

Chapter I

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

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

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

Chapter II

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

See text on page 1.

Chapter III

Certification of the Financial Statements

31 March 2011

The financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2010 have been prepared in accordance with Financial Rule 106.10 of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information for, and clarifications of, the financial activities undertaken by the United Nations Human Settlements Programme, during the year covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Human Settlements Programme, including the associated trust funds and other related accounts as disclosed in Statements I to VIII, are correct.

David G. Hastie
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Administration's financial overview for the year ended 31 December 2010

Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the financial statements of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the year ended 31 December 2010. This is the first year of the financial period (biennium) 2010-2011. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. The accounts were transmitted to the Board of Auditors on 31 March 2011.
2. Comparative data for the year ended 31 December 2008, as appropriate, have been reflected in the financial statements.
3. In conformity with United Nations Secretariat reporting requirements:
 - (a) The interfund balances are not offset.
 - (b) The accounts receivable and accounts payable are reported without offset.
 - (c) Accrued liabilities for end-of-service benefits, comprising After Service Health Insurance (ASHI) liabilities and unused vacation days are presented as liabilities in the accounts.
4. Regular Budget expenditure insofar as it relates to the United Nations Human Settlement Programme, is included on the face of the financial statements as well as in the notes.
5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

Financial Overview

6. Statements I to III show the combined UN-Habitat's financial position for the years ended 31 December 2010 and 31 December 2008.
7. UN-Habitat income for the year ended 31 December 2010 increased by US\$ 27.2 million (15.8%) to US\$ 199.6 million.
8. Expenditure for the same year increased by US\$ 51.1 million (33.6%) to US\$ 200.5 million.
9. The shortfall of income over expenditure before adjustments is US\$ 0.9 million.
10. The cash position including the cash pool as at 31 December 2010 increased by US\$15.7 million (7.5%) to US\$ 225.4 million.

Foundation Activities

11. The Governing Council, in its resolution 22/7 of 3 April 2009, approved the general purpose budget of US\$66,190,500 and endorsed the special-purpose budget of US\$95,717,700 for the biennium 2010-2011. The Governing Council also approved an increase in the general purpose statutory reserve from US\$3,279,500 to US\$6,619,500. The Governing Council further authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust, in consultation with the Committee of Permanent Representatives, the level of allocations for programme activities in accordance with the actual level of income. The Governing Council also authorized the Executive Director to reallocate general-purpose resources between subprogrammes in an amount of up to 10% of the total general-purpose budget. The Governing Council further authorized the Executive Director to reallocate, in consultation with the Committee of Permanent Representatives, amounts in excess of 10% and up to 25% of the total general-purpose budget.

Trust funds

The Water and Sanitation Trust Fund

In its drive to help attain the water target of the Millennium Development Goals, UN-Habitat set up a Water and Sanitation Trust Fund in 2002 to help municipalities reach out to the poorest and offering contributors an opportunity to target a high priority sector with maximum impact with a clear set of objectives.

United Nations Human Settlements Programme#

The fund balance at the beginning of the year was US\$16.7 million, income was US\$5.6 million and expenditure was US\$16.0 million resulting in a fund balance, after adjustments, of US\$6.1 million at the end of the year. Total operating reserve and fund balance at the end of the year amounted to US\$9.5 million.

Special Human Settlements Programme for the Palestinian People

Governing Council resolution 19/18 established the Trust Fund for The Special Human Settlements Programme for the Palestinian People was established to address the housing situation and related human settlements needs of people living in the occupied Palestinian territories. The objectives of the Programme are to build institutional capacity and coordination mechanisms in the field of human settlements, promote affordable mechanisms for housing finance, work with research institutions to collect socio-economic data through the creation of urban observatories, support the development of a Palestinian human settlements policy (with related strategies for housing and urban development), establish a planning framework, and implement housing and settlements upgrading.

The fund balance at the beginning of the year was US\$0.09 million; income was US\$3.2 million and expenditure was US\$1.3 million resulting in a fund balance, after adjustments, of \$2.0 million at the end of the year. Total operating reserve and fund balance at the end of the year amounted to US\$2.2 million.

