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2021

FINAL ANNUAL ACCOUNTS

European Education and Culture Executive Agency – EACEA

I. LEGAL BASIS AND ACCOUNTING PRINCIPLES

I.1 INTRODUCTION

The Agency's accounting system comprises budgetary and general accounting for the financial year, in euros. The purpose of budget accounting is to give a detailed picture of the budget outturn. It is based on the modified cash-based accounting principle, which means that it recognises income and expenditure at the time at which it is paid in or out, except for items such as appropriation carry-over. Conversely, accrual-based accounting records income and expenditure in the period during which the related service occurs, regardless of the payment date.

The accounts, as well as being accurate and comprehensive, must faithfully reflect the Agency's assets and liabilities, rights and obligations, cash flow, and revenue and expenditure outturns.

The purpose of the financial statements is to provide information on an entity's assets and liabilities and financial situation, cash flow, and changes in equity. The purpose of the budget statements is to summarise budget operations for the financial year into revenue and expenditure.

For Agencies like EACEA, these statements demonstrate that the resources allocated are being used responsibly.

I.2 LEGAL BASIS

The Agency's financial statements have been drawn up in accordance with the following legal acts:

- Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes;
- Commission Implementing Decision (EU) 2021/173 of 12 February 2021 establishing the European Education and Culture Executive Agency and repealing Implementing Decision 2013/776/EU, which governs the EU's management of EU programmes in the field of education and culture, pursuant to Council Regulation (EC) No 58/2003;
- Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes, as amended by Regulation (EC) No 651/2008 of 9 July 2008.

  Furthermore, for all aspects related to how the executive agencies operate that are not expressly set out in these Regulations, the provisions of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012, shall apply accordingly.

- The Commission's ISPAS-based accounting rules are the ones used by the Commission's Accounting Officer.

I.3 ACCOUNTING PRINCIPLES

The financial statements are drawn up in accordance with the following principles:

- *Principle of unit of account (financial regulation for the executive agencies, Article 13):*

  The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.

- *Going-concern principle (financial regulation for the executive agencies, Article 53):*

  The going-concern principle is the principle whereby, when preparing its financial statements, the Agency is presumed to have an unlimited lifespan, even though the EACEA is currently set to end in 2029 according to the rules establishing the Agency.

- *Principle of prudence (financial regulation for the executive agencies, Article 53):*

  The principle of prudence means that assets and income shall not be overstated and liabilities and charges shall not be understated. However, the principle of prudence does not allow the creation of hidden reserves or undue provisions.

- *Principle of consistent accounting methods (financial regulation for the executive agencies, Article 53):*

  The principle of consistent accounting methods means that the structure of the components of the financial statements and the accounting methods and valuation rules may not be changed from one year to the next.

- *Principle of comparability of information (financial regulation for the executive agencies, Article 53):*

  The principle of comparability of information means that for each item the financial statements shall also show the amount of the corresponding item in the previous year.

- *Materiality principle (financial regulation for the executive agencies, Article 53):*

  The materiality principle means that all operations which are of significance for the information sought shall be taken into account in the financial statements. Materiality shall be assessed in particular by reference to the nature of the transaction or the amount.

- *No-netting principle (financial regulation for the executive agencies, Article 53):*

  The no-netting principle means that receivables and debts may not be offset against each other, nor may charges and income, save where charges and income derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material.

- *Principle of reality over appearance (financial regulation for the executive agencies, Article 53):*

  The principle of reality over appearance means that accounting events recorded in the financial statements shall be presented by reference to their economic nature.

- *Accrual-based accounting principle (financial regulation for the executive agencies, Article 53):*

  The accrual-based accounting principle means that transactions and events shall be entered in the accounts when they occur and not when amounts are actually paid or recovered. They shall be booked to the financial years to which they relate.

I.4 ACCOUNTING RULES

In accordance with Article 80 of the Regulation on the Financial Regulation applicable to the general budget of the Union, the financial statements follow the accounting rules that have been adopted by the Commission's Accounting Officer.

The main rules affecting the Agency's accounts are summarised below:

- *Tangible and intangible fixed assets*

  Tangible and intangible fixed assets are valued at their purchase price in euros (or, where necessary at the purchase price in another currency, converted into euros at the rate applicable at point of purchase). The accounting value of a fixed asset is equal to its purchase or production price, less accumulated depreciation and write-downs and increased by write-ups.

