individuals must be employed by ICCROM for a minimum period of two years. The amount of the benefit is dependent on factors such as years of service and salary and can only be claimed when the individuals return to their country of home leave.

(c) Accrued After Service Health Insurance, € 2.681.850 - ICCROM participates in a multi-employer after service health insurance coverage plan administered by the FAO for staff receiving a pension from the United Nations Joint Staff Pension Funds and eligible to participate in the plan on a shared-cost basis. The After Service Health Insurance coverage plan (ASHI) operates on a pay-as-you-go basis, meeting annual costs out of annual budgets and staff contributions. The actuarial valuation of the plan requires the Organization to make certain assumptions in order to best estimate the cost of providing these benefits to its staff members in the future. It is based on an approach developed by the actuarial profession and endorsed by accounting standard setters as being the most accurate method for projecting the amount of the Organization's future obligation. The ASHI liability valuation is highly sensitive and year-to-year variances can be very significant. The principal factors which cause the change in the annual value of the liability, collectively referred to as actuarial financial assumptions include demographic (e.g. mortality rates/estimates, rates of staff member turnover, claim rates under medical plans, etc.) and financial factors (e.g. discount rate, future salaries and benefits, future medical costs, etc.). Starting from the biennium ended 31 December 2015, ICCROM commissioned an actuarial valuation of the ASHI liability determined by an independent actuarial firm (Parametrica) using assumptions specifically applicable to ICCROM staff as at each period end.

Actuarial assumptions

	2018
Discount rate	2%
Salary scale (varying by age and staff category)	2%
Rate of inflation	2%
Per capita claim cost (varies by age)	2%

Funds destined to be used to satisfy the ASHI liability are included in the overall assets of ICCROM (current bank accounts, short-term deposit accounts and long-term deposit accounts).

(d) Unpaid Vacation Accrual, € 171.622 – Booked in the opening balance in accordance with ICCROM's new accounting policies.

(e) Payables to tax office, € 219.546 - As at 31 December 2018 ICROOM staff members remain subject to taxation on their salary and emoluments and the policy which was introduced in 1978 by ICCROM Council whereby staff who pay taxes are reimbursed continued during the year 2018. The amount reimbursed is calculated based on the tax rate in force and documented by the tax statement provided by employees.

Schedule 2 provides details about movements in employee benefit liabilities.

(17) Net assets

As detailed in Note 5, ICCROM adopted new accounting policies for preparing the financial statements and the present documents is the first financial statements compliant with the mentioned new accounting policies.

The table below shows the composition of net assets:

	1 January 2018 (restated)	Movements	31 December 2018
Operational reserve	2.671.751	454.380	3.126.131
San Michele reserve	133.918	-	133.918
Fellowship fund	187.683	- 9.000	178.683
H.J. Plenderleith reserve	19.550	-	19.550
Total reserves	**3.012.901**	**445.380**	**3.458.281**
Surplus /(Deficit)	465.183	- 374.744	90.439
Total Net Assets	**3.478.084**	**70.636**	**3.548.720**

(a) Operational Reserve

The movement in the Fund comes from:

- An increase for € 465.183 related to the surplus in the previous biennium;

- An increase for € 89.197 primarily related to the recording of inventories;

- A decrease for € 100,000 related to the proposed transfer from reserves yet to be approved by the Director General for payment of the migration to SAP (financial management and accounting system), as made in the previous biennium.

The Operational Reserve also include the impacts through net assets related to the implementation of the new accounting policies.

(b) San Michele Reserve

During the period ended 31 December 1982, it was foreseen that the Italian Government would ultimately place additional premises at ICCROM's disposal. A proposal to create a reserve for the expenditure to be incurred in preparing these additional premises for use was approved by the members of the Finance Committee of ICCROM's Council in 1982.

During the biennium 1990-1991 the Italian Government informed ICCROM that the Organization would remain in its current premises for the foreseeable future. The San Michele Fund remains for capital expenditures to be incurred in the future when ICCROM moves to new premises.

