A67/43
SIXTY-SEVENTH WORLD HEALTH ASSEMBLY
Provisional agenda item 20.2
17 April 2014

Financial Report and Audited Financial Statements

for the year ended 31 December 2013

World Health Organization

Table of contents

Information on voluntary contributions by fund and by contributor for the year ended 31 December 2013 is contained in the Annex to the Financial Report, which is available on the WHO internet at http://www.who.int/about/resources_planning/en/.

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 2013. 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. This is the second year in which the Organization's financial statements have been prepared under the IPSAS basis of accounting. This approach continues to bring greater transparency, accountability and a higher standard of financial reporting. Although IPSAS requires reporting on an annual basis, WHO continues to have a biennial budget and therefore, in my report, I include both the annual and the biennial results. Furthermore, this is the first time that the WHO financial statements have included a separate account of the second year of the biennium.

3. 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. Enhanced financial information supports governance, the management of assets and liabilities, and facilitates decision-making. The Financial Report now permits a better understanding of the Organization's financial performance and health.

4. Highlights of revenue, expenses, net assets/equity, assets and liabilities 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 2013. Finally, I have highlighted certain financial risks facing the Organization and the measures in place to manage them, including improvements to the internal control framework.

FINANCIAL HIGHLIGHTS

5. In 2013, the total revenue was US$ 2614 million and the total expenses were US$ 2261 million. The resulting net amount of US$ 353 million reflects funds received in advance of implementation that were carried forward to 2014. Even with this solid overall result, certain budget centres continue to be 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. Table 1 below provides the overall financial highlights.

Table 1. Financial highlights – all funds, 2013 and 2012 and biennium 2012–2013 (US$ million)

	Total 2013	Total 2012	Total biennium 2012–2013
Member States' assessed contributions	475	475	950
Voluntary contributions – programme budget	1 930	1 539	3 469
Total contributions – programme budget	**2 405**	**2 014**	**4 419**
Voluntary contributions – non-programme budget	87	98	185
Reimbursable procurement	34	62	96
Other operating revenue	26	14	40
Decrease/(increase) in allowance for doubtful accounts receivable	1	(3)	(2)
Voluntary contributions in-kind and in-service	44	66	110
Finance revenue	17	43	60
Total revenue (all sources)	**2 614**	**2 294**	**4 908**
Total expenses – programme budget	2 052	1 841	3 893
Total expenses – in-kind and in-service	39	44	83
Total expenses – non-programme budget	170	195	365
Total expenses (all sources)	**2 261**	**2 080**	**4 341**
Net	**353**	**214**	**567**

6. Total contributions for the programme budget in 2013 were US$ 2405 million (in 2012, US$ 2014 million). This includes US$ 475 million from Member States' assessed contributions, and US$ 1930 million from voluntary contributions. An additional amount of US$ 209 million was recorded in 2013 for non-programme budget revenue. This included voluntary contributions for partnerships outside the programme budget such as the Stop TB Global Drug Facility Fund and the Roll Back Malaria Partnership Fund, in-kind and in-service contributions, reimbursable procurement revenue, other operating revenue (being mainly administrative support costs from WHO entities, rental revenue, sale of publications), and finance revenue.

BIENNIAL RESULTS

7. The financial statements cover the total effective budget for 2012–2013 of US$ 3959 million.[1] Although the Organization has adopted an annual financial reporting period as stipulated in the revised Financial Regulation XIII,[2] the budgetary period remains a biennium (Financial Regulation II). Therefore, for the purposes of making comparisons between the actual expenses and the planned budget, the biennium's budget is set against two years of annual expenses. Statement V – Statement of Comparison of Budget and Actual Amounts provides this comparison by strategic objective. Further analysis of the use of funds is available in document A67/42 "Programme budget 2012–2013: performance assessment", which describes the implementation of the Programme budget 2012–2013 and the results achieved.

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[1] See resolution WHA64.3.

[2] See resolution WHA62.6.

8. A summary showing the sources of funding for the Programme budget 2012–2013 and the use of funds for 2012–2013 and 2010–2011 is provided in Table 2.

Table 2. Comparison of Programme budget 2012–2013 with use of funds for biennium 2012–2013 and biennium 2010–2011 (US$ million)

	Programme budget 2012–2013	Total 2012–2013	Total 2010–2011
Source of funding:			
Member States' assessed contributions	944	950	945
Highly flexible funding – voluntary contributions – core	400	231	235
Medium flexible funding – voluntary contributions – core	400	33	14
Specified funding – voluntary contributions – specified	2 215	3 205	2 650
Total voluntary contributions	**3 015**	**3 469**	**2 899**
Total contributions – programme budget	**3 959**	**4 419**	**3 844**
Use of funding:			
Expenses – programme budget	3 959	3 893	3 808
Net – programme budget	**–**	**526**	**36**

9. It should be noted that although the total revenue for 2012–2013 exceeded the budgeted contributions, the level of flexible funding was lower than originally planned. Further details regarding the increase in specified funding are given in the section on revenue below. The total programme budget expenses for 2012–2013 were US$ 3893 million resulting in a net balance for the General Fund of US$ 526 million, which was carried forward as part of the financing for the biennium 2014–2015, and included within net assets/equity.

NET ASSETS/EQUITY

10. In addition to the General Fund (the Programme budget), two other fund groups are included in WHO's financial statements: "Member States – other" and the Fiduciary Fund. The "Member States – other" fund group includes the Common Fund (which reflects changes in assets and liabilities), the Enterprise Fund (mainly procurement activities on behalf of Member States and the Revolving Sales Fund), and the Special Purpose Fund (such as the Terminal Payments Fund, the Staff Health Insurance Fund, the Real Estate Fund and the Security Fund). The Fiduciary Fund is used when the Organization is managing revenue and expenses on behalf of other entities that are 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.

11. 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 staff health insurance (SHI). Separate financial statements are prepared for each entity, and these are subject to separate external audits. The funds managed by WHO on behalf of these entities are included within the Statement of Financial Position (and summarized in Table 6 below).

12. Statement III, the Statement of Changes in Net Assets/Equity provides information on the fund balances for all funds as at 31 December 2013, the movement of these balances during 2013 and the opening balance from 1 January 2013. The total net assets/equity (carry forward) as at 31 December 2013 was US$ 1535 million (1 January 2013, US$ 1181 million). A breakdown of net assets/equity is shown in Table 3.

Table 3. Summary of net assets/equity in 2013 (US$ million)

	31 December 2013	Surplus/(deficit) 2013 (including opening adjustments)	1 January 2013
General Fund:			
Total Member States' – regular budget	89	5	84
Total voluntary funds	2 034	392	1 642
Total – General Fund	**2 123**	**397**	**1 726**
Other funds:			
Total Member States – other	**(722)**	**(29)**	**(693)**
Total Fiduciary Fund	134	(15)	149
Total net assets/equity	**1 535**	**353**	**1 182**

13. Net assets/equity under the General Fund increased from US$ 1726 million at the beginning of 2013 to US$ 2123 million by the end of 2013. These funds represent contribution agreements recorded and not yet spent. Of the US$ 2123 million, an amount of approximately US$ 185 million has been committed and will be used for the settlement of contracts made in 2013 for which expenses will be paid and recorded in 2014. The remainder of the funds will be used to support work in 2014 and beyond. The increase from 2012 to 2013 is mainly due to the agreements recorded as revenue in 2013. This also confirms the positive effect of the financing dialogue.

14. Of the net assets/equity balance within the voluntary funds, 79% of the funds are specified. The largest increase was within the Special Programmes and Collaborative Arrangements Fund, which is primarily due to the funding for the Global Polio Eradication Initiative (which increased by US$ 205 million in 2013).

15. The negative balance in the net assets/equity attributable to "Member States – other" of US$ 722 million (as at 1 January 2013, US$ 693 million) arises primarily from the future unfunded liabilities for staff health insurance (see paragraphs 46 to 49 below).

REVENUE

16. Total revenue for 2013 was US$ 2614 million (in 2012, US$ 2294 million) (refer to Table 1 above). Revenue is recorded when amounts become due, based on signed agreements. When amounts are due in future periods, according to the payment terms included in donor agreements, the associated revenue is deferred. Revenue from voluntary contributions is summarized in Table 4 below.

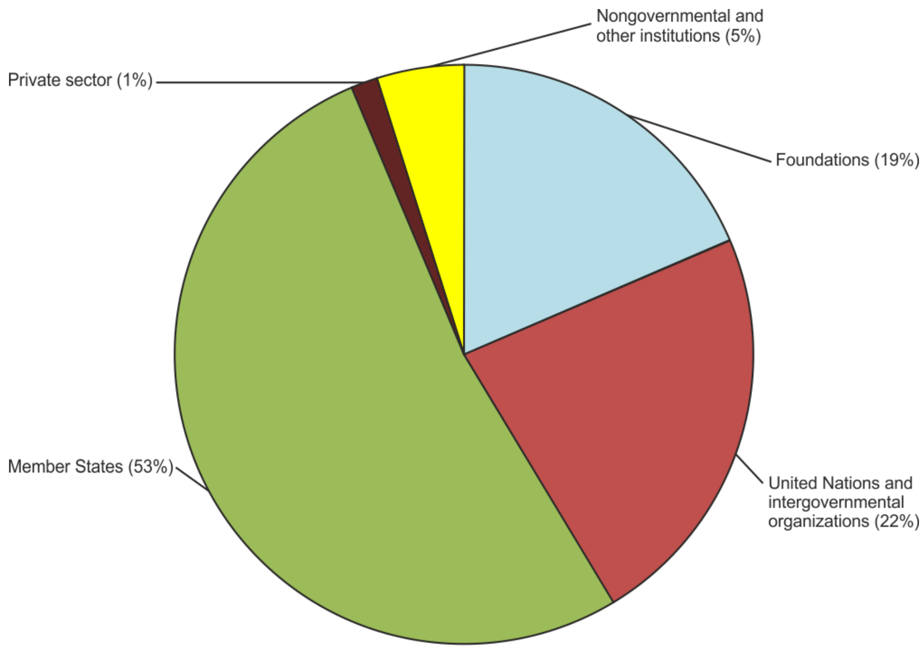
Table 4. Voluntary contributions revenue – 2013 and 2012, biennium 2012–2013 and biennium 2010–2011, excluding in-kind and in-service contributions (US$ million)

	Total 2013	Total 2012	Biennium 2012–2013	Biennium 2010–2011
Voluntary contributions – core	132	130	262	249
Voluntary contributions – specified	1 798	1 409	3 207	2 650
Voluntary contributions – programme budget	**1 930**	**1 539**	**3 469**	**2 899**
Voluntary contributions – Fiduciary Fund	87	98	185	170
Total voluntary contributions	**2 017**	**1 637**	**3 654**	**3 069**

17. Out of the total voluntary contributions for 2013 of US$ 2017 million, US$ 1930 million was for the programme budget. The remaining amount was received for the Fiduciary Fund. Fiduciary Fund contributions have remained fairly stable and for 2012–2013 only represented 5% of the total voluntary contributions. Voluntary contributions – core, increased slightly for 2012–2013 but were lower than budgeted. Many of the voluntary contributions were highly earmarked and related to individual projects with differing reporting requirements within the framework of the planned results of the programme budget. Voluntary contributions – specified increased by 21% from 2010–2011 to 2012–2013. Increases in contributions for the Global Polio Eradication Initiative accounted for most of the growth. Full details of all the voluntary contributions recorded in 2013 are contained in the Annex to the Financial Report.[1]

18. Figure 1 below illustrates the relative proportions of the various sources of voluntary contributions for the biennium 2012–2013.

Figure 1. Revenue from voluntary contributions for 2012–2013, by source

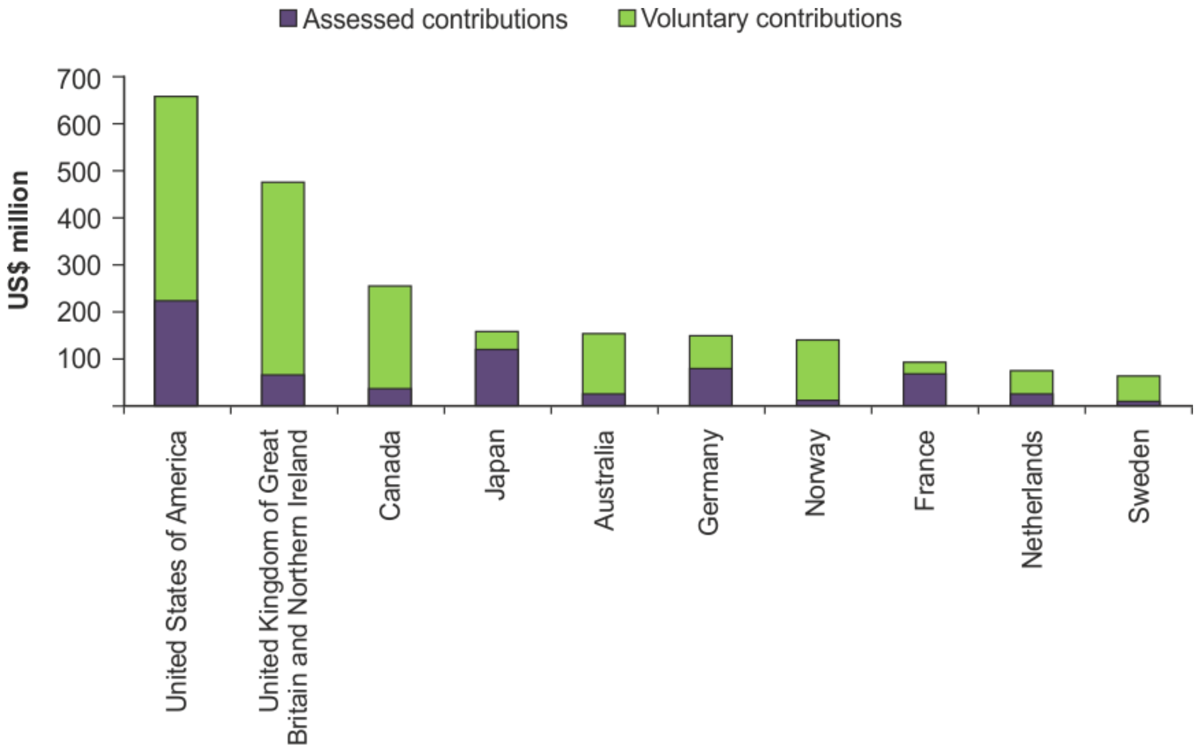


[1] The Annex to the Financial Report is available at: http://www.who.int/about/resources_planning/en/.

19. Member States continue to be the largest source of voluntary contributions, contributing 53% of the total non-assessed (voluntary) contributions. Revenue from the United Nations and intergovernmental organizations 22%, from foundations was 19%, and revenue from nongovernmental organizations and other institutions was 5%. Donations from the private sector represented 1% of the voluntary contributions to the Organization. The relative percentages are similar to the previous biennium with a slight decrease in Member States' and nongovernmental organization contributions and slight increases from foundations, and from United Nations and intergovernmental organizations.

