

Annual financial report and financial statements



Year to December 31, 2019

WORLD INTELLECTUAL PROPERTY ORGANIZATION

**ANNUAL FINANCIAL REPORT
AND FINANCIAL STATEMENTS**

YEAR TO DECEMBER 31, 2019

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ANNUAL FINANCIAL REPORT

INTRODUCTION

The financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2019, are submitted to the Assemblies of the Member States of WIPO (“WIPO Assemblies”) as required by Regulation 6.7 of the WIPO Financial Regulations and Rules (FRR). The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), as developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The report of the External Auditor on the audit of the 2019 financial statements, together with his opinion on the financial statements, are also submitted to the WIPO Assemblies as prescribed under Regulation 8.11 and Annex II of the FRR.

The annual financial report, including financial statement discussion and analysis, is presented in this document alongside the financial statements.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The following financial statement discussion and analysis includes an overview of the Organization’s operations and environment, financial objectives and strategies, risk management strategy, financial performance and financial position during the year ended December 31, 2019. It has been prepared in accordance with IPSASB Recommended Practice Guideline 2, and is intended to provide an explanation of the significant items, transactions, and events presented in the financial statements and the factors that influenced them. This discussion and analysis is not part of WIPO’s financial statements; however, it should be read together with WIPO’s financial statements.

Overview of WIPO’s Operations and Environment

WIPO is the global forum for intellectual property services, policy, information and cooperation. It is a specialized agency of the United Nations, with 193 Member States. The Organization’s mission is to lead the development of a balanced and effective international intellectual property system that enables innovation and creativity for the economic, social and cultural development of all countries. The Organization’s mandate, governing bodies and

procedures are set out in the WIPO Convention of 1967, which established WIPO.

WIPO’s Member States determine the direction, budget and activities of the Organization through the decision-making bodies. The main policy and decision-making bodies of WIPO are the General Assembly, the Conference and the Coordination Committee. The General Assembly consists of States party to the WIPO Convention which are members of any of the Unions administered by WIPO. The Conference is composed of the States party to the WIPO Convention whether or not they are members of any of the Unions, and is, *inter alia*, the competent body for adopting amendments to the Convention. The Coordination Committee consists of elected members of the Executive Committees of the Paris or the Berne Unions, or both, one-fourth of the States party to the WIPO Convention which are not members of any of the Unions, and Switzerland, as the State on whose territory the Organization has its headquarters.

The General Assembly appoints the WIPO Director General upon nomination by the Coordination Committee. The Director General is the chief executive of the Organization. The Director General is assisted by the Senior Management Team (consisting of the Deputy Directors General and the Assistant Directors General, plus the Legal Counsel and the Director of the Human Resources Management Department) in providing the strategic direction of WIPO’s programs and in managing their respective Sectors to ensure the delivery of results in line with the Organization’s strategic goals and the Program and Budget.

WIPO generates most of its revenue from fees that are paid by users of its intellectual property services for patents, trademarks and industrial designs. These services are provided through the Patent Cooperation Treaty (PCT), Madrid and Hague systems. In 2019, fees from these activities represented 91.9 per cent of the Organization’s total revenue, with PCT system fees alone representing 74.0 per cent. The driver for revenue from these fee-based services is the international demand for intellectual property titles. This demand is influenced by the performance of the global economy, although since 2010 global intellectual property filing activity has continued to grow despite uneven economic recovery from the global financial crisis that began in 2008. Latest published statistics up to the end of 2018 show that worldwide patent and trademark applications have grown each year since 2010. Global patent applications rose to 3.3 million in 2018, representing a 5.2 per cent increase over 2017. An estimated 10.9 million trademark applications were filed worldwide in

2018, 19.2 per cent more than in 2017. Global industrial design activity also grew in 2018, with 1.0 million industrial design applications containing 1.3 million designs representing a 5.7% increase on the prior year. Overall, global intellectual property filing activity reached record heights in 2018.

Other external factors that may influence the Organization's revenue from its fee-based services include research and development investment levels, technological confidence levels, and exchange rate fluctuations. For the PCT system in particular, other important factors include the level of PCT fees as compared to those offered by other filing routes, the attractiveness and value of PCT services as compared to other filing routes, and individual corporate patent strategies.

Overview of WIPO's Financial Objectives and Strategies

The financial activities of WIPO are governed by its Financial Regulations, which are approved by the General Assembly. Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. WIPO's Member States are informed of any modification of the Financial Rules. The Financial Rules govern all the financial management activities of the Organization. Authority and responsibility for the implementation of the Financial Regulations and Rules is delegated by the Director General to the Controller.

Every two years, the Director General presents a Program and Budget to Member States for approval. It details expected results, performance measures and budgetary planning for all proposed activities. The Program and Budget for the 2018/19 biennium was approved by the Assemblies of the Member States of WIPO on October 11, 2017. The Program and Budget provides the planning for the biennium within the overall strategic context of the Medium-Term Strategic Plan.

The Organization uses a Results-Based Management system to ensure that resources are budgeted and utilized in line with organizational results and priorities. Organizational performance is measured and analyzed on a regular basis through performance indicators, targets and baselines. Under this system, both the Program and Budget and the Medium-Term Strategic Plan form part of WIPO's planning framework, along with annual work plans and individual staff objectives.

The Organization manages the levels of its reserves in accordance with its Policy on Reserves. WIPO's

reserves are accounted for as the net assets of the Organization, and serve to minimize the impact of income shortfalls and maximize the probability that the Organization can meet its obligations in the short term and maintain financial stability. One core element of the policy is the mechanism for establishing the required level of reserves as a percentage of the estimated biennial expenditure of the Unions administered by the Organization. The policy also establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances.

The Organization manages its investments in accordance with its Policy on Investments. The policy states that the primary objectives of the Organization's investment management, in order of importance, shall be: (i) preservation of capital; (ii) liquidity and (iii) within the constraints of (i) and (ii), the rate of return. The Organization aims to achieve a market rate of return whenever appropriate and possible for both operating and core cash. Strategic cash is to be invested over the long-term in order to achieve capital growth and thus an overall positive return over time.

Overview of WIPO's Risk Management Strategy

WIPO's Risk Management Policy sets out the Organization's approach to managing risks and internal controls in a consistent and business-oriented manner, in order to support the achievement of its strategic goals and expected results. It is complemented by WIPO's Risk and Internal Control Management Manual, which covers the day-to-day operational details of risk and internal control management. The policy and the manual, together with the organizational arrangements, the establishment of roles and responsibilities, processes and activities for the management of risks and internal controls represent WIPO's Risk Management Framework.

Under the guiding principles of WIPO's Risk Management Policy, risk management is considered an organization-wide responsibility. All staff are responsible for managing risks and the ultimate accountability for risk management lies with the Senior Management Team. Organizational level risks are identified and reviewed by WIPO's Risk Management Group, which is chaired by the Director General. Risk management is performed as an integral part of the Organization's Results-Based Management cycle. WIPO's Risk Management Framework is guided by the risk appetite noted by its Member States in WIPO's Risk Appetite Statement.

Financial Performance

The Organization's results for 2019 showed a surplus for the year of 97.7 million Swiss francs, with total revenue of 457.0 million Swiss francs, total expenses of 401.4 million Swiss francs, and investment gains of 42.1 million Swiss francs. This can be compared to a surplus of 42.5 million Swiss francs in 2018, with total revenue of 433.6 million Swiss francs, total expenses of 375.8 million Swiss francs, and investment losses of 15.3 million Swiss francs.

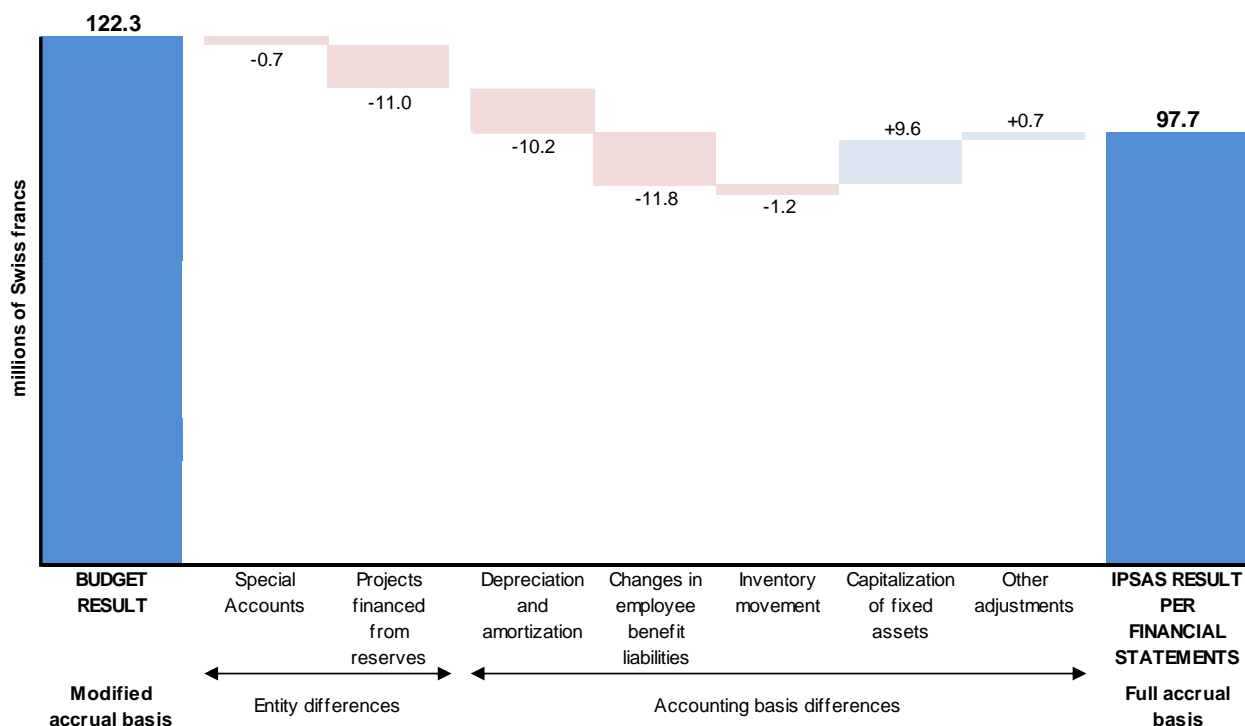
The Program and Budget result for 2019 prepared on a modified accrual basis (i.e. before the impact of IPSAS adjustments) was a surplus of 122.3 million Swiss francs. The 2019 result for the Organization under IPSAS includes Special Accounts, Projects financed from reserves, and the impact of adjustments related to full accrual accounting in accordance with IPSAS:

Summary of financial performance by source of funding

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	Total
	2019	2019	2019	2019	2019	2018
<i>(in millions of Swiss francs)</i>						
Total revenue	447.1	10.2	-	-0.3	457.0	433.6
Total expenses	-366.9	-10.9	-11.0	-12.6	-401.4	-375.8
Investment gains/(losses)	42.1	-	-	-	42.1	-15.3
Net surplus/(deficit)	122.3	-0.7	-11.0	-12.9	97.7	42.5

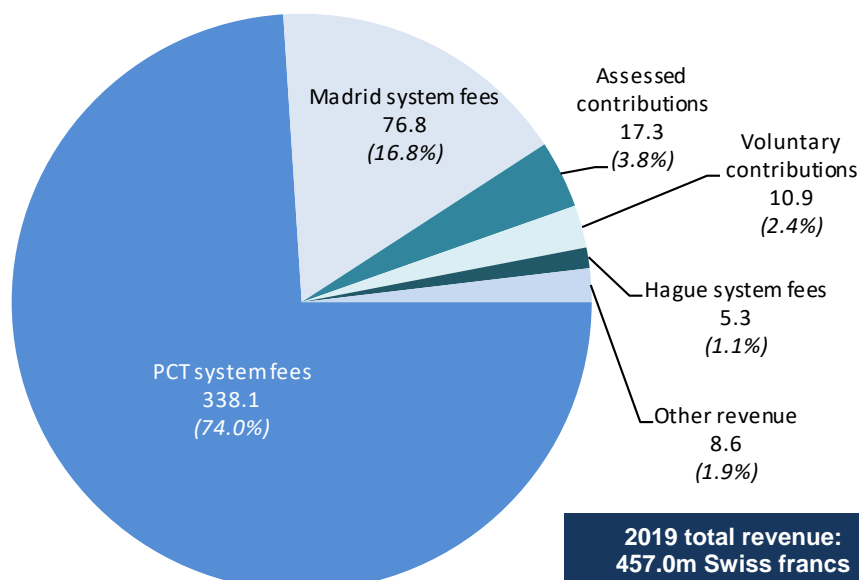
The chart below summarizes the principal differences between the Program and Budget surplus of 122.3 million Swiss francs, and the surplus for the whole Organization prepared on an IPSAS basis of 97.7 million Swiss francs:

Movement from budget result to IPSAS result 2019



Revenue Analysis

Composition of 2019 revenue on an IPSAS basis
(in millions of Swiss francs)



Total revenue of the Organization for 2019 was 457.0 million Swiss francs, representing an increase of 5.4 per cent compared to the 2018 total revenue of 433.6 million Swiss francs. The largest source of revenue during 2019 was PCT system fees, accounting for 74.0 per cent of total revenue. Revenue from PCT system fees rose by 5.2 per cent compared to 2018.

Madrid system fees were the second largest source of revenue during the year 2019, representing 16.8

per cent of total revenue. Revenue from Madrid system fees increased by 3.4 per cent compared to 2018. Hague system fees, Lisbon system fees, assessed contributions, voluntary contributions (contributions by donors to Special Accounts) and other revenue (publications, arbitration and mediation and other/miscellaneous revenue) comprise the remaining 9.2 per cent of the Organization's total revenue. The following table provides a summary of the changes by revenue type compared to the prior year.