No movement occurred in the current biennium.

(c) Scholarship Fund

The movement in the Fund in the current biennium comes from a decrease for € 9.000 related to Interns Programme that was recorded as other sources of funds in the statement of financial performances.

(d) H.J. Plenderleith Reserve

The H.J. Plenderleith Reserve has been maintained for expenditures relating to the ICCROM laboratory. No activity occurred in the current biennium.

(18) Member states contributions

Member contributions refer to the contributions received from Member States. Schedule 1 includes a detailed analysis of them.

(19) Other contributions, net

Other contributions refer to external funding from donors or member countries for projects.

	Year ended 31 December 2018
Japan GVT - secondments	-67.109
Italian government – contribution for maintenance under Headquarters Agreement	-231.015
Other external funding	-2.514.747
Recovered administrative expenses	-140.782
Total payables, funds held in trust	-2.953.653

The Council, at its meeting in November 2003, approved a minimum rate of 10 per cent to be applied for administrative cost recovery for all projects financed from external funds. The Director-General may on an exceptional basis and on precise requests or exclusion from the donors waive the application of the administrative cost recovery.

(20) Investment revenue

Investment revenues (€ 9.531) are related to interest from bank accounts.

(21) Other revenue

	Year ended 31 December 2018
Course fees	-14.534
Honoraria	-431
Sales of publications	-778
Sales of photocopies	-511
Miscellaneous Income	-1.300
Refund Previous Biennia Exps.	-187.917
Coming from Reserves & Funds	-109.000
Information Equipment	-22.996
Other revenues	**-337.467**

Refund previous biennia expenditures are represented by the allocation to Sharjah's project of their portion of the cost of the fund itself.

For the utilization of reserves refer to Note 18.

(22) Personnel costs

	Year ended 31 December 2018
Personnel costs	
Basic pay	2.713.747
Overtime	3.972
Allowances/benefits (tax ref. & pay annual leave)	322.746
Termination benefits (G.S. separation fund)	90.534
Benefit plans (pension & medical ins. plan)	712.596
After service health insurance coverage plan	44.372
After service health insurance coverage plan (fund)	249.655
Relocation benefits (educational & repatriation grant)	223.604
Other non-salary benefits	2.464
Overtime - temporary help	48.348
UNDP Service Charge	38.067
Service Contracts	61.633
Total personnel costs	**4.511.739**

The total retirement accrued for the year 2018 related to UNJSPF (€ 544,517 - please refer to Note 4.7) is included in the line item "Benefit Plans".

The line item "After service health insurance coverage plan" represents the total cost sustained by ICCROM for retired staff, while the line item "After service health insurance coverage plan (fund)" represents the service cost of the year.

(23) Other expenses

The table below includes details about other expenses:

	Year ended 31 December 2018
Other expenditure	
Travel and Training	783.245
Administrative Services	353.291
Maintenance and Repairs	267.254
Consulting and Other Services	1.037.141
Equipment	62.489
Total other expenditure	**2.503.420**

(24) Finance costs

	Year ended 31 December 2018
Finance costs	
Returned to sponsor	7.840
Interest cost on ASHI fund	33.687
Loss on Investment Fund	137.146
Exchange rate (gain) loss	-34.837
Total finance costs	**143.836**

(25) Risk management of financial instruments

The risk management policies adopted by ICCROM are in accordance with its Financial Regulations and Rules. Those policies aim to minimize potential adverse effects on the resources available to ICCROM to fund its activities. The principal objectives of the ICCROM Financial Regulations and Rules are:

• Safety: preservation of capital, provided through investing in high quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;

• Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;

• Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

In its operations, ICCROM is exposed to a variety of financial risks including:

• Credit risk: the possibility that third parties may not pay amounts due to ICCROM;

• Liquidity risk: the likelihood that ICCROM might not have adequate funds to meet its obligations as they fall due;

• Foreign currency risk: the exposure to fluctuation of foreign currency.