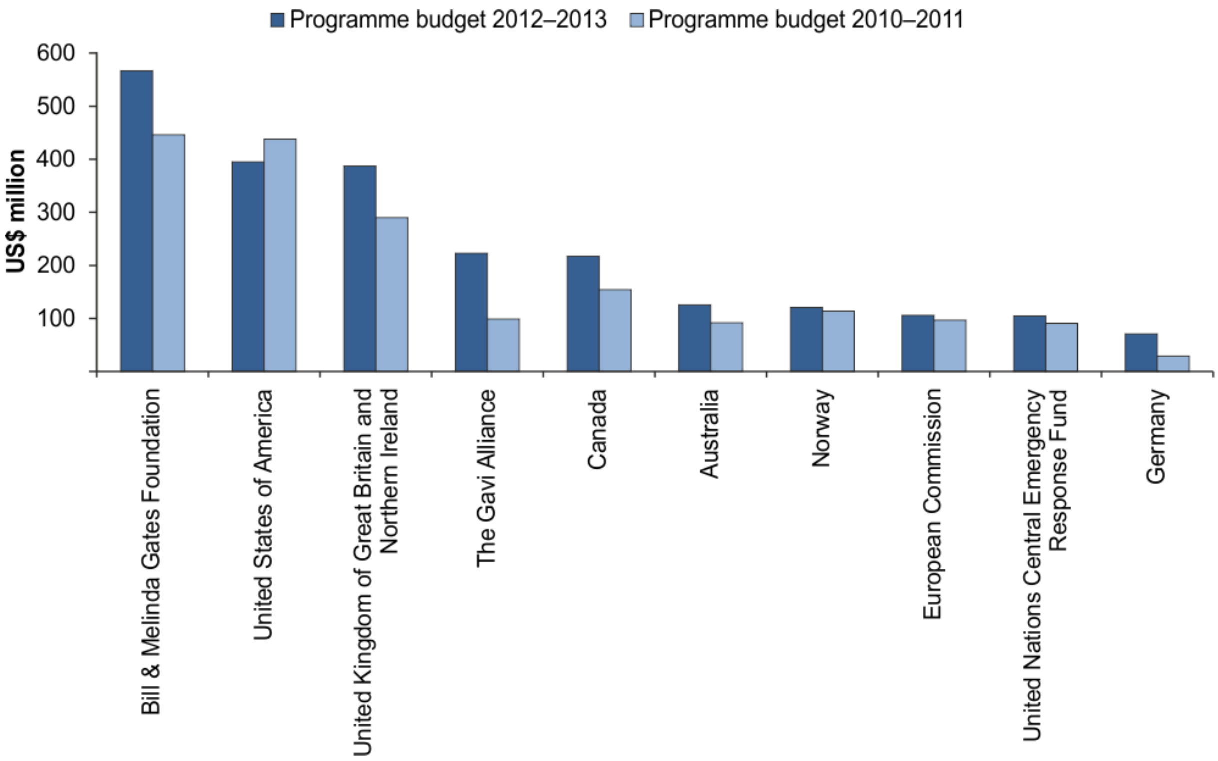
20. The total of contributions by Member States (voluntary contributions and assessed contributions) for 2012–2013 was US$ 2866 million. This represents 62% of total voluntary and assessed contributions. The 10 largest contributors among the Member States are shown below and accounted for a combined total of US$ 2182 million or 76% of the total contributions from Member States, or 48% of the total voluntary and assessed contributions.

Figure 2. Top 10 Member State contributors for 2012–2013, combining assessed and voluntary contributions (US$ million)



21. The top voluntary contributors for 2012–2013 are summarized below in Figure 3 with a comparison against 2010–2011. This includes both Member States and other contributors.

Figure 3. Top 10 voluntary contributors to the programme budgets for 2012–2013 and for 2010–2011 (US$ million)



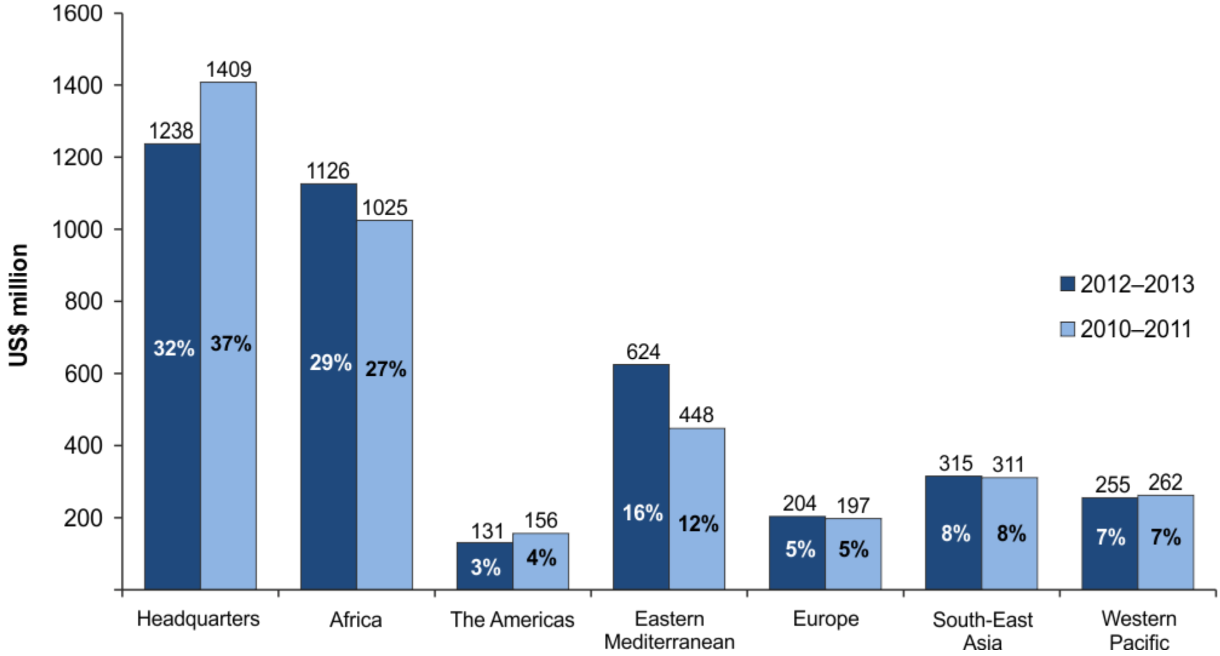
EXPENSES

22. The total expenses for 2013 were US$ 2261 million (in 2012, US$ 2080 million). Expenses are recognized when the goods and services are received and not when the commitments or the payments have been made. The total expenses incurred for the implementation of the programme budget were US$ 2091 million (in 2012, US$ 1885 million). Excluding in-kind and in-service expenses for 2013 of US$ 39 million (in 2012, US$ 44 million), the total expenses for 2013 were US$ 2052 million (in 2012, US$ 1841 million). Programme budget expenses for 2013, excluding in-kind and in-service expenses, were 11% higher than for 2012. Details of expenses by cost category, major office, and by strategic objective for 2013 are provided in Schedules I to IV of this report.

23. Higher expenses in the second year of the biennium are usual, given the additional planning steps in the first year. A more meaningful expense comparison is achieved by viewing one biennium against another. The total expenses for 2012–2013 for the programme budget (excluding in-kind and in-service expenses) were US$ 3893 million (in 2010–2011, US$ 3808 million). The increase in expenses from 2010–2011 to 2012–2013 of US$ 85 million is mainly due to the expanded activities of the Global Polio Eradication Initiative (an increase of 20% from 2010–2011 to 2012–2013).

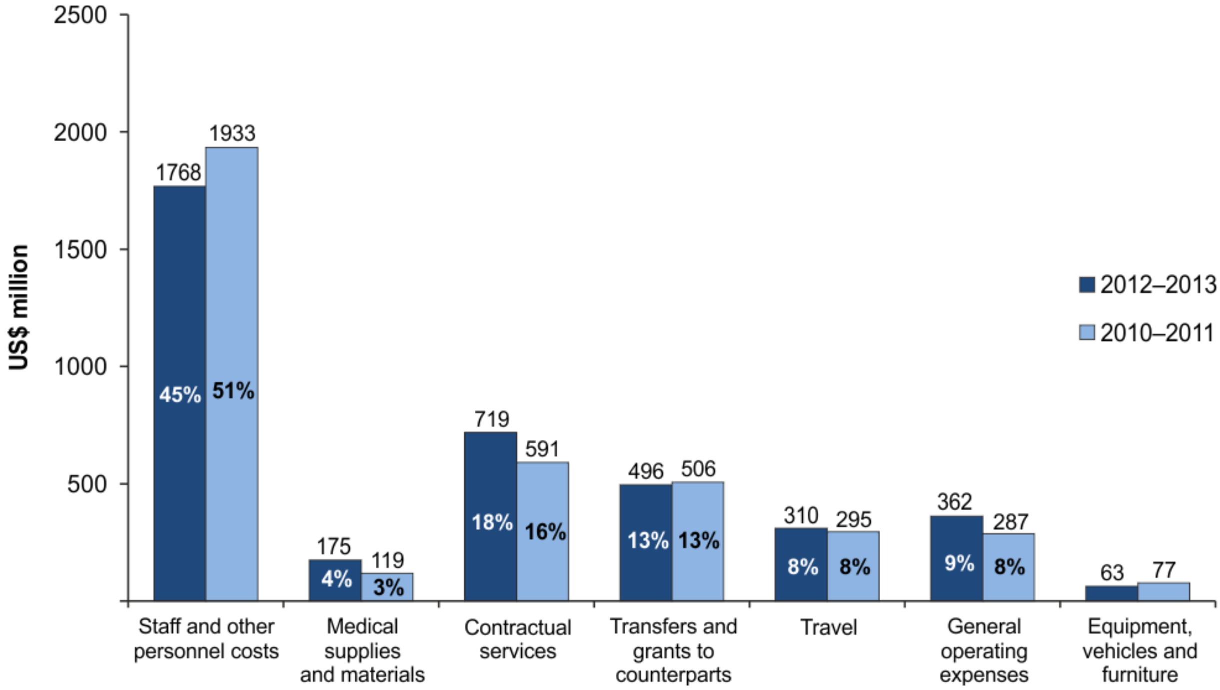
24. The proportions of expenses incurred by each major office are shown below in Figure 4. In comparison with 2010–2011 there has been a decrease in headquarters' share, from 37% to 32%, and a proportionate increase in the regions' share, which has grown from 63% to 68%. The largest increases were in the Eastern Mediterranean Region and the African Region. These increases were mainly due to expanded activities for the eradication of poliomyelitis. In addition, the Eastern Mediterranean Region had a higher level of emergency activities in 2012–2013 (a rise from US$ 103 million in 2010–2011 to US$ 206 million in 2012–2013 due to new activities, mainly in the Syrian Arab Republic and the Sudan). The decrease in headquarters' share is a result of the cost-saving measures. All cost categories decreased at headquarters between 2010–2011 and 2012–2013, with the largest reduction being attributable to lower staff costs.

Figure 4. Programme budget expenses by major office (excluding in-kind and in-service expenses) in 2012–2013 and 2010–2011 (US$ million)



25. Summary information by cost category is shown below. Figure 5 provides a comparison of programme budget expenses in 2012–2013 with those for 2010–2011.

Figure 5. Programme budget expenses by type (excluding in-kind and in-service expenses) in 2012–2013 and 2010–2011 (US$ million)



26. Staff and other personnel costs were the largest category of expenses and represented 45% of the total expenses incurred in the programme budget for 2012–2013. 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).

27. Compared with 2010–2011, total staff and other personnel costs have decreased by 9% or US$ 165 million as a result of the difference in the number of staff employed. Between December 2010 and July 2012 there was a reduction of 937 staff.[1] The largest decrease in staff and other personnel costs has been at headquarters (US$ 91 million). The South-East Asia Region recorded a reduction of US$ 34 million, although this was mainly due to a re-coding of special service agreement contract expenses from staff to contractual services.

28. Contractual services were the second largest category of expenses (accounting for 18% of all expenses for 2012–2013) and represent the cost 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, consulting contracts and special service agreement contracts that were issued to individuals to perform activities on behalf of the Organization. Medical research activities were also included in contractual services. In addition, direct implementation activities, mainly for immunization campaigns led by WHO were included under contractual services. The increase from 2010–2011 to 2012–2013 is therefore mainly due to the inclusion of special service agreements and direct implementation costs that were previously reported under different categories of expenses and were mainly for the Global Polio Eradication Initiative. The table below provides a breakdown of the types of expenses included under contractual services.

Table 5. Programme budget – contractual services, by type (excluding in-kind and in-service expenses) in 2012–2013 and 2010–2011 (US$ million)

	Total 2012–2013	Total 2010–2011
Contractual services – general	510	542
of which individual service contractors represent:	*75*	*62*
Fellowships, training and security	43	49
Special service agreements	93	–
Direct implementation – polio immunization campaigns	73	–
Total	**719**	**591**

29. The total of expenses incurred for special service agreements in 2012–2013 was US$ 93 million. The largest amounts were incurred for the African, Eastern Mediterranean and South-East Asia regions. This represents approximately 3500 additional personnel in these regions, mostly deployed in the Global Polio Eradication Initiative. Excluding special service agreements and direct implementation, which are now separately reported, there has been an overall decrease of 6% in contractual service costs with decreases across all major offices.

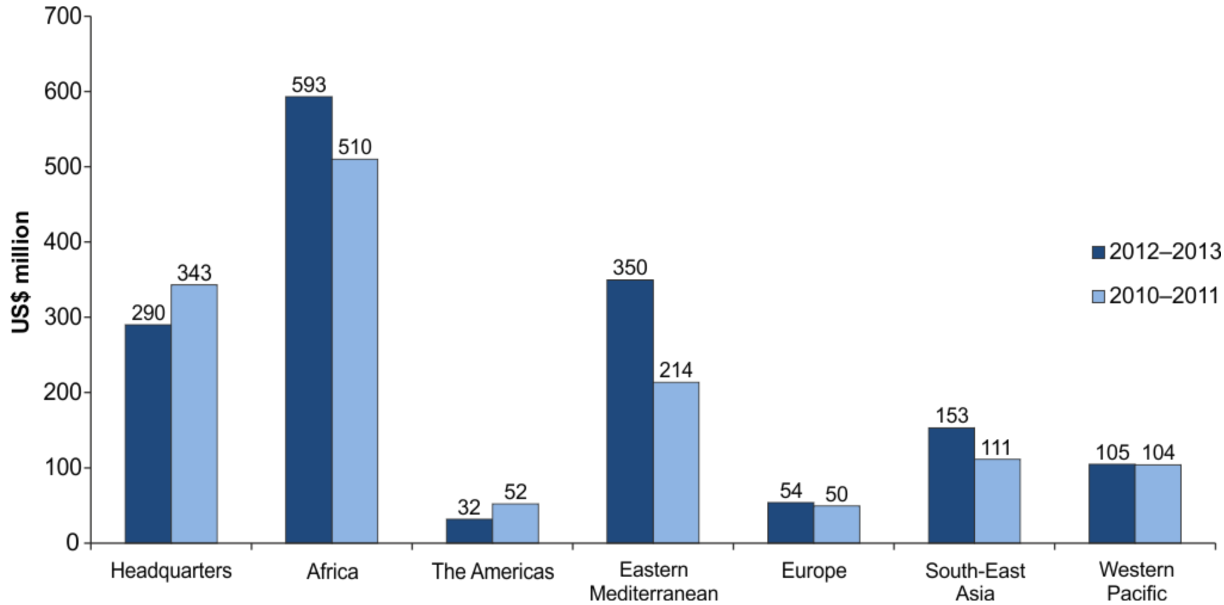
30. Transfers and grants to counterparts represented 13% of the overall expenses, and were highest in the African Region and the Eastern Mediterranean Region. These expenses were for contracts signed with national counterparts (mainly health ministries as well as nongovernmental organizations) to perform activities in line with the programme budget. The expenses were recognized at the time of transfer of the funds to the contractual partner. Close to 50% of all amounts recorded as being for transfers and grants to counterparts are related to Global Polio Eradication Initiative activities. The majority of expenses recorded for transfers and grants to counterparts relate to direct financial cooperation arrangements. The policies surrounding the use of direct financial cooperation arrangements are currently under review by WHO management, with the aim of strengthening accountability for the use of such funds.

[1] See document EB132/38.

31. General operating expenses reflect maintenance and operational running costs, including utilities and other office costs. These are incurred mainly at the local level and represent 9% of total expenses under the programme budget.

32. In order to improve the consistency of recording and the transparency of reporting and expense management, there have been certain changes to the categorization of coding of expenses for transfers to counterparts and direct implementation between 2010 and 2013. Figure 6 below summarizes the total for the three categories of expenses, namely contractual services, general operating expenses and transfers and grants to counterparts, by major office.