Change in revenue 2018 – 2019

	2019	2018	Net Change	Net Change
	(in millions of Swiss francs)			%
Revenue				
Assessed contributions	17.3	17.4	-0.1	-0.6
Voluntary contributions	10.9	11.6	-0.7	-6.0
Publications revenue	0.3	0.5	-0.2	-40.0
Fees				
PCT system	338.1	321.4	16.7	5.2
Madrid system	76.8	74.3	2.5	3.4
Hague system	5.3	4.9	0.4	8.2
Sub-total fees	420.2	400.6	19.6	4.9
Arbitration and Mediation	2.0	1.8	0.2	11.1
Other/miscellaneous revenue	6.3	1.7	4.6	270.6
Total revenue	457.0	433.6	23.4	5.4

PCT revenue is principally comprised of international filing fees (the basic fee, plus supplementary page fees, less reductions for e-filings and least developed countries). The total PCT system fees revenue figure also comprises other fees (including handling and transfer fees) and foreign exchange gains and losses:

Detail of PCT system fees 2012-2019

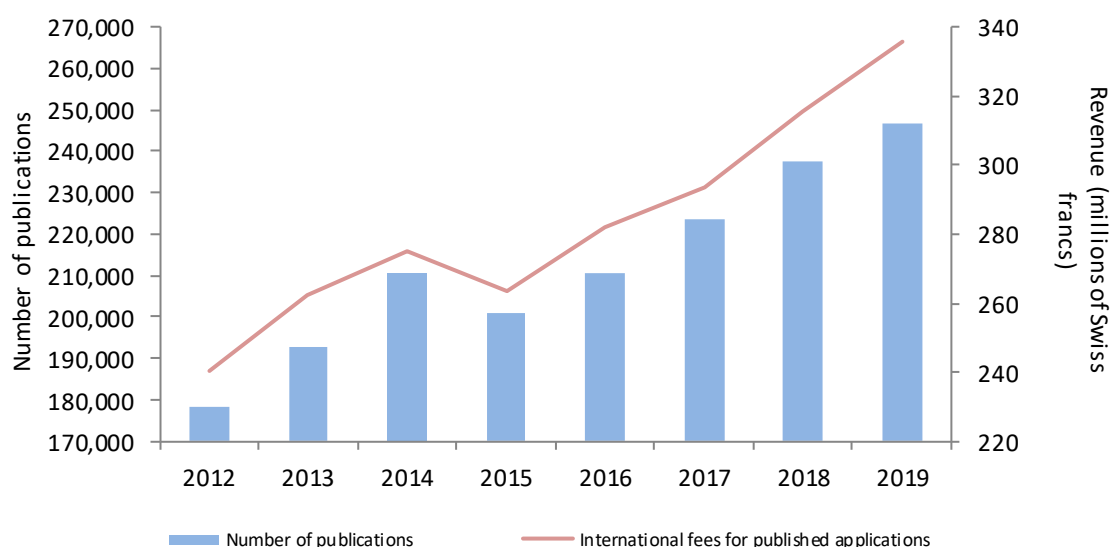
	2019	2018	2017	2016	2015	2014	2013	2012
<i>(in millions of Swiss francs)</i>								
International filing fees	335.6	315.4	293.6	281.8	263.6	275.0	262.3	240.6
Payment regularization 2004-2013	-	-	-	-	4.7	-	-	-
Other fees	3.4	3.6	3.6	3.8	4.1	3.9	3.9	3.9
Exchange gain/(loss) on fees received	-2.6	1.7	0.4	5.2	-0.7	-1.7	-6.0	7.5
Other exchange gain/(loss)	1.7	0.7	-1.2	-0.1	3.7	1.4	-2.7	-
Total PCT system fees	338.1	321.4	296.4	290.7	275.4	278.6	257.5	252.0

Revenue from PCT system fees on an IPSAS basis increased by 5.2 per cent compared to 2018. In the IPSAS financial statements, revenue for international filing fees from PCT applications is recognized only on publication of the application. In 2019 there were 246,636 publications compared to 237,378 in 2018.

When looking at revenue from PCT international filing fees as recognized in accordance with IPSAS,

the following graph shows how annual revenue has moved in line with the number of published applications in the year. Two factors led to higher numbers of publications in 2014 when compared to the trend for the other years presented in the graph. Firstly, in 2014 there were fifty-three weeks of publications, instead of the usual fifty-two. Secondly, there was a surge in PCT applications in March 2014 due to the entering into force one year earlier of the Leahy-Smith America Invents Act.

PCT - International filing fees and publications 2012-2019



Madrid system fees principally comprise basic fees received from applications for registrations or renewals and fees for subsequent designations:

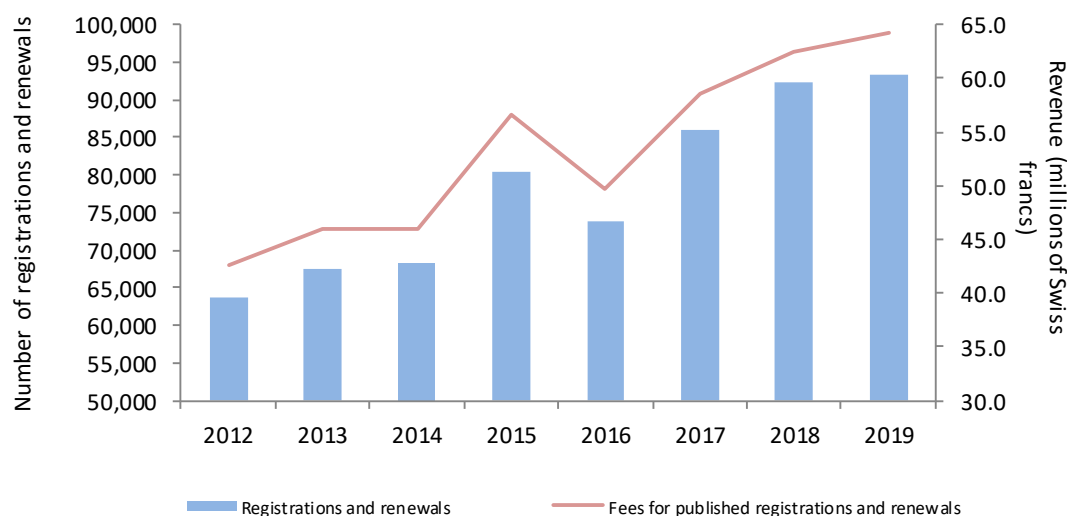
Detail of Madrid system fees 2012-2019

	2019	2018	2017	2016	2015	2014	2013	2012
	<i>(in millions of Swiss francs)</i>							
Basic fees (registrations and renewals)	64.2	62.4	58.5	49.7	56.7	46.0	45.9	42.7
Subsequent designations	6.4	5.8	5.5	4.8	5.5	4.7	4.5	4.0
Other fees	6.2	6.1	5.9	5.1	5.7	4.4	5.0	4.9
Total Madrid system fees	76.8	74.3	69.9	59.6	67.9	55.1	55.4	51.6

In accordance with IPSAS, revenue from Madrid fees for registrations, renewals and subsequent designations is recognized in the financial statements upon publication. Revenue from registrations and renewals (but not including other fees) as recognized in accordance with IPSAS has moved in line with the number of registrations and renewals in the year. Registrations have grown over the last three years, totalling 64,118 in 2019 against

60,071 in 2018, and 56,267 in 2017. In 2016, revenue from Madrid system fees fell by 12.2 per cent compared to 2015, due largely to an increased backlog in registrations linked in part to system issues with the Madrid International Registration Information System. In 2017 WIPO made a significant effort to clear the backlog, and revenue from Madrid system fees increased by 17.3 per cent compared to the prior year.

Madrid - basic fees and registrations/renewals 2012-2019



Revenue from Hague system fees totaled 5.3 million Swiss francs for 2019, representing an increase of 8.2 per cent compared to the 2018 figure of 4.9 million Swiss francs. Lisbon system fees totaled 14 thousand Swiss francs in 2019, compared to 31 thousand Swiss francs in 2018.

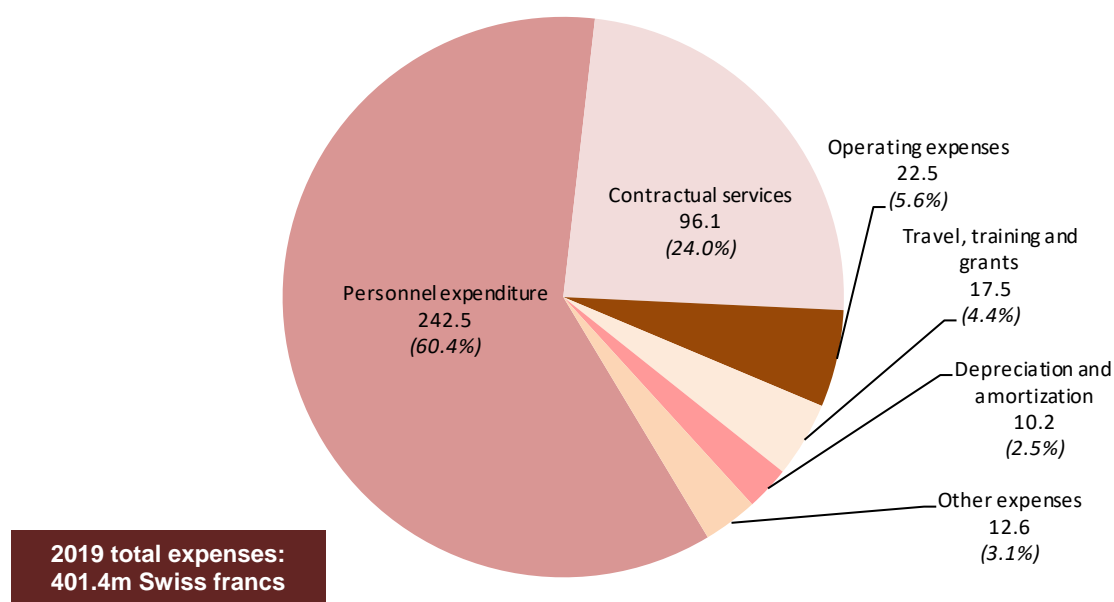
Revenue from assessed contributions of 17.3 million Swiss francs in 2019 represents 3.8 per cent of total revenue, while revenue from voluntary contributions of 10.9 million Swiss francs in 2019 represents 2.4 per cent of total revenue. Voluntary contributions in 2019 were received under Special

Accounts, for which revenue is recognized as work is performed and expense incurred in line with the relevant agreement.

Arbitration and mediation revenue of 2.0 million Swiss francs was up by 0.2 million Swiss francs on the prior year, while publications revenue of 0.3 million Swiss francs was 0.2 million Swiss francs lower than in 2018. Other/miscellaneous revenue had a total of 6.3 million Swiss francs in 2019, compared to 1.7 million Swiss francs in 2018. The increase in 2019 is mainly the result of the reversal of unused provisions for legal costs.

Expense Analysis

Composition of 2019 expenses on an IPSAS basis
(in millions of Swiss francs)



Detailed breakdown of 2019 expenses
(in millions of Swiss francs)

Personnel expenditure 242.5	Posts	231.2	Travel, training and grants 17.5	Staff missions	5.6
	Temporary staff	10.0		Third-party travel	10.5
	Other staff costs	1.3		Training and related travel grants	1.4
Contractual services 96.1	Conferences	4.4	Depreciation and amortization 10.2	Buildings depreciation	9.1
	Individual contractual services	14.5		Equipment depreciation	0.3
	Other contractual services	77.2		Intangible assets amortization	0.8
Operating expenses 22.5	Premises and maintenance	19.0	Other expenses 12.6	Internships and WIPO fellowships	5.2
	Communication	2.1		Supplies and materials	5.0
	Representation & other operating expenses	0.7		Furniture and equipment	1.4
	United Nations joint services	0.7		Finance costs	1.0

Total expenses of the Organization for 2019 were 401.4 million Swiss francs, representing an increase of 6.8 per cent compared to 2018 total expenses of 375.8 million Swiss francs. The largest expense for the Organization was personnel expenditure of 242.5 million Swiss francs, representing 60.4 per

cent of total expenses. Contractual services of 96.1 million Swiss francs were the second largest expense for the Organization, followed by operating expenses of 22.5 million Swiss francs. The following table provides a summary of the changes by expense type compared to the prior year:

Change in expenses 2018 - 2019

		2019	2018	Net Change	Net Change
		<i>(in millions of Swiss francs)</i>			%
Expenses					
Personnel expenditure	↑	242.5	220.6	21.9	9.9
Internships and WIPO fellow ships	↑	5.2	4.4	0.8	18.2
Travel, training and grants	↑	17.5	16.8	0.7	4.2
Contractual services	↑	96.1	93.8	2.3	2.5
Operating expenses	↓	22.5	26.7	-4.2	-15.7
Equipment and supplies	↑	6.4	2.0	4.4	220.0
Depreciation and amortization	↓	10.2	11.3	-1.1	-9.7
Finance costs	↑	1.0	0.2	0.8	400.0
Total expenses	↑	401.4	375.8	25.6	6.8

Personnel expenditure comprises principally net base salary and post adjustments for staff in posts or temporary positions. Combined these represent 147.9 million Swiss francs, 61.0 per cent of total personnel expenditure for 2019. The next largest element of personnel expenditure is the Organization's contributions to the United Nations Joint Staff Pension Fund (UNJSPF), which totaled 29.2 million Swiss francs in 2019. Total personnel expenditure in 2019 of 242.5 million Swiss francs has increased by 9.9 per cent compared to total personnel expenditure of 220.6 million Swiss francs in 2018. Several factors have contributed to this increase. The liability for accrued leave for staff in posts rose by 7.1 million Swiss francs compared to the prior year, largely due to an update in the assumptions applied to the actuarial calculation of the liability. In July 2019 the Administrative Tribunal of the International Labour Organization (ILOAT) issued its judgment setting aside the decision to implement a revised post adjustment for WIPO staff in the Professional and higher categories. As a result, in July and August 2019 the Organization paid concerned staff members retroactive adjustments from March 2018 onwards, along with 5 per cent annual interest as ordered by the ILOAT in its judgment. Also in 2019, the cost of staff termination agreements increased by 3.4 million Swiss francs compared to the prior year.

The cost of interns and WIPO fellowships is shown separately in the financial statements. Internships and WIPO fellowships are not included as part of personnel expenditure as they are not covered by WIPO's Staff Regulations and Rules (SRR). The cost of internships and WIPO fellowships in 2019 was 5.2 million Swiss francs, compared to the prior year figure of 4.4 million Swiss francs.

Travel, training and grants totaled 17.5 million Swiss francs for 2019, and account for 4.4 per cent of total expenses. This represents a slight increase

of 0.7 million Swiss francs compared to 2018, with third-party travel costs (conference participants and lecturers) up against the prior year.

Contractual services in 2019 totaled 96.1 million Swiss francs. These expenses have increased by 2.3 million Swiss francs compared to the 2018 figure. Contractual services in the year 2019 concern primarily commercial translation services (31.4 million Swiss francs), IT commercial services (20.3 million Swiss francs), individual contractual services (14.5 million Swiss francs), and International Computing Centre services (11.8 million Swiss francs).

Operating expenses in 2019 totaled 22.5 million Swiss francs, a decrease of 15.7 per cent compared to the 2018 total of 26.7 million Swiss francs. This decrease was largely the result of higher capitalization of premises related expenditure, whilst the prior year also reflected the cost of demolitions related to buildings renovation projects.

Expenses for equipment and supplies have increased from 2.0 million Swiss francs in 2018 to 6.4 million Swiss francs in 2019. During 2019 the Organization has opted to derecognize inventory of publications and paper, resulting in a charge of 1.3 million Swiss francs. Expenditure on non-capitalized equipment was notably 1.0 million Swiss francs higher than the prior year.

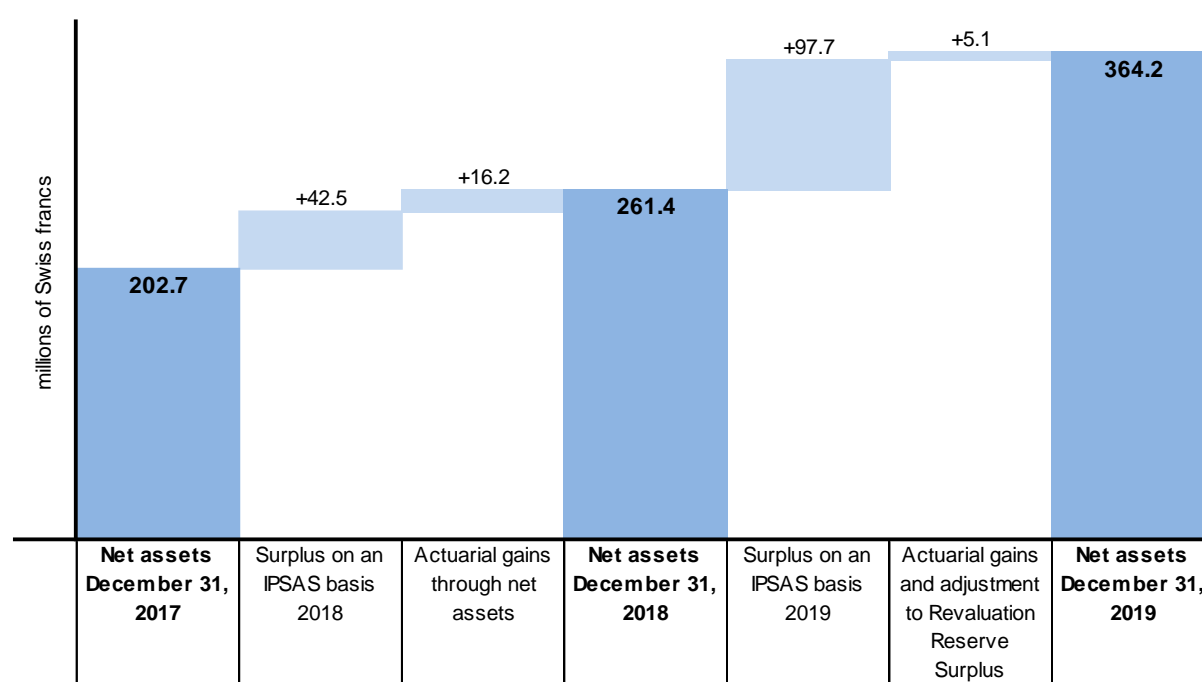
As previously noted, expenses under IPSAS include the depreciation expense of buildings and equipment and the amortization expense of intangible assets, as the cost of these assets is spread over their useful lives. For 2019, depreciation and amortization total 10.2 million Swiss francs, compared to a charge of 11.3 million Swiss francs in 2018.