Credit Risk

ICCROM maintains its vigilance on credit risk towards donors through a strict doubtful Accounts policy (part to be written by ICCROM) and towards Financial Institutions by having banking relationships with well-established financial institutions only.
ICCROM evaluates for impairment of doubtful accounts at each reporting date. Impairment results when there is objective evidence that ICCROM will not collect the full amount due.

Liquidity Risk

ICCROM manages liquidity risk through highly liquid investments in assets under management that are used only in case of liquidity emergencies (according to ICCROM policies).

Foreign exchange risk

ICCROM operates internationally and is exposed to foreign exchange risk arising when its business transactions are in currencies other than Euro. The foreign exchange risk primarily relates to foreign currency denominated payables for local and international operations. ICCROM monitors the exposure to foreign exchange risk arising from operating activities and does not use derivative financial instruments to hedge its foreign exchange exposure in relation to investments or cash flows.

(26) Commitments and contingencies

ICCROM has extra-territorial status in Italy and consequently claims to have exemptions from a number of obligations arising under Italian law. In the past, at various times certain questions were raised as to whether such exemptions applied to areas such as taxation, social security costs and other related liabilities. The experience of many years, the absence of significant claims against ICCROM in this respect and the present legislation all indicate that contingent liabilities in this respect, if any, are remote.

As specified in the "Statutes of ICCROM", should ICCROM close, each employee will receive as a redundancy indemnity one month of salary for each eight months spent working in the organization. No amounts have been recorded in the special-purpose financial statements because ICCROM's management considers the event to be remote. Had ICCROM closed its office as of 31 December 2018, the potential liability would have been some € 1,852,278.

According to the legal advisor of ICCROM, there are no valid controversies or pending or forthcoming claims which involve or could involve ICCROM. Consequently, no provisions have been set up in respect of these risks.

(27) Events after reporting date

As of 5 July 2019 no significant events have occurred.

Rome, 5 July 2019

The Director General

Mr Webber Ndoro

Schedule 1

Member contributions

Country	2018 Yearly contribution	Contribution receivable as at 31/12/2018
AFGHANISTAN	369	369
ALBANIA	369	0
ALGERIA	6,060	0
ANDORRA	369	0
ANGOLA	369	738
ARGENTINA	33,586	33,586
ARMENIA	369	0
AUSTRALIA	88,011	0
AUSTRIA	27,120	0
AZERBAIJAN	2,254	15
BAHRAIN	1,663	0
BANGLADESH	369	738
BARBADOS	369	0
BELGIUM	33,327	0
BENIN	369	1,107
BOLIVIA (PLURINATIONAL STATE OF)	443	0
BOSNIA HERZEGOVINA	480	0
BOTSWANA	517	25
BRAZIL	143,988	143,988
BRUNEI DARUSSALAM	1,108	3,028
BULGARIA	1,700	0
BURKINA FASO	369	0
CAMBODIA	369	0
CAMEROON	369	1,255
CANADA	109,995	0
CHAD	369	277
CHILE	15,038	0
CHINA	298,321	70,000
COLOMBIA	12,119	21,864
CONGO (REPUBLIC OF THE)	0	3,208
COTE D'IVOIRE	369	775
CROATIA	3,732	0
CUBA	2,439	0
CYPRUS	1,626	0
CZECH REPUBLIC	12,969	0
DENMARK	21,984	0
DOMINICAN REPUBLIC	1,737	0
ECUADOR	2,512	0
EGYPT	5,727	0
ESTONIA	1,441	0
ETHIOPIA	369	369