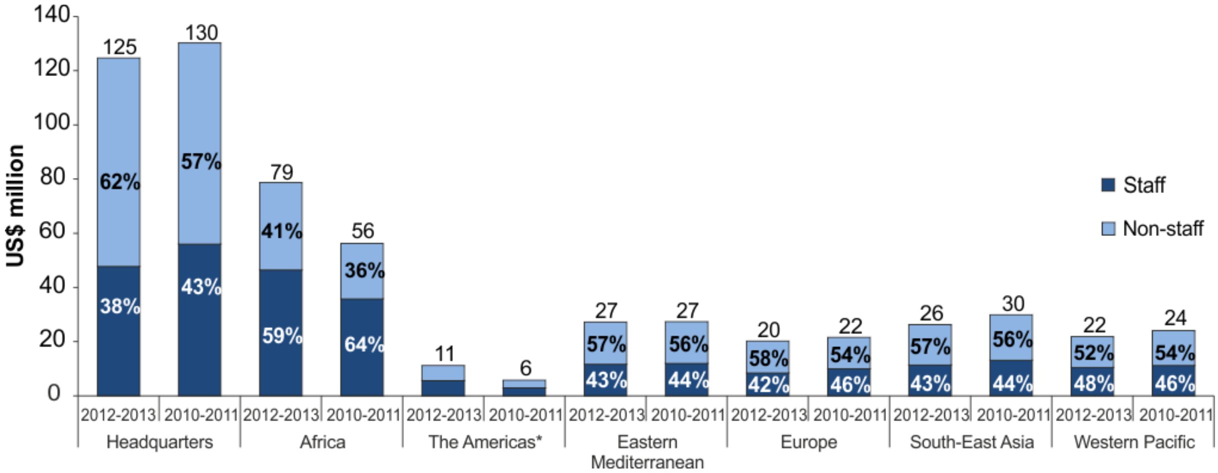
Figure 6. Programme budget expenses for contractual services, general operating expenses and transfers and grants to counterparts, by major office in 2012–2013 and 2010–2011 (US$ million)



33. The increases shown in Figure 6 for the African, Eastern Mediterranean and South-East Asia regions in 2012–2013 are directly related to increases in activities for the Global Polio Eradication Initiative and emergency activities. Headquarters shows a decrease due to cost-containment measures. The decrease for the Region of the Americas is due to a reclassification of expense types.

34. At US$ 310 million, travel constituted 8% of the Organization's total expenses under the General Fund in 2012–2013 (in 2010–2011, US$ 295 million). Travel expenses include airfare, per diem and other travel-related costs for staff and non-staff. The amount spent on staff travel has reduced as a result of cost-saving measures. Staff travel for 2012–2013 constituted 45% of the total cost of travel, reduced from 48% in 2010–2011, with the remaining balance being costs that related to travel by participants in meetings and advisors (delegates of Member States and other non-Secretariat personnel). Travel costs by major office are summarized below in Figure 7.

Figure 7. Programme budget travel expenses, by major office in 2012–2013 and 2010–2011 (US$ million)



** Data to distinguish between staff/non-staff were not available*

35. Only the African Region and the Region of the Americas have shown an increase in travel expenses from 2010–2011 to 2012–2013. This is mainly due to changes in the classification of expenses. In order to improve transparency, there has been a shift from showing travel expenses under "meetings and training" to recording them under "travel". In addition, for the African Region, the relative percentage of staff travel has decreased from 64% of the total in 2010–2011 to 59% of the total in 2012–2013. The total travel expenses for headquarters has decreased. Most notably, staff travel expenses have decreased for headquarters, falling from 43% of the total in 2010–2011 to 38% in 2012–2013, representing a reduction of US$ 8.4 million.

36. The expenses for medical supplies and materials related primarily to medical supplies purchased and distributed by the Organization for programme implementation as well medical literature. They accounted for 4% of total expenses for 2012–2013. The increase in medical supplies is due to emergency medical supplies for Libya and the Syrian Arab Republic as well as for Global Polio Eradication Initiative activities in the African Region. Equipment, vehicles and furniture represents 3% of WHO's total expenses. These costs continue to be recorded as expenses in line with the IPSAS transitional provision. However, eventually all property, plant, and equipment will be capitalized and depreciated over its expected useful life and will be presented in the Statement of Financial Position.

ASSETS

Liquidity and investment management

37. The totals of cash, cash equivalents and investments at the end of 2013 and at the end of 2012 are summarized below in Table 6.

Table 6. Cash, cash equivalents and investments for 2012–2013 (US$ million)

	Total 2013	Total 2012
Cash and cash equivalents	715	734
Short-term investments	2 419	1 820
Long-term investments	82	266
Total cash, cash equivalents, and investments	**3 216**	**2 820**
Less: cash, cash equivalents and investments held on behalf of other entities	982	990
WHO cash, cash equivalents, and investments	**2 234**	**1 830**

38. Investments are primarily made on a short-term basis 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. In the Organization's accounts, US$ 982 million of cash and investments are held on behalf of the following 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 staff health insurance. Table 6 excludes long-term investment portfolios managed for the Staff Health Insurance Fund, which are reported separately. The finance revenue for 2012–2013 was US$ 60 million.

Accounts receivable

39. The balance of accounts receivable includes amounts due from Member States for assessed contributions, from Member States and other contributors for voluntary contributions and other receivables. For assessed contributions, the total amount due at 31 December 2013 amounted to US$ 114 million and included US$ 38 million of rescheduled arrears (US$ 104 million at 31 December 2012, including US$ 39 million of rescheduled arrears). Further information on the collection of assessed contributions for 2013 is provided in document A67/44 "Status of collection of assessed contributions, including Member States in arrears in the payment of their contributions to an extent that would justify invoking Article 7 of the Constitution".

40. For voluntary contributions, the total amount of accounts receivable was US$ 1017 million (US$ 852 million at the end of 2012). The overall increase is due to the higher level of the non-current accounts receivable, which rose from US$ 210 million at the end of 2012 to US$ 347 million at the end of 2013. This is mainly due to a large contribution from the United Kingdom of Great Britain and Northern Ireland for Global Polio Eradication Initiative activities covering the period until the end of 2019. The non-current accounts receivable amount represents funds due more than one year in the future (i.e. in 2015 and beyond). This amount is supported by signed agreements from 58 contributors, with payment terms that specify when the amounts will be paid to WHO. The recording of these future amounts has made prospective revenue more visible, which has assisted in the Organization's 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 expenses. Full details of all voluntary contributions including accounts receivable, by contributor are provided in the Annex to the Financial Report.[1]

[1] The Annex to the Financial Report is available at: http://www.who.int/about/resources_planning/en/.

41. The allowance for doubtful accounts receivable is based on a detailed review of all accounts receivable that are more than one year overdue and on a review of amounts that are less than one year overdue where there is a risk that the amount is unlikely to be received. The allowance for voluntary contributions at 31 December 2013 was US$ 12 million (or 1% of the total value of accounts receivable) and for assessed contributions the allowance was US$ 42 million. The allowance for doubtful accounts receivable at the end of 2013 decreased by US$ 1 million from the balance of the allowance at 31 December 2012.

Inventory

42. The WHO inventory consists of medicines, vaccines, humanitarian supplies and publications. These are recorded as current assets until sold, distributed or until the expiration of their useful life. Tracking and recording of inventory globally enables the Organization to review and improve its stewardship.

43. As at 31 December 2013, the Organization held inventory valued at US$ 51 million (US$ 68 million at 31 December 2012), confirmed by a physical verification in the 26 countries where inventory was held and managed. The value of inventory decreased in 2013 due to improved stock management and increased distributions.

Property, plant and equipment

44. Property, plant, and equipment includes land, buildings, furniture, fixtures and fittings, information technology equipment, and vehicles owned by the Organization. WHO is utilizing the transitional provision available under IPSAS to ensure the accurate valuation and recording of all assets globally, before recognition in the Statement of Financial Position and subsequent amortization over the assets' useful lives.

45. As part of the transition process, WHO recognized the cost and accumulated depreciation of land and buildings at headquarters in 2012. In 2013, all regional and country offices owned by WHO were recognized as assets in the Statement of Financial Position. In total, excluding the Region of the Americas/PAHO, the Organization currently operates from almost 300 premises around the world. Of those premises, 16 are owned and the remainder are either rented or have been donated to WHO by a Member State.

LIABILITIES

Staff liabilities

46. Based on the latest actuarial projections, the total amount required to settle current liabilities for staff entitlements was US$ 70 million. A further US$ 939 million has been estimated for future non-current staff liabilities (giving a total of US$ 1009 million). These liabilities cover the expected costs for accrued annual leave, accrued repatriation grant, travel, removal and the current and future health care scheme costs. The total of the accrued staff liability, funding and net deficit is summarized below in Table 7.

Table 7. Accrued staff liabilities for 2013 (US$ million)

	Staff health insurance liability	Staff health insurance funding	WHO liability	WHO funding	Net deficit
Terminal payments	–	–	(142)	68	(74)
Special Fund for Compensation	–	–	(14)	8	(6)
Staff health insurance	(1 410)	557	(853)	–	(853)
Total accrued staff benefits			**(1 009)**	**76**	**(933)**

47. 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 WHO staff health costs at 31 December 2013 was estimated at US$ 1410 million, of which US$ 557 million is funded and US$ 853 million is unfunded (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 number 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 and separate external audit. In order to establish a long-term mechanism 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. The latest actuarial assessment now projects that the plan will reach full funding in 2037, six years ahead of actuarial assessment made in 2010.

48. The improvement in projected funded status is primarily due to an increase in the expected investment return (i.e. 5.6% in 2013, compared to 4.0% in the prior valuation), and a higher than expected active staff headcount at 31 December 2013.

49. Since the prior valuation, the United Nations Joint Staff Pension Fund (UNJSPF) adopted an increase in the normal retirement age from age 62 to 65 for staff hired after 2013. This change reduces the projected pension liability significantly. There is a smaller, favourable impact from an assumption that staff will retire slightly later on average, resulting in more years of in-service contributions and fewer years of after-service benefits.

FINANCIAL RISKS

50. The Organization must manage a number of financial risks. These are regularly reviewed by the Independent Expert Oversight Advisory Committee. Many financial risks originate from WHO's decentralized operating environment; for the mitigation of these risks, stronger internal controls are required. A new Internal Control Framework is being introduced across the Organization, addressing responsibilities for controls over financial, procurement, human resources and programmatic processes. New tools are accompanying this framework, and revised delegations of authority are being issued, starting with the cluster and regional office heads, and their budget centre managers. A standardized internal control checklist has been developed and will be introduced during 2014.

51. Further information is provided below on some of WHO's significant financial risks.

Investment and foreign currency risks

52. 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 external investment specialists and makes recommendations to the Director-General.

53. 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.

54. 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 non-United States dollar 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.

55. With effect from 2014, 50% of assessed contributions are now assessed in Swiss francs to reduce the currency risk of headquarters' expenses in that currency.[1]

Staff financing risks

56. Although this report shows an improvement in 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 2013, 64% of staff salaries were financed from voluntary funds, most of which were specified funds (in 2012, the similar percentage was 59%). 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.

57. 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 the staff health benefits that are provided for staff and dependants, including into retirement for those staff that remain eligible. Given that two thirds of staff are paid from voluntary funds it is important to ensure that sufficient provision is now made to cover these future costs. 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. In addition to future staff healthcare costs, the Organization must ensure adequate financing for future staff separation costs, in the event of a significant sudden loss of a major funding source. The Organization is looking carefully at the best ways to build up appropriate reserves to meet possible future liabilities of this sort and the latest estimated amounts, together with funding plans, will be regularly provided to the Independent Expert Oversight Advisory Committee.

[1] See resolution WHA66.16.

Administration, management and infrastructure financing

58. Administration and management costs (broadly speaking strategic objectives 12 and 13 in the 2012–2013 financial period) are financed from a combination of three sources: assessed contributions, programme support costs (a percentage charged to voluntary contributions) and a post-occupancy charge (a percentage on salary costs charged to all programmes). The current approach presents risks for both sustainability of financing, and transparency of reporting, and as a result, also hinders effective management of costs. Proposed revised budgeting and financing proposals are under consideration and will be incorporated into the 2016–2017 budget planning process. These changes will be introduced gradually in order to avoid the risk of underfunding the basic infrastructure of the Organization.

59. The Organization has a two-year operating budget but does not have an approved capital budget. In consequence, many of the Organization's 16 owned premises are in need of repair and refurbishment. This is most critical for the headquarters building, built in 1966, which now requires major renovation. A comprehensive headquarters refurbishment strategy is being developed and will be proposed for approval at the Sixty-eighth World Health Assembly as part of the overall Capital Master Plan. An additional one-time financing for the Capital Master Plan will form part of the Secretariat proposal to the Health Assembly in respect of supplemental funding for real estate and long-term staff liabilities.[1]

CONCLUSION

60. Measures taken in 2011 to reduce expenses have produced considerable cost savings in 2012–2013 giving the Organization a strong financial base for operations in 2014–2015. The financing dialogue has contributed to highlighting the risks in receiving specified funding and the remaining shortfalls in certain areas. Much of the increased revenue, expenses and year-end fund balances are for specified activities, especially in the Global Polio Eradication programme which has a limited time frame. 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. WHO's managerial reforms in the areas of accountability, internal controls and human resource management will contribute to stronger financial management. The effective use by WHO managers of financial and human resources is now more closely and consistently monitored and measured through a new dashboard, and longer-term financial risks including those for long-term staff liabilities are monitored through a new risk register. Improved transparency in WHO's funding sources, and use of funds, has been achieved through the new "web-portal", and WHO is consistently looking for ways to further improve the quality and timeliness of financial and results reporting. These measures, taken together, provide a solid foundation for WHO's future.

Dr Margaret Chan
Director-General

Geneva, 3 April 2014

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[1] See document A67/43 Add 1.

Certification of the financial statements for the year ended 31 December 2013

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 2013, together with the notes to the statements and supporting schedules, have been reviewed and are approved.

Nicholas R. Jeffreys
Comptroller

Dr Margaret Chan
Director-General

3 April 2014

Letter of transmittal

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

LETTER OF TRANSMITTAL

4 April 2014

Dear Sir/Madam,

I have the honour to present to the Sixty-Seventh 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 2013.

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 entity.

