A66/29*
SIXTY-SIXTH WORLD HEALTH ASSEMBLY
Provisional agenda item 21.1
15 April 2013

Financial Report and Audited Financial Statements

for the year ended 31 December 2012

World Health Organization

* Information on voluntary contributions by fund and by contributor for the year ended 31 December 2012 is contained in the Annex (document A66/29 Add.1).

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Director-General's report

INTRODUCTION

1. In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization, I have the honour to present the Financial Report for the year ended 31 December 2012. The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and WHO's Financial Regulations and Financial Rules. The statutory components of the Financial Report have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in the Financial Report.

2. I am very pleased to announce that 2012 is the first year in which the Organization's financial statements have been prepared under the IPSAS basis of accounting. This is a significant achievement and brings greater transparency, accountability and a higher standard of financial reporting. I have added a section in this report to outline the main changes brought about by IPSAS implementation and its advantages for WHO.

3. The implementation of IPSAS in turn has been facilitated by the implementation of the Global Management System, which has greatly improved the accuracy and timeliness of data presented in this report. In addition, managers across the Organization have access to a consistent set of data, which tracks implementation against the programme budget.

4. The year 2012 was a period of financial consolidation for WHO. Total revenue was US$ 2294 million and total expenses were US$ 2080 million, resulting in a surplus of US$ 214 million. Overall the Organization is on track to meet its programme budget revenue and expense targets. A review of the levels and trends of both revenue and expenses is included in the following sections of the report. However, within this improved overall financial situation, there are still some budget centres that are underfunded as a result of mismatches between planned spending and actual resources received. This situation is one of the central issues being addressed through the WHO financing reforms that are underway.

5. The financial statements cover the total effective budget under all sources of funds (assessed and voluntary contributions) of US$ 3959 million as noted by the Sixty-fourth World Health Assembly in May 2011 in resolution WHA64.3. Although the Organization has adopted an annual financial reporting period as stipulated in the revised Financial Regulation XIII, the budgetary period remains a biennium (Financial Regulation II). Therefore, for the purposes of actual versus budget comparisons, the biennium's budget must be compared to annual expenses. Further analysis of the use of funds is available in document A66/5 "Implementation of the Programme budget 2012–2013: interim report", which describes the implementation of the Programme budget 2012–2013 and the results achieved.

6. In addition to the General Fund which includes the programme budget, there are two other fund groups summarized in the financial statements: "Member States – other", and the Fiduciary Fund. The "Member States – other" fund group includes the Common Fund (reflecting changes in asset and liability accounts), the Enterprise Fund (mainly procurement activities on behalf of Member States and the Revolving Sales Fund), and the Special Purpose Fund (such as the Real Estate and Security Funds maintained for the purpose of financing longer-term costs).The Fiduciary Fund is used where the Organization is managing revenue and expenses on behalf of other entities consolidated within WHO's financial statements. Details of the revenue and expenses for each of these three main fund groups can be found in Schedule I of this report. The figures shown in this introduction elaborate both programme budget and non-programme budget components. In addition, the Organization provides services to six other entities: The Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Drug Purchase Facility (UNITAID), the International Agency for Research on Cancer (IARC), the International Computing Centre (ICC), the African Programme for Onchocerciasis Control (APOC) and the staff health insurance (SHI). Separate financial statements are prepared for each entity, and these are subject to separate external audit review.

7. Highlights of the assets, liabilities and net assets/equity of the Organization are provided, together with information on cash flow, liquidity and investment management in order to provide a complete picture of WHO's financial position as at 31 December 2012. Finally, I have highlighted certain financial risks facing the Organization and the measures in place to manage these risks.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

8. The Organization's full implementation of IPSAS in 2012 further raises the standard of WHO's financial reporting. Financial reporting is a critical element of governance and of sound management, the improvement of which are both important parts of the WHO reform process. The implementation of IPSAS requires increased transparency, which allows for better understanding of the Organization's financial performance and health. Enhanced financial information supports governance, and the management of assets and liabilities, and facilitates decision-making. Compliance with IPSAS has also necessitated the introduction of an enhanced system of internal control in order to support the additional financial reporting requirements.

9. I would like to highlight the following significant changes arising from the full implementation of IPSAS in the 2012 financial statements.

10. For the first time, the full actuarial valuation for after-service health insurance has been recognized in our accounts. This includes the estimated future cost of health insurance for employees and retired staff. The total liability as at 31 December 2012 was estimated at US$ 1329 million, of which US$ 506 million is funded and US$ 823 million is unfunded. The unfunded balance is reflected as a long-term accrued staff liability. A funding plan based on increased contributions is in place to fund the unfunded portion of the liability, however, based on actuarial projections, WHO will only achieve full funding by 2042. In addition, the full actuarial valuation for other staff benefits such accrued annual leave, compensation for death and disability, and termination benefits such as repatriation travel and grants are also recorded as a liability in the accounts, resulting in a total liability of US$ 160 million.

11. Inventories are now recorded as assets in the Organization's financial statements. Inventories consist of medicines and vaccines, humanitarian supplies and publications and are recorded as assets until they are sold, distributed or until their useful life has expired. As at 31 December 2012, the Organization had conducted a physical verification of all stock on hand and had included some 80 locations with inventory valued at a total of US$ 67 million. By recording inventories, the Organization is better able to review the extent and location of inventories held, leading to enhanced stewardship and management of logistics.

12. Under IPSAS, "property, plant and equipment" including buildings, land, vehicles, fixtures and fittings, and equipment, are recognized as assets and amortized over their useful lives. However, due to the time it takes to obtain valuations and to establish residual useful lives, the full value of these assets and accumulated asset depreciation will only be reported after the transitional period of up to five years that is permitted under IPSAS. In order to prepare for this requirement, a full record of all property ownership arrangements is being collected for all WHO locations. Excluding the Region of the Americas/PAHO, the Organization currently operates from 313 premises around the world. Although 29 of these locations are owned, the remainder are either rented or have been granted by a Member State.

13. IPSAS requires the use of accrual accounting so that all revenue and expenses are recognized in the financial statements for the period to which they relate. For voluntary contributions, the revenue is recorded when the agreement is signed and not when the cash was received (this procedure has been implemented since 2008). Expenses are recognized when the goods and services are received and not when the commitments or the payments have been made. As at 31 December 2012, an accrual of US$ 18 million has been made to record goods received and not yet paid for.

14. Another important change is the policy for estimating the allowance for "doubtful accounts receivable". In the past, for assessed contributions, a full allowance was made for any amounts that were not paid at the end of the year. This brought the assessed contribution revenue to a cash basis of accounting (i.e., only the revenue for the amounts paid was recognized). Based on previous payment experience and IPSAS requirements, this allowance has been revised to recognize an allowance only for those amounts that may be in doubt. In agreement with the External Auditor it was decided that this constitutes any amounts outstanding for more than two years or any rescheduled amounts. This opening adjustment has resulted in a US$ 63 million one-time increase in the fund balance of "Member States– regular budget".

15. The implementation of IPSAS currently has no impact on the preparation of the programme budget, which is still presented on a cash basis. As this basis differs from the accrual accounting basis applied to the financial statements, comparison with the figures used for the programme budget and the actual results require greater explanation. In addition, it should be noted that the programme budget continues to operate on a two-yearly basis, whereas expenses are reported on an annual basis.

FINANCIAL HIGHLIGHTS

Summary

16. Total revenue from all sources for 2012 was US$ 2294 million and total expenses for 2012 were US$ 2080 million, resulting in a surplus of US$ 214 million. Table 1 below provides financial highlights in 2012 compared with 2011. In line with IPSAS requirements for the first year of adoption, 2011 comparative figures are not restated or presented in the financial statements however, restated figures are presented in this introduction in order to provide a perspective on the overall trends.

Table 1. Financial highlights – all funds, 2012 and 2011 (US$ million)

Programme budget	**Total 2012**	**Total 2011**
Assessed contributions	475	472
Voluntary contributions	1 539	1 424
In-kind and in-service contributions	56	342
Total contributions per programme budget	**2 070**	**2 238**
Non-programme budget revenue	112	100
Reimbursable procurement	62	41
Increase in allowance for doubtful accounts receivable	(3)	(33)
In-kind and in-service contributions	10	7
Finance revenue	43	53
Total revenue (all sources)	**2 294**	**2 406**
Total expenses	2 080	2 515
Net surplus/(deficit)	**214**	**(109)**

17. As shown in Table 1 above, total contributions for the programme budget in 2012 were US$ 2070 million (in 2011, US$ 2238 million) including US$ 475 million from Member States' assessed contributions, and US$ 1539 million from voluntary contributions. In-kind and in-service contributions are reported separately (US$ 56 million for the programme budget and US$ 10 million for the non-programme budget for 2012). Non-programme budget revenue recorded for the Special Purpose Fund, Enterprise Fund, and Fiduciary Fund is mainly from voluntary contributions under partnerships outside the programme budget, such as the Stop TB Global Drug Facility Fund and the Roll Back Malaria Partnership Fund.

18. Total expenses in 2012 were US$ 2080 million which is a significantly lower level than the US$ 2515 million for 2011 reported above. However, if in-kind and in-service expenses are excluded, the 2011 figure is US$ 2166 million. Expenses in the second year of the biennium are generally higher than the first year of the biennium, once funding is assured and implementation has been planned. A further important reason for lower expenses is the cost-saving measures that were introduced in 2011 in response to the financial uncertainties faced by the Organization over the last two years.

19. Statement V – the Statement of Comparison of Budget and Actual Amounts provides information by strategic objective. Further analysis of the use of funds under the Programme budget 2012–2013 is provided in document A66/5, which provides an interim report on implementation and the results achieved. A summary showing the source of funding for the Programme budget 2012–2013 compared with the use of funding in 2012 is provided in Table 2.

Table 2. Comparison of Programme budget 2012–2013 with actual use of funds in 2012 (US$ million)

	Programme budget 2012–2013	2012 actual use of funds	Percentage (target is 50% for 1 year)
Source of funding:			
Assessed contributions	944	475	50%
Highly flexible funding – voluntary contributions – core	400	116	29%
Medium flexible funding – voluntary contributions – core	400	14	4%
Specified funding – voluntary contributions – specified	2 215	1 409	64%
Total voluntary contributions	3 015	1 539	51%
Total financing for the programme budget	3 959	2 014	51%
In-kind and in-service contributions		56	
Total revenue		**2 070**	
Use of funding:			
Programme budget 2012–2013 expenses – in cash	3 959	1 694	43%
Programme budget 2012–2013 expenses – in-kind and in-service		44	
Total		1 738	
Previous bienniums workplans – expenses in 2012–2013		125	
Tax equalization and other non-programme budget utilization		22	
Total expenses		**1 885**	
Net surplus – programme budget		**185**	

20. It should be noted that although the total revenue and total expenses were in line with expectations, within that, the level of flexible funding was lower than originally planned and the level of specified funding was higher than planned. The total programme budget expenses for 2012 were US$ 1885 million and the net surplus under the General Fund was US$ 185 million.

NET ASSETS/EQUITY

21. Statement III, the Statement of Changes in Net Assets/Equity provides information on the fund balances for all funds as at 31 December 2012, the movement during 2012 and the restated opening balances as at 1 January 2012. The amount of total net assets/equity (carry forward) as at 31 December 2012 was US$ 1159 million. The break down is shown in Table 3.

Table 3. Summary of net assets/equity in 2012 (US$ million)

	31 December 2012	Surplus/(deficit) 2012	1 January 2012 (restated)
General Fund			
Total Member States – regular budget	84	18	66
Total voluntary funds	1 642	161	1 481
Total - General Fund	**1 726**	**179**	**1 547**
Total Member States – other	(715)	28	(743)
Total Fiduciary Fund	148	30	118
Total net assets/equity	**1 159**	**237**	**922**

22. The restated opening net assets/equity balance under "Member States - regular budget" increased to a level of US$ 66 million due to the change in the allowance for "doubtful accounts receivable" (see paragraph 14 above). The further increase during 2012 is due to slightly lower programme implementation in the first year of the biennium.

23. The net assets/equity under the voluntary funds increased from US$ 1481 million to US$ 1642 million by the end of 2012. These funds represent contribution agreements recorded and not yet spent. An amount of approximately US$ 110 million within this balance is encumbered and will be used for the settlement of commitments made in 2012 for which expenses will be recorded in 2013. The remainder of this balance is planned to support work in 2013 and beyond. The increase is mainly due to the agreements recorded in the first year of the biennium, the implementation of which will take place in the second year.

24. The negative balance in the net assets/equity of US$ 715 million for the group of funds under "Member States – other", arises primarily from the future unfunded liabilities for after-service health insurance (see paragraph 10 above).

REVENUE

25. Total revenue for 2012 was US$ 2294 million (in 2011, US$ 2406 million) – see Table 1 above. Voluntary contributions are summarized in Table 4 below for 2012 and 2011.

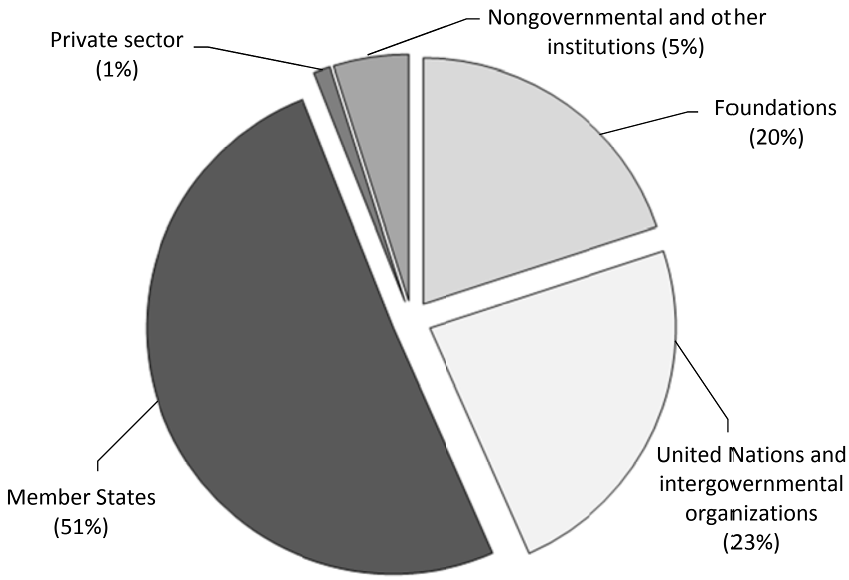
Table 4. Voluntary contributions revenue in 2012 and 2011 (US$ million)

	2012	2011	Percentage
Voluntary contributions – core	130	125	104%
Voluntary contributions – specified	1 409	1 299	108%
Voluntary contributions – Fiduciary Fund	97	80	121%
Total voluntary contributions	**1 636**	**1 504**	**109%**

26. Out of the total voluntary contributions for 2012 of US$ 1636 million, US$ 1539 million were for the programme budget. The remaining amount was received for the Fiduciary Fund. Overall, the voluntary contributions combined for 2012 were slightly higher than the combined voluntary contributions for 2011.

27. Figure 1 below illustrates the relative proportions of the various sources of voluntary contributions in 2012. Member States continued to be the largest source of voluntary contributions, contributing to 51% of the total non-assessed (voluntary) budget. Revenue from the United Nations and intergovernmental organizations was 23%, foundations 20%, and nongovernmental organizations and other institutions represented 5%. Private sector donations of 1% accounted for the remaining voluntary contributions to the Organization. The relative percentages are similar to the previous biennium with a slight decrease in Member State contributions and slight increases from foundations and the United Nations organizations.

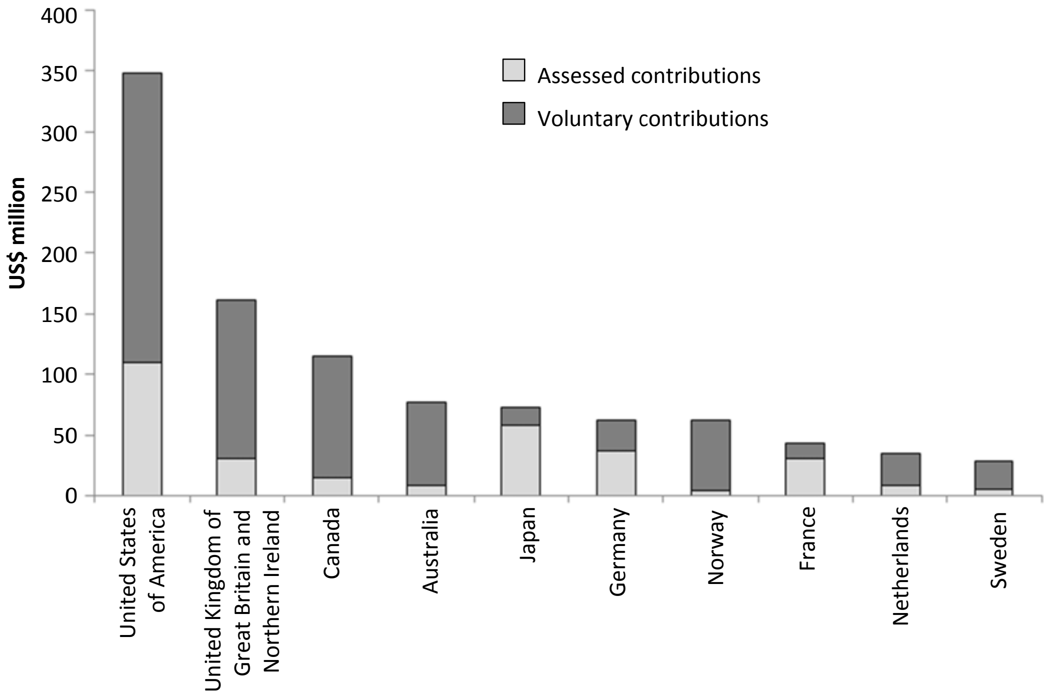
Figure 1. Sources of voluntary contributions in 2012



28. Many of the voluntary contributions were highly earmarked and relate to individual projects with differing reporting requirements within the framework of the planned results of the programme budget. Full details of all the voluntary contributions recorded in 2012 are contained in document A66/29 Add.1.

29. The total of contributions by Member States (voluntary contributions and assessed contributions) was US$ 1304 million (representing 62% of total voluntary and assessed contributions). The 10 largest contributors among the Member States are shown below. They contributed a combined total of US$ 1005 million, or 77% of the total contributions from Member States and 48% of the total of the voluntary and assessed contributions.