The Experimental Reimbursable Seeding Operations Trust Fund

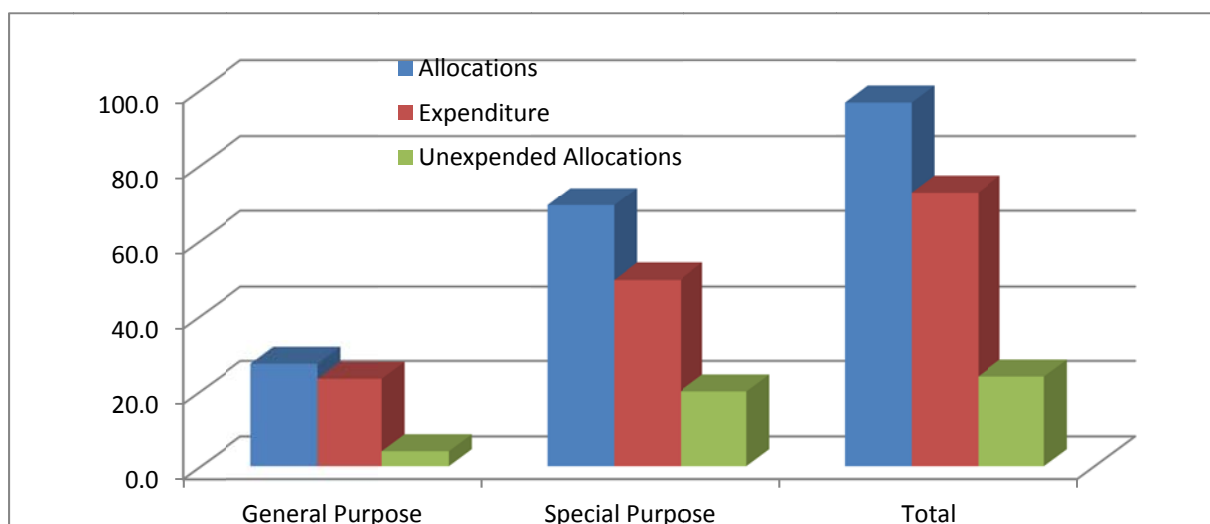
Governing Council resolution 21/10 established the Experimental Reimbursable Seeding Operations Trust Fund. The objective of this fund was:

- (i) To field-test experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups, including where there is an expectation of repayments mobilizing capital at the local level;
- (ii) To strengthen the capacity of local financial and development actors to carry out those operations and to support the capacity of UN-Habitat to enhance those operations;

The Experimental Reimbursable Seeding Operations had interest income from loans and bank balances amounting to US\$45,000 for the year, total expenditure was US\$157,000. The total closing reserves and fund balances include a loan reserve of US\$550,000; operating reserves of US\$12,000 and a loan fund balance of US\$2.7 million

12. UN-Habitat received pledges for its Foundation activities of US\$54.3 million for the year ended 31 December 2010 as compared to US\$65.3 million for the year ended 31 December 2008, a decrease of 16.9%.

Figure 2.1: Foundation activities - Status of allocations (US\$ Millions)

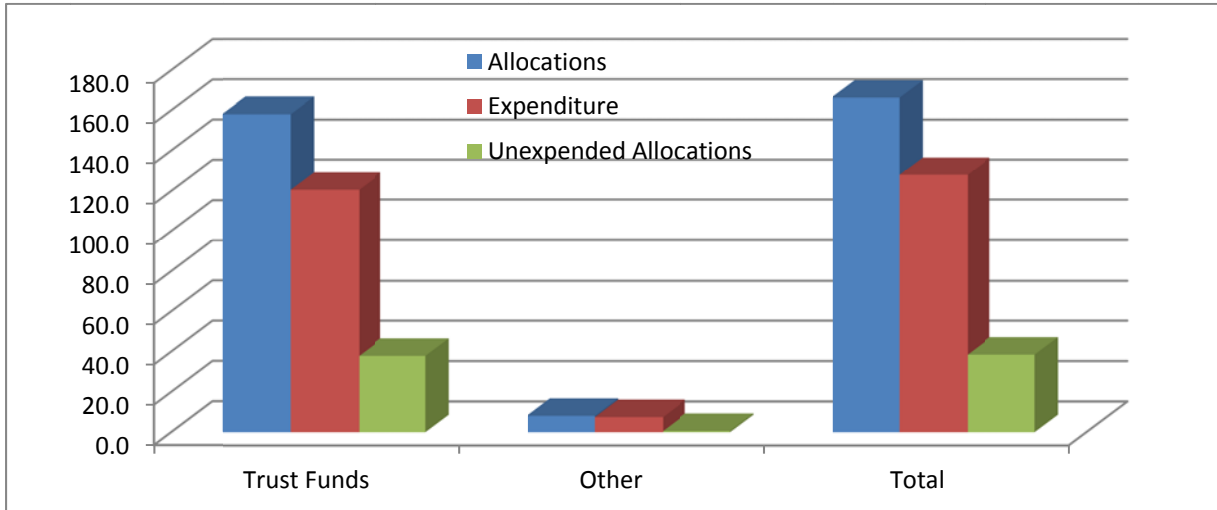


13. Expenditure for Foundation activities was US\$72.9 million before the elimination of programme support costs, within the budget allocations of US\$96.7 million approved by the Executive Director as outlined in paragraph 11 above. The allocations and expenditure for the Foundation activities for the year ended 31 December 2010 are presented in figure 2.1.

Technical Cooperation activities

14. UN-Habitat received contributions for its Technical Cooperation activities of US\$ 128.2 million for the year ended 31 December 2010 as compared to US\$87.5 million for the year ended 31 December 2008, an increase of 46.5%. An additional amount of US\$1.1 million was received in respect of projects funded by UNDP.

