



Financial Report and Statements
for the year
ended 31 December 2012

Nairobi, Kenya, 2013

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United Nations Human Settlements Programme

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United Nations Human Settlements Programme

Letter of transmittal

31 March 2013

In accordance with Financial Regulation 6.5 and Rule 106.1 of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for 2012, the first year of the biennium 2012-2013, which I hereby approve.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.


Joan Clos
Executive Director
United Nations Human Settlements Programme (UN-Habitat)

The Chairman of the Board of Auditors
United Nations Headquarters
New York

Chapter I

Report of the Board of Auditors on the financial statements (Audit Opinion)

As prescribed by financial Regulation 1.2, the financial period of the Organization consists of two consecutive calendar years, the first one being an even year.

On the recommendation of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, the General Assembly at its twenty-ninth session decided that there was no need for the Board to submit a formal audit report to the Assembly to cover the first year of the biennium. It was further agreed that should the Board's work in auditing transactions which occurred in the accounts of the first year reveal situations which should be brought to the attention of Member States, the Board would report these to the Advisory Committee, which, if thought necessary, would bring them to the attention of the Assembly.

Chapter II

Report of the Board of Auditors (Long-form report)

Not required during the first year of the biennium

Chapter III

Certification of the Financial Statements

31 March 2013

The financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2012 have been prepared in accordance with financial rule 106.10 of the United Nations and financial rule 306.10 of the United Nations Human Settlements Foundation.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by the United Nations Human Settlements Programme during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the United Nations is assigned to the United Nations Human Settlements Programme. Responsibility for the accounts and the performance of the approving function, as defined in Article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2012 are correct.



Christopher Kirkcaldy
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

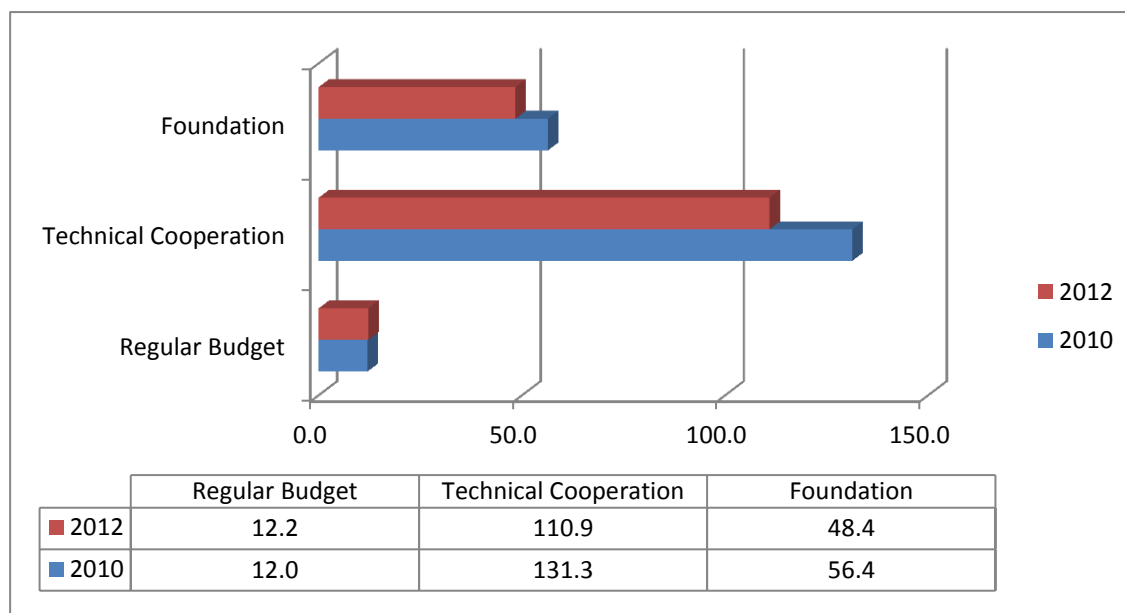
Administration's financial overview for the year ended 31 December 2012

Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the financial statements of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the year ended 31 December 2012. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. In accordance with financial rule 106.10, the accounts were transmitted to the Board of Auditors on 31 March 2013.
2. Comparative data for the year ended 31 December 2010, as appropriate, have been reflected in the financial statements. These have been restated where applicable.
3. In conformity with United Nations Secretariat reporting requirements:
 - (a) The interfund balances are not offset.
 - (b) The accounts receivable and accounts payable are reported without offset.
 - (c) Accrued liabilities for end-of-service benefits, comprising After Service Health Insurance (ASHI) annual leave, and repatriation benefits are presented as liabilities in the accounts.
4. Regular Budget funding insofar as it relates to the United Nations Human Settlement Programme is included on the face of the financial statements as well as in the notes. Details of Regular Budget allocations and expenditures are shown on Statements I and II as well as in Note 16.
5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

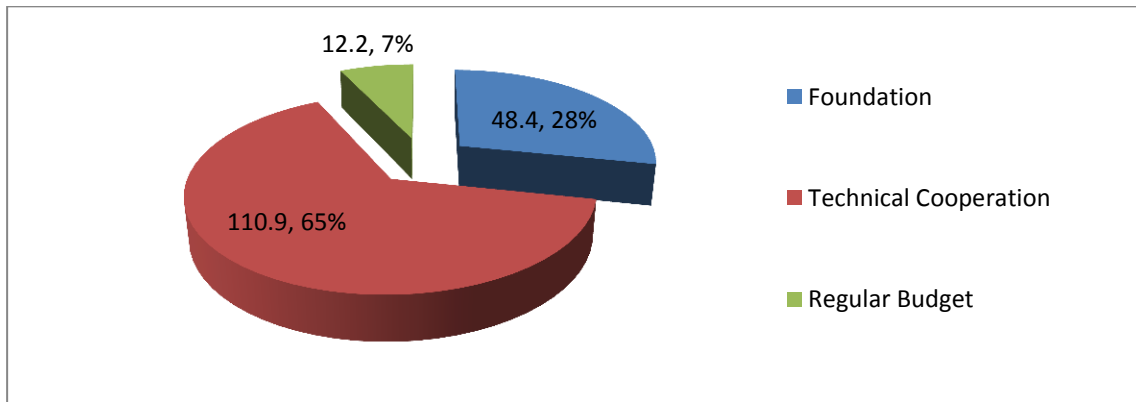
Overview

6. Statements I to III show UN-Habitat's combined financial position for the year ended 31 December 2012 compared with the year ended 31 December 2010:
 - 6.1. Total income decreased by US\$ 28.1 million (14.1%) to US\$ 171.5 million.
 - 6.2. The following chart shows UN-Habitat's income (in US\$ millions) by major funding categories for the year ended 31 December 2012 compared to the year ended 31 December 2010.



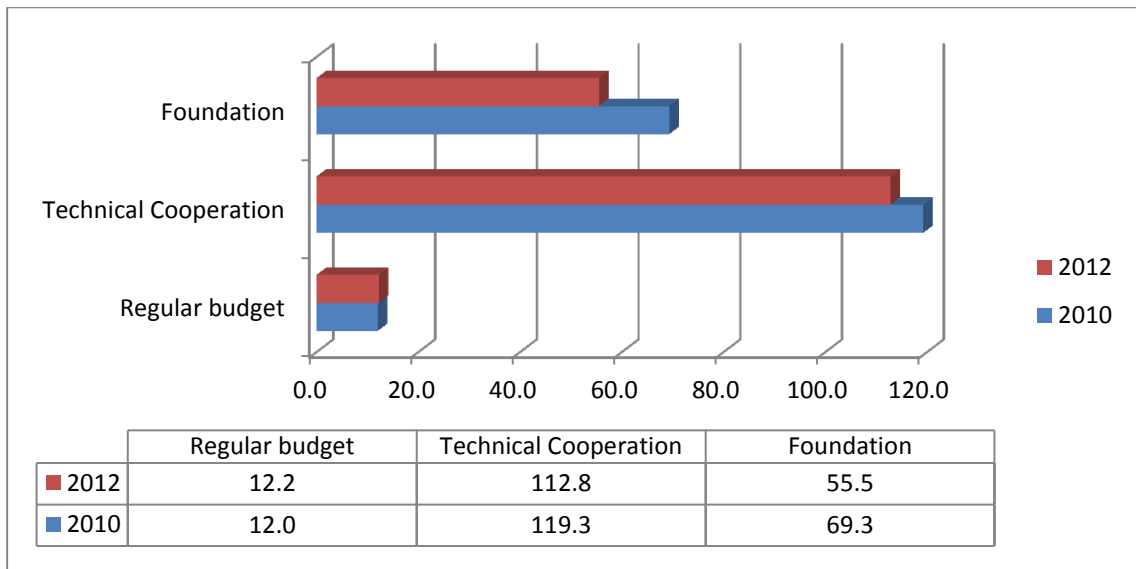
United Nations Human Settlements Programme

6.3. The following chart shows UN-Habitat's income (in US\$ millions and percentage) for the year ended 31 December 2012 by funding sources categories.

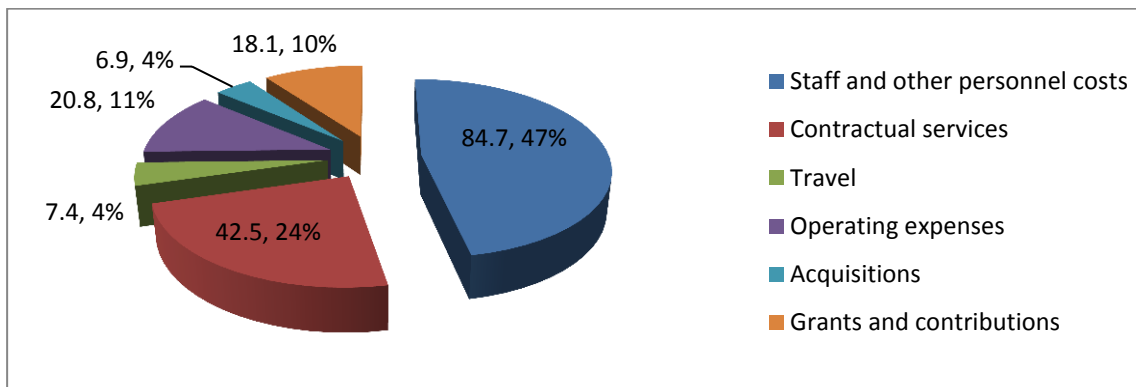


6.4. Total expenditure decreased by US\$ 20.1 million (10.0%) to US\$ 180.4 million.

6.5. The following is a comparison of expenditure (in US\$ millions) by major source of funding categories between the years ended 31 December 2012 and 2010.