Financial Position

As at December 31, 2019, the Organization had net assets of 364.2 million Swiss francs, with total assets of 1,225.9 million Swiss francs and total liabilities of 861.7 million Swiss francs. During the 2018/19 Biennium, the Organization's net assets increased by 161.5 million Swiss francs. This is

mainly due to the surplus in both 2018 and 2019, totalling 140.2 million Swiss francs. In addition, actuarial gains, related to WIPO's liability for ASHI, and revaluation gains on land owned by the Organization, have been recognized through net assets for a total of 21.3 million Swiss francs:

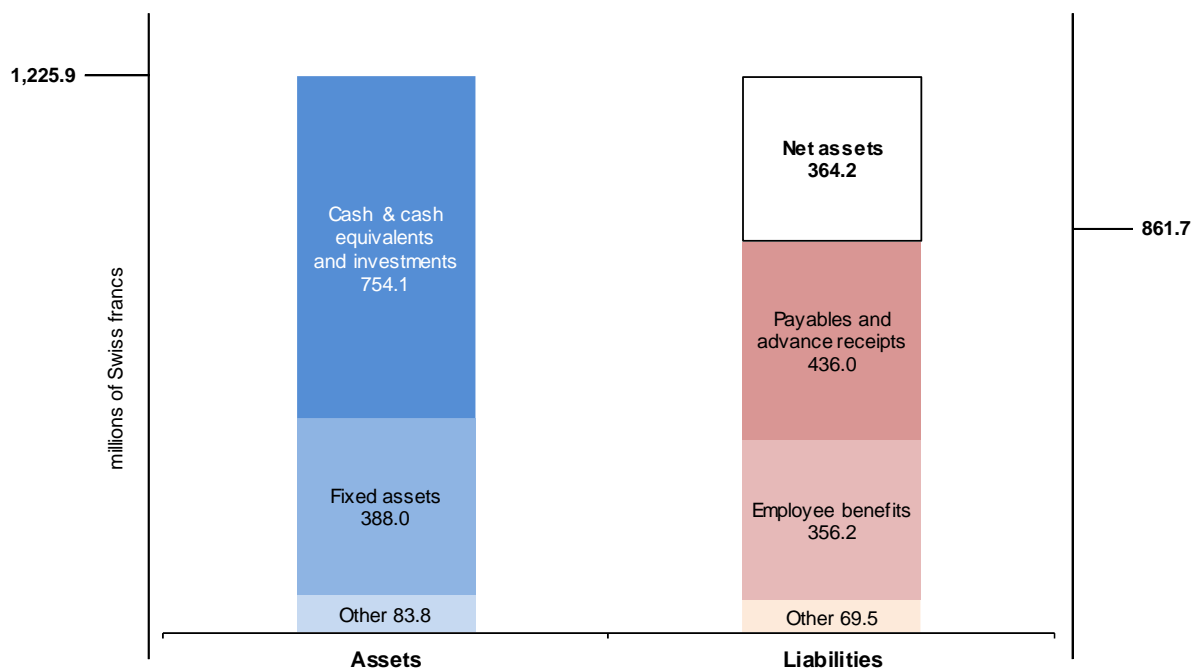
Movement in net assets 2017 to 2019



The following chart provides a summary of the Statement of Financial Position of WIPO as at December 31, 2019. Total assets of 1,225.9 million Swiss francs are composed primarily of cash, cash equivalents, investments and fixed assets. Total

liabilities of 861.7 million Swiss francs are principally payables and advance receipts, and employee benefits:

Summary of assets and liabilities December 31, 2019



Assets

The Organization has cash, cash equivalents and investment balances of 754.1 million Swiss francs, representing 61.5 per cent of total assets. This includes amounts totaling 179.7 million Swiss francs which are classified as restricted, and amounts totaling 190.2 million Swiss francs which represent strategic cash and investments. The total balance of 754.1 million Swiss francs is 138.1 million Swiss francs higher than the balance of 616.0 million Swiss francs at the end of 2018.

The Organization holds significant fixed assets (land, buildings, intangible assets and equipment) with a total net book value of 388.0 million Swiss francs. During 2019, costs totaling 8.2 million Swiss francs for additions and improvements to existing buildings were capitalized, and equipment purchases of 1.1 million Swiss francs were capitalized. The total depreciation and amortization charge against all fixed assets was 10.2 million Swiss francs for 2019.

Other assets of the Organization totaling 83.8 million Swiss francs include accounts receivable and advance payments. Within this, the most significant balance is PCT debtors totaling 59.1 million Swiss francs. At any given time, a significant number of PCT applications have been filed with receiving Offices and possibly received by WIPO, for which no corresponding fee payment has been received by the Organization. The balance of PCT debtors has increased compared to the prior year, when it totaled 55.6 million Swiss francs. This increase is a result of higher PCT applications in 2019, with the percentage of unpaid applications at year end remaining consistent between the two years at between 15 to 16 per cent of filings in the year.

Liabilities

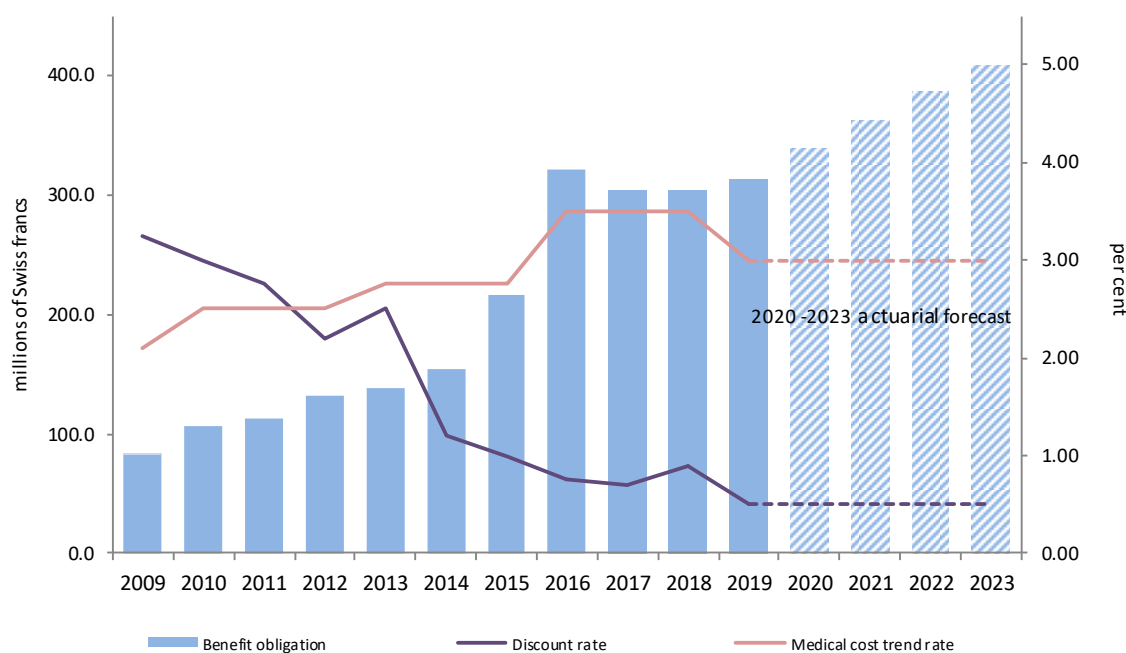
As at December 31, 2019, payables and advance receipts total 436.0 million Swiss francs, and principally include deferred revenue for the processing of international applications (under the PCT, Madrid and Hague systems) for 284.8 million Swiss francs. This deferred revenue balance mainly concerns PCT system fees of 281.8 million Swiss francs. Revenue from fees relating to the processing of international applications is deferred until the related application is published. At any given time, a number of PCT applications will have been filed with either receiving Offices or WIPO which have yet to be published. As at December 31, 2019, for applications with a 2018 or 2019 filing date, it is estimated that approximately 202,932 applications were unpublished. At the end of the prior year 2018, approximately 191,286 applications filed in 2017 or 2018 were unpublished and the deferred revenue balance for PCT system fees was 264.9 million Swiss francs.

Employee benefit liabilities of 356.2 million Swiss francs are mainly comprised of the ASHI liability of 313.7 million Swiss francs, which represents 88.1 per cent of the total employee benefits liability as at December 31, 2019. The ASHI liability has increased by 10.6 million Swiss francs compared to the 2018 balance. The ASHI liability is based on a calculation performed by an independent actuary, which incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, retirement rates and

mortality rates. Changes to these assumptions year on year lead to actuarial gains and losses which are recognized as part of the liability in the Statement of Financial Position. The graph below shows how the ASHI liability has developed since 2009, and includes actuarial forecasts for 2020-2023 (applying the same assumptions as for the 2019 calculation). The graph also shows how discount rates and medical cost trend rates have changed since 2009. The discount rate for the ASHI valuation is determined by reference to high quality Corporate Bond Yield Curves. For ASHI liability valuations in previous years, WIPO determined a discount rate for the Swiss franc only, based on the currency in which its medical insurance premiums are paid. However, for the 2019 valuation, the discount rate is a weighted average rate based on the major currencies in which underlying medical costs were incurred (Swiss franc, euro and US dollar).

Other liabilities of the Organization are mainly comprised of current accounts held on behalf of applicants and contracting parties, totaling 67.7 million Swiss francs. The Organization has also recognized provisions totalling 1.8 million Swiss francs at the end of 2019, which mainly concern legal provisions for disputes with WIPO personnel.

Movement in ASHI liability (benefit obligation) 2009 - 2023



Cash Flow

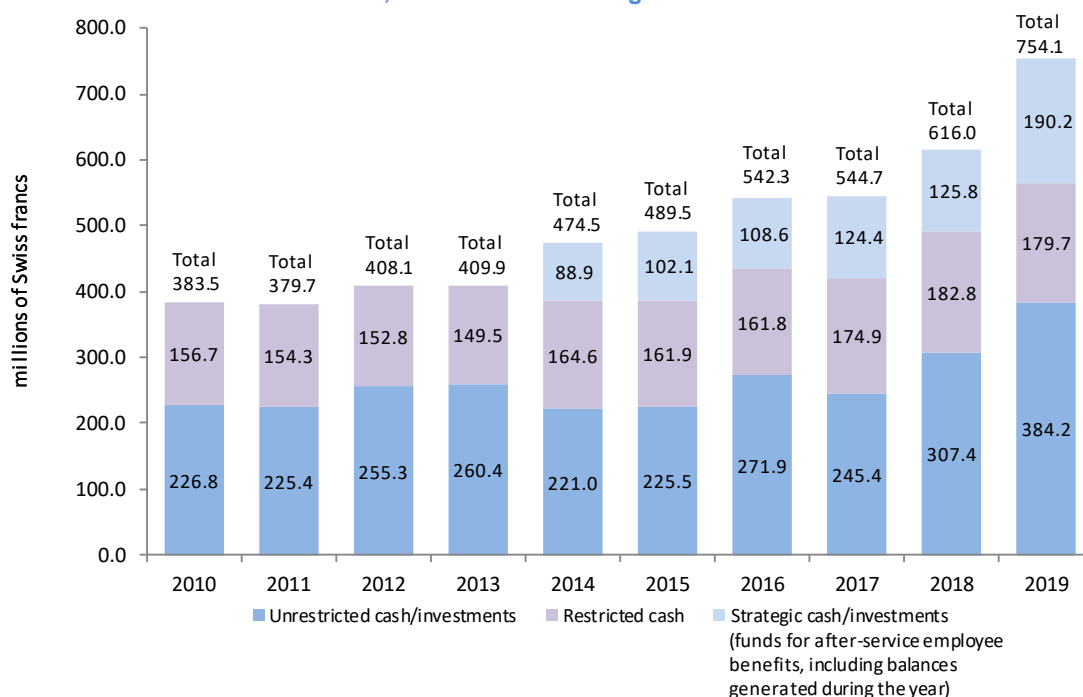
The Organization's cash, cash equivalents and investments balance has been increasing since 2011. A significant increase of 138.1 million Swiss francs was achieved in 2019. This includes unrealized gains of 42.2 million Swiss francs in 2019 on the Organization's investment portfolio. The principal cash inflows to the Organization are payments of PCT system fees. Monthly cash inflows from PCT system fees averaged 29.3 million Swiss francs during the year 2019 compared to 27.9 million Swiss francs during the year 2018. The Organization generally holds its cash deposits in instant access bank accounts. During 2019 the Organization continued to hold balances in term deposit accounts (for periods up to 12 months). This has allowed the Organization to avoid incurring charges on certain instant access bank accounts following the introduction of negative interest rates during 2016.

As at December 31, 2019, WIPO's medium-term investment portfolio (core cash investments) had a fair value of 354.5 million Swiss francs, and the long-term investment portfolio (strategic cash investments) had a fair value of 175.2 million Swiss francs). WIPO's non-current investments are held at fair value in the Statement of Financial Position. During 2019, these investments generated unrealized gains of 42.2 million Swiss francs due to an increase in the valuation of WIPO's strategic cash and core cash investment portfolio assets at the reporting date. These changes in valuation

reflect short term market volatility. Core cash balances are invested with the objective of generating a positive return over rolling five year periods, and strategic cash balances are invested over the long term. WIPO's investments generated dividends of 5.2 million Swiss francs during 2019.

In the financial statements cash, cash equivalents and investments are also presented separately between restricted, unrestricted and strategic cash balances. There are several elements of cash and cash equivalents which are classified as restricted. Restricted cash includes current accounts held for third parties (applicants under the PCT, Madrid and Hague systems, and also certain contracting parties), fees collected on behalf of contracting parties, deposits received in connection with pending procedures related to trademarks, and Special Accounts held on behalf of donors of voluntary contributions. Strategic cash represents the funds held by the Organization which have been allocated for the future financing of after-service employee benefit liabilities, including ASHI. The balance of strategic cash was 190.2 million Swiss francs as at December 31, 2019. This includes the long-term investment portfolio (including unrealized gains) of 175.2 million Swiss francs, and cash balances yet to be invested of 15.0 million Swiss francs. These balances include the additional amounts generated in 2019 from the Program and Budget charge applied to the cost of posts for the funding of after-service employee benefit liabilities.

