



**Financial Statements
for the year
ended 31 December 2014**

Nairobi, Kenya, 2015

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United Nations Human Settlements Programme

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Letter of transmittal

31 March 2015

In accordance with Financial Regulation 6.2 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 the year ended 31 December 2014, 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)

To be issued

Chapter II

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

To be issued

Chapter III

Certification of the Financial Statements

31 March 2015

The financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1 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 2014 are correct.



Christopher Kirkcaldy
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Management Discussion and Analysis for the year ended 31 December 2014

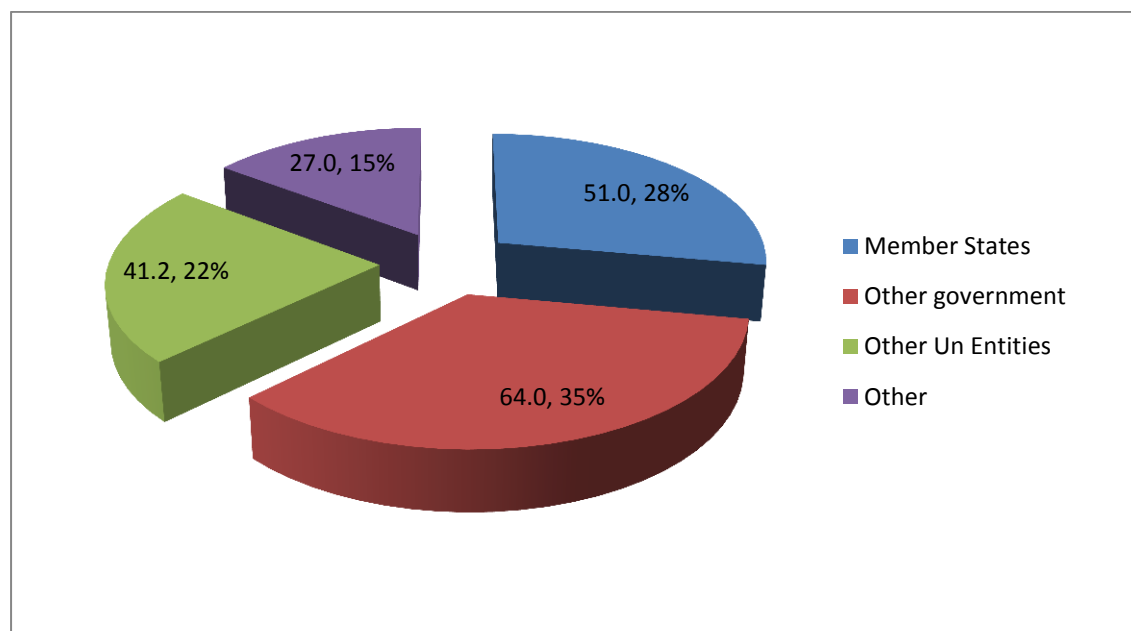
Introduction

1. The Executive Director has the honour to submit herewith the financial report and the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2014. The financial statements consist of five statements, and notes to the financial statements. In accordance with financial rule 106.1, the accounts were transmitted to the Board of Auditors on 31 March 2015.
2. This is the first IPSAS compliant Financial Statements for the United Nations Human Settlements Programme.
3. Given that this is the first year of preparation of IPSAS compliant statements, comparative data for the year ended 31 December 2013 has only been reflected in the Statement of Financial Position. These have been restated where applicable.
4. Regular Budget funding insofar as it relates to the United Nations Human Settlements Programme is included in Volume I but for completeness has also been included in these Financial Statements.
5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

Overview

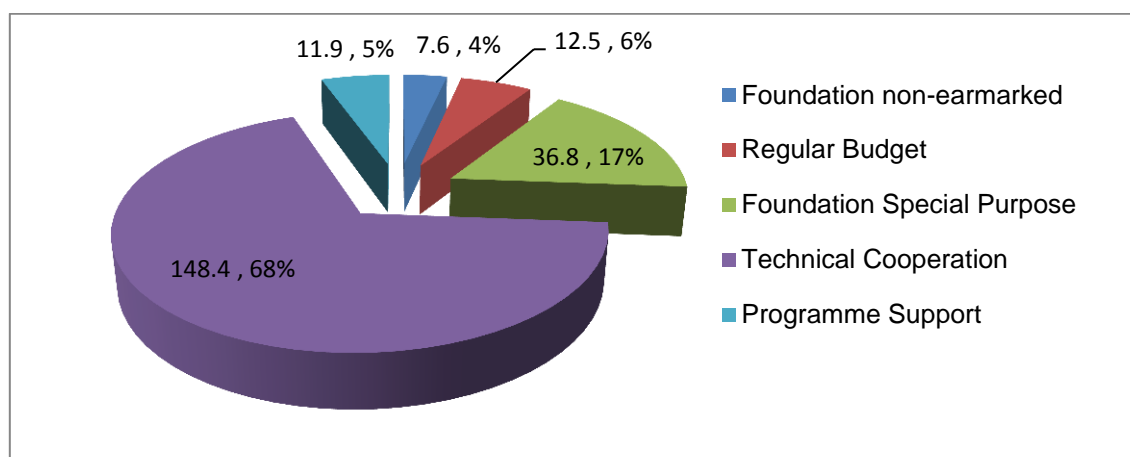
6. Statements I to V show the consolidated figure for all UN-Habitat's activities comprising the Foundation General Purpose, Regular Budget, other trust funds supporting UN-Habitat's programme of work, and end of service and retirement benefits for the year ended 31 December 2014.
7. Given this is the first of year of IPSAS comparison between the year ended 31 December 2013 and the current reporting date is not possible for income and expenditure.

7.1. The following is distribution of contributions by type of payment source (in US\$ millions).

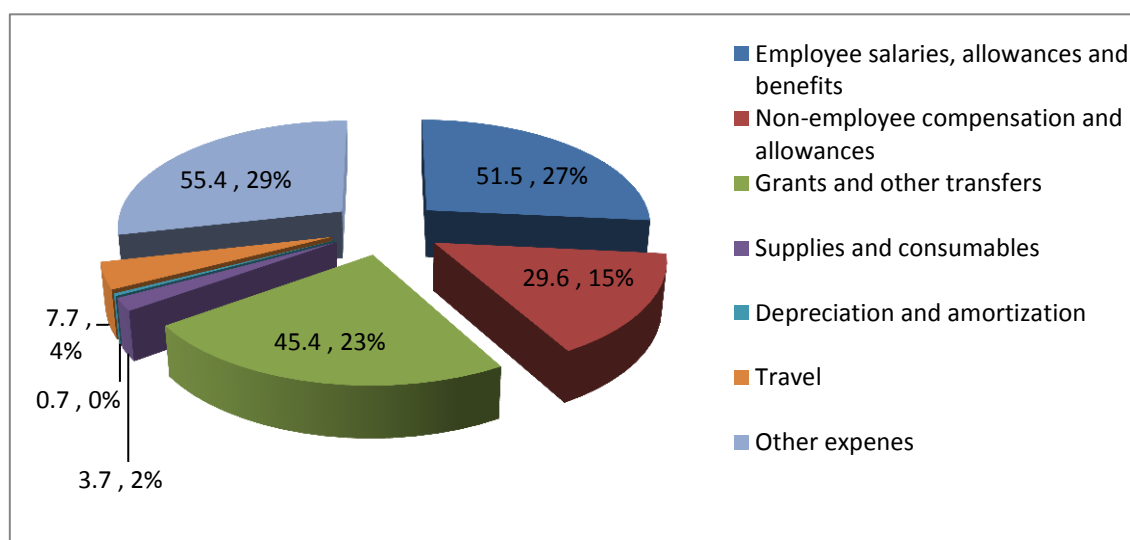


United Nations Human Settlements Programme

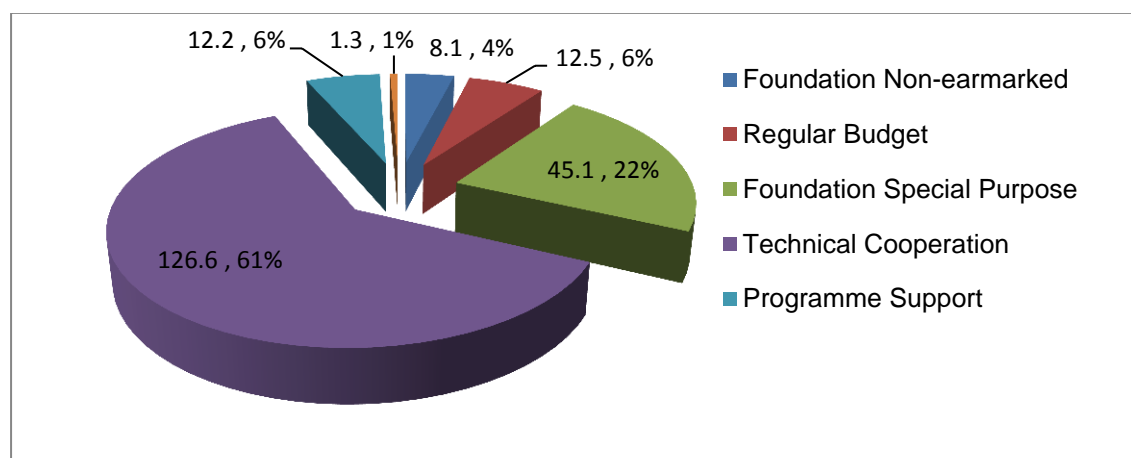
7.2. The following is income distribution by segment before elimination (in US\$ millions).



7.3. Expenditure (in US\$ millions and percentage) for the year ended 31 December 2014 by nature of expense is shown below:



7.4. The following is expenditure distribution between segments before elimination (in US\$ millions).



8. The cash and cash equivalents position as at 31 December 2014 increased by US\$10.0 million (27.3%) to US\$ 46.7 million.