6.6. Expenditure (in US\$ millions and percentage) for the year ended 31 December 2012 by nature of expense is shown below:



United Nations Human Settlements Programme

- 6.7. The excess of expenditure over income before adjustments for the period ended 31 December 2012 was US\$ 8.9 million, an increase of US\$8.0 million over 31 December 2010.
- 6.8. The excess of expenditure over income was further increased by adjustments, including end of service and post retirement benefits accrual of US\$ 2.2 million and other adjustments of US\$0.8 million, which include prior period adjustments, savings on prior period obligations, and refunds to donors, resulting in a reduction during the period of total reserves and fund balances by US\$11.9 million (9.3%) to US\$115.4 million.
- 6.9. The cash position (cash and term deposits, cash pools) as at 31 December 2012 decreased by US\$44.3 million (19.7%) to US\$ 181.1 million.
- 6.10. Total assets decreased by US\$48.1 million (17.1%) to US\$233.1 million.
- 6.11. Total liabilities decreased by US\$32.4 million (21.6%) to US\$117.7 million.
7. Table 1 summarizes other key indicators for the United Nations Human Settlements Programme for the year ended 31 December 2012 compared to the year ended 31 December 2010.

Table 1: Other key indicators

	Amount (Millions of United States Dollars)			
	2012	2010 Restated	Increase/ (Decrease)	% Change
Foundation contributions	47.1	54.3	(7.2)	-13.3%
Technical Cooperation contributions	99.6	128.2	(28.6)	-22.3%
Total voluntary contributions	146.7	182.5	(35.8)	-19.6%
Cash, term deposits and cash pools	181.0	225.4	(44.4)	-19.7%
Interfund balances receivable	16.8	38.4	(21.6)	-56.3%
Accounts receivable	16.7	6.0	10.7	178.3%
Other assets	8.0	0.4	7.6	1900.0%
Unliquidated obligations	62.4	93.2	(30.8)	-33.0%
Interfund balances payable	18.0	39.1	(21.1)	-54.0%
End of service and post retirement benefits	26.0	14.3	11.7	81.8%
Other liabilities	8.9	0.0	8.9	NA
Reserves and fund balances - Foundation	68.2	74.1	(5.9)	-8.0%
Reserves and fund balances - Technical Cooperation	68.6	68.0	0.6	0.9%
Reserves and fund balances – End of Service and Post Retirement Benefits	(21.4)	(11.0)	(10.4)	94.5%
Total Reserves and Fund balances	115.4	131.1	(15.7)	-12.0%

- 7.1. The reduction in interfund balances is due to more frequent settlements of the interfund and fund transfers between related funds.
- 7.2. The increase in accounts receivable, the details of which are found in note 8, is primarily due to the change in an accounting policy, in the period ended 31 December 2011, recording as receivables, advances given to implementing agencies. These were previously treated as disbursements which reduced related unliquidated obligation amounts. Given the impracticality of obtaining comparative figures, the period ended 31 December 2010 has not been restated.
- 7.3. The advances pose a minimal risk because they are covered by legal agreements which are closely monitored by UN-Habitat to ensure that partners deliver outputs according to the conditions of the agreements. Agreed outputs are verified at each milestone in line with payment schedules before

new amounts are advanced to partners, and final installments are not paid until outputs are verified, and a final project report and a certified financial statement is provided and reviewed.

- 7.4. Implementing partner agreement dates coincide with project timelines, not with the UN-Habitat financial year. As projects can start at any time of the year and have variable durations, which can exceed a calendar year, these receivables are inevitable.
- 7.5. UN-Habitat is enhancing measures to improve the monitoring of these agreements through its Project Accrual and Accountability System and is currently undertaking a review of implementing partner agreements for better accountability, transparency and management of partnerships.
- 7.6. The increase in other assets includes US\$7.6 million of commitments against future years, as a result of a change in accounting policy in the period ended 31 December 2011 see note 20. These were not recorded for the period ended 31 December 2010 and given the impracticality of obtaining comparative figures, the period ended 31 December 2010 has not been restated. The corresponding effect is shown under other liabilities.
- 7.7. The increase in end of service and post retirement benefits is primarily due to the change in discount rate from 6.0% to 4.5% during the actuarial valuation undertaken as at 31 December 2011.
- 7.8. The rate of reductions in some key indicators such as contributions, cash, reserves and fund balances is not sustainable long term. UN-Habitat management is aware of this financial situation and is taking steps to contain expenditure in line with income.
- 7.9. UN-Habitat has undertaken a major organizational review to align the organization to respond more effectively to global urban priorities. The review also established systems, policies and processes to enhance efficiency, productivity, accountability and transparency and 'do more with less'. In addition, UN-Habitat has finalized a strengthened resource mobilization strategy aimed at achieving a higher level of predictable funding for core activities and increasing the value of the agency's project portfolio.
- 7.10. The policy framework established as part of the organizational review in 2012 includes a revised cost allocation and recovery policy which is harmonized with that of other UN agencies. In 2013, operationalization of the policy will be supported by tools such time sheet recording to enable more accurate allocation of costs to projects and cost centres.

Foundation Activities

8. The Governing Council, in its resolution 23/11 of 15 April 2011, approved the general purpose budget of US\$70.2 million and endorsed the special purpose budget of US\$110.5 million for the year 2012-2013 resulting in a biennium total budget amount of US\$180.7 million. The Governing Council also approved an increase in the general purpose statutory reserve from US\$6.6 million to US\$7.0 million. The Governing Council further authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust, in consultation with the Committee of Permanent Representatives, the level of allocations for programme activities in accordance with the actual level of income. The Governing Council also authorized the Executive Director to reallocate general-purpose resources between subprogrammes in an amount of up to 10% of the total general purpose budget. The Governing Council further authorized the Executive Director to reallocate, in consultation with the Committee of Permanent Representatives, amounts in excess of 10% and up to 25% of the total general-purpose budget.
9. UN-Habitat received pledges for its Foundation activities of US\$47.1 million for the year ended 31 December 2012 as compared to US\$54.3 million for the year ended 31 December 2010, a decrease of US\$7.2 million (13.3%).
10. The Foundation General Purpose has been affected by the global economic downturn. To respond to the current shortage of core funds, UN-Habitat started implementing austerity measures in 2011 including a recruitment freeze on core funded posts, and significant reductions in travel, consultancies and operating costs.
11. Expenditure for Foundation activities of US\$58.5 million before the elimination of programme support costs is within the budget allocations of US\$81.6 million approved by the Executive Director based on

the total amount approved by the Governing Council as outlined in paragraph 8 above, but exceeds the total contributions received of US\$47.1 million.

Technical Cooperation activities

12. UN-Habitat received contributions for its Technical Cooperation activities of US\$ 99.6 million for the year ended 31 December 2012 as compared to US\$128.2 million for the year ended 31 December 2010, a decrease of US\$28.6 million (22.3%).
13. Expenditure of US\$120.1 million before elimination of programme support costs is within the budget allocations of US\$175.4 million approved by the Executive Director, but exceeds the contributions received of US\$99.6 million

End of service and post retirement benefits

14. UN-Habitat fully accrues for the end-of-service and post retirement benefits, comprising After Service Health Insurance (ASHI) liabilities, annual leave and repatriation benefits. UN-Habitat has been funding repatriation benefits at 8% of net salary but After Service Health Insurance (ASHI) and annual leave are not funded as these are paid on a pay-as-you go basis from current budgets.
15. The estimated current liabilities as at 31 December 2012 as reflected in the 2011 actuarial study carried out by a consulting firm contracted on behalf UN-Habitat by the United Nations Secretariat have been reflected in the accounts. By fully charging these liabilities in the financial statements as at 31 December 2012, an amount of US\$21.4 million of cumulative unbudgeted expenditure (liabilities less funding) is being shown in Statements I and II. This is an increase of US\$10.3 million (93.3%) over the amount reported as at 31 December 2010. The increase is mainly due to the change of the discount rate used for valuation from 6.0% to 4.5% in 2011. The details are disclosed in Statement VIII and Note 13 to the Financial Statements.

Chapter V

Financial Statements and related explanatory notes

United Nations Human Settlements Programme all funds summary
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2012
(Thousands of United States Dollars)

	Reference	Foundation	Technical Cooperation	End of Service and Post Retirement Benefits	Regular Budget	All funds eliminations	Total 2012	2010 Restated
Income								
Regular Budget Allocations	Note 16	-	-	-	12,227	-	12,227	12,013
Voluntary contributions	Schedules 5.2 & 7.2	47,075	99,557	-	-	-	146,632	182,455
Funds received under inter-organization arrangements	Notes 2 k (ii) & t (iii)	-	9,764	-	-	-	9,764	1,101
Interest income		763	761	-	-	-	1,524	3,962
Miscellaneous income	Note 3	574	851	-	-	(66)	1,359	100
Total income		48,412	110,933	-	12,227	(66)	171,506	199,631
Expenditure								
Staff and other personnel costs		30,790	42,604	-	11,309	-	84,703	82,752
Contractual services		12,203	30,094	-	202	-	42,499	52,699
Travel		4,082	3,329	-	79	(66)	7,424	8,253
Operating expenses		7,870	12,518	-	395	-	20,783	31,821
Acquisitions		463	6,416	-	-	-	6,879	7,117
Fellowships, grants and contributions		61	17,835	-	242	-	18,138	17,933
Programme support costs		-	15	-	-	-	15	(27)
Total expenditure	Schedules 5.1 & 7.1	55,469	112,811	-	12,227	(66)	180,441	200,548
Excess / (shortfall) of income over expenditure		(7,057)	(1,878)	-	-	-	(8,935)	(917)
Non-budgeted accrued expenses		-	-	(2,229)	-	-	(2,229)	(1,265)
Prior period adjustments	Note 4	292	(813)	-	-	-	(521)	(203)
Net excess / (shortfall) of income over expenditure		(6,765)	(2,691)	(2,229)	-	-	(11,685)	(2,385)
Savings on prior period obligations	Note 2 (k) (viii)	165	484	-	-	-	649	1,054
Transfer to reserves	Note 2 (o),(p) & (q)	-	-	-	-	-	-	(3,975)
Transfers from/(to) other funds		(165)	165	-	-	-	-	-
Refunds to member states and other donors	Note 5	(216)	(936)	-	-	-	(1,152)	(1,517)
Fund balances, beginning of year		63,249	58,300	(19,513)	-	-	102,036	116,113
Fund balances, end of year	Note 14	56,268	55,322	(21,742)	-	-	89,848	109,290
Reserves, beginning of year		11,895	13,320	-	-	-	25,215	17,514
Transfers to/ (from) reserves	Note 2 (o),(p) & (q)	-	-	325	-	-	325	4,305
Reserves, end of year	Note 14	11,895	13,320	325	-	-	25,540	21,819
Total reserves and fund balances	Note 14	68,163	68,642	(21,417)	-	-	115,388	131,109