Yours sincerely,

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

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

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 2013, 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 2013, 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
4 April 2014

Financial statements

World Health Organization

Statement I. Statement of Financial Position

As at 31 December 2013
(In US dollars)

	Notes	31 December 2013	31 December 2012 (restated)
ASSETS			
Current assets			
Cash and cash equivalents	4.1	714 841 758	734 358 416
Short-term investments	4.2	2 419 344 288	1 819 531 140
Accounts receivable – net current	4.3	735 520 722	695 054 637
Staff receivables	4.4	11 349 360	12 263 937
Inventories	4.5	51 124 089	67 614 034
Prepayments and deposits	4.6	3 454 904	1 608 986
Other current assets	4.7	–	12 191 472
Total current assets		**3 935 635 121**	**3 342 622 622**
Non-current assets			
Accounts receivable – net non-current	4.3	346 512 477	210 277 136
Long-term investments	4.2	81 819 896	266 323 581
Property, plant and equipment – net	4.8	61 694 051	41 180 878
Total non-current assets		**490 026 424**	**517 781 595**
TOTAL ASSETS		**4 425 661 545**	**3 860 404 217**
LIABILITIES			
Current liabilities			
Contributions received in advance	4.10	80 089 221	86 329 879
Accounts payable	4.11	29 718 935	24 983 899
Staff payable	4.12	2 323 781	4 366 015
Accrued staff benefits – current	4.13	70 148 086	71 735 099
Deferred revenue	4.14	342 413 767	317 034 710
Financial liabilities	4.2	19 637 190	21 403 427
Other current liabilities	4.15	59 467 509	41 442 241
Inter-entity liabilities	4.16	981 700 319	989 810 138
Total current liabilities		**1 585 498 808**	**1 557 105 408**
Non-current liabilities			
Long-term borrowings	4.17	19 814 277	22 782 082
Accrued staff benefits – non-current	4.13	939 117 427	911 532 131
Deferred revenue – non-current	4.14	346 512 477	210 277 136
Total non-current liabilities		**1 305 444 181**	**1 144 591 349**
TOTAL LIABILITIES		**2 890 942 989**	**2 701 696 757**
NET ASSETS/EQUITY			
Member States – regular budget		88 695 960	84 121 732
Voluntary funds		2 034 530 340	1 642 008 469
Member States – other		(722 319 628)	(715 899 865)
Fiduciary Fund		133 811 884	148 477 124
TOTAL NET ASSETS/EQUITY		**1 534 718 556**	**1 158 707 460**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**4 425 661 545**	**3 860 404 217**

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 2013
(In US dollars)

	Notes	31 December 2013	31 December 2012 (restated)
REVENUE	5.1		
Member States' assessed contributions		474 640 515	474 609 150
Decrease/(increase) in allowance for doubtful accounts receivable		1 005 011	(3 321 404)
Voluntary contributions		2 017 136 747	1 636 552 815
Voluntary contributions in-kind and in-service		43 827 944	66 468 439
Reimbursable procurement		34 413 016	62 459 972
Other operating revenue		26 527 386	13 981 777
Finance revenue		16 866 597	43 116 045
Total revenue		**2 614 417 216**	**2 293 866 794**
EXPENSES	5.2		
Staff and other personnel costs		890 557 352	912 439 371
Medical supplies and materials		200 260 099	199 412 230
Contractual services		456 161 202	324 574 414
Transfers and grants to counterparts		282 319 117	215 889 802
Travel		174 519 485	152 770 486
General operating expenses		206 903 970	235 726 093
Equipment, vehicles and furniture		39 171 566	32 025 524
Depreciation and amortization		2 079 036	1 116 199
Finance costs		9 026 502	6 723 426
Total expenses		**2 260 998 329**	**2 080 677 545**
TOTAL SURPLUS FOR THE YEAR		**353 418 887**	**213 189 249**

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 2013
(In US dollars)

	Notes	31 December 2013	Surplus/(deficit) 2013	1 January 2013 (restated – refer to Note 3)
General Fund				
Member States – regular budget	6.1			
Member States' Assessed Contributions Fund		56 688 496	1 470 231	55 218 265
Member States' Non-Assessed Income Fund		14 659 986	4 338 475	10 321 511
Tax Equalization Fund		(13 652 522)	(1 234 478)	(12 418 044)
Working Capital Fund		31 000 000	–	31 000 000
Total Member States – regular budget		**88 695 960**	**4 574 228**	**84 121 732**
Voluntary funds				
Voluntary Contributions Core Fund		225 720 042	(20 048 580)	245 768 622
Voluntary Contributions Specified Fund		1 086 757 032	99 033 366	987 723 666
TDR Trust Fund[1]		21 880 294	8 637 077	13 243 217
HRP Trust Fund[2]		33 914 618	6 833 666	27 080 952
Stop TB Fund		52 244 021	(6 910 417)	59 154 438
Special Programmes and Collaborative Arrangements Fund		346 775 914	205 171 590	141 604 324
Special Account for Servicing Costs Fund	6.2	193 822 757	43 695 926	150 126 831
Outbreak and Crisis Response Fund		73 415 662	56 109 243	17 306 419
Total voluntary funds		**2 034 530 340**	**392 521 871**	**1 642 008 469**
Total General Fund		**2 123 226 300**	**397 096 099**	**1 726 130 201**
Member States – other				
Common Fund		104 572 841	(24 984 939)	129 557 780
Enterprise Fund				
Revolving Sales Fund		3 446 737	(529 200)	3 975 937
Concessions Fund		2 134 498	(191 311)	2 325 809
Insurance Policies Fund		1 860 610	947 781	912 829
Office/Garage Rental Fund		927 665	(444 250)	1 371 915
Global Conference and Training Centre – Tunis Fund		621 754	(369 715)	991 469
Total Enterprise Fund		**8 991 264**	**(586 695)**	**9 577 959**
Special Purpose Fund				
Real Estate Fund	6.3	33 773 522	14 677 922	19 095 600
Security Fund		4 353 703	(82 567)	4 436 270
Information Technology Fund		263 302	387 755	(124 453)
Revolving Fund for Teaching and Laboratory Equipment		–	(16 520)	16 520
Special Fund for Compensation		(5 566 170)	145 365	(5 711 535)
Terminal Payments Fund		(73 895 112)	14 108 396	(88 003 508)
Non-Payroll Staff Entitlements Fund		25 731 746	(3 105 176)	28 836 922
Post Occupancy Charge Fund		30 134 981	(634 552)	30 769 533
Internal Service Cost Recovery Fund		2 364 564	1 140 123	1 224 441
Staff Health Insurance Fund		(853 044 269)	(30 061 084)	(822 983 185)
Total Special Purpose Fund		**(835 883 733)**	**(3 440 338)**	**(832 443 395)**
Total Member States – other		**(722 319 628)**	**(29 011 972)**	**(693 307 656)**
Fiduciary Fund				
WHO Framework Convention on Tobacco Control		4 225 623	(1 096 115)	5 321 738
Stop TB Partnership Global Drug Facility Fund		88 938 299	(1 795 710)	90 734 009
Roll Back Malaria Partnership Fund		9 547 172	2 213 258	7 333 914
Health Metrics Network Fund		–	(5 203 897)	5 203 897
Partnership for Maternal, Newborn and Child Health Fund		11 121 990	598 581	10 523 409
United Nations System Standing Committee on Nutrition Fund		580 924	114 207	466 717
Alliance for Health Policy and System Research Fund		16 744 761	(9 795 950)	26 540 711
Global Health Workforce Alliance Fund		2 653 115	300 386	2 352 729
Total Fiduciary Fund		**133 811 884**	**(14 665 240)**	**148 477 124**
TOTAL NET ASSETS/EQUITY		**1 534 718 556**	**353 418 887**	**1 181 299 669**

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

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[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/UNICEF/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 2013
(In US dollars)

	31 December 2013	31 December 2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
TOTAL SURPLUS FOR THE YEAR	353 418 887	213 189 249
Depreciation and amortization	2 079 036	1 116 199
(Increase)/decrease in accounts receivable – net current	(40 466 085)	34 174 580
(Increase)/decrease in staff receivables	914 577	4 446 953
(Increase)/decrease in inventories	16 489 945	(3 464 804)
(Increase)/decrease in prepayments	(1 845 918)	321 227
(Increase)/decrease in other current assets	12 191 472	10 673 073
(Increase)/decrease in accounts receivable – net non-current	(136 235 341)	14 618 958
Increase/(decrease) in contributions received in advance	(6 240 658)	(14 398 672)
Increase/(decrease) in accounts payable	4 735 036	(7 303 244)
Increase/(decrease) in staff payable	(2 042 234)	(2 777 425)
Increase/(decrease) in accrued staff benefits – current	(1 587 013)	(2 452 463)
Increase/(decrease) in deferred revenue	25 379 057	(140 606 075)
Increase/(decrease) in other current liabilities	18 025 268	(4 638 541)
Increase/(decrease) in inter-entity liabilities	(8 109 819)	56 413 275
Increase/(decrease) in accrued staff benefits – non-current	27 585 296	30 631 743
Increase/(decrease) in deferred revenue – non-current	136 235 341	(14 618 957)
Net cash flows from operating activities	**400 526 847**	**175 325 076**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in short-term investments	(599 813 148)	433 772 667
(Increase)/decrease in long-term investments	184 503 685	(231 490 143)
Increase/(decrease) in financial liabilities	(1 766 237)	(309 673 496)
Reversal of opening adjustment for unrealized foreign exchange loss	–	22 850 906
Net cash flows from investing activities	**(417 075 700)**	**(84 540 066)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long-term borrowings	(2 967 805)	56 878
Net cash flows from financing activities	**(2 967 805)**	**56 878**
Net increase/(decrease) in cash and cash equivalents	**(19 516 658)**	**90 841 888**
Cash and cash equivalents at beginning of the year	**734 358 416**	**643 516 528**
Cash and cash equivalents at end of the year	**714 841 758**	**734 358 416**

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 2013
(In US dollars)

	Programme budget 2012–2013	Expenses 2013	Expenses 2012 (restated)	Total expenses 2012–2013	Difference – Programme budget and expenses
Strategic objectives					
1 Communicable diseases	1 278 130 000	762 322 493	614 022 050	1 376 344 543	(98 214 543)
2 HIV/AIDS, tuberculosis and malaria	540 298 000	206 452 907	181 714 613	388 167 520	152 130 480
3 Chronic noncommunicable conditions	113 763 000	60 592 478	47 412 836	108 005 314	5 757 686
4 Child, adolescent, maternal, sexual and reproductive health, and ageing	218 306 000	123 729 088	97 672 590	221 401 678	(3 095 678)
5 Emergencies and disasters	382 028 000	184 685 626	144 162 271	328 847 897	53 180 103
6 Risk factors for health	122 255 000	48 660 814	44 776 525	93 437 339	28 817 661
7 Social and economic determinants of health	42 789 000	20 423 214	16 849 129	37 272 343	5 516 657
8 Healthier environment	86 825 000	43 581 261	38 854 554	82 435 815	4 389 185
9 Nutrition, food safety and food security	54 898 000	32 767 090	27 154 471	59 921 561	(5 023 561)
10 Health systems and services	348 093 000	168 408 576	134 846 988	303 255 564	44 837 436
11 Medical products and technologies	137 283 000	74 693 751	61 909 715	136 603 466	679 534
12 WHO leadership, governance, and partnerships	257 570 000	128 496 424	124 325 224	252 821 648	4 748 352
13 Enabling and support functions	376 741 000	180 190 310	159 979 398	340 169 708	36 571 292
Total	**3 958 979 000**	**2 035 004 032**	**1 693 680 363**	**3 728 684 425**	**230 294 605**

Basis differences		
In-kind/in-service expenses	38 562 107	44 681 506
Transfer from assessed contributions to Real Estate Fund	10 000 000	–
Tax Equalization Fund expenses	11 423 628	14 533 591
Other non-programme budget utilization	749 426	6 601 885
Common Fund activities	24 156 690	1 079 242
Total basis differences	**84 891 851**	**66 896 224**
Timing differences		
Programme budget expenses in prior periods	(4 805 730)	125 153 581
Total timing differences	**(4 805 730)**	**125 153 581**
Entity differences		
Expenses under Common Fund, Enterprise Fund, Special Purpose Fund, and Fiduciary Fund	145 908 175	194 947 377
Total entity differences	145 908 175	194 947 377
Total expenses as per the Statement of Financial Performance (Statement II)	**2 260 998 329**	**2 080 677 545**

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). They 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 a specific matter is not covered by IPSAS, the appropriate International Financial Reporting Standards (IFRS) have been applied.

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. The 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.

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.

[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.

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. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as current assets or non-current assets according to the time horizon of the investment objectives of each portfolio. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

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 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 2013, 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 the payment terms specified in a binding agreement between WHO and the contributor. Where no payment terms are specified, the full amount receivable is recognized as currently due. 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 are valued taking the lower amount of (i) cost or (ii) net realizable value, using a weighted average basis.

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.

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 stated at historical cost, less accumulated depreciation and any impairment losses. Property, plant and equipment acquired through a non-exchange transaction are recognized at fair value at the date of acquisition. 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
Furniture, 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

Improvements are capitalized over the remaining life of the asset when the improvement results in an increase in the useful life of the asset. The residual value of the asset and the cost of the improvement will be amortized over the adjusted useful life (remaining life). Normal repair and maintenance costs are charged to the Statement of Financial Performance during the year in which the cost is incurred.

A **transitional provision** has been applied for 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.

As allowed under the transitional provision, other assets in the form of property, plant and equipment acquired during 2013 were expensed at the date of purchase and have not been recognized as assets in 2013.

The effect of the initial recognition of property, plant and equipment is shown as an adjustment to the opening balance of net assets/equity.

2.7 Intangible assets

Intangible assets that 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.

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 yet 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. WHO and the UNJSPF are not in a position to identify WHO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes; this is also true for the other organizations participating in the Pension Fund. Hence WHO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. WHO'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 that 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 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, and 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. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized immediately.
- **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. 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 is 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, in which the Health Assembly decided to establish the Tax Equalization Fund, 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 pending receipt of assessed contributions in arrears. In accordance with Financial Regulation VII, implementation of that part of the budget financed from assessed contributions 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 revenue 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[2]
  - 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[3]
  - Special Fund for Compensation
  - Terminal Payments Fund
  - Non-Payroll Staff Entitlements Fund
  - Post Occupancy Charge Fund
  - Internal Service Cost Recovery Fund
  - Staff Health Insurance Fund

Fiduciary Fund

This fund accounts for assets that are held by WHO in a trustee or agent capacity for others and that cannot be used to support the Organization's own programmes. The Fund includes the assets of the partnerships that are administered by the Organization and whose budgets are not approved by the Health Assembly. Similarly, financial activities related to the financing of WHO's long-term liabilities

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[1] In accordance with Health Assembly resolutions WHA22.8 and WHA55.9, the 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] Transactions under this fund are from exchange transactions. Total revenue equals total expenses, hence there is no fund balance at year-end.

[3] The Revolving Fund for Teaching and Laboratory Equipment was established in 1966 under resolution WHA19.7. Activity in the Fund has been very limited and the small amounts remaining have been transferred to the Reimbursable Procurement Fund. Any new requests for teaching and laboratory equipment will be accounted for under the latter Fund.

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:

- WHO Framework Convention on Tobacco Control
- Stop TB Partnership Global Drug Facility Fund
- Roll Back Malaria Partnership Fund
- Health Metrics Network Fund[1]
- 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

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. WHO'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 statement covers all the 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: Statement of 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.

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[1] The Health Metrics Network Fund closed in May 2013.

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)

Consolidated entities

WHO administers or participates in a large number of global health partnerships, and maintains some special programmes and collaborative arrangements. All of 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/UNICEF/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, other partnerships are included as part of the Fiduciary Fund.

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

3. Note on the transitional provision and restatement of balances

3.1 Application of the transitional provision

Adjustment to land and building. As permitted under IPSAS 17, WHO elected to recognize all property, plant and equipment within five years of the Organization's adoption of IPSAS. During 2013, WHO recognized all land and buildings owned at the regional offices and the country offices. Following the recognition of these assets, opening net assets/equity were adjusted and increased by US$ 22.6 million as summarized below.

	1 January 2013
Land – regional offices	13 618
Buildings – regional and country offices	37 721 311
Total land and buildings – regional	**37 734 929**
Less: accumulated depreciation	15 142 720
Adjustment to net assets/equity	**22 592 209**

3.2 Restatement of balances

The table below summarizes the restatement of the net assets/equity balances from the balances reported at 31 December 2012 to the opening restated balance at 1 January 2013 as reported in the Statement of Changes in Net Assets/Equity (Statement III).

	1 January 2013 (restated)	Transitional provision	31 December 2012 (restated)	Other adjustments	31 December 2012
General Fund					
Member States – regular budget	84 121 732	–	84 121 732	–	84 121 732
Voluntary funds	1 642 008 469	–	1 642 008 469	–	1 642 008 469
Total General Fund	**1 726 130 201**	**–**	**1 726 130 201**	**–**	**1 726 130 201**
Member States – other					
Common Fund	129 557 780	22 592 209	106 965 571	(714 140)	107 679 711
Enterprise Fund	9 577 959	–	9 577 959	–	9 577 959
Special Purpose Fund	(832 443 395)	–	(832 443 395)	–	(832 443 395)
Total Member States – other	**(693 307 656)**	**22 592 209**	**(715 899 865)**	**(714 140)**	**(715 185 725)**
Fiduciary Fund					
Fiduciary Fund	148 477 124	–	148 477 124	–	148 477 124
Total Fiduciary Fund	**148 477 124**	**–**	**148 477 124**	**–**	**148 477 124**
TOTAL NET ASSETS/EQUITY	**1 181 299 669**	**22 592 209**	**1 158 707 460**	**(714 140)**	**1 159 421 600**

Adjustment to inventory. The inventory valuation method has been adjusted to include packaging, freight and insurance costs. For comparative purposes, the prior year's balance was restated. As a result of this adjustment, the closing value as at 31 December 2012 of medicines, vaccines and humanitarian supplies increased by US$ 5.8 million.

Inventory was also restated to recognize only WHO publications. Following this adjustment, the closing balance of inventory as at 31 December 2012 was reduced by US$ 5.6 million.

These adjustments resulted in an increase to net assets/equity of US$ 155 711.