  Ancillary costs are included in the fixed amount or recorded separately as fixed assets only if they create a future economic benefit. Any repair or maintenance work is recorded as an expense the year in which it is incurred.

  Depreciation is calculated using the straight-line method on a monthly basis in order to distribute the costs across the estimated lifespan of the item.

  Fixed assets are adjusted in value at the annual closure of accounts where necessary.

  Internally developed intangible fixed assets are capitalised when the relevant criteria of the EU accounting rules are met. The costs able to be capitalised include all directly attributable costs necessary to create, produce and prepare the fixed asset in order for it to operate in the manner intended by management. Costs associated with research, non-capitalised development and maintenance are recorded as they are incurred.

- *Currency conversion*

  The financial statements are drawn up in euros.

  Transactions in a foreign currency (not euros) are recorded in the EU's financial statements in euros at the exchange rate applicable on the transaction date.

At the end of the financial year, monetary items on the financial statement must be converted at the closing rate.

Foreign-exchange differences are recorded under the specific profit and loss statement headings as income or expenditure, depending on the nature of the transaction to which they are related.

- *Lease contracts*

When a lease contract does not give rise to a substantial transfer of risk or ownership (a significant share of the risks and benefits inherent in ownership fall to the lessor), it is considered to be an operating lease. In the case at hand, lease payments are entered in the profit and loss statement in a linear manner throughout the lifespan of the lease.

- *Pre-financing (I don't think this applies to accounts at the Agency: see report)*

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into several instalments over a given period, depending on the conditions set out in the contract. The advance is either used for the purpose for which it was provided during the period defined in the agreement, or it is repaid. If expenditure incurred in the performance of the contract is not eligible, the beneficiary must return the advance to the Agency. The advance amount is reduced (wholly or partially) depending on the amount of eligible expenditure accepted.
At the end of the year, non-reimbursed pre-financing amounts are recorded at the initial amount, minus any reimbursed amounts, eligible and cleared expenditure, and write-downs.

Guarantees related to pre-financing are mentioned in the off-balance-sheet assets.

- *Receivables*

Receivables are assessed at their realisable value.
No allowance for bad debt is included for the European institutions (all units included)

There is an allowance for bad debt, where applicable, for other receivables, after a review of the non-reimbursed amounts at the account closing date and provided that there is objective proof that the amounts cannot be recovered.

- *Cash and cash equivalents*

Cash and cash equivalents are financial instruments defined as current assets. They include cash at hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of 3 months or less.

- *Provisions*

Provisions are built up and recorded as book entries by the Agency where the Agency has a justified legal obligation to do so as a result of a past transaction and it is likely that resources will be needed to clear this obligation. Nevertheless, the amount of provisions must be estimated in a reasonable and reliable manner.

- *Income and expenditure*

  Transactions and events are entered on the financial statement for the financial year to which they relate.

  Expenditure arising from transactions with a direct counterparty, such as the purchase of goods or services, are recorded when the goods or services are delivered and accepted. They are valued at the original invoice cost. Expenditure arising from transactions without a direct counterparty are recorded as expenditure in the financial year in which the events giving rise to the transfers occurred, provided that the nature of the transfer is permitted under regulations or authorised under a signed contract, that the beneficiary meets eligibility criteria and that the amount can be reasonably estimated. Sales of goods or services are recorded when the purchaser has been seen to transfer the major risks and benefits intrinsic to ownership of the goods.
  These events are recognised by reference to the stage of completion of the transaction at the reporting date..

  At the end of the accounting period, outstanding expenditure is recorded as an estimated amount for transfers owed for that financial year. Income is also recorded in the fiscal year to which it relates. At the end of the financial year, if a service has been rendered, or goods delivered, but not yet invoiced, the corresponding amount is recorded as accrued income in the financial statements. Conversely, if an invoice is sent and the service has not been performed, the corresponding amount is recorded as deferred income in the financial statements.

- *Off-balance-sheet assets and liabilities*

  An off-balance-sheet asset is an entitlement resulting from a past event whose existence is confirmed by whether or not any future events that are not wholly within the Agency's control occur.

  An off-balance-sheet liability is a potential obligation resulting from a past event whose existence is confirmed by whether or not any future events that are not wholly within the Agency's control occur. It may also be a present obligation resulting from past events but that is not recognised, as it is uncertain whether resources will be needed to clear the obligation or because the amount of the obligation cannot be reliably estimated.