United Nations Human Settlements Programme all funds summary
Statement of assets, liabilities, reserves and fund balances as at 31 December 2012
(Thousands of United States Dollars)

	Reference	Foundation	Technical Cooperation	End of Service and Post Retirement Benefits	Regular Budget	Total	
						2012	2010 Restated
Assets							
Cash and term deposits	Note 6	3,234	6,136	-	-	9,370	20,912
Cash pools	Note 6	90,237	81,373	-	-	171,610	204,442
Voluntary contributions receivable	Schedule 5.2	86	-	-	-	86	787
Interfund balances receivable	Note 7	2,598	9,658	4,552	-	16,808	38,364
Loans and accrued interest receivable	Note 17	1,964	-	-	-	1,964	2,583
Accounts receivable	Note 8	7,177	9,064	-	452	16,693	5,986
Balances relating to projects funded by donors	Note 9	-	8,517	-	-	8,517	7,672
Other assets	Note 10	2,430	5,572	-	-	8,002	403
Total assets		107,726	120,320	4,552	452	233,050	281,149
Liabilities							
Payments or contributions received in advance	Schedule 5.2	11	-	-	-	11	7
Unliquidated obligations	Note 11	28,577	33,379	-	452	62,408	93,190
Interfund balances payable	Note 7	7,216	10,777	-	-	17,993	39,128
Accounts payable	Note 12	1,328	1,102	-	-	2,430	3,366
End-of-service and post retirement benefits	Note 13	-	-	25,969	-	25,969	14,349
Other liabilities	Note 10	2,431	6,420	-	-	8,851	-
Total liabilities		39,563	51,678	25,969	452	117,662	150,040
Reserves and fund balances							
Reserves	Notes 2(o), (p), (q) & 14	11,895	13,320	325	-	25,540	21,819
Fund Balance	Notes 2(r) and 14	56,268	55,322	(21,742)	-	89,848	109,290
Total reserves and fund balances		68,163	68,642	(21,417)	-	115,388	131,109
Total liabilities, reserves and fund balances		107,726	120,320	4,552	452	233,050	281,149

United Nations Human Settlements Programme all funds summary
Statement of cash flows for the year ended 31 December 2012
(Thousands of United States Dollars)

	Reference	Foundation	Technical Cooperation	End of Service and Post Retirement Benefits	Regular Budget	Total 2012	Total 2010 Restated
Cash flows from operating activities							
Net excess/(shortfall) of income over expenditure		(6,765)	(2,691)	(2,229)	-	(11,685)	(2,385)
(Increase)/decrease in:							
Contributions receivable		105	-	-	-	105	1,008
Loans and accrued interest receivable		287	-	-	-	287	(2,583)
Accounts receivable		(2,831)	(6,909)	-	62	(9,678)	(3,103)
Other assets		(1,436)	(4,911)	-	-	(6,347)	83
Interfund balances receivable		3,281	(915)	(773)	-	1,593	(10,778)
Balances relating to projects funded by donors		-	(4,147)	-	-	(4,147)	-
Increase (decrease) in:							
Contributions or payments received in advance		-	-	-	-	-	(3)
Unliquidated obligations		1,556	(23,928)	-	(62)	(22,434)	21,971
Accounts payable		(1,078)	(411)	-	-	(1,489)	(800)
Other liabilities		434	5,483	-	-	5,917	-
Interfund balances payable		(6,613)	4,714	-	-	(1,899)	10,963
End-of-service and post retirement benefits		-	-	2,677	-	2,677	1,500
Less: Interest income		(763)	(761)	-	-	(1,524)	(3,962)
Net cash flows from operating activities		(13,823)	(34,476)	(325)	-	(48,624)	11,911
Cash flows from investing activities							
(Increase)/decrease in Cash pools		13,709	33,230	-	-	46,939	3,284
Plus: Interest income		763	761	-	-	1,524	3,962
Net cash flows from investing activities		14,472	33,991	-	-	48,463	7,246
Cash flows from financing activities							
Savings on or cancellation of prior period obligations		165	484	-	-	649	1,054
Refunds to member States and other donors		(216)	(936)	-	-	(1,152)	(1,517)
Transfer to/(from) reserves		-	-	325	-	325	330
Transfers from/(to) other funds		(165)	165	-	-	-	-
Net cash flows from financing activities		(216)	(287)	325	-	(178)	(133)
Net Increase/ (decrease) in cash and term deposits		433	(772)	-	-	(339)	19,024
Cash and term deposits, beginning of year		2,801	6,908	-	-	9,709	1,888
Cash and term deposits, end of year	Note 6	3,234	6,136	-	-	9,370	20,912

United Nations Human Settlements Programme
Foundation activities
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2012
(Thousands of United States Dollars)

	Reference	Non- earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations (ERSO) Trust Fund	Programme Support	All funds eliminations	Total	
									2012	2010
Income										
Voluntary contributions	Schedule 5.2	10,919	21,267	8,353	6,536	-	-	-	47,075	54,282
Income for services rendered		-	-	-	-	-	3,026	(3,026)	-	(178)
Interest income		173	314	133	52	43	48	-	763	2,135
Miscellaneous income	Note 3	376	194	4	-	-	-	-	574	189
Total income		11,468	21,775	8,490	6,588	43	3,074	(3,026)	48,412	56,428
Expenditure										
Staff and other personnel costs		13,211	10,457	3,565	579	6	2,972	-	30,790	36,097
Contractual services		776	5,157	3,678	2,592	-	-	-	12,203	14,677
Travel		797	2,464	750	64	7	-	-	4,082	6,016
Operating expenses		1,995	4,784	869	158	44	20	-	7,870	11,837
Acquisitions		71	184	173	35	-	-	-	463	554
Fellowships, grants and contributions		-	61	-	-	-	-	-	61	145
Programme support costs		-	1,913	848	263	2	-	(3,026)	-	-
Total expenditure	Schedule 5.1	16,850	25,020	9,883	3,691	59	2,992	(3,026)	55,469	69,326
Excess / (shortfall) of income over expenditure		(5,382)	(3,245)	(1,393)	2,897	(16)	82	-	(7,057)	(12,898)
Prior periods' adjustments	Note 4	61	288	(62)	-	-	5	-	292	78
Net excess of income over expenditure		(5,321)	(2,957)	(1,455)	2,897	(16)	87	-	(6,765)	(12,820)
Savings on prior period obligations	Note 2 (k) (viii)	59	104	1	-	-	1	-	165	966
Transfers to reserves	Note 2 (o), (p), & (q)	-	-	-	-	-	-	-	-	(3,890)
Transfer from/ (to) other funds		(237)	72	-	-	-	-	-	(165)	-
Refunds to member states and other donors	Note 5	-	(216)	-	-	-	-	-	(216)	(296)
Fund balances, beginning of year		18,759	29,267	5,615	2,160	2,934	4,514	-	63,249	78,372
Fund balances, end of year		13,260	26,270	4,161	5,057	2,918	4,602	-	56,268	62,332
Reserves, beginning of year		6,619	-	3,404	338	562	972	-	11,895	7,916
Transfers to reserves	Note 2 (o), (p), & (q)	-	-	-	-	-	-	-	-	3,890
Reserves, end of year		6,619	-	3,404	338	562	972	-	11,895	11,806
Total reserves and fund balances		19,879	26,270	7,565	5,395	3,480	5,574	-	68,163	74,138

United Nations Human Settlements Programme
Foundation activities
Statement of assets, liabilities, reserves and fund balances as at 31 December 2012
(Thousands of United States Dollars)

	Reference	Non- earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations (ERSO) Trust Fund	Programme support	Total 2012	2010 Restated
Assets									
Cash and term deposits	Note 6	2,537	18	2	-	677	-	3,234	15,492
Cash pools	Note 6	20,163	37,239	16,627	9,467	886	5,855	90,237	100,590
Voluntary contributions receivable	Schedule 5.2	86	-	-	-	-	-	86	787
Interfund balances receivable	Note 7	1,579	468	-	-	551	-	2,598	20,292
Loans and interest receivable	Note 17	-	-	-	-	1,964	-	1,964	2,583
Accounts receivable	Note 8	652	3,601	2,857	35	-	32	7,177	3,679
Other assets	Note 10	118	1,380	783	131	-	18	2,430	298
Total assets		25,135	42,706	20,269	9,633	4,078	5,905	107,726	143,721
Liabilities									
Payments or contributions received in advance	Schedule 5.2	11	-	-	-	-	-	11	7
Unliquidated obligations	Note 11	2,154	12,487	10,235	3,670	3	28	28,577	38,367
Interfund balances payable	Note 7	2,823	2,148	913	434	595	303	7,216	29,482
Accounts payable	Note 12	218	371	736	3	-	-	1,328	1,727
Other liabilities	Note 10	50	1,430	820	131	-	-	2,431	-
Total liabilities		5,256	16,436	12,704	4,238	598	331	39,563	69,583
Reserves and fund balances									
Reserves	Notes 2(o),(p), (q) & 14	6,619	-	3,404	338	562	972	11,895	11,806
Fund balance	Notes 2(r) and 14	13,260	26,270	4,161	5,057	2,918	4,602	56,268	62,332
Total reserves and fund balances		19,879	26,270	7,565	5,395	3,480	5,574	68,163	74,138
Total liabilities, reserves and fund balances		25,135	42,706	20,269	9,633	4,078	5,905	107,726	143,721