United Nations Human Settlements Programme

9. Total assets decreased by US\$14.3 million (3.2%) to US\$435.2 million from US\$449.5 million as a result of high implementation of pending project portfolio on earmarked agreements signed in previous years.
10. Total liabilities decreased by US\$21.3 million (16.0%) to US\$112.0 million from US\$133.3 million.
11. The net assets increased US\$7.1 million (2.2%) to US\$323.2 million from US\$316.2 million.
12. Table 1 summarizes other key indicators for the United Nations Human Settlements Programme for the year ended 31 December 2014 compared to the year ended 31 December 2013.

Table 1: Other key indicators

	Amount		Increase/ (Decrease)	%
	(Millions of United States Dollars)			
	2014	1 Jan 2014		
Cash and cash equivalents	46.7	36.7	10.0	27.2%
Short-term investments	76.2	94.2	(18.0)	-19.1%
Long-term investments	62.4	76.0	(13.6)	-17.9%
Total cash and investments	185.3	206.9	(21.6)	-10.4%
Contributions receivable	185.3	198.4	(13.1)	-6.6%
Loans receivable	1.6	1.8	(0.2)	-11.1%
Total receivables	186.9	200.2	(13.3)	-6.6%
Advance transfers	36.8	20.3	16.5	81.3%
Other assets	24.1	19.2	4.9	25.5%
Accounts payable and accrued payables	19.5	23.7	(4.2)	-17.7%
Employee benefits liabilities	35.9	27.9	8.0	28.7%
Other liabilities	56.6	81.7	(25.1)	-30.7%

End of service and post retirement accrued liabilities

13. 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. It is to be noted that UN-Habitat makes monthly provisions for repatriation benefits at 8% of net salary.
14. The 31 December 2014 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2014 as reflected in the 2013 actuarial study carried out by a consulting firm engaged by the United Nations Secretariat on behalf of UN-Habitat. By fully charging these liabilities as at 31 December 2014, an amount of US\$29.3 million of cumulative unfunded expenditure is included in the cumulative surplus / (deficit) amount in the statement of Net Assets (Statement III).

Chapter V

Financial Statements and related explanatory notes

United Nations Human Settlements Programme

Statement I: Statement of Financial Position as at 31 December 2014 (Thousands of United States dollars)

	Notes	31-Dec 2014	Opening balance 01 Jan 2014
Current Assets			
Cash and cash equivalents	7	46,738	36,727
Short-term investments	8	76,194	94,238
Voluntary contributions receivable	9	185,274	198,385
Other accounts receivables	10	5	5
Loans receivable	11	109	123
Advance transfers	12	36,752	20,347
Other assets	13	24,129	19,202
Total Current Assets		369,201	369,027
Non-current assets			
Long-term investments	8	62,371	76,030
Loans receivable	11	1,509	1,650
Property, plant and equipment	15	2,115	2,744
Total Non-Current Assets		65,995	80,424
Total Assets		435,196	449,451
Current Liabilities			
Accounts payable and accrued payables	17	19,514	23,652
Employee benefits liabilities	18	2,178	1,838
Other liabilities	20	56,598	81,721
Total Current Liabilities		78,290	107,211
Non-current Liabilities			
Employee benefits liabilities	18	33,679	26,081
Total non-current liabilities		33,679	26,081
Total Liabilities		111,969	133,292
Net Assets			
Accumulated surpluses/(deficits) - unrestricted	21	298,292	290,944
Accumulated surplus – restricted	21	-	-
Reserves	21	24,935	25,215
Total Net Assets		323,227	316,159
Total Liabilities and Net Assets		435,196	449,451

The accompanying notes to the financial statements are an integral part of these financial statements

United Nations Human Settlements Programme

Statement II: Statement of Financial Performance for the year ended 31 December 2014 (Thousands of United States dollars)

	Notes	31-Dec 2014
Revenue		
Assessed contributions (Regular budget)	22	12,489
Voluntary contributions	22	183,154
Other transfers and allocations	22	8,122
Investment revenue	25	1,090
Other revenue	23	585
Total revenue		205,440
Expenses		
Employee salaries, allowances and benefits	24	51,528
Non-employee compensation and allowances	24	29,559
Grants and other transfers	24,30	45,369
Supplies and consumables		3,706
Depreciation and amortization	15,16	714
Travel		7,670
Other operating expenses	24	52,754
Other expenses	24	2,721
Total Expenses		194,021
Surplus/Deficit For The Period		11,419

The accompanying notes to the financial statements are an integral part of these financial statements

United Nations Human Settlements Programme

Statement III: Statement of Changes in Net Assets for the year end 31 December 2014

(Thousands of United States dollars)

	Accumulated surpluses/ (deficits) – unrestricted	Accumulated surplus - restricted	Reserves	Total
Net Assets at the beginning of the period (1 Jan 2014):	131,121	-	25,215	156,336
IPSAS adjustment				
Transfer from operating reserve to accumulated surplus	501			501
Initial recognition of receivables related to voluntary contributions	150,960			150,960
Initial recognition of accruals	(19,564)			(19,564)
Initial recognition of property, plant and equipment	2,744			2,744
Initial recognition of allowance for doubtful contributions	(48)			(48)
Initial recognition of conditional liabilities from agreements	(14,571)			(14,571)
Initial recognition of employee benefits accruals	(94)			(94)
Initial recognition of other employee benefits accruals	(3,137)			(3,137)
De-recognition of un-liquidated obligations	43,032			43,032
Total IPSAS adjustment	159,823	-	-	159,823
Restated Balance at the beginning of the period:	290,944	-	25,215	316,159
Changes in Net Assets				
Transfer from / to reserves	280	-	(280)	-
Other adjustments to Net Assets	1,250			1,250
Actuarial gains and losses	(5,601)			(5,601)
Total items recognized directly in Net Assets	(4,071)	-	(280)	(4,351)
Surplus/(deficit) for period	11,419	-	-	11,419
Total recognized revenue and expense for period	7,348	-	(280)	7,068
Net Assets At End Of Period	298,292	-	24,935	323,227

The accompanying notes to the financial statements are an integral part of these financial statements

United Nations Human Settlements Programme

Statement IV: Statement of Cash flows for the year ended 31 December 2014 (Thousands of United States dollars)

	Notes	31-Dec 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus (deficit) - for the period		11,419
Non-cash movements		
Depreciation and amortization	15,16	714
Net loss on disposal of property, plant and equipment and inventory		455
Decrease in allowance for doubtful receivables		48
Current service and interest cost on employee benefits liabilities		3,334
<i>Changes in assets</i>		
(Increase) / decrease in voluntary contributions receivable		13,063
(Increase) / decrease in loans receivable		155
(Increase) / decrease in advance transfers		(16,405)
(Increase) / decrease in other assets		(4,927)
<i>Changes in liabilities</i>		
Increase / (decrease) in accounts payable		(4,138)
Increase / (decrease) in employee benefits		(997)
Increase / (decrease) in other liabilities		(25,124)
Investment revenue presented as investing activities		(1,090)
Net Cash Flows From Operating Activities		(23,493)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / decrease in the cash pools		19,139
Acquisitions of property, plant and equipment	15	(541)
Investment revenue presented as investing activities		1,090
Net Cash Flows From Investing Activities		19,688
CASH FLOWS FROM FINANCING ACTIVITIES		
Adjustment to fund balances		1,250
Net Cash Flows From Financing Activities		1,250
Net Increase / (Decrease) In Cash And Cash Equivalents		(2,555)
Cash And Cash Equivalents, Beginning Of Period		10,068
Cash And Cash Equivalents, End Of Period	7	7,513

The accompanying notes to the financial statements are an integral part of these financial statements

United Nations Human Settlements Programme

Statement V: Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2014 (Thousands of United States dollars)

<i>Budget Part</i>	Publically available budget ¹			Actual expenditure (budget basis)	Difference per cent ²
	Original biennial	Original annual	Final annual		
Programme Resources					
Urban legislation, land and governance	4,237	2,118	625	120	-81%
Urban planning and design	3,113	1,557	436	182	-58%
Urban economy	3,349	1,674	432	66	-85%
Urban basic services	3,890	1,945	629	(348)	-155%
Housing and slum upgrading	3,638	1,819	974	604	-38%
Risk reduction and rehabilitation	4,426	2,213	783	302	-61%
Research and capacity development	4,453	2,227	800	1,126	41%
Subtotal	27,106	13,553	4,680	2,052	-56%
Executive direction	13,776	6,888	4,621	4,215	-9%
Programme Support	4,736	2,368	1,901	1,699	-11%
Total Foundation General Purpose	45,618	22,809	11,202	7,966	-29%
Foundation Special Budget	123,188	61,594	56,246	48,211	-14%
Regular budget					
Section 15 and 23	21,217	11,630	10,524	11,866	13%
Development account	3,332	1,666	1,666	979	-41%
Habitat III	2,044	1,022	1,159	166	-86%
Total regular budget	26,593	14,318	13,349	13,011	-3%
Technical cooperation	202,482	101,241	132,866	138,845	4%
Grand total	397,880	199,962	213,662	208,032	-3%

The accompanying notes to the financial statements are an integral part of these financial statements

¹ Budget relates to the current year proportion of publically available budgets which are approved for a two year period.

² Actual expenditure (budget basis) less final budget. Differences greater than ten percent are considered in Note 6.