Preliminary remark: The amounts in the following financial statements are rounded to the nearest euro. There may be rounding differences as a result.

II. FINANCIAL STATEMENTS

II.1 BALANCE SHEET

	2021	2020	Variation
ASSETS	**9 541 111**	**7 547 225**	**1 993 886**
FIXED ASSETS	**2 028 819**	**2 512 215**	**-483 396**
INTANGIBLE FIXED ASSETS	**1 950 619**	**2 362 634**	**-412 015**
SOFTWARE	*1 950 619*	*1 645 116*	*305 503*
ONGOING INTERNAL IT DEVELOPMENT	*0*	*717 518*	*-717 518*
TANGIBLE FIXED ASSETS	**78 200**	**149 581**	**-71 381**
PLANT AND EQUIPMENT	*5*	*68*	*-63*
FURNITURE AND ROLLING STOCK	*4 890*	*10 656*	*-5 766*
COMPUTER HARDWARE	*71 808*	*118 188*	*-46 380*
OTHER FIXTURES AND FITTINGS	*1 497*	*20 669*	*-19 172*
CURRENT ASSETS	7 512 292	5 035 010	2 477 282
A.II.2. SHORT-TERM PRE-FINANCING	**0**	**0**	
SHORT-TERM RECEIVABLES	**172 770**	**235 590**	**-62 820**
A.II.3.1.1. AMOUNT OWED BY CLIENT	*0*	*790*	*-790*
RECEIVABLES FROM CONSOLIDATED ENTITIES	*2 542*	*1 637*	*905*
MISCELLANEOUS RECEIVABLES	*88 852*	*45 110*	*43 742*
OTHER RECEIVABLES	*81 376*	*188 053*	*-106 677*
CASH AND CASH EQUIVALENTS	**7 339 521**	**4 799 419**	**2 540 102**
A.II.3.1 LIAISON ACCOUNTS	*7 339 521*	*4 799 420*	*2 540 101*

	2021	2020	Variation
LIABILITIES	**-9 541 111**	**-7 547 225**	**-1 993 886**
OWN FUNDS	-3 965 988	-2 948 462	-1 017 526
PROFIT OR LOSS BROUGHT FORWARD FROM PREVIOUS YEARS	**-2 948 462**	**-4 262 916**	**1 314 454**
ECONOMIC OUTTURN FOR THE YEAR	**-1 017 527**	**1 314 454**	**-2 331 981**
P.II. LONG-TERM DEBTS	0	0	
P.II.4. OTHER LONG-TERM DEBTS	**0**	**0**	
SHORT-TERM DEBTS	-5 575 122	-4 598 763	-976 359
P.III.2. PROVISIONS FOR LIABILITIES AND CHARGES	**0**	**0**	**0**
CURRENT LIABILITIES	**-5 575 122**	**-4 598 763**	**-976 359**
COMMERCIAL LIABILITIES	*-27 870*	*-16 454*	*-11 416*
MISCELLANEOUS LIABILITIES	*0*	*-84*	*84*
OTHER LIABILITIES	*-4 486 459*	*-3 838 884*	*-647 575*
LIABILITIES OF CONSOLIDATED ENTITIES	*-1 060 794*	*-743 341*	*-317 453*

II.2 PROFIT AND LOSS STATEMENT

	2021	2020	Variation
OPERATING REVENUE	**52 728 815**	**49 395 090**	**3 333 725**
REVENUE (CONSOLIDATED ENTITIES AND EDF)	**52 669 695**	**49 371 472**	**3 298 223**
COMMISSION SUBSIDIES	***52 478 877***	***49 110 172***	***3 368 705***
EUROPEAN DEVELOPMENT FUND (EDF) CONTRIBUTION	***190 000***	***241 000***	***-51 000***
OTHER ADMINISTRATIVE INCOME WITH CONSOLIDATED ENTITIES	***818***	***20 300***	***-19 482***
OTHER REVENUE (THIRD PARTIES)	**57 594**	**23 088**	**34 506**
EXCHANGE GAINS	**1 526**	**530**	**996**
OPERATING COSTS	**-51 711 289**	**-50 709 545**	**-1 001 744**
ADMINISTRATIVE EXPENDITURE	**-51 708 734**	**-50 708 233**	**-1 000 501**
EXPENDITURE ON FIXED ASSETS	***-770 461***	***-855 584***	***85 123***
OTHER ADMINISTRATIVE EXPENDITURE (THIRD PARTIES)	***-6 211 976***	***-6 111 673***	***-100 303***
EXPENDITURE (CONSOLIDATED ENTITIES)	***-9 043 197***	***-10 700 483***	***1 657 286***
EXCHANGE LOSSES	**-2 554**	**-1 312**	**-1 242**
PROFIT OR LOSS FOR THE FINANCIAL YEAR	**1 017 527**	**-1 314 454**	**2 331 980**