United Nations Human Settlements Programme
Foundation activities
Status of allocations for the year ended 31 December 2012
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Programme activities					
Staff and other personnel costs	11,506	70	11,261	11,331	175
Contractual services	380	75	215	290	90
Travel	345	20	288	308	37
Operating expenses	1,414	84	1,193	1,277	137
Acquisitions	33	-	21	21	12
Total Programme activities	13,678	249	12,978	13,227	451
Non-earmarked projects					
Staff and other personnel costs	2,130	592	1,288	1,880	250
Contractual services	590	279	207	486	104
Travel	494	25	464	489	5
Operating expenses	1,191	57	659	716	475
Acquisitions	60	45	5	50	10
Sub-total	4,465	998	2,623	3,621	844
Total Non-earmarked Foundation	18,143	1,247	15,601	16,848	1,295
Earmarked Foundation					
Staff and other personnel costs	14,649	2,907	7,550	10,457	4,192
Contractual services	7,659	3,734	1,423	5,157	2,502
Travel	2,955	401	2,063	2,464	491
Operating expenses	7,471	2,270	2,513	4,783	2,688
Acquisitions	499	77	107	184	315
Fellowships, grants and contributions	90	18	43	61	29
Programme support costs	2,759	-	1,913	1,913	846
Total Earmarked Foundation	36,082	9,407	15,612	25,019	11,063
Water and Sanitation Trust Fund					
Staff and other personnel costs	5,663	828	2,737	3,565	2,098
Contractual services	5,497	3,545	133	3,678	1,819
Travel	1,143	117	633	750	393
Operating expenses	1,866	372	497	869	997
Acquisitions	445	36	137	173	272
Programme support costs	1,372	-	848	848	524
Total Water and Sanitation Trust Fund	15,986	4,898	4,985	9,883	6,103

United Nations Human Settlements Programme
Foundation activities
Status of allocations for the year ended 31 December 2012
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Palestinian Trust Fund					
Staff and other personnel costs	1,220	253	326	579	641
Contractual services	5,606	2,138	454	2,592	3,014
Travel	149	39	25	64	85
Operating expenses	553	29	129	158	395
Acquisitions	132	1	34	35	97
Programme support costs	587	-	263	263	324
Total Palestinian Trust Fund	8,247	2,460	1,231	3,691	4,556
Experimental Reimbursable Seeding Operations (ERSO) Trust Fund					
Staff and other personnel costs	6	-	6	6	-
Travel	7	2	5	7	-
Operating expenses	8	-	8	8	-
Programme support costs	1	-	2	2	(1)
Total Experimental Reimbursable Seeding Operations Trust Fund	22	2	21	23	(1)
Programme support					
Staff and other personnel costs	3,125	6	2,966	2,972	153
Operating expenses	20	-	20	20	-
Total Programme support	3,145	6	2,986	2,992	153
Subtotal	81,625	18,020	40,436	58,456	23,169
Currency exchange losses					
Programme activities	-	-	2	2	(2)
Earmarked Foundation	-	-	1	1	(1)
Experimental Reimbursable Seeding Operations (ERSO) Trust Fund	-	-	36	36	(36)
Sub-total	-	-	39	39	(39)
Total Expenditure	81,625	18,020	40,475	58,495	23,130
Less: Elimination of Programme Support costs				(3,026)	
Net total Expenditure				55,469	

Statement IV

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2012
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2012	Adjustments to prior periods pledges and receipts	Collections of prior periods' pledges	Pledges for 2012-2013	Revaluation	Collections for future periods	Collections of 2012-2013 pledges	Unpaid pledges
Human Settlements Foundation								
Non-earmarked foundation -								
Governments								
Afghanistan	-	-	-	1,000	-	1,000	1,000	-
Argentina	-	-	-	3,000	-	-	3,000	-
Barbados	-	-	-	3,000	-	-	3,000	-
Canada	-	-	-	150,233	-	-	150,233	-
Chile	-	-	-	5,000	-	-	5,000	-
Finland	-	-	-	609,214	-	-	609,214	-
Ghana	14,147	-	14,147	-	-	-	-	-
India	80,000	-	-	100,000	-	-	100,000	80,000
Israel	-	-	-	10,000	-	-	10,000	-
Japan	96,372	-	96,372	86,735	-	-	86,735	-
Kenya	-	-	-	70,000	-	-	69,492	508
Norway	-	-	-	5,383,052	-	-	5,383,052	-
Pakistan	-	-	-	5,980	-	-	5,980	-
Panama	-	-	-	1,000	-	-	1,000	-
Republic of Korea	-	-	-	88,117	-	-	88,117	-
Russian Federation	-	-	-	10,000	-	-	10,000	-
Rwanda	-	10,000	10,000	5,000	-	-	-	5,000
South Africa	-	50,950	50,950	86,750	-	-	86,750	-
Sri Lanka	-	-	-	15,000	-	-	15,000	-
Sweden	-	-	-	2,385,957	-	-	2,385,957	-
Tunisia	-	-	-	714	-	-	714	-
United States of America	-	-	-	1,900,000	-	-	1,900,000	-
Total Non-earmarked	190,519	60,950	171,469	10,919,752	-	1,000	10,914,244	85,508
Earmarked Foundation –								
Governments								
Brazil	-	-	-	291,496	-	-	291,496	-
China	-	-	-	259,320	-	-	259,320	-
Egypt	-	-	-	500,000	-	-	500,000	-
Finland	-	-	-	164,560	-	-	164,560	-
France	-	-	-	318,917	-	-	318,917	-
Germany	-	-	-	423,310	-	-	423,310	-
Japan	-	-	-	462,267	-	-	462,267	-

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2012
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2012	Adjustments to prior periods pledges and receipts	Collections of prior periods' pledges	Pledges for 2012-2013	Revaluation	Collections for future periods	Collections of 2012-2013 pledges	Unpaid pledges
Jordan	-	-	-	63,910	-	-	63,910	-
Norway	-	-	-	7,436,806	-	-	7,436,806	-
Republic of Korea	-	-	-	300,000	-	-	300,000	-
Russian Federation	-	-	-	390,000	-	-	390,000	-
Spain	-	-	-	181,818	-	-	181,818	-
Sri Lanka	-	-	-	39,975	-	-	39,975	-
Sweden	-	-	-	4,569,098	-	-	4,569,098	-
Sub-total	-	-	-	15,401,477	-	-	15,401,477	-
Earmarked Foundation - United Nations and other organisations								
Arcadis Nederland BV	-	-	-	64,903	-	-	64,903	-
AT-Verband (AT-Association)	-	-	-	59,288	-	-	59,288	-
Camapania Festival Foundation	-	-	-	313,500	-	-	313,500	-
Corporacion Andina de Fomento (CAF)	-	-	-	170,000	-	-	170,000	-
European Union	-	-	-	2,528,387	-	-	2,528,387	-
GDF SUEZ	-	-	-	30,000	-	-	30,000	-
IBRD/World Bank	-	-	-	135,000	-	-	135,000	-
International Fund for Agricultural Development	-	-	-	161,840	-	-	161,840	-
Lafarge	-	-	-	29,968	-	-	29,968	-
Mojang AB	-	-	-	100,000	-	-	100,000	-
Siemens AG	-	-	-	129,434	-	-	129,434	-
The Ford Foundation	-	-	-	97,460	-	-	97,460	-
UNFPA	-	-	-	250,947	-	-	250,947	-
UNIPV	-	-	-	51,432	-	-	51,432	-
United Nations Development Programme	-	111,280	-	100,000	-	-	211,280	-
United Nations Environment Programme (UNEP)	-	-	-	130,000	-	-	130,000	-
United Nations High Commission for Refugees (UNHCR)	-	-	-	40,000	-	-	40,000	-
University of Toronto	-	-	-	96,970	-	-	96,970	-
UNOPS - Switzerland	-	-	-	30,000	-	-	30,000	-
Sub-total	-	111,280	-	4,519,129	-	-	4,630,409	-

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2012
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2012	Adjustments to prior periods pledges and receipts	Collections of prior periods' pledges	Pledges for 2012-2013	Revaluation	Collections for future periods	Collections of 2012-2013 pledges	Unpaid pledges
Earmarked Foundation - Public Donors								
Barcelona City Council	-	-	-	132,070	-	-	132,070	-
BASF AG	-	-	-	114,614	-	-	114,614	-
Donation of People of Japan	-	-	-	8,791	-	-	8,791	-
Dubai Municipality (DXB-MUN-G-EXP)	-	-	-	44,977	-	-	44,977	-
Fukuoka International Exchange Foundation (FIEF)	-	-	-	205,227	-	-	205,227	-
Prefeitura da Cidade do Rio de Janeiro (PCRJ)	-	135,113	-	512,414	-	-	647,527	-
Rafik Hariri Foundation	-	-	-	328,183	-	-	328,183	-
Sub-total	-	135,113	-	1,346,276	-	-	1,481,389	-
Total Earmarked Foundation Contributions	-	246,393	-	21,266,882	-	-	21,513,275	-
Total Human Settlement Foundation Contributions	190,519	307,343	171,469	32,186,634	-	1,000	32,427,519	85,508
Water and Sanitation Trust Fund								
African Development Bank	-	-	-	848,889	-	-	848,889	-
Agence Francaise de Development	-	-	-	219,818	-	-	219,818	-
BASF AG	-	-	-	264,901	-	-	264,901	-
Bill & Melinda Gates Foundation	-	-	-	50,645	-	-	50,645	-
Coca Cola - Atlanta	-	-	-	750,000	-	-	750,000	-
Coca Cola Far East Ltd	-	-	-	50,000	-	-	50,000	-
Coca Cola India Pvt Ltd.	-	-	-	199,945	-	-	199,945	-
Global Environment and Technology Foundation	-	-	-	192,921	-	-	192,921	-
Netherlands	-	-	-	1,143,560	-	-	1,143,560	-
Norway	-	-	-	1,214,957	-	-	1,214,957	-
SAERG	-	-	-	25,534	-	-	25,534	-
UNDAP of Tanzania	-	-	-	438,384	-	-	438,384	-
United Nations Development	-	-	-	149,533	-	-	149,533	-