Adjustment to long-term borrowings. Long-term borrowings has been adjusted to reflect the appropriate discount rate. Due to this adjustment, the closing balance of long-term borrowings as at 31 December 2012 increased by US$ 869 851. Consequently, the balance of net assets/equity was reduced by the same amount.

Mapping changes

- Deposits are reported together with prepayments. For comparative purposes, 2012 balances were restated.
- In the 2012 comparative figures US$ 450 million have been re-classified from cash and cash equivalents to short-term investments.
- The presentation of figures in the 2013 notes has made it necessary, for comparative purposes, to restate certain figures for 2012.

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.

	31 December 2013	31 December 2012 (restated)
Major office		
Headquarters (Note a)	299 869 779	171 023 455
Regional Office for Africa	21 127 629	29 126 359
Regional Office for the Eastern Mediterranean	7 662 109	23 389 879
Regional Office for Europe	1 173 557	1 531 029
Regional Office for South-East Asia	4 455 997	7 799 091
Regional Office for the Western Pacific	3 948 813	5 596 234
Cash at banks, investment accounts, in transit and on hand	**338 237 884**	**238 466 047**
Headquarters	376 603 874	495 892 369
Cash and cash equivalents held by investment portfolios	**376 603 874**	**495 892 369**
Total cash and cash equivalents	**714 841 758**	**734 358 416**

Note a. The cash and cash equivalents figure for headquarters of US$ 299.9 million included a large remittance for UNITAID of US$ 151.4 million received on 31 December 2013 which was after the cut-off for investment in the investment portfolios.

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					Foreign exchange hedging contracts	Total managed funds and contracts
	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		
Investments under current assets											
Cash and cash equivalents held by investment portfolios	25 214 512	167 015	2 040	25 383 567	248 421 654	5 388 096	84 436 288	12 974 269	351 220 307	–	376 603 874
Short-term investments											
Financial assets at fair value through surplus or deficit – held-for-trading	–	–	–	–	348 783	175 093	4 248	12 582	540 706	11 297 233	11 837 939
Financial assets at fair value through surplus or deficit – upon initial recognition	–	–	–	–	89 950 483	244 249 646	347 860 147	403 081 671	1 085 141 947	–	1 085 141 947
Financial assets at amortized cost	–	181 146 504		181 146 504						–	181 146 504
Bank deposits and other receivables	1 126 541 995	194 435	353 075	1 127 089 505	11 219 637	882 663	1 097 811	928 282	14 128 393	–	1 141 217 898
Total short-term investments	**1 126 541 995**	**181 340 939**	**353 075**	**1 308 236 009**	**101 518 903**	**245 307 402**	**348 962 206**	**404 022 535**	**1 099 811 046**	**11 297 233**	**2 419 344 288**
Total investments under current assets	**1 151 756 507**	**181 507 954**	**355 115**	**1 333 619 576**	**349 940 557**	**250 695 498**	**433 398 494**	**416 996 804**	**1 451 031 353**	**11 297 233**	**2 795 948 162**
Investments under non-current assets											
Long-term investments											
Financial assets at fair value through surplus or deficit – upon initial recognition	–	–	26 751 415	26 751 415	–	–	–	–	–	–	26 751 415
Financial assets at amortized cost	–	55 068 481	–	55 068 481	–	–	–	–	–	–	55 068 481
Total long-term investments	**–**	**55 068 481**	**26 751 415**	**81 819 896**	**–**	**–**	**–**	**–**	**–**	**–**	**81 819 896**
Total investments under non-current assets	**–**	**55 068 481**	**26 751 415**	**81 819 896**	**–**	**–**	**–**	**–**	**–**	**–**	**81 819 896**
Financial liabilities under current liabilities											
Financial liabilities											
Financial liabilities at fair value through surplus or deficit – held-for-trading	–	–	–	–	(640 400)	–	–	(318 212)	(958 612)	(2 830 786)	(3 789 398)
Payables and accruals	–	–	–	–	(15 847 246)	(11)	(534)	(1)	(15 847 792)	–	(15 847 792)
Total financial liabilities	**–**	**–**	**–**	**–**	**(16 487 646)**	**(11)**	**(534)**	**(318 213)**	**(16 806 404)**	**(2 830 786)**	**(19 637 190)**
Total financial liabilities under current liabilities	**–**	**–**	**–**	**–**	**(16 487 646)**	**(11)**	**(534)**	**(318 213)**	**(16 806 404)**	**(2 830 786)**	**(19 637 190)**
Total investments – net	**1 151 756 507**	**236 576 435**	**27 106 530**	**1 415 439 472**	**333 452 911**	**250 695 487**	**433 397 960**	**416 678 591**	**1 434 224 949**	**8 466 447**	**2 858 130 868**

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 derivative instruments held to cover projected liabilities and any unexpected cash requirements. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as short-term investments where the investment time horizon objective of these portfolios is less than or equal to one year. For short-term tactical investment reasons, the external managers of these portfolios may from time to time decide to lengthen temporarily the average duration of these portfolios to slightly longer than one year. This will not change the short-term classification of these financial assets unless the investment time horizon objective of the portfolio and the duration of its benchmark have been changed to more than one year. 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 31 December 2013.

	31 December 2013	31 December 2012
Financial assets at fair value through surplus or deficit – held-for-trading	11 837 939	23 817 731
Financial assets at fair value through surplus or deficit – upon initial recognition	1 085 141 947	870 420 661
Financial assets at amortized cost	181 146 504	48 575 780
Bank deposits and other receivables	1 141 217 898	876 716 968
Total short-term investments	**2 419 344 288**	**1 819 531 140**

Long-term investments

Long-term investments are placed for the Terminal Payments Fund in line with the approved investment policy and are invested in high-quality, medium-dated and long-dated, government, agency and corporate bonds. The financial assets at fair value through surplus or deficit upon initial recognition in the Terminal Payments Fund investment portfolio are classified as long-term investments in accordance with the investment time horizon objective of the portfolio and the duration of its benchmark which are both greater than one year. Investments in the held-to-maturity portfolio whose maturity date is in more than one year are classified as "financial assets at amortized cost".

	31 December 2013	31 December 2012
Financial assets at fair value through surplus or deficit – upon initial recognition	26 751 415	35 844 887
Financial assets at amortized cost	55 068 481	230 478 694
Total long-term investments	**81 819 896**	**266 323 581**

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, including assets purchased before 31 December 2013 and settled after that date.

	31 December 2013	31 December 2012
Financial liabilities at fair value through surplus or deficit – held-for-trading	3 789 398	13 289 400
Payables and accruals	15 847 792	8 114 027
Total financial liabilities	**19 637 190**	**21 403 427**

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 2013, WHO held no financial instruments that would be classified as Level 3.

	Level 1	Level 2	Total
Cash and cash equivalents	147 915 669	–	147 915 669
Short-term investments			
Financial assets at fair value through surplus or deficit – held-for-trading	23 100	11 635 498	11 658 598
Financial assets at fair value through surplus or deficit – upon initial recognition	1 085 141 947	–	1 085 141 947
Long-term investments			
Financial assets at fair value through surplus or deficit – upon initial recognition	26 751 415	–	26 751 415
Financial liabilities			
Financial liabilities at fair value through surplus or deficit – held-for-trading	(46 200)	(3 707 336)	(3 753 536)
Total	**1 259 785 931**	**7 928 162**	**1 267 714 093**

Risk management

WHO is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. The Organization uses derivative financial instruments 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. The 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. They 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 established in investment mandates. These limits are applied both to the portfolios managed internally by the Organization's Treasury Unit, and to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios.

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	191 645 568
AA+	579 425 968
AA	44 148 168
AA-	348 003 179
A+	55 248 290
A	62 099 603
A-	46 918 561
BBB+	2 039 898
	1 329 529 235

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 2013 was 0.4 years for the short-term investments and 2.1 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. Interest rate instruments of this type 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 the Organization is thus 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.

With effect from 2014, 50% of assessed contributions are now calculated in Swiss francs to reduce the currency risk of headquarters expenses in that currency.[1]

[1] See resolution WHA66.16.

Hedging foreign exchange exposures on future payroll costs. The United States dollar value of non-dollar expenses in 2014 has been protected from the impact of movements in foreign exchange rates through the transaction of forward currency contracts during 2013. As at 31 December 2013 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	105 600 000	113 347 734	5 411 022
Egyptian pounds	59 500 000	7 182 500	950 187
Euros	80 400 000	106 934 740	3 813 087
Indian rupees	1 038 000 000	16 480 363	(360 627)
Malaysian ringgits	32 400 000	10 062 722	(279 730)
Philippine pesos	724 800 000	17 025 838	(645 001)
Total		**271 033 897**	**8 888 938**

There was a net unrealized gain on these contracts of US$ 8.9 million as at 31 December 2013 (unrealized gain of US$ 10.1 million as at 31 December 2012). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2014.

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 2013 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)
Australian dollars	19 200 000	17 075 520	(23 090)
Canadian dollars	58 900 000	55 193 740	(219 064)
Swiss francs	20 000 000	22 574 459	106 904
Euros	127 600 000	176 236 365	524 423
Pounds sterling	137 900 000	227 699 656	(626 366)
Norwegian kroner	3 000 000	489 207	(4 512)
Swedish kronor	25 000 000	3 851 853	(30 252)
Total		**503 120 800**	**(271 957)**

There was a net unrealized loss on these contracts of US$ 0.3 million as at 31 December 2013 (unrealized net gain of US$ 0.2 million as at 31 December 2012). Realized gains or losses on these contracts will be recorded on the maturity of the contracts and applied during 2014.

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 2013 the total amount bought was CHF 23.7 million against the United States dollar. The maturity dates of these forward foreign exchange contracts fall in January and February 2014. Net unrealized losses on these contracts amounted to US$ 150 533 as at 31 December 2013 (unrealized net losses of US$ 26 277 as at 31 December 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 forward foreign exchange hedging contracts mentioned above would result in an increase in the net unrealized gain of US$ 2.2 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$ 2.3 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 2013, as evaluated by the Organization’s investment custodian, are recorded by portfolio under “financial assets/liabilities at fair value – held-for-trading”. The outstanding forward foreign exchange contracts are summarized below.

Net sold amount		(US dollar equivalent)
Australian dollars	287 000	256 699
Canadian dollars	3 449 000	3 242 690
Euros	10 803 000	14 885 815
Pounds sterling	13 150 000	21 778 580
Japanese yen	351 394 994	3 343 359
Total		**43 507 143**

A 1% appreciation in the relative value of the United States dollar against the above-mentioned forward foreign exchange hedging contracts would result in an increase in the unrealized gain of US$ 0.4 million. A 1% depreciation in the relative value of the United States dollar would result in an increase in the unrealized loss of US$ 0.5 million.

The outstanding interest rate futures and options contracts are summarized below.

Long positions

Products	Exchange (Note a)	No. of contracts
Call option Euribor 9975 DEC 2014	IMM	462
Eurodollar JUN 2016	IMM	551
Eurodollar SEP 2016	IMM	133

Short positions

Products	Exchange (Note a)	No. of contracts
Eurodollar MAR 2014	IMM	(8)
Eurodollar JUN 2014	IMM	(8)
Eurodollar SEP 2014	IMM	(8)
Eurodollar DEC 2014	IMM	(8)
Put option Euribor 9900 DEC 2014	IMM	(462)
Eurodollar MAR 2015	IMM	(8)
Eurodollar JUN 2015	IMM	(8)
Eurodollar SEP 2015	IMM	(8)
Eurodollar DEC 2015	IMM	(8)
Eurodollar MAR 2016	IMM	(8)
Eurodollar JUN 2016	IMM	(8)
Eurodollar SEP 2016	IMM	(8)
Eurodollar DEC 2016	IMM	(8)
Eurodollar MAR 2017	IMM	(7)
Eurodollar JUN 2017	IMM	(5)
Eurodollar SEP 2017	IMM	(5)
Eurodollar DEC 2017	IMM	(5)
Eurodollar MAR 2018	IMM	(1)

Note a. IMM refers to the International Monetary Market on the Chicago Mercantile Exchange.

The outstanding interest rate swap contracts are summarized below.

Currency/notional amount		(US dollar equivalent)	Pay/receive	Maturity
Australian dollars	30 500 000	27 286 824	Pay fixed/receive floating	June 2016
Euros	1 600 000	2 204 720	Pay fixed/receive floating	September 2022

4.3 Accounts receivable – net

As at 31 December 2013, total accounts receivable – net amounted to US$ 1082 million (US$ 905 million as at 31 December 2012). The receivable balance includes outstanding amounts for both assessed and voluntary contributions. Accounts receivable are split between current and non-current based on the payment terms of when the amounts become due.

	31 December 2013	31 December 2012
Accounts receivable – net current		
Member States' assessed contributions receivable – current biennium	82 030 622	65 246 279
Member States' assessed contributions receivable – previous biennium	1 153 882	4 136 501
Voluntary contributions receivable	670 280 507	641 850 953
Reimbursable procurement receivable	411 743	1 092 985
Revolving sales receivable	247 602	388 748
Other receivables	4 335 271	2 691 663
Allowance for doubtful accounts receivable	(22 938 905)	(20 352 492)
Total accounts receivable – net current	**735 520 722**	**695 054 637**
Accounts receivable – net non-current		
Outstanding rescheduled assessments receivable	31 165 856	34 757 280
Voluntary contributions receivable	346 512 477	210 277 136
Allowance for doubtful accounts receivable	(31 165 856)	(34 757 280)
Total accounts receivable – net non-current	**346 512 477**	**210 277 136**
Total accounts receivable – net	**1 082 033 199**	**905 331 773**

As at 31 December 2013, the total allowance for doubtful accounts receivable was US$ 54.1 million (US$ 55.1 million at 31 December 2012). This figure comprises an allowance of US$ 42.4 million for assessed contributions and an allowance of US$ 11.7 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.

	31 December 2013	31 December 2012
Opening balance – assessed contributions	44 072 658	47 175 926
Write-off of unpaid arrears from the former Yugoslavia	–	(5 532 592)
Increase/(decrease) in allowance for doubtful accounts receivable	(1 666 156)	2 429 324
Ending balance – assessed contributions	**42 406 502**	**44 072 658**
Opening balance – voluntary contributions	11 037 114	10 145 034
Increase in allowance for doubtful accounts receivable	661 145	892 080
Ending balance – voluntary contributions	**11 698 259**	**11 037 114**
Total allowance for doubtful accounts receivable	**54 104 761**	**55 109 772**
Allowance for doubtful accounts receivable		
Allowance – current	22 938 905	20 352 492
Allowance – non-current	31 165 856	34 757 280
Total allowance for doubtful accounts receivable	**54 104 761**	**55 109 772**

With certain contributors, WHO signs agreements that may span many years of implementation. These agreements do not state the payment terms for the transfer of instalments; instead, they are reimbursed based on quarterly expenses incurred. WHO records the full amount of revenue in the financial year in which the agreement is signed and recognizes the full receivable as currently due. As at 31 December 2013, the total receivable shown as currently due under this arrangement was US$ 267 million, of which US$ 83 million were due on agreements ending in 2015 and beyond.

4.4 Staff receivables

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

The total balance of staff receivables amounted to US$ 11.3 million as at 31 December 2013 (US$ 12.3 million as at December 2012). The education grant balance represents advances made to staff for the 2014 portion of the school year 2013–2014.

	31 December 2013	31 December 2012
Salary advances	1 154 218	2 465 979
Education grant advances	7 450 670	6 706 172
Rental advances	1 658 710	1 906 945
Travel receivables	1 123 975	1 013 709
Other staff receivables	(38 213)	171 132
Total staff receivables	**11 349 360**	**12 263 937**

4.5 Inventories

The total value of inventory as at 31 December 2013 was US$ 51.1 million (US$ 67.6 million as at 31 December 2012 – restated).

The following table shows the movement of inventory items during the year.

	31 December 2012 (restated)	Net additions	Net shipments	Net disposals and expired items	31 December 2013
Medicines, vaccines and humanitarian supplies	58 236 284	40 983 718	41 895 831	16 303 746	41 020 425
Publications	9 377 750	7 395 476	5 227 576	1 441 986	10 103 664
Total inventory	**67 614 034**	**48 379 194**	**47 123 407**	**17 745 732**	**51 124 089**

WHO recognizes medicines, vaccines, humanitarian supplies, and publications as part of its inventory. Inventories are valued taking the lower amount of (i) cost or (ii) net realizable value. Inventories were validated by a physical stock count in December 2013. Inventory cost for medicines, vaccines and humanitarian supplies includes an apportionment of packaging, freight and insurance charges.