II.3 CASH FLOW STATEMENT

	2021
Cash flow from current activities	
Surplus/deficit from current activities	**1 017 527**
Operating activities	699 080
Adjustments	60 429
Depreciation of intangible fixed assets (+)	0
Depreciation of tangible fixed assets (+)	
Mark-up (+) / mark-down (-) of provisions for liabilities and charges	62 030
Mark-up (+) / mark-down (-) of short-term receivables	
	9 270
Mark-up (+) / mark-down (-) of third-party liabilities	994 959
Mark-up (+) / mark-down (-) of EU consolidated entity liabilities	
Other non-monetary flows (1)	0
Net cash flow on operating activities	**2 843 294**
Cash flow from investment activities	
Mark-up on tangible and intangible fixed assets (-)	-287 065
Net cash flow from investment activities	**-287 065**
Net mark-up/mark-down on liquid assets	2 556 229
Liquid assets at the start of the accounting period	**4 799 419**
Liquid assets at the end of the accounting period	**7 339 521**

II.4 STATEMENT OF CHANGES IN NET ASSETS

Net assets	Profit of loss carried over from previous years	Economic outturn for the year	Net assets (total)
Balance at 31.12.2020	-4 262 916	1 314 454	-2 948 462
Changes in accounting policies 1)			0
Allocation of the economic outturn from the previous year	1 314 454	-1 314 454	0
Economic outturn for the year		-1 017 527	-1 017 527
Balance at 31.12.2021	**-2 948 462**	**-1 017 527**	**-3 965 989**
Accounts	**140 000**	**141 000**	

II.5 NOTES TO THE FINANCIAL STATEMENTS

II.5.1. NOTES TO THE BALANCE SHEET

1.1. FIXED ASSETS

Fixed assets are recorded at their purchase price with linear depreciation from the month in which they are received. Only goods with a purchase price over EUR 700 depreciate according to the rules laid down by the Commission's Accounting Officer.

The depreciation rates applied according to the type of goods and the tables regarding the tangible and intangible fixed assets held by the Agency are set out below.

Depreciation rates:

Type of fixed asset	%
Intangible fixed assets	
Software	**25.0%**
Tangible fixed assets	
Office equipment	
Office equipment	**25.0%, 12.5%**
Computer hardware	
Computers, servers, accessories, data transfer equipment, printers, screens,	**25.0%**
photocopiers, scanning and digitising devices	**25.0%**
Furniture and rolling stock	
Furniture	**10.0%**
Office equipment, printers and franking machines	**25.0%, 12.5%**
Other fixed assets	
Telecommunications equipment and audiovisual equipment	**25.0%**
Surveillance and security equipment	**12.5%**

The Agency's fixed assets are 19% down on 2020. They dropped from EUR 2 512 215 in 2020 to EUR 2 028 819 in 2021. This reduction in value is due both to depreciation and to the divestment of some of our tangible fixed assets to DG DIGIT.

1.1.1. Intangible fixed assets

2021		Software	Ongoing internal IT development	Total
Purchase price at 1.1.2021	+	**6 721 007**	**717 517**	**7 438 524**
Acquisitions	+	**0**	**287 065**	**287 065**
Divestments	-	**0**	**0**	**0**
Transfer from one heading to another	+/-	**1 004 582**	**0**	**0**
Other changes	+/-	**0**	**0**	**0**
Purchase price at 31.12.2021		**7 725 589**	**1 004 582**	**8 730 171**
Accumulated depreciation and write-downs at 1.1.2021	-	**-5 075 891**	**0**	**-5 075 891**
Depreciation	-	**-699 080**	**0**	**-699 080**
Depreciation reversals	+			
Divestments	+	**0**	**0**	**0**
Write-downs (1)	-			**0**
Write-down reversals	+			**0**
Transfer from one heading to another	+/-		**-1 004 582**	**-1 004 582**
Other changes	+/-	**0**	**0**	**0**
Accumulated depreciation and write-downs at 31.12.2021		**-5 774 971**	**0**	**-5 774 971**
Net book value at 31.12.2021		**1 950 619**	**0**	**1 950 618**

The costs of developing IT in-house at EACEA for 2021 concern only PEGASUS (and this project has now ended).