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2012
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2012	Adjustments to prior periods pledges and receipts	Collections of prior periods' pledges	Pledges for 2012-2013	Revaluation	Collections for future periods	Collections of 2012-2013 pledges	Unpaid pledges
Programme								
UNMISS	-	-	-	396,755	-	-	396,755	-
UNOPS - Switzerland	-	-	-	2,407,005	-	-	2,407,005	-
Total Water and Sanitation Trust Fund Contributions	-	-	-	8,352,847	-	-	8,352,847	-
Palestinian Trust Fund								
Bahrain	-	-	-	1,000,000	-	-	1,000,000	-
European Union	-	-	-	1,958,316	-	-	1,958,316	-
France	-	-	-	647,604	-	-	647,604	-
IBRD/World Bank IFC HQ (Washington)	-	-	-	52,430	-	-	52,430	-
Saudi Arabia	-	-	-	2,877,606	-	-	2,877,606	-
Total Palestinian Trust Fund Contributions	-	-	-	6,535,956	-	-	6,535,956	-
Total Contributions	190,519	307,343	171,469	47,075,437	-	1,000	47,316,322	85,508
				Statement IV		Statement V		Statement V
Ageing of unpaid pledges								
Categories				Less than six months	Six months to one year	More than one year	More than two years	Total
Governments				5,508	-	80,000	-	85,508
Total				5,508	-	80,000	-	85,508

United Nations Human Settlements Programme
Technical Cooperation activities
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2012
(Thousands of United States Dollars)

	Reference	Trust Funds	UNDP	Programme Support	All funds eliminations	Total 2012	2010
Income							
Voluntary contributions	Schedule 7.2	98,444	1,113	-	-	99,557	128,173
Funds received under inter-organization arrangements	Note 2 k(ii) & t(iii)	-	9,764	-	-	9,764	1,101
Income for services rendered		-	-	7,245	(7,245)	-	178
Interest income		690	-	71	-	761	1,827
Miscellaneous income	Note 3	851	-	-	-	851	17
Total income		99,985	10,877	7,316	(7,245)	110,933	131,296
Expenditure							
Staff and other personnel costs		35,052	204	7,348	-	42,604	37,249
Contractual services		29,679	165	250	-	30,094	37,869
Travel		3,066	8	255	-	3,329	2,329
Operating expenses		10,935	29	1,554	-	12,518	17,703
Acquisitions		6,388	-	28	-	6,416	6,563
Fellowships, grants and contributions		7,512	10,323	-	-	17,835	17,629
Programme support costs		6,728	532	-	(7,245)	15	(27)
Total expenditure	Schedule 7.1	99,360	11,261	9,435	(7,245)	112,811	119,315
Excess / (shortfall) of income over expenditure		625	(384)	(2,119)	-	(1,878)	11,981
Prior period adjustments	Note 4	(813)	-	-	-	(813)	(281)
Net excess/ (shortfall) of income over expenditure		(188)	(384)	(2,119)	-	(2,691)	11,700
Savings on prior period obligations	Note 2 (k) (viii)	92	384	8	-	484	88
Transfers to reserves	Note 2 (p)	-	-	-	-	-	(85)
Transfers from/(to) other funds		165	-	-	-	165	-
Refunds to member states and other donors	Note 5	(936)	-	-	-	(936)	(1,221)
Fund balances, beginning of year		48,517	-	9,783	-	58,300	47,886
Fund balances, end of year		47,650	-	7,672	-	55,322	58,368
Reserves, beginning of year		11,360	-	1,960	-	13,320	9,596
Transfers to reserves	Note 2 (p)	-	-	-	-	-	85
Reserves, end of year		11,360	-	1,960	-	13,320	9,681
Total reserves and fund balance		59,010	-	9,632	-	68,642	68,049

United Nations Human Settlements Programme
Technical Cooperation activities
Statement of assets, liabilities, reserves and fund balances as at 31 December 2012
(Thousands of United States Dollars)

	Reference	Trust Funds	UNDP	Programme support costs	Total 2012	2010 Restated
Assets						
Cash and term deposits	Note 6	6,136	-	-	6,136	5,420
Cash pools	Note 6	71,369	-	10,004	81,373	103,852
Interfund balances receivable	Note 7	9,619	39	-	9,658	14,801
Accounts receivable	Note 8	8,765	199	100	9,064	1,971
Balances relating to projects funded by donors	Note 9	-	8,517	-	8,517	7,672
Other assets	Note 10	5,508	-	64	5,572	105
Total assets		101,397	8,755	10,168	120,320	133,821
Liabilities						
Unliquidated obligations	Note 11	32,548	484	347	33,379	54,487
Interfund balances payable	Note 7	3,095	7,526	156	10,777	9,646
Accounts payable	Note 12	324	745	33	1,102	1,639
Other liabilities	Note 10	6,420	-	-	6,420	-
Total liabilities		42,387	8,755	536	51,678	65,772
Reserves and fund balances						
Reserves	Notes 2 (p) and 14	11,360	-	1,960	13,320	9,681
Fund balance	Notes 2 (r) and 14	47,650	-	7,672	55,322	58,368
Total reserves and fund balances		59,010	-	9,632	68,642	68,049
Total liabilities, reserves and fund balances		101,397	8,755	10,168	120,320	133,821

United Nations Human Settlements Programme
Technical Cooperation activities
Status of allocations for the year ended 31 December 2012
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Trust Funds					
Staff and other personnel costs	48,179	5,930	29,122	35,052	13,127
Contractual services	51,032	13,855	15,824	29,679	21,353
Travel	4,138	475	2,591	3,066	1,072
Operating expenses	21,395	2,542	8,393	10,935	10,460
Acquisitions	9,962	1,663	4,725	6,388	3,574
Fellowships, grants and contributions	8,738	979	6,533	7,512	1,226
Programme support costs	10,418	-	6,728	6,728	3,690
Sub-total	153,862	25,444	73,916	99,360	54,502
UNDP					
Staff and other personnel costs	422	70	134	204	218
Contractual services	248	45	120	165	83
Travel	107	2	6	8	99
Operating expenses	93	2	27	29	64
Fellowships, grants and contributions	10,332	4	10,319	10,323	9
Programme support costs	555	-	532	532	23
Sub-total	11,757	123	11,138	11,261	496
Programme support					
Staff and other personnel costs	7,436	73	7,275	7,348	88
Contractual services	337	127	123	250	87
Travel	332	37	218	255	77
Operating expenses	1,610	12	1,538	1,550	60
Acquisitions	39	1	27	28	11
Sub-total	9,754	250	9,181	9,431	323
Sub-total	175,373	25,817	94,235	120,052	55,321
Currency exchange losses					
Programme Support	-	-	4	4	(4)
Total	175,373	25,817	94,239	120,056	55,317
Less: Elimination of programme support cost				(7,245)	
Net total Expenditure				112,811	

Statement VI

United Nations Human Settlements Programme
Technical Cooperation activities
Contributions for the year ended 31 December 2012
(United States Dollars)

Countries/Organisations	2012	2010
Trust fund		
Governments		
Afghanistan	1,909,633	483,209
Australia	-	8,655,700
Algeria	10,000	-
Burkina Faso	47,920	-
Cameroon	103,482	-
Canada	396,456	2,168,827
Colombia	7,768	269,705
Comoros	9,973	-
Congo, Dem. Rep.	260,000	-
Denmark	805,581	-
Egypt	1,491,433	1,087,521
Finland	-	66,740
Gabon	9,943	-
Gambia	10,000	-
Ghana	9,950	-
India	716,290	-
Iran	1,000,000	491,006
Iraq	399,575	-
Italy	2,606,000	-
Japan	10,355,091	31,000,000
Kenya	17,442	-
Mali	9,776	-
Mexico	152,942	160,552
Morocco	461,577	78,248
Namibia	10,000	-
Niger	19,942	-
Nigeria	977,438	120,734
Norway	2,440,271	831,294
Pakistan	-	600,000
South Africa	10,000	-
Spain	1,654,114	2,166,176
Sweden	2,885,787	2,125,551
Tanzania, United Rep. of	18,836	100,000
United Kingdom	-	2,759,924
United States of America	2,281,354	-
Zimbabwe	9,975	-
Total Governments	31,098,549	53,165,187
United Nations and other organizations		
Action Aid	379,112	-
Arcadis Nederland BV	30,273	-
Asian Development Bank (ADB)	274,765	2,642,573
AusAID	1,518,900	-
Booyoung	300,000	-
Canadian International Development Agency	-	7,978,563
Corporacion Andina de Fomento (CAF)	7,490	-
COSUDE	371,774	-
Department for International Development (DFID)	3,001,747	8,740,176
Ecopetrol S.A	660,880	-
European Union	22,094,242	13,564,467
FINANCIERA DE DESARROLLO TERRITORIAL S.A	12,500	-
FSADU	134,544	-

United Nations Human Settlements Programme
Technical Cooperation activities
Contributions for the year ended 31 December 2012
(United States Dollars)

Countries/Organisations	2012	2010
Fundacao Euclides da CUNHA (FEC)	73,644	-
Global Green Growth Institute	126,500	-
IBRD/World Bank	468,962	1,197,875
International Organization for Migration (IOM)	42,980	-
Irish Aid	-	245,000
LIFT/UNOPS	-	982,810
KSPKBLSC01.12-JICA	883,503	-
Kunshan Housing and Urban Rural Development Bureau	256,000	-
SFCG/CL	45,975	-
MDG-F Secretariat	-	1,151,144
Municipality of Hani i Elezit	-	26,128
NZAID – New Zealand International Aid and Development Agency	-	250,000
UNDG, Iraq Trust Fund	-	3,619,882
UNESCO Islamabad	10,700	-
UNFPA Pakistan	1,238,044	-
UNISDR	85,000	58,315
United Nations Children's Fund	225,000	637,931
United Nations Children's Fund Somalia Country Office - UNICEF (SoCo)	70,310	-
United Nations Development Programme	9,521,405	6,593,551
United Nations General Trust Fund	1,351,134	6,250,072
United Nations High Commission for Refugees (UNHCR)	1,026,628	2,954,684
United Nations Office for Project Services (UNOPS)	363,156	-
United Nations Office for the Coordination of Humanitarian Affairs - (OCHA)	315,554	-
UNOCHA - Somalia (SO)	854,224	23,979
United States Agency for International Development	16,452,910	16,005,168
WFP	376,965	-
Zapopan	188,078	-
Total United Nations and other organizations	62,762,899	72,922,318
Public Donors		
Al Fayhaa Union of Municipalities	-	12,300
American University of Beirut (AUB)	-	9,973
BASF Aktiengesellschaft	185,850	180,950
City of Munich	-	28,127
Fundacao Vale	-	107,000
International Federation of Red Cross and Red Crescent	-	16,822
Japan Habitat Association	-	30,000
Katahira & Engineers International	-	38,384
Miscellaneous Income to UN-Habitat	-	1,335
MRRD Afghanistan	2,121,530	894,920
Organization of the Islamic Conference	-	75,000
Prefeitura da Cidade do Rio de Janeiro (PCRJ)	2,275,442	135,113
Salvation Army (Sri Lanka)	-	555,736
Salvation Army (Sri Lanka)	-	555,736
Total Public Donors	4,582,822	2,085,660
Total Trust fund contributions	98,444,270	128,173,166
UNDP funded projects	1,112,934	-
Total contributions	99,557,204	128,173,166