Unrestricted, restricted and strategic cash 2010-2019



STATEMENT ON INTERNAL CONTROL FOR 2019

I. Scope of Responsibility

As Director General of the World Intellectual Property Organization (WIPO), I am accountable, in accordance with the responsibility assigned to me, in particular, by Regulation 5.8 (d) of the Financial Regulations and Rules (FRRs), for maintaining a system of internal financial control that ensures:

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

II. Purpose of the system of internal control

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

Internal control is a process, effected by the Governing Bodies, the Director General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

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

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

The Program and Budget Committee took note of WIPO's Accountability Framework, presented to Member States at its 29th session in May 2019. This Statement is presented in line with the components of WIPO's Accountability Framework, following the COSO framework and Three Lines of Defense model.

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

COMPONENT 1 - Results based planning

Member States approved the biennial Program and Budget for 2018/19 that set out how resources were allocated to Programs for the achievement of Expected Results. Organizational processes are designed to ensure that that WIPO Programs are implemented in accordance with Member State approvals. Risk assessments were clearly identified and articulated in the Program and Budget for every Program, and the risks further analyzed during annual work planning.

COMPONENT 2 - Performance and risk management

I conduct mid-year and mid-biennium reviews of the implementation of workplans ensuring that work is being undertaken in accordance with approved plans. WIPO's Risk Management Group (RMG), chaired by me, oversees the Organization's overall risk portfolio in consideration of the WIPO Risk Appetite, as well as analyzing the global risk environment. Critical risks and their risk responses are reviewed on a quarterly basis and include the following key pervasive risks:

- *Cyber Risk*
WIPO is exposed to the risk of cyber-attacks and the risk of malicious or accidental breach of data leading to unauthorized disclosure or misuse of WIPO's confidential information, or disruption of business operations. Such an event can potentially impact WIPO's reputation as a trusted advisor and service provider to its membership and clients.

Control and mitigation: WIPO continues to implement a number of phased fit-for-purpose Information Assurance (IA) strategies across governance, people, processes and technologies, to strengthen its information security posture and its resilience against evolving cyber security threats. This includes among others regular independent assessments of its information security controls through penetration tests and annual certification audits to the ISO/IEC 27001 information security standard.

- *Data and Information Risk*

WIPO is accountable to protect the information assets entrusted to it, as well as its own assets. Malicious or unintentional disclosure of confidential information would have severe reputational and operational impact.

Control and mitigation: In 2019, WIPO published a revised policy and standard on Information Security Classification and Handling, supported by technical controls, and training to staff on how to classify and appropriately handle sensitive data. Additionally, WIPO maintains oversight of its external service providers that process WIPO data, through continual assessment of information risks from procurement through termination of the service.

- *Investment Risk*

There is a risk that the value of some or all of the investments made under the investment strategies that were approved by Member States for operating, core and strategic cash pools could decrease, either temporarily or permanently, which could result in a reduction in net assets (reserves). The potential for a greater loss will be higher as the cash holdings in each of these cash pools increase over time.

Control and mitigation: In 2019, additional cash was invested in line with the investment strategies determined in accordance with the Policy on Investments that was approved by the Assemblies in 2017. This work has been reviewed and supervised by the Advisory Committee on Investments (ACI) with the assistance of independent investment advisors throughout the year. Furthermore, the IAOC provided additional oversight to the investment process through monthly reporting. WIPO's cash position remained sound throughout 2019.

- *Security Risk*

The risk of a deliberate attack against WIPO at its headquarters or external offices.

Control and mitigation: WIPO offices operate in a secure environment aligned with policies of the UN Security Management System (UNSMS). All WIPO offices are assessed annually for security risks and mitigation measures are applied to reduce our risk exposure.

Additionally, WIPO continually analyzes regular, timely and accurate operational security and risk intelligence reports in regard to relevant country locations or threat types. WIPO's security service continually provides security threat information briefings and mitigation measures on developing global, regional, national or local threats, which could affect or impact WIPO personnel, delegates, visitors, operations, facilities, travel and assets.

- *Strategic Risk*

Risk that WIPO's Global IP services fail to keep pace and remain the best value option for IP protection, in the context of a rapidly changed global economic, political and technological landscape.

Control and mitigation: regularly seek input from stakeholders. Develop capabilities and analyze implications and opportunities of technologies such as artificial intelligence, block chain, digital time stamping and digital media.

COMPONENT 3 - Monitoring, Oversight, Complaints and Response Mechanisms

My review of effectiveness of the system of internal controls is mainly supported and informed by the following monitoring and oversight bodies and staff:

- My senior managers, in particular Deputy Directors General and Assistant Directors General who play important roles, and who are accountable for expected results, performance, their area's activities and the resources entrusted to them. The information channels mainly rely on periodic meetings held by the Senior Management Team;
- The Management Representation Letters (MRL) signed by key WIPO officers (SMT), from which I derive assurance. These letters recognize their responsibility for having and maintaining, in the programs, well-functioning systems and a mechanism for internal control aimed at preventing and/or detecting instances of

fraud and major errors;

- The RMG, whose purpose is to promote a culture of responsible and effective financial and risk management in WIPO and approve its risk management strategy and oversee its implementation. The RMG reviews and monitors WIPO's financial situation and the key risks to the achievement of the Organization's expected results;
- The Chief Ethics Officer, who provides confidential advice and counsel to the Organization and its staff on ethics and standards of conduct or conflicts of interest, and promotes overall ethical awareness and responsible behavior. The Chief Ethics Officer is also responsible for the implementation of the policies on financial disclosure and declaration of interests, and on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits of investigations;
- The Internal Oversight Division (IOD), on whose assurance and advisory services I rely, through reports of internal audit and evaluation as well as management implication reports resulting from investigations, which are also available to each Program Manager, the Independent Advisory Oversight Committee (IAOC) and the External Auditor. These reports include recommendations, independent and objective observations on the efficiency and effectiveness of the Organization's system of internal controls and risk management processes, as well as program performance, and other related activities of oversight;
- The IAOC, which oversees audit performance by monitoring of timely, effective and appropriate responses from management with regard to audit recommendations and implementation of the same. As a result of such oversight the IAOC elucidates to Member States the implications of audit recommendations and observations, if any, and also highlights, where it considers necessary, particular matters. Finally, the IAOC keeps Member States informed of its work on a regular basis and reports annually to the Program and Budget Committee (PBC) and to the General Assembly;
- The Joint Inspection Unit (JIU) of the United Nations System;
- The External Auditor, whose Report, containing his/her opinion, observations and comments, is submitted to the PBC and the Assemblies; and
- The Governing Bodies' observations.
- I further ensure that Feedback Mechanisms are in place for Member States, Customer Complaint Resolution Services are in place for clients and that Informal and Formal Conflict Resolution Mechanisms are in place for staff.

COMPONENT 4 - Control Activities

The RMG is responsible for keeping under review the effectiveness of the Organization's internal financial controls and internal controls, and for reviewing and approving the content of the present Statement concerning internal controls and risk management. A facilitated self-assessment and internal validation has been performed on the entity level controls and process level controls identified on the basis of the requirements of the Financial as well as the Staff Regulations and Rules (FRRs and SRRs respectively). These processes contribute to underpinning and strengthening the assurance provided by key WIPO officers in signing their respective Management Representation Letters. During 2019, improvements have been made to the system of assurance including the increased use of data analytics for internal controls and a focused fraud risk assessment.

The Chief Compliance Officer has the specific responsibility of ensuring that any technical assistance or other project activities carried out by WIPO, within any of the countries under UN sanctions, do not violate any applicable UN sanctions.

COMPONENT 5 - Information and Communication

Information and Data Governance has undergone significant strengthening to reflect its importance to WIPO. A Master Data Management Policy provides a directive control for managing critical data and provides an authoritative point of reference that can be integrated into the enterprise architecture. An information classification and handling policy provides a preventive control raising understanding and application of levels of information confidentiality.

The portfolio of Enterprise Resource Planning (ERP) solutions provide a high level of control, including transactional level system controls and data analytics. The Enterprise Risk Management solution ensures controls are systematically owned, assessed and as appropriate linked to risks. The annual WIPO Performance Report presented to Member States includes a review of the evolution and impact of risks on the delivery of Expected Results for each

Program.

COMPONENT 6 - Ethical Standards and Integrity

An Ethics Office has been in place since 2010, and the conduct and actions of WIPO staff must always adhere to the highest ethical standards, as set out in the WIPO Code of Ethics. Ethics training is provided to all staff as well as fraud awareness training.

WIPO has in place organization-wide anti-fraud controls, in accordance with good practices and applicable international standards, based on risk assessments. Appropriate fraud prevention, detection, response and data collection procedures and processes exist in the Organization, reflecting WIPO's comprehensive anti-fraud governance framework.

WIPO's Policy on Financial Disclosure and Declaration of Interests aims to: (i) promote transparency and accountability; (ii) enhance internal and external public trust in the integrity of the Organization; and (iii) assist the Organization to manage the risk of actual and perceived conflicts of interest through disclosure, mitigation and prevention.

COMPONENT 7 - Control Environment

Ongoing review and appropriate follow-up to ensure that the regulatory framework of the Organization is fully up to date and addresses the needs of the Organization has resulted in revisions to the Organization's FRRs and SRRs as appropriate. A comprehensive review of WIPO's procurement policy and procedures was undertaken in 2017, which resulted in a strengthened delegation model for procurement authority as well as additional controls and reporting with regards to alternatives to the competitive process. Confidentiality of the vendor selection process has been strengthened; a Vendor Sanction policy was put in place, and the procurement process has been streamlined. Furthermore, in 2019 a strengthened Code of Conduct for Staff Involved in Procurement actions was enforced, with additional controls bearing on non-conflict of interest in engaging external consultants (ICS). Financial reporting has also been streamlined to minimize duplications and overlaps and enhance coherence, clarity and transparency without any loss or reduction of information or disclosure.

WIPO's Core Values are expressed as "Shaping the Future", "Acting Responsibly", "Delivering Excellence" and "Working as One", and all contribute to fostering a culture of accountability.

III. Conclusion

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

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

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

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

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



Francis Gurry
Director General

INDEPENDENT AUDITOR'S REPORT

To THE WORLD INTELLECTUAL PROPERTY ORGANIZATION GENERAL ASSEMBLY

Opinion on financial statements

I have audited the financial statements of the World Intellectual Property Organization for the year ended 31 December 2019, which comprise the statement of financial position, the statement of financial performance, statement of changes in net assets, statement of cash flow, the statement of comparison of budget and actual amounts – revenue for the year then ended, the statement of comparison of budget and actual amounts – expenses for the year then ended, the statement of comparison of budget and actual amounts – revenue for the biennium then ended, the statement of comparison of budget and actual amounts – expenses for the biennium then ended, and the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the World Intellectual Property Organization as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the General Assembly and the financial transactions conform to the Organization's Financial Regulations.

Basis for opinion(s)

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the World Intellectual Property Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 International Public Sector Accounting Standards, 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 World Intellectual Property Organization 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 World Intellectual Property Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the World Intellectual Property Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibilities 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the World Intellectual Property Organization'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 World Intellectual Property Organization'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 World Intellectual Property Organization's 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.

I 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 I identify during my audit.

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Financial Report, the Statement on Internal Control and Annexes. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

(signed) **Gareth Davies**
Comptroller and Auditor General
National Audit Office
London, United Kingdom

FINANCIAL STATEMENTS

STATEMENT I – STATEMENT OF FINANCIAL POSITION

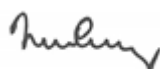
as at December 31, 2019

(in thousands of Swiss francs)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	3	206,031	222,920
Investments	4	18,304	11,686
Contributions receivables	5	2,369	1,720
Exchange transactions receivables	5	73,258	70,136
Inventories		-	1,298
		<u>299,962</u>	<u>307,760</u>
Non-current assets			
Investments	4	529,725	381,418
Intangible assets	6	24,461	24,994
Property, plant, and equipment	7	363,539	362,388
Other non-current assets	8	8,185	8,367
		<u>925,910</u>	<u>777,167</u>
TOTAL ASSETS		1,225,872	1,084,927
LIABILITIES			
Current liabilities			
Payables and accruals	9	24,036	16,536
Employee benefits	10	35,529	24,987
Transfers payable	11	94,492	96,646
Advance receipts	12	313,787	296,238
Provisions	13	1,811	5,588
Current accounts		67,623	70,578
		<u>537,278</u>	<u>510,573</u>
Non-current liabilities			
Employee benefits	10	320,695	309,138
Advance receipts	12	3,672	3,804
		<u>324,367</u>	<u>312,942</u>
TOTAL LIABILITIES		861,645	823,515
Accumulated Surpluses	17	418,413	328,732
Special Projects Reserve	17	39,490	31,497
Revaluation Reserve Surplus	17	18,532	17,266
Actuarial gains/(losses) through Net Assets	17	-118,550	-122,425
Working Capital Funds	17	6,342	6,342
NET ASSETS		364,227	261,412

The accompanying notes form an integral part of these financial statements

Director General



STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE

for the year ended December 31, 2019

(in thousands of Swiss francs)

	Note	2019	2018
REVENUE			
Assessed contributions		17,313	17,361
Voluntary contributions		10,863	11,605
Publications revenue		353	542
Fees			
PCT system		338,108	321,348
Madrid system		76,840	74,297
Hague system		5,288	4,919
Lisbon system		14	31
Sub-total fees		420,250	400,595
Arbitration and Mediation		1,963	1,810
Other/miscellaneous revenue		6,291	1,696
TOTAL REVENUE		457,033	433,609
EXPENSES			
	19		
Personnel expenditure		242,511	220,597
Internships and WIPO fellow ships		5,183	4,440
Travel, training and grants		17,509	16,764
Contractual services		96,123	93,838
Operating expenses		22,518	26,643
Equipment and supplies		6,392	2,045
Depreciation and amortization		10,205	11,302
Finance costs		1,020	209
TOTAL EXPENSES		401,461	375,838
Investment gains/(losses)	20	42,102	-15,285
SURPLUS/(DEFICIT) FOR THE PERIOD		97,674	42,486

STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS

for the year ended December 31, 2019
(in thousands of Swiss francs)

	Note	Accumulated Surpluses	Special Projects Reserve	Revaluation Reserve Surplus	Actuarial gains/(losses) through Net Assets	Working Capital Funds	Net Assets Total
Net Assets at December 31, 2017		305,953	11,790	17,266	-138,694	6,342	202,657
Surplus/(deficit) for the year 2018		47,082	-4,596	-	-	-	42,486
Adjustment to Special Projects Reserve		-27,549	27,549	-	-	-	-
Transfer to Accumulated Surpluses		3,246	-3,246	-	-	-	-
Actuarial gains/(losses)		-	-	-	16,269	-	16,269
Net Assets at December 31, 2018	17	328,732	31,497	17,266	-122,425	6,342	261,412
Surplus/(deficit) for the year 2019		103,001	-5,327	-	-	-	97,674
Adjustment to Special Projects Reserve		-18,973	18,973	-	-	-	-
Transfer to Accumulated Surpluses		5,653	-5,653	-	-	-	-
Adjustment to Revaluation Reserve Surplus		-	-	1,266	-	-	1,266
Actuarial gains/(losses)		-	-	-	3,875	-	3,875
Net Assets at December 31, 2019	17	418,413	39,490	18,532	-118,550	6,342	364,227

STATEMENT IV – STATEMENT OF CASH FLOW

for the year ended December 31, 2019
(in thousands of Swiss francs)

	Note	2019	2018
Cash flows from operating activities			
Surplus (deficit) for the period	Statement II	97,674	42,486
Depreciation and amortization	6 & 7	10,205	11,302
(Increase) decrease in inventories		1,298	51
(Increase) decrease in receivables	5	-3,771	-8,232
(Increase) decrease in other assets	8	182	186
Increase (decrease) in advance receipts	12	17,417	14,106
Increase (decrease) in payables and accruals	9	7,500	-1,360
Increase (decrease) in transfers payable	11	-2,154	2,745
Increase (decrease) in provisions	13	-3,777	3,580
Increase (decrease) in current accounts		-2,955	6,099
Movement in employee benefits (1)		25,975	12,668
Interest, dividends, investment and exchange gains/losses (2)		-47,543	12,803
Net cash flows from operating activities		100,051	96,434
Cash flows from investing activities			
Additions to property, plant, and equipment	7	-9,297	-5,384
Disposals of property, plant, and equipment	7	-	3,737
(Increase) decrease in intangible assets	6	-261	-
Disposal of investment property		-	6,210
(Increase) decrease in investments	4	-154,925	-113,864
Increase (decrease) in fair value of investments	4	42,191	-16,994
Dividends and interest on investments	20	5,222	4,204
Net cash flows from investing activities		-117,070	-122,091
Cash flows from financing activities			
Repayment of borrowings		-	-16,862
Net cash flows from financing activities		-	-16,862
Effect of exchange rate changes on cash and cash equivalents			
		130	-13
Net increase (decrease) in cash and cash equivalents		-16,889	-42,532
Cash and cash equivalents at beginning of year	3	222,920	265,452
Cash and cash equivalents at end of year	3	206,031	222,920

(1) Includes the effect of recognition of actuarial gains/losses through net assets;

(2) Interest earned, dividends received, interest paid on borrowings, the effect of exchange rate changes on cash and cash equivalents, and gains/losses on investments.

**STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE 2019**

for the year ended December 31, 2019
(in thousands of Swiss francs)

	Original Budget 2019	Updated Budget 2019	Actual Revenue on comparable basis 2019	Difference 2019
	(1)	(2)		(3)
Assessed contributions	17,376	17,376	17,369	-7
Fees				
PCT system	321,907	333,470	338,108	4,638
Madrid system	71,796	77,510	76,840	-670
Hague system	5,922	5,050	5,288	238
Lisbon system	20	20	14	-6
Sub-total fees	399,645	416,050	420,250	4,200
Arbitration and Mediation	1,550	1,550	1,963	413
Publications	205	205	353	148
Investment revenue	23	23	42,102	42,079
Other/miscellaneous	2,536	2,536	7,213	4,677
TOTAL	421,335	437,740	489,250	51,510

(1) Original Budget represents the second year of the approved Program and Budget for the 2018/19 biennium.

(2) Updated Budget includes updated revenue estimates for the PCT, Madrid and Hague systems as per the January 2020 Forecast from the WIPO Economics and Statistics Division.

(3) Represents the difference between the Updated Budget 2019 and actual revenue on a comparable basis for the year ended December 31, 2019.

**STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – EXPENSES 2019**

for the year ended December 31, 2019

(in thousands of Swiss francs)

Program	Program Title	Original Budget 2019 (1)	Final Budget after Transfers 2019	Actual Expense on a comparable basis 2019	Difference 2019 (2)
1	Patent Law	2,522	2,936	2,729	207
2	Trademarks, Industrial Designs & Geographical Indications	2,500	2,711	2,517	194
3	Copyright and Related Rights	8,419	10,000	9,175	825
4	Traditional Know ledge, Traditional Cultural Expressions & Genetic Resources	3,552	3,515	3,251	264
5	The PCT System	107,517	108,553	103,417	5,136
6	Madrid System	29,730	30,472	28,869	1,603
7	WIPO Arbitration and Mediation Center	5,734	6,038	5,672	366
8	Development Agenda Coordination	1,749	2,153	1,664	489
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	15,606	15,025	14,640	385
10	Transition and Developed Countries	4,386	4,666	4,362	304
11	The WIPO Academy	6,896	6,968	6,974	-6
12	International Classifications and Standards	3,662	4,366	4,305	61
13	Global Databases	4,480	6,511	6,367	144
14	Services for Access to Information and Know ledge	3,938	4,853	4,916	-63
15	Business Solutions for IP Offices	7,438	7,532	7,563	-31
16	Economics and Statistics	3,567	3,981	3,864	117
17	Building Respect for IP	2,074	2,367	2,360	7
18	IP and Global Challenges	2,857	2,642	2,495	147
19	Communications	8,305	8,395	7,960	435
20	External Relations, Partnerships and External Offices	6,702	8,014	6,876	1,138
21	Executive Management	10,149	12,978	12,848	130
22	Program and Resource Management	19,292	20,805	19,503	1,302
23	Human Resources Management and Development	12,363	14,142	13,793	349
24	General Support Services	19,435	21,018	20,550	468
25	Information and Communication Technology	26,139	27,308	25,906	1,402
26	Internal Oversight	2,833	2,691	2,727	-36
27	Conference and Language Services	19,754	18,448	18,334	114
28	Information Assurance, Safety and Security	11,578	13,242	12,665	577
30	SMEs and Entrepreneurship Support	3,213	3,186	2,860	326
31	The Hague System	5,656	7,031	7,053	-22
32	Lisbon System	684	704	724	-20
UN	Unallocated	3,678	3,170	-	3,170
TOTAL		366,408	386,421	366,939	19,482
Net surplus/(deficit)		54,927	51,319	122,311	70,992
IPSAS adjustments to surplus (3)				-13,008	
Projects financed from reserves				-10,978	
Special Accounts financed from voluntary contributions				-651	
Adjusted net surplus per IPSAS				97,674	

(1) Original Budget represents the budget of the second year of the approved Program and Budget for the 2018/19 biennium. The biennial budget amounts to 725.9 million Swiss francs, and was approved by the Assemblies of the Member States of WIPO on October 11, 2017.

(2) Represents the difference between the Final Budget after Transfers 2019 and Actual Expense on a comparable basis for the year ended December 31, 2019.

(3) The IPSAS adjustments to the surplus are detailed in Note 18 of these financial statements.

**STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE 2018/19**

for the biennium ended December 31, 2019
(in thousands of Swiss francs)

	Original Budget 2018/19	Updated Budget 2018/19	Actual Revenue on comparable basis 2018/19	Difference 2018/19
	(1)	(2)		(3)
Assessed contributions	34,751	34,751	34,746	-5
Fees				
PCT system	634,063	654,680	659,456	4,776
Madrid system	140,822	154,330	151,137	-3,193
Hague system	11,340	9,760	10,207	447
Lisbon system	40	40	45	5
Sub-total fees	<u>786,265</u>	<u>818,810</u>	<u>820,845</u>	<u>2,035</u>
Arbitration and Mediation	3,100	3,100	3,773	673
Publications	410	410	895	485
Investment revenue	46	46	33,027	32,981
Other/miscellaneous	5,073	5,073	9,974	4,901
TOTAL	<u>829,645</u>	<u>862,190</u>	<u>903,260</u>	<u>41,070</u>

(1) Original Budget represents the approved Program and Budget for the 2018/19 biennium.

(2) Updated Budget includes updated revenue estimates for the PCT, Madrid and Hague systems as per the January 2020 Forecast from the WIPO Economics and Statistics Division.

(3) Represents the difference between the Updated Budget 2018/19 and actual revenue on a comparable basis for the biennium ended December 31, 2019.

**STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – EXPENSES 2018/19**

for the biennium ended December 31, 2019

(in thousands of Swiss francs)

Program	Program Title	Original Budget 2018/19 (1)	Final Budget after Transfers 2018/19	Actual Expense on a comparable basis 2018/19	Difference 2018/19 (2)
1	Patent Law	4,965	5,481	5,332	149
2	Trademarks, Industrial Designs & Geographical Indications	4,925	4,986	4,785	201
3	Copyright and Related Rights	16,680	17,743	16,684	1,059
4	Traditional Know ledge, Traditional Cultural Expressions & Genetic Resources	7,057	6,927	6,557	370
5	The PCT System	213,107	207,985	200,932	7,053
6	Madrid System	58,839	58,339	56,443	1,896
7	WIPO Arbitration and Mediation Center	11,322	11,535	10,941	594
8	Development Agenda Coordination	3,455	3,687	3,161	526
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	30,785	28,786	28,475	311
10	Transition and Developed Countries	8,679	8,417	7,860	557
11	The WIPO Academy	13,614	13,250	13,216	34
12	International Classifications and Standards	7,215	7,544	7,396	148
13	Global Databases	8,840	11,133	10,752	381
14	Services for Access to Information and Know ledge	7,850	8,901	8,948	-47
15	Business Solutions for IP Offices	14,574	13,914	13,945	-31
16	Economics and Statistics	6,918	7,081	7,194	-113
17	Building Respect for IP	4,102	4,565	4,551	14
18	IP and Global Challenges	5,648	4,997	4,601	396
19	Communications	16,412	15,913	15,445	468
20	External Relations, Partnerships and External Offices	13,255	14,343	13,306	1,037
21	Executive Management	20,047	24,361	24,128	233
22	Program and Resource Management	38,203	38,012	36,554	1,458
23	Human Resources Management and Development	24,630	26,531	29,835	-3,304
24	General Support Services	38,634	39,703	39,224	479
25	Information and Communication Technology	52,088	51,214	49,785	1,429
26	Internal Oversight	5,550	5,056	5,068	-12
27	Conference and Language Services	39,136	35,740	35,387	353
28	Information Assurance, Safety and Security	23,104	23,253	22,808	445
30	SMEs and Entrepreneurship Support	6,326	6,119	5,721	398
31	The Hague System	11,193	15,813	15,958	-145
32	Lisbon System	1,347	1,358	1,383	-25
UN	Unallocated	7,357	3,170	-	3,170
TOTAL		725,857	725,857	706,375	19,482
Net surplus/(deficit)		103,788	136,333	196,885	60,552
IPSAS adjustments to surplus (3)				-35,334	
Projects financed from reserves				-18,815	
Special Accounts financed from voluntary contributions				-2,576	
Adjusted net surplus per IPSAS				140,160	

(1) Original Budget represents the Program and Budget for the 2018/19 biennium of 725.9 million Swiss francs, which was approved by the Assemblies of the Member States of WIPO on October 11, 2017.

(2) Represents the difference between the Final Budget after Transfers 2018/19 and Actual Expense on a comparable basis for the biennium ended December 31, 2019.

(3) The IPSAS adjustments to the surplus are detailed in Note 18 of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES AND BUDGET OF THE ORGANIZATION

WIPO functions in accordance with the WIPO Convention signed in Stockholm on July 14, 1967 and as amended on September 28, 1979. WIPO was recognized as a specialized agency of the United Nations in 1974. WIPO is based in Geneva, Switzerland, and enjoys privileges and immunities as granted under the 1947 Convention on Privileges and Immunities of Specialized Agencies of the United Nations and the 1970 Headquarters Agreement with the Swiss Federal Council, notably being exempt from paying most forms of direct and indirect taxation. WIPO also has external offices in Algiers, Beijing, Moscow, Rio de Janeiro, Singapore and Tokyo, along with a coordination office in New York. The WIPO external office in Nigeria was established in January 2020.

WIPO's mission is the promotion of innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system. WIPO's broad-ranging activities include the following main areas of work: providing intellectual property services through the Organization's Global IP systems; developing and maintaining the technical infrastructure that not only supports the international IP system, but also provides access to its outputs, enhances data flows, and enables global cooperation; serving as a multilateral forum for discussions on the normative development of intellectual property policy; and facilitating the use of IP for social, cultural and economic development, by mainstreaming development considerations and delivering development cooperation activities horizontally across all of the Organization's programs.

WIPO is funded from fees derived from services provided by the Organization, assessed contributions paid by its Member States and voluntary contributions from Member States and other donors. The Organization operates within the framework of a biennial program and budget which provides the appropriations that constitute the budgetary expenditure authorizations approved by the Assemblies for the financial period. The approval of the appropriations provides the authority for the Director General to commit and authorize expenses and to make payments for the purposes assigned within the limits of the appropriations.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments are classified as current or non-current assets according to the time horizon of the investment objectives. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

Foreign Currency Transactions

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

Revenue Recognition

Revenue from exchange transactions comprising the fees charged for applications under the Patent Cooperation Treaty (PCT) system, the Madrid system and the Hague system is recognized at the date of publication. Revenue from fees received for applications not published at the reporting date is deferred until publication has been completed. The portion of the PCT application fee covering the costs of translation of non-English language patentability reports received after publication is also deferred until the translation is completed. All other fees under the PCT, Madrid and Hague systems are recognized when the services covered by the fee have been provided. Revenue from publications is recognized upon full delivery of the goods. Revenue from Arbitration and Mediation services is recognized upon delivery of the services related to the submission of a request covered by the fee received.

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

Assessed contributions are recognized as revenue at the beginning of each year of the budget period to which the assessment relates.

Expense Recognition

Expenses are recognized as goods are received and as services are delivered.

Receivables

Receivables from exchange transactions include fees which are charged to users of WIPO's intellectual property services through the PCT, Madrid and Hague systems. These are measured at the fair value of the consideration receivable for PCT, Madrid and Hague system fees once the international application has been filed.

Receivables from non-exchange transactions include uncollected assessed contributions. These are measured at the fair value of the consideration receivable. An allowance for non-recoverable receivables is recorded equal to the assessed contributions frozen by action of the General Assembly in 1989 and 1991, plus contributions receivable from Member States that have lost the right to vote in accordance with Article 11, paragraph 5 of the WIPO Convention.

Property, Plant, and Equipment

Equipment is valued at cost less accumulated depreciation and impairment. Equipment is recognized as an asset if it has a cost of 5,000 Swiss francs or more per unit. 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. Heritage assets including donated works of art are not valued in the financial statements.

Land is carried at fair value as determined by an independent valuation in accordance with International Valuation Standards. Changes in fair value are recognized directly in net assets through the Revaluation Reserve Surplus. Buildings and constructions in use are valued at the cost of construction when new plus the cost of subsequent improvements, less accumulated depreciation. For the initial recognition of buildings in use as at January 1, 2010, the date of transition to IPSAS, the value when new was determined by reference to a deemed cost calculated by an external consultant and representing the value of each component at construction plus improvements existing at the initial recognition, less accumulated depreciation based upon the remaining useful life of each component. Subsequent costs of major renovations and improvements to buildings and constructions that increase or extend the future economic benefits or service potential are valued at cost.

Depreciation is charged so as to write off the full cost of property, plant, and equipment over its estimated useful life using the straight-line method. Where

property, plant, and equipment is only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following ranges of useful lives are applied to the different classes and components of property, plant, and equipment:

Class/Component	Estimated useful life
Equipment	
Communications and IT equipment	5-10 years
Vehicles	15 years
Furniture and furnishings	10 years
Buildings	
Structure	50-100 years
Façade	50 years
Perimeter bollards/walls	20-80 years
Land Improvements	40-50 years
Roof	50-60 years
Floors, walls, stairways	50 years
Flooring, wall coverings	20-40 years
Specialist fittings	15-40 years
Heating and ventilation	25-30 years
Sanitary facilities	40 years
Electrical installations	25-50 years
Elevators	40 years

The carrying values of property, plant, and equipment are reviewed for impairment if events or changes in circumstances indicate that the book value 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.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment. Amortization is 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 over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Estimated useful life
Software acquired externally	5 years
Software internally developed	5 years
Licenses and rights	Period of license/right

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use

the specific software. Software or software licenses purchased externally are recognized as an asset if they have a cost of 20,000 Swiss francs or more per unit. Costs that are directly associated with the internal development of software for use by WIPO are capitalized as intangible assets only if the recognition criteria under IPSAS 31 are met. Direct costs include the software development employee costs.