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Notes to the Financial Statements

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NOTE 1: The Reporting Entity

The United Nations Human Settlements Programme and its activities

1. On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations HABITAT and Human Settlements Foundation.
2. 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.
3. 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 and UN-Habitat becoming an autonomous body and a separate reporting entity within the United Nations.
4. UN-Habitat is supported by a United Nations Regular Budget allocation and voluntary contributions from Governments, inter-governmental organizations, foundations, the private sector and other non-governmental sources. UN-Habitat headquarters is at UN Avenue, Nairobi, Kenya at the United Nations Office at Gigiri complex.
5. UN-Habitat undertook a major reform in 2011 to sharpen the organization's programmatic focus of its mandate to address current strategic urbanization challenges, and achieve more efficient and effective service delivery with the goal of maintaining the organization's role as the lead Programme in the United Nations for providing guidance and technical support on sustainable urbanization and shelter, both globally and at regional and country level.
6. The main strategic objectives of the Programme are delivered through seven sub-programmes:
 - a. Urban legislation, land and governance which provides policy and operational support to Governments and cities with respect to governance, legislation and land.
 - b. Urban planning and design which provides city and national governments with a set of tested approaches, guidelines and tools to support the management of growth and improved sustainability, efficiency and equity of cities through planning and design at different scales.
 - c. Urban economy which promotes urban strategies and policies that strengthen the capacity of cities to realize their potential as engines of economic development and also enhance their contribution to employment and wealth creation
 - d. Urban basic services which focuses on strengthening policies and institutional frameworks for expanding access to urban basic services, specifically targeted at the urban poor.
 - e. Housing and slum upgrading which advocates a twin-track approach to improve the supply and affordability of new housing alongside implementation of citywide and national slum-upgrading programmes to improve housing conditions and quality of life for the urban poor.
 - f. Risk reduction and rehabilitation which aims at reducing urban risk and responding to urban crises and supports crisis affected cities in terms of disaster prevention and response.
 - g. Research and capacity development which monitors and reports results of global monitoring and assessment on urbanization statistics and indicators to Governments and Habitat Agenda partners through its flagship reports.
 - h. To improve the shelter conditions of the world's poor and to ensure sustainable human settlements development;

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- i. 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;
- j. 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;
- k. 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.

The United Nations Human Settlements Programme

7. These United Nations Human Settlements Programme (the Organization) financial statements are a separate financial reporting entity of the United Nations and include general and related funds, technical cooperation activities; general trust funds, and other.

NOTE 2: Basis of Preparation and authorization for issue

Basis of preparation

8. As per the United Nations Financial Regulations and Rules (FRR), the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the United Nations Human Settlements Programme, and the cash flows over the financial year, consist of the following:
 - (i) Statement I: Statement of Financial Position
 - (ii) Statement II: Statement of Financial Performance
 - (iii) Statement III: Statement of Changes in Net Assets
 - (iv) Statement IV: Statement of Cash Flows
 - (v) Statement V: Statement of Comparison of Budgets and Actual Amounts
 - (vi) Summary of Significant Accounting Policies and Other Explanatory Notes
9. The financial statements have been prepared on a going concern basis and the accounting policies as summarized in Note 3, have been applied consistently in the preparation and presentation of these financial statements.
10. This is the first set of financial statements prepared in compliance with IPSAS, which includes application of certain transitional provisions as identified below. Prior to 1 January 2014, the financial statements were prepared in accordance with United Nations System Accounting Standards (UNSAS), a modified accrual basis of accounting.
11. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited balance sheet dated 31 December 2013 has been restated and the resulting changes are summarized in the Statement of Changes in Net Assets.

Authorisation for issue

12. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of the United Nations Human Settlements Programme. In accordance with the United Nations Financial Regulations and Rules, these financial statements as at 31 December 2014 are authorized for issue on 31 March 2015.

Measurement basis

13. The financial statements are prepared using the historic cost convention except for certain assets as stated in the Notes to the Financial Statements. The financial statements are prepared for the twelve month period from 1 January to 31 December.

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Functional and presentation currency

14. The functional currency and the presentation currency of the Organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.
15. Foreign currency transactions are translated into United States dollars at the United Nations Operational Rates of Exchange (UNORE) at the date of the transaction. The UNORE approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the UNORE year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the UNORE exchange rate prevailing at the date of the transaction or when the fair value was determined.
16. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the Statement of Financial Performance on a net basis.

Materiality and use of judgment and estimates

17. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.
18. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.
19. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation / amortization method for property, plant and equipment / intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/ liabilities.

IPSAS Transitional Provisions

20. As permitted on first time adoption of IPSAS, the following transitional provisions have been applied:
 - i) IPSAS 1 *Presentation of Financial Statements* – comparative information is provided only for the Statement of Financial Position.
 - ii) IPSAS 4 *The Effects of Changes in Foreign Exchange Rates* – the cumulative translation differences that may have existed at the date of first time adoption of IPSAS accrual accounting are deemed to be zero.
 - iii) IPSAS 17 *Property, Plant and Equipment* allows a transitional period of up to five years prior to full recognition of capitalized property, plant and equipment. The Organization partially invoked this transitional provision and has not recognized project assets, certain long term donated right to use arrangements and leasehold improvements.
 - iv) IPSAS 31 *Intangible Assets* is applied prospectively to intangible assets. Other than the new Enterprise Resource Planning (ERP) system, intangible assets acquired or internally developed before 1 January 2014 have not been capitalized in these financial statements. IPSAS 31 has been applied retrospectively to the expenditures associated with the Organization's new ERP system, Umoja, which is being capitalized as an intangible asset in Volume I's, a related party, financial statements.

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Future pronouncements of the IPSAS Board

21. Future financial statements may be impacted by the following significant future pronouncements from the International Public Sector Accounting Standards Board:
 - i) Social Benefits – the project’s objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements;
 - ii) Reporting Service Performance Information – the project’s objective is to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programs and services that focuses on meeting the needs of users; and
 - iii) Interests in Other Entities – the project will consider the revision of IPSAS 6 Consolidated and Separate Financial Statements, IPSAS 7 Investments in Associates and IPSAS 8 Interests in Joint Ventures as they relate to the underlying International Financial Reporting Standards.
22. The progress and impact of these future accounting pronouncements on the financial statements of the United Nations Human Settlements Programme continue to be assessed and monitored.

NOTE 3: Significant accounting policies

Financial assets: classification

23. The organization classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets primarily depends on the purpose for which the financial assets are acquired.

Classification	Financial assets
Fair value through surplus or deficit (FVTSD)	Investments in Cash Pools
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange transactions, loans and advances to implementing partners, executing agency, staff

24. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date the Organization becomes party to the contractual provisions of the instrument.
25. Financial assets with maturities in excess of twelve months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the UNORE exchange rates prevailing at the reporting date with net gains or losses recognized in surplus or deficit in the Statement of Financial Performance.
26. Financial assets at FVTSD are those that have been either designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the Statement of Financial Performance in the period in which they arise.
27. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

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28. Financial assets are assessed at each reporting date to determine whether there is an objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the Statement of Financial Performance in the year they arise.
29. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset.
30. Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: Investment in Cash Pools

31. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities. These pooled funds are combined in two internally managed Cash Pools. Participation in the Cash Pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.
32. The Organization's investment in the Cash Pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the Statement of Financial Position depending on the maturity period of the investments.

Financial assets: Cash and cash equivalents

33. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions - contributions receivable

34. Contributions receivable represents uncollected revenue from assessed and voluntary contributions committed to the Organization by Member States, non-Member States, and other donors based on enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts.
35. Voluntary contributions receivable and other accounts receivables are subject to an allowance for doubtful receivables that is calculated at a rate of 25% for outstanding receivables between one to years; 60% for two to three years; and 100% for those in excess of three years.
36. For assessed contributions receivable, the allowance is calculated at a rate of 20% for those outstanding between one to two years; 60% for those between two to three years; 80% for those between three and four years and 100 % for those over four years.

Financial assets: receivable from exchange transactions – other accounts receivables

37. Other receivables primarily includes amounts receivable for goods or services provided to other entities, amount receivable for operating lease arrangements, and receivables from staff. Receivables from other UN reporting entities are also included in this category.

Financial assets: Loans receivable

38. Loan receivable consist of loans that have been given out to implementing partners under a Revolving Housing Finance Loan Fund Programme called ERSO (Experimental Reimbursable Seeding Operations)' and is receivable as per the amortization schedules. These loans are given at below market rates.

Investments accounted for using the equity method

39. The equity method initially records an interest in a jointly controlled entity at cost, and adjusted thereafter for the post-acquisition change in the Organization's share of Net Assets. The Organization's share of the surplus or deficit of the investee is recognised in the Statement of Financial Performance. The interest is recorded under investments unless there is a Net Liability

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position in which case it is recorded under other liabilities. The Organization also has entered into arrangements for jointly financed activities where the interests in these jointly financed activities are accounted for using the equity method.

Other Assets

40. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Advance Transfers

41. Advance transfers mainly relate to cash transferred to executing agencies / implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables which where necessary, are subject to an allowance for doubtful receivables.

Inventories

42. Inventory balances are recognized as current assets and include the following categories:

Categories	Sub-categories
Held for sale or external distribution	Books and publications, stamps
Raw materials and work-in-progress associated to items held for sale or external distribution	Constructions materials/supplies. Work-in-progress (WIP)
Strategic reserves	Fuel reserves, bottled water and rations reserves, Strategic Deployment Stock

43. The Organization's inventories include assets held for sale or external distribution, raw materials and work in progress associated with items held for sale or external distribution, and strategic reserves of consumables and supplies.
44. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions i.e. donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no / nominal charge or for consumption in the production of goods / services, are valued at the lower of cost and current replacement cost.
45. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the Organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.
46. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value which are recognized in the Statement of Financial Performance.

Heritage assets

47. Heritage assets are not recognized in the financial statements but significant heritage assets are disclosed in Notes to the Financial Statements.

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Property, Plant and Equipment

48. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies as: vehicles; prefabricated buildings; communication and IT equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and asset under construction). Recognition of property, plant and equipment:
- (i) All property, plant and equipment other than real estate assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs.
 - (ii) Due to the absence of historical cost information, real estate assets are initially recognized using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed), or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost.
 - (iii) Property, plant and equipment acquired at nil or nominal cost including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire.
 - (iv) Property, plant and equipment are capitalized when their cost is greater or equal to the threshold of US\$ 5,000 or US\$100,000 for leasehold improvements and self-constructed assets.
49. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of property, plant and equipment with different useful life are depreciated using components approach. Depreciation commences in the month when the Organization gains control over an asset in accordance with Incoterms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are:

Class	Subclass	Estimated useful life
Communications and IT equipment	IT equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light wheeled vehicles	6 years
	Heavy wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6-12 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years

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Class	Subclass	Estimated useful life
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings	Up to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Lease hold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

50. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated in the financial statements to reflect a depreciation floor of ten per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets, which revealed that the majority of such assets had relatively short useful lives of ten years or less.
51. The Organization elected the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the Statement of Financial Performance in the year in which they are incurred.
52. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the Statement of Financial Performance within other revenue or other expenses.
53. Land, buildings and infrastructure assets with a year-end net-book-value greater than US\$ 100,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is US\$ 25,000. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable.