Statement VI

United Nations Human Settlements Programme
End of Service and Post Retirement Benefits
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2012
(Thousands of United States Dollars)

	Reference	After Service Health Insurance	Annual Leave	Repatriation Benefits	Total	
					2012	2010
Non-budgeted accrued expenses		(2,276)	(159)	206	(2,229)	(1,265)
Net excess/ (shortfall) of income over expenditure		(2,276)	(159)	206	(2,229)	(1,265)
Fund balances, beginning of year		(17,439)	(1,868)	(206)	(19,513)	(10,145)
Fund balances, end of year		(19,715)	(2,027)	-	(21,742)	(11,410)
Reserves, beginning of year		-	-	-	-	2
Transfers to reserves		-	-	325	325	330
Reserves, end of year		-	-	325	325	332
Total reserves and fund balances		(19,715)	(2,027)	325	(21,417)	(11,078)

Statement of assets, liabilities, reserves and fund balances as at 31 December 2012

(Thousands of United States Dollars)

Assets						
Interfund balances	Note 7	-	-	4,552	4,552	3,271
Total assets		-	-	4,552	4,552	3,271
Liabilities						
End-of-service and post retirement benefits	Note 13	19,715	2,027	4,227	25,969	14,349
Total liabilities		19,715	2,027	4,227	25,969	14,349
Reserves and fund balances						
Reserves		-	-	325	325	332
Fund Balance	Notes 2(r) & 14	(19,715)	(2,027)	-	(21,742)	(11,410)
Total reserves and fund balances	Note 13	(19,715)	(2,027)	325	(21,417)	(11,078)
Total liabilities, reserves and fund balances		-	-	4,552	4,552	3,271

NOTES TO THE FINANCIAL STATEMENTS

Note 1. The United Nations Human Settlements Programme and its objectives

- (a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations HABITAT and Human Settlements Foundation.
- (b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (HABITAT)) and a Commission on Human Settlements.
- (c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations HABITAT and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the General Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme shall be responsible for the management of the United Nations HABITAT and Human Settlements Foundation.
- (d) The main objectives of the Programme are:
 - (i) To improve the shelter conditions of the world's poor and to ensure sustainable human settlements development;
 - (ii) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg plan of implementation on slums, safe drinking water and sanitation;
 - (iii) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes and to develop related capacities, primarily at the national and local levels;
 - (iv) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

Note 2. Summary of significant accounting and financial reporting policies of the United Nations

- (a) The accounts of the UN-HABITAT are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the Rules formulated by the Secretary General as required under the Regulations, administrative instructions issued by the Under-Secretary General for Management or the Controller, including the special annex of the Financial Rules of the United Nations Human Settlements Programme and specific decisions of the Governing Council. They also take fully into account the United Nations System Accounting Standards, as adopted by the Administrative Committee on Coordination (ACC). The ACC has since been replaced by the Chief Executives Board on Coordination (CEB). The Organization follows International Accounting Standard 1 – Presentation of Financial Statements, on the disclosure of accounting policies, as modified and adopted by the CEB as stated below:
 - i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;
 - ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;
 - iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;
 - iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;
 - v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;
 - vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material be disclosed and quantified.

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- (b) The Organization's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.
- (c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds.
- (d) Generally, income, expenditure, assets, and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.
- (e) The accounts of the Organization are presented in United States Dollars. Accounts maintained in other currencies are translated into United States Dollars at the time of the transactions, at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges, and current accounts receivable and payable in currencies other than the United States Dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.
- (f) The Organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.
- (g) The Cash Flow Summary statement is based on the "Indirect Method" of cash flow as referred to in the United Nations System Accounting Standards.
- (h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards to the CEB.
- (i) The results of the Organization's operations presented in Statements I, II and III are combined by type of fund after the elimination of all instances of double counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.
- (j) Under resolution 32/162 of 19 December 1977, the regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Human Settlements Programme. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. However for transparency, the status of the current period allocations from regular budget given to the United Nations Human Settlements Programme are included on Statement I and related assets and liabilities, if any, on Statement II.
- (k) Income:
 - i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Pledged contributions that remain outstanding for more than three years are reviewed and written off during the financial period when they would have been four years old. Outstanding pledges can only be carried in the UN-Habitat's books for more than four years upon a written commitment from the concerned donor to settle them within a defined time frame. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;
 - ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;
 - iii) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;
 - iv) Income for services rendered includes reimbursements for salaries of staff members and other costs which are attributable to providing technical and administrative support to other organizations;
 - v) Interest income includes all interest earned on loans, deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the Cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with operation of investments in the Cash pools are allocated to the participating funds;

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- vi) Miscellaneous income includes sale of used or surplus property, refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified, and other sundry income;
- vii) Income relating to future financial periods is not recognized in the current financial period and is recorded as payments or contributions received in advance as referred to in item (n) (iii);
- viii) Savings from the liquidation of prior periods' obligations relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

- i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;
- ii) Expenditure incurred for non-expendable property is charged to the budget of the year when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;
- iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges as referred to in item m (iv) and (vi) below.

(m) Assets:

- i) Cash and term deposits represent funds held in demand deposit accounts and interest bearing bank deposits;
- ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus/minus any unamortized premium/discount. If the market value of the short term investments is lower than the book value, the book value is adjusted accordingly. (See also note 6);
- iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the Cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the Cash pools is reported separately in each of the participating funds' statement and its composition and the market value of its investments are disclosed in Note 6;
- iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with Financial Rule 106.7. Such commitments are restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;
- v) Interfund balances reflect transactions between funds, and are included in the amounts due to and from the Technical Cooperation Funds, Trust Funds, other Special Accounts, the United Nations General Fund and other United Nations Funds which are normally settled periodically dependent upon availability of cash resources;
- vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled;
- vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property, and leasehold improvements are not included in the assets of the organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements.
- viii) Loan and interest receivable represents the outstanding amount of loans including accrued interest.

- (n) Liabilities and reserves and fund balances:
- i) Operating and other types of reserves are included in the “Reserves and fund balances” shown in the financial statements;
 - ii) Unliquidated obligations for future years are reported as deferred charges and as other liabilities;
 - iii) Deferred income includes pledged contributions for future periods, payments and contributions received in advance, and other income received but not yet earned;
 - iv) Commitments of the Organization relating to prior and current financial periods are shown as unliquidated obligations, while those for future financial periods are shown under other liabilities. Current period obligations related to trust funds remain valid for 12 months following the end of the year to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;
 - v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;
 - vi) Accrued liabilities for end-of-service and post-retirement benefits comprise after-service health insurance (ASHI), unused annual leave and repatriation benefits. These are determined on an actuarial basis.
- (o) Financial reserve: As stated in rule 304.3.2 (b) of the Financial Rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows, and to meet such other similar requirements as may be decided upon by the Governing Council.
- (p) Operating reserve: With regard to the Programme support costs account, and as stated in Administrative Instruction ST/AI/286, an operating reserve of 20% of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources. With regard to trust funds, and as stated in Administrative Instruction ST/AI/284, an operating cash reserve at a constant level of 15% of estimated annual planned expenditure will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditure under the trust fund, including any liquidating liabilities.
- (q) Loan fund reserve: as stated in rules 304.3.2 (e) of the financial rules of the Foundation, the purpose of the loan fund reserve is to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund account.
- (r) Earmarked fund balance: Funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.
- (s) A provision to meet contingent liabilities for compensation payments under Appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.
- (t) Technical cooperation activities:
- i) The technical cooperation financial statements report on activities financed by voluntary contributions and funds received under inter-organizational arrangements from UNDP and other sources;
 - ii) Voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;
 - iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;
 - iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;
 - v) Unliquidated obligations for the current period in respect to all technical cooperation activities remain valid for twelve months following the end of the calendar year, rather than the year, to which they relate. However in accordance with UNDP reporting requirements, executing agencies

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may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior period obligations are credited to individual projects as a reduction of the current period expenditure in accordance with the UNDP reporting requirements;

- vi) Distribution of interest income for trust funds is calculated at year end using the percentage participation of each fund based on the monthly average fund balance.
- (u) The United Nations Human Settlements Programme is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multiemployer defined-benefit plan.

An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual participating organizations, the United Nations Human Settlements Programme is not in a position to identify its share of the underlying financial position and performance of the Pension Fund with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan. Thus the United Nations Human Settlements Programme share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements.

The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the Organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the 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 at the valuation date. As at the reporting date for the current financial statements, the General Assembly had not invoked this provision.