The rights to use property in the Canton of Geneva acquired by the Organization through purchase have been recognized at historic cost and are amortized over the remaining period of the grant. The rights to use property granted by the Canton of Geneva acquired without cost, that revert back to the Canton at the end of the grant, are not valued in the financial statements.

Financial Assets

Financial assets are recognized initially at fair value, normally being the transaction price. The subsequent measurement of financial assets depends on their classification. WIPO classifies its financial assets as either measured at amortized cost or measured at fair value through surplus or deficit. The classification depends on WIPO's management model for the financial assets and the contractual cash flow characteristics of the financial assets. WIPO assesses on a forward looking basis the expected credit losses associated with its financial assets classified as measured at amortized cost.

Financial Liabilities

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

Derivative Financial Instruments

WIPO uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. These financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value.

Employee Benefits

Liabilities are established for After-Service Health Insurance (ASHI), repatriation grants and travel, and long-term accumulated annual leave as determined by an independent actuary on an annual basis utilizing the projected unit credit methodology of valuation. For the ASHI liability, actuarial gains and losses are recognized in net assets. In addition, liabilities are

established for the value of short-term accumulated annual leave, home leave not taken, overtime earned but unpaid, separation benefits, performance rewards, and for education grants payable at the reporting date that have not been included in current expenditure.

WIPO is a member organization participating in the United Nations Joint Staff Pension Fund (the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

Provisions

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

Net Assets

The Organization's net assets represent the balance of its reserves, which include its Reserves (Accumulated Surpluses, Special Projects Reserve and Revaluation Reserve Surplus) and Working Capital Funds. The Organization also recognizes actuarial gains and losses directly through net assets. The Organization manages the level of its reserves in accordance with its Policy on Reserves.

The Accumulated Surpluses of the Organization represent the accumulated net result of operations in the reporting year and prior periods after the impact of IPSAS.

WIPO's Policy on Reserves establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances. The Special Projects Reserve contains the appropriations to these projects financed from reserves, less accumulated expenditure.

The Revaluation Reserve Surplus includes the cumulative results of revaluations of the land owned by the Organization on which the New Building has been constructed.

The Working Capital Funds are established for providing advance financing of appropriations should there be a temporary liquidity shortfall, and for such other purposes as the Assemblies of Member States and of the Unions shall decide. The Working Capital Funds are financed by contributions and are held in trust by WIPO for the Member States of the respective Unions.

Segment Reporting

Segment reporting is based upon the Unions that form WIPO. Revenue and expenses incurred by the Organization are allocated among the Unions in accordance with an allocation methodology approved by the WIPO Assembly (Program and Budget 2018/19, Annex III). The methodology allocates revenue and expenses to each program and then to each Union based on a combination of direct revenue and expense, staff head count and each Union's ability to pay which is itself determined according to a combination of current revenue over its direct expenditure and reserves. The only inter-segment charge represents the costs of program support incurred by the Unions in support of Special Accounts. Program support costs are charged to the Special Accounts based on a percentage of total direct expenditure specified in the agreement with the donor making the voluntary contribution. WIPO's assets and liabilities are not allocated to individual segments, since ownership rests with the Organization as a whole, however, each Union's share of the Organization's net assets including Reserves and Working Capital Funds is recognized by segment.

Impact of new International Public Sector Accounting Standards

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

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

Changes in Presentation

A number of presentation changes have been made to the financial statements in order to provide more concise disclosures, while maintaining compliance with the requirements of IPSAS.

In the Statement of Financial Performance, foreign exchange gains and losses related to investment and hedging activities have been reallocated to investment gains/(losses). These were previously included in other/miscellaneous revenue. This change in presentation has been reflected in the 2018 comparative numbers, with an amount of 3.0 million Swiss francs reallocated.

In the Statement of Financial Position, equipment, land and buildings have been consolidated into a single line called property, plant, and equipment. Derivative financial instruments are now included with investments. These changes have also been reflected in the 2018 comparative numbers.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI, repatriation grants and travel, and long-term accumulated annual leave liabilities (the value of which are calculated by an independent actuary), other employee benefit liabilities, provisions for litigation, financial risk on accounts receivable, accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

All balances are presented in thousands of Swiss francs, as a result small rounding differences may occur.

Financial Assets	Category IPSAS 29	Category IPSAS 41
Cash and cash equivalents	Financial assets at fair value through surplus and deficit	Amortized cost
Receivables	Loans and receivables (at amortized cost)	Amortized cost
Loans	Loans and receivables (at amortized cost)	Amortized cost
Derivatives	Financial assets at fair value through surplus and deficit	Fair value through surplus or deficit
Short-term investments arising from operating cash	Financial assets at fair value through surplus and deficit	Fair value through surplus or deficit
Held to maturity investments arising from operating cash	Held to maturity investments at (amortized) cost	Amortized cost
Investments arising from core and strategic cash	Financial assets at fair value through surplus and deficit	Fair value through surplus or deficit

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Cash on hand	25	22
Deposits with banks	8,293	24,043
Term deposits less than 3 months	3,000	8,000
Notice accounts	19	2,509
Total unrestricted cash	11,337	34,574
Current accounts held for third parties	67,623	70,578
Fees collected on behalf of contracting parties	94,491	96,646
Notice accounts Special Accounts	17,583	15,661
Total restricted cash	179,697	182,885
Deposits with banks	14,997	5,461
Total strategic cash	14,997	5,461
Total cash and cash equivalents	206,031	222,920

NOTE 4: INVESTMENTS

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Term deposits more than 3 months (operating cash)	17,000	12,000
Derivative financial instruments	1,304	-314
Current investments	18,304	11,686
Medium term Investment portfolio (core cash)	354,493	261,107
Long term Investment portfolio (strategic cash)	175,232	120,311
Non-current investments	529,725	381,418
Total investments	548,029	393,104

Derivative financial instruments are forward foreign exchange contracts. The movement in the value of operating cash, core cash, and strategic cash investments during the year ended December 31, 2019 is as follows:

	Operating cash investments	Core cash investments	Strategic cash investments
Investments fair value at January 1, 2019	12,000	261,107	120,311
Additional investments made	5,000	65,087	39,978
Dividends on non-current investments invested	-	2,469	1,011
Rebates on non-current investments invested	-	49	29
Forex gains/(losses) on investments	-	-1,520	-987
Fair value increase/(decrease)	-	27,301	14,890
Investments fair value at December 31, 2019	17,000	354,493	175,232

NOTE 5: RECEIVABLES

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Assessed contributions	2,266	1,580
Voluntary contributions	63	100
WCF arrears	40	40
Contributions receivables	2,369	1,720
PCT debtors	59,121	55,629
Madrid debtors	654	636
Other receivables	7,241	7,144
Advances and prepayments	6,242	6,727
Exchange transactions receivables	73,258	70,136
Total accounts receivable	75,627	71,856

Other receivables include USA taxes reimbursable, Swiss taxes reimbursable, UPOV expenditure reimbursable, credit card debtors and other debtors. Advances and prepayments include staff advances for education grants, funds advanced to the United Nations Development Program and other prepaid expenditure.

NOTE 6: INTANGIBLE ASSETS

Movement 2019	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
<i>(in thousands of Swiss francs)</i>					
January 1, 2019					
Gross carrying amount	34,290	1,115	4,419	-	39,824
Accumulated amortization	-10,038	-990	-3,802	-	-14,830
Net carrying amount	24,252	125	617	-	24,994
Movements in 2019:					
Additions	-	-	-	261	261
Transfers	-	-	-	-	-
Disposals	-	-355	-	-	-355
Disposals amortization	-	355	-	-	355
Amortization	-439	-68	-287	-	-794
Total movements in 2019	-439	-68	-287	261	-533
December 31, 2019					
Gross carrying amount	34,290	760	4,419	261	39,730
Accumulated amortization	-10,477	-703	-4,089	-	-15,269
Net carrying amount	23,813	57	330	261	24,461

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Movement 2018	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
<i>(in thousands of Swiss francs)</i>					
January 1, 2018					
Gross carrying amount	34,290	1,115	4,419	-	39,824
Accumulated amortization	-9,598	-903	-2,909	-	-13,410
Net carrying amount	24,692	212	1,510	-	26,414
Movements in 2018:					
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Disposals amortization	-	-	-	-	-
Amortization	-440	-87	-893	-	-1,420
Total movements in 2018	-440	-87	-893	-	-1,420
December 31, 2018					
Gross carrying amount	34,290	1,115	4,419	-	39,824
Accumulated amortization	-10,038	-990	-3,802	-	-14,830
Net carrying amount	24,252	125	617	-	24,994

Land surface rights to parcel 4008 in Petit-Saconnex in the City of Geneva were acquired from the World Meteorological Organization (WMO) in 1996. These had been granted to WMO by the Republic and Canton of Geneva. At the date of purchase the original rights had a remaining period of 78 years expiring in 2073, unless renewed by the Canton. WIPO has been granted surface rights by the Republic and Canton of Geneva to the land on which the Árpád Bogsch and Georg Bodenhausen buildings are located. These surface rights were acquired by the Organization at no cost and no value has been recognized in the financial statements as the Organization does not have the right to dispose of the rights.

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT

Movement 2019	Buildings	Land	Equipment	Total
<i>(in thousands of Swiss francs)</i>				
January 1, 2019				
Gross carrying amount	393,192	30,820	7,412	431,424
Accumulated depreciation	-62,678	-	-6,358	-69,036
Net carrying amount	330,514	30,820	1,054	362,388
Movements in 2019:				
Additions	8,158	-	1,139	9,297
Revaluation	-	1,266	-	1,266
Disposals	-69	-	-775	-844
Disposals depreciation	69	-	775	844
Depreciation	-9,106	-	-306	-9,412
Total movements in 2019	-948	1,266	833	1,151
December 31, 2019				
Gross carrying amount	401,281	32,086	7,776	441,143
Accumulated depreciation	-71,715	-	-5,889	-77,604
Net carrying amount	329,566	32,086	1,887	363,539

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Movement 2018	Buildings	Land	Equipment	Total
<i>(in thousands of Swiss francs)</i>				
January 1, 2018				
Gross carrying amount	393,022	30,820	8,144	431,986
Accumulated depreciation	-54,674	-	-6,689	-61,363
Net carrying amount	338,348	30,820	1,455	370,623
Movements in 2018:				
Additions	5,172	-	212	5,384
Disposals	-5,002	-	-944	-5,946
Disposals depreciation	1,295	-	914	2,209
Depreciation	-9,299	-	-583	-9,882
Total movements in 2018	-7,834	-	-401	-8,235
December 31, 2018				
Gross carrying amount	393,192	30,820	7,412	431,424
Accumulated depreciation	-62,678	-	-6,358	-69,036
Net carrying amount	330,514	30,820	1,054	362,388

WIPO holds fully depreciated equipment which is still in use for a gross carrying amount of 4.2 million Swiss francs. The land upon which the New Building was constructed was initially acquired by the Organization at a cost of 13.6 million Swiss francs in 1998, but is held at fair value based on International Valuation Standards as determined by an independent appraiser. An updated valuation of the land was performed by an independent appraiser at December 31, 2019. This valuation indicated a further increase in the fair value of the land of 1.3 million Swiss francs, compared to the previous valuation performed in 2016. The net result of all periodic revaluations totalling 18.5 million Swiss francs is included in the Revaluation Reserve Surplus which forms part of WIPO's net assets. Market value was estimated by capitalizing at an appropriate investment yield the future potential income stream from the property. The potential income is based on comparable rentals in the market and takes into account the quality of the spaces as well as the location. The yield has been selected by reference to the perceived quality and duration of the income and the potential for further rental growth and is cross-referenced by the evidence provided by comparable sales.

WIPO holds heritage assets, referred to as works of art, representing items donated or loaned to the Organization by representatives or officials of Member States or other public or private entities or individuals. The works of art held by WIPO include paintings, sculptures, decorative objects, historical documents and other items. As at December 31, 2019, the Organization held a total of 567 items classified as works of art. WIPO has elected not to recognize works of art as assets in the Statement of Financial Position, in accordance with IPSAS 17. The 567 items are classified as follows:

Framed artwork	164
Sculptures	75
Decorative objects	71
Furniture	38
Tapestries/carpets	33
Other commemorative objects	26
Primitive arts	21
Ceramic/porcelain	20
Silverware	18
Other works of art	101
Total	567

Under the WIPO Policy on Property Management and the related Property Management Manual, the Organization has established processes and procedures for the management of (works of art, including the final determination as to

whether an item is deemed to be a work of art. Works of art are held in controlled access storage until such time as a decision is taken in relation to the placement of an item. Most of the small and fragile works of art are stored in closed cabinets. The dedicated storage is currently being improved to enhance protection from dust and possible water damage. In addition, works of art placed in lobbies, offices and on office floors in WIPO's buildings benefit from existing security measures. All works of art are recorded in the Asset Management Module of WIPO's ERP system, and are included in the Organization's annual physical inventory process. Formal confirmations that works of art are held by WIPO are provided to donors upon request.

NOTE 8: OTHER NON-CURRENT ASSETS

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Loan to FIPOI	7,878	8,367
Advance for FIPOI concessionary loan	118	-
FIPOI loan amortization	189	-
Total other non-current assets	8,185	8,367

In 1991 the Organization entered into an agreement with the International Centre of Geneva Foundation (FCIG) related to the construction of a building on rue des Morillons in Geneva, Switzerland. The agreement provided for the Organization to advance the initial sum of 10.0 million Swiss francs, plus a further sum of 1.0 million Swiss francs representing interest on the initial advance, equaling a total advance of 11.0 million Swiss francs. In 2016 the FCIG was absorbed by law into the Foundation for Buildings for International Organizations (FIPOI).

WIPO also entered into an agreement to lease the building from FCIG (subsequently amended to FIPOI). The current lease agreement, which was updated and signed by WIPO in 2019, includes an annual amortization charge of 188,679 Swiss francs against WIPO's advance to FIPOI. On termination of the lease, upon vacating the premises WIPO is to be repaid the balance of the 11.0 million Swiss francs advance after amortization. FIPOI will also retain 1.0 million Swiss francs from the advance for restoration of the building to its original condition.

NOTE 9: PAYABLES AND ACCRUALS

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Trade creditors - accounts payable	22,805	14,964
Miscellaneous transitory liabilities	837	953
Other trade creditors	394	619
Total payables and accruals	24,036	16,536

Payables and accruals include invoices received from suppliers not yet settled including the revaluation of invoices payable in currencies other than the Swiss franc.

NOTE 10: EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
	<i>(in thousands of Swiss francs)</i>	
Accumulated leave (posts)	1,030	618
Accumulated leave (temporary staff)	398	261
Separation benefits	564	291
Closed Pension Fund	292	294
Repatriation grant and travel	1,986	1,944
Home leave	373	487
Overtime and credit hours	199	157
Education grant	1,901	1,970
Performance rewards	667	794
After-Service Health Insurance	28,119	18,171
Total current employee benefit liabilities	35,529	24,987
Closed Pension Fund	2,099	1,704
Accumulated leave (posts)	14,036	7,350
Repatriation grant and travel	18,985	15,127
After-Service Health Insurance	285,575	284,957
Total non-current employee benefit liabilities	320,695	309,138
Total employee benefit liabilities	356,224	334,125

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

ASHI: Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for After-Service Health Insurance (ASHI) coverage if they continue to participate in the collective medical insurance plan after separation from service. In accordance with WIPO's SRR, a share of 65 per cent of the monthly medical insurance premium is paid by the Organization. From January 1, 2020, monthly medical premiums amount to 596 Swiss francs for adults and 265 Swiss francs for children.