Figure 2. Top 10 Member State contributors for 2012, combining assessed and voluntary contributions (US$ million)

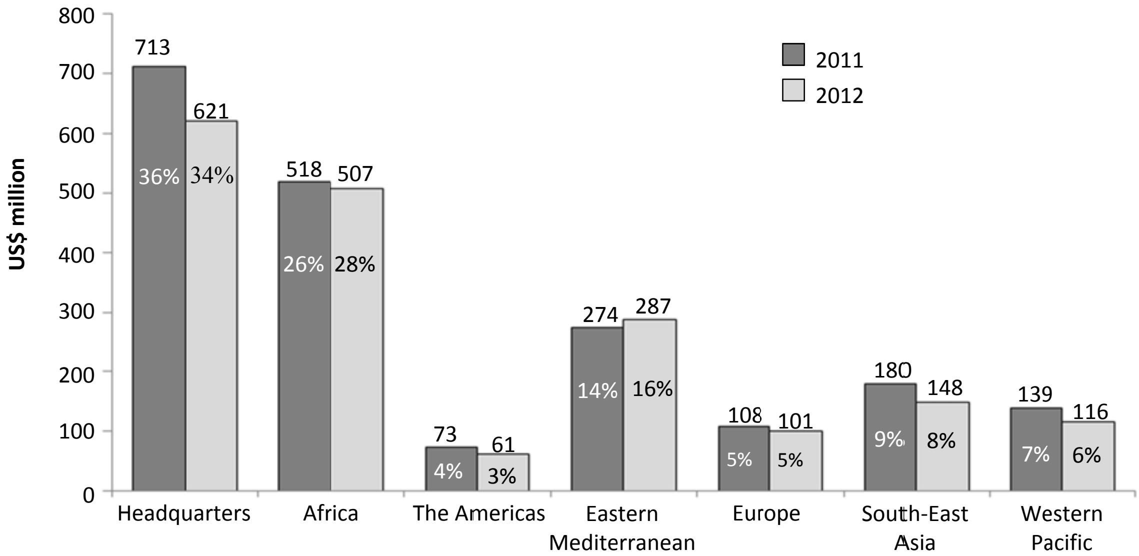


EXPENSES

30. Total expenses for 2012 were US$ 2080 million. Total expenses incurred for the implementation of the programme budget were US$ 1885 million (in 2011, US$ 2346 million). The exclusion of in-kind and in-service expenses under the General Fund of US$ 44 million for 2012 (in 2011, US$ 342 million) resulted in net expenses of US$ 1841 million for 2012 (in 2011, US$ 2004 million). The analysis of expenses that follows is for the programme budget only and excludes in-kind and in-service expenses. Further details of expenses by cost category, major offices, and by strategic objective, are provided in Schedules I to IV of this report.

31. The share of overall expenses by major office is shown below in Figure 3. In comparison with 2011 there has been a decrease in headquarters' share, from 36% to 34%, and a proportionate increase in the regions' share, which has grown from 64% to 66%. Total expenses decreased in each major office compared to 2011 with the exception of the Eastern Mediterranean Region, where increases in medical supplies and contractual services produced a net increase of 5%. In all offices, non-staff expense levels are often lower in the first year of a biennium due to the planning required for projects covering the full biennium. In addition, the cost-saving measures that were introduced in 2011 in response to the financial uncertainties faced by the Organization over the last two years have reduced expenses.

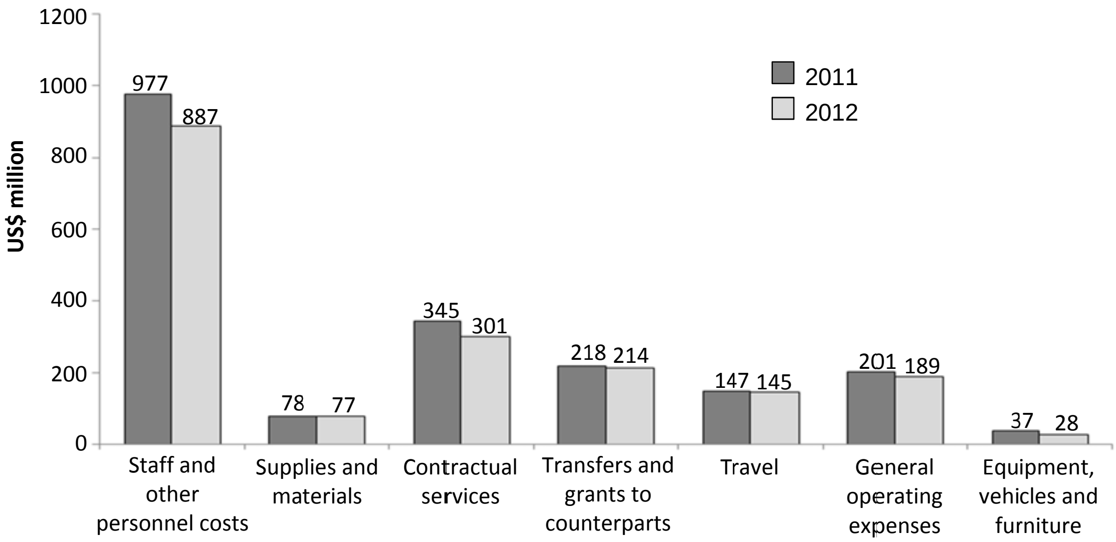
Figure 3. Programme budget expenses by major office (excluding in-kind and in-service) in 2011 and 2012 (US$ million)



Note: For better comparison, 2011 figures have been restated to reflect the reclassification of special service agreements and fellowship costs from staff and other personnel costs to contractual services.

32. Summary information by cost category is shown below in Figure 4 comparing programme budget expenses in 2012 with those for 2011.

Figure 4. Programme budget expenses by category (excluding in-kind and in-service) in 2011 and 2012 (US$ million)



33. Salaries were the largest category of expenses and represented 48% of the total expenses incurred under the programme budget in 2012. This represented the total cost of employing staff, including charges for base salary, post adjustment and any other types of entitlements paid by the Organization (e.g. pensions and insurances). Costs for special service agreements are reflected within contractual services.

34. Compared to 2011, total salary costs have decreased by 9%. This is a result of the staff reductions (937) that took place during 2011 and early 2012. The largest decreases were at headquarters and in the African Region.

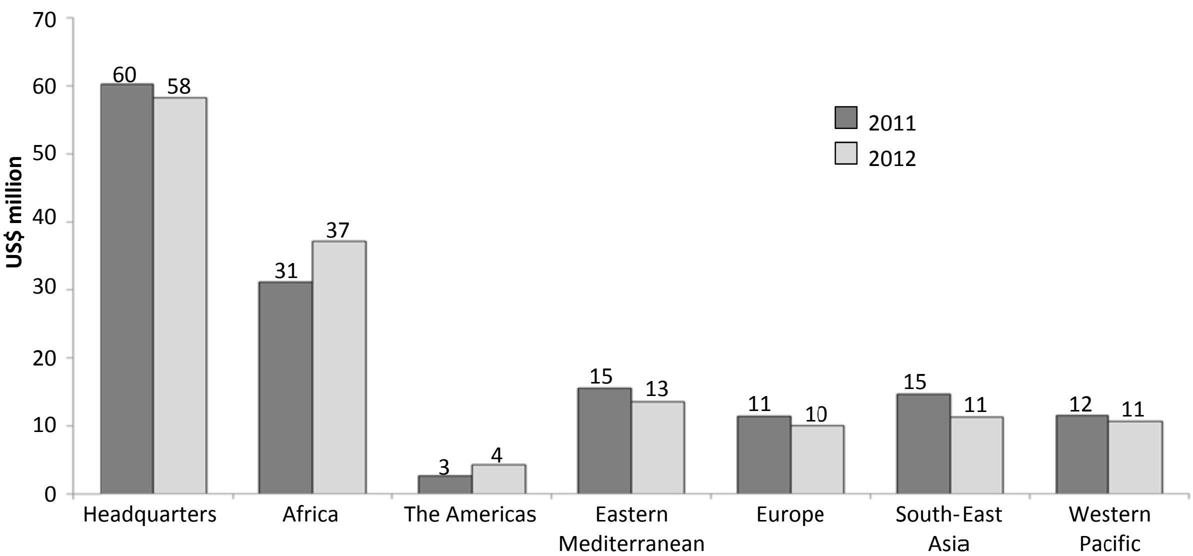
35. Contractual services were the second highest category of expenses (16%) and represent the costs of contracts given to experts and service providers who supported the Organization in achieving its planned objectives. The main components were for agreements for performance of work or consulting and special service contracts that were given to individuals to perform activities on behalf of the Organization. Medical research activities are also included in contractual services. There has been an overall decrease of 13% in contractual service costs with decreases across all major offices except in the South-East Asia Region, where the increase is due to re-categorization of special service contractors from salary to the contractual services category (this re-categorization also explains the decrease in recorded salary cost in that region).

36. The total of expenses incurred for special service contracts ('SSAs') in 2012 was US$ 40 million with the largest amounts for the African, Eastern Mediterranean and South-East Asia regions. This is accounted for by the employment of approximately 3200 additional personnel for WHO programmes in these regions, many deployed in the Global Polio Eradication Initiative.

37. Transfers and grants to counterparts represented 12% of the overall expenses, and were highest in the African and Eastern Mediterranean regions. These costs were for contracts signed with national counterparts (mainly health ministries) to perform activities that are in line with the programme budget. The use of funds was recorded at the time of transfer of the funds to the contractual partner.

38. Travel constituted 8% of the Organization's total expenses, being US$ 145 million in 2012 (in 2011, US$ 147 million) under the General Fund. This is the second successive year of reduced travel expenses. Closer analysis shows the amount spent on staff travel to have been further diminished: staff travel by the end of 2012 constituted 43% of the total travel cost, down from 48% in 2011, with the balance being costs that related to travel by participants in meetings and advisors (delegates of Member States and non-Secretariat personnel). Travel expenses include airfare, per diem and other travel-related costs. The cost of travel is shown by major office in Figure 5.

Figure 5. Programme budget travel expenses by major office in 2011 and 2012 (US$ million)



39. The increase in travel expenses for the African Region arose from the higher staff travel costs and the re-categorization of travel expenses of special service contract holders.

40. Medical supplies and materials related primarily to medical supplies purchased and distributed by the Organization for programme implementation as well medical literature and accounted for just 4% of total expenses for 2012. The category of general operating expenses (10% of total expenses) reflects WHO running costs, including utilities and other office costs, mainly at local level. Equipment, vehicles and furniture represent only 2% of WHO total expenses and are significantly lower in the biennium 2012–2013 than in previous bienniums.

ASSETS

Liquidity and investment management

41. Total cash and cash equivalents at the end of the period were US$ 1184 million with a further US$ 1636 million held in investments. The investments are primarily short-term measures taken in order to ensure that cash is available for programmatic needs. Some funds for longer-term liabilities have been invested in securities, in accordance with the recommendations of the Advisory Investment Committee. The total cash and cash equivalents balance available for the Organization's programmatic activities was US$ 1830 million. US$ 990 million was cash held in the Organization's accounts on behalf of other entities – the African Programme for Onchocerciasis Control, The Trust Fund for the Joint United Nations Programme on HIV/AIDS, the International Drug Purchase Facility, the International Computing Centre and the staff health insurance.

Accounts receivable

42. The balance of "accounts receivable" includes amounts due from Member States for assessed contributions and from Member States and other contributors for voluntary contributions. The total receivable for assessed contributions, including rescheduled payments, amounted to US$ 104 million including US$ 39 million for rescheduled arrears; this is a further improvement over the previous year. The continued good collection rate has been a contributing factor to the reduction mentioned above in paragraph 14 in the allowance for doubtful accounts receivables. Further information on the collection of assessed contributions for 2012 is provided in document A66/30.

43. For voluntary contributions, the total receivable amount was similar to the end of 2011, at US$ 852 million, of which US$ 210 million is due in future years. The recording of these future amounts – which is required under IPSAS – has made prospective revenue more visible, which has assisted in the Organization's overall revenue planning and further clarified WHO's overall financial situation. As these future, deferred revenue amounts become due for payment, the amounts are transferred to current period revenue and made available for incurring expenses. Full details of all voluntary contributions including amounts receivable, by contributor, are provided in document A66/29 Add.1.

Other assets

44. Inventories have been recognized for the first time under IPSAS (see paragraph 11 above).

LIABILITIES

Staff liabilities

45. Based on the latest actuarial projections, the total required to settle current liabilities for staff entitlements was US$ 72 million. A further US$ 912 million has been estimated for future staff liabilities. These liabilities cover the expected costs for accrued annual leave, accrued repatriation grant and travel, the cost of future removal of a staff member upon separation, and the current and future health care scheme costs.

46. The health care scheme provides medical reimbursements for serving and retired staff members, and their dependents, subject to strict rules and limits. The actuarial valuation of the future liability for the Organization was estimated at US$ 823 million at the end of 2012. This valuation was based on estimates of future health care costs and the projections of retired staff, as well as a range of socioeconomic assumptions. The staff health insurance scheme covers other entities, namely PAHO, UNAIDS, UNITAID, APOC, IARC and ICC. Their share of the future staff liability is reflected in their respective financial statements. The assets of the Staff Health Insurance Fund are reflected in its own financial statements, which, in accordance with IPSAS, are now subject to a full, separate,

independent audit. In order to establish a long-term provision in order to ensure full financing of this liability, changes to the staff health insurance contribution rates were approved in 2011, affecting both the Organization and the scheme participants, and covering all entities.

FINANCIAL RISKS

47. The Organization must manage a number of financial risks. These are now regularly reviewed by the Independent Expert Oversight Advisory Committee and are described further below.

Investment risks

48. The Organization is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. WHO uses derivative financial instruments to hedge some of its risk exposures. In accordance with the Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the Director-General. Some portfolios are managed by external managers appointed by the Organization to manage funds in accordance with a defined mandate. The Advisory Investment Committee regularly reviews the investment policies and the investment performance and risk for each investment portfolio. This Committee comprises of external investment specialists and can make recommendations to the Director-General.

49. Investments are placed with a wide range of financial counterparties, whose credit risk is minimized by applying minimum credit quality requirements and maximum investment exposure limits, both by the counterparty and by groups of related counterparties. These terms are set out in agreed investment mandates.

Foreign exchange currency risk

50. The Organization receives contributions and makes payments in currencies other than the United States dollar and it is exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Translation into United States dollars of transactions expressed in other currencies is done at the prevailing United Nations Operational Rates of Exchange at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the United Nations Operational Rates of Exchange that prevail at the end of each month. Forward foreign exchange contracts are transacted in order to hedge foreign currency exposures and to manage short-term cash flows. Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

51. **Hedging foreign exchange exposures on future payroll costs**. The United States dollar value of non-dollar expenses in 2013 has been protected from the impact of movements in foreign exchange rates through the transaction of forward currency contracts during 2012. Full details of all hedging contracts are contained in Note 4.2.

Staff financing risks

52. Although this report shows an improvement to the overall financial situation of the Organization, some budget centres continue to have difficulty in ensuring sufficient stability in the financing of salary costs. In 2012, 59% of staff salaries were financed from voluntary funds, most of which were specified funds. There are limited possibilities for shifting funds between budget centres in order to ensure consistency in salary financing across the Organization. This risk is subject to close monitoring through review of staff work plans and the matching of these plans to sources of funds.

Risks of non-receipt of funds ("doubtful accounts receivable")

53. As noted in paragraph 42 above, the Organization has large amounts receivable that are due to be provided by contributors and Member States, and which are commitments made to provide funds. This amount includes the assessed contributions that were not received as at 31 December 2012. The Organization recognizes revenue at the time of signature of agreements, or approval of the assessed contributions. This allows project commitments to be made and expenses to be incurred. The Organization has a very good record of collecting all amounts due but some risk exists. To mitigate this risk, monthly reporting is carried out on all projects which have expenses incurred in excess of cash received, and regular checks are made of the status of amounts receivable. In a few cases, allowances are made against revenue, such that an expense cannot be incurred unless the funds have been received. The value of such allowances for assessed contributions has been reduced with the introduction of IPSAS, due to an accounting change as noted above, resulting in a one-time increase to the opening fund balance of US$ 63 million. A total of US $44 million was provided for assessed contributions and US$ 11 million for voluntary contributions as at 31 December 2012.

Risks associated with long-term liabilities

54. The Organization operates on a two-year budget cycle. Three quarters of its revenue is from voluntary funds – a situation which may not be sustainable in the long term. However, the Organization has long- term financial commitments in respect of future staff liabilities, given that the majority of staff have long-term appointments, with associated future entitlements. The most significant of these is the future cost of staff health benefits that are provided for staff and dependents, including into retirement for those staff who remain eligible. Given that almost two thirds of staff are paid from voluntary funds, there is a risk that insufficient funds are being set aside against these short-term funds for the long-term liabilities that must be met. To mitigate this risk the Organization now commissions an annual actuarial assessment for all future staff liabilities. As a result of these reports, adjustments have been made recently to funding rates. Further regular reporting of these long-term liabilities and funding plans will be provided to the Independent Expert Oversight Advisory Committee.

CONCLUSION

55. This has been a year of financial consolidation for the Organization: measures taken in 2011 to reduce expenses have improved the financial situation. This was critical in view of the uncertainties that prevailed (and continue to prevail) over the level of voluntary contributions to WHO. The ongoing work on WHO reform will help to address the structural financing risks which remain, notably the lack of predictability and the level of specification of funding.

M. Chan

Dr Margaret Chan
Director-General

Geneva, 8 March 2013

Certification of the financial statements for the year ended 31 December 2012

According to Financial Regulation XIII – Accounts and Financial Statements, accounts for the World Health Organization have been established and maintained in accordance with International Public Sector Accounting Standards. The financial statements for the year ended 31 December 2012, together with the notes to the statements and supporting schedules, have been reviewed and are approved.

Nicholas R. Jeffreys	Dr Margaret Chan
Comptroller	Director-General

8 March 2013

Letter of transmittal

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

Maria Gracia M. Pulido Tan
Chairperson

LETTER OF TRANSMITTAL

12 April 2013

Dear Sir/Madam,

I have the honour to present to the Sixty-Sixth World Health Assembly, the External Auditor's report and opinion on the financial statements of the World Health Organization for the financial year ended 31 December 2012.

I record my appreciation to the World Health Assembly for the honor and privilege to serve as external auditor of WHO and its non-consolidated entities.

Yours sincerely,

Maria Gracia M. Pulido Tan
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

The President of the Sixty-Sixth World Health Assembly
World Health Organization
Geneva, Switzerland

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Opinion of the External Auditor

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To The World Health Assembly

Report on the financial statements

We have audited the accompanying financial statements of the World Health Organization, which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flow, Comparison of Budget and Actual Amounts for the year then ended and the Notes to the Financial Statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the World Health Organization as at 31 December 2012, and its financial performance, changes in net assets/equity, cash flow, and the comparison of budget and actual amounts, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further, in our opinion, the transactions of the World Health Organization that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the Financial Regulations, we have also issued a Long-form Report on our audit of the World Health Organization.