Intangible assets

54. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is US\$ 100,000 for internally generated software and US\$ 5,000 per unit for externally acquired intangible assets.
55. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Directly associated

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costs include software development employee costs, consultants cost, and other applicable overhead costs.

56. Intangible assets with definite useful life are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

57. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Range of estimate Useful life
Software acquired externally	3 – 10 years
Software internally developed	3 – 10 years
Licenses and rights	2 – 6 years (period of license / right)
Copyrights	3 – 10 years
Assets under development	Not amortized

Financial Liabilities: classification

58. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when there are indicators of impairment.

Financial Liabilities: classification

59. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, transfer payables, unspent funds held for future refunds, and other liability such as inter-fund balances payable. Financial liabilities classified as other financial liabilities are initially recognized at fair value. Financial liabilities with duration of less than twelve months are recognized at their nominal value. The organization re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued payables

60. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less payment discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value as they are generally due within twelve months.

Financial liabilities: transfers payable

61. Transfers payable relates to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

62. Other liabilities consist of advance receipts relating to contributions or payments received in advance, liabilities for conditional funding arrangements, assessments or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the Organization’s revenue recognition policies.

Leases: the Organization as lessee

63. Leases of property, plant and equipment where the Organization has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the Statement of Financial Position. Assets acquired under finance leases are depreciated in accordance with the

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Organization's policy on property, plant and equipment. The interest element of the lease payment is charged to the Statement of Financial Performance as an expense over the lease term based on the effective interest rate method.

64. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made under operating leases are charged to Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

Leases: the Organization as lessor

65. The Organization is the lessor for certain assets subject to operating leases. Assets subject to operating leases are reported within property, plant and equipment. Lease income from operating leases is recognized in the Statement of Financial Performance over the lease term on a straight-line basis.

Donated rights to use

66. The organization occupies land and buildings and uses infrastructure assets, machinery, and equipment through donated rights to use agreements granted primarily by host governments at nil or nominal cost. Based on the term of the agreement, and the clauses on transfer of control and termination contained in the agreement, the donated right to use arrangement is accounted for as an operating lease or finance lease.

67. In the case of operating lease, an expense and a corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of finance lease (principally with lease term over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. If property is transferred with specific conditions, deferred revenue for the amount is recognized equal to the entire fair market value of the property (or share of the property) occupied by the Organization, which is progressively recognized as revenue and offsets the corresponding depreciation charge. If property is transferred without any specific condition, revenue for the same amount is recognized immediately upon assuming control of the property.

68. Long-term donated rights to use building and land arrangements are accounted for as operating lease where the Organization does not have exclusive control over the building and title to the land is not granted.

69. The threshold for the recognition of revenue and expense is yearly rental value equivalent of US\$ 5,000 for donated rights to use premises and US\$ 5,000 for machinery and equipment.

Employee benefits

70. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter.

71. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

72. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within twelve months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries, and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes, and home leave) provided to current employees based on services rendered. All such benefits which are accrued but not paid are recognized as current liabilities within the Statement of Financial Position.

Post-employment benefits

73. Post-employment benefits comprise the After Service Health Insurance Plan and end of service repatriation benefits that are accounted for as defined benefit plans. The Organization also has

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an After Service life Insurance Plan that covers life insurance premiums for eligible retirees; the post-employment benefit liability related to the After Service Life Insurance Plan is not material.

Defined benefit plans

74. Defined benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, including actuarial gains and losses, are recognized in the Statement of Financial Performance in the year in which they occur. The Organization has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses in surplus/deficit. At end of the reporting year, the Organization did not hold any plan assets as defined by IPSAS 25 Employee Benefits.
75. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds with maturity dates approximating those of the individual plans.
76. After Service Health Insurance (ASHI): Provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. 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. The after-service health insurance liability represents the present value of the share of the Organization's medical insurance costs for retirees and the postretirement benefit accrued to date by active staff. A factor in the ASHI valuation is to consider contributions by all plan participants in determining the Organization's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with cost sharing ratios authorized by the General Assembly.
77. Repatriation benefits: Upon end-of-service, staff who meets certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grant which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.
78. Appendix D benefits: Appendix D to Staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Pension plan: United Nations Joint Staff Pension Fund

79. The Organization is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the UNJSPF, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to participating organizations. The Organization, along with other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the Pension Fund's multi-employer funded, defined benefit plan on an IPSAS 25 basis with sufficient reliability for accounting purposes. Therefore, as allowed by IPSAS 25, the Organization treats this plan as if it were a defined contribution plan. Thus, obligations for contributions to the Pension Fund are recognized as an employee benefit expense in the Statement of Financial Performance.

Termination benefits

80. Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within twelve months are reported at the amount expected to be paid.

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Where termination benefits fall due more than twelve months after the reporting date, they are discounted if the impact of discounting is material.

Other Long-term employee benefits

81. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within twelve months after the end of the year in which employees provide the related service. Other long-term employee benefits comprise liabilities related to the commutation of annual leave balances at the end of service.
82. The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore the Organization recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the Statement of Financial Position. Annual leave benefits are calculated on the same actuarial basis as other post-employment benefits. Actuarial gains and losses on other long-term employee benefits are recognized in the Statement of Financial Performance.

Provisions

83. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

84. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets

85. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization.

Commitments

86. Commitments are future expenses to be incurred by the Organization on contracts entered into by the reporting date and that the Organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

87. Assessed contributions for the Organization for the Organization comprise the UN-Habitat Regular Budget allocation. Assessed contributions are assessed and approved for one or more years budget period. One year proportion of the assessed contributions are recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the Organization in accordance with the agreed scale of assessments. Revenue from assessed contributions from Member States are presented in the Statement of Financial Performance.

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Non-exchange revenue: voluntary contributions

88. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding, which is the point when the Organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied.
89. Voluntary pledges and other promised donations that are not supported by binding agreements with the terms of offer and acceptance, are recognized as revenue upon receipt of cash. Pledges and promised donations, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets.
90. Unused funds returned to the donor are netted against revenue (if those funds are recognized as revenue during the year) or shown as reduction of net assets, if the funds were recognized in the previous year.
91. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.
92. In-kind contributions of goods, above recognition threshold of US\$ 5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service, above threshold of US\$ 5,000 in the Notes to the Financial Statements.

Exchange revenue

93. Exchange transactions are those in which the Organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met.
 - (i) Revenue from sales of publications, books, stamps, and by the UN Gift Center is recognized when the sale occurs and risks and rewards have been transferred;
 - (ii) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed;
 - (iii) Revenue from jointly financed activities represents amounts charged to other United Nations organizations for their share of joint costs paid for by the United Nations;
 - (iv) Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;
 - (v) Exchange revenue also includes income from the rental of premises, the sale of used or surplus property, service to visitors from guided tours, income from net gains resulting from currency exchange adjustments.
94. An indirect cost recovery (IDC) is charged to trust fund and other "extra-budgetary" activities to ensure that the additional costs of supporting activities financed from extra-budgetary contributions is not borne by assessed funds and / or other core resources that are central to the budget process at the United Nations Secretariat. The IDC is eliminated for the purposes of financial statements preparation as disclosed in the Segment Reporting note. The IDC charge agreed with the donor is included as part of voluntary contributions. It is expressed as a percentage of direct costs (actual expenditure and unliquidated obligations).

Investment revenue

95. Investment revenue includes interest income and the Organization's net share of Cash Pool investment income and transaction costs associated with the operation of investments.

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Transaction costs that are directly attributable to Cash Pool investment activity are expensed as incurred in the Cash Pool and the net income is distributed proportionately to the participating funds. Gains and losses arising from changes in the fair value of financial instruments at FVTSD are included.

Expenses

96. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.
97. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consists of United Nations Volunteers living allowances and post-employment benefits, consultant and contractors fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.
98. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt, and write off expenses. Other expenses relate to hospitality and official functions, foreign exchange losses and donation / transfer of assets.
99. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relates to the cost of inventory used and expenses for supplies.
100. Programme activities, distinct from commercial or other arrangements where the UN expects to receive equal value for funds transferred, are implemented by executing entities / implementing partners to service a target population which typically includes Governments, NGOs, and UN agencies. Transfers to implementing partners are initially recorded as advances and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the Statement of Financial Position. These executing entities / implementing partners provide the Organization with certified expense report documenting their use of resources, which are the basis for recording expenses in the Statement of Financial Performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant an expense is recognized at the point that the Organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities / implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Self-insurance funds and multi-partner trust funds

101. Self-insurance funds and multi-partner trust fund activities are assessed to determine the existence of control and whether or not the Organization is considered to be the principal of the programme / activity. Where control exists and the Organization is exposed to the risks and rewards associated with the these activities, such programmes / activities are considered to be the Organization's operations and are therefore reported in full in these financial statements. Where joint control exists but the Organization is not considered to be the principal, the activities are jointly controlled operations. Such jointly controlled operations are accounted for by recognizing the liabilities and expenses incurred by the Organization, the assets it controls and its share of any revenue earned.

NOTE 4: First implementation of IPSAS: opening balances

102. On 1 January 2014, The organization adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in significant changes to accounting policies and in the type and measurement of assets, liabilities, revenue and expenses recognized.

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103. Accordingly, adjustments and reclassifications were made to The Organization's UNSAS Balance Sheet as at 31 December 2013 to arrive at the restated 1 January 2014 IPSAS opening Statement of Financial Position. The revised Statement of Financial Position is described in these financial statements as the IPSAS opening balances as at 1 January 2014.

104. The net effect of the changes resulting from the adoption of IPSAS adjustments amounted to a US\$ 159.8 million increase in Net Assets. Line-by-line adjustments to Net Assets are shown in the Statement of Changes in Net Assets.