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Note 3. Miscellaneous income (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	All funds eliminations	Total	
				2012	2010
Gain on currency exchange transactions	506	851	-	1,357	54
Unspecified contributions	-	-	-	-	27
Carbon emissions offsets	66	-	(66)	-	-
Other sundry income	2	-	-	2	19
Total	574	851	(66)	1,359	100

Note 4. Prior period adjustments (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Total	
			2012	2010
Adjustments to prior period expenditure	(11)	(110)	(121)	(220)
Adjustments to prior period pledges	307	(703)	(396)	18
Write-offs	(4)	-	(4)	(1)
Total	292	(813)	(521)	(203)

Note 5. Refunds to member states and other donors (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Total	
			2012	2010
Government of Finland	(125)	-	(125)	-
Government of Iraq	-	-	-	(140)
Government of Netherlands	-	-	-	(21)
Government of Sweden	-	(903)	(903)	-
International Bank for Reconstruction & Dev.	(91)	-	(91)	-
Swedish International Development Cooperation Agency SIDA	-	-	-	(257)
UNDG, Iraq Trust Fund, BRSP/UNDP	-	-	-	(1,014)
UNICEF - Pakistan	-	(1)	(1)	-
United Nations General Trust Fund	-	(32)	(32)	-
United Nations High Commission for Refugees	-	-	-	(46)
United Nations Trust Fund	-	-	-	(39)
Total	(216)	(936)	(1,152)	(1,517)

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Note 6. Convertible and non-convertible cash and term deposits and Cash pools as at 31 December 2012 (Thousands of United States dollars)

	Reference	Cash pools (a)	Cash and term deposits
Foundation activities			
United States dollars denominated		76,286	3,158
Euro denominated (d)		13,951	-
Indian Rupees denominated (c)		-	76
Total	Statement V	90,237	3,234
Represented by:			
Cash and term deposits US\$ denominated		11,744	3,158
Cash and term deposits Euro denominated		4,950	-
Cash and term deposits Indian Rupees denominated		-	76
Short term investments at lower or cost or market value (b)		27,611	-
Long term investments		45,656	-
Accrued interest receivable		276	-
Total		90,237	3,234
Technical Cooperation activities			
United States dollars denominated	Statement VII	81,373	6,136
Represented by:			
Cash and term deposits		12,527	6,136
Short term investments at lower of cost or market value (b)		27,176	-
Long term investments		41,491	-
Accrued interest receivable		179	-
Total		81,373	6,136
Total Foundation and Technical Cooperation activities	Statement II	171,610	9,370

- (a) Investments are placed in the Headquarters joint investment pools. Treasury, United Nations Secretariat, is solely responsible for the investment policy and participating offices are only responsible for their own cash flow/liquidity planning. Treasury invests in different securities, with varying due dates and interest rates. Hence, it is not practical to indicate due dates and interest rates against the investment pools. See note 21 for more information.
- (b) When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. Long term investments are reported at book value. No change was made during this period.
- (c) The exchange rate used to determine the United States dollar equivalent was 1 US\$ =54.93 Indian Rupees. In local currency amount, Indian Rupees were 4,187 at 31 December 2012.
- (d) The Euro cash pool comprises cash and term deposits of €3,733, short-term investments of €1,609, long-term investments of €5,097, and accrued interest receivable of €82. The UN operational exchange rate as at 31 December 2012 was 1 US\$ = 0.754 Euro.

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Note 7. Interfund balances (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	End of Service and Post-Retirement Benefits	Total	
				2012	2010
Interfund balances receivable	2,598	9,658	4,552	16,808	38,364
Interfund balances payable	7,216	10,777	-	17,993	39,128
Net interfund receivable/(payable)	(4,618)	(1,119)	4,552	(1,185)	(764)
The net interfund payable is due to UNON				(1,185)	(764)
Net interfund payable				(1,185)	(764)

The interfund accounts reflect transactions between the Foundation and Technical Cooperation activities, United Nations General Fund and other funds which are settled periodically.

Note 8. Accounts receivable (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Regular Budget	Total	
				2012	2010
Staff members	749	341	-	1,090	1,418
UN agencies/entities	5,961	7,379	452	13,792	4,087
Vendors	64	100	-	164	81
Governments	287	1,230	-	1,517	169
Others	116	14	-	130	231
Total	7,177	9,064	452	16,693	5,986
Ageing:					
Less than six months	3,787	5,176	452	9,415	5,399
Six months to one year	1,740	1,167	-	2,907	148
More than one year	1,614	2,522	-	4,136	124
More than two years	36	199	-	235	315
Total	7,177	9,064	452	16,693	5,986

Note 9. Balances relating to projects funded by donors (Thousands of United States Dollars)

The amount of 8,517 shown on Statement II as "Balances relating to projects funded by donors" represents the amount receivable from UNDP, in accordance with existing arrangements, of which 384 is related to unliquidated obligations.

Note 10. Other assets (Thousands of United States Dollars)

Other assets	Foundation activities	Technical Cooperation activities	Total	
			2012	2010
Deferred charges - Commitments against future years	2,221	5,423	7,644	-
Deferred charges - Education grant advances	204	132	336	403
Other	5	17	22	-
Total	2,430	5,572	8,002	403

Other liabilities	Foundation activities	Technical Cooperation activities	Total	
			2012	2010
Commitments against future years	2,221	5,423	7,644	-
Other	210	997	1,207	-
Total	2,431	6,420	8,851	-

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Note 11. Unliquidated obligations (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Regular Budget	Total	
				2012	2010
Prior periods	6,343	2,506	-	8,849	22,120
Current period	22,234	30,873	452	53,559	71,070
Total	28,577	33,379	452	62,408	93,190

Note 12. Accounts payable (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Total	
			2012	2010
Staff members	143	84	227	535
UN agencies/entities	409	740	1,149	2,084
Vendors	189	188	377	454
Governments	432	80	512	120
Others	155	10	165	173
Total	1,328	1,102	2,430	3,366

Note 13. End-of-service and post-retirement benefits (Thousands of United States Dollars)

	Total	
	2012	2010
After Service Health Insurance	19,715	9,356
Annual Leave	2,027	2,054
Repatriation Benefits	4,227	2,939
Total	25,969	14,349
Less: provision already made	(4,552)	(3,271)
Net liability not funded	21,417	11,078

- (a) End-of-service and post-retirement benefits comprise after-service health insurance (ASHI) coverage, annual leave, and repatriation benefits. As disclosed in Note 2 (n) (vi), all three liabilities are determined on the basis of an actuarial valuation. A valuation was carried out as at 31 December 2011 and the next is planned for as at 31 December 2013.
- (b) After-service health insurance (ASHI)
- i) Upon end-of-service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including ten years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as ASHI.
 - ii) The major assumptions used by the actuary to determine the liabilities for ASHI as at 31 December 2012 were a discount rate of 4.5%, current and future years rate of inflation of 2.5%; health care escalation rates of 8.0% in 2012, grading down to 4.5% in 2027 and later years for both USA non-Medicare and non-USA medical plans, 7.0% in 2012 grading to 4.5% in 2027 and later years for USA Medicare plans, 5.0% in 2012 grading to 4.5% in 2027 and later years for USA dental plans; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Pension Fund (UNJSPF) in making its own actuarial valuation.
 - iii) Contribution from retirees and a portion of the contributions from active staff are deducted from the gross liability in order to arrive at the Organization's residual liability in accordance with cost sharing ratios authorized by the General Assembly. These ratios require that the Organization's share shall not exceed one-half for non-USA health plans, two-thirds for USA health plans, and three-quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same

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health insurance plans and that their collective contributions serve to meet the approved cost sharing ratios.

- iv) On the basis of the assumptions outlined in (ii) and (iii) above, the present value of the estimated accrued liability as at 31 December 2011 was estimated at US\$17,439 and US\$19,715 for as at 31 December 2012.
- v) Further to the assumptions in (b)(ii) above, it is estimated that the present value of the liability would increase by 26.2% or decrease by 19.8% if medical trend costs are increased or decreased by 1.0% respectively, with all other assumptions held constant. Similarly, it is estimated that the accrued liability would decrease by 20.2% and increase by 27.4% if discount rate is increased or decreased by 1.0% respectively.

(c) Annual leave

- i) Upon end-of-service, staff members may commute unused leave days up to a maximum of sixty working days for those holding a fixed term or continuing appointments. This benefit is referred to as annual leave benefits.
- ii) The major assumptions used by the actuary were a discount rate of 4.5%; annual salary increases ranging from 9.1% to 4.0% based on age and category of staff members; and an annual rate of increase in accumulated annual leave balances of 12.5 days for 1 to 3 years of service, 3.0 days for 4-6 years of service and 0.1 days for 7 and later years of service.
- iii) On the basis of these assumptions, the present value of the accrued liability for annual leave as at 31 December 2011 was estimated at US\$1,868 and US\$2,027 for as at 31 December 2012.

(d) Repatriation benefits

- i) Upon end-of-service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.
- ii) The major assumptions used by the actuary were a discount rate of 4.5%; annual salary increases ranging from 9.1% to 4.0% based on age and category of staff members, and travel cost increases of 2.5% per annum.
- iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2011 was estimated at US\$3,985 and US\$4,227 for as at 31 December 2012.

Note 14. Reserves and fund balances (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	End of Service and Post-Retirement Benefits	Total	
				2012	2010
Financial reserve	6,619	-	-	6,619	6,619
Loan fund reserve	550	-	-	550	550
Operating reserve	4,726	13,320	-	18,046	14,318
Other reserves ¹	-	-	325	325	332
Total reserves	11,895	13,320	325	25,540	21,819
Loan fund balance	2,643	-	-	2,643	2,709
Earmarked fund balance	35,520	47,650	-	83,170	83,572
Cumulative surplus/(deficit)	18,105	7,672	(21,742)	4,035	23,009
Total fund balances	56,268	55,322	(21,742)	89,848	109,290
Total reserves and fund balances	68,163	68,642	(21,417)	115,388	131,109

¹ This represents excess accruing of the repatriation benefits through payroll over the liability as per the actuarial valuation.

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Note 15. Non-expendable property (Thousands of United States Dollars)

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against current appropriations when acquired.

	Total	
	2012	2010
Headquarters		
Computer equipment	1,648	1,258
Office equipment	12	12
Radio and telecommunication equipment	76	45
Audio visual/photographic equipment	77	54
Transportation equipment	223	201
Furniture	560	653
Document and reproduction equipment	13	156
Medical equipment	17	-
Total Headquarters	2,626	2,379
Regional and out posted offices	595	531
Projects	12,248	8,860
Total OAHs	12,843	9,391
Total	15,469	11,770

Summary

Opening balance	14,599	9,595
Acquisitions	1,336	1,382
Disposals:		
Write-offs	(208)	(24)
Sales	(104)	(13)
Donations	(385)	(19)
Prior period adjustments ²	231	849
Closing balance	15,469	11,770

Note 16: Status of the Regular Budget funds allocations (exclusive of staff assessments) as at 31 December 2012 (Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	
				2012	2010
United Nations General Fund					
Staff and other personnel costs	10,328	26	11,242	11,268	9,394
Operating expenses	408	136	252	388	2,275
Sub-total	10,736	162	11,494	11,656	11,669
Special Account for Supplementary Development Activities					
Staff and other personnel costs	72	-	41	41	12
Contractual services	318	89	113	202	153
Travel	120	14	65	79	14
Operating expenses	68	-	7	7	6
Fellowships, grants and contributions	664	187	55	242	159
Sub-total	1,242	290	281	571	344
Total	11,978	452	11,775	12,227	12,013

² This represents adjustments to the inventory in the database for the prior period to reflect actual physical count as at 31 December 2012.