1.1.2. Tangible fixed assets

2021		Plant and equipment	Furniture and rolling stock	Computer hardware	Other fixtures and fittings	Total
Purchase price at 1.1.2021	+	**4 756**	**229 403**	**1 161 444**	**155 412**	**1 551 014**
Acquisitions	+					**0**
Divestments	-			**-152 890**	**-20 984**	**-173 874**
Transfer from one heading to another	+/-					**0**
Other changes	+/-					**0**
Purchase price at 31.12.2021		**4 756**	**229 403**	**1 008 553**	**134 429**	**1 377 140**
						0
Accumulated depreciation and write-downs at 1.1.2021	-	**-4 688**	**-218 747**	**-1 043 256**	**-134 743**	**-1 401 433**
Depreciation	-	**-63**	**-5 766**	**-36 420**	**-8 759**	**-51 008**
Depreciation reversals	+					**0**
Cancelled following divestment	+			**142 930**	**10 571**	**153 501**
Write-downs (1)	-					**0**
Write-down reversals	+					**0**
Transfer from one heading to another	+/-					**0**
Other changes	+/-					**0**
Accumulated depreciation and write-downs at 31.12.2021		**-4 751**	**-224 513**	**-936 745**	**-132 932**	**-1 298 940**
Net book value at 31.12.2021		**5**	**4 890**	**71 808**	**1 497**	**78 200**

The main change affecting tangible fixed assets is the following:

- *Divestment to DG DIGIT*

1.2. CURRENT ASSETS

1.2.1. Short-term receivables

The level of short-term receivables fell by 26%, dropping from EUR 235 590 in 2020 to EUR 172 770 in 2021. Exchange receivables amount to EUR 170 228 and non-exchange receivables amount to EUR 2 542.

- Receivables to consolidated entities amount to EUR 2 542. These were an invoice for the Commission (EUR 944) and other expenditure at consolidated entity, totalling EUR 1 598.
- Miscellaneous receivables of EUR 88 852, in particular money owed by staff for various unclaimed or partially claimed reductions as of 31 December 2021.
- The remaining EUR 81 376 of receivables concern amounts paid in advance.

1.2.2. Cash and cash equivalents

The balance on the current account is EUR 7 339 521. Most of this balance will be used to pay salaries and invoices, and the rest will be returned to the parent DG as 2021 budget surplus.

1.3. OWN FUNDS

Own funds currently stand at EUR 3 965 988, of which EUR 2 948 462 is combined income from previous years, giving rise to a profit of EUR 1 017 527.

1.4. SHORT-TERM LIABILITIES

1.4.1. Current liabilities

- ***Commercial liabilities***

As of 31 December 2021, commercial liabilities amount to EUR 27 870.

- ***Other liabilities***

Other liabilities (EUR 4 486 459) include third-party and consolidated-entity liabilities.

The Agency has EUR 2 491 822 in expenses to be charged to third parties for which invoices had not been received by 31 December 2021. This amount also included provisions for staff leave not taken by 31 December 2021.

NATURE OF EXPENDITURE	AMOUNT
OPERATING COSTS	568 792
AUDIT AND LEGAL SECTOR	97 281
IT EXPENDITURE	782 817
LEAVE NOT TAKEN	1 042 931
TOTAL	**2 491 822**

The provision for leave not taken as of 31 December 2021 totalled EUR 1 042 931 (EUR 899 634 in 2020). This calculation takes the average daily remuneration per grade for each type of staff member (temporary and contract staff), and multiplies it by the number of non-worked days.

Invoices from consolidated entities not received as of 31 December 2021 totalled EUR 1 994 637 and were under various SLAs with the DGs for horizontal services.

- ***Consolidated-entity liabilities***

Consolidated-entity liabilities stand at EUR 1 060 794.

The Agency owes EUR 1 060 794 to its parent DGs for the unused share of the subsidies received in 2021.