Figure 2.2: Technical Cooperation activities - Status of allocations (US\$ Millions)



15. Expenditure of US\$127.6 million before elimination of programme support cost activities is within the budget allocations of US\$166.0 million approved by the Executive Director. Allocations and expenditure for the Technical Cooperation activities for the year ended 31 December 2010 are presented in figure 2.2.

End of service and post retirement benefits

16. Effective 31 December 2007, UN-Habitat fully accrues for the end-of-service and post retirement benefits, comprising After Service Health Insurance (ASHI) liabilities, unused vacation days and repatriation benefits. Since July 2002 UN-Habitat has been accruing repatriation benefits at 8% of net salary but no accruals have been made in respect of After Service Health Insurance (ASHI) or unused vacation days as these had been charged on a “pay-as-you-go” basis.

17. The 31 December 2010 accrued balances have been adjusted to reflect the estimated current liabilities as at 31 December 2010 as reflected in the 2009 actuarial study carried out by a consulting firm contracted on behalf UN-Habitat by the United Nations Secretariat. By fully charging these liabilities in the financial statements as at 31 December 2010, an amount of US\$11.1 million of cumulative unbudgeted expenditure is being shown under the line total reserves and fund balances in Statements I and II. The details are disclosed in Statement VIII and Note 13 to the Financial Statements.

Regular Budget

18. UN-Habitat received an allocation of US\$11.1 million from the United Nations General Fund and a further US\$1.7 million from the Development Account for the year ended 31 December 2010. Expenditure of US\$11.7 million was incurred under the United Nations General Fund and a further US\$0.3 million against the Development Account during this year compared to US\$10.8 million and US\$0.1 million respectively for the year ended 31 December 2008 as shown in Note 16.

Chapter V

Financial Statements and related explanatory notes

United Nations Human Settlements Programme all funds summary
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2010
(Thousands of United States Dollars)

	Reference	Foundation (St. IV)	Technical Cooperation (St. VI)	End of Service and Post Retirement Benefits (St. VIII)	Regular Budget	All funds eliminations	Total	
							2010	2008
Income								
Regular Budget Contributions	Note 16	-	-	-	12,013	-	12,013	10,908
Voluntary contributions	Schedules 5.2 & 7.2	54,282	128,173	-	-	-	182,455	152,788
Funds received under inter-organization arrangements	Notes 2 k (ii) & s (iii)	-	1,101	-	-	-	1,101	2,416
Income for services rendered		(178)	178	-	-	-	-	-
Interest income		2,135	1,827	-	-	-	3,962	6,147
Miscellaneous	Note 3	189	17	-	-	(106)	100	184
Total income		56,428	131,296	-	12,013	(106)	199,631	172,443
Total expenditure	Schedules 5.1 & 7.1	69,326	119,315	-	12,013	(106)	200,548	149,430
Excess / (shortfall) of income over expenditure		(12,898)	11,981	-	-	-	(917)	23,013
Non-budgeted accrued expenses		-	-	(1,265)	-	-	(1,265)	(1,667)
Prior year adjustments	Note 4	78	(281)	-	-	-	(203)	(97)
Net excess / (shortfall) of income over expenditure		(12,820)	11,700	(1,265)	-	-	(2,385)	21,249
Savings on prior years' obligations	Note 2 (k) (viii)	966	88	-	-	-	1,054	545
Transfer to reserves	Note 2 (n),(o) & (p)	(3,890)	(85)	-	-	-	(3,975)	(1,030)
Credits to member states and other donors	Note 5	(296)	(1,221)	-	-	-	(1,517)	(120)
Fund balances, beginning of year		78,372	47,886	(10,145)	-	-	116,113	111,770
Fund balances, end of year	Note 14	62,332	58,368	(11,410)	-	-	109,290	132,414
Reserves, beginning of year		7,916	9,596	2	-	-	17,514	4,986
Transfers to reserves	Note 2 (n),(o) & (p)	3,890	85	330	-	-	4,305	1,218
Reserves, end of year	Note 14	11,806	9,681	332	-	-	21,819	6,204
Total reserves and fund balances	Note 14	74,138	68,049	(11,078)	-	-	131,109	138,618

United Nations Human Settlements Programme all funds summary
Statement of assets, liabilities, reserves and fund balances as at 31 December 2010
(Thousands of United States Dollars)