Maria Gracia M. Pulido Tan
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
27 March 2013

Financial statements

World Health Organization

Statement I. Statement of Financial Position

As at 31 December 2012
(In US dollars)

ASSETS	Notes	31 December 2012	1 January 2012 (restated)
Current assets			
Cash and cash equivalents	4.1	1 184 358 416	643 516 528
Short-term investments	4.2	1 369 531 140	2 253 303 807
Accounts receivable – net current	4.3	695 054 637	729 229 217
Staff receivables	4.4	12 263 937	16 710 890
Inventories	4.5	67 458 323	64 149 230
Prepayments	4.6	1 299 838	1 567 910
Other current assets	4.7	12 191 472	22 864 545
Total current assets		3 342 157 763	3 731 342 127
Non-current assets			
Accounts receivable – net non-current	4.3	210 277 136	224 896 094
Long-term investments	4.2	266 323 581	34 833 438
Deposits	4.6	309 148	362 303
Property, plant and equipment – net	4.8	41 180 878	42 297 077
Total non-current assets		518 090 743	302 388 912
TOTAL ASSETS		**3 860 248 506**	**4 033 731 039**
LIABILITIES			
Current liabilities			
Contributions received in advance	4.10	86 329 879	100 728 551
Accounts payable	4.11	24 983 899	32 287 143
Staff payable	4.12	4 366 015	7 143 440
Accrued staff benefits – current	4.13	71 735 099	74 187 562
Deferred revenue	4.14	317 034 710	457 640 785
Financial liabilities	4.2	21 403 427	331 076 923
Other current liabilities	4.15	41 442 241	46 080 782
Inter-entity liabilities	4.16	989 810 138	933 396 863
Total current liabilities		1 557 105 408	1 982 542 049
Non-current liabilities			
Long-term borrowings	4.17	21 912 231	22 725 204
Accrued staff benefits – non-current	4.13	911 532 131	880 900 388
Deferred revenue – non-current	4.14	210 277 136	224 896 093
Total non-current liabilities		1 143 721 498	1 128 521 685
TOTAL LIABILITIES		**2 700 826 906**	**3 111 063 734**
NET ASSETS/EQUITY			
Member States – regular budget		84 121 732	66 449 981
Voluntary funds		1 642 008 469	1 481 067 258
Member States – other		(715 185 725)	(743 026 383)
Fiduciary Fund		148 477 124	118 176 449
TOTAL NET ASSETS/EQUITY		**1 159 421 600**	**922 667 305**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**3 860 248 506**	**4 033 731 039**

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement II. Statement of Financial Performance

For the year ended 31 December 2012
(In US dollars)

	Notes	31 December 2012
REVENUE	5.1	
Member States' assessed contributions		474 609 150
Increase in allowance for doubtful accounts receivable		(3 321 404)
Voluntary contributions		1 636 552 815
Voluntary contributions in-kind and in-service		66 468 439
Reimbursable procurement		62 459 972
Other operating revenue		13 981 777
Finance revenue		43 116 045
Total revenue		**2 293 866 794**
EXPENSES	5.2	
Staff and other personnel costs		912 439 371
Medical supplies and materials		199 567 941
Contractual services		324 645 528
Transfers and grants to counterparts		215 889 802
Travel		152 770 486
General operating expenses		235 654 979
Equipment, vehicles and furniture		32 025 524
Depreciation and amortization		1 116 199
Finance costs		5 853 575
Total expenses		**2 079 963 405**
TOTAL SURPLUS FOR THE YEAR		**213 903 389**

Comparative information for the previous year has not been provided, as permitted in the first year of IPSAS adoption.

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2012
(In US dollars)

	Notes	31 December 2012	Surplus/(deficit) 2012	Other adjustments	1 January 2012 (restated)
General Fund					
Member States – regular budget	6.1				
Member States' Assessed Contributions Fund		55 218 265	35 550 072		19 668 193
Member States' Non-Assessed Income Fund		10 321 511	(13 533 880)		23 855 391
Tax Equalization Fund		(12 418 044)	(4 344 441)		(8 073 603)
Working Capital Fund		31 000 000	–		31 000 000
Total Member States – regular budget		**84 121 732**	**17 671 751**	**–**	**66 449 981**
Voluntary funds					
Voluntary Contributions Core Fund		245 768 622	(8 905 396)		254 674 018
Voluntary Contributions Specified Fund		987 723 666	216 619 128		771 104 538
TDR Trust Fund[1]		13 243 217	3 642 901		9 600 316
HRP Trust Fund[2]		27 080 952	10 225 134		16 855 818
Stop TB Fund		59 154 438	(983 767)		60 138 205
Special Programmes and Collaborative Arrangements Fund		141 604 324	(59 237 691)		200 842 015
Other Partnership Fund		–	329 717		(329 717)
Special Account for Servicing Costs Fund	6.2	150 126 831	38 942 850		111 183 981
Outbreak and Crisis Response Fund		17 306 419	(39 691 665)		56 998 084
Total voluntary funds		**1 642 008 469**	**160 941 211**	**–**	**1 481 067 258**
Total General Fund		**1 726 130 201**	**178 612 962**	**–**	**1 547 517 239**
Member States – other					
Common Fund	3.1	107 679 711	24 109 207	22 850 906	60 719 598
Enterprise Fund					
Revolving Sales Fund		3 975 937	(569 326)		4 545 263
Concessions Fund		2 325 809	(395 820)		2 721 629
Insurance Policies Fund		912 829	343 695		569 134
Office/Garage Rental Fund		1 371 915	(462 017)		1 833 932
Global Conference and Training Centre – Tunis Fund		991 469	991 469		–
Total Enterprise Fund		9 577 959	(91 999)	–	9 669 958
Special Purpose Fund					
Real Estate Fund	6.3	19 095 600	975 020		18 120 580
Security Fund		4 436 270	(214 185)		4 650 455
Information Technology Fund		(124 453)	(241 459)		117 006
Revolving Fund for Teaching and Laboratory Equipment		16 520	(33 426)		49 946
Special Fund for Compensation		(5 711 535)	424 538		(6 136 073)
Terminal Payments Fund		(88 003 508)	6 385 316		(94 388 824)
Non-Payroll Staff Entitlements Fund		28 836 922	(3 712 262)		32 549 184
Post Occupancy Charge Fund		30 769 533	8 025 375		22 744 158
Internal Service Cost Recovery Fund		1 224 441	420 518		803 923
After-Service Health Insurance Fund		(822 983 185)	(31 056 891)		(791 926 294)
Total Special Purpose Fund		(832 443 395)	(19 027 456)	–	(813 415 939)
Total Member States – other		**(715 185 725)**	**4 989 752**	**22 850 906**	**(743 026 383)**
Fiduciary Fund					
Other Fiduciary Fund		–	(12 249)		12 249
WHO Framework Convention on Tobacco Control		5 321 738	5 251 334		70 404
Stop TB Partnership Global Drug Facility Fund		90 734 009	(12 642 454)		103 376 463
Roll Back Malaria Partnership Fund		7 333 914	4 023 768		3 310 146
Health Metrics Network Fund		5 203 897	(3 600 721)		8 804 618
Partnership for Maternal, Newborn and Child Health Fund		10 523 409	8 321 304		2 202 105
United Nations System Standing Committee on Nutrition Fund		466 717	66 253		400 464
Alliance for Health Policy and System Research Fund		26 540 711	26 540 711		–
Global Health Workforce Alliance Fund		2 352 729	2 352 729		–
Total Fiduciary Fund		**148 477 124**	**30 300 675**	**–**	**118 176 449**
TOTAL NET ASSETS/EQUITY		**1 159 421 600**	**213 903 389**	**22 850 906**	**922 667 305**

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

[1] Trust Fund for the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases.
[2] Trust Fund for the UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction.

World Health Organization

Statement IV. Statement of Cash Flow

For the year ended 31 December 2012
(In US dollars)

	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES	
TOTAL SURPLUS FOR THE YEAR	213 903 389
Depreciation and amortization	1 116 199
(Increase)/decrease in accounts receivable – net current	34 174 580
(Increase)/decrease in staff receivables	4 446 953
(Increase)/decrease in inventories	(3 309 093)
(Increase)/decrease in prepayments	268 072
(Increase)/decrease in other current assets	10 673 073
(Increase)/decrease in accounts receivable – net non-current	14 618 958
(Increase)/decrease in deposits	53 155
Increase/(decrease) in contributions received in advance	(14 398 672)
Increase/(decrease) in accounts payable	(7 303 244)
Increase/(decrease) in staff payables	(2 777 425)
Increase/(decrease) in accrued staff benefits – current	(2 452 463)
Increase/(decrease) in deferred revenue	(140 606 075)
Increase/(decrease) in other current liabilities	(4 638 541)
Increase/(decrease) in inter-entity liabilities	56 413 275
Increase/(decrease) in accrued staff benefits – non-current	30 631 743
Increase/(decrease) in deferred revenue – non-current	(14 618 957)
Net cash flows from operating activities	176 194 927
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase)/decrease in short-term investments	883 772 667
(Increase)/decrease in long-term investments	(231 490 143)
Increase/(decrease) in financial liabilities	(309 673 496)
Reversal of opening adjustment for unrealized foreign exchange loss	22 850 906
Net cash flows from investing activities	365 459 934
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase/(decrease) in long-term borrowings	(812 973)
Net cash flows from financing activities	(812 973)
Net increase/(decrease) in cash and cash equivalents	540 841 888
Cash and cash equivalents at beginning of the year	643 516 528
Cash and cash equivalents at end of the year	**1 184 358 416**

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

World Health Organization

Statement V. Statement of Comparison of Budget and Actual Amounts

For the year ended 31 December 2012
(In US dollars)

		Programme budget 2012–2013	Programme budget utilization 2012	Remaining balance	Percentage implementation
Strategic objectives					
1	Communicable diseases	1 278 130 000	613 991 614	664 138 386	48%
2	HIV/AIDS, tuberculosis and malaria	540 298 000	181 715 241	358 582 759	34%
3	Chronic noncommunicable conditions	113 763 000	47 436 719	66 326 281	42%
4	Child, adolescent, maternal, sexual and reproductive health, and ageing	218 306 000	97 649 248	120 656 752	45%
5	Emergencies and disasters	382 028 000	144 162 770	237 865 230	38%
6	Risk factors for health	122 255 000	44 783 635	77 471 365	37%
7	Social and economic determinants of health	42 789 000	16 845 245	25 943 755	39%
8	Healthier environment	86 825 000	38 854 688	47 970 312	45%
9	Nutrition, food safety and food security	54 898 000	27 154 565	27 743 435	49%
10	Health systems and services	348 093 000	134 847 454	213 245 546	39%
11	Medical products and technologies	137 283 000	61 909 929	75 373 071	45%
12	WHO leadership, governance, and partnerships	257 570 000	124 325 654	133 244 346	48%
13	Enabling and support functions	376 741 000	160 003 601	216 737 399	42%
Total		**3 958 979 000**	**1 693 680 363**	**2 265 298 637**	43%
Basis differences					
In-kind/in-service expenses			44 681 506		
Tax Equalization Fund expenses			14 533 591		
Other non-programme budget utilization			6 601 885		
Common Fund activities			365 102		
Total Basis differences			**66 182 084**		
Timing differences					
Programme budget expenses for prior periods			125 153 581		
Total timing differences			**125 153 581**		
Total expenses per the General Fund and Common Fund			**1 885 016 028**		
Entity differences					
Expenses under Enterprise Fund, Special Purpose Fund and Fiduciary Fund			194 947 377		
Total entity differences			**194 947 377**		
Total expenses per the Statement of Financial Performance (Statement II)			**2 079 963 405**		

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

Notes to the financial statements

1. Basis of preparation and presentation

The financial statements of the World Health Organization have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared using the historical cost convention with the exception of investments and loans, which are recorded at fair value or at amortized cost. Where IPSAS does not address a specific matter, the appropriate International Financial Reporting Standards (IFRS) have been applied.

This is the first set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS has required changes to the accounting policies previously followed by the Organization. This includes the preparation of financial statements on an annual basis. The new accounting policies under IPSAS have resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position dated 31 December 2011 and the resulting changes are reported in the Statement of Changes in Net Assets/Equity and Note 3.1. The revised 31 December 2011 Statement of Financial Position is described in these financial statements as the opening balance as at 1 January 2012 (restated). The net effect of the changes arising from the adoption of IPSAS in the Statement of Financial Position amounted to a decrease in net assets/equity of US$ 951 million.

As permitted in the year of IPSAS adoption, comparative information for the previous year has not been provided.

These financial statements have been prepared under the assumption that WHO is a going concern, will continue in operation, and will meet its mandate for the foreseeable future (IPSAS 1).

Functional currency and translation of foreign currencies

The functional and reporting currency of the Organization is the United States dollar.

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange, which approximates to the exchange rates at the date of the transactions. The Operational Rates of Exchange are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing Operational Rates of Exchange of the first day of the subsequent month. Resulting gains or losses are accounted for in the Statement of Financial Performance.

The non-United States dollar denominated assets and liabilities in the investment portfolios are translated into United States dollars at the month-end closing rate used by the custodian.

Materiality[1] and the use of judgments and estimates

Materiality is central to WHO's financial statements. The Organization's process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information, spanning a number of accounting areas.

The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

[1] Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Financial statements

In accordance with IPSAS 1, a complete set of financial statements have been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flow;
- Statement of Comparison of Budget and Actual Amounts; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.

Use of transitional provisions and early adoption of accounting policies

As permitted on the initial adoption of IPSAS, transitional provisions have been applied in the following areas:

- Comparative information has not been provided in the Statement of Financial Performance and Statement of Cash Flow (IPSAS 1);
- Transitional provisions have been applied in the initial recognition of property, plant, and equipment (IPSAS 17); and
- Transitional provisions have been applied in the initial recognition of intangible assets (IPSAS 31).

The following Accounting Standards have been adopted prior to their required implementation dates of 1 January 2013:

- IPSAS 28: Financial Instruments: Presentation;
- IPSAS 29: Financial Instruments: Recognition and Measurement; and
- IPSAS 30: Financial Instruments: Disclosures.

These standards replace IPSAS 15 (Financial Instruments: Disclosure and Presentation).

2. Significant accounting policies

2.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks, collateral deposits, commercial paper, money market funds and short-term bills and notes. All investments that have a maturity of three months or less from the date of acquisition are included as cash and cash equivalents. This includes cash and cash equivalents held in the portfolios managed by external investment managers.

2.2 Investments and financial instruments

Financial instruments are recognized when WHO becomes party to the contractual provisions of the instrument until such time as the rights to receive cash flows from those assets have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership. Investments can be classified as being: (i) financial assets or financial liabilities at fair value through surplus or deficit; (ii) held-to-maturity; (iii) available-for-sale; or (iv) bank deposits and other receivables. All purchases and sales of investments are recognized on the basis of their trade date.

Financial assets or financial liabilities at fair value through surplus or deficit are financial instruments that meet either of the following conditions: (i) they are held-for-trading; or (ii) they are designated by the entity upon initial recognition as at fair value through surplus or deficit.

Financial instruments in this category are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. All derivative instruments, such as swaps, currency forward contracts or options are classified as held-for-trading except for designated and effective hedging instruments as defined under IPSAS 29.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that WHO has both the intention and the ability to hold the investment to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest rate method, with interest revenue being recognized on an effective yield basis in the Statement of Financial Performance.

Available-for-sale investments are classified as being available-for-sale where WHO has not designated them either as held-for-trading or as held-to-maturity. Available-for-sale items are stated at fair value (including transaction costs that are directly attributable to the acquisition of the financial asset) with value changes recognized in net assets/equity. Impairment charges and interest calculated using the effective interest rate method are recognized in the Statement of Financial Performance. As at 31 December 2012, no available-for-sale financial assets were held by the Organization.

Bank deposits and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accrued revenue related to interest, dividends and pending cash to be received from investments are included herein. Bank deposits and other receivables are stated at amortized cost calculated using the effective interest rate method, less any impairments. Interest revenue is recognized on the effective interest rate basis with the exception of short-term receivables for which the recognition of interest would be immaterial.

Other financial liabilities include payables and accruals relating to investments and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method with the exception of short-term liabilities for which the recognition of interest would be immaterial.

2.3 Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements.

Voluntary accounts receivable are recognized based on a binding agreement between WHO and the contributor. Assessed accounts receivable are recognized annually, at the beginning of the year as per the assessments approved by the Health Assembly. Accounts receivable are recorded at their estimated net realizable value and not discounted as the effect of discounting is considered immaterial.

An allowance for doubtful accounts receivable is recognized when there is a risk that the receivable may be impaired. Changes in the allowance for doubtful accounts receivable are recognized in the Statement of Financial Performance.

2.4 Inventories

WHO recognizes medicines, vaccines, humanitarian supplies, and publications as part of its inventory. Inventories for medicines, vaccines and humanitarian supplies are valued taking the lower amount of (i) cost or (ii) net realizable value, using a weighted average basis. Inventories for publications are valued at net cost of sales.

Where inventories have been acquired through a non-exchange transaction (i.e. inventories were donated as an in-kind contribution), the value of inventory is determined by reference to the donated goods' fair value at the date of acquisition.

When inventories are sold, exchanged or distributed, their carrying amount is recognized as an expense.

2.5 Prepayments and deposits

Prepayments relate to amounts paid to suppliers for goods or services not yet received.

Deposits relate to amounts paid as security for the leasing of office space.

Deposits and prepayments are recorded at cost. Deposits are classified as non-current assets as they are paid and held on account with the lessor over the life of the lease.

2.6 Property, plant and equipment

Property, plant and equipment with a value greater than US$ 5000 are recognized as non-current assets in the Statement of Financial Position. Property, plant and equipment are initially recognized at cost unless acquired through a non-exchange transaction, in which case they are recognized at fair value at the date of acquisition.

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment losses. WHO considers all assets of this type to be non-cash generating.

Depreciation is calculated on a straight-line basis over the asset's useful life except for land, which is not subject to depreciation. Property, plant and equipment are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. The estimated useful lives of the asset classes that make up property, plant and equipment are provided in the table below.

Asset class	Estimated useful life (in years)
Land	N/A
Buildings - permanent	60
Buildings - mobile	5
Fixtures and fittings	5
Vehicles and transport	5
Office equipment	3
Communications equipment	3
Audiovisual equipment	3
Computer equipment	3
Network equipment	3
Security equipment	3
Other equipment	3

A **transitional provision** has been applied in the initial recognition of property, plant and equipment that were purchased or donated before 1 January 2012. Land and building assets will be recognized by location commencing on 1 January 2012 up to the end of the transitional period. Other assets in the form of property, plant and equipment acquired prior to 1 January 2012 were expensed at the date of purchase and have not been recognized as assets in 2012. The effect of the initial recognition of property, plant and equipment is shown as an adjustment to the opening balance of accumulated surplus or deficit.

2.7 Intangible assets

Intangible assets which are above the pre-established threshold of US$ 100 000 are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined over the estimated useful life of the assets using the straight-line method of amortization. The estimated useful lives of intangible asset classes are as follows:

Asset class	Estimated useful life (in years)
Software acquired externally	1–3
Software internally developed	1–3
Licences and rights	2–6
Copyrights	3–10

WHO's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life. Intangible assets are reviewed annually for impairment.

In accordance with the transitional provision under IPSAS 31, the requirements of IPSAS 31 have been applied on a prospective basis. No adjustments will be made to WHO's financial records for items previously expensed that meet the definition of an intangible asset.

2.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee (the Organization), in return for a payment or series of payments, the right to use an asset for an agreed period of time. Every lease is reviewed to determine whether it constitutes a financial or operating lease. Necessary accounting entries and disclosures are made accordingly.

Where the WHO is the lessor, lease revenue from operating leases is recognized as revenue on a straight-line basis over the lease term. All costs associated with the asset incurred in earning the lease revenue, including depreciation, are recognized as an expense.