NOTE 5: Segment reporting

105. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

106. Segment reporting information is provided on the basis of six segments:

- A. Foundation Non-Earmarked
- B. Regular Budget
- C. Foundation Special Purpose
- D. Technical Cooperation
- E. Programme Support
- F. End-of-service and post-retirement benefits

107. The IPSAS Policy Framework 23.4.2 states that during the transitional phase before the full deployment of the Umoja Enterprise Resource Planning system, only the Statement of Financial Performance elements will be considered for disclosure, however the Organization has decided to publish both the Statement of Financial Position and the Statement of Financial Performance are as follows:

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All Funds – Statement of Financial Position as at 31 December 2014 by Segment

(Thousands of United States dollars)	Foundation Non-earmarked	Regular Budget	Foundation Special Purpose	Technical Cooperation	Programme Support	End-of- service and post- retirement benefits	Total
ASSETS							
Current Assets							
Cash and cash equivalents	2,731	-	17,801	23,012	3,194	-	46,738
Investments	1,662	-	32,708	35,603	6,221	-	76,194
Voluntary contributions receivable	1,875	-	68,769	114,630	-	-	185,274
Other accounts receivables	-	-	5	-	-	-	5
Loans receivable	-	-	109	-	-	-	109
Advances or prepayments	446	-	342	240	247	-	1,275
Advance transfers	208	-	8,251	28,293	-	-	36,752
Other assets	5,393	-	567	10,353	916	5,625	22,854
Total Current Assets	12,315	-	128,552	212,131	10,578	5,625	369,201
Non-current assets							
Investments	4,820	-	21,583	31,428	4,540	-	62,371
Loans receivable	-	-	1,509	-	-	-	1,509
Property, plant and equipment	73	-	91	1,951	-	-	2,115
Total Non-Current Assets	4,893	-	23,183	33,379	4,540	-	65,995
Total Assets	17,208	-	151,735	245,510	15,118	5,625	435,196
Current Liabilities							
Accounts payable	177	-	3,805	15,295	237	-	19,514
Advance receipts	231	-	-	-	-	-	231
Employee benefits liabilities	175	-	201	258	270	1,274	2,178
Other liabilities	127	-	20,225	34,247	1,768	-	56,367
Total Current Liabilities	710	-	24,231	49,800	2,275	1,274	78,290

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All Funds – Statement of Financial Position as at 31 December 2014 by Segment

(Thousands of United States dollars)	Foundation Non-earmarked	Regular Budget	Foundation Special Purpose	Technical Cooperation	Programme Support	End-of- service and post- retirement benefits	Total
Non-current Liabilities							
Employee benefits liabilities	-	-	-	-	-	33,679	33,679
Total non-current liabilities	-	-	-	-	-	33,679	33,679
Total Liabilities	710	-	24,231	49,800	2,275	34,953	111,969
Net Assets							
Accumulated surpluses/(deficits) - unrestricted	9,878	-	123,481	184,350	9,911	(29,328)	298,292
Accumulated surplus – restricted	-	-	-	-	-	-	-
Reserves	6,620	-	4,023	11,360	2,932	-	24,935
Total Net Assets	16,498	-	127,504	195,710	12,843	(29,328)	323,227
Total Liabilities and Net Assets	17,208	-	151,735	245,510	15,118	5,625	435,196

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All Funds – Statement of Financial Performance for the period ended 31 December 2014 by Segment

(Thousands of United States dollars)	Foundation Non-earmarked	Regular Budget	Foundation Special Purpose	Technical Cooperation	Programme Support	End-of-service and post-retirement benefits	Intersegment eliminations	Total
REVENUE								
Assessed contributions	-	12,489	-	-	-	-	-	12,489
Voluntary contributions	7,547	-	27,426	125,165	-	-	-	160,138
Inter-organizational arrangements	-	-	8,555	14,461	-	-	-	23,016
Other transfers and allocations	-	-	-	8,122	-	-	-	8,122
Investment revenue	63	-	338	612	77	-	-	1,090
Other exchange revenue	-	-	525	60	11,865	-	(11,865)	585
TOTAL REVENUE	7,610	12,489	36,844	148,420	11,942	-	(11,865)	205,440
EXPENSES								
Employee salaries, allowances and benefits	6,755	11,027	11,363	13,041	8,054	1,288	-	51,528
Non-employee compensation and allowances	470	345	7,259	21,457	28	-	-	29,559
Grants and other transfers	52	271	8,582	36,464	-	-	-	45,369
Supplies and consumables	72	74	1,068	2,474	18	-	-	3,706
Depreciation and amortization	6	-	69	639	-	-	-	714
Travel	287	243	3,769	3,306	65	-	-	7,670
Other operating expenses	294	529	11,529	48,264	4,003	-	(11,865)	52,754
Other expenses	198	-	1,487	963	73	-	-	2,721
TOTAL EXPENSES	8,134	12,489	45,126	126,608	12,241	1,288	(11,865)	194,021
SURPLUS/DEFICIT FOR THE PERIOD	(524)	-	(8,282)	21,812	(299)	(1,288)	-	11,419

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NOTE 6: Comparison to budget

108. The Organization prepares budgets on a modified accrual basis as opposed to the IPSAS full accrual basis as presented in the Statement of Financial Performance which reflects expenses by nature. Statement V: Statement of Comparison of Budget and Actual Amounts presents the difference between budget amounts and actual expenditure on a comparable basis.
109. Approved budgets are those that permit expenses to be incurred and are approved by the Governing Council. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each category through Governing Council resolutions.
110. The original budget amounts are the 2014 proportions of the appropriations approved by the Governing Council for the biennium 2014-2015 on 19 April 2013. The final budget reflects the original budget appropriation with any amendments by the Executive Director. Differences between original and final budget amounts are considered in the table below.
111. Material difference between the final budget appropriation and actual expenditure on modified accrual basis are deemed to be those greater than ten per cent and are considered below:

Budget area	Material differences greater than 10 per cent
Urban legislation, land and governance	Expenditure 81% less than final appropriation
Urban planning and design	Expenditure 58% less than final appropriation
Urban economy	Expenditure 85% less than final appropriation
Urban basic services	Expenditure 155% less than final appropriation
Housing and slum upgrading	Expenditure 38% less than final appropriation
Risk reduction and rehabilitation	Expenditure 61% less than final appropriation
Research and capacity development	Expenditure 41% more than final appropriation
Executive direction	Immaterial difference
Programme Support	Expenditure 11% less than final appropriation
Foundation Special Budget	Expenditure 14% less than final appropriation
Section 15 and 23	Expenditure 13% more than final appropriation
Development account	Expenditure 41% less than final appropriation
Habitat III	Expenditure 86% less than final appropriation
Technical cooperation	Immaterial difference

112. UN-Habitat applied full cost recovery according to GA resolution 67/226. Actual expenditure in budget areas 1 to 7 are shown net of cost recovery.
113. Actual expenditure in Foundation Special Purpose is lower due to a variation in the timing of cash flow from donors in relation to earmarked contribution agreements.
114. Actual expenditure in Regular Budget Section 15 and 23 is higher than the annual allotment due to increase in personnel costs.
115. Actual expenditure in the Regular Budget Development Account is lower than the annual allotment because the allotment advice to authorize expenditure was received half way through the year.
116. Actual expenditure for Regular Budget Habitat III is lower than the final annual allotment due to the time taken to fill vacant positions.

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Reconciliation between actual amounts on a comparable basis and the Statement of Cash Flows

117. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows is as follows:

Reconciliation of actual amounts on a comparable basis to Statement of Cash Flows				
	Operating	Investing	Financing	Total
(thousands of United States dollars)				
Actual amounts on comparable basis (Statement V)	208,032	-	-	208,032
Basis differences	(225,950)	20,143	(4,781)	(210,588)
Entity differences	-	-	-	-
Timing differences				
Presentation differences	-	-	-	-
Actual amount in Statement of Cash flows (Statement IV)	(17,917)	20,143	(4,781)	(2,555)

Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the Statement of Cash Flows, the non-cash elements such as unliquidated obligations, payments against prior year obligations, property, plant and equipment and outstanding assessed contributions are included as basis differences.

Entity differences represent cash flows of fund groups other than the Organization that are reported in the financial statements. The financial statements include results for all Fund Groups.

Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the Organization.

Presentation differences are differences in the format and classification schemes in the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts which is primarily related to the latter not recording income and the net changes in Cash Pool balances.

NOTE 7: Cash and cash equivalents

(thousands of United States dollars)	Foundation	Technical Cooperation	Total 31 Dec 2014
Cash Pools (Notes 25, 26)	19,063	20,162	39,225
Other cash and cash equivalents	2,864	4,649	7,513
Total	21,927	24,811	46,738

118. Cash and cash equivalents includes Trust Fund monies which are for the specific purposes of the respective Trust Funds.

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NOTE 8: Investments

(thousands of United States dollars)	Foundation	Technical Cooperation	Total 31 Dec 2014
Current:			
Cash Pools (Notes 25, 26)	37,103	39,091	76,194
Non-current			
Cash Pools (Notes 25, 26)	27,863	34,508	62,371
Total	64,966	73,599	138,565

119. Investments include amounts in relation to Trust Funds.

NOTE 9: Receivables from non-exchange transactions: Voluntary contributions

(thousands of United States dollars)	Total 31 Dec 2014
Voluntary contributions	185,274
Allowance for doubtful receivables	-
Total voluntary contributions receivable	185,274

NOTE 10: Receivables from exchange transactions: Other accounts receivables

(thousands of United States dollars)	Total 31 Dec 2014
Other exchange receivables	5
Allowance for doubtful receivables	-
Total other receivable	5

NOTE 11: Receivables from loans

(thousands of United States dollars)	Current	Non-current	Total 31 Dec 2014
Receivable from loans	109	1,509	1,618
Allowance for doubtful loans	-	-	-
Total	109	1,509	1,618

NOTE 12: Advance transfers

(thousands of United States dollars)	Current	Non-current	Total 31 Dec 2014
Advances to implementing partners	22,016	-	22,016
UNDP clearing accounts	14,736	-	14,736
Total advance transfers	36,752	-	36,752

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NOTE 13: Other assets

(thousands of United States dollars)	Current	Non-current	Total 31 Dec 2014
Deferred charges	25	-	25
Advances to vendors	37	-	37
Advances to staff	1,131	-	1,131
Interfund balances	22,855	-	22,855
Other	81	-	81
Total other assets	24,129	-	24,129

NOTE 14: Heritage assets

120. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The Organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly the Organization elected not to recognize heritage assets on the Statement of Financial Position.