	Reference	Foundatio n (St. V)	Technical Cooperation (St. VII)	End of Service and Post Retirement Benefits (St. VIII)	Regular Budget	All funds eliminations	Total	
							2010	2008
Assets								
Cash and term deposits	Note 6	15,492	5,420	-	-	-	20,912	4,769
Cash pool	Note 6	100,590	103,852	-	-	-	204,442	204,933
Accounts receivable:								
Voluntary contributions	Schedule 5.2	787	-	-	-	-	787	1,891
Interfund balances	Note 7	22,292	14,801	3,271	-	-	38,364	24,689
Loans and accrued interest receivable	Note 17	2,583					2,583	-
Other	Note 8	3,679	1,971	-	-	-	5,650	3,908
Balances relating to projects funded by donors	Note 9	-	7,672	-	-	-	7,672	11,008
Other assets	Note 10	298	105	-	-	-	403	331
Total assets		143,721	133,821	3,271	-	-	280,813	251,529
Liabilities								
Payments or contributions received in advance	Schedule 5.2	7	-	-	-	-	7	10
Unliquidated obligations	Note 11	38,367	54,487	-	-	-	92,854	67,361
Accounts payable:								
Interfund balances	Note 7	29,482	9,646	-	-	-	39,128	26,003
Other	Note 12	1,727	1,639	-	-	-	3,366	5,320
End-of-service and post retirement benefits	Note 13	-	-	14,349	-	-	14,349	14,217
Total liabilities		69,583	65,772	14,349	-	-	149,704	112,911
Reserves and fund balances								
Reserves	Notes 2(n), (o), (p) & 14	11,806	9,681	332	-	-	21,819	6,204
Fund Balance	Notes 2(q) and 14	63,332	58,368	(11,410)	-	-	109,290	132,414
Total reserves and fund balances		74,138	68,049	(11,078)	-	-	131,109	138,618
Total liabilities, reserves and fund balances		143,721	133,821	3,271	-	-	280,813	251,529

United Nations Human Settlements Programme all funds summary
Statement of cash flows for the year ended 31 December 2010
(Thousands of United States Dollars)

	Reference	Foundation	Technical Cooperation	End of Service and Post Retirement Benefits	Regular Budget	Total 2010	2008
Cash flows from operating activities							
Net excess (shortfall) of income over expenditure		(12,820)	11,700	(1,265)	-	(2,385)	21,249
(Increase) decrease in:							
Contributions receivable		1,008	-	-	-	1,008	374
Loans and accrued interest receivable		(2,583)				(2,583)	-
Other accounts receivable		(2,371)	(396)	-	-	(2,767)	4,665
Other assets		(62)	145	-	-	83	1,468
Interfund balances receivable		(5,475)	(4,738)	(565)	-	(10,778)	48,326
Balances relating to projects funded by donors		-	-	-	-	-	212
Increase (decrease) in:							
Contributions or payments received in advance		(3)	-	-	-	(3)	-
Unliquidated obligations		(5,671)	27,306	-	-	21,635	3,643
Accounts payable		445	(1,245)	-	-	(800)	363
Interfund balances payable		6,067	4,896	-	-	10,963	(47,367)
End-of-service and post retirement benefits		-	-	1,500	-	1,500	1,997
Less: Interest income		(2,135)	(1,827)	-	-	(3,962)	(6,147)
Net cash flows from operating activities		(23,600)	35,841	(330)	-	11,911	28,783
Cash flows from investing activities							
(Increase) decrease in cash pools		35,359	(32,075)	-	-	3,284	(53,632)
Plus: Interest income		2,135	1,827	-	-	3,962	6,147
Net cash flows from investing activities		37,494	(30,248)	-	-	7,246	(47,485)
Cash flows from financing activities							
Savings on or cancellation of prior years' obligations		966	88	-	-	1,054	545
Credits to member States		(296)	(1,221)	-	-	(1,517)	(120)
Transfer to reserves		-	-	330	-	330	188
Net cash flows from financing activities		670	(1,133)	330	-	(133)	613
Net Increase/ (decrease) in cash and term deposits		14,564	4,460	-	-	19,024	(18,089)
Cash and term deposits, beginning of year		928	960	-	-	1,888	22,858
Cash and term deposits, end of year	Note 6	15,492	5,420	-	-	20,912	4,769

United Nations Human Settlements Programme
Foundation activities
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2010
(Thousands of United States Dollars)

	Reference	Human Settlements Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations (ERSO) Trust Fund	Programme Support	All funds eliminations	Total 2010	2008
Income									
Voluntary contributions	Schedule 5.2	46,158	5,061	3,063	-	-	-	54,282	65,309
Income for services rendered		-	-	-	-	3,395	(3,573)	(178)	-
Interest income		1,325	528	91	45	146	-	2,135	4,008
Miscellaneous	Note 3	172	17	-	-	-	-	189	184
Total income		47,655	5,606	3,154	45	3,541	(3,573)	56,428	69,501
Total expenditure	Schedule 5.1	51,274	16,008	1,257	157	4,203	(3,573)	69,326	64,855
Excess / (shortfall) of income over expenditure		(3,619)	(10,402)	1,897	(112)	(662)	-	(12,898)	4,646
Prior year adjustments	Note 4	373	(293)	-	(2)	-	-	78	1
Net excess of income over expenditure		(3,246)	(10,695)	1,897	(114)	(662)	-	(12,820)	4,647
Savings on prior years' obligations	Note 2 (k) (viii)	852	99	10	-	5	-	966	218
Transfers to reserves	Note 2 (n), (o), & (p)	(3,340)	-	-	(550)	-	-	(3,890)	(1,030)
Credits to member states and other donors	Note 5	(296)	-	-	-	-	-	(296)	(2)
Fund balances, beginning of year		50,033	16,731	87	3,626	7,895	-	78,372	85,799
Fund balances, end of year		44,003	6,135	1,994	2,962	7,238	-	62,332	89,632
Reserves, beginning of year		3,279	3,404	249	12	972	-	7,916	3,184
Transfers to reserves	Note 2 (n), (o), & (p)	3,340	-	-	550	-	-	3,890	1,030
Reserves, end of year		6,619	3,404	249	562	972	-	11,806	4,214
Total reserves and fund balances		50,622	9,539	2,243	3,524	8,210	-	74,138	93,846