2.9 Contributions received in advance

Contributions received in advance arise from legally binding agreements between WHO and its contributors – including governments, international organizations and private and public institutions – whereby contributions are received in advance of the amounts concerned falling due to the Organization.

2.10 Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods or services that have been received by WHO but not paid for.

Accrued liabilities are financial liabilities for goods or services that have been received by WHO and which have neither been paid for nor invoiced to WHO.

Accounts payable and accrued liabilities are recognized at cost as the effect of discounting is considered immaterial.

2.11 Employee benefits

WHO recognizes the following categories of employee benefits:

- short-term employee benefits that fall due wholly within 12 months following the end of the accounting period in which employees render the related service
- post-employment benefits
- other long-term employee benefits
- termination benefits

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

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The Organization and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Organization's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. For this reason, WHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Organization's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

2.12 Provisions and contingent liabilities

Provisions are recognized for future liabilities and charges where WHO has a present legal or constructive obligation as a result of past events and it is probable that the Organization will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WHO.

2.13 Contingent assets

Contingent assets will be disclosed when an event gives rise to a probable inflow of economic benefits or service potential and there is sufficient information to assess the probability of the inflow of economic benefits or service potential.

2.14 Deferred revenue

Deferred revenue derives from legally binding agreements between WHO and its contributors, including governments, international organizations and private and public institutions. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both the Organization and the contributor; and
- the funds are earmarked and due in a future period.

Deferred revenue also includes any advances from exchange transactions.

Deferred revenue is presented as non-current if the revenue is due one year or more after the reporting date.

2.15 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by WHO during the year, which represents an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for WHO include but are not limited to:

Non-exchange revenue

- **Member States' assessed contributions.** Revenue from contributions from Member States and Associate Members is recorded annually at the beginning of the year as per the assessments approved by the Health Assembly.
- **Voluntary contributions.** Revenue from voluntary contributions is recorded when a binding agreement is signed between WHO and the contributor. The Organization considers that while there are restrictions on the use of contributions, these restrictions do not constitute conditions on transferred assets as defined under IPSAS 23.
- **Contributions in-kind and in-service.** Contributions in-kind and in-service received by WHO are recorded upon receipt from the contributor at an amount equal to their fair market value as determined at the time of acquisition. Donated property, plant and equipment are recognized as an asset with a corresponding entry to revenue. Other in-kind or in-service contributions are recognized as revenue with a corresponding entry to expense.

Exchange revenue

- **Reimbursable procurement, concessions, and revolving sales.** Revenue from reimbursable procurement on behalf of Member States or from the sale of goods or services are recorded on an accrual basis at the fair value of the consideration received or receivable when it is probable that the future economic benefits and/or service potential will flow to WHO and those benefits can be measured reliably.

2.16 Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or incurrences of liabilities that result in decreases in net assets/equity. WHO recognizes expenses at the point where goods have been received or services rendered (delivery principle) and not when cash or its equivalent is paid.

2.17 Fund accounting

Fund accounting is a method of segregating resources into categories (i.e. funds) to identify both the source and the use of the funds. Establishing such funds helps to ensure better reporting of revenue and expenses. The General Fund, the Special Purpose Fund, the Enterprise Fund and the Fiduciary Fund serve to ensure the proper segregation of revenue and expenses. Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during consolidation. Intra-fund transfers such as programme support costs within the General Fund are also eliminated.

General Fund

The accounts contained under this fund support the implementation of the programme budget. The General Fund contains the following accounts:

- **Member States' Assessed Contributions Fund.** This fund consolidates revenues and expenses arising from assessed contributions from Member States.
- **Member States' Non-Assessed Income Fund.** This fund (formerly referred to as the Miscellaneous Income Fund) consolidates all sources of revenue attributable to Member States other than current period assessed contributions. The Fund earns revenue from interest and other miscellaneous revenue.
- **Tax Equalization Fund.** In accordance with resolution WHA21.10, under which the Tax Equalization Fund was established, the assessed contributions of all Member States are reduced by the revenue generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Member States concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Member States, in proportion to their assessments for the biennium. For those Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes, the credit from the staff assessment plan is charged with the estimated amount to be levied by those Member States. Those amounts which have been charged are, in turn, used by the Organization to reimburse income tax paid by the staff concerned as per resolution WHA21.10.
- **Working Capital Fund.** The fund was established to implement the programme budget for any arrears in the receipt of assessed contributions. In accordance with Financial Regulation VII, pending the receipts of assessed contributions, implementation of the regular budget may be financed from the Working Capital Fund and thereafter by internal borrowing against available cash reserves of WHO, excluding trust funds. Amounts borrowed are repaid from the collection of arrears of assessed contributions and are credited first against any internal borrowing outstanding and then against any borrowing outstanding from the Working Capital Fund.
- **Voluntary funds (core, specified and partnerships).** This fund consolidates revenues and expenses arising from voluntary contributions and includes the special account for servicing costs.

Member States – other

Member States – other contains the following accounts:

- **Common Fund.** This fund reflects the movement in the asset and liability accounts of the Organization resulting from changes in items such as inventory, depreciation and unrealized exchange gains and losses.

- **Enterprise Fund.** This fund contains accounts that generate self-sustaining revenue. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Enterprise Fund contains the following accounts:
  - Revolving Sales Fund[1]
  - Concessions Fund
  - Insurance Policies Fund
  - Office/Garage Rental Fund
  - Reimbursable Procurement Fund
  - Global Conference and Training - Tunis Fund

- **Special Purpose Fund.** The accounts contained under this fund represent transfers from the General Fund or appropriations by the Health Assembly. The revenue and expenses under this fund are not included in the reporting of the programme budget. The Special Purpose Fund contains the following accounts:
  - Real Estate Fund
  - Security Fund
  - Information Technology Fund
  - Revolving Fund for Teaching and Laboratory Equipment
  - Special Fund for Compensation
  - Terminal Payments Fund
  - Non-Payroll Staff Entitlements Fund
  - Post Occupancy Charge Fund
  - Internal Service Cost Recovery Fund
  - After-Service Health Insurance Fund

Fiduciary Fund

This fund accounts for assets that are held by WHO in a trustee or agent capacity for others and cannot be used to support the Organization's own programmes. The Fund includes partnerships that are administered by the Organization and whose budgets are not approved by the Health Assembly. Similarly, financial activities related to financing WHO's long-term liabilities are managed through this fund. The Fund is not available for operations and does not contribute to the Programme budget 2012–2013. The Fiduciary Fund contains the following accounts:

- Other Fiduciary Fund
- WHO Framework Convention on Tobacco Control
- Stop TB Partnership Global Drug Facility Fund
- Roll Back Malaria Partnership Fund
- Health Metrics Network Fund
- Partnership for Maternal, Newborn and Child Health Fund
- United Nations System Standing Committee on Nutrition Fund
- Alliance for Health Policy and System Research Fund
- Global Health Workforce Alliance Fund

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[1] In accordance with Health Assembly resolutions WHA22.8 and WHA55.9, this Fund is credited with proceeds from the sale of publications, international certificates of vaccination, films, videos, DVDs and other information material. The related costs of production and printing are charged to the Fund.

2.18 Segment reporting

As required under IPSAS, WHO reports on segments based on its regional structure. Revenue, expenses, assets and liabilities are reported for each major office (region). The use of major offices is in line with the way that Member States and management make decisions over the allocation of resources to the Organization. The Organization's programme budget is presented by major office which supports using major offices as the segments. Furthermore the accountability for results and management of assets and liabilities lies with the heads of each regional office.

2.19 Statement of Cash Flow

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

2.20 Budget comparison

WHO's budget and accounting bases differ. Budgets within the Organization are approved on a modified cash basis rather than the full accrual basis of IPSAS. In addition, budgets are prepared on a biennial basis.

Whereas WHO's financial statements cover all activities of the Organization, budgets are approved only for the General Fund. There are no approved budgets for other funds. All funds are administered in accordance with the Financial Regulations and Financial Rules.

As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation and entity differences. There may also be differences in formats and classification schemes adopted for the presentation of financial statements and the budget.

The Health Assembly approved the Programme budget 2012–2013 through resolution WHA64.3. WHO's Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 7 provides a reconciliation between the actual amounts presented in Statement V to the actual amounts presented in Statement IV.

2.21 Consolidated and non-consolidated entities

Non-consolidated entities

WHO provides administrative services to a number of entities. Each of these entities produces a full set of financial statements that are subject to a separate audit. The following six entities have their own governing bodies and are not controlled by the Health Assembly:

- Trust Fund for the Joint United Nations programme on HIV/AIDS (UNAIDS)
- International Drug Purchase Facility (UNITAID)
- International Agency for Research on Cancer (IARC)
- International Computing Centre (ICC)
- African Programme for Onchocerciasis Control (APOC)[1]
- Staff health insurance (SHI)

[1] Includes residual values for the former Onchocerciasis Control Programme.

Consolidated entities

WHO administers or participates in a large number of global health partnerships, and maintains some special programmes and collaborative arrangements. These contribute to the achievement of the Organization's objectives and as such were reflected in the Programme budget 2012–2013, under the Special programmes and collaborative arrangements segment of the budget. The activities implemented by the Organization have been consolidated under the General Fund. The activities covered under the Special programmes and collaborative arrangements segment of the budget, following a revision made at the beginning of 2012, are as follows:

- Codex Alimentarius Commission
- European Observatory on Health Systems and Policies
- Collaboration with partners in the GAVI Alliance
- Global Polio Eradication Initiative
- Health and Nutrition Tracking Service
- Intergovernmental Forum on Chemical Safety
- UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases (TDR)
- UNDP/UNFPA/WHO/World Bank Special Programme of Research, Development and Research Training in Human Reproduction (HRP)
- HIV Vaccine Initiative (including the African AIDS Vaccine Programme)
- Vaccine research partnerships
- Partnership for the control of neglected tropical diseases
- WHO/UN Programme on Prequalification of Medicines
- WHO-FAO-OIE agreement on the management of avian influenza and other emerging diseases
- WHO Centre for Health Development (Kobe)
- World Alliance for Patient Safety
- Stop TB Partnership, including Green Light Committee and Global Laboratory Initiative

In addition, the following partnerships are not included within the programme budget. They are therefore consolidated but are outside the programme budget and the General Fund.

- WHO Framework Convention on Tobacco Control
- Stop TB Partnership Global Drug Facility
- Roll Back Malaria Partnership secretariat
- Health Metrics Network
- Partnership for Maternal, Newborn and Child Health
- United Nations System Standing Committee on Nutrition
- Alliance for Health Policy and Systems Research
- Global Health Workforce Alliance

3. Note on the implementation of IPSAS and opening balance adjustments

The financial statements for the 2012 financial period are the first financial statements that comply with the requirements of IPSAS. WHO's financial statements for the prior biennium were prepared to conform to the United Nations System Accounting Standards (UNSAS) and were presented on a modified cash basis.

The opening balances represent the 2011 audited Statement of Financial Position, which has been restated to incorporate adjustments made due to changes in accounting policies and other adjustments made as at 1 January 2012 as a result of the implementation of IPSAS.

Implementation of IPSAS and opening balance adjustments (US dollars)

	31 December 2011 ending balance	Staff health insurance as separate entity	1 January 2012 opening balance	Mapping changes	IPSAS adjustments Note 3.1	1 January 2012 (restated)
ASSETS						
Current assets						
Cash and cash equivalents	248 295 135	–	248 295 135	–	395 221 393	643 516 528
Short-term investments	2 713 833 801	(339 806 469)	2 374 027 332	2 017 728	(122 741 253)	2 253 303 807
Accounts receivable – net current	747 812 022	(199 459)	747 612 563	(119 923 819)	101 540 473	729 229 217
Staff receivables	9 805 637	(298 840)	9 506 797	–	7 204 093	16 710 890
Inventories	–	–	–	–	64 149 230	64 149 230
Prepayments	1 567 910	–	1 567 910	–	–	1 567 910
Interest receivable	2 017 729	–	2 017 729	(2 017 729)	–	–
Other current assets	–	–	–	22 864 545	–	22 864 545
Total current assets	**3 723 332 234**	**(340 304 768)**	**3 383 027 466**	**(97 059 275)**	**445 373 936**	**3 731 342 127**
Non-current assets						
Accounts receivable – net non-current	265 332 191	–	265 332 191	–	(40 436 097)	224 896 094
Long-term investments	–	–	–	–	34 833 438	34 833 438
Deposits	362 303	–	362 303	–	–	362 303
Property, plant and equipment – net	97 950 420	–	97 950 420	–	(55 653 343)	42 297 077
Total non-current assets	**363 644 914**	**–**	**363 644 914**	**–**	**(61 256 002)**	**302 388 912**
TOTAL ASSETS	**4 086 977 148**	**(340 304 768)**	**3 746 672 380**	**(97 059 275)**	**384 117 934**	**4 033 731 039**
LIABILITIES						
Current liabilities						
Contributions received in advance	100 728 551	–	100 728 551	–	–	100 728 551
Accounts payable	32 287 143	–	32 287 143	–	–	32 287 143
Staff payables	–	5 468	5 468	7 137 972	–	7 143 440
Accrued staff benefits – current	–	–	–	25 345 090	48 842 472	74 187 562
Deferred revenue	321 397 775	–	321 397 775	–	136 243 010	457 640 785
Allowance for doubtful accounts receivable	119 923 818	–	119 923 818	(119 923 818)	–	–
Financial liabilities	–	–	–	–	331 076 923	331 076 923
Other current liabilities	36 538 900	187 508 013	224 046 913	(177 966 131)	–	46 080 782
Inter-entity liabilities	746 723 081	–	746 723 081	187 586 221	(912 439)	933 396 863
Total current liabilities	**1 357 599 268**	**187 513 481**	**1 545 112 749**	**(77 820 666)**	**515 249 966**	**1 982 542 049**
Non-current liabilities						
Long-term borrowings	21 007 421	–	21 007 421	–	1 717 783	22 725 204
Accrued staff benefits – non-current	81 875 366	–	81 875 366	(19 238 606)	818 263 628	880 900 388
Deferred revenue – non-current	224 896 093	–	224 896 093	–	–	224 896 093
Staff health insurance	527 818 250	(527 818 250)	–	–	–	–
Total non-current liabilities	**855 597 130**	**(527 818 250)**	**327 778 880**	**(19 238 606)**	**819 981 411**	**1 128 521 685**
TOTAL LIABILITIES	**2 213 196 398**	**(340 304 769)**	**1 872 891 629**	**(97 059 272)**	**1 335 231 377**	**3 111 063 734**
NET ASSETS/EQUITY						
Member States – regular budget	3 847 123	–	3 847 123	–	62 602 858	66 449 981
Member States equity in capital assets	76 792 400	–	76 792 400	(76 792 400)	–	–
Voluntary funds	1 482 565 740	–	1 482 565 740	–	(1 498 482)	1 481 067 258
Member States – other	192 399 036	–	192 399 036	76 792 400	(1 012 217 819)	(743 026 383)
Fiduciary Fund	118 176 449	–	118 176 449	–	–	118 176 449
TOTAL NET ASSETS/EQUITY	**1 873 780 748**	**–**	**1 873 780 748**	**–**	**(951 113 443)**	**922 667 305**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**4 086 977 146**	**(340 304 769)**	**3 746 672 377**	**(97 059 272)**	**384 117 934**	**4 033 731 039**

3.1 Adjustments to net assets/equity

In order to comply with IPSAS, the preparation and presentation of opening balances as at 1 January 2012 required adjustments to be made to the balances reflected as at 31 December 2011 in the Statement of Financial Position. The net assets/equity of WHO changed as at 1 January 2012 due to changes in accounting policies with the adoption of IPSAS and due to the treatment of staff health insurance as a separate entity. The changes as a result of IPSAS implementation totalled US$ (951) million as shown below:

	1 January 2012
Opening balance net assets/equity	**1 873 780 748**
Recognition of inventory	64 149 230
Adjustment to land and building	(29 978 438)
Adjustment to land and building - accumulated depreciation for headquarters	(25 674 905)
Adjustment to foreign exchange, swaps and hedging (unrealized exchange loss)	(22 850 906)
Recognition of employee benefit liability (after-service staff health insurance)	(791 926 294)
Recognition of employee benefit liability (terminal payments)	(94 388 824)
Adjustment to employee benefit accrual	26 413 111
Adjustment to long-term borrowings	(1 717 783)
Adjustment to other accounts receivable	(1 498 482)
Adjustment to allowance for doubtful accounts receivable	62 602 858
Adjustment to reimbursable procurement deferred revenue	(136 243 010)
Total adjustments to net assets/equity	**(951 113 443)**
Opening balance net assets/equity (restated)	**922 667 305**

Recognition of inventory. In order to comply with IPSAS, inventory is recognized in the Statement of Financial Position for the first time as at 1 January 2012. Inventory was not recognized under UNSAS.

Adjustment to land and building. WHO has adopted the transitional provision for property, plant, and equipment. The only asset class recognized as at 1 January 2012 is land and buildings for headquarters. Under UNSAS, land and buildings for headquarters and regional offices were included in the financial statements. An adjustment for accumulated depreciation for headquarters buildings was recognized as an adjustment to net assets/equity.

Adjustment to foreign exchange, swaps and hedging (unrealized exchange loss). Unrealized foreign exchange gains and losses for hedging foreign exchange exposures are now disclosed separately as either financial assets or liabilities at fair value through surplus or deficit (held-for-trading). Under UNSAS, any unrealized foreign exchange gains and losses for hedging were disclosed in the notes to the financial statements and were recognized in the financial statements in the accounting period in which they crystallized. As this amount is realized in 2012, the original transaction is reversed in order to avoid recognizing the amount twice.

Recognition of employee benefit liability. Liabilities relating to post-employment benefits as per actuarial valuations have been recognized in the financial statements based on their valuation as at 1 January 2012. The valuation for terminal payments has been adjusted by US$ 94.4 million. The valuation representing the after-service health insurance for the Organization's staff has been adjusted by US$ 792 million. Employee benefit liabilities have been classified as either "current" or "non-current".

Adjustment to employee benefit accrual. Existing balances for employee benefit accruals (relating, for example, to education grant and home leave) are not recognized in net assets/equity.

Adjustment to long-term borrowings. In December 2003, the Swiss Confederation provided an interest-free loan for the construction of a shared building in Geneva for the UNAIDS secretariat and WHO. The joint loan of CHF 59.8 million, of which the Organization's share is CHF 29.9 million, is repayable over a 50-year period with effect from the first year of the completion of the building. The loan was adjusted by US$ 1.7 million to reflect the amortized cost of the loan using the effective interest rate of 1.23% (Swiss franc Libor rate for 30 years).

Adjustment to other accounts receivable. An adjustment of US$ 1.5 million was required to opening net assets/equity in order to reverse a receivable from a contributor that was incorrectly recorded in the conversion to the Global Management System.

Adjustment to allowance for doubtful accounts receivable. To comply with IPSAS, an adjustment of US$ 63 million was recorded to reflect the reduction of the allowance for assessed contributions at the beginning of the year.

Adjustment to reimbursable procurement deferred revenue. An adjustment of US$ 136 million was required to the opening balance of net assets/equity in order to reclassify as deferred revenue, revenue that had been recognized for reimbursable procurement in 2011.