Total expenses relating to inventories during the period (net shipments, net disposals and expired items) amounted to US$ 64.9 million (US$ 58.7 million as at 31 December 2012).

4.6 Prepayments and deposits (restated)

The total value of prepayments was US$ 3.5 million (US$ 1.6 million as at 31 December 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.

Prepayments include US$ 0.2 million of deposits (US$ 0.3 million as at 31 December 2012). Deposits represent amounts given to landlords as a security to rent office space.

4.7 Other current assets

Other current assets were nil as at 31 December 2013. The amount of US$ 12.2 million as at 31 December 2012 related to a receivable from PAHO which was collected in 2013.

4.8 Property, plant and equipment – net

WHO has invoked the transitional provision under IPSAS 17, which allows a period of up to five years before requiring full recognition of property, plant and equipment. In 2013, the Organization recognized all land and buildings owned at the regional offices and country offices. All other assets were expensed upon acquisition.

As at 31 December 2013, the total value of land and buildings recognized (net of accumulated depreciation) was US$ 61.7 million (US$ 41.2 million as at 31 December 2012).

Major office	31 December 2012	Net adjustment – opening balance (Note 3.1)	Disposals	Impairments	Depreciation	31 December 2013
Headquarters						
Land	1 000 095	–	–	–	–	1 000 095
Buildings	40 180 783	–	–	–	(1 116 194)	39 064 589
Total property – headquarters	**41 180 878**	**–**	**–**	**–**	**(1 116 194)**	**40 064 684**
New additions (transitional provision)						
Regional Office for Africa						
Land	–	13 618	–	–	–	13 618
Buildings	–	2 393 860	–	–	(158 423)	2 235 437
Total property – Regional Office for Africa	**–**	**2 407 478**	**–**	**–**	**(158 423)**	**2 249 055**
Regional Office for the Eastern Mediterranean						
Buildings	–	17 314 599	–	–	(340 444)	16 974 155
Total property – Regional Office for the Eastern Mediterranean	**–**	**17 314 599**	**–**	**–**	**(340 444)**	**16 974 155**
Regional Office for South-East Asia						
Buildings	–	258 856	–	–	(28 761)	230 095
Total property – Regional Office for South-East Asia	**–**	**258 856**	**–**	**–**	**(28 761)**	**230 095**
Regional Office for the Western Pacific	–					–
Buildings	–	2 611 276	–	–	(435 214)	2 176 062
Total property – Regional Office for the Western Pacific	**–**	**2 611 276**	**–**	**–**	**(435 214)**	**2 176 062**
Total WHO						
Land	**1 000 095**	**13 618**	–	–	**–**	**1 013 713**
Buildings	**40 180 783**	**22 578 591**	–	–	**(2 079 036)**	**60 680 338**
Total property – WHO	**41 180 878**	**22 592 209**	**–**	**–**	**(2 079 036)**	**61 694 051**

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

In 2013, new property, plant, and equipment in the amount of US$ 2.7 million was recognized in the assets register. This figure concerned only individual items with a value above US$ 5000. However, as WHO is using the transitional provision, these purchases were expensed upon acquisition. The details of the property, plant, and equipment concerned are as follows.

	Total
Network equipment	1 555 144
Vehicles and transport	759 338
Computer equipment	126 703
Other equipment	109 145
Office equipment	85 659
Audio visual equipment	65 938
Communications equipment	9 216
Security equipment	8 644
Furniture, fixtures and fittings	5 391
Total property, plant and equipment – excluding land and buildings	**2 725 178**

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 2013 for their 2014 assessed contributions. The balance for advance payments for voluntary contributions reflects funds received for agreements starting in 2014. Unapplied and unidentified receipts are amounts received in 2013 but not yet matched to awards as at 31 December 2013.

	31 December 2013	31 December 2012
Assessed contribution advances	57 159 786	60 363 091
Advances for voluntary contributions	8 596 129	19 327 188
Unapplied and unidentified receipts	13 693 346	6 622 339
Other advances	639 960	17 261
Total contributions received in advance	**80 089 221**	**86 329 879**

4.11 Accounts payable

Accounts payable represents the total amount due to suppliers by major office as at 31 December 2013.

	31 December 2013	31 December 2012
Headquarters	10 397 884	8 267 051
Regional Office for Africa	6 024 997	5 491 858
Regional Office for the Eastern Mediterranean	6 275 565	6 713 885
Regional Office for Europe	1 261 224	1 103 480
Regional Office for South-East Asia	3 127 172	1 605 293
Regional Office for the Western Pacific	2 632 093	1 802 332
Total accounts payable	**29 718 935**	**24 983 899**

4.12 Staff payable

The balance of staff payable represents the total amount outstanding to staff as at 31 December 2013. 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 2013	31 December 2012
Salaries payable	1 663 038	1 807 549
Bank returns	217 001	1 494 157
Travel claims payable	443 742	1 064 309
Total staff payable	**2 323 781**	**4 366 015**

4.13 Accrued staff benefits

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

	31 December 2013	31 December 2012
Accrued staff benefits – current		
Terminal payments	69 737 126	71 354 420
Special Fund for Compensation	410 960	380 679
Total accrued staff benefits – current	**70 148 086**	**71 735 099**
Accrued staff benefits – non-current		
Terminal payments	72 776 045	75 798 885
Special Fund for Compensation	13 297 113	12 750 061
Staff health insurance	853 044 269	822 983 185
Total accrued staff benefits – non-current	**939 117 427**	**911 532 131**
Accrued staff benefits		
Terminal payments	142 513 171	147 153 305
Special Fund for Compensation	13 708 073	13 130 740
Staff health insurance	853 044 269	822 983 185
Total accrued staff benefits	**1 009 265 513**	**983 267 230**

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. The Terminal Payments Fund is funded by a charge made to salary.

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 2013) estimated the full terminal payment liability to be US$ 142.5 million (short-term liability, US$ 69.7 million; long-term liability, US$ 72.8 million). This calculation did not include costs for the end-of-service grant and for separation by mutual agreement on abolishment of posts. The defined benefit obligation amounted to US$ 85.4 million for terminal entitlements, and US$ 57.1 million for annual leave which is included in the terminal payments current balance.

As per the actuarial study, a net reduction of US$ 4.7 million is recognized, by nature of expenses, in the Statement of Financial Performance (total liability was US$ 142.5 million in 2013 and US$ 147.2 million in 2012).

Staff 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 staff 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 2013 was determined by professional actuaries, based on personnel data and past payment experience provided by WHO. As at 31 December 2013 the unfunded defined benefit obligation amounted to US$ 853 million for staff health insurance. Further details on the staff health insurance liability can be found in the annual report of the staff health insurance scheme. As per the actuarial study, an additional accrual of US$ 30 million is charged to staff costs (total liability was US$ 853 million in 2013 and US$ 823 million in 2012).

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 to 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$ 0.6 million (total liability was US$ 13.7 million in 2013 and US$ 13.1 million in 2012) has been recognized, by nature of expenses, in the Statement of Financial Performance.

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

	Terminal payments (other than accrued leave)	Staff health insurance	Special Fund for Compensation
Reconciliation of defined benefit obligation			
Defined benefit obligation as at 31 December 2012	85 306 807	1 364 783 189	11 656 298
Service cost	9 726 167	61 432 714	763 622
Interest cost	2 415 533	46 246 871	343 936
Actual gross benefit payments for 2013	(5 578 893)	(33 771 503)	(474 189)
Actual administrative expenses	–	(2 467 335)	–
Actual contributions by participants	–	8 607 410	–
Actuarial (gain)/loss	(6 451 463)	(113 313 473)	(1 129 966)
Defined benefit obligation as at 31 December 2013	**85 418 151**	**1 331 517 873**	**11 159 701**
Reconciliation of plan assets			
Assets as at 31 December 2012	–	506 297 200	–
Actual gross benefit payments for 2013	(5 578 893)	(54 912 151)	(474 189)
Actual administrative expenses	–	(3 922 066)	–
WHO contributions during 2013	5 578 893	57 899 034	474 189
Participant contributions during 2013	–	29 346 942	–
Increase/decrease in WHO SHI Rule 470.1 liability	–	(1 783 087)	–
Expected return on assets	–	23 358 401	–
Asset gain/(loss)	–	723 930	–
Assets as at 31 December 2013	**–**	**557 008 203**	**–**
Reconciliation of unfunded obligation status			
Defined benefit obligation			
Active	85 418 151	656 168 085	3 554 495
Inactive	–	675 349 788	7 605 206
Total defined benefit obligation	85 418 151	1 331 517 873	11 159 701
Plan Assets			
Gross plan assets	–	(577 689 085)	–
Offset for WHO SHI Rule 470.1 liability	–	20 680 882	–
Total plan assets	–	(557 008 203)	–
Deficit/(surplus)	85 418 151	774 509 670	11 159 701
Unrecognized gain/(loss)	–	78 534 599	2 548 372
Net liability/(asset) recognized in the Statement of Financial Position	**85 418 151**	**853 044 269**	**13 708 073**
Current liability	12 642 106	–	410 960
Non-current liability	72 776 045	853 044 269	13 297 113
Net liability/(asset) recognized in the Statement of Financial Position	**85 418 151**	**853 044 269**	**13 708 073**
Expenses for 2013			
Service cost	9 726 167	61 432 714	763 622
Interest cost	2 415 533	46 246 871	343 936
Expected return on assets	–	(23 358 401)	–
Recognition of (gain)/loss	(6 451 463)	–	(56 036)
Total expenses recognized in the Statement of Financial Performance	**5 690 237**	**84 321 184**	**1 051 522**
Expected contributions for 2014			
WHO contributions	12 873 860	46 247 543	418 494
Participant contributions	–	13 641 792	–
Total expected contributions for 2014	**12 873 860**	**59 889 335**	**418 494**

Staff health insurance medical sensitivity analysis

2013 service cost plus interest cost	
Current medical inflation assumption minus 1%	81 409 000
Current medical inflation assumption	107 679 585
Current medical inflation assumption plus 1%	143 176 000

31 December 2013 defined benefit obligation	
Current medical inflation assumption minus 1%	1 111 252 249
Current medical inflation assumption	1 331 517 873
Current medical inflation assumption plus 1%	1 617 457 257

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 2013
Discount rate	
Terminal payments (other than accrued leave):	The discount rate used is 3.7% (increase from 3.0% in the prior valuation). 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 2013. The resulting discount rate is rounded to the nearest 0.1%.
Staff health insurance:	Europe, 2.9% (increase from 2.6% in prior valuation); the Americas, 4.9% (increase from 4.1% in prior valuation); Other Countries, 5.3% (increase from 4.5% 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 2.49% rate from the SIX Swiss Exchange curve and the 3.87% rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.1%. For the Americas and Other Countries, the rates use the same methodology as for PAHO's valuation of the staff health insurance. Beginning with the 31 December 2012 valuation, PAHO adopted a yield curve approach using the Aon Hewitt AA Bond Universe Curve. The resulting 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 3.7% (increase from 3.0% in the prior valuation). 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 2013. The resulting discount rate is rounded to the nearest 0.1%.
Annual general inflation	
Terminal payments (other than accrued leave):	The inflation rate used is 2.2%. Based on inflation rates of 2.5% for the United States of America and 1.3% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded to the nearest 0.1%.
Staff health insurance:	Europe 1.6%, the Americas 2.5%, Other Countries 2.5%. Based on Aon Hewitt's Q4 2013 10-year forecast of global capital market assumptions. Rate for Europe is the average of rates for Switzerland (1.3%) and the rest of Europe (1.8%), rounded to the nearest 0.1%. Rate for The Americas and Other Countries is based on the 31 December 2011 valuation of the United Nations Joint Staff Pension Fund (UNJSPF).
Special Fund for Compensation:	The inflation rate used is 2.2%. Based on inflation rates of 2.5% for the United States of America 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
Staff 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 constitutes 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.
Staff 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.
Staff 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.
Staff 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.
Staff 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 at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the 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 actuarial valuation performed as at 31 December 2011 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. The next actuarial valuation will be conducted as at 31 December 2013.

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). When the current system of pension adjustments was taken into account, the funded ratio was 86% (91% in the 2009 valuation).

After assessing the actuarial sufficiency of the Pension 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 at the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

In July 2012, 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 in the Fund to 65 was expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012 and April 2013, in resolution 67/240 and resolution 67/257 respectively, the General Assembly authorized the Pension Board to increase to age 65 both the normal retirement age and the mandatory age of separation for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013.[2] The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as at 31 December 2013.

During 2013, contributions paid to the United Nations Joint Staff Pension Fund amounted to US$ 205 million (US$ 206 million in 2012). Expected contributions due in 2014 are US$ 205 million.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Fund Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these are made public online.[3]

4.14 Deferred revenue

Deferred revenue on voluntary contributions represents multi-year agreements signed in 2013 or prior years 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.

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

[2] See United Nations General Assembly resolution 68/247.

[3] Available at http://www.unjspf.org/UNJSPF_Web/ (accessed 26 March 2014).

Deferred revenue on reimbursable procurement relates to revenue recognized 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. The entire amount of deferred revenue for reimbursable procurement is current.

	31 December 2013	31 December 2012
Voluntary contributions	279 833 190	239 161 415
Reimbursable procurement	62 580 577	77 873 295
Total deferred revenue – current	342 413 767	317 034 710
Voluntary contributions	346 512 477	210 277 136
Total deferred revenue – non-current	346 512 477	210 277 136
Total deferred revenue	**688 926 244**	**527 311 846**

4.15 Other current liabilities

The total balance for other current liabilities as at 31 December 2013 was US$ 59.5 million (US$ 41.4 million as at 31 December 2012). The largest component is composed of the various year-end accruals totalling US$ 44.9 million. In addition to these accruals, an accrual for refunds payable was recorded relating to the balance of funds reported due to contributors after programme implementation. Other amounts relate to various short-term liabilities as detailed below.

	31 December 2013	31 December 2012
Accrual for uninvoiced goods and services	38 659 225	15 983 455
Accrual for restructuring cost	3 487 317	3 901 890
Accrued staff liability	2 686 943	1 742 806
Accrual for refunds payable	2 441 903	5 111 282
Pension payable	280 232	2 487 305
Insurance payable	1 693 809	3 761 018
Foundations	3 531 558	3 567 774
Other liabilities	6 686 522	4 886 711
Total other current liabilities	**59 467 509**	**41 442 241**

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 2013, 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 Doğramacı 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 2013	31 December 2012
Staff health insurance (SHI)	37 159 592	207 903 045
International Computing Centre (ICC)	21 173 528	16 561 280
International Drug Purchase Facility (UNITAID)	707 069 967	553 805 387
African Programme for Onchocerciasis Control (APOC)	5 230 828	7 018 925
Trust Fund for the Joint United Nations Programme on HIV/AIDS (UNAIDS)	211 066 404	204 521 501
Total inter-entity liabilities	**981 700 319**	**989 810 138**

4.17 Long-term borrowings (restated)

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. In the resolutions mentioned above, 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 outstanding balance of the loan of US$ 19.8 million (US$ 22.8 million in 2012) is reflected at amortized cost using the effective interest rate of 1.97% (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 2013 and assessed to Member States.[2] US$ 10.2 million were transferred to the Tax Equalization Fund in 2013. In line with resolution WHA64.3, US$ 10.0 million were transferred to the Real Estate Fund in 2013.

Decrease 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 decrease in the allowance for doubtful accounts receivable in 2013 was US$ 1.0 million (increase US$ 3.3 million as at 31 December 2012) (refer to Note 4.3).

Voluntary contributions

The total voluntary contributions were US$ 2017 million (US$ 1637 million for 2012). These contributions represent revenue recognized from governments, intergovernmental organizations, institutions, other United Nations organizations as well as the private sector.[3] Much of the revenue reported in 2013 relates to agreements that continue in future years.