United Nations Human Settlements Programme
Foundation activities
Statement of assets, liabilities, reserves and fund balances as at 31 December 2010
(Thousands of United States Dollars)

	Reference	Human Settlements Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations (ERSO) Trust Fund	Programme support	All funds eliminations	Total 2010	2008
Assets									
Cash and term deposits	Note 6	15,386	-	-	106	-	-	15,492	1,827
Cash pool	Note 6	65,606	23,269	4,118	720	6,877	-	100,590	133,582
Accounts receivable:									
Voluntary contributions	Schedule 5.2	787	-	-	-	-	-	787	1,891
Interfund balances	Note 7	12,715	4,758	842	570	1,407	-	20,292	13,522
Loans and interest receivable	Note 17	-	-	-	2,583	-	-	2,583	-
Other	Note 8	2,580	1,090	-	-	9	-	3,679	3,261
Other assets	Note 10	221	47	-	-	30	-	298	148
Total assets		97,295	29,164	4,960	3,979	8,323	-	143,721	154,231
Liabilities									
Payments or contributions received in advance	Schedule 5.2	7	-	-	-	-	-	7	10
Unliquidated obligations	Note 11	16,480	19,039	2,717	34	97	-	38,367	41,460
Accounts payable:									
Interfund balances	Note 7	29,062	-	-	420	-	-	29,482	17,132
Other	Note 12	1,124	586	-	1	16	-	1,727	1,783
Total liabilities		46,673	19,625	2,717	455	113	-	69,583	60,385
Reserves and fund balances									
Reserves	Notes 2(n),(o), (p) & 14	6,619	3,404	249	562	972	-	11,806	4,214
Fund balance	Notes 2(q) and 14	44,003	6,135	1,994	2,962	7,238	-	62,332	89,632
Total reserves and fund balances		50,622	9,539	2,243	3,524	8,210	-	74,138	93,846
Total liabilities, reserves and fund balances		97,295	29,164	4,960	3,979	8,323	-	143,721	154,231

United Nations Human Settlements Programme
Foundation activities
Status of allocations for the year ended 31 December 2010
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Programme activities					
Staff and other personnel costs	15,985	59	13,911	13,970	2,015
Contractual services	668	118	361	479	189
Travel	710	32	521	553	157
Operating expenses	1,237	76	1,318	1,394	(157)
Acquisitions	273	110	96	206	67
Sub-total	18,873	395	16,207	16,602	2,271
Non-earmarked projects					
Staff and other personnel costs	3,426	1,731	1,268	2,999	427
Contractual services	1,188	397	341	738	450
Travel	1,092	118	829	947	145
Operating expenses	2,479	241	1,553	1,794	685
Acquisitions	174	24	63	87	87
Sub-total	8,359	2,511	4,054	6,565	1,794
Earmarked projects					
Staff and other personnel costs	10,476	2,750	7,125	9,875	601
Contractual services	8,069	1,980	4,885	6,865	1,204
Travel	3,424	344	3,039	3,383	41
Operating expenses	7,750	2,166	3,798	5,964	1,786
Acquisitions	163	18	75	93	70
Fellowships, grants and contributions	154	64	81	145	9
Programme support costs	2,033	-	1,782	1,782	251
Sub-total	32,069	7,322	20,785	28,107	3,962
Total Human Settlements Foundation	59,301	10,228	41,046	51,274	8,027
Water and Sanitation Trust Fund					
Staff and other personnel costs	6,900	1,206	4,218	5,424	1,476
Contractual services	8,238	4,494	1,193	5,687	2,551
Travel	1,199	105	979	1,084	115
Operating expenses	2,453	675	1,303	1,978	475
Acquisitions	176	58	84	142	34
Programme support costs	2,243	-	1,693	1,693	550
Sub-total	21,209	6,538	9,470	16,008	5,201