4. Supporting information to the Statement of Financial Position

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, investments in money market funds, collateral deposits, bank deposits, and short-term highly liquid investments with original maturity dates of three months or less from the date of acquisition.

Cash and cash equivalents are held for the purpose of meeting the short-term cash requirements of the Organization, rather than for longer-term investment purposes. They are held on behalf of the Organization, including the General Fund, the Special Purpose Fund, the Enterprise Fund, the Fiduciary Fund and non-WHO entities administered by the Organization. The figures include cash and cash equivalents held in the portfolios managed by investment managers.

Major office	**31 December 2012**	**1 January 2012 (restated)**
Headquarters	171 023 455	152 312 290
Africa	29 126 359	47 685 369
Eastern Mediterranean	23 389 879	37 489 496
Europe	1 531 029	1 163 710
South-East Asia	7 799 091	6 614 239
Western Pacific	5 596 234	3 030 031
Cash at banks, investment accounts, in transit and on hand	238 466 047	248 295 135
Headquarters	945 892 369	395 221 393
Cash and cash equivalents held by investment portfolios	945 892 369	395 221 393
Total cash and cash equivalents	**1 184 358 416**	**643 516 528**

4.2 Investments and financial instruments

Details of the accounting policies for investments and financial instruments are described in Note 2.2.

WHO's principal investment objectives in descending order of priority are:

- the preservation of capital;
- the maintenance of sufficient liquidity to meet the payment of liabilities on time; and
- the optimization of investment returns.

The Organization's investment policy reflects the nature of its funds which may either be held short-term pending implementation of programmes, or held longer term to meet its long-term liabilities.

WHO's investments include funds managed for other entities.

An analysis of the investments of the Organization is provided in the following table.

Investments and financial instruments (US dollars)

	Internally managed funds				Externally managed funds						
Current assets	**Cash and time deposits**	**Held-to-maturity portfolio**	**Long-term portfolio**	**Total**	**Short-term portfolio A**	**Short-term portfolio B**	**Short-term portfolio C**	**Short-term portfolio D**	**Total**	**Foreign exchange hedging contracts**	**Total managed funds and contracts**
Cash and cash equivalents	860 131 461	191 881	1 828 149	862 151 491	756 233	61 733 553	13 169 701	8 081 391	83 740 878	–	945 892 369
Short-term investments											
Financial assets at fair value through surplus or deficit – held-for-trading	–	–	–	–	10 508 594	–	–	126 800	10 635 394	13 182 337	23 817 731
Financial assets at fair value through surplus or deficit – upon initial recognition	–	–	–	–	169 458 167	187 635 212	237 958 816	275 368 466	870 420 661	–	870 420 661
Financial assets at amortized cost	–	48 575 780	–	48 575 780	–	–	–	–	–	–	48 575 780
Bank deposits and other receivables	301 167 273	219 690	436 821	301 823 784	122 504 289	798 994	665 026	924 875	124 893 184	–	426 716 968
Total short-term investments	**301 167 273**	**48 795 470**	**436 821**	**350 399 564**	**302 471 050**	**188 434 206**	**238 623 842**	**276 420 141**	**1 005 949 239**	**13 182 337**	**1 369 531 140**
Total current assets	**1 161 298 734**	**48 987 351**	**2 264 970**	**1 212 551 055**	**303 227 283**	**250 167 759**	**251 793 543**	**284 501 532**	**1 089 690 117**	**13 182 337**	**2 315 423 509**
Non-current assets											
Long-term investments											
Financial assets at fair value through surplus or deficit – upon initial recognition	–	–	35 844 887	35 844 887	–	–	–	–	–	–	35 844 887
Financial assets at amortized cost	–	230 478 694	–	230 478 694	–	–	–	–	–		230 478 694
Total long-term investments	–	**230 478 694**	**35 844 887**	**266 323 581**	–	–	–	–	–	–	**266 323 581**
Total non-current assets	–	**230 478 694**	**35 844 887**	**266 323 581**	–	–	–	–	–	–	**266 323 581**
Current liabilities											
Financial liabilities											
Financial liabilities at fair value through surplus or deficit - held-for-trading	–	–	–	–	10 378 896	–	–	66 856	10 445 752	2 843 648	13 289 400
Payables and accruals	–	–	–	–	8 113 075	30	278	644	8 114 027	–	8 114 027
Total financial liabilities	–	–	–	–	**18 491 971**	**30**	**278**	**67 500**	**18 559 779**	**2 843 648**	**21 403 427**
Total current liabilities	–	–	–	–	**18 491 971**	**30**	**278**	**67 500**	**18 559 779**	**2 843 648**	**21 403 427**
Total investments – net	**1 161 298 734**	**279 466 045**	**38 109 857**	**1 478 874 636**	**284 735 312**	**250 167 729**	**251 793 265**	**284 434 032**	**1 071 130 338**	**10 338 689**	**2 560 343 663**

Short-term investments

Short-term investments relating to funds held pending the implementation of programmes are invested in cash and high-quality short-term government, agency, corporate bonds and time deposits as defined in the approved investment policy. Investments included within "financial assets at fair value through surplus or deficit" include fixed income securities and derivatives instruments held to cover projected liabilities and any unexpected cash requirements. The investments in the "held-to-maturity" portfolio with a duration of less than one year are classified as current assets in the category "financial assets at amortized cost". Other receivables include accrued revenue on investments and receivables from investments that were sold but settled after 2012.

	31 December 2012	1 January 2012 (restated)
Financial assets at fair value through surplus or deficit – held-for-trading	23 817 731	6 185 144
Financial assets at fair value through surplus or deficit – upon initial recognition	870 420 661	660 129 398
Financial assets at amortized cost	48 575 780	198 548 932
Bank deposits and other receivables	426 716 968	1 388 440 333
Total short-term investments	**1 369 531 140**	**2 253 303 807**

Long-term investments

Long-term investments are placed for the Terminal Payments Fund as defined in the approved investment policy and are invested in high-quality, medium-dated and long-dated, government, agency and corporate bonds. Investments maturing greater than one year and held in the "held-to-maturity" portfolio are included as "financial assets at amortized cost".

	31 December 2012	1 January 2012 (restated)
Financial assets at fair value through surplus or deficit – upon initial recognition	35 844 887	34 833 438
Financial assets at amortized cost	230 478 694	–
Total long-term investments	**266 323 581**	**34 833 438**

Financial liabilities

Financial liabilities disclosed under "financial liabilities at fair value through surplus or deficit – held-for-trading" include derivative transactions such as foreign exchange forward contracts and interest rate swaps. Financial liabilities disclosed under "payables and accruals" relate to other financial liabilities from investments.

In late December 2011, three new short-term externally managed fixed income investment portfolio mandates were implemented involving US$ 660 million in funds invested, and at the time of the 2011 closure, the external managers were in the process of acquiring the new securities under these new investment mandates. The nature of the market cycle, in which a period elapses between the acquisition and sale of securities and the moment of their settlement, means that many of the securities acquired under these new mandates had not yet been paid for as at 31 December 2011. Unsettled security purchases of this type caused the restated figures for financial assets and financial liabilities as at 1 January 2012 to be temporarily inflated by US$ 297 million in unsettled security sales and purchases. This arose due to the timing of the implementation of the new investment portfolios which straddled the end of 2011. There were no significant portfolio rebalancing activities at the end of 2012.

	31 December 2012	1 January 2012 (restated)
Financial liabilities at fair value through surplus or deficit – held-for-trading	13 289 400	30 025 025
Payables and accruals	8 114 027	301 051 898
Total financial liabilities	**21 403 427**	**331 076 923**

The fair value hierarchy

The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held by WHO can be realized.

The majority of the financial instruments held by WHO have quoted prices in active markets and are classified as Level 1. Derivative instruments that are "over-the-counter" are classified as Level 2 because their fair value is observable – either directly as a price, or indirectly after being derived from prices. The instruments shown under the Level 2 fair value measurement category consist of the foreign currency hedging forward contracts and the derivative contracts in the externally managed portfolios. Level 3 valuations include financial instruments for which the fair value is not based on observable market data. As at 31 December 2012, WHO held no financial instruments that would be classified as Level 3.

	Level 1	Level 2	Level 3	Total
Short-term investments				
Financial assets at fair value through surplus or deficit – held-for-trading	–	23 817 731	–	23 817 731
Financial assets at fair value through surplus or deficit – upon initial recognition	870 420 661	–	–	870 420 661
Long-term investments				
Financial assets at fair value through surplus or deficit – upon initial recognition	35 844 887	–	–	35 844 887
Financial liabilities				
Financial liabilities at fair value through surplus or deficit – held-for-trading	–	(13 289 400)	–	(13 289 400)
Total	**906 265 548**	**10 528 331**	**–**	**916 793 879**

Risk management

WHO is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. Derivative financial instruments are used to hedge some of its risk exposures. In accordance with WHO's Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of the investment policy approved by the Director-General. Some portfolios are managed by external managers appointed by the Organization to manage funds in accordance with a defined mandate. The Advisory Investment Committee reviews regularly the investment policies, the investment performance and the investment risk for each investment portfolio. This Committee is composed of external investment specialists who can make investment recommendations to the Director-General.

Nature of financial instruments

Investments are categorized as follows:

- **Investments with short-term maturities**. These investments are invested in cash and high-quality short-dated government, agency, and corporate bonds as defined in the approved investment policy.
- **Investments with long-term maturities**. These investments comprise funds managed for the Terminal Payments Fund as defined in the approved investment policy. These investments are invested in high-quality medium-dated and long-dated, government, agency, and corporate bonds.

Credit risk

WHO's investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits and maximum exposure limits by counterparty (and by groups of related counterparties) established in investment mandates. These limits are applied both to the portfolios managed internally by the Organization's Treasury Unit, and also to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios to ensure that total counterparty exposures across portfolios are tracked and managed.

The credit risk and liquidity risk for cash and cash equivalents are minimized by investing only in major financial institutions that have received strong investment grade credit ratings from primary credit rating agencies. The Treasury Unit regularly reviews the credit ratings of the approved financial counterparties and takes prompt action whenever a credit rating is downgraded. The investments with long-term credit ratings are summarized as follows:

Minimum rating category	Total asset value US dollars
AAA	370 058 080
AA+	275 620 223
AA	19 453 094
AA-	240 071 460
A+	46 401 508
A	34 980 830
A-	40 299 767
BBB+	652 309
BBB	5 446 996
	1 032 984 267

Interest rate risk

WHO is exposed to interest rate risk through its short-term and long-term fixed income investments. The investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of the Organization's investments as at 31 December 2012 was 0.3 years for the short-term investments and 2.6 years for the long-term investments.

Fixed income derivative instruments may be used by external investment managers to manage interest rate risk under strict investment guidelines. These interest rate instruments are used for portfolio duration management and for strategic interest rate positioning.

Foreign exchange currency risk

WHO receives contributions and makes payments in currencies other than the United States dollar and it is exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. The translation of transactions expressed in other currencies into the United States dollar is performed at the United Nations Operational Rates of Exchange prevailing at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the Operational Rates of Exchange prevailing at the end of each month. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows. Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Hedging foreign exchange exposures on future payroll costs. The United States dollar value of non-dollar expenses in 2013 has been protected from the impact of movements in foreign exchange rates through the transaction of forward currency contracts during 2012. As at 31 December 2012 these forward foreign currency exchange hedging contracts by currency are summarized as follows:

Currency forward bought		Net amount sold (US dollars)	Net unrealized gain/(loss) (US dollars)
Swiss francs	318 000 000	342 280 783	6 507 931
Egyptian pounds	102 000 000	14 375 537	523 694
Euros	82 800 000	107 058 845	2 305 417
Indian rupees	876 000 000	15 452 087	27 503
Malaysian ringgits	27 960 000	9 200 208	120 637
Philippine pesos	704 400 000	16 603 918	651 369
Total		**504 971 378**	**10 136 551**

There was a net unrealized gain on these contracts of US$ 10.1 million as at 31 December 2012 (unrealized loss of US$ 21.4 million as at 1 January 2012). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2013.

Hedging foreign exchange exposures on receivables and payables. Currency exchange risk arises as a result of differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is in place to protect against this foreign currency risk. On an ongoing monthly basis the exposures in respect of awards, accounts receivable and accounts payable are netted by currency and each significant net foreign currency exposure is bought or sold forward using a forward foreign exchange contract equal and opposite to the net currency exposure.

These exposures are re-balanced at each month-end to coincide with the setting of the monthly United Nations Operational Rates of Exchange. Through this process the exchange gains or losses realized on the forward foreign currency contracts match the corresponding unrealized exchange losses and gains on the movements in net accounts receivable and accounts payable. As at 31 December 2012 the total forward foreign currency exchange hedging contracts by currency were as follows:

Currency forward sold		Currency forward bought (US dollars)	Net unrealized gain/(loss) (US dollars)
Euros	104 600 000	138 854 122	804 179
Australian dollars	27 700 000	28 655 124	(70 634)
Canadian dollars	116 500 000	117 333 419	387 658
Danish kroner	40 000 000	7 121 594	43 798
Pounds sterling	104 900 000	169 509 848	(1 003 171)
Norwegian kroner	11 500 000	2 066 369	328
Swedish kronor	157 950 000	24 347 247	66 259
Total		**487 887 723**	**228 417**

There was a net unrealized gain on these contracts of US$ 0.2 million as at 31 December 2012 (unrealized net loss of US$ 2.4 million as at 1 January 2012). Realized gains or losses on these contracts will be recorded on the maturity of the contracts and applied during 2013.

Forward foreign exchange contracts to manage operational cash flows. Forward foreign exchange contracts are also used to manage short-term cash flows of foreign currency balances to minimize foreign currency transaction risk. At 31 December 2012 the total amount sold was CHF 2.1 million against Australian dollars, Canadian dollars, Norwegian kroner and Swedish kronor. The maturity dates of these forward foreign exchange contracts are January 2013. Net unrealized losses on these

contracts amounted to US$ 26 277 as at 31 December 2012 (unrealized net gains of US$ 20 142 as at 1 January 2012).

Sensitivity of forward foreign exchange contracts to movements in the relative value of the United States dollar. A 1% appreciation in the relative value of the United States dollar against the above forward foreign exchange hedging contracts would result in an increase in the net unrealized gain of US$ 10.7 million. A 1% depreciation in the relative value of the United States dollar would result in a decrease in the net unrealized gain of US$ 10.5 million.

Forward foreign exchange contracts and other derivative financial instruments held within the externally managed investment portfolios. In accordance with the investment guidelines set up for each externally managed portfolio, the external investment managers use forward foreign exchange contracts, futures contracts and interest rate swap contracts to manage the currency and interest rate risk of groups of securities within each portfolio. The net values of these instruments as at 31 December 2012 as evaluated by the Organization's investment custodian are recorded by portfolio under "financial assets/liabilities at fair value – held-for-trading" and are summarized below. There were no outstanding futures contracts.

Net sold amount		(US dollar equivalent)	Net purchased amount		(US dollar equivalent)
Australian dollars	3 064 000	3 179 207	Chinese yuan renminbi	36 749 768	5 744 826
Euros	14 877 000	20 707 997	US dollars	25 766 053	25 766 053
Pounds sterling	4 135 000	6 721 301			
Japanese yen	19 980 000	2 310 886			
Total		**32 919 391**	**Total**		**31 510 879**

A 1% appreciation in the relative value of the United States dollar against the above-mentioned forward foreign exchange hedging contracts would result in a decrease in the unrealized gain of US$ 0.7 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the unrealized gain of US$ 0.7 million.

Forward foreign exchange contract for currency risk hedging within the held-to-maturity portfolio. The currency exchange risk of a Japanese Government Treasury Bill investment denominated in Japanese yen is fully hedged until maturity by the transaction of a forward foreign exchange contract to sell Japanese yen and buy United States dollars. The Treasury Bill is valued at amortized cost in United States dollars including the currency hedging instrument in accordance with hedge accounting.

4.3 Accounts receivable – net

As at 31 December 2012, total accounts receivable–net amounted to US$ 905 million (US$ 954 million as at 1 January 2012 (restated)). The receivable balance includes outstanding amounts for both assessed and voluntary contributions. Amounts receivable are split between current and non-current based on when the amounts become due.

	31 December 2012	1 January 2012 (restated)
Accounts receivable – net current		
Member States' assessed contributions receivable – current biennium	65 246 279	64 235 237
Member States' assessed contributions receivable – previous biennium	4 136 501	6 739 828
Voluntary contributions receivable	641 850 953	672 279 217
Reimbursable procurement receivable	1 092 985	784 330
Revolving sales receivable	388 748	289 686
Other receivables	2 691 663	3 418 159
Allowance for doubtful accounts receivable	(20 352 492)	(18 517 240)
Total accounts receivable – net current	**695 054 637**	**729 229 217**
Accounts receivable – net non-current		
Outstanding rescheduled assessments receivable	34 757 280	38 803 720
Voluntary contributions receivable	210 277 136	224 896 094
Allowance for doubtful accounts receivable	(34 757 280)	(38 803 720)
Total accounts receivable – net non-current	**210 277 136**	**224 896 094**
Total accounts receivable – net	**905 331 773**	**954 125 311**

The total allowance for doubtful accounts receivable is US$ 55.1 million (US$ 57.3 million at 1 January 2012 (restated)). This is composed of an allowance of US$ 44.1 million for assessed contributions and US$ 11.0 million for voluntary contributions.

The allowance for assessed contributions receivable includes any Member State with amounts receivable from prior years, all rescheduled amounts receivable and any current amounts receivable from Member States in arrears. The allowance for voluntary contributions receivable is based on a detailed review of all amounts receivable more than one year overdue and on a review of amounts less than one year overdue where there is evidence that the amount is unlikely to be received.

In 2012, the Health Assembly adopted resolution WHA65.12, in which it approved the write-off of the unpaid arrears from the former Yugoslavia from 1991 to 2000 amounting to US$ 5.5 million.

	31 December 2012	1 January 2012 (restated)
Opening balance – assessed contributions	47 175 926	109 778 784
Write-off of unpaid arrears from the former Yugoslavia	(5 532 592)	-
Increase/(decrease) in allowance for doubtful accounts receivable	2 429 324	(62 602 858)
Ending balance – assessed contributions	**44 072 658**	**47 175 926**
Opening balance – voluntary contributions	10 145 034	-
Increase in allowance for doubtful accounts receivable	892 080	10 145 034
Ending balance – voluntary contributions	**11 037 114**	**10 145 034**
Total allowance for doubtful accounts receivable	**55 109 772**	**57 320 960**
Allowance for doubtful accounts receivable		
Allowance – current	20 352 492	18 517 240
Allowance – non-current	34 757 280	38 803 720
Total allowance for doubtful accounts receivable	**55 109 772**	**57 320 960**

4.4 Staff receivables

In accordance with WHO's Staff Rules and Regulations, staff members are entitled to certain advances including those for salary, education, rent and travel.

The total balance of staff receivables amounted to US$ 12.3 million at 31 December 2012. The education grant balance represents advances made to staff for the scholastic year 2012–2013.