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FINLAND	17,181	0
FRANCE	183,005	0
GABON	628	0
GAMBIA	369	738
GEORGIA	369	0
GERMANY	240,608	0
GHANA	591	0
GREECE	17,735	0
GUATEMALA	1,072	0
GUYANA	369	164
HAITI	369	28
HONDURAS	369	1,531
HUNGARY	6,057	0
INDIA	27,748	40,454
IRAN	17,735	17,735
IRAQ	4,840	7,387
IRELAND	12,599	0
ISRAEL	16,183	31,058
ITALY	141,167	0
JAPAN	364,570	0
JORDAN	739	0
KENYA	665	20
KOREA	76,779	0
KUWAIT	10,715	10,715
LAO PEOPLE' S DEMOCRATIC REPUBLIC	369	378
LATVIA	1,884	0
LEBANON	1,737	4,911
LESOTHO	369	369
LIBYA	4,692	0
LITHUANIA	2,697	0
LUXEMBOURG	2,402	0
MACEDONIA	369	0
MADAGASCAR	369	732
MALAWI	369	369
MALAYSIA	12,119	0
MALDIVES	369	0
MALI	369	369
MALTA	591	0
MAURITANIA	369	359
MAURITIUS	443	0
MEXICO	54,055	0
MONACO	369	0
MONGOLIA	369	392
MONTENEGRO	369	0
MOROCCO	2,032	0
MOZAMBIQUE	369	0

MYANMAR	369	0
NAMIBIA	369	0
NEPAL	369	0
NETHERLANDS	55,829	0
NEW ZEALAND	10,087	0
NICARAGUA	0	3,208
NIGERIA	7,870	14,662
NORWAY	31,960	0
OMAN	4,249	0
PAKISTAN	3,510	238
PARAGUAY	517	0
PERU	5,136	5,136
PHILIPPINES	6,207	0
POLAND	31,665	0
PORTUGAL	14,779	0
QATAR	10,124	0
ROMANIA	6,946	0
RUSSIAN FEDERATION	116,314	0
RWANDA	369	1,107
SAUDI ARABIA	43,156	0
SENEGAL	369	1,783
SERBIA	1,219	37,516
SEYCHELLES	369	0
SLOVAKIA	6,023	0
SLOVENIA	3,178	0
SOUTH AFRICA	13,708	0
SPAIN	92,001	0
SRI LANKA	1,182	0
SUDAN	369	0
SWAZILAND	369	738
SWEDEN	35,988	0
SWITZERLAND	42,934	0
SYRIAN ARAB REPUBLIC	887	0
THAILAND	10,974	0
TOGO	369	738
TRINIDAD AND TOBAGO	1,293	0
TUNISIA	1,072	5,172
TURKEY	38,352	0
UKRAINE	3,880	0
UNITED ARAB EMIRATES	22,760	0
UNITED KINGDOM OF G,BRITAIN AND N,IRELAND	168,078	0
UNITED REPUBLIC OF TANZANIA	369	1,107
URUGUAY	2,993	0
USA	812,864	0
VENEZUELA	21,504	136,852
VIETNAM	2,180	0

YEMEN	369	738
ZAMBIA	369	0
ZIMBABWE	369	389
TOTAL	**3,700,821**	**608,435**
Doubtful accounts	288,344 (*)	-216,447
TOTAL CONTRIBUTION RECEIVABLE, NET	**3,989,165**	**391,988**

(*) Reversal of the year, mainly related to Brasil contribution.

Schedule 2

Movements of the year in employee benefits

	After-service health insurance	*Repatriation*	*Accrued Separation Payment Exps*	*Unpaid Vacation Accrual*	*Payables to tax office*	*Payables to tax office - Sep Payments*	*Prepaid insurance special leave without pay*	**Total**
Net defined benefit obligation as at 1 January 2018 (restated)	2.591.329	113.664	987.251	171.621	65.348	130.255		**4.059.467**
Increase of the obligation								
Current service cost	102.113	30.059	50.533		312.267	10.479	1.886	**507.338**
Interest cost	33.687							**33.687**
Actuarial losses from change in assumptions	-40.375							**-40.375**
Decrease of the obligation								
Actual benefits paid		-33.576			-298.803			**-332.378**
Actuarial (gains) through net asset	-4.903							**-4.903**
Net recognized liability at 31 December 2018	**2.681.851**	**110.148**	**1.037.784**	**171.621**	**78.812**	**140.734**	**1.886**	**4.222.836**