United Nations Human Settlements Programme
Foundation activities
Status of allocations for the year ended 31 December 2010
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Palestinian Trust Fund					
Staff and other personnel costs	587	176	133	309	278
Contractual services	9,543	2,303	(1,552)	751	8,792
Travel	36	6	(9)	(3)	39
Operating expenses	339	38	71	109	230
Acquisitions	34	3	(2)	1	33
Programme support costs	810	-	90	90	720
Sub-total	11,349	2,526	(1,269)	1,257	10,092
Experimental Reimbursable Seeding Operations (ERSO) Trust Fund					
Operating expenses	81	19	56	75	6
Exchange losses	-	-	74	74	(74)
Programme support costs	8	-	8	8	-
Sub-total	89	19	138	157	(68)
Programme support					
Staff and other personnel costs	3,648	-	3,520	3,520	128
Contractual services	199	10	147	157	42
Travel	55	-	55	55	-
Operating expenses	816	55	391	446	370
Acquisitions	78	18	7	25	53
Sub-total	4,796	83	4,120	4,203	593
Total	96,744	19,394	53,505	72,899	23,845
Less: Elimination of Programme Support costs				(3,573)	
Net total Expenditure				69,326	
Statement IV					

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2010
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2010	Collections of prior years' pledges	Pledges for 2010	Collections for future years	Collections of current year pledges	Unpaid pledges
Non-earmarked Contributions						
Afghanistan	-	-	-	500	-	-
Algeria	-	-	10,000	-	10,000	-
Angola	-	-	2,550	-	2,550	-
Argentina	2,336	2,336	-	-	-	-
Bangladesh	7,500	-	-	-	-	7,500
Barbados	-	-	3,000	-	3,000	-
Burkina Faso	-	-	18,931	-	18,931	-
Canada	-	-	73,529	-	73,529	-
Chile	-	-	5,000	-	5,000	-
Colombia	-	-	12,000	-	12,000	-
Finland	-	-	616,076	-	-	616,076
Greece	-	-	30,000	-	30,000	-
India	-	-	80,000	-	80,000	-
Israel	-	-	10,000	-	10,000	-
Japan	148,364	148,364	106,970	-	-	106,970
Kenya	20,791	20,791	60,000	-	53,467	6,533
Norway	-	-	5,072,727	-	5,072,727	-
Pakistan	-	-	6,007	6,003	6,007	-
Panama	-	-	1,000	-	1,000	-
Republic of Korea	-	-	89,522	-	89,522	-
Russian Federation	-	-	10,000	-	10,000	-
Rwanda	5,000	-	-	-	-	5,000
Serbia	8,400	8,400	-	-	-	-
South Africa	-	-	45,250	-	-	45,250
Spain	-	-	3,958,500	-	3,958,500	-
Sri Lanka	-	-	30,000	-	30,000	-
Sweden	-	-	2,777,905	-	2,777,905	-
Tunisia	-	-	741	-	741	-
Uganda	3,011	3,011	-	-	-	-
United Kingdom	1,600,000	1,600,000	1,580,000	-	1,580,000	-
United States of America	-	-	2,050,000	-	2,050,000	-
Total non-earmarked contributions	1,795,402	1,782,902	16,649,708	6,503	15,874,879	787,329

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2010
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2010	Collections of prior years' pledges	Pledges for 2010	Collections for future years	Collections of current year pledges	Unpaid pledges
Earmarked Contributions						
Governments						
Bahrain	-	-	200,000	-	200,000	-
Brazil	-	-	2,900,000	-	2,900,000	-
Burkina Faso	-	-	18,931	-	18,931	-
Canada	-	-	34,797	-	34,797	-
China	-	-	193,529	-	193,529	-
France	-	-	357,953	-	357,953	-
Germany	-	-	138,082	-	138,082	-
Italy	-	-	349,961	-	349,961	-
Japan	-	-	407,981	-	407,981	-
Kuwait	-	-	2,074,522	-	2,074,522	-
Norway	-	-	5,547,939	-	5,547,939	-
Russian Federation	-	-	390,000	-	390,000	-
Slovenia	-	-	13,459	-	13,459	-
Spain	-	-	9,531,003	-	9,531,003	-
Sweden	-	-	998,792	-	998,792	-
Total Governments	-	-	23,156,949	-	23,156,949	-
United Nations and other organizations						
IBRD/World Bank	-	-	3,555,425	-	3,555,425	-
Joint United Nations Programme on HIV/AIDS - UNAIDS (KCO)	-	-	68,600	-	68,600	-
UNEP/GEF Secretariat - Kenya	-	-	160,000	-	160,000	-
UNFCU - UNON Corporate Credit Card	-	-	6,100	-	6,100	-
United Nations Development Programme	-	-	124,184	-	124,184	-
United Nations Environment Programme	-	-	20,000	-	20,000	-
United Nations General Trust Fund	-	-	146,760	-	146,760	-
World Food Programme (WFP) Headquarters	-	-	15,000	-	15,000	-
Total United Nations and other organizations	-	-	4,096,069	-	4,096,069	-
Public donors						
BASF Aktiengesellschaft	-	-	68,370	-	68,370	-