The figure for total voluntary contributions reported of US$ 2017 million is after the deduction of (i) refunds to contributors – these amounted to US$ 14.2 million; (ii) reductions in revenue recognized in prior years due to evidence arising in the current year that amounts will no longer be collected – these amounted to US$ 10.8 million; and (iii) the adjustment of payment terms with the effect of increasing deferred revenue and decreasing current revenue for revenue recognized in previous years – these amounted to US$ 5.1 million.

Voluntary contributions in-kind and in-service

WHO receives non-cash contributions from Member States and other contributors. In 2013, the Organization received in-kind and in-service contributions amounting to US$ 43.8 million (US$ 66.5 million as at 31 December 2012).[4]

	31 December 2013	31 December 2012
Voluntary contributions in-kind	28 582 826	51 133 480
Voluntary contributions in-service	15 245 118	15 334 959
Total voluntary contributions in-kind and-in service	**43 827 944**	**66 468 439**

[1] Resolution WHA64.3.

[2] See document A67/44 for details of the status of collection of assessed contributions.

[3] Refer to the Annex to the Financial Report for details by fund and by contributor. The Annex to the Financial Report is available at: http://www.who.int/about/resources_planning/en/.

[4] Refer to Schedule 5 of the Annex to the Financial Report for details of in-kind and in-service contributions.

Reimbursable procurement

WHO procures medicines and vaccines on behalf of Member States and other United Nations agencies. The total revenue and expenses recognized for 2013 for reimbursable procurement was US$ 34.4 million (US$ 62.5 million as at 31 December 2012) after the deduction of refunds to contributors of US$ 0.6 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.

Other operating revenue

In 2013, other operating revenue totalled US$ 26.5 million (US$ 14.0 million as at 31 December 2012). This mainly represents fees earned 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 2013	31 December 2012
Investment revenue	10 119 407	19 013 674
Net realized foreign exchange gains on balance sheet hedging	3 295 211	–
Net realized foreign exchange gains on hedging, transactions and bank balances	5 529 735	1 809 681
Net unrealized foreign exchange gains on hedging	–	10 364 967
Net unrealized foreign exchange gains on balance sheet revaluation	2 969 128	15 524 796
Actuarial revaluation gains on Terminal Payments Fund	6 507 499	7 350 743
Total finance revenue (WHO and other entities)	**28 420 980**	**54 063 861**
Investment revenue and foreign exchange gains and losses apportioned to other entities	(11 554 383)	(10 947 816)
Net finance revenue for WHO	**16 866 597**	**43 116 045**

5.2 Expenses

Staff and other personnel costs

Staff and other personnel costs reflect 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 staff health insurance actuarial liability that 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$ 25 million (US$ 31 million as at 31 December 2012) and reimbursable procurement related expenses of US$ 34 million (US$ 58 million as at 31 December 2012).

Contractual services

The amount for contractual services represents expenses for service providers. The main components are agreements for performance of work, consulting contracts or special service agreements given to individuals to perform activities on behalf of the Organization. Medical research activities, costs for fellowships, and security expenses are also considered to be contractual services. In 2013, a new account for the charging of costs of direct implementation activities (e.g. immunization campaigns led by WHO) was added under contractual services. For 2013, the cost of direct implementation amounted to US$ 73 million. In prior years, these costs were charged to transfers and grants to counterparts and general operating expenses.

Transfers and grants to counterparts

Transfers and grants to counterparts relates to non-exchange contracts signed with national counterparts (mainly health ministries), United Nations agencies and nongovernmental organizations to perform activities that are in line with the Organization's programme budget. These expenses are also referred to as "direct financial cooperation". Funds are expensed at the time of transfer to the contractual partner. National counterparts are required to report back on the use of funds to ensure that they are used according to the agreement and on-site monitoring and spot checks of activities may be undertaken. WHO may withhold further funding to recipients of transfers and grants on the basis of a risk assessment or where the requirements of the agreement have not been met.

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 expenses. Travel expenses include airfare, per diem and other travel-related costs. This amount does not include the statutory travel for home leave and education grant that is accounted for within staff and other personnel costs.

General operating expenses

General operating expenses reflect the cost of 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 to use the transitional provision under IPSAS 17, the Organization currently expenses the full cost of equipment, vehicles and furniture at the point of delivery, excluding owned land and buildings.

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. As of 2013, it relates 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 2013	31 December 2012 (restated)
Bank charges and investment management fees	2 708 420	2 242 258
Net realized foreign exchange losses	–	979 127
Net unrealized foreign exchange losses on balance sheet revaluation and expenditure hedging	3 558 613	869 851
Actuarial interest cost related to the valuation of the Terminal Payments Fund	2 759 469	2 632 190
Total finance costs	**9 026 502**	**6 723 426**

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 transfer made to the Tax Equalization Fund for the year 2013 (as per resolution WHA 64.3). 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 2013	55 218 265	10 321 511	(12 418 044)	31 000 000	84 121 732
Programmatic revenue and expenses					
Member States' assessed contributions	474 640 515	–	–	–	474 640 515
Appropriations to Real Estate Fund	(10 000 000)	–	–	–	(10 000 000)
Tax equalization reimbursements	(10 189 150)	–	10 189 150	–	–
Effective programme budget	**454 451 365**	**–**	**10 189 150**	**–**	**464 640 515**
Programmatic expenses	(454 647 290)	–	–	–	(454 647 290)
Tax reimbursements to staff members	–	–	(11 423 628)	–	(11 423 628)
Decrease in the allowance for doubtful accounts receivable	1 666 156	–	–	–	1 666 156
Interest	–	462 874	–	–	462 874
Miscellaneous revenue	–	3 875 601	–	–	3 875 601
Total surplus/(deficit)	**1 470 231**	**4 338 475**	**(1 234 478)**	**–**	**4 574 228**
Balance as at 31 December 2013	**56 688 496**	**14 659 986**	**(13 652 522)**	**31 000 000**	**88 695 960**

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

A reconciliation of the Fund balance is as follows.

	31 December 2013	31 December 2012
Balance as at 1 January	**150 126 831**	**111 183 981**
Revenue		
Programme support costs	135 174 154	111 347 786
Interest	10 093 260	6 872 997
Administrative service agreements with other entities	8 677 508	4 814 538
Repayment of advances (Note a)	1 344 434	2 154 433
Total revenue	**155 289 356**	**125 189 754**
Expenses		
Staff and other personnel costs	74 849 114	59 245 144
Medical supplies and materials	777 555	322 102
Contractual services	12 152 882	10 007 307
Transfers and grants to counterparts	506 273	21 253
Travel	3 458 983	2 571 468
General operating expenses	15 438 688	8 287 714
Equipment, vehicles and furniture	3 748 790	2 144 064
Total expenses	**110 932 285**	**82 599 052**
Less:		
Increase in allowance for doubtful accounts receivables – voluntary contributions (Note b)	661 145	892 080
Other expenses	–	2 755 772
Balance as at 31 December	**193 822 757**	**150 126 831**

Expenses under the Fund by major office are as follows.

Expenses by major office	31 December 2013	31 December 2012
Global and interregional activities	47 527 102	36 220 150
Regional Office for Africa	16 368 703	18 524 026
Regional Office for the Americas	4 279 434	3 460 154
Regional Office for the Eastern Mediterranean	11 817 196	7 398 613
Regional Office for Europe	9 821 987	8 398 337
Regional Office for South-East Asia	10 102 940	4 986 292
Regional Office for the Western Pacific	11 014 923	3 611 480
Total expenses by major office	**110 932 285**	**82 599 052**

Note a. In 2011, an advance of US $3.2 million was given from the Fund to the UNICEF/UNDP/World Bank/WHO Special Programme for Research and Training in Tropical Diseases. Half the advance was repaid in 2012 (US$ 1.6 million) with the balance being repaid in 2013 (US$ 1.6 million). In 2013, an advance of US$ 0.3 million was given to the Framework Convention on Tobacco Control from the Fund. The net repayment is US$ 1.3 million.

Note b. The increase in the allowance for doubtful accounts receivable for voluntary contributions is US$ 0.7 million (from US$ 11.0 million as at 31 December 2012 to US$ 11.7 million as at 31 December 2013). Refer to Note 4.3 for details of the balance of accounts receivable and the allowance.

6.3 Real Estate Fund

This fund was established by the Health Assembly in resolution WHA23.14. The Fund is used to meet the costs of: the 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 to residences leased to staff by the Organization. Specific Health Assembly authorization is required for the acquisition of land and the construction of buildings or extensions to existing buildings.

A reconciliation of the Fund balance is as follows.

	31 December 2013	31 December 2012
Balance as at 1 January 2013	**19 095 600**	**18 120 580**
Revenue		
Appropriation received in accordance with resolution WHA63.7	10 000 000	–
Rents collected	3 225 160	3 906 856
Transfer for special projects for the Regional Office of Africa	4 900 000	–
Other revenue	7 746 491	8 052 919
In-kind revenue	2 598 854	7 752 917
Total revenue	**28 470 505**	**19 712 692**
Expenses		
In-kind expenses	2 598 854	7 752 917
Staff and other personnel costs	340 431	346 116
Medical supplies and materials	850 000	12 836
Contractual services	2 064 354	1 729 920
Travel	4 718	1 681
General operating expenses	7 488 891	8 474 935
Equipment, vehicles and furniture	445 335	419 267
Total expenses	**13 792 583**	**18 737 672**
Balance as at 31 December 2013	**33 773 522**	**19 095 600**

Expenses under the Fund by major office are as follows.

	31 December 2013	31 December 2012
Expenses by major office		
In-kind expenses	2 598 854	7 752 917
Headquarters	3 731 294	8 229 995
Regional Office for Africa	3 476 108	1 306 540
Regional Office for the Americas	850 000	–
Regional Office for the Eastern Mediterranean	1 861 611	1 486 211
Regional Office for Europe	687 838	(37 991)
Regional Office for South-East Asia	265 788	–
Regional Office for the Western Pacific	321 090	–
Total expenses	**13 792 583**	**18 737 672**

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

7. Supporting information to the Statement of 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. No revisions have been 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 expenses are 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 differences in terms of basis, timing, entity and presentation. The General Fund, as per Note 2.17, represents the programme budget results, except for the Tax Equalization Fund expenses, 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 A67/42, 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. Examples of this include Tax Equalization Fund expenses, 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 of programme budget expenses in other financial periods.

Entity differences represent the inclusion in WHO's financial accounts of the amounts against two funds, Member States – other and the Fiduciary Fund. These funds do not form part of the Organization's programme budget.

Presentation differences concern differences in the format and classification schemes in the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts.

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 December 2013 is presented below.

	2013			
	Operating	Investing	Financing	Total
Actual amount on a comparable basis (Statement V)	**(2 035 004 032)**	–	–	**(2 035 004 032)**
Basis differences	84 891 851	(426 252 917)	(2 967 805)	(344 328 871)
Timing differences	(4 805 730)	–	–	(4 805 730)
Entity differences	145 908 175	9 177 217	–	155 085 392
Presentation differences	2 209 536 583	–	–	2 209 536 583
Actual amount in the Statement of Cash Flow (Statement IV)	**400 526 847**	**(417 075 700)**	**(2 967 805)**	**(19 516 658)**

8. Segment reporting

8.1 Statement of Financial Position by segments

As at 31 December 2013 (In US dollars)

	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
ASSETS								
Current assets								
Cash and cash equivalents	676 473 653	21 127 629	–	7 662 109	1 173 557	4 455 997	3 948 813	714 841 758
Short-term investments	2 419 344 288	–	–	–	–	–	–	2 419 344 288
Accounts receivable – net current	733 381 179	624 424	355 911	104 404	766 802	163 275	124 727	735 520 722
Staff receivables	6 935 834	1 644 826	–	511 344	181 080	722 439	1 353 837	11 349 360
Inventories	38 726 174	1 053 258	–	8 443 838	–	736 089	2 164 730	51 124 089
Prepayments and deposits	2 747 193	113 995	–	23 785	681	227 775	341 475	3 454 904
Other current assets	297 459 533	–	(297 459 533)	–	–	–	–	–
Total current assets	**4 175 067 854**	**24 564 132**	**(297 103 622)**	**16 745 480**	**2 122 120**	**6 305 575**	**7 933 582**	**3 935 635 121**
Non-current assets								
Accounts receivable – net non-current	346 512 477	–	–	–	–	–	–	346 512 477
Long-term investments	81 819 896	–	–	–	–	–	–	81 819 896
Property, plant and equipment – net	40 064 684	2 249 055	–	16 974 155	–	230 095	2 176 062	61 694 051
Total non-current assets	**468 397 057**	**2 249 055**	**–**	**16 974 155**	**–**	**230 095**	**2 176 062**	**490 026 424**
TOTAL ASSETS	**4 643 464 911**	**26 813 187**	**(297 103 622)**	**33 719 635**	**2 122 120**	**6 535 670**	**10 109 644**	**4 425 661 545**
LIABILITIES								
Current liabilities								
Contributions received in advance	77 327 364	2 677 857	–	84 000	–	–	–	80 089 221
Accounts payable	10 397 884	6 024 997	–	6 275 565	1 261 224	3 127 172	2 632 093	29 718 935
Staff payable	2 040 695	175 644	–	88 071	42 685	14 673	(37 987)	2 323 781
Accrued staff benefits – current	32 997 197	17 662 392	–	5 797 187	4 287 199	4 703 130	4 700 981	70 148 086
Deferred revenue	342 413 767	–	–	–	–	–	–	342 413 767
Financial liabilities	19 637 190	–	–	–	–	–	–	19 637 190
Other current liabilities	(7 505 772 097)	3 216 699 964	137 232 364	1 745 302 786	623 047 441	1 063 459 410	779 497 641	59 467 509
Inter-entity liabilities	981 700 319	–	–	–	–	–	–	981 700 319
Total current liabilities	**(6 039 257 681)**	**3 243 240 854**	**137 232 364**	**1 757 547 609**	**628 638 549**	**1 071 304 385**	**786 792 728**	**1 585 498 808**
Non-current liabilities								
Long-term borrowings	19 814 277	–	–	–	–	–	–	19 814 277
Accrued staff benefits – non-current	535 503 151	154 396 639	–	55 304 390	72 559 092	65 070 579	56 283 576	939 117 427
Deferred revenue – non-current	346 512 477	–	–	–	–	–	–	346 512 477
Total non-current liabilities	**901 829 905**	**154 396 639**	**–**	**55 304 390**	**72 559 092**	**65 070 579**	**56 283 576**	**1 305 444 181**
TOTAL LIABILITIES	**(5 137 427 776)**	**3 397 637 493**	**137 232 364**	**1 812 851 999**	**701 197 641**	**1 136 374 964**	**843 076 304**	**2 890 942 989**
NET ASSETS/EQUITY								
Member States – regular budget	1 901 882 341	(611 114 112)	(241 879 391)	(252 010 334)	(182 331 260)	(296 187 469)	(229 663 815)	88 695 960
Voluntary funds	7 837 828 143	(2 573 830 252)	(182 568 285)	(1 353 485 616)	(428 235 230)	(752 047 782)	(513 130 638)	2 034 530 340
Member States – other	(93 842 155)	(185 548 048)	(9 732 776)	(173 461 239)	(88 415 187)	(81 300 730)	(90 019 493)	(722 319 628)
Fiduciary Fund	135 024 358	(331 894)	(155 534)	(175 175)	(93 844)	(303 313)	(152 714)	133 811 884
TOTAL NET ASSETS/EQUITY	**9 780 892 687**	**(3 370 824 306)**	**(434 335 986)**	**(1 779 132 364)**	**(699 075 521)**	**(1 129 839 294)**	**(832 966 660)**	**1 534 718 556**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**4 643 464 911**	**26 813 187**	**(297 103 622)**	**33 719 635**	**2 122 120**	**6 535 670**	**10 109 644**	**4 425 661 545**

Note. The Regional Office for the Americas is managed by PAHO and at month end, the summary accounting data are consolidated. There are no bank accounts held in the name of the Regional Office for the Americas; all liabilities for staff and suppliers are in the name of PAHO. For this reason, liabilities for staff and suppliers are not consolidated and reported in WHO's Financial Report.