Schedule 3

Comparison of budget and actual amounts (regular sources) for the year ended 31 December 2018 (unaudited)

The table below refers to budgeted inflows for the year 2018 (which is the first year of the biennium 2018/2019 to which the approved budget relates to) compared with the actual income.

	BUDGET	BDGT ADJUSTMENT	INCOME	SURPLUS/(DEFICIT)
Member State Contributions	3.694.764	6.057	3.700.821	0
Expense - Doubtful Contributions			288.344	288.344
Contribution Italy - Maintenance	348.316		231.015	-117.301
Salaries Seconded Employees			67.109	67.109
Interests on Bank Account	5.000		9.531	4.531
Gain/Loss on Investment Fund	43.500		-137.146	-180.646
Sales of Publication	2.500		778	-1.722
Sales of Photocopies	500		511	11
Course Participation Fees	24.702		14.534	-10.168
Program Support	93.817		140.782	46.965
Honoraria			431	431
Miscellaneous Income	505.000		1.300	-503.700
Refund Previous Biennia Exps.			187.917	187.917
Coming from Reserves & Funds			109.000	109.000
External Funds	2.055.211		2.514.747	459.536
TOTAL	**6.773.310**		**7.129.674**	**356.365**

The following table refers to expenditure budget for 2018 compared with actual amounts

	BUDGET		ACTUAL		
	Regular budget	External funds	Regular budget	External funds	Surplus / (Deficit)
General operating expenses	1.782.837	927.161	2.293.931	708.085	-292.018
Programme costs					
Prg 1. Protecting CH Conflict Disaster	233.295	447.054	203.339	426.490	50.521
Prg 2. Strengthening Partners. in Africa	103.334	333.563	48.579	52.659	335.659
Prg 3. Integrating CH in planning	295.389	1.086.564	294.187	642.668	445.099
Prg 4. Leading/innov. capacity building	423.124	549.941	361.585	280.740	330.741
Prg 5. Strength. Awareness and Know. Cult. Heritage	468.755	426.432	452.303	253.107	189.777
Supplementary projects	0	497.448	0	337.753	159.695
Total Programme costs	1.523.898	3.341.003	1.359.993	1.993.417	1.511.491
Corporate communication	590.484	79.419	593.017	67.186	9.700
Fellowship and internship	116.198	102.334	120.379	44.554	53.598
TOTAL (regular vs external)	**4.013.417**	**4.449.917**	**4.367.321**	**2.813.242**	**1.282.771**
TOTAL		**8.463.333**		**7.180.562**	**1.282.771**

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Note to Schedule 3 - Comparison to Budget (unaudited)

The trend of expenditures against the budget shows some negative balances, particularly in the Chapter A: General Operating Expenses. This negative trend is due to several key factors. Within the area of General Operating Expenses, there is a significant negative balance related to the need for ICCROM to reimburse taxes. As the situation with the Headquarters Agreement has not been resolved, the negative balance amounts to -€149,641. There is an additional negative balance of -€63,489 related to the management of information systems. These negative balances come specifically from the SAP UniversePath implementation and the use of the Microsoft Azure Cloud service. A further negative balance of -€69,290 can be found in the Audit and Financial Services budget line. This is related to an underbudgeting of PWC audit services now being carried out on an annual basis in addition to an extra contract related to the support rendered for IPSAS implementation. Finally, a negative balance of -€45,518 can be seen in the After Service Medical Fund. This balance is based on the accrual calculations made based on market parameters which are unpredictable and therefore cannot be planned for exactly.

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