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2010
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2010	Collections of prior years' pledges	Pledges for 2010	Collections for future years	Collections of current year pledges	Unpaid pledges
Bureau of Shanghai World Expo Coordination	-	-	729,133	-	729,133	-
Coca Cola - Atlanta	-	-	60,000	-	60,000	-
Coca-Cola Southeast Asia Inc.	-	-	69,975	-	69,975	-
Fukuoka International Exchange Foundation	-	-	639,821	-	639,821	-
Fundacao Euclides da CUNHA	-	-	87,079	-	87,079	-
Gangwon Province, Korea	-	-	212,330	-	212,330	-
International Development Research Centre	-	-	85,462	-	85,462	-
People of Japan	-	-	8,773	-	8,773	-
Prefeitura da Cidade do Rio de Janeiro (PCRJ)	-	-	189,786	-	189,786	-
Veolia Environement	-	-	52,800	-	52,800	-
Ville de Dakar	-	-	51,295	-	51,295	-
Total public donors	-	-	2,254,824	-	2,254,824	-
Total earmarked	-	-	29,507,842	-	29,507,842	-
Total Human Settlements Foundation	1,795,402	1,782,902	46,157,550	6,503	45,382,721	787,329
Water and Sanitation Trust Fund						
Abu Dhabi Water and Electricity Authority (ADWEA)	-	-	1,514,125	-	1,514,125	-
Cadbury Kenya Ltd	-	-	10,000	-	10,000	-
Coca Cola Far East Ltd	-	-	50,000	-	50,000	-
European Investment Bank	-	-	39,594	-	39,594	-
France	-	-	52,284	-	52,284	-
Google Inc.	-	-	300,000	-	300,000	-
Italy	-	-	198,000	-	198,000	-
Norway	-	-	2,050,709	-	2,050,709	-
UNOPS – Switzerland	-	-	846,688	-	846,688	-
Total Water and Sanitation Trust Fund	-	-	5,061,400	-	5,061,400	-

United Nations Human Settlements Programme
Foundation activities
Status of contributions and unpaid pledges as at 31 December 2010
(United States Dollars)

Countries/Organisations	Unpaid pledges as at 1 January 2010	Collections of prior years' pledges	Pledges for 2010	Collections for future years	Collections of current year pledges	Unpaid pledges
Palestinian Trust Fund						
Bahrain	-	-	300,000	-	300,000	-
Department of Applied Agricultural Research (AAID)	-	-	242,645	-	242,645	-
Saudi Arabia	-	-	2,520,000	-	2,520,000	-
Total Palestinian Trust Fund	-	-	3,062,645	-	3,062,645	-
Total Foundation activities	1,795,402	1,782,902	54,281,595	6,503	53,506,766	787,329

Statement IV

Ageing of unpaid pledges Categories	Less than six months	Six months to one year	More than one year	More than two years	Total
Non-earmarked	774,829	-	7,500	5,000	787,329
					Statement V

Foundation activities: 2010 adjustments to prior period pledges

Country	Non earmarked Government	Government	Earmarked Water and Sanitation	Total
Bahrain	(250,000)	250,000	-	-
Republic of Korea	86,161	(86,161)	-	-
Spain	-	292,320	(292,320)	-
People of Japan				-
Total	(163,839)	456,159	(292,320)	-

United Nations Human Settlements Programme
Technical Cooperation activities
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2010
(Thousands of United States Dollars)

	Reference	Trust Funds	UNDP	Programme Support	All funds eliminations	Total 2010	2008
Income							
Voluntary contributions	Schedule 7.2	128,173	-	-	-	128,173	87,479
Funds received under inter-organization arrangements	Note 2 k(ii) & s(iii)	-	1,101	-	-	1,101	2,416
Income for services rendered		-	-	8,474	(8,296)	178	44
Interest income		1,678	-	149	-	1,827	2,139
Miscellaneous	Note 3	16	1	-	-	17	-
Total income		129,867	1,102	8,623	(8,296)	131,296	92,078
Total expenditure	Schedule 7.1	120,107	1,189	6,315	(8,296)	119,315	73,711
Excess / (shortfall) of income over expenditure		9,760	(87)	2,308	-	11,981	18,367
Prior years' adjustments	Note 4	(280)	-	(1)	-	(281)	(98)
Net excess/ (shortfall) of income over expenditure		9,480	(87)	2,307	-	11,700	18,269
Savings on prior years' obligations	Note 2 (k) (viii)	-	87	1	-	88	327
Transfers to reserves	Note 2 (o) & (p)	(85)	-	-	-	(85)	-
Credits to member states (donors)	Note 5	(1,221)	-	-	-	(1,221)	(118)
Fund balances, beginning of year		41,121	-	6,765	-	47,886	36,423
Fund balances, end of year		49,295	-	9,073	-	58,368	54,901
Reserves, beginning of year		7,794	-	1,802	-	9,596	1,802
Transfers to reserves	Note 2 (o) & (p)	85	-	-	-	85	-
Reserves, end of year		7,879	-	1,802	-	9,681	1,802
Total reserves and fund balance		57,174	-	10,875	-	68,049	56,703