8.2 Statement of Financial Performance by segments

For the year ended 31 December 2013
(In US dollars)

	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Revenue								
Member States' assessed contributions	474 640 515	–	–	–	–	–	–	474 640 515
Decrease/(increase) in allowance for doubtful accounts receivable	1 005 011	–	–	–	–	–	–	1 005 011
Voluntary contributions	2 017 104 332	–	–	–	32 415	–	–	2 017 136 747
Voluntary contributions in-kind and in-service	43 827 944	–	–	–	–	–	–	43 827 944
Reimbursable procurement	34 413 016	–	–	–	–	–	–	34 413 016
Other operating revenue	32 603 576	(2 925 400)	(2 711 189)	753 787	(986 402)	334 651	(541 637)	26 527 386
Finance revenue	13 900 504	1 028 383	–	303 425	873 764	271 841	488 680	16 866 597
Total revenue	**2 617 494 898**	**(1 897 017)**	**(2 711 189)**	**1 057 212**	**(80 223)**	**606 492**	**(52 957)**	**2 614 417 216**
Expenses								
Staff and other personnel costs	390 544 633	202 576 538	43 709 788	78 230 563	64 257 091	52 333 399	58 905 340	890 557 352
Medical supplies and materials	46 226 688	27 794 205	4 622 335	78 537 531	401 053	32 954 908	9 723 379	200 260 099
Contractual services	148 869 230	93 349 391	9 188 883	95 044 558	22 912 214	54 669 273	32 127 653	456 161 202
Transfers and grants to counterparts	11 462 935	156 796 525	2 080 046	70 798 137	359 991	16 925 097	23 896 386	282 319 117
Travel	73 110 336	42 675 320	7 135 172	14 247 724	10 625 728	15 256 026	11 469 179	174 519 485
General operating expenses	48 375 082	101 556 491	3 758 719	24 906 798	7 944 764	12 851 044	7 511 072	206 903 970
Equipment, vehicles and furniture	2 353 088	14 454 397	–	11 921 053	969 065	4 126 746	5 347 217	39 171 566
Depreciation and amortization	1 116 194	158 423	–	340 444	–	28 761	435 214	2 079 036
Finance costs	6 858 443	933 314	(10)	534 743	189 269	249 247	261 496	9 026 502
Total expenses	**728 916 629**	**640 294 604**	**70 494 933**	**374 561 551**	**107 659 175**	**189 394 501**	**149 676 936**	**2 260 998 329**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	**1 888 578 269**	**(642 191 621)**	**(73 206 122)**	**(373 504 339)**	**(107 739 398)**	**(188 788 009)**	**(149 729 893)**	**353 418 887**

Note. The revenue balance shows a high surplus for headquarters and deficits for other offices. This is a consequence of the policy of centralized accounting for revenue and decentralized accounting for expenses.

9. Amounts written-off and ex-gratia payments

During 2013, a total of US$ 40 430 was approved for write-off. This balance relates to two separate incidents: (i) US$ 37 576 concerns a fraud committed by a staff member in Angola in 1998 that was deemed impossible to recover; and (ii) US$ 2854 relates to VAT refunds rejected by the Government of Nepal.

No ex-gratia payments were made in 2013.

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 their aggregate remuneration.

Key management personnel	
Number of individuals	16
Compensation and post adjustment	3 882 929
Entitlements	281 552
Pension and health plans	974 903
Total remuneration	**5 139 384**
Outstanding advances against entitlements	**128 541**
Outstanding loans (in addition to normal entitlements, if any)	**–**

The aggregate remuneration of 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, the entitlements and benefits concerned are disclosed in PAHO's financial statements and not in WHO'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 2013. On the date of the signing of these accounts, no material events, favourable or unfavourable, had arisen 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 2013, WHO had a number of legal cases pending. Most involve disputes that are not recorded because the likelihood of repayment has been determined to be remote. However, there are five cases involving contractual disputes that are to be considered contingent liabilities. The total potential cost to the Organization is estimated at US$ 105 286 (US$ 95 000 as at 31 December 2012).

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 as follows.

	Total	
	2013	2012
Under 1 Year	5 118 048	3 319 313
1 to 5 years	10 989 557	5 183 137
5 years +	3 744 785	3 838 114
Total lease commitments	**19 852 390**	**12 340 564**

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

WHO leased office space to seven tenants. As at 31 December 2013, total revenue from the leasing activities was US$ 1.4 million (US$ 1.2 million as at 31 December 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 2013, there are no material contingent assets to disclose.

Schedule I. Statement of Financial Performance by major funds

For the year ended 31 December 2013
(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	474 640 515	–	–	474 640 515	–	–	–	–	–	–	474 640 515	18%
Decrease/(increase) in allowance for doubtful accounts receivable	1 666 156	(661 145)	–	1 005 011	–	–	–	–	–	–	1 005 011	0%
Voluntary contributions	–	1 929 938 157	–	1 929 938 157	–	–	61 616	90 267 473	90 329 089	(3 130 499)	2 017 136 747	77%
Voluntary contributions in-kind and in-service	–	41 229 090	–	41 229 090	–	–	2 598 854	–	2 598 854	–	43 827 944	2%
Reimbursable procurement	–	–	–	–	–	34 413 016	–	–	34 413 016	–	34 413 016	1%
Other operating revenue	3 875 601	154 901 154	(128 122 253)	30 654 502	–	7 040 852	171 799 903	(11 035 728)	167 805 027	(171 932 143)	26 527 386	1%
Finance revenue	462 874	10 099 414		10 562 288	(828 249)	–	6 869 754	262 804	6 304 309	–	16 866 597	1%
Total revenue	**480 645 146**	**2 135 506 670**	**(128 122 253)**	**2 488 029 563**	**(828 249)**	**41 453 868**	**181 330 127**	**79 494 549**	**301 450 295**	**(175 062 642)**	**2 614 417 216**	**100%**
Expenses												
Staff and other personnel costs	350 150 281	546 784 417	–	896 934 698	–	4 610 430	120 581 560	23 019 972	148 211 962	(154 589 308)	890 557 352	39%
Medical supplies and materials	5 477 469	114 637 373	–	120 114 842	16 489 945	31 399 877	979 010	31 276 425	80 145 257	–	200 260 099	9%
Contractual services	36 753 797	381 215 424	–	417 969 221	–	461 302	15 792 498	22 916 106	39 169 906	(977 925)	456 161 202	20%
Transfers and grants to counterparts	22 949 805	258 831 922	–	281 781 727	–	8 258	–	3 534 631	3 542 889	(3 005 499)	282 319 117	13%
Travel	20 837 561	144 622 933	–	165 460 494	–	334 247	3 044 082	5 702 797	9 081 126	(22 135)	174 519 485	8%
General operating expenses	35 171 859	266 790 393	(128 122 253)	173 839 999	–	2 783 559	39 089 835	7 645 837	49 519 231	(16 455 260)	206 903 970	9%
Equipment, vehicles and furniture	4 730 146	30 102 337	–	34 832 483	(674 183)	2 442 890	2 518 913	63 978	4 351 598	(12 515)	39 171 566	2%
Depreciation and amortization	–	–	–	–	2 079 036	–	–	–	2 079 036	–	2 079 036	0%
Finance costs	–	–	–	–	6 261 892	–	2 764 567	43	9 026 502	–	9 026 502	0%
Total expenses	**476 070 918**	**1 742 984 799**	**(128 122 253)**	**2 090 933 464**	**24 156 690**	**42 040 563**	**184 770 465**	**94 159 789**	**345 127 507**	**(175 062 642)**	**2 260 998 329**	**100%**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	**4 574 228**	**392 521 871**	**–**	**397 096 099**	**(24 984 939)**	**(586 695)**	**(3 440 338)**	**(14 665 240)**	**(43 677 212)**	**–**	**353 418 887**	
Fund balance – 1 January 2013	**84 121 732**	**1 642 008 469**	**–**	**1 726 130 201**	**129 557 780**	**9 577 959**	**(832 443 395)**	**148 477 124**	**(544 830 532)**	**–**	**1 181 299 669**	
Fund balance – 31 December 2013	**88 695 960**	**2 034 530 340**	**–**	**2 123 226 300**	**104 572 841**	**8 991 264**	**(835 883 733)**	**133 811 884**	**(588 507 744)**	**–**	**1 534 718 556**	

Schedule II. General Fund expenses

For the year ended 31 December 2013
(In US dollars)

	Strategic objectives	Programme budget utilization			Previous bienniums			General Fund total		
		Assessed contributions	Voluntary funds	Total 2013	Assessed contributions	Voluntary funds	Total	Assessed contributions	Voluntary funds	General Fund total expenses
1	Communicable diseases	34 102 180	728 220 314	762 322 493	3 156	(3 611 968)	(3 608 812)	34 105 336	724 608 345	758 713 681
2	HIV/AIDS, tuberculosis and malaria	21 849 447	184 603 459	206 452 907	(10 545)	(340 439)	(350 984)	21 838 902	184 263 021	206 101 923
3	Chronic noncommunicable conditions	24 136 369	36 456 109	60 592 478	2 790	(5 570)	(2 780)	24 139 158	36 450 539	60 589 697
4	Child, adolescent, maternal, sexual and reproductive health, and ageing	29 542 567	94 186 521	123 729 088	(45 507)	(61 261)	(106 768)	29 497 060	94 125 260	123 622 320
5	Emergencies and disasters	9 336 049	175 349 577	184 685 626	–	(782 095)	(782 095)	9 336 049	174 567 482	183 903 531
6	Risk factors for health	19 276 069	29 384 746	48 660 814	(226)	3 886	3 660	19 275 843	29 388 631	48 664 474
7	Social and economic determinants of health	10 609 748	9 813 465	20 423 214	–	34 499	34 499	10 609 748	9 847 964	20 457 713
8	Healthier environment	14 023 837	29 557 424	43 581 261	220	6 069	6 289	14 024 057	29 563 493	43 587 550
9	Nutrition, food safety and food security	10 392 247	22 374 842	32 767 090	1 562	(6 882)	(5 320)	10 393 809	22 367 961	32 761 770
10	Health systems and services	75 385 716	93 022 860	168 408 576	(3 124)	(33 727)	(36 851)	75 382 591	92 989 133	168 371 725
11	Medical products and technologies	16 001 009	58 692 742	74 693 751	1 404	(79)	1 325	16 002 413	58 692 663	74 695 076
12	WHO leadership, governance, and partnerships	92 587 878	35 908 546	128 496 424	1 053	414	1 467	92 588 931	35 908 960	128 497 891
13	Enabling and support functions	97 414 106	82 776 204	180 190 310	39 360	1 281	40 641	97 453 466	82 777 484	180 230 951
	Total	**454 657 221**	**1 580 346 810**	**2 035 004 032**	**(9 857)**	**(4 795 872)**	**(4 805 730)**	**454 647 364**	**1 575 550 938**	**2 030 198 302**
Basis differences										
In-kind/in-service expenses										38 562 107
Transfer from assessed contributions to Real Estate Fund										10 000 000
Tax Equalization Fund expenses										11 423 628
Other non-programme budget utilization										749 427
Total basis differences										**60 735 162**
Total expenses – General Fund										**2 090 933 464**

The balances of General Fund expenses include US$ 138 million of the approved programme budget allocation 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

For the year ended 31 December 2013
(In US dollars)

	Strategic objectives	Programme budget	Expenses 2012–2013 (Note a)	Encumbrances 2012–2013	Implementation 2012–2013 (Note b)	Remaining balance	Percentage implementation
1	Communicable diseases	1 278 130 000	1 376 344 543	55 608 805	1 431 953 348	(153 823 348)	112%
2	HIV/AIDS, tuberculosis and malaria	540 298 000	388 167 520	26 502 927	414 670 447	125 627 553	77%
3	Chronic noncommunicable conditions	113 763 000	108 005 314	4 071 222	112 076 536	1 686 464	99%
4	Child, adolescent, maternal, sexual and reproductive health, and ageing	218 306 000	221 401 678	15 418 864	236 820 542	(18 514 542)	108%
5	Emergencies and disasters	382 028 000	328 847 897	35 029 750	363 877 647	18 150 353	95%
6	Risk factors for health	122 255 000	93 437 339	3 163 566	96 600 905	25 654 095	79%
7	Social and economic determinants of health	42 789 000	37 272 343	1 077 992	38 350 335	4 438 665	90%
8	Healthier environment	86 825 000	82 435 815	3 029 682	85 465 497	1 359 503	98%
9	Nutrition, food safety and food security	54 898 000	59 921 561	2 019 347	61 940 908	(7 042 908)	113%
10	Health systems and services	348 093 000	303 255 564	18 650 556	321 906 120	26 186 880	92%
11	Medical products and technologies	137 283 000	136 603 466	4 051 575	140 655 041	(3 372 041)	102%
12	WHO leadership, governance, and partnerships	257 570 000	252 821 648	4 503 893	257 325 541	244 459	100%
13	Enabling and support functions	376 741 000	340 169 708	12 193 953	352 363 661	24 377 339	94%
	Total	**3 958 979 000**	**3 728 684 425**	**185 322 132**	**3 914 006 557**	**44 972 443**	**99%**

Note a. Expenses 2012–2013 are as per the Statement of Comparison of Budget and Actual Amounts (Statement V).

Note b. Total implementation reflects total expenses and encumbrances for 2012–2013. Further details are contained in the Programme budget 2012–2013: performance assessment (document A67/42).

Schedule IV. Expenses by major office – General Fund only

For the year ended 31 December 2013
(In US dollars)

	Headquarters	Regional Office for Africa	Regional Office for the Americas	Regional Office for the Eastern Mediterranean	Regional Office for Europe	Regional Office for South-East Asia	Regional Office for the Western Pacific	Total
Expenses								
Staff and other personnel costs	392 971 877	203 917 543	46 536 667	78 736 892	61 673 878	53 040 656	60 057 185	896 934 698
Medical supplies and materials	8 593 552	24 617 796	3 772 630	49 032 846	400 251	27 596 286	6 101 481	120 114 842
Contractual services	117 783 259	90 322 557	7 976 658	94 339 186	22 679 817	53 917 998	30 949 746	417 969 221
Transfers and grants to counterparts	10 933 803	156 788 267	2 080 046	70 798 137	359 991	16 925 097	23 896 386	281 781 727
Travel	66 449 727	41 590 519	6 987 093	13 810 697	10 223 648	15 077 780	11 321 030	165 460 494
General operating expenses	28 160 712	95 249 633	2 685 196	22 644 709	6 867 161	11 891 311	6 341 277	173 839 999
Equipment, vehicles and furniture	2 129 924	12 500 551	–	11 160 245	947 534	3 881 503	4 212 726	34 832 483
Total expenses	**627 022 854**	**624 986 866**	**70 038 290**	**340 522 712**	**103 152 280**	**182 330 631**	**142 879 831**	**2 090 933 464**
Percentage of expenses by expense type across major office								
Staff and other personnel costs	44%	23%	5%	9%	7%	6%	6%	100%
Medical supplies and materials	7%	21%	3%	41%	0%	23%	5%	100%
Contractual services	28%	22%	2%	23%	5%	13%	7%	100%
Transfers and grants to counterparts	4%	56%	1%	25%	0%	6%	8%	100%
Travel	40%	25%	4%	9%	6%	9%	7%	100%
General operating expenses	16%	54%	2%	13%	4%	7%	4%	100%
Equipment, vehicles and furniture	6%	36%	0%	32%	3%	11%	12%	100%
Total percentage	**30%**	**30%**	**3%**	**16%**	**5%**	**9%**	**7%**	**100%**
Percentage of expenses by expense type within each major office								
Staff and other personnel costs	63%	33%	67%	23%	60%	29%	42%	43%
Medical supplies and materials	1%	4%	5%	14%	0%	15%	4%	6%
Contractual services	19%	14%	11%	28%	22%	30%	22%	20%
Transfers and grants to counterparts	2%	25%	3%	21%	0%	9%	17%	13%
Travel	11%	7%	10%	4%	10%	8%	8%	8%
General operating expenses	4%	15%	4%	7%	7%	7%	4%	8%
Equipment, vehicles and furniture	0%	2%	0%	3%	1%	2%	3%	2%
Total percentage	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**