II.5.2. NOTES ON THE PROFIT AND LOSS STATEMENT

2.1. OPERATING REVENUE

The Agency's income in 2021 increased by EUR 3 333 725 from 2020 to a total of EUR 52 728 815. Non-exchange income accounts for EUR 52 478 877 and exchange income amounts to EUR 59 120. The Agency's income primarily comprises the following:

2.1.1. Revenue (consolidated entities and European Development Fund)

This revenue (EUR 53 730 488) corresponds to:

- The unused portion of the EUR 53 539 670 subsidy received in 2021 (2020: EUR 49 110 172), which breaks down as:
  - EUR 48 267 212from DG EAC; and
  - EUR 5 272 458 from DG JUST.

- The EDF (European Development Fund) contribution to the Agency's administrative budget, amounting to of EUR 190 000.
  (2019: EUR 241 000

- Other administrative income from the Commission totally EUR 818.

2.1.2. Other revenue (third parties)

Other administrative revenue amounts to EUR 57 594, resulting from refunds and settlements from the previous year.

2.1.3. Exchange gains

Exchange gains earned the Agency EUR 1 526 and were due to certain parts of staff salaries being calculated and paid in foreign currency.

2.2. OPERATING COSTS

2.2.1. Administrative expenditure

Administrative expenditure has increased by EUR 1 000 501 (2%) compared to the previous year, and stands at EUR 51 708 734. It mainly comprises the following elements:

- Staff expenditure (temporary and contract staff): EUR 35 683 100 (2020: EUR 33 040 493)
  This increase is due to salary indexation for 2021, the impact of promotions, long service payments and increases in headcount.

- Expenditure on fixed assets EUR 770 461 (2020: EUR 855 584)
  Depreciation on intangible fixed assets amounts to EUR 699 080 (2020: EUR 716 554). Depreciation on tangible fixed assets amounts to EUR 60 429 (2020: EUR 139 031). Write-down of EUR 10 952 following divestment to DG DIGIT.

- Other administrative expenditure (third parties) EUR 6 211 976 (2020: EUR 6 111 344)
  This heading mainly includes the following expenditure:

  - IT service costs / miscellaneous IT goods: EUR 2 696 004 (2020: EUR 2 318 835). This amount covers costs of updating and maintaining IT applications. These costs are not fixed as they relate to updates of existing systems.

  - Internal IT development costs: EUR 287 065
    Internal IT development concluded in 2021.
    An amount of EUR 287 065 was deployed for Ongoing internal IT development, as the tools developed cost more than EUR 250.000 in total and, in accordance with accounting rules, they are considered fixed assets in the production phase.

  - Service costs / miscellaneous goods other than IT: EUR 2 455 287 (2020: EUR 2 664 698). This heading specifically covers the cost of temps and audit fees.

- o Office supplies and maintenance: EUR 519 414 (2020: EUR 546 415)
  This heading covers maintenance costs for IT equipment, software and miscellaneous supplies. This expenditure has decreased as the Agency did not purchase any office equipment or supplies.

- o Communication costs: EUR 351 320 (2020: EUR 358 113)

- o Training costs: EUR 122 782 (2020: EUR 120 652)

➢ <u>Administrative expenditure (consolidated entities) EUR 9 043 197 (2020: EUR 10 700 483</u>

These expenses cover, in particular:

- o services provided by the OIB and DG HR under the SLA (lease, management, maintenance, security and surveillance of the building, as well as other miscellaneous services);

- o services to implement corporate IT tools, and IT support from the DIGIT, SEC GEN, ERCEA and BUDG DGs

- o the OIB SLA for crèches and childcare centres;

- o translation services (SLA with CdT);

- o PMO services (salary calculations, as well as reimbursement calculations for candidates);

- o training-related services (SLAs with DG HR and EPSO);

- o medical examinations undertaken annually and upon recruitment (SLA with HR); and

- o publication, distribution and storage services.

2.2.2. Exchange losses

Exchange losses cost the Agency EUR 2 554 and were due to certain parts of staff salaries being calculated and paid in foreign currency.

2.3. FINANCIAL REVENUE

The Agency's bank account did not generate any interest in 2021.

2.4. FINANCIAL EXPENDITURE

No financing expenditure was incurred in 2021.

II.5.3. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement was drawn up using the indirect method. This means that net profit or loss for the period is adjusted for the effects of transactions with no cash effect, any time lag or accrual of past or future operating cash inflows or outflows and items of income or expenditure linked to investment-related cash flows.