	31 December 2012	1 January 2012 (restated)
Salary advances	2 465 979	5 141 268
Education grant advances	6 706 172	7 267 736
Rental advances	1 906 945	1 454 684
Travel receivables	1 013 709	2 264 846
Other staff receivables	171 132	582 356
Total staff receivables	**12 263 937**	**16 710 890**

4.5 Inventories

The total value of inventory was US$ 67.5 million as at 31 December 2012.

The following table shows the movement of inventory items (medicines, vaccines, humanitarian supplies and publications) during the year.

	1 January 2012	Net additions	Net shipments	Net disposals and write-offs	31 December 2012
Medicines, vaccines and humanitarian supplies	53 310 203	46 860 703	42 628 358	5 077 428	52 465 120
Publications	10 839 027	15 115 837	9 724 128	1 237 533	14 993 203
Total inventory	**64 149 230**	**61 976 540**	**52 352 486**	**6 314 961**	**67 458 323**

Medicines, vaccines and humanitarian supplies were valued using the weighted average cost method and were validated by a physical stock count in December 2012.

Publications were validated by a physical stock count in December 2012 and balances were valued at net cost of sales.

Total expenses relating to inventories during the period (net shipments, net disposals and write-offs) amounted to US$ 58.7 million.

4.6 Prepayments and deposits

The total value of prepayments was US$ 1.3 million (US$ 1.6 million as at 1 January 2012). These represent payments to suppliers in advance of the receipt of goods or services. It is common practice for technical service contractors to request payments in advance to support project work. When goods or services are delivered, prepayments are applied to the appropriate expense account.

The figure of US$ 0.3 million in respect of deposits represents amounts given to landlords as a security to rent office space.

4.7 Other current assets

Other current assets refer to receivables from PAHO in the amount of US$ 12.2 million (US$ 22.9 million as at 1 January 2012). The receivables concerned are primarily in respect of the programmes funded and executed by the Organization on behalf of PAHO.

4.8 Property, plant and equipment – net

WHO has invoked the transition provision under IPSAS 17, which allows a period of up to five years before requiring full recognition of property, plant and equipment. As at 31 December 2012, the Organization had recognized land and buildings at headquarters only. All other assets were expensed at acquisition. The total value of land and buildings recognized in property, plant and equipment net of accumulated depreciation is US$ 41.2 million.

	31 December 2012	1 January 2012 (restated)
Land	1 000 095	1 000 095
Buildings	66 971 887	66 971 887
Accumulated depreciation – buildings	(26 791 104)	(25 674 905)
Total property, plant and equipment – net	**41 180 878**	**42 297 077**

When accumulated depreciation of property, plant and equipment is recognized for the first time, the calculation is made for the entire year, irrespective of the date on which the asset was placed in service.

In order to ensure appropriate control and stewardship over property, plant and equipment, existing assets have been recorded in the asset register in the system except for the African Region, which continues to maintain the asset register offline.

In 2012, WHO purchased property, plant and equipment (with a threshold value greater than US$ 5000) worth US$ 1.7 million (with the exception of the African Region). The property, plant and equipment concerned have not been recognized in WHO's financial statements in the current year since the transitional provision mentioned above has been invoked. Details of the property, plant and equipment not recognized are as follows:

	Total
Fixtures and fittings	25 166
Vehicles and transport	645 794
Office equipment	17 172
Communications equipment	9 017
Computer equipment	108 955
Network equipment	678 981
Other equipment	182 637
Total property, plant and equipment – excluding land and buildings	**1 667 722**

4.9 Intangible assets

WHO has no intangible assets to report.

4.10 Contributions received in advance

The amount for contributions received in advance mainly concerns payments received from Member States in 2012 for their 2013 assessed contributions. The balance for advance payments for voluntary contributions reflects funds received for agreements starting in 2013. Unapplied and unidentified receipts are amounts received in 2012 but not yet matched to awards as at 31 December 2012.

	31 December 2012	1 January 2012 (restated)
Assessed contribution advances	60 363 091	70 276 957
Advances for voluntary contributions	19 327 188	26 740 312
Unapplied and unidentified receipts	6 622 339	2 329 995
Other advances	17 261	1 381 287
Total contributions received in advance	**86 329 879**	**100 728 551**

4.11 Accounts payable

Accounts payable represents the total amount due to suppliers by major office as at 31 December 2012.

Major office	31 December 2012	1 January 2012 (restated)
Headquarters	8 267 051	11 260 434
Africa	5 491 858	5 210 396
Eastern Mediterranean	6 713 885	7 585 127
Europe	1 103 480	1 276 513
South-East Asia	1 605 293	2 938 249
Western Pacific	1 802 332	4 016 424
Total accounts payable	**24 983 899**	**32 287 143**

4.12 Staff payable

The balance of staff payable represents the total amount outstanding to staff as at 31 December 2012. Salaries payable consist of balances due to staff pending the finalization of clearance certificates. Bank returns are balances due to staff for which the payment is pending the receipt of updated bank account information.

	31 December 2012	1 January 2012 (restated)
Salaries payable	1 807 549	1 082 773
Bank returns	1 494 157	5 051 019
Travel claims payable	1 064 309	1 009 648
Total staff payable	**4 366 015**	**7 143 440**

4.13 Accrued staff benefits

Accrued staff benefits include terminal payments, after-service health insurance and liabilities due to service-incurred death or disability (Special Fund for Compensation).

	31 December 2012	1 January 2012 (restated)
Accrued staff benefits – current		
Terminal payments	71 354 420	73 820 059
Special Fund for Compensation	380 679	367 503
Total accrued staff benefits – current	**71 735 099**	**74 187 562**
Accrued staff benefits – non-current		
Terminal payments	75 798 885	77 099 041
Special Fund for Compensation	12 750 061	11 875 053
After-service health insurance	822 983 185	791 926 294
Total accrued staff benefits – non-current	**911 532 131**	**880 900 388**
Accrued staff benefits		
Terminal payments	147 153 305	150 919 100
Special Fund for Compensation	13 130 740	12 242 556
After-service health insurance	822 983 185	791 926 294
Total accrued staff benefits	**983 267 230**	**955 087 950**

Terminal payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a salary and post adjustment budgetary provision set for 2012–2013.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted.

The latest actuarial study (as at 31 December 2012) estimated the full terminal payment liability to be US$ 147.2 million (short-term US$ 71.4 million and long-term US$ 75.8 million). This calculation did not include costs for the end of service grant and separation by mutual agreement on abolishment of posts. The defined benefit obligation amounted to US$ 85.3 million for terminal entitlements, and US$ 61.8 million for annual leave which is included in the terminal payments current balance.

As per the actuarial study, a net reduction of US$ 3.7 million is recognized in the Statement of Financial Performance (total liability was US$ 147.2 million in 2012 and US$ 150.9 million in 2011).

After-service health insurance

WHO participates in a health insurance scheme. The scheme is managed as a separate entity, Staff Health Insurance, which has its own governance. It provides for the reimbursement of expenses for medically recognized health care incurred by staff members, recognized dependants and retired staff. It is financed from the contributions made by the participants and the Organization.

The Organization accounts for after-service health insurance as a post-employment benefit. All gains and losses were recognized upon the adoption of IPSAS 25. Thereafter, gains and losses (unexpected changes in surplus or deficit) will be recognized over time via the corridor method. Under this method, amounts up to 10% of the defined benefit obligation are not recognized, so as to allow gains and losses

the reasonable possibility of offsetting one another over time. Gains and losses over 10% of the defined benefit obligation are amortized over the average remaining service period of active staff expected to receive each benefit.

The defined benefit obligation as at 31 December 2012 was determined by professional actuaries, based on personnel data and past payment experience provided by WHO. As at 31 December 2012 the unfunded defined benefit obligation amounted to US$ 823 million for after-service health insurance. Further details on after-service health insurance can be found in the annual report on after-service staff health insurance. As per the actuarial study, an additional accrual of US$ 31 million is charged to staff costs (total liability was US$ 823 million in 2012 and US$ 792 million in 2011).

No actuarial gain or loss was recognized in the financial statements as the gain or loss was less than 10% of the defined benefit obligation.

Special Fund for Compensation

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and other directly related costs, as well as funeral expenses. In addition, the Fund will provide compensation to the disabled staff member (for the duration of the disability) or the surviving family members.

WHO accounts for the Special Fund for Compensation as a post-employment benefit. All gains and losses were immediately recognized upon adoption of IPSAS 25. Thereafter, gains and losses (unexpected changes in surplus or deficit) are recognized over time via the corridor method. Under this method, amounts up to 10% of the defined benefit obligation are not recognized, so as to allow gains and losses the reasonable possibility of offsetting one another over time. Gains and losses over 10% of the defined benefit obligation are amortized over the average remaining service of active staff expected to receive each benefit. For accounting purposes, the plan is considered unfunded (the liability is not reduced by plan assets).

As per the actuarial study, an additional accrual of US$ 0.9 million (total liability was US$ 13.1 million in 2012 and US$ 12.2 million in 2011) has been recognized by nature of expenses in the Statement of Financial Performance.

No actuarial gain or loss was recognized in the financial statements as the net cumulative gain or loss was less than 10% of the defined benefit obligation.

Actuarial summary of terminal payments, after-service health insurance, and the Special Fund for Compensation (US dollars)

	Terminal payments (other than accrued leave)	After-service health insurance	Special Fund for Compensation
Reconciliation of defined benefit obligation			
Defined benefit obligation as at 31 December 2011	86 866 729	1 235 922 134	12 242 556
Service cost	10 889 143	56 381 886	892 247
Interest cost	2 294 579	46 773 057	337 611
Actual gross benefit payments for 2012	(7 392 901)	(28 238 400)	(341 674)
Actual administrative expenses	–	(2 093 479)	–
Actual contributions by participants	–	7 571 356	–
Actuarial (gain)/loss	(7 350 743)	48 466 636	(1 474 442)
Defined benefit obligation as at 31 December 2012	**85 306 807**	**1 364 783 190**	**11 656 298**
Reconciliation of plan assets			
Assets as at 31 December 2011	–	443 995 840	–
Actual gross benefit payments for 2012	(7 392 901)	(52 964 753)	(341 674)
Actual administrative expenses	–	(3 762 523)	–
WHO contributions during 2012	7 392 901	54 794 007	341 674
Participant contributions during 2012	–	27 977 520	–
Increase/decrease in WHO SHI Rule 470.1 liability	–	29 554	–
Expected return on assets	–	23 263 725	–
Asset gain/(loss)	–	12 963 830	–
Assets as at 31 December 2012	**–**	**506 297 200**	**–**
Reconciliation of unfunded obligation status			
Defined benefit obligation			
Active	85 306 807	688 127 344	4 063 327
Inactive	–	676 655 846	7 592 971
Total defined benefit obligation	85 306 807	1 364 783 190	11 656 298
Plan assets			
Gross plan assets	–	(525 194 995)	–
Offset for WHO SHI Rule 470.1 liability	–	18 897 795	–
Total plan assets	–	(506 297 200)	–
Deficit/(surplus)	85 306 807	858 485 990	11 656 298
Unrecognized gain/(loss)	–	(35 502 805)	1 474 442
Net liability/(asset) recognized in the Statement of Financial Position	**85 306 807**	**822 983 185**	**13 130 740**
Current liability	9 507 922	–	380 679
Non-current liability	75 798 885	822 983 185	12 750 061
Net liability/(asset) recognized in the Statement of Financial Position	**85 306 807**	**822 983 185**	**13 130 740**
Expenses for 2012			
Service cost	10 889 143	56 381 886	892 247
Interest cost	2 294 579	46 773 057	337 611
Expected return on assets	–	(23 263 725)	–
Recognition of (gain)/loss	(7 350 743)	–	–
Total expenses recognized in the Statement of Financial Performance	**5 832 979**	**79 891 218**	**1 229 858**
Expected contributions for 2013			
WHO contributions	9 649 486	41 809 366	386 346
Participant contributions	–	12 565 352	–
Total expected contributions for 2013	**9 649 486**	**54 374 718**	**386 346**

After-service health insurance medical sensitivity analysis

2012 service cost plus interest cost	
Current medical inflation assumption minus 1%	72 356 000
Current medical inflation assumption	103 154 943
Current medical inflation assumption plus 1%	145 098 000
31 December 2012 defined benefit obligation	
Current medical inflation assumption minus 1%	1 034 845 000
Current medical inflation assumption	1 364 783 189
Current medical inflation assumption plus 1%	1 796 063 000

Actuarial methods and assumptions

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms.

Measurement date	
All plans:	31 December 2012
Discount rate	
Terminal payments (other than accrued leave):	The discount rate used is 3.0%. Based on the combined projected benefit payments for both plans and with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve as at 31 December 2012. The resulting discount rate is rounded to the nearest 0.1%. Last year, the discount rate was based on a weighted average of Bloomberg indices in the United States and Switzerland.
After-service health insurance:	Europe, 2.6% (decrease from 3.1% in prior valuation); the Americas, 4.1% (decrease from 4.7% in prior valuation); Other Countries, 4.5% (decrease from 4.7% in prior valuation). For Europe, beginning with the 31 December 2010 valuation, WHO adopted a yield curve approach to reflect the pattern of expected cash flows from the European major office. The rate is a weighted average of the 2.05% rate from the SIX Swiss Exchange yield curve and the 3.79% rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.10%. For the Americas and Other Countries, the rates use the same methodology as the 31 December 2012 PAHO valuation of the after-service health insurance. Beginning with the 31 December 2012 valuation, PAHO adopted a yield curve approach using the Aon Hewitt AA Bond Universe Curve. Thus, the rates for the Americas and Other Countries can differ due to different patterns of expected cash flows from those regions.
Special Fund for Compensation:	The discount rate is 3.0%. Based on the combined projected benefit payments for both plans and with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve as at 31 December 2012. The resulting discount rate is rounded to the nearest 0.1%. Last year, the discount rate was based on a weighted average of Bloomberg indices in the United States and Switzerland.

Annual general inflation

Terminal payments (other than accrued leave):	The inflation rate used is 2.2%. Based on a weighted average of inflation rates of 2.5% for United States and 1.3% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded to the nearest 0.1%.
After-service health insurance:	Europe 1.6%, the Americas 2.5%, Other Countries 2.5%
Special Fund for Compensation:	The inflation rate used is 2.2%. Based on a weighted average of inflation rates of 2.5% for the United States and 1.3% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded to the nearest 0.1%.

Annual salary scale

All plans:	General inflation, plus 0.5% per year productivity increases, plus merit increases. Productivity and merit increases are set equal to those from the 31 December 2011 valuation of the United Nations Joint Staff Pension Fund.

Regional groupings for all purposes except claims costs

Terminal payments (other than accrued leave):	Not applicable
After-service health insurance:	Based on: the Regional Office for Europe, headquarters, International Computing Centre, IARC, UNAIDS, and the International Drug Purchasing Facility (UNITAID), which are grouped as Europe; the Regional Office for the Americas for the Region of the Americas; and the African Region, the Eastern Mediterranean Region, the African Programme for Onchocerciasis (APOC), the South-East Asia Region, and the Western Pacific Region, which are grouped as Other Countries.
Special Fund for Compensation:	Not applicable

Repatriation travel and removal on repatriation

Terminal payments (other than accrued leave):	Calculated using the projected unit credit method with service prorated, and an attribution period from the "entry on duty date" to separation.
After-service health insurance:	Not applicable
Special Fund for Compensation:	Not applicable

Repatriation grant, termination indemnity, and grant in case of death

Terminal payments (other than accrued leave):	Using the projected unit credit method with accrual rate proration.
After-service health insurance:	Not applicable
Special Fund for Compensation:	Not applicable

Accrued leave

Terminal payments (other than accrued leave):	The liability is set equal to the walk-away liability – that is, as if all staff separated immediately.
After-service health insurance:	Not applicable
Special Fund for Compensation:	Not applicable

Abolition of post, end-of-service grant, and separation by mutual agreement

Terminal payments (other than accrued leave):	These benefits are considered termination benefits under IPSAS 25 and, therefore, are excluded from the valuation.
After-service health insurance:	Not applicable
Special Fund for Compensation:	Not applicable

United Nations Joint Staff Pension Fund

The Pension 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.

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

The latest actuarial valuation was performed as at 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2011 was 25.57% of pensionable remuneration, compared with the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower-than-expected investment experience in recent years.

As at 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) 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 31 December 2011, 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 Fund. 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. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as at 31 December 2013.

In the report of the United Nations Joint Staff Pension Board on its fifty-ninth session (3–11 July 2012), submitted for consideration by the United Nations General Assembly,[1] the Pension Board noted that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012, in resolution 67/240, the General Assembly authorized the Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, subject to a decision of the General Assembly on a corresponding increase in the mandatory age of separation.

During 2012, contributions paid to the United Nations Joint Staff Pension Fund amounted to US$ 206 million (US$ 232 million in 2011). Expected contributions due in 2013 are US$ 216 million.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these are made public online.[2]

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[1] Official records of the General Assembly, sixty-seventh session, supplement no.9 (document A/67/9).

[2] Available at http://www.unjspf.org/UNJSPF_Web/ (accessed 22 March 2013).

4.14 Deferred revenue

Deferred revenue on voluntary contributions represents multi-year agreements signed in 2012 but for which the revenue recognition has been deferred to future financial periods. The balance on voluntary contributions is split into current and non-current deferred revenue, depending upon when the funds are available to the Organization to spend.

Deferred revenue on reimbursable procurement relates to cash received where supplies or services have not been delivered to requesting parties at year end. As reimbursable procurement is an exchange transaction, revenue is recorded on an accrual basis and any revenue received in advance of delivery is recorded as deferred revenue. The entire amount of deferred revenue for reimbursable procurement is current.

	31 December 2012	1 January 2012 (restated)
Voluntary contributions	239 161 415	321 397 775
Reimbursable procurement	77 873 295	136 243 010
Total deferred revenue – current	317 034 710	457 640 785
Voluntary contributions	210 277 136	224 896 093
Total deferred revenue – non-current	210 277 136	224 896 093
Total deferred revenue	**527 311 846**	**682 536 878**

4.15 Other current liabilities

The total balance for other current liabilities as at 31 December 2012 was US$ 41.4 million. These amounts relate to various short-term liabilities as detailed below. Refunds payable relate to the balance of funds due to contributors after programme implementation.