121. As of the reporting date, the Organization did not have significant heritage assets to report.

NOTE 15: Property, plant and equipment

122. In accordance with IPSAS 17 Property, Plant and Equipment opening balances are initially recognised at cost or fair value as of 1 January 2014 and measured at cost thereafter. Buildings' opening balance was obtained on 1 January 2014 based on depreciated replacement cost and was validated by external professionals. Machinery and equipment are valued using the cost method.

123. During the year, the Organization did not write down property, plant and equipment on account of accidents, malfunctions and other losses. As at the reporting date, the Organization did not identify any additional impairment.

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Property, Plant and Equipment

	Communications and IT Equipment	Vehicles	Machinery and Equipment	Furniture and Fixtures	Buildings	Total
Balances as at 01/01/2014						
Historical cost/fair value	734	6,736	576	200	82	8,329
Accumulated depreciation and impairment	(382)	(4,690)	(330)	(134)	(49)	(5,585)
Opening carrying amount	352	2,046	246	66	33	2,744
Movements for the year						
Additions	79	338	124	-	-	541
Disposals	(365)	(1,111)	(230)	(79)	-	(1,785)
Disposals depreciation	190	943	128	69	-	1,330
Impairment	-	-	-	-	-	-
Depreciation	(72)	(565)	(42)	(23)	(11)	(714)
Total movements for the year	(168)	(395)	(20)	(33)	(11)	(628)
Balances as at 31/12/2014						
Historical cost/fair value	448	5,963	470	121	82	7,084
Accumulated depreciation and impairment	(264)	(4,312)	(244)	(89)	(60)	(4,969)
Closing carrying amount	184	1,651	226	32	22	2,115

NOTE 16: Intangible assets

124. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with Umoja project, are subject to IPSAS transition exemption and are therefore not recognised. As at 31 December 2014, the organization did not have any new intangibles to report.

NOTE 17: Accounts payable and accrued payables

(thousands of United States dollars)	Total 31 Dec 2014
Vendor Payables	3,224
Accruals for goods and services	16,290
Total accounts payable	19,514

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NOTE 18: Employee benefits liabilities

(thousands of United States dollars)

	Current	Non-current	Total 31 Dec 2014	Opening Balance 01.01.2014
After-service health insurance	231	24,519	24,750	17,805
Repatriation benefits	578	4,236	4,814	4,581
Annual leave	465	4,924	5,389	5,135
Subtotal: defined benefit liabilities	1,274	33,679	34,953	27,521
Accrued salaries and allowances	904	-	904	397
Total employee benefits liabilities	2,178	33,679	35,857	27,918

125. The liabilities arising from post-employment benefits and Appendix D / worker's compensation are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent actuarial valuation was conducted as at 31 December 2013 and the liabilities have been rolled forward to 31 December 2014.

Actuarial valuation - assumptions

126. The Organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2013 and for roll-forward to 31 December 2014 are:

Actuarial assumptions	ASHI	Repatriation benefits	Annual leave
Discount rates 31 December 2013	4.47%	4.23%	4.37%
Discount rates 31 December 2014	3.29%	3.36%	3.52%
Inflation 31 December 2013	5.00 – 7.30%	2.50%	-
Inflation 31 December 2014	5.00 – 6.80%	2.25%	-

127. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), Euros (Euro area government yield curve) and Swiss Francs (the Federation bonds yield curve). Consistent with the decrease observed since 31 December 2013 of interest rates of all maturities in the three areas, lower discount rates were assumed for roll-forward.

128. The per capita claim costs for the ASHI plans are updated to reflect recent claims and enrolment experience. The healthcare cost trend rate assumption is revised to reflect the current short-term expectations of the ASHI plan cost increases and economic environment. Medical cost trends assumptions that were used for the valuation as of 31 December 2013, which included escalation rates for future years, were maintained for roll-forward since no significant evolution regarding medical trend has been observed. At 31 December 2014 these escalation rates were a flat health care yearly escalation rate of 5.0 per cent for non-United States medical plans, health care escalation rates of 6.8 per cent for all other medical plans, (except 6.1 per cent for the United States Medicare plan, and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent for financial year 2024.

129. With regard to valuation of repatriation benefits as of 31 December 2013, inflation in travel costs was assumed at 2.50 per cent based on the projected United States inflation rate over the next 10 years. For the roll-forward valuation the assumption was decreased to 2.25% to take into consideration the decrease observed on these references in the year.

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130. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years – 10.9 days; 4-8 years – 1 day; and over 8 years – 0.5 days up to the maximum 60 days. This assumption was maintained for roll forward valuation. Since the annual leave actuarial valuation method under UNSAS was not in compliance with IPSAS, the actuarial valuation method for the 1 January 2014 IPSAS opening balances and roll forward to the year-end was changed from the straight line to the attribution method. The opening balances impact of this change was an increase in liability of US\$ 10.0 million which is disclosed in the Statement of Changes in Net Assets.

131. For defined benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the UNJSPF in making its actuarial valuation. Appendix D / workers compensation uses mortality assumptions based on World Health Organization. The following tables provide additional information and analysis on employee benefits liabilities calculated by actuaries.

Movement in employee benefits liabilities accounted for as defined benefits plans

(thousands of United States dollars)	After-Service Health	Repatriation Benefits	Annual Leave	Total
Net defined benefit liability at 1 Jan 2014	17,805	4,582	5,135	27,522
Current Service cost	1,265	480	307	2,052
Interest cost	896	180	206	1,282
Actual benefits Paid	(191)	(643)	(670)	(1,504)
Total costs recognized in the Statement of Financial Performance in 2014	19,775	4,599	4,978	29,352
Actuarial (gains) / loss	4,975	215	411	5,601
Net defined liability at 31 Dec 2014	24,750	4,814	5,389	34,953

Discount rate Sensitivity Analysis

132. The changes in discount rates are driven by the discount curve, which is calculated based on corporate or government bonds. The bonds markets vary over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by one per cent, its impact on the obligations would be as follows:

	ASHI	Repatriation benefits	Annual Leave
Increase of discount rate by 1 per cent	(4,871)	(441)	(498)
As percentage of end of year liability	-20%	-9%	-9%
Decrease of discount rate by 1 per cent	6,130	491	555
As percentage of end of year liability	25%	10%	10%

Medical cost sensitivity analysis

133. The principal assumption in the valuation of the ASHI is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability due to changes in the medical cost rates while holding other principal assumptions constant; the key assumption held constant is the discount rate. Should the medical cost trend assumption vary by one per cent, this would impact the measurement of the defined benefit obligations as follows:

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(thousands of United States dollars)	Increase	Decrease
1 per cent movement in the assumed medical costs trend rates		
Effect on defined benefit obligation	16.78% 5,865	(12.86%) (4,494)
Effect on aggregate of the current service cost and interest cost	2.53% 883	(2.12%) (740)

Other defined benefit plan information

134. International Civil Service Commission in its report to support the recommendation of the UNJSPF to raise the mandatory age of retirement to sixty-five years for new staff effective 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of these liabilities.

135. During the financial year, certain activities financed by Trust Funds have accrued charges to fund employee benefits liabilities related to their extra-budgetary activities. At the year-end, the value of these accrued balances was US\$ 5.6 million.

(thousands of United States dollars)	ASHI	Repatriation benefits	Annual leave	Total	
Estimated 2015 defined benefit payments, net of participants contributions	257	658	529	1,444	
Historical information - total for ASHI, repatriation benefits, Annual Leave and Appendix D as at 31 December 2014					
(thousands of United States dollars)	2013	2012	2011	2010	2009
Present value of the defined benefit obligations	34,953	27,521	26,096	23,407	14,349

Accrued salaries and allowances

136. These include accruals, in thousands of United States dollars, for home leave of 318, overtime 1, Income tax 156, and monthly salaries due but unpaid 429.

United Nations Joint Staff Pension Fund

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

138. The Organization's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.90 per cent for participants and 15.80 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the UNJSPF as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

139. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per

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cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as of 31 December 2015.

140. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.
141. After assessing the actuarial sufficiency of the UNJSPF, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the UNJSPF as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
142. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the UNJSPF's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the UNJSPF as of 31 December 2013. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org. During 2014, the Organization's contributions paid to UNJSPF amounted to US\$ 6.6 million.

The Reserve Fund for Compensation Payments – Appendix D / Workers' compensation

143. The Organization's financial obligation to the Reserve Fund, a related party, consists of its mandated contribution at the rate established by the Fund. The Fund compensation payments relates to the payment of compensation with respect to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The reserve fund allows the Organization to continue to fulfil its obligation of making compensation payments for death, injury or illness. The fund derives its revenue from 0.5 per cent of the net base salary including post adjustment that is recorded as employee expenses. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payment for injury or illness as well as medical expenses.

NOTE 19: Provisions

144. As of at the reporting date, the organization had no legal claims that required the recognition of provisions.

NOTE 20: Other liabilities

(thousands of United States dollars)	Current	Non-Current	Total 31 Dec 2014
Contributions or amounts received in advance	231	-	231
Liabilities for conditional arrangements	32,442	-	32,442
Interfund balances	23,068	-	23,068
Deferred revenue	175	-	175
Other liabilities	682	-	682
Total other liabilities	56,598	-	56,598

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NOTE 21: Net Assets

Accumulated surpluses / deficits

145. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, the net positions of ASHI, repatriation benefit and annual leave liabilities.