United Nations Human Settlements Programme
Technical Cooperation activities
Statement of assets, liabilities, reserves and fund balances as at 31 December 2010
(Thousands of United States Dollars)

	Reference	Trust Funds	UNDP	Programme support costs	All funds eliminations	Total	
						2010	2008
Assets							
Cash and term deposits	Note 6	5,420	-	-	-	5,420	2,942
Cash pool	Note 6	94,016	-	9,836	-	103,852	71,351
Accounts receivable:							
Interfund balances	Note 7	13,371	38	1,392	-	14,801	8,881
Other	Note 8	1,719	197	55	-	1,971	647
Balances relating to projects funded by donors	Note 9	-	7,672	-	-	7,672	11,008
Other assets	Note 10	46	-	59	-	105	183
Total assets		114,572	7,907	11,342	-	133,821	95,012
Liabilities							
Unliquidated obligations	Note 11	52,098	1,970	419	-	54,487	25,901
Accounts payable:							
Interfund balances	Note 7	4,466	5,180	-	-	9,646	8,871
Other	Note 12	834	757	48	-	1,639	3,537
Total liabilities		57,398	7,907	467	-	65,772	38,309
Reserves and fund balances							
Reserves	Notes 2(o), (p) and 14	7,879	-	1,802	-	9,681	1,802
Fund balance	Notes 2(q) and 14	49,295	-	9,073	-	58,368	54,901
Total reserves and fund balances		57,174	-	10,875	-	68,049	56,703
Total liabilities, reserves and fund balances		114,572	7,907	11,342	-	133,821	95,012

United Nations Human Settlements Programme
Technical Cooperation activities
Status of allocations for the year ended 31 December 2010
(Thousands of United States Dollars)

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	Unencumbered Balance
Trust Funds					
Staff and other personnel costs	40,893	6,173	25,575	31,748	9,145
Contractual services	50,868	27,500	9,638	37,138	13,730
Travel	2,871	314	1,883	2,197	674
Operating expenses	23,038	4,195	12,735	16,930	6,108
Acquisitions	8,532	3,579	2,721	6,300	2,232
Fellowships, grants and contributions	20,942	4,749	12,868	17,617	3,325
Programme support costs	10,749	-	8,177	8,177	2,572
Sub-total	157,893	46,510	73,597	120,107	37,786
UNDP					
Staff and other personnel costs	793	136	362	498	295
Contractual services	360	289	70	359	1
Travel	95	5	16	21	74
Operating expenses	54	25	8	33	21
Acquisitions	184	171	3	174	10
Fellowships, grants and contributions	7	-	12	12	(5)
Programme support costs	125	-	92	92	33
Sub-total	1,618	626	563	1,189	429
Programme support					
Staff and other personnel costs	5,062	68	4,935	5,003	59
Contractual services	332	184	188	372	(40)
Travel	118	10	101	111	7
Operating expenses	918	41	699	740	178
Acquisitions	100	39	50	89	11
Sub-total	6,530	342	5,973	6,315	215
Total	166,041	47,478	80,133	127,611	38,430
Less: Elimination of programme support cost				(8,296)	
Net total Expenditure				119,315	

Statement VI

United Nations Human Settlements Programme
Technical Cooperation activities
Contributions for the year ended 31 December 2010
(United States Dollars)

Countries/Organisations	2010	2008
Trust fund		
Governments		
Afghanistan	483,209	646,534
Australia	8,655,700	-
Canada	2,168,827	-
Colombia	269,705	-
Cyprus	-	341,999
Egypt	1,087,521	1,668,909
Finland	66,740	346,202
France	-	2,558
Iran	491,006	500,000
Italy	-	838,260
Japan	31,000,000	15,142,000
Mexico	160,552	449,315
Morocco	78,248	409,028
Netherlands	-	356,855
Nigeria	120,734	562,395
Norway	831,294	-
Pakistan	600,000	-
Republic of Korea	-	3,000
Spain	2,166,176	1,043,260
Sweden	2,125,551	-
Turkey	100,000	-
United Kingdom	2,759,924	-
Total Governments	53,165,187	22,310,315
United Nations and other organizations		
Asian Development Bank	2,642,573	2,650,375
Canadian International Development Agency	7,978,563	3,013,546
Council of Europe Development Bank	-	170,508
Department for International Development	8,740,176	10,059,874
Department of the Interior and Local Government - Philippines	-	34,000
European Union	13,564,467	6,777,573
IBRD/World Bank	1,197,875	2,325,431
IFAD - Headquarters - Italy	-	660,000
International Finance Corporation	-	24,183
Irish Aid	245,000	-
LIFT/UNOPS	982,810	-
MDG-F Secretariat	1,151,144	-
Municipality of Hani i Elezit	26,128	-
Norwegian Peoples Aid	-	1,249,975
NZAID – New Zealand International Aid and Development Agency	250,000	-
UNDG, Iraq Trust Fund	3,619,882	4,700,659
UNISDR – United Nations International Strategy for Disaster Reduction	