The cash flow statement sets out the cash flows for the financial year by operating activity and investment.

Operating activities are all Agency activity other than investments. This represents the majority of activities carried out.

Investment covers the acquisition and divestment of tangible and intangible fixed assets.

II.5.4. OFF-BALANCE-SHEET RIGHTS AND OBLIGATIONS AND OTHER INFORMATION

- Rent

The Agency signed an SLA with the OIB for its various buildings. Non-indexed rent outstanding at the end of this contract, i.e. 31 December 2021, amounts to EUR 3 010 098.

- Remainder to be liquidated

The Agency has carried over EUR 5 418 539 of appropriations. However, invoices that will arrive in 2022 for services provided in 2021 have already been recorded as expenditure on the liabilities side of the balance sheet. There is still EUR 2 408 441 of RAL on the books.

II.5.5. FINANCIAL INSTRUMENTS AND RISKS

Financial instruments include liquidity, short-term receivables, short-term liabilities and amounts owed to and by consolidated entities.

Financial asset	2021	2020
Short-term receivables	172 770	234 800
Cash and cash equivalents	7 339 521	4 799 421
Total financial assets	7 512 291	5 034 221

Financial liabilities	2021	2020
Commercial liabilities	27 870	16 454
Consolidated-entity liabilities	1 060 794	743 341
Miscellaneous liabilities	0	84
Total financial liabilities	1 088 663	759 879

- **LIQUIDITY RISK**

This is the risk of the Agency not being able to honour its short-term commitments. Under the budgetary principle, budget ‘income’ must be sufficient to cover all expenditure.

The Agency manages its liquidity risk by regularly monitoring its cash position. It calls upon parent DG funds as soon as the available cash in its bank account drops below EUR 5 000 000. No overdrawing of bank accounts is allowed.

2021	< 1 year	1- 5 years	> 5 years	Total
Amounts owed to third parties	27 870			27 870
Amounts owed to consolidated entities	1 060 794			1 060 794
Total amounts owed	1 088 663	0	0	1 088 663

- **SOLVENCY RISK**

The solvency risk is the risk that the debtor does not repay their debt by the agreed due date.

2021	Not past due and not impaired	Past due and not impaired			Total
		< 1 year	1-5 years	> 5 years	
Amounts owed by third parties	170 228				170 228
Amounts owed by consolidated entities.	2 542				2 542
Total receivables	172 770	0	0	0	172 770

Some of the Agency’s major debtors are the European institutions, and occasionally staff owing to salary accruals. Receivables are payable in case or within the year, with the exception of staff receivables, which may have longer payment deadlines in certain circumstances.

The Agency is also exposed to a limited amount of risk on the funds held in its bank account.

Since signing the SLA, the Agency's cash resources are deposited into a bank account that is managed with DG BUDG.

The Agency holds a current account.

LIQUIDITY POSITION AND DG BUDG BANK ACCOUNT	Short-term deposit account	Current account
	0	**7 339 521**

- **INTEREST-RATE RISK**

The EACEA will not accrue interest as it uses the centralised cash resources of DG BUDG.

- **FOREIGN-EXCHANGE RISK**

This risk is irrelevant, as the Agency only holds euro accounts, and all transactions (with the exception of payments of specific salary items that represent small sums) are conducted in euros.

II.5.6. ACCOUNTING METHODS

A revised automatic exchange of information was implemented on 1 January 2021 after AEOI 11 was updated, but this has had no impact on our accounting.
There have not been any other changes to accounting procedures in 2021.

II.5.7. INFORMATION ON MANAGEMENT

The highest pay grade at the Agency is AD 14, and there are nine people on that grade.

II.5.8. EVENTS DURING THE ACCOUNTING YEAR AND AFTER CLOSING

The coronavirus epidemic has had huge repercussions on the EU economy in 2021. As the coronavirus pandemic did not require any adjustment, none of the figures in these annual accounts had to be altered.
From the EACEA's standpoint, there was:

- a reduction in the budget following several budget addenda;
- an increase in the amount of staff leave not taken, due to the effects of the pandemic.

Accounting rule EU 19 / ISPAS 14 (Events after the reporting date). The war in Ukraine had no effects that would require the accountant to make a disclosure.