146. The following table shows the status of the Organization's Net Assets balances and movements.

Net Assets	01-Jan-14	Surplus/(deficit)	Transfers to / (from) reserves	Other	Total 31/12/2014
Unrestricted Cumulative					
Foundation Non-earmarked	11,337	(524)		(935)	9,878
Foundation Special Purpose	129,330	(8,282)	280	2,153	123,481
Technical cooperation	162,288	21,812		250	184,350
Programme Support	10,428	(299)		(218)	9,911
End of service liabilities	(22,439)	(1,288)		(5,601)	(29,328)
Subtotal unrestricted fund	290,944	11,419	280	(4,351)	298,292
Reserves					
Foundation Non-earmarked	6,620	-	-	-	6,620
Foundation Special Purpose	4,303	-	(280)	-	4,023
Technical cooperation	11,360	-	-	-	11,360
Programme Support	2,932	-	-	-	2,932
End of service liabilities	-	-	-	-	-
Subtotal reserves	25,215	-	(280)	-	24,935
Total Net Assets					
Foundation Non-earmarked	17,957	(524)	-	(935)	16,498
Foundation Special Purpose	133,633	(8,282)	-	2,153	127,504
Technical cooperation	173,648	21,812	-	250	195,710
Programme Support	13,360	(299)	-	(218)	12,843
End of service liabilities	(22,439)	(1,288)	-	(5,601)	(29,328)
Total reserves and fund	316,159	11,419	-	(4,351)	323,227

NOTE 22: Revenue from non-exchange transactions

Assessed contributions

147. The organization receives an allocated from regular budget, each biennium, which is included in assessed contributions. These are reported under Volume I, a related entity, and are for completeness shown in these Financial Statements. For the reporting period the Organization received US\$12.5 million.

Voluntary contributions

(thousands of United States dollars)	Total 31 Dec 2014
Inter-organizational arrangements	23,016
voluntary monetary contributions	161,449
Voluntary in-kind contributions	1,227
Subtotal voluntary contributions	185,692
Refunds to donors	(2,538)
Net voluntary contributions	183,154

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Services in-kind

148. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in-kind confirmed during the year comprise the following:

(thousands of United States dollars)	Total 31 Dec 2014
Technical assistance/expert services	346
Administrative support	509
Other services in-kind	8
Total	863

Other transfers and allocations

149. Revenue from non-exchange transactions also includes other transfers and allocations amounting to US \$ 8.1 million.

NOTE 23: Revenue from exchange transactions

150. Revenue from other exchange transactions is US\$0.6 million.

NOTE 24: Expenses

Employee salaries, allowances and benefits

151. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)	31-Dec-14
Leave benefits	513
Pension benefits	6,620
Health insurance benefits	2,161
Repatriation benefits	660
Salary and wages	41,574
Total	51,528

Non-employee compensation and allowances

152. Non-employee compensation and allowances of US\$29,559 thousands consists of United Nations Volunteers living allowances and post-employment benefits, consultant and contractors fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

Grants and other transfers

153. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

(Thousands of United States dollars)	31-Dec-14
Grants - End beneficiaries	34,056
Transfers to implementing partners	11,313
Total	45,369

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Other operating expenses

154. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt, write off expenses and expenses related to mine action, human security and the United Nations Democracy Fund.

(Thousands of United States dollars)	31-Dec-14
Bad debt expense	(48)
Bank charges	26
Communications and utilities	29
Contracted services	34,277
Contribution in kind	1,227
Fellowship grants	1,129
Maintenance expense	4,230
Rent - office and premises	2,420
Rental - other	26
Training	6,542
Loss on disposal of tangible assets	455
Other	2,441
Total	52,754

Other expenses

155. Other expenses of US\$ 2,721 thousands relate to hospitality and official functions, foreign exchange losses and donation / transfer of assets.

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NOTE 25: Financial Instruments and financial risk management

Financial Instruments (thousands of United States dollars)	Note	Total 31 Dec 2014
Financial assets		
Fair value through the surplus or deficit		
Short-term investments - Cash Pools		76,194
Short-term investments - other		-
Total short-term investments		76,194
Long-term investments - Cash Pools		62,371
Long-term investments - other		-
Total long-term investments		62,371
Total fair value through the surplus or deficit		138,565
Loans and receivables		
Cash and cash equivalents -Cash Pools		39,225
Cash and cash equivalents - other		7,513
Voluntary contributions		185,274
Loans receivable		1,618
Other receivables		5
Other assets (excludes deferred charges)		22,855
Total loans and receivables		256,490
Total carrying amount of financial assets		395,055
Of which relates to financial assets held in Cash		177,790
Financial liabilities		
Accounts payable and accrued payables		24,129
Other liabilities (excludes deferred revenue)		56,367
Total carrying amount of financial liabilities		80,496
Summary of net income from Cash Pools		
Investment revenue		1,127
Financial exchange gains / (losses)		(952)
Unrealized gains / (losses)		(54)
Bank fees		(4)
Net income from Cash Pools		117
Other investment revenue		973
Total net income from financial instruments		1,090

Financial risk management: overview

156. The organization has exposure to the following financial risks:

- Credit risk
- Liquidity risk; and
- Market risk

157. This note presents information on the Organization's exposure to these risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Financial risk management: risk management framework

158. The Organization's risk management practices are in accordance with its FRR and Investment Management Guidelines (Guidelines). The Organization defines the capital that it manages as

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the aggregate of its Net Assets which is comprised of accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization manages its capital in light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

159. Credit risk is the risk of financial loss if counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

160. The investment management function is centralised at the UN Headquarters, and other areas are not permitted in normal circumstances to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Credit risk: contributions receivable and other receivables

161. A large portion of the contributions receivable is due from sovereign governments and supra-national agencies, including other United Nations entities which do not have significant credit risk. As at the reporting date, the Organization does not hold any collateral as security for receivables.

Credit risk: allowance for doubtful receivables

162. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approve write-offs under the FRR or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year was:

Movement in allowance for doubtful receivables	
(thousands of United States dollars)	
As at 1 January 2014	(48)
Additional allowance for doubtful receivables	48
Receivables written off during the period as uncollectible	-
Unused amounts reversed	-
As at 31 December 2014	-

163. The organization does not have assessed contributions receivable so there is no ageing of assessed contributions receivable and associated allowance.

164. The ageing of receivables other than assessed contributions including associated allowance percentages is:

(thousands of United States dollars)	Gross Receivable	Allowance
Neither past due nor impaired	-	-
Less than one year	185,274	-
One to two years	-	-
Two to three years	-	-
Over three years	-	-
Total	185,274	-

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Credit risk: cash and cash equivalents

165. The organization had cash and cash equivalents of US\$ 46.7 million at 31 December 2014 which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at 'A-' and above, based on the Fitch viability rating.

Financial risk management: liquidity risk

166. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage the Organization's reputation.

167. The FRRs require that expenses be incurred after receipt of funds from donors thereby considerably reducing the liquidity risk with regards to contributions which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk management criteria are adhered to with regards to the amounts receivable.

168. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

169. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure there were appropriate resources to meet its financial obligations. At the reporting date, the Organization has not pledged any collateral for any liabilities or contingent liabilities and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Organization can be required to settle each financial liability are:

Maturities for financial liabilities: as at 31 December 2014				
(undiscounted thousands of United States dollars)				
	< 3 months	3 to 12 months	>1 years	Total 31 Dec 2014
Accounts payable and accrued payables	19,514	-	-	19,514
Other liabilities	-	56,598	-	56,598
Total	19,514	56,598	-	76,112

Financial risk management: market risk

170. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities will affect the Organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

Market risk: interest rate risk

171. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows 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

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the interest rate risk. The main exposure to interest rate risks relates to the Cash Pools and is considered in Note 27 Financial Instruments: Cash Pools.

Market risk: currency risk

172. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the Organization to manage its currency risk exposure.

173. The Organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollars financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The Organization maintains a minimum level of assets in local currencies, and whenever possible maintains bank accounts in United States dollars. The Organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

174. The most significant exposure to currency risk relates to Cash Pool cash and cash equivalents. At the reporting date, the non- United States dollar denominated balances in these financial assets were primarily Euro and Swiss Franc along with over thirty other currencies:

Currency exposure of the Cash Pools as at 31 December 2014

(thousands of United States dollars)	USD	Euro	CHF	Others	Total 31 Dec 2014
Main Cash Pool	169,467	-	-	-	169,467
Euro Cash Pool	-	8,322	-	-	8,322
Total	169,467	8,322	-	-	177,789

Currency risk: sensitivity analysis

175. A strengthening / weakening of the Euro and Swiss Franc UNORE exchange rates as at 31 December would have affected the measurement of investments denominated in a foreign currency and increased /decreased Net Assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

(effect on Net Assets / surplus or deficit in thousands of United States dollars)	Strengthening	Weakening
Euro (10 per cent movement)	1	(1)
CHF (10 per cent movement)	-	-

Other market risk:

176. The Organization is not exposed to significant other price risk as it has limited exposure to price related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cashflows by an immaterial amount.

Accounting classifications and fair value

177. Due to the short-term nature of cash and cash equivalents, including Cash Pool term deposits with original maturities of less than three months, receivables and payables, carrying value is a fair approximation of fair value.

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Fair value hierarchy

178. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

179. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Cash Pools is the current bid price.

180. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

181. There were no Level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

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Fair value hierarchy

(Thousands of United States dollars)	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit:			
Bonds - Non US Agencies	38,592	-	38,592
Bonds - Non US Sovereigns	12,735	-	12,735
Bonds - Supranationals	7,883	-	7,883
Bonds - US Treasuries	23,234	-	23,234
Discounted Instruments	17,895	-	17,895
Term Deposits	-	37,953	37,953
Total financial instruments at FVTSD	100,339	37,953	138,292

NOTE 26: Financial Instruments: Cash Pools

182. In addition to directly held cash and cash equivalents, the Organization participates in the United Nations Cash Pools. 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. The allocation of Cash Pool assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance.

183. The Organization participates in two UNHQ Treasury managed cash pools:

- The Main Cash Pool which comprises operational bank account balances in a number of currencies and investments in United States dollars; and
- The Euro Cash Pool which comprises investments in Euro currency; the pool participants are mostly OAHs who may have surplus of Euros from their operations.

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184. As at 31 December 2014, the Cash Pools held total assets of US\$ 9,608.8 million; of this amount US\$ 177.8 million was due to the Organization and the Organization's share of net income from Cash Pools was US\$ 0.12 million.