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

Accumulated leave (posts): Accumulated annual leave is classified as a long-term employee benefit for staff members holding permanent, continuing or fixed term contracts. Staff in posts may accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. On separation from service, staff in posts who have accumulated annual leave can receive a payment in lieu of an amount equivalent to their salary for the period of accumulated annual leave.

Employee benefit liabilities for ASHI, repatriation grant and travel, and accumulated leave (posts) are calculated by an independent actuary. The principal actuarial assumptions applied in determining these liabilities are detailed below. Discount rates were determined using AA Corporate Bond Yield Curves:

	December 31, 2019	December 31, 2018
After-Service Health Insurance		
Discount rate	0.50%	0.90%
Discount rate currency	CHF, EUR, USD (weighted)	CHF
Medical cost trend rate	3.00%	3.50%
Repatriation Grant and Travel		
Discount rate	3.00%	0.45%
Discount rate currency	USD	CHF
Rate of salary increase	2.54%	2.53%
Accumulated leave (posts)		
Discount rate	0.10%	0.45%
Discount rate currency	CHF	CHF
Rate of salary increase	UNJSPF rates	UNJSPF rates

Actuarial assumptions have a significant effect on the amounts calculated for employee benefit liabilities. For the 2019 actuarial calculations, WIPO has modified certain actuarial assumptions and methodologies to align more closely to the relevant provisions of each employee benefit. The 2019 discount rates were established with reference to the underlying currency of the respective employee benefit. In addition, the attribution of costs for each benefit has been modified to reflect the qualifying period of service and accrued benefit at the valuation date, as opposed to a linear attribution over the period of employment. These changes, combined with other movements in actuarial assumptions during 2019, have resulted in an increase of 89.1 per cent and 22.8 per cent in the liability for accumulated leave (posts) and repatriation grant and travel respectively, when compared to the prior year. The ASHI liability has also increased by a lower figure of 3.5 per cent. A further description of the factors which impact the size of the ASHI liability is included in the financial statement discussion and analysis which precedes these financial statements.

The present value of the defined benefit obligations for ASHI is determined using the projected unit credit method including discounting the estimated future cash outflows. In accordance with IPSAS the Organization's ASHI liability is considered as unfunded as no plan assets are held in a legally separate entity or fund, and therefore no plan assets are deducted from the liability as recognized in the Statement of Financial Position. However, it should be noted that the Organization has established separate funds (strategic cash) for the future financing of after-service employee benefit liabilities. The table below details the expense for ASHI recognized in the Statement of Financial Performance:

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Interest cost	2,711	2,118
Current service cost	15,461	16,441
Expense recognized in the Statement of Financial Performance	18,172	18,559

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

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Defined benefit obligation at beginning of year	303,128	304,376
Interest cost	2,711	2,118
Current service cost	15,461	16,441
Contribution paid	-3,731	-3,538
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	-37,983	-3,092
(Gain)/loss on change in financial assumptions	-2,432	-14,204
(Gain)/loss on change in demographic assumptions	36,540	1,027
Defined benefit obligation recognized at end of year	313,694	303,128

Contributions paid by the Organization for ASHI totaled 3.7 million Swiss francs for 2019 (3.5 million Swiss francs in 2018). Expected contributions to ASHI in 2020 are 3.8 million Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2019, was 22 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2019 and the previous four years:

	2019	2018	2017	2016	2015
<i>(in thousands of Swiss francs)</i>					
Defined benefit obligation	313,694	303,128	304,376	320,888	216,075
Experience (gain)/loss adjustments on plan liability	-37,983	-3,092	-17,122	3,377	190

Actuarial assumptions have a significant effect on the amounts calculated for the ASHI liability. A description of the factors which impact the size of the ASHI liability is included in the financial statement discussion and analysis which precedes these financial statements. The following sensitivity analysis shows how the defined benefit obligation would have been affected by changes in significant actuarial assumptions, the discount rate and the rate of sickness premium increase. The per cent changes used in the analysis are considered reasonable based on historical movements:

	0.25 per cent decrease in discount rate 0.25%	Discount rate as applied 0.50%	0.25 per cent increase in discount rate 0.75%
<i>(in thousands of Swiss francs)</i>			
Defined benefit obligation as at December 31, 2019	331,526	313,694	297,132
Per cent variation	5.7%		-5.3%

	1 per cent decrease in medical cost trend rate 2.0%	Medical cost trend rate as applied 3.0%	1 per cent increase in medical cost trend rate 4.0%
<i>(in thousands of Swiss francs)</i>			
Defined benefit obligation as at December 31, 2019	256,066	313,694	388,888
Per cent variation	-18.4%		24.0%

United Nations Joint Staff Pension Fund

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

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

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

The actuarial valuation as at December 31, 2017, resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at December 31, 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to 7,131.6 million US dollars, of which 1.75 per cent was contributed by WIPO (including participants and Organization contributions).

During 2019, WIPO contributions (including Organization contributions only) paid to the Fund amounted to 29.2 million Swiss francs (27.2 million Swiss francs in 2018). Expected contributions due in 2020 are approximately 29.2 million Swiss francs.

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

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

NOTE 11: TRANSFERS PAYABLE

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Madrid Union fees	59,498	60,061
Madrid Union deposits	26,156	26,487
Hague Union distribution	967	1
Madrid and Hague Union repartition fees	5,099	7,592
AMC deposits	1,467	1,136
PCT International Searching Authorities	1,163	1,274
RO search fees due to International Searching Authorities	142	95
Total transfers payable	94,492	96,646

The Organization collects fees on behalf of the contracting parties of the Madrid Agreement and Protocol and the Common Regulations of the Hague Agreement. The Organization's PCT International Bureau collects funds from applicants to cover the cost of payments of International Searching Authorities. In addition, the Organization collects fees to be paid directly to mediators, arbitrators or panelists for cases treated through the Arbitration and Mediation Centre. The Organization holds these funds on a temporary basis until they are transferred to the final beneficiary in accordance with the various treaties and agreements administered by the Organization.

NOTE 12: ADVANCE RECEIPTS

	December 31, 2019	December 31, 2018
<i>(in thousands of Swiss francs)</i>		
Madrid Union deposits	8,145	8,661
Industrial design deposits	4,757	2,535
PCT/IBRO deposits	755	635
Advance payment of contributions	4,207	4,305
PCT system deferred revenue	281,820	264,891
Madrid system deferred revenue	2,752	3,047
Hague system deferred revenue	215	341
Non-exchange deferred revenue	11,004	11,691
FIPOI deferred revenue	132	132
Total current advance receipts	313,787	296,238
FIPOI deferred revenue	3,672	3,804
Total non-current advance receipts	3,672	3,804
Total advance receipts	317,459	300,042

NOTE 13: PROVISIONS

	<i>(in thousands of Swiss francs)</i>
Balance as at December 31, 2017	2,008
Movements in 2018:	
Additional provisions made	4,381
Amounts used	-386
Unused amounts reversed	-415
Balance as at December 31, 2018	5,588
Movements in 2019:	
Additional provisions made	1,621
Amounts used	-115
Unused amounts reversed	-5,283
Balance as at December 31, 2019	1,811

Provisions include cases where WIPO personnel are in dispute with the Organization, before the WIPO Appeal Board (WAB) and the ILO Administrative Tribunal (ILOAT). They also include amounts related to ongoing tax declarations concerning the sale of WIPO's investment property in 2018.

NOTE 14: CONTINGENT ASSETS AND LIABILITIES

The estimated value of contingent liabilities for possible payments by the Organization for claims arising from cases before the WIPO Appeal Board (WAB) and the ILO Administrative Tribunal (ILOAT) is 61,000 Swiss francs at the reporting date.

The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides Information Technology and Communications services to Partners and Users in the United Nations System. As a Partner bound by the Mandate of the ICC, WIPO would be proportionately responsible for any third party claim or liability arising from or related to service activities of the ICC as specified in the ICC Mandate. At 31 December 2019, there are no known claims that impact WIPO. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities amongst Partner Organizations shall be agreed by the Management Committee by a formula defined at that time.

As at December 31, 2019, the Organization has non-cancellable contracts for the delivery of goods and services for a total value of 0.1 million Swiss francs. WIPO has contractual commitments relating to non-cancellable lease arrangements.

NOTE 15: LEASES**WIPO as Lessee**

	December 31, 2019	December 31, 2018
	<i>(in thousands of Swiss francs)</i>	
Not later than one year	531	775
Later than one year and not later than five years	150	225
Later than five years	-	-
Total non-cancellable operating leases	681	1,000

The Organization leases depots and storage facilities, office space, and printing and photocopying equipment. The value of future minimum lease payments under non-cancellable operating leases is shown in the table above. The Organization has no outstanding leases qualifying as finance leases at the reporting date. The total amount of lease payments for depots, storage facilities and office space recognized as an expense was 1.6 million Swiss francs in 2019 (1.7 million Swiss francs in 2018).

WIPO as Lessor

The Organization has entered into a number of agreements whereby it leases space in or on its headquarters buildings to third parties. These leases are all cancellable subject to notification periods specified in the agreements. The total amount of rental income from these arrangements was 0.6 million Swiss francs in 2019 (0.6 million Swiss francs in 2018).

NOTE 16: RELATED PARTY TRANSACTIONS

	2019		2018	
	Number of Individuals <i>(full-time equivalent basis)</i>	Aggregate remuneration <i>(in thousands of Swiss francs)</i>	Number of Individuals <i>(full-time equivalent basis)</i>	Aggregate remuneration <i>(in thousands of Swiss francs)</i>
Director General, Deputies and Assistants	9.00	3,329	9.00	3,059
Senior Officers	13.58	4,285	13.38	3,728

WIPO is governed by the WIPO General Assembly composed of representatives of Member States party to the WIPO Convention which are members of any of the Unions. These representatives do not receive remuneration from WIPO. WIPO is managed by a Director General and by Deputy and Assistant Directors General and officers (key management personnel) who are remunerated by the Organization. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Regulations and Rules, and applicable to all staff. In addition, the Director General, Deputy Directors General and Assistant Directors General receive representation allowances. Key management personnel are members of the UNJSPF to which the personnel and WIPO contribute and are also eligible for participation in the collective medical insurance plan. Key management personnel and their aggregate remuneration are detailed in the table above. There were no loans to key management personnel or to their close family members which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel or to their close family members.

WIPO has no controlled entities and no interests in other entities which would require disclosure under IPSAS 34-38. WIPO is a member of the UNJSPF and certain of its former staff are members of WIPO's CROMPI. WIPO has a relationship with the International Union for the Protection of New Varieties of Plants (UPOV) whereby the Director General of WIPO serves as Secretary General of UPOV. The office of UPOV exercises its functions in complete independence of WIPO. WIPO is responsible for providing space, personnel administration, financial administration, procurement services and other administrative support to UPOV in accordance with the terms of an agreement between WIPO and UPOV dated November 26, 1982. UPOV reimburses WIPO for the cost of such services in accordance with the terms of said agreement. In 2019 WIPO received 618 thousand Swiss francs from UPOV to cover the cost of these services. In addition, WIPO receives reimbursement of funds disbursed on behalf of UPOV.

NOTE 17: NET ASSETS

Movement 2019	December 31, 2018	Items recognized directly in Net Assets	Program and Budget	Special Accounts	Projects Financed from Reserves	Adjustments to Special Projects Reserve	IPSAS adjustments for the year	Transfer to Accumulated Surpluses	December 31, 2019
Surplus/(deficit) before IPSAS <i>(in thousands of Swiss francs)</i>									
Accumulated Surpluses	328,732	-	122,311	-651	-	-18,973	-18,659	5,653	418,413
Actuarial gains/losses through Net Assets	-122,425	3,875	-	-	-	-	-	-	-118,550
Special Projects Reserve	31,497	-	-	-	-10,978	18,973	5,651	-5,653	39,490
Revaluation Reserve Surplus	17,266	1,266	-	-	-	-	-	-	18,532
Working Capital Funds	6,342	-	-	-	-	-	-	-	6,342
Net assets	261,412	5,141	122,311	-651	-10,978	-	-13,008	-	364,227

NOTE 18: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON AND STATEMENT OF FINANCIAL PERFORMANCE

The WIPO Program and Budget is established on a modified accrual basis in accordance with the Financial Regulations and Rules, and is approved by the Assemblies of the Member States. WIPO's budget is adopted by the Assemblies on a biennial basis, however, separate estimates are prepared for each of the two annual periods. The Program and Budget for the 2018/19 Biennium established a budget for the biennium of expenditure of 725.9 million Swiss francs. The WIPO Performance Report for 2018/19 provides an explanation of both the changes between the original and final budget after transfers, and the material differences between the budget and the actual amounts. WIPO's budget and financial accounts are prepared using two different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis. As required by IPSAS 24, reconciliation is provided between the actual amounts on a comparable basis as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences.

Reconciliation for the year 2019				
	Operating	Investing	Financing	Total
	<i>(in thousands of Swiss francs)</i>			
Actual amount on comparable basis (Statement V)	122,311	-	-	122,311
Depreciation and amortization	-10,205	-	-	-10,205
Capitalization/disposal PPE and intangible assets	-	9,558	-	9,558
Changes in employee benefit liabilities	-11,802	-	-	-11,802
Revenue adjustments	739	-	-	739
Inventory movement	-1,298	-	-	-1,298
Total Basis differences	-22,566	9,558	-	-13,008
Projects financed from reserves	-10,978	-	-	-10,978
Special Accounts	-651	-	-	-651
Total Entity differences	-11,629	-	-	-11,629
Actual amount in the Statement of Financial Performance (Statement II)	88,116	9,558	-	97,674

Reconciliation for the biennium 2018/19				
	Operating	Investing	Financing	Total
	<i>(in thousands of Swiss francs)</i>			
Actual amount on comparable basis (Statement V)	196,885	-	-	196,885
Depreciation and amortization	-21,507	-	-	-21,507
Capitalization/disposal PPE and intangible assets	-	11,205	-	11,205
Investment property gains	-	-6,210	-	-6,210
Changes in employee benefit liabilities	-20,259	-	-	-20,259
Revenue adjustments	2,752	-	-	2,752
Inventory movement	-1,278	-	-	-1,278
Other expense	-37	-	-	-37
Total Basis differences	-40,329	4,995	-	-35,334
Projects financed from reserves	-18,815	-	-	-18,815
Special Accounts	-2,576	-	-	-2,576
Total Entity differences	-21,391	-	-	-21,391
Actual amount in the Statement of Financial Performance (Statement II)	135,165	4,995	-	140,160

NOTE 19: EXPENSES

	2019	2018
	<i>(in thousands of Swiss francs)</i>	
Posts	231,258	206,783
Temporary staff	9,969	9,113
Other staff costs	1,284	4,701
Total Personnel expenditure	242,511	220,597
Internships	564	540
WIPO fellow ships	4,619	3,900
Total Interns and WIPO fellowships	5,183	4,440
Staff missions	5,652	5,664
Third-party travel	10,485	9,070
Training and related travel grant	1,372	2,030
Total Travel, training and grants	17,509	16,764
Conferences	4,414	4,835
Publishing	20	20
Individual contractual services	14,532	15,237
Other contractual services	77,157	73,746
Total Contractual services	96,123	93,838
Premises and maintenance	18,996	23,198
Communication	2,123	2,213
Representation and other operating expenses	688	462
United Nations joint services	711	770
Total Operating expenses	22,518	26,643
Supplies and materials	5,017	1,663
Furniture and equipment	1,375	382
Equipment and supplies	6,392	2,045
Depreciation and amortization	10,205	11,302
Finance costs	1,020	209
Total expenses	401,461	375,838

NOTE 20: INVESTMENT GAINS/(LOSSES)

	2019	2018
	<i>(in thousands of Swiss francs)</i>	
Fair value increase/(decrease) on investments	42,192	-16,994
Dividends	5,220	4,183
Investment property disposal	-	789
Interest on current accounts and deposits	2	-
Interest on investments	2	21
Investment management and administration cost	-396	-239
Exchange gain (loss) on investments	-2,509	1,888
Exchange gain (loss) on derivative financial instruments	-2,409	-4,933
Total investment gains/(losses)	42,102	-15,285

The fair value increase on investments of 42.2 million Swiss francs represents movements in the valuation of the Organization's core cash and strategic cash portfolio assets at the reporting dates.