	31 December 2012	1 January 2012 (restated)
Accrual for un-invoiced goods and services	17 726 261	16 183 798
Accrual for restructuring cost	3 901 890	12 671 129
Due to estates of deceased staff members	273 148	273 148
Refunds payable	5 111 282	–
Pension payable	2 487 305	3 603 401
Insurance payable	3 761 018	2 753 779
Foundations	3 567 774	3 651 697
Other liabilities	4 613 563	6 943 830
Total other current liabilities	**41 442 241**	**46 080 782**

The balance for foundations concerns funds that WHO holds in trust and for whose financial and administrative management the Organization is responsible. As at 31 December 2012, the foundations with funds in trust were as follows:

- Down Syndrome Research Prize in the Eastern Mediterranean Region
- Dr A.T. Shousha Foundation
- Dr Comlan A.A. Quenum Prize
- Ihsan Dogramaci Family Health Foundation
- Jacques Parisot Foundation
- Léon Bernard Foundation

- Professor Francesco Pocchiari Fellowship Prize
- State of Kuwait Prize for the Control of Cancer, Cardiovascular Diseases and Diabetes in the Eastern Mediterranean Region
- State of Kuwait Prize for Research in Health Promotion
- United Arab Emirates Health Foundation

4.16 Inter-entity liabilities

WHO hosts a number of entities through administrative service agreements. As cash for all entities is managed by the Organization, liabilities exist with these entities for funds held on their behalf. The total amounts due per entity are as follows:

	31 December 2012	1 January 2012 (restated)
Staff health insurance (SHI)	207 903 045	187 586 220
International Computing Centre (ICC)	16 561 280	11 942 469
International Drug Purchase Facility (UNITAID)	553 805 387	488 757 828
African Programme for Onchocerciasis Control (APOC)	7 018 925	4 748 447
Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)	204 521 501	240 361 899
Total inter-entity liabilities	**989 810 138**	**933 396 863**

4.17 Long-term borrowings

The Health Assembly, in resolutions WHA55.8 and WHA56.13, authorized the Director-General to proceed with the construction of a new building at headquarters for the Organization and UNAIDS at a cost estimated at CHF 66 million, of which WHO's share was estimated at CHF 33 million. The Swiss Confederation agreed to provide an interest-free loan to the Organization and UNAIDS of CHF 59.8 million, of which WHO's share is CHF 29.9 million. The Health Assembly also approved the use of the Real Estate Fund for the repayment over a 50-year period of the Organization's share of the interest-free loan provided by the Swiss Confederation with effect from the first year of the completion of the building.

The loan of US$ 21.9 million (US$ 22.7 million in 2011) is reflected at amortized cost using the effective interest rate of 1.16% (Swiss franc Libor rate for 30 years).

5. Supporting information to the Statement of Financial Performance

5.1 Revenue

Member States' assessed contributions

In May 2011, the Sixty-fourth World Health Assembly adopted the appropriation resolution for the financial period 2012–2013,[1] in which it welcomed a total effective budget of US$ 3959 million. In the same resolution, the Health Assembly further resolved that the total assessment on Member States in respect of the financial period 2012–2013 would be US$ 949 million. US$ 475 million has been recognized as revenue for the year 2012 and assessed to Member States.[2] US$ 10.2 million was transferred to the Tax Equalization Fund in 2012. In line with resolution WHA64.3, US$ 15 million was approved for transfer from the Member States' Non-Assessed Income Fund (refer to Note 6.1).

Increase in allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable represents accounts receivable where the collection is considered uncertain, both for voluntary and for assessed contributions. The increase in the allowance for doubtful accounts receivable of US$ 3.3 million represents an increase in the allowance for assessed accounts receivable of US$ 2.4 million and an increase in the allowance for voluntary accounts receivable of US$ 0.9 million (refer to Note 4.3).

Voluntary contributions

The total of voluntary contributions to WHO was US$ 1636 million in 2012. These contributions represent revenue recognized from governments, intergovernmental organizations, institutions, other United Nations organizations and bodies, as well as the private sector.[3]

The figure for total voluntary contributions reported of US$ 1636 million is after the deduction of (i) refunds to contributors – these amount to US$ 17 million – and (ii) reductions in revenue recognized in prior years due to evidence arising in the current year that amounts will no longer be collected – these amount to US$ 13 million.

Voluntary contributions in-kind and in-service

WHO receives non-cash contributions from Member States and other contributors. In 2012, the Organization received in-kind and in-service contributions amounting to US$ 66.5 million.[4]

	31 December 2012
Voluntary contributions in-kind	51 133 480
Voluntary contributions in-service	15 334 959
Total voluntary contributions in-kind and-in service	**66 468 439**

Reimbursable procurement

WHO procures medicines and vaccines on behalf of Member States and other United Nations agencies. The total revenue and expenses recognized for 2012 for reimbursable procurement was US$ 62.5 million. The funds received in advance for reimbursable procurement are recorded as deferred revenue. The revenue and expenses related to reimbursable procurement form part of the Enterprise Fund and are not reported against the programme budget.

[1] Resolution WHA64.3.

[2] See document A66/30 for details of the status of collection of assessed contributions.

[3] See document A66/29 Add.1 for details by fund and by contributor.

[4] See document A66/29 Add.1, Schedule 5, for details of all in-kind and in-service contributions by contributor.

Other operating revenue

In 2012, WHO earned fees of US$ 14 million for hosting other entities such as UNAIDS, the International Drug Purchase Facility (UNITAID), the International Computing Centre (ICC) and the African Programme for Onchocerciasis Control (APOC). Other sources of earnings also included the sale of publications and royalties earned.

Finance revenue

Finance revenue includes the following:

	31 December 2012
Investment revenue	19 013 674
Realized foreign exchange gains on transactions and bank balances	1 809 681
Net unrealized foreign exchange gains on hedging	10 364 967
Net unrealized foreign exchange gains on balance sheet revaluation	15 524 796
Actuarial revaluation gains on Terminal Payments Fund	7 350 743
Investment revenue and foreign exchange gains and losses apportioned to other entities	(10 947 816)
Total finance revenue	**43 116 045**

5.2 Expenses

Staff and other personnel costs

Staff and other personnel costs constitute the total cost of employing staff at all locations and include charges for base salary, post adjustment and any other types of entitlements (e.g. pensions and insurances) paid by the Organization. Staff costs also include the movement in the after-service health insurance actuarial liability which is recognized in the Statement of Financial Performance.

Medical supplies and materials

The majority of the balance for medical supplies and materials relates to medical supplies purchased and distributed by WHO for programme activities. Medical supplies and materials include in-kind expenses of US$ 31 million and reimbursable procurement related expenses of US$ 58 million.

Contractual services

The amount for contractual services represents expenses for service providers. The main components are sums for agreements for performance of work or consulting contracts given to individuals to perform activities on behalf of the Organization. Medical research activities, costs for special service agreements, fellowships and security expenses are also considered to be contractual services.

Transfers and grants to counterparts

Transfers and grants to counterparts relate to non-exchange contracts signed with national counterparts (mainly health ministries) to perform activities that are in line with the Organization's Programme budget. Funds are expensed at the point of time when the funds are transferred to the contractual partner and WHO has no continuing involvement. These expenses are also referred to as "direct financial cooperation".

Travel

The cost of travel for WHO staff, non-staff participants in meetings, consultants and representatives of Member States paid by the Organization is included in the balance for total travel costs. Travel expenses include airfare, per diem and other travel-related costs. This amount does not include statutory travel for home leave and education grant which is accounted for within staff costs.

General operating expenses

General operating expenses represent general operations to support country offices, regional offices and headquarters including utilities, telecommunications (fixed telephone, mobile phone, Internet and global network expenses) and rents.

Equipment, vehicles and furniture

As WHO opted for the transitional provision under IPSAS 17, the Organization expenses the full cost of equipment, vehicles and furniture at the point of delivery excluding the headquarters building.

Depreciation and amortization

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment over their useful lives. This relates principally to the Organization's buildings. Amortization is the expense resulting from the systematic allocation of the amortizable amount of intangible assets over their useful lives.

Finance costs

Finance costs include the following:

	31 December 2012
Bank charges and investment management fees	2 242 258
Net realized foreign exchange losses on balance sheet hedging	979 127
Actuarial interest cost related to valuation of Terminal Payments Fund	2 632 190
Total finance costs	**5 853 575**

6. Supporting information to the Statement of Net Assets/Equity

6.1 Member States - regular budget

This note provides details of financing and revenue of assessed contributions, along with the appropriations from the Member States' Non-Assessed Income Fund for 2012. The status of the funds available highlights the net surplus/deficit of the Member States' regular budget.

	Member States' Assessed Contributions Fund	Member States' Non-Assessed Income Fund	Tax Equalization Fund	Working Capital Fund	Total
Balance as at 1 January 2012	19 668 193	23 855 391	(8 073 603)	31 000 000	66 449 981
Programmatic revenue and expenses					
Member States' assessed contributions	474 609 150	–	–	–	474 609 150
Appropriations	15 000 000	(15 000 000)	–	–	–
Tax equalization reimbursements	(10 189 150)	–	10 189 150	–	–
Effective programme budget	479 420 000	(15 000 000)	10 189 150	–	474 609 150
Programmatic expenses related to 2012–2013	(427 310 158)	–	–	–	(427 310 158)
Programmatic expenses related to 2010–2011	(14 130 446)	–	–	–	(14 130 446)
Tax reimbursements to staff members	–	–	(14 533 591)	–	(14 533 591)
Total surplus/(deficit)	37 979 396	(15 000 000)	(4 344 441)	–	18 634 955
Allowance for doubtful accounts receivable					
Increase in allowance for doubtful accounts receivable	(2 429 324)	–	–	–	(2 429 324)
Member States' non-assessed income					
Interest	–	452 931	–	–	452 931
Miscellaneous revenue	–	1 013 189	–	–	1 013 189
Member States' non-assessed income – net	–	1 466 120	–	–	1 466 120
Balance as at 31 December 2012	**55 218 265**	**10 321 511**	**(12 418 044)**	**31 000 000**	**84 121 732**

In resolution WHA64.3, the Health Assembly resolved to appropriate US$ 15 million to finance the regular budget for the financial period 2012–2013.

In addition, in resolution WHA64.3, the Health Assembly decided that the Working Capital Fund should be maintained at its existing level of US$ 31 million.

6.2 Special Account for Servicing Costs Fund

This fund was established in order to support the costs of servicing activities financed from sources other than the assessed contribution budget (i.e. from voluntary contributions).

The Fund is credited with revenue from the following sources:

- under resolution WHA34.17, funds are received for programme support costs from voluntary sources and are calculated by applying a fixed percentage rate to total expenses
- administrative service agreements with other entities
- interest earned on voluntary funds as described in document EB122/3

	Total
Balance as at 1 January 2012	**111 183 981**
Revenue	
Programme support costs	111 347 786
Interest	6 872 997
Administrative service agreements with other entities	4 814 538
Repayment of advances (Note a)	2 154 433
Total revenue	**125 189 754**
Expenses	
Global and interregional activities	36 220 150
Major office – Africa	18 524 026
Major office – Western Pacific	3 611 480
Major office – Europe	8 398 337
Major office – South-East Asia	4 986 292
Major office – Americas	3 460 154
Major office – Eastern Mediterranean	7 398 613
Total expenses	**82 599 052**
Less:	
Increase in allowance for doubtful accounts receivables – voluntary contributions (Note b)	892 080
Other expenses (Note c)	2 755 772
Balance as at 31 December 2012	**150 126 831**

Note a. In 2011, advances were given for administrative services to the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases and the WHO Framework Convention on Tobacco Control for a total of US$ 3.80 million (US$ 3.22 million and US$ 0.54 million respectively). Half the advance to the Special Programme was repaid in 2012 (US$ 1.61 million); in addition, the advance to the WHO Framework Convention on Tobacco Control was repaid in 2012 (US$ 0.54) for a total of US$ 2.20 million.

Note b. The increase in the allowance for doubtful accounts receivable for voluntary contributions is US$ 0.9 million (from US$ 10.1 million as at 31 December 2011 to US$ 11.0 million as at 31 December 2012). Refer to Note 4.3 for details of the balance of accounts receivable and the allowance.

Note c. At the end of 2011, a balance of US$ 5.8 million was credited to the Special Account for Servicing Costs Fund and is included in the opening fund balance for 2012. An amount of US$ 2.8 million was required to cover expenses from this balance and is reported in the Statement of Financial Performance.

6.3 Real Estate Fund

This fund was established by the Health Assembly in resolution WHA23.14. The Fund is used to meet the cost of construction of buildings or extensions to existing buildings, the acquisition of land that may be required, and major repairs and alterations to WHO's existing office buildings and residences leased to staff by the Organization. Specific Health Assembly authorization is required for acquisition of land and construction of buildings or building extensions.

	Total
Balance as at 1 January 2012	**18 120 580**
Revenue	
Rents collected	11 761 021
Other revenue	198 754
In-kind revenue	7 752 917
Total revenue	**19 712 692**
Expenses	
In-kind expenses	7 752 917
Major office – headquarters	8 229 995
Major office – Africa	1 306 540
Major office – Eastern Mediterranean	1 486 211
Major office – Europe	(37 991)
Total expenses	**18 737 672**
Balance as at 31 December 2012	**19 095 600**

In-kind revenue and expenses represents contributions from Member States for donated office space.

7. Comparison of budget and actual amounts

In May 2011, the Health Assembly adopted resolution WHA64.3, the appropriation resolution for the financial period 2012–2013, in which it noted the total effective budget of US$ 3959 million. WHO's budget is adopted on a biennial basis by the Health Assembly. There have been no revisions made to the Programme budget 2012–2013. As the Organization's methodology is based on a results-based framework the approved programme budget is measured on expenses incurred during the programme budget period.

WHO's budget and financial statements are prepared using different accounting bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flow are prepared on a full accrual basis, whereas the budget is established on a modified cash basis (i.e. actual expense is used to measure the budget utilization).

As per the requirements of IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation and entity differences. The General Fund, as per Note 2.17, represents the programme budget results, except for the Tax Equalization Fund expense, other non-programme budget utilization and all in-kind/in-service expenses which are not included in the programme budget results.

Explanations of material differences between the final budget and the actual amounts are available in document A66/5,which describes the implementation of the Programme budget 2012–2013 and the results achieved.

As required by IPSAS 24, a reconciliation is provided on a comparable basis between the actual amounts as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing, entity and presentation differences.

Basis differences occur when the components of the approved programme budget are used for activities other than the implementation of technical programmes such as the Tax Equalization Fund expense, in-kind/in-service expenses, other non-programme budget utilization and other common fund activities.

Timing differences represent the inclusion in WHO's financial accounts programme budget expenses in other financial periods.

Entity differences represent the inclusion in WHO's financial accounts of the Member States – other and the Fiduciary Fund which do not form part of the Organization's programme budget.

Presentation differences are summarized under the headings "Operating", "Investing" and "Financing", consistent with Statement IV: Statement of Cash Flow. The amount reflected for presentation differences under the heading operating reflects cash flows from operations and also revenue that is not included in the programme budget or in Statement V.

A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year 2012 is presented below.

	Operating	Investing	Financing	Total
Actual amount on a comparable basis (Statement V)	**(1 693 680 363)**			**(1 693 680 363)**
Basis differences	66 182 084			66 182 084
Timing differences	125 153 581			125 153 581
Entity differences	194 947 377			194 947 377
Presentation differences	1 483 592 248	365 459 934	(812 973)	1 848 239 209
Actual amount in the Statement of Cash Flow (Statement IV)	**176 194 927**	**365 459 934**	**(812 973)**	**540 841 888**

8. Segment reporting

8.1 Statement of Financial Position by segments

As at 31 December 2012 (In US dollars)

	HQ	AFRO	AMRO	EMRO	EURO	SEARO	WPRO	Total
ASSETS								
Current assets								
Cash and cash equivalents	1 116 915 824	29 126 359	–	23 389 879	1 531 029	7 799 091	5 596 234	1 184 358 416
Short-term investments	1 369 531 140	–	–	–	–	–	–	1 369 531 140
Accounts receivable – net current	693 609 422	202 436	790 440	93 365	261 312	79 687	17 975	695 054 637
Staff receivables	6 458 299	2 291 139	–	575 113	276 767	850 548	1 812 071	12 263 937
Inventories	46 980 604	1 737 695	–	9 445 553	–	5 167 235	4 127 236	67 458 323
Prepayments	288 075	621 634	–	–	13 556	249 262	127 311	1 299 838
Other current assets	220 829 413	–	(208 637 941)	–	–	–	–	12 191 472
Total current assets	3 454 612 777	33 979 263	(207 847 501)	33 503 910	2 082 664	14 145 823	11 680 827	3 342 157 763
Non-current assets								
Accounts receivable – net non-current	210 277 136	–	–	–	–	–	–	210 277 136
Long-term investments	266 323 581	–	–	–	–	–	–	266 323 581
Deposits	–	7 061	–	–	13 556	208 809	79 722	309 148
Property, plant and equipment – net	41 180 878	–	–	–	–	–	–	41 180 878
Total non-current assets	517 781 595	7 061	–	–	13 556	208 809	79 722	518 090 743
TOTAL ASSETS	**3 972 394 372**	**33 986 324**	**(207 847 501)**	**33 503 910**	**2 096 220**	**14 354 632**	**11 760 549**	**3 860 248 506**
LIABILITIES								
Current liabilities								
Contributions received in advance	86 260 283	–	–	30 000	39 596	–	–	86 329 879
Accounts payable	8 267 051	5 491 858	–	6 713 885	1 103 480	1 605 293	1 802 332	24 983 899
Staff payables	2 053 609	1 026 482	–	490 353	300 794	254 778	239 999	4 366 015
Accrued staff benefits – current	33 898 313	17 515 458	–	5 948 177	4 781 943	4 720 011	4 871 197	71 735 099
Deferred revenue	317 034 710	–	–	–	–	–	–	317 034 710
Financial liabilities	21 403 427	–	–	–	–	–	–	21 403 427
Other current liabilities	(6 145 253 941)	2 597 904 184	153 282 363	1 391 998 471	519 804 214	886 858 517	636 848 433	41 442 241
Inter-entity liabilities	989 810 138	–	–	–	–	–	–	989 810 138
Total current liabilities	(4 686 526 410)	2 621 937 982	153 282 363	1 405 180 886	526 030 027	893 438 599	643 761 961	1 557 105 408
Non-current liabilities								
Long-term borrowings	21 912 231	–	–	–	–	–	–	21 912 231
Accrued staff benefits – non-current	531 450 309	143 279 652	–	52 304 658	67 402 316	62 794 570	54 300 626	911 532 131
Deferred revenue – non-current	210 277 136	–	–	–	–	–	–	210 277 136
Total non-current liabilities	763 639 676	143 279 652	–	52 304 658	67 402 316	62 794 570	54 300 626	1 143 721 498
TOTAL LIABILITIES	**(3 922 886 734)**	**2 765 217 634**	**153 282 363**	**1 457 485 544**	**593 432 343**	**956 233 169**	**698 062 587**	**2 700 826 906**
NET ASSETS/EQUITY								
Member States – regular budget	1 585 632 246	(505 244 843)	(198 103 144)	(212 772 306)	(154 366 711)	(242 862 763)	(188 160 747)	84 121 732
Voluntary funds	6 293 590 325	(2 054 718 639)	(156 306 242)	(1 052 384 059)	(353 097 607)	(623 092 360)	(411 982 949)	1 642 008 469
Member States – other	(133 631 063)	(170 935 934)	(6 564 944)	(158 650 094)	(83 777 961)	(75 620 101)	(86 005 628)	(715 185 725)
Fiduciary Fund	149 689 598	(331 894)	(155 534)	(175 175)	(93 844)	(303 313)	(152 714)	148 477 124
TOTAL NET ASSETS/EQUITY	**7 895 281 106**	**(2 731 231 310)**	**(361 129 864)**	**(1 423 981 634)**	**(591 336 123)**	**(941 878 537)**	**(686 302 038)**	**1 159 421 600**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**3 972 394 372**	**33 986 324**	**(207 847 501)**	**33 503 910**	**2 096 220**	**14 354 632**	**11 760 549**	**3 860 248 506**