Summary of assets and liabilities of the Cash Pools as at 31 December 2014			
(thousands of United States dollars)	Main Pool	Euro Pool	Total
Fair value through surplus or deficit			
Short-term investments	3,930,497	97,011	4,027,508
Long-term investments	3,482,641	-	3,482,641
Total fair value through the surplus or deficit	7,413,138	97,011	7,510,149
Loan and receivables			
Cash and cash equivalents	2,034,824	48,819	2,083,643
Accrued investment income	14,842	119	14,961
Total loans and receivables	2,049,666	48,938	2,098,604
Total carrying amount of financial assets	9,462,804	145,949	9,608,753
Cash Pool liabilities			
Payable to the Organization	169,467	8,322	177,789
Payable to other Cash Pool participants	9,293,337	137,627	9,430,964
Total liabilities	9,462,804	145,949	9,608,753
Net assets	-	-	-
Net income and expense:			
	Main Pool	Euro Pool	Total
Investment revenue	62,511	132	62,643
Financial exchange gains / (losses)	(7,064)	(14,396)	(21,460)
Unrealised gains / (losses)	(3,084)	9	(3,075)
Bank fees	(214)	(2)	(216)
Net income from Cash Pools	52,149	(14,257)	37,892

Financial risk management

185. United Nations Treasury is responsible for investment and risk management for the Cash Pools including conducting investment activities in accordance with the Guidelines.

186. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasised over the market rate of return component of the objectives.

187. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

188. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The Cash Pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

189. 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 made. For banks and financial institutions, only independently rated parties with a Fitch minimum viability rating of 'A-' are accepted.

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190. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch viability rating is used to rate term deposits. At 31 December 2014 the credit ratings were:

<i>Main pool</i>	<i>Ratings</i>
Bonds	S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+ not rated by S&P Moody's : 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	S&P: 100% A-1+; Moody's :70.0% P1 and 30.0% not rated; Fitch;90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-
Euro Pool	Ratings
Bonds	S&P: 100% AA+;Moody's; 100%Aaa; Fitch;100% mot rated
Term deposits	Fitch: 22.1% aa- and 77.9% a+/a/a-

191. UN Treasury actively monitors credit ratings and given that the Organization only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: Liquidity Risk

192. The 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 participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Cash Pool liquidity risk is therefore considered to be low.

Financial risk management: Interest rate risk

193. Fixed-rate cash and cash equivalents and investments are the Organization's interest bearing financial instruments. The Cash Pools comprise its main exposure to interest risk. As at the reporting date, the Cash Pools invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average durations of the Main Cash Pool and Euro Pool were 1.10 years and 0.22 years respectively, which is considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

194. This analysis shows how the fair value of the Cash Pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at FVTSD the change in fair value represents the increase / decrease of the surplus or deficit and Net Assets. The impact of a shift up or down of up to 200 basis point in the yield curve is shown (100 basis points equals one per cent). These basis point shifts are illustrative.

Cash Pool interest rate risk sensitivity analysis as at 31 December 2014									
Shift in yield curve									
Basis points	-200	-150	-100	-50	0	50	100	150	200
Increase / decrease in fair value (Millions of USD):									
Main Cash Pool	205.5	154.1	102.7	51.4	-	(51.3)	(102.7)	(154.0)	(205.3)
Euro Pool	0.6	0.5	0.4	0.1	-	(0.1)	(0.3)	(0.5)	(0.6)
Total	206.1	154.6	103.1	51.5	-	(51.4)	(103.0)	(154.5)	(205.9)

Other market price risk

195. The Cash Pool is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, which limits the potential loss of capital.

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Accounting classifications and fair value – Cash Pool

196. The carrying value of investments carried at FVTSD is fair value and for cash and cash equivalents, including Cash Pool term deposits, carrying value is a fair approximation of fair value.

Fair value hierarchy

197. The table analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

198. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Cash Pools is the current bid price.

199. The fair value of financial instruments that are not traded in an active market (for example, term deposits with banks) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

200. The following fair value hierarchy presents the Cash Pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy (Thousands of United States dollars)	31 December 2014		
	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit			
Bonds - Non US Agencies	2,154,956	-	2,154,95
Bonds - Non US Sovereigns	691,489	-	691,489
Bonds - Supranationals	440,169	-	440,169
Bonds - US Treasuries	1,297,290	-	1,297,29
Discounted Instruments	999,234	-	999,234
Term Deposits	-	1,830,000	1,830,00
Sub-total Main Cash Pool	5,583,138	1,830,000	7,413,13
Euro Pool			
Bonds - Non US Sovereigns	6,157	-	6,157
Term Deposits	-	90,854	90,854
Sub-total Euro Cash Pool	6,157	90,854	97,011
Total Investments	5,589,295	1,920,854	7,510,14

NOTE 27: Related parties

Key Management Personnel

201. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the Organization. For the United Nations Human Settlements Programme, the key management personnel group is deemed to comprise the Executive Director and the Deputy Executive Director.

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202. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, and other entitlements such as grants, subsidies, and employer pension and health insurance contributions.
203. The Organization's key management personnel were paid US\$ 0.6 million over the financial year; such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

(thousands of United States dollars)	KMP	Close family members	Total 31 Dec 2014
Number of positions (full-time equivalents)	2	-	2
Aggregate Remuneration:			
Salary and post adjustment	563	-	563
Other compensation / entitlements	54	-	54
Total remuneration for the end ended 31 Dec 2014	617	-	617
Other items			
Outstanding loans and advances as at 31 Dec 2014	-	-	-

204. In addition as at 31 December 2014, an amount of US\$0.07 million has been accrued as End of Service Liabilities for key management personnel.
205. Non-monetary and indirect benefits paid to key management personnel were not material. No close family member of key management personnel was employed by the Organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; and such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

206. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the Organization are often executed by one financial reporting entity on behalf of another and then subsequently settled. In this regard, as at 31 December 2014, the Organization had inter-entity balances of US\$ 2.7 million due to other related reporting entities of the Organization. No interest is levied on such inter-entity balances.

NOTE 28: Leases and commitments

Finance Lease

207. The Organization has no finance leases.

Operating leases

208. The Organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognised in expenditure for the year were US\$ 3.3 million. This total includes US\$ 1.2 million towards donated right-to-use arrangements; for which corresponding revenue is recognised in the Statement of Financial Performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable arrangements are:

Obligations for operating leases (Thousands of United States dollars)	Minimum lease payments as at 31 December 2014
Due in less than 1 year	3,331
Due 1 to 5 years	7,443
Due later than 5 years	-
Total minimum operating lease obligations	10,774

209. These contractual leases are typically between one to seven years with some leases allowing extension clauses and / or permitting early termination within 30, 60, or 90 days. The amounts

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present future obligations for the minimum contractual term taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Leasing arrangements where the Organization is the lessor

210. The Organization has no leases as a lessor.

Contractual commitments

211. At the reporting date, the commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered were.

Contractual commitments by category (thousands of United States dollars)	Total 31 Dec 2014
Goods	6,396
Services	8,588
Implementing partners	42,845
Total	57,829

NOTE 29: Contingent liabilities and contingent assets

Contingent liabilities

212. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main categories: commercial and administrative law claims. As at reporting date, corporate and commercial legal claims totaled US\$ 0.01 million. Management does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

213. Due to the uncertainty of the outcome of these claims, no provision or expense has been recorded as the occurrence, amount and timing of the outflows are not certain. Consistent with IPSAS, contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated.

Contingent assets

214. In accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets, contingent assets are disclosed where an event will give rise to a probable inflow of economic benefits to the Organization. At the reporting date, the Organization did not have reportable contingent assets.

NOTE 30: Grants and other transfers

215. The following are the regions in which the funds given to implementing partners have been spent.

Grants and other transfers by region (thousands of United States dollars)	Total 31 Dec 2014
Africa	2,078
Arab States	5,815
Asia and the Pacific	1,573
Global	100
Latin America and the Caribbean	1,720
Total	11,286

216. This amount is part of US\$ 45.4 million shown on statement II as expenditure under grants and other transfers. The difference of US\$34.1 million was for end beneficiaries.

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NOTE 31: Events after the reporting date

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

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Appendix - Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
AUC	Assets under construction
AUD	Assets under development
ASHI	After Service Health Insurance
BMS	Building Management Services
CEB	Chief Executives Board
CHF	Common Humanitarian Funds
CTBTO	Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization
DHL	Dag Hammarskjöld Library
ECA	Economic Commission for Africa
ERP	Enterprise Resource Planning
ERSO	Experimental Reimbursable Seeding Operation
ETF	Exchange Traded Fund
FMIP	Full Medical Insurance Plan
FRR	United Nations Financial Regulations and Rules
FVTSD	Fair value through surplus or deficit
IAEA	United Nations, International Atomic Energy Agency and Preparatory
ICTR	International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighboring States between 1 January 1994 and 31 December 1994
IDC	Indirect cost recovery
IPSAS	International Public Sector Accounting Standards
ITC	International Trade Centre
ITY	International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

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KMP	Key Management Personnel
MIP	Medical Insurance Plan
MPTF	Multi-Partner Trust Funds
PBF	Peacebuilding Fund
OAH	Offices of the United Nations Secretariat away from Headquarters
OCHA	Office for the Coordination of Humanitarian Affairs
ONUC	United Nations Operation in the Congo
S&P	Standard & Poor's
SMIP	Supplementary Medical Insurance Plan
TPA	Third party administrators
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEF	United Nations Emergency Force
UNEP	United Nations Environment Programme
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund
UNMEER	United Nations Mission for Ebola Emergency Response
UNODC	United Nations Office on Drugs and Crime
UNON	United Nations Office at Nairobi
UNORE	United Nations Operational Rates of Exchange
UNOV	United Nations Office in Vienna
UNRWA	United Nations Relief and Works Agency
UNSAS	United Nations System Accounting Standards
UNSMIS	United Nations Staff Mutual Insurance Society
UNSSC	United Nations System Staff College
VIC	Vienna International Centre
WIP	Work-in-progress