NOTE 21: FINANCIAL INSTRUMENTS
Financial Instruments Overview

Financial instruments are categorized as follows:

Financial Assets and Liabilities	Category
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Loans	Amortized cost
Payables and accruals	Amortized cost
Transfers payable	Amortized cost
Current accounts	Amortized cost
Derivative assets and liabilities	Fair value through surplus and deficit
Short-term investments arising from operating cash	Fair value through surplus and deficit
Held to maturity investments arising from operating cash	Amortized cost
Investments arising from core and strategic cash	Fair value through surplus and deficit

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

	December 31, 2019	December 31, 2018
	<i>(in thousands of Swiss francs)</i>	
Financial assets		
Amortized cost	300,294	308,416
Fair value through surplus and deficit	531,029	381,104
Total carrying value	831,323	689,520
Financial liabilities		
Amortized cost	186,151	183,760
Total carrying value	186,151	183,760

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

The Organization manages its investments in accordance with its Policy on Investments. The policy contains two specific investment policies, one covering operating and core cash and a second one covering strategic cash. Operating cash is the cash required by the Organization to meet daily payment requirements and to ensure that an amount equivalent to the target reserves is available in liquid assets. Core cash is the balance of cash remaining once operating and strategic cash have been deducted. Strategic cash is the cash which has been set aside to finance after-service employee benefit liabilities, including ASHI.

Fair values

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, receivables from exchange transactions, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Quoted investments (in investment funds which are publicly traded) are based on price quotations at the reporting date;
- Derivative financial instruments are based on quoted prices, adjusted for the UNORE at reporting date;
- Loans and receivables are evaluated by the Organization based on parameters such as interest rates and risk characteristics.

For WIPO’s financial assets and liabilities at the reporting date, the carrying amount is equivalent to the fair value.

Fair Value Hierarchy

For those instruments categorized as fair value through surplus or deficit, fair values are classified according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- Inputs for the asset or liability that are not based on observable market data (Level 3).

Financial Assets and Liabilities	Fair Value Hierarchy
Cash and cash equivalents	Level 1
Derivative assets and liabilities	Level 2
Investments arising from core and strategic cash	Level 1

Credit risk

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

The Organization’s receivables from non-exchange transactions are almost exclusively from its Member States representing sovereign governments, and therefore risks related to credit are considered minor. An allowance has been established against the asset value of accounts receivable to reflect receivables for which payment is not anticipated in the short-term. The allowance covers amounts due from Member States that have lost the right to vote under Article 11, paragraph 5 of the WIPO Convention and contributions from least developed countries which have been frozen by action of the Assemblies in 1989 and 1991.

In accordance with the Organization's Policy on Investments, deposits may only be held with institutions with a minimum short-term credit rating of A-2/P-2 or a minimum long-term credit rating of A/A2. Money market investments, bonds, notes or other obligations and other fixed income products purchased directly by WIPO may only be held with institutions with a minimum short-term credit rating of A-3/P-3 or a minimum long-term credit rating of BBB-/Baa3. Where these are acquired as shares in pooled market traded funds, at least 65 per cent of the holdings must be in Investment Grade (AAA/Aaa to BBB-/Baa3), while the balance of up to 35 per cent may be held in high yield bonds (BB+/Ba1 to C/Ca). The credit ratings attached to cash and cash equivalents and investments as at December 31, 2019, is as follows:

Credit Rating	A-1+	A-1	A-2	Unrated (1)	Total
S&P short-term					
December 31, 2019 <i>(in thousands of Swiss francs)</i>					
Cash and cash equivalents	2,555	171,576	31,875	25	206,031
Investments	-	17,000	-	529,725	546,725
	2,555	188,576	31,875	529,750	752,756
<i>Per cent</i>	<i>0.3%</i>	<i>25.1%</i>	<i>4.2%</i>	<i>70.4%</i>	<i>100.0%</i>

(1) Unrated balances include cash on hand and non-current investments. Non-current investments held by WIPO are in investment funds which are not rated by credit rating agencies, but in which the underlying investments are made in accordance with WIPO's Policy on Investments.

Liquidity risk

Liquidity risk is the risk of the Organization not being able to meet its obligations as they fall due.

The Organization does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations. The Organization's Policy on Investments requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet the Organization's cash flow requirements. Operating cash balances are invested over the short term (periods not exceeding twelve months to maturity) in low-risk asset classes which are easily liquidated at little or no cost. Core cash balances are invested with the objective of generating a positive return over rolling five year periods. Core cash balances are invested ideally in such a way that occasional access to a portion of the cash is possible. Strategic cash balances are invested over the long term, and currently have no short or medium term liquidity requirements.

Currency risk

The Organization receives revenue from fees in currencies and incurs expenses in currencies other than its functional currency, the Swiss franc, and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. For PCT international filing fees, WIPO establishes equivalent amounts in currencies other than the Swiss franc, which can be reset during the year if the exchange rate between the other currency and Swiss franc is 5.0 per cent or more for more than four consecutive Fridays. The Organization is also exposed to exchange risk arising from the currency differences between amounts payable to International Searching Authorities (ISAs) pursuant to the Regulations under the Patent Cooperation Treaty and amounts received by national patent offices for international search fees from applicants for international patents. Following a pilot project, in 2019 the Organization established the WIPO Fee Transfer Service. This enables the Organization to operate a netting structure to reduce the exposure of PCT fee income to movements in currency exchange rates with regard to search fees.

Where investments are held in currencies other than the Swiss franc, the Organization may use derivative financial instruments to minimize the risk arising from the fluctuation of the currency of the investment against the Swiss franc. Investment in derivatives for speculative purposes is not permitted. As at December 31, 2019, the Organization held US dollar investments totalling 174.3 million Swiss francs. The sensitivity of these investments to exchange rate fluctuations is monitored, and derivative financial instruments are used to minimize this risk.

The Organization's contributions to the UNJSPF and its payments to ICC are made in US dollars. The Organization has a further exposure to exchange risk in connection with the cost of pensions for staff previously enrolled in the Closed Pension Fund who are now members of the UNJSPF. In addition, during 2019 the Organization had external offices in Algeria, Brazil, China, Japan, Russia and Singapore, and a coordination office in the USA, with limited assets in local currency.

Market risk

Market risk is the risk of changes in market prices, including interest rates, affecting the Organization's income or the value of its financial instrument holdings. Given prevailing interest rates at the time, the Organization included limited investment revenue in its budget for 2018/19 Program and Budget. The Organization does not currently use financial instruments to hedge interest rate risk. WIPO's medium-term investment portfolio (core cash) and long-term investment portfolio (strategic cash) are subject to the risk of movements in market prices of the underlying investment funds. Based on historical experience for the investment strategies applied to these portfolios, the expected volatility for core cash and strategic cash is 3.80 per cent and 4.90 per cent respectively.

NOTE 22: EVENTS AFTER THE REPORTING DATE

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

On January 30, 2020, the Director-General of the World Health Organization declared the outbreak of the COVID-19 coronavirus a public health emergency of international concern (PHEIC). This is a non-adjusting event for the 2019 financial statements, however, given the global effects of this pandemic, there will be significant impacts on the Organization's operations in 2020, the extent of which cannot be reliably estimated at this time. WIPO continues to closely monitor indicators of impacts to its global intellectual property services. Although the Organization anticipates a negative impact on revenue from its fee-based services, this is currently not possible to quantify. Volatility in financial markets resulting from the COVID-19 outbreak will also impact valuations of WIPO's investment portfolio. However, WIPO's investment strategy for its core cash and strategic cash portfolios is based on long-term fundamentals and is designed to resist periods of financial turbulence.

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

NOTE 23: SEGMENT REPORTING

Segment reporting is presented in a format which represents the various Unions as the segments that make up WIPO. The Unions were created by the various treaties administered by WIPO.

WIPO ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2019

Revenue, Expenses and Reserves by Segment

Program	Program Title	UNIONS					Special Accounts	Total
		Contribution Financed	PCT	Madrid	Hague	Lisbon		
<i>(in thousands of Swiss francs)</i>								
REVENUE								
	Contributions	17,369	-	-	-	-	10,212	27,581
	Fees	-	338,108	76,840	5,288	14	-	420,250
	Publications	2	351	-	-	-	-	353
	Other/miscellaneous	601	3,816	1,854	541	401	7	7,220
	Arbitration and Mediation	102	1,244	589	24	4	-	1,963
	Sub-total revenue on budgetary basis	18,074	343,519	79,283	5,853	419	10,219	457,367
	Miscellaneous revenue projects financed from reserves	-	1	1	-	-	-	2
	IPSAS adjustments to revenue	-49	117	16	3	3	-426	-336
	TOTAL REVENUE	18,025	343,637	79,300	5,856	422	9,793	457,033
EXPENSES								
1	Patent Law	205	2,428	96	-	-	-	2,729
2	Trademarks, Industrial Designs & Geographical Indications	503	-	1,636	378	-	-	2,517
3	Copyright and Related Rights	7,460	1,513	202	-	-	-	9,175
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	3,251	-	-	-	-	-	3,251
5	The PCT System	-	103,417	-	-	-	-	103,417
6	Madrid System	-	-	28,572	239	58	-	28,869
7	WIPO Arbitration and Mediation Center	295	3,596	1,702	68	11	-	5,672
8	Development Agenda Coordination	29	1,442	193	-	-	-	1,664
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	254	12,691	1,695	-	-	-	14,640
10	Transition and Developed Countries	76	3,781	505	-	-	-	4,362
11	The WIPO Academy	121	6,045	808	-	-	-	6,974
12	International Classifications and Standards	301	3,789	172	43	-	-	4,305
13	Global Databases	-	4,813	1,477	77	-	-	6,367
14	Services for Access to Information and Knowledge	67	3,904	883	61	1	-	4,916
15	Business Solutions for IP Offices	131	6,556	876	-	-	-	7,563
16	Economics and Statistics	67	3,349	448	-	-	-	3,864
17	Building Respect for IP	41	2,046	273	-	-	-	2,360
18	IP and Global Challenges	43	2,163	289	-	-	-	2,495
19	Communications	138	6,900	922	-	-	-	7,960
20	External Relations, Partnerships and External Offices	120	5,960	796	-	-	-	6,876
21	Executive Management	579	8,928	2,808	486	47	-	12,848
22	Program and Resource Management	798	12,696	5,086	858	65	-	19,503
23	Human Resources Management and Development	621	9,585	3,015	521	51	-	13,793
24	General Support Services	926	14,280	4,491	777	76	-	20,550
25	Information and Communication Technology	1,037	18,034	5,514	1,236	85	-	25,906
26	Internal Oversight	123	1,895	596	103	10	-	2,727
27	Conference and Language Services	826	12,740	4,007	693	68	-	18,334
28	Information Assurance, Safety and Security	570	8,801	2,768	479	47	-	12,665
30	SMEs and Entrepreneurship Support	49	2,480	331	-	-	-	2,860
31	The Hague System	-	-	-	7,053	-	-	7,053
32	Lisbon System	-	-	-	-	724	-	724
	Sub-total expenses on budgetary basis	18,631	263,832	70,161	13,072	1,243	-	366,939
	Expenses on projects financed from reserves	125	10,053	741	61	-	-	10,980
	Sub-total expenses on budgetary basis including reserve expenses	18,756	273,885	70,902	13,133	1,243	-	377,919
	Special Accounts	-	-	-	-	-	10,870	10,870
	IPSAS adjustments to budgetary expenses and special accounts	980	13,988	3,686	681	65	-1,077	18,323
	IPSAS adjustments to projects financed from reserves	-77	-5,329	-245	-	-	-	-5,651
	TOTAL EXPENSES	19,659	282,544	74,343	13,814	1,308	9,793	401,461
	Investment gains/(losses)	2,869	33,266	5,967	-	-	-	42,102
	SURPLUS/(DEFICIT) FOR THE YEAR	1,235	94,359	10,924	-7,958	-886	-	97,674
	Net Assets as at December 31, 2018 - actuarial gains/(losses) excluded	25,071	331,964	64,365	-35,746	-1,817	-	383,837
	Actuarial gains/(losses) as at December 31, 2018	-4,448	-92,832	-21,473	-3,261	-411	-	-122,425
	Net Assets as at December 31, 2018	20,623	239,132	42,892	-39,007	-2,228	-	261,412
	2019 surplus/(deficit)	1,235	94,359	10,924	-7,958	-886	-	97,674
	Adjustment to Revaluation Reserve Surplus	64	910	242	45	5	-	1,266
	Net Assets as at December 31, 2019 - actuarial gains/(losses) excluded	26,370	427,233	75,531	-43,659	-2,698	-	482,777
	Actuarial gains/(losses) as at December 31, 2019	-4,726	-86,189	-23,634	-3,646	-355	-	-118,550
	Net Assets as at December 31, 2019	21,644	341,044	51,897	-47,305	-3,053	-	364,227

Note 1: The Madrid Union has assumed the financing of the Hague Union's contribution of 3 million Swiss francs to the IT Modernization Program of the Madrid and Hague international registration systems. The amount will be reimbursed by the Hague Union to the Madrid Union as soon as the level of reserves of the Hague Union Reserve Fund so allows.

Note 2: In accordance with the decision of the Assemblies of the Member States of WIPO at their 55th Series of Meetings in 2015, the Contribution-financed Unions have assumed the financing of the deficit of the Lisbon Union in the biennium 2016/17 amounting to 56,157 Swiss francs. The amount will be reimbursed by the Lisbon Union to the Contribution-financed Unions as soon as the level of reserves of the Lisbon Union so allows.

Note 3: In accordance with the decision of the Assemblies of the Member States of WIPO at their 57th Series of Meetings in 2017: a) the Contribution-financed Unions have assumed the financing of the deficit of the Lisbon Union in the biennium 2018/19 amounting to 1,662,315 Swiss francs; and b) the PCT Union has assumed the financing of the deficit of the Hague Union amounting to 18,135,044 Swiss francs. The amounts will be reimbursed by the Lisbon Union and the Hague Union, respectively, as soon as the level of reserves of the Unions so allow.

Note 4: Net Assets and Actuarial Gains/(Losses) as at December 31, 2018 have been reallocated following the reclassification of foreign exchange gains and losses related to investments and derivative financial instruments from other/miscellaneous revenue to investment gains/(losses).

Note 5: Actuarial gains/(losses) as at December 31, 2019 have been allocated based on the relative share of headcounts for 2019.

ANNEX – WIPO EX GRATIA PAYMENTS

Financial Regulation 5.10 states that a summary statement of ex gratia payments for the calendar year shall be included in the annual financial statements of the Organization. There were no such payments made during 2019 and therefore no summary statement is required.

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