III. BUDGET STATEMENTS

The Agency’s overall budget follows several fundamental principles:

- **unity and budgetary accuracy**: all revenue and expenditure must be brought together in a single budgetary document. They must be allocated to a budget heading, and no expenditure may exceed the authorised appropriations;

- **universality:**: this principle includes two rules:

  - the rule of non-assignment, whereby budgetary revenue must not be affected by specific expenditure (the sum of the revenue should cover the sum of the expenditure);

  - The rule against setting-off, whereby revenue and expenditure must be recorded in the budget at their integral amounts, without being offset against each other;

- **annuality**: the appropriations recorded have been authorised for a single financial year and must be used in the course of that financial year;

- **equilibrium**: the budget is a balance of revenue and expenditure (the estimated revenue covers the payment appropriations);

- **specification**: each appropriation must have a specified destination and be allocated to that specific target;

- **unit of account**: the budget is drawn up and implemented in euros and the accounts presented in euros;

- **sound financial management**: budget appropriations are used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;

- **transparency:**: the budget and the final annual accounts are published in the Official Journal of the European Union.

III.1 BUDGET OUTTURN

See ‘Report on budgetary and financial management’ annex.

III.2 RECONCILIATION OF BUDGET OUTTURN /ACCOUNTING OFFICER

		2021	2020
Accounting result for the year	+/-	1 017 527	-1 314 454
Accounting adjustments: items included in the accounting result but not in the budget outturn			
Adjustments cut off (cancelled entry 31.12.N-1)	-	-3 838 883	-4 361 386
Adjustments cut off (cut-off 31.12.N)	+	4 486 459	3 838 883
Invoices outstanding at 31.12.N and recorded in an expenses account	+	91 394	3 600
Depreciation costs for the year on tangible and intangible fixed assets	+	759 509	855 584
Payments made on carried-over appropriations	+	3 528 961	5 722 010
Other (e.g. carried-over fees paid in N-1 and included in the accounts for year N), carried over amounts	+/-	64 376	-50 638
Budget adjustments: items included in the budget outturn but not in the accounting result			
Additions to fixed assets (minus outstanding amounts at 31.12.N)	-	-287 065	-1 158 803
New pre-financing received in year N and still open at 31.12.N	+	1 060 794	743 342
Payment appropriation carried over to N+1	-	-6 360 278	-4 097 373
Cancellation of payment appropriations carried over from N-1	+	568 412	561 585
Other (carried-over fees paid in N and included in the expenditure for year N+1)	+/-	-30 411	-386
Total adjustments		1 060 795	743 342
Budget outturn (+ surplus)		**1 060 794**	**743 342**

There are differences – some temporary, some permanent – between the budget outturn arrived at through cash-based accounting and the credit balance calculated on an accrual basis. Therefore, the Agency is declaring a positive accounting result of EUR 1 017 527 and a budget outturn (surplus) of EUR 1 060 794. This difference is explained by the following:

- In the accounting result, invoices that have not been recorded or received at 31.12.N but pertaining to goods or services delivered or provided in year N are considered expenditure for that year. However, under accrual-based accounting, this expenditure also includes the carry-over of appropriations to pay the invoices that will be received the following year but are for goods and services contracted in year N and delivered at the start of N+1 or invoiced in N+1.

- Using cash-based accounting, expenditure paid out in advance is carried over to the financial year in which it actually occurs (the service year), whereas the budget outturn includes these amounts, as this expenditure has already left the account. Conversely, amounts paid in previous years no longer have any impact on the budget outturn but do on the credit balance, at the time at which they are absorbed into the current financial year.

- Only annual depreciation of fixed assets is considered expenditure in the accounting result, whereas on budget accounts the expenditure recorded is the cost of purchasing the fixed assets at the time at which the funds leave the account.

- Provisions are expenditure that diminishes the accounting result. Conversely, cancelling a provision entry increases the accounting result, as this expenditure does not influence the cash balance because the funds have not been paid out.

- Payments made on carried-over appropriations are an expense that impacts on the economic outturn, whereas in the budget outturn, the expenditure is recorded in N-1.

- The unused portion of the subsidy received in year N is not considered revenue under accruals-based accounting, whereas on budget accounts it is revenue because funds were paid into the account in that year.

III.3 BUDGET OUTTURN

See ‘Report on budgetary and financial management’ annex.

III.4 INITIAL 2020 BUDGET AND TRANSFERS

See ‘Report on budgetary and financial management’ annex.

IV. HUMAN RESOURCES

See ‘Report on budgetary and financial management’ annex.