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Note 17: Experimental Reimbursable Seeding Operations Trust Fund (Thousands of United States dollars)

- (i) An amount of US\$2,750 has been allocated for reimbursable seeding operations under the Loan Fund account.
- (ii) A Loan Fund Reserve has been established at the level of 20% of disbursed reimbursable seeding operations under the Loan Fund account to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund.
- (iii) Interest income from loan operations is recognized as income in the year when earned.
- (iv) The following is a summary of the loan account.

	2012	2010
Interest income - loans ³	36	33
Interest income – other	7	12
Total interest income	43	45
Loan and interest receivable	1,964	2,583
Loan Fund balance	2,643	2,709

- (v) As at 31 December 2012, five loans had been disbursed. The maturity dates of the loans receivable is as follows:

	2012	2010
5 years or less	123	630
Greater than 5 years up to 10 years	446	475
Greater than 10 years	1,390	1,469
Subtotal	1,959	2,574
Add: Accrued interest	5	9
Loan and interest receivable	1,964	2,583

- (v) These loans bear interest at a weighted average rate of 4.2%.

Note 18 Accounting policy change - Regular Budget funding

UN-Habitat's funding from Regular Budget and its related expenditure, previously reported as a note to the financial statements, effective 31 December 2010 is reported on the face of the financial statements. Management judges that this policy provides a more complete presentation of the financial results of UN-Habitat. The assets and liabilities related to regular budget funding are wholly owned by the UN Secretariat and are reported in Volume I of its financial statements. However those specific to the expenditure that has been recorded have been reflected on Statement II. The comparatives for statement II for the year ended 31 December 2010 have been restated as shown below.

Statement II Statement of assets, liabilities, reserves and fund balances (Thousands of United States Dollars)

	as originally reported	Inclusion of Regular Budget	Restated
Assets			
Accounts receivable	5,650	336	5,986
Total assets	280,813	336	281,149
Liabilities			
Unliquidated obligations	92,854	336	93,190
Total liabilities	149,704	336	150,040

³ Includes accrued interest

Note 19: Contingent liabilities:

As 31 December 2012, UN-Habitat had no reportable contingent liabilities.

Note 20: Treatment of future years' commitments

During the period ended 31 December 2011, UN-Habitat implemented the recording of commitments against future years' as liabilities in its books. In the past these were recorded as current liabilities.

This change is in line with new instructions on this subject given by the UNHQ. Management believes that this properly discloses in its Financial Statements the commitments UN-Habitat makes to its partners through various agreement instruments. The amount involved is being shown as commitments against future years' on note 10 and reflected on the balance sheet under other liabilities with an offset being shown under other assets.

Given the impracticality of obtaining comparative figures, the financial statements for previous periods have not been restated.

Note 21: Contributions in kind (Thousands United States Dollars)

During the year ended 31 December 2012, United Nations Human Settlements Programme received voluntary contributions in kind for various goods and services from governments and other organizations. The estimated fair value of such contributions in kind was 1,967.

Note 22: Cash pools

(a) Background:

- i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including the United Nations Human Settlements Programme ("UN-Habitat"). Such surplus funds are combined in one of three internally managed Cash pools, which invest in major segments of the money and fixed income markets. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities;
- ii) Investment activities of all the cash pools are guided by the principles contained in the Investment Management Guidelines ("Guidelines"). An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance of the various Cash pools.

(b) Investment management objectives:

Further to the Guidelines, investment objectives of all the Cash pools, in order of priority, are the following:

- i) Safety: ensure the preservation of capital;
- ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;
- iii) Return on Investment: attain a competitive market rate of return taking into account investment risk constraints, and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the Cash pool.

(c) Cash pools:

- i) UN-Habitat participates in the following Cash pools:
 - (1) Offices away from Headquarters (OAH) pool which has investments only in United States dollars, and is for use by funds whose main books of accounts are maintained in one of the OAHs.
 - (2) Euro pool which has investments only in Euros, and is for use by funds in OAHs who may have a surplus of Euros from their operations.
- ii) The Cash pools invest in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and

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government securities with maturities of 5 years or less. The Cash pools do not invest in derivative instruments, asset-backed, mortgage-backed or equity products;

- iii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the Cash pools are expensed as incurred in the Cash pools and the net income is distributed proportionately to the funds participating in the Cash pools;
 - iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the Cash pool participants.
- (d) Financial information pertaining to the OAH and Euro Cash pools:
- i) As at 31 December 2012, the OAH and Euro Cash pools held total assets of \$2,170.1 million; of this amount \$171.6 million was due to UN-Habitat, as reflected against the Cash pool line in statement II – Statement of assets, liabilities and reserves and fund balances;
 - ii) Financial information of the OAH and Euro Cash pools as at 31 December 2012 is summarized in table 1.

Table 1

Summary of assets and liabilities of the Cash pools as at 31 December 2012

(Thousands of United States dollars)

	OAH Pool	Euro Pool	Total
Assets			
Short-term investments a/	949,720	34,260	983,980
Long-term investments b/	992,479	108,548	1,101,027
Total investments	1,942,199	142,808	2,085,007
Cash	1	79,496	79,497
Accrued investment income	4,273	1,746	6,019
Total assets	1,946,473	224,050	2,170,523
Liabilities			
Payable to UN-HABITAT	157,659	13,952	171,611
Payable to other funds participating in the Cash pools	1,788,814	210,098	1,998,912
Total liabilities	1,946,473	224,050	2,170,523
Net assets	-	-	-

Summary of net income of the Cash pools for the year ended 31 December 2012

(Thousands of United States dollars)

	OAH Pool	Euro Pool c/	Total
Net income			
Interest income	11,032	1,950	12,982
Realized gains on sales of securities	107	1,947	2,054
Net income from operations	11,139	3,897	15,036

a/ Lower of book value or fair value.

b/ Book value.

c/ Excludes gains or losses arising on revaluation of the underlying Euro currency based investments.

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(e) Composition of the OAH and Euro Cash pools:

Table 2 shows a breakdown of investments held in the OAH and Euro Cash pools by type of instrument:

Table 2
Investments of the Cash pools by type of instrument as at 31 December 2012
(Thousands of United States dollars)

<i>OAH pool</i>	<i>Book value</i>	<i>Fair value a/</i>
Bonds		
Government agencies	944,461	947,189
Non-United States sovereigns and supranationals	488,199	489,021
United States Treasuries	49,926	49,969
Subtotal	1,482,586	1,486,179
Discounted instruments	159,968	159,957
Term deposits	299,645	299,645
Total investments	1,942,199	1,945,781
<i>Euro pool</i>	<i>Book value</i>	<i>Fair value a/</i>
Bonds		
Government agencies	75,352	75,752
Non-United States sovereigns and supranationals	67,456	67,882
Subtotal	142,808	143,634
Total investments	142,808	143,634
<i>Total of Cash pools</i>	<i>Book value</i>	<i>Fair value a/</i>
Bonds		
Government agencies	1,019,813	1,022,941
Non-United States sovereigns and supranationals	555,655	556,903
United States Treasuries	49,926	49,969
Subtotal	1,625,394	1,629,813
Discounted instruments	159,968	159,957
Term deposits	299,645	299,645
Total investments	2,085,007	2,089,415

a/ Fair value is determined by the independent custodian based on valuations of securities that are sourced from third-parties.

(f) Financial risk management:

The OAH and Euro Cash pools are exposed to a variety of financial risks including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were met. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Individual Rating is used to rate term deposits.

The credit ratings of the issuers whose securities were held in the OAH and Euro Cash pools are shown in table 3.

Table 3
Investments of the Cash pools by credit ratings as at 31 December 2012
 (Thousands of United States dollars)

<i>OAH pool</i>	<i>Total a/</i>	<i>Ratings</i>
Bonds	1,482,586	S&P: 36.5% AAA and 63.5% AA+/AA-; Moody's: 90.3% Aaa and 9.7% Aa1/Aa2/Aa3.
Discounted instruments	159,968	S&P: A-1+; Moody's: P-1.
Term deposits	299,645	Fitch: 80% aa- and 20% a-
Total investments	1,942,199	

<i>Euro pool</i>	<i>Total a/</i>	<i>Ratings</i>
Bonds	142,808	S&P: 85.2% AAA and 14.8% AA+; Moody's: Aaa.
Total investments	142,808	

a/ Represents the book value of securities as at 31 December 2012.

(ii) Liquidity risk:

The OAH and Euro Cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pools' cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the pools are able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate due to changes in foreign exchange rates versus the United States dollars. The OAH pool has no currency risk as all its investments are in United States dollars. The Euro pool is exposed to currency risk through holding of securities in Euros. Accordingly, funds participating in the Euro pool are exposed to currency risk to the extent that their share of investments exceeds their operational requirements for Euros.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values due to change in interest rates. In general, as interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk;

The OAH and Euro pools are exposed to interest rate risk as their holdings comprise interest bearing securities. As at 31 December 2012, the pools invested primarily in securities with shorter terms to maturity, with the maximum term being less than 4 years. The average durations of the OAH pool and Euro pool were 0.75 years and 0.77 years respectively, which are considered to be indicators of low interest rate risk;

Table 4 shows how fair value of the OAH and Euro Cash pools as at 31 December 2012 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis point in the yield curve is shown, (100 basis points equals 1 percent). However in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the Cash pools to interest rates as of 31 December 2012

<i>Shift in yield curve (Basis points)</i>	<i>Change in fair value (USD millions)</i>		
	<i>OAH pool</i>	<i>Euro pool</i>	<i>Total</i>
-200	35	2	37
-150	26	2	28
-100	17	1	18
-50	8	1	9
0	0	0	0
50	-8	-1	-9
100	-17	-1	-18
150	-26	-2	-28
200	-35	-2	-37

v) Other price risk:

The OAH and Euro Cash pools are not exposed to significant other price risk, as they do not sell short, or borrow securities, or purchase securities on margin, all of which limits the potential loss of capital.