8.2 Statement of Financial Performance by segments

For the year ended 31 December 2012
(In US dollars)

	HQ	AFRO	AMRO	EMRO	EURO	SEARO	WPRO	Total
Revenue								
Member States' assessed contributions	474 609 150	–	–	–	–	–	–	474 609 150
Increase in allowance for doubtful accounts receivable	(3 321 404)	–	–	–	–	–	–	(3 321 404)
Voluntary contributions	1 636 499 031	–	–	–	53 784	–	–	1 636 552 815
Voluntary contributions in-kind and in-service	66 468 439	–	–	–	–	–	–	66 468 439
Reimbursable procurement	62 459 972	–	–	–	–	–	–	62 459 972
Other operating revenue	19 575 827	(2 048 012)	(2 523 719)	118 424	(982 044)	124 652	(283 351)	13 981 777
Finance revenue	40 847 428	1 030 453	–	(312 087)	868 486	146 667	535 098	43 116 045
Total revenue	**2 297 138 443**	**(1 017 559)**	**(2 523 719)**	**(193 663)**	**(59 774)**	**271 319**	**251 747**	**2 293 866 794**
Expenses								
Staff and other personnel costs	428 546 875	198 982 466	31 684 610	73 429 444	67 212 218	52 527 982	60 055 776	912 439 371
Medical supplies and materials	51 075 029	20 746 170	1 312 499	88 411 209	407 463	31 175 446	6 440 125	199 567 941
Contractual services	123 193 758	36 681 993	16 348 551	57 109 511	19 098 700	47 205 777	25 007 238	324 645 528
Transfers and grants to counterparts	5 519 692	102 569 581	1 036 114	77 813 236	521 924	15 027 864	13 401 391	215 889 802
Travel	64 872 279	38 165 935	4 264 714	13 515 490	10 022 613	11 396 652	10 532 803	152 770 486
General operating expenses	59 880 425	117 058 512	2 625 102	29 659 314	9 373 523	9 953 751	7 104 352	235 654 979
Equipment, vehicles and furniture	4 003 296	10 252 336	2 498 562	7 787 485	1 061 174	2 714 294	3 708 377	32 025 524
Depreciation and amortization	1 116 199	–	–	–	–	–	–	1 116 199
Finance costs	6 809 645	665 966	–	(2 120 649)	157 128	(116 606)	458 091	5 853 575
Total expenses	**745 017 198**	**525 122 959**	**59 770 152**	**345 605 040**	**107 854 743**	**169 885 160**	**126 708 153**	**2 079 963 405**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	**1 552 121 245**	**(526 140 518)**	**(62 293 871)**	**(345 798 703)**	**(107 914 517)**	**(169 613 841)**	**(126 456 406)**	**213 903 389**

9. Administrative waivers, amounts written-off and ex-gratia payments

During 2012, three administrative waivers were approved. At the Regional Office for the South-East Asia, an amount of US$ 3550 relating to a direct financial cooperation granted in the biennium 2006–2007 to the Municipal Corporation, Patna (Bihar State), India was deemed impossible to recover. Furthermore, at the Regional Office for South-East Asia, an amount of US$ 18 723 relating to two grants for a direct financial cooperation granted in the biennium 2008–2009 to the Director of Health Services (Maharashtra State), India, was deemed impossible to recover.

During 2012, a total of US$ 2250 was approved for write-off. This balance related to the bankruptcy of a bank in the Democratic Republic of the Congo.

No ex-gratia payments were made in 2012.

10. Related party and other senior management disclosures

Staff members considered to be "key management personnel" are the Director-General, regional directors and all other ungraded staff.

The table below details the number of key management personnel who held these positions over the course of the year as well as the aggregate remuneration.

Key management personnel

Number of individuals	19
Compensation and post adjustment	4 549 493
Entitlements	605 607
Pension and health plans	1 144 135
Total remuneration	6 299 235
Outstanding advances against entitlements	170 796
Outstanding loans (in addition to normal entitlements, if any)	–

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

The Regional Director for the Americas is included among the key management personnel. However, as the Regional Director is receiving all entitlements and benefits from PAHO, those entitlements and benefits are disclosed in PAHO's financial statements and not in the Organization's financial statements.

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

11. Events after the reporting date

WHO's reporting date is 31 December 2012. On the date of the signing of these accounts, no material events, favourable or unfavourable, had been incurred between the balance sheet date and the date when the financial statements were authorized for issue that would have had an impact on the financial statements.

12. Contingent liabilities, commitments and contingent assets

Contingent liabilities

As at 31 December 2012, WHO had a number of pending legal cases. Most involve disputes that are not recorded because the likelihood of repayment has been determined to be remote. However, there are four cases involving contractual disputes which are to be considered contingent liabilities. The total potential cost to the Organization is estimated at US$ 95 000.

Operating leases commitments

WHO enters into operating lease arrangements for renting office space in various country offices. Future minimum lease rental payments for the following periods are:

	Total
Under 1 year	3 319 313
1–5 years	5 183 137
Beyond 5 years	3 838 114
Total property lease commitments	**12 340 564**

The Organization has no outstanding leases qualifying as finance leases at the reporting date.

WHO leased office space to six tenants. Total revenue from the leasing activities was US$ 1.2 million in 2012. Current lease agreements are renewable on a yearly basis.

Contingent assets

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2012, there are no material contingent assets to disclose.

Schedule I. Statement of Financial Performance by major funds

For the year ended 31 December 2012
(In US dollars)

	General Fund				Member States – other			Fiduciary Fund				
	Member States – regular budget	Voluntary funds	Eliminations	Subtotal	Common Fund	Enterprise Fund	Special Purpose Fund	Fiduciary Fund	Subtotal	Eliminations	Total	Percentage
Revenue												
Member States' assessed contributions	474 609 150	–	–	474 609 150	–	–	–	–	–	–	474 609 150	21%
Increase in allowance for doubtful accounts receivable	(2 429 324)	(892 080)	–	(3 321 404)	–	–	–	–	–	–	(3 321 404)	0%
Voluntary contributions	–	1 542 409 490	(3 019 363)	1 539 390 127	–	–	170 277	97 352 898	97 523 175	(360 487)	1 636 552 815	71%
Voluntary contributions in-kind and in-service	–	56 396 603	–	56 396 603	–	–	7 752 917	2 318 919	10 071 836	–	66 468 439	3%
Reimbursable procurement	–	–	–	–	–	62 459 972	–	–	62 459 972	–	62 459 972	3%
Other operating revenue	1 013 189	88 342 586	(111 347 787)	(21 992 012)	(427 526)	7 625 667	155 429 301	25 050 780	187 678 222	(151 704 433)	13 981 777	1%
Finance revenue	452 931	7 844 428	-	8 297 359	24 901 835	–	9 591 953	324 898	34 818 686	–	43 116 045	2%
Total operating revenue	**473 645 946**	**1 694 101 027**	**(114 367 150)**	**2 053 379 823**	**24 474 309**	**70 085 639**	**172 944 448**	**125 047 495**	**392 551 891**	**(152 064 920)**	**2 293 866 794**	**100%**
Expenses												
Staff and other personnel costs	376 925 451	524 440 866	–	901 366 317	–	5 003 291	132 331 343	25 215 712	162 550 346	(151 477 292)	912 439 371	44%
Medical supplies and materials	2 582 925	102 616 357	–	105 199 282	(3 309 093)	57 740 196	786 363	39 151 193	94 368 659	–	199 567 941	10%
Contractual services	25 877 392	275 153 896	–	301 031 288	–	976 838	11 852 553	11 582 444	24 411 835	(797 595)	324 645 528	16%
Transfers and grants to counterparts	10 775 490	203 284 230	(265 487)	213 794 233	–	2 971	147 572	4 906 423	5 056 966	(2 961 397)	215 889 802	10%
Travel	14 193 397	130 495 695	–	144 689 092	–	111 522	2 131 345	5 875 099	8 117 966	(36 572)	152 770 486	7%
General operating expenses	20 924 129	273 521 484	(104 217 598)	190 228 015	–	4 496 822	39 620 846	7 985 422	52 103 090	(6 676 126)	235 654 979	11%
Equipment, vehicles and furniture	4 695 411	23 647 288	–	28 342 699	(656 421)	1 845 998	2 462 895	30 356	3 682 828	(3)	32 025 524	2%
Depreciation and amortization	–	–	–	–	1 116 199	–	–	–	1 116 199	–	1 116 199	0%
Finance costs	–	–	–	–	3 214 417	–	2 638 987	171	5 853 575	–	5 853 575	0%
Total expenses	**455 974 195**	**1 533 159 816**	**(104 483 085)**	**1 884 650 926**	**365 102**	**70 177 638**	**191 971 904**	**94 746 820**	**357 261 464**	**(161 948 985)**	**2 079 963 405**	**100%**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	**17 671 751**	**160 941 211**	**(9 884 065)**	**168 728 897**	**24 109 207**	**(91 999)**	**(19 027 456)**	**30 300 675**	**35 290 427**	**9 884 065**	**213 903 389**	
Fund balance – 1 January 2012	**66 449 981**	**1 481 067 258**		**1 547 517 239**	**60 719 598**	**9 669 958**	**(813 415 939)**	**118 176 449**	**(624 849 934)**	**–**	**922 667 305**	
Reversal of IPSAS opening adjustment (unrealized exchange gain)					22 850 906				22 850 906		22 850 906	
Fund balance – 31 December 2012	**84 121 732**	**1 642 008 469**	**(9 884 065)**	**1 716 246 136**	**107 679 711**	**9 577 959**	**(832 443 395)**	**148 477 124**	**(566 708 601)**	**9 884 065**	**1 159 421 600**	

Schedule II. General Fund expenses

For the year ended 31 December 2012
(In US dollars)

Strategic objectives	2012–2013 Programme budget utilization: Assessed contributions	2012–2013 Programme budget utilization: Voluntary funds	2012–2013 Programme budget utilization: Total from 2012–2013	Previous bienniums: Assessed contributions	Previous bienniums: Voluntary funds	Previous bienniums: Total from 2012–2013	General Fund total: Assessed contributions	General Fund total: Voluntary funds	General Fund total: General Fund total expenses
1 Communicable diseases	38 498 161	575 493 453	613 991 614	733 712	37 601 247	38 334 959	39 231 873	613 094 700	652 326 573
2 HIV/AIDS, tuberculosis and malaria	20 276 392	161 438 849	181 715 241	1 029 796	18 330 581	19 360 377	21 306 188	179 769 430	201 075 618
3 Chronic noncommunicable conditions	18 507 378	28 929 341	47 436 719	641 939	1 189 587	1 831 526	19 149 318	30 118 928	49 268 246
4 Child, adolescent, maternal, sexual and reproductive health, and ageing	22 571 334	75 077 914	97 649 248	601 404	5 980 142	6 581 546	23 172 739	81 058 056	104 230 795
5 Emergencies and disasters	6 917 441	137 245 329	144 162 770	128 306	26 382 358	26 510 664	7 045 747	163 627 687	170 673 434
6 Risk factors for health	14 113 623	30 670 012	44 783 635	558 711	2 093 516	2 652 227	14 672 333	32 763 528	47 435 861
7 Social and economic determinants of health	9 173 408	7 671 837	16 845 245	256 912	1 122 547	1 379 459	9 430 320	8 794 384	18 224 704
8 Healthier environment	16 127 580	22 727 108	38 854 688	641 121	1 745 062	2 386 183	16 768 700	24 472 170	41 240 870
9 Nutrition, food safety and food security	9 831 370	17 323 195	27 154 565	257 894	1 062 505	1 320 399	10 089 264	18 385 700	28 474 964
10 Health systems and services	59 532 725	75 314 729	134 847 454	2 728 472	6 877 924	9 606 396	62 261 197	82 192 653	144 453 850
11 Medical products and technologies	12 820 818	49 089 111	61 909 929	513 582	2 327 560	2 841 142	13 334 400	51 416 671	64 751 071
12 WHO leadership, governance, and partnerships	101 335 638	22 990 016	124 325 654	1 015 246	299 262	1 314 508	102 350 884	23 289 278	125 640 162
13 Enabling and support functions	97 603 282	62 400 319	160 003 601	5 023 351	6 010 844	11 034 195	102 626 633	68 411 163	171 037 796
Total	**427 309 150**	**1 266 371 213**	**1 693 680 363**	**14 130 446**	**111 023 135**	**125 153 581**	**441 439 596**	**1 377 394 348**	**1 818 833 944**
Basis differences									
In-kind/in-service expenses									44 681 506
Tax Equalization Fund expenses									14 533 591
Other non-programme budget utilization									6 601 885
Total basis differences									**65 816 982**
Total expenses – General Fund									**1 884 650 926**

The balance for General Fund expenses includes US$ 62 million of the approved programme budget allocation of US$ 138 million for the Post Occupancy Charge Fund, which is transferred to the Special Purpose Fund to finance additional enabling and support functions under strategic objective 13bis.

Schedule III. Programme budget utilization 2012–2013 – assessed contributions

For the year ended 31 December 2012
(In US dollars)

		Programme budget	Programme budget utilization	Remaining balance	Contingency withholding Note (a)	Balance after contingency withholding	Percentage implementation excluding contingency withholding
Strategic objectives							
1	Communicable diseases	79 186 000	38 498 161	40 687 839	3 169 000	37 518 839	49%
2	HIV/AIDS, tuberculosis and malaria	45 634 000	20 276 392	25 357 608	1 844 000	23 513 608	44%
3	Chronic noncommunicable conditions	44 809 000	18 507 378	26 301 622	1 820 000	24 481 622	41%
4	Child, adolescent, maternal, sexual and reproductive health, and ageing	55 754 000	22 571 334	33 182 666	2 348 000	30 834 666	40%
5	Emergencies and disasters	18 568 000	6 917 441	11 650 559	736 000	10 914 559	37%
6	Risk factors for health	37 731 000	14 113 623	23 617 377	1 584 000	22 033 377	37%
7	Social and economic determinants of health	18 753 000	9 173 408	9 579 592	767 000	8 812 592	49%
8	Healthier environment	32 507 000	16 127 580	16 379 420	1 314 000	15 065 420	50%
9	Nutrition, food safety and food security	22 359 000	9 831 370	12 527 630	894 000	11 633 630	44%
10	Health systems and services	145 421 000	59 532 725	85 888 275	5 987 000	79 901 275	41%
11	Medical products and technologies	30 751 000	12 820 818	17 930 182	1 234 000	16 696 182	42%
12	WHO leadership, governance, and partnerships	202 410 000	101 335 638	101 074 362	3 354 000	97 720 362	50%
13	Enabling and support functions	209 957 000	97 603 282	112 353 718	3 264 000	109 089 718	46%
	Total	**943 840 000**	**427 309 150**	**516 530 850**	**28 315 000**	**488 215 850**	**45%**

Note a. Contingency withholding represents a budget reduction for non-payment of Member States' assessed contributions.

Schedule IV. Programme budget utilization 2012–2013 – voluntary contributions

For the year ended 31 December 2012
(In US dollars)

		Programme budget	Programme budget utilization	Remaining balance	Percentage implementation
Strategic objectives					
1	Communicable diseases	1 198 944 000	575 493 453	623 450 547	48%
2	HIV/AIDS, tuberculosis and malaria	494 664 000	161 438 849	333 225 151	33%
3	Chronic noncommunicable conditions	68 954 000	28 929 341	40 024 659	42%
4	Child, adolescent, maternal, sexual and reproductive health, and ageing	162 552 000	75 077 914	87 474 086	46%
5	Emergencies and disasters	363 460 000	137 245 329	226 214 671	38%
6	Risk factors for health	84 524 000	30 670 012	53 853 988	36%
7	Social and economic determinants of health	24 036 000	7 671 837	16 364 163	32%
8	Healthier environment	54 318 000	22 727 108	31 590 892	42%
9	Nutrition, food safety and food security	32 539 000	17 323 195	15 215 805	53%
10	Health systems and services	202 672 000	75 314 729	127 357 271	37%
11	Medical products and technologies	106 532 000	49 089 111	57 442 889	46%
12	WHO leadership, governance, and partnerships	55 160 000	22 990 016	32 169 984	42%
13	Enabling and support functions	166 784 000	62 400 319	104 383 681	37%
Total		**3 015 139 000**	**1 266 371 213**	**1 748 767 787**	**42%**

Schedule V. Expenses by major office – General Fund only

For the year ended 31 December 2012
(In US dollars)

	HQ	AFRO	AMRO	EMRO	EURO	SEARO	WPRO	Total
Expenses								
Staff and other personnel costs	419 654 257	195 530 085	34 273 954	73 466 386	65 139 657	53 037 062	60 264 916	901 366 317
Medical supplies and materials	14 590 313	21 018 864	1 311 874	33 480 261	405 800	30 426 074	3 966 096	105 199 282
Contractual services	104 083 874	34 483 399	15 801 829	57 087 599	18 725 859	46 415 296	24 433 432	301 031 288
Transfers and grants to counterparts	3 424 123	102 569 581	1 036 114	77 813 236	521 924	15 027 864	13 401 391	213 794 233
Travel	58 245 137	37 121 003	4 173 900	13 416 129	10 012 496	11 196 660	10 523 767	144 689 092
General operating expenses	27 847 455	113 732 840	2 046 643	26 962 469	4 902 974	9 101 608	5 634 026	190 228 015
Equipment, vehicles and furniture	4 419 553	8 584 953	2 498 562	7 269 933	1 059 720	2 413 073	2 096 905	28 342 699
Total expenses	**632 264 712**	**513 040 725**	**61 142 876**	**289 496 013**	**100 768 430**	**167 617 637**	**120 320 533**	**1 884 650 926**
Percentage of expenses by expense type across major office								
Staff and other personnel costs	47%	22%	4%	8%	7%	6%	7%	100%
Medical supplies and materials	14%	20%	1%	32%	0%	29%	4%	100%
Contractual services	35%	11%	5%	19%	6%	15%	8%	100%
Transfers and grants to counterparts	2%	48%	0%	36%	0%	7%	6%	100%
Travel	40%	26%	3%	9%	7%	8%	7%	100%
General operating expenses	15%	60%	1%	14%	3%	5%	3%	100%
Equipment, vehicles and furniture	16%	30%	9%	26%	4%	9%	7%	100%
Total percentage	34%	27%	3%	15%	5%	9%	6%	100%
Percentage of expenses by expense type within each major office								
Staff and other personnel costs	66%	38%	56%	25%	65%	32%	50%	48%
Medical supplies and materials	2%	4%	2%	12%	0%	18%	3%	6%
Contractual services	16%	7%	26%	20%	19%	28%	20%	16%
Transfers and grants to counterparts	1%	20%	2%	27%	1%	9%	11%	11%
Travel	9%	7%	7%	5%	10%	7%	9%	8%
General operating expenses	4%	22%	3%	9%	5%	5%	5%	10%
Equipment, vehicles and furniture	1%	2%	4%	3%	1%	1%	2%	2%
Total percentage	100%	100%	100%	100%	100%	100%	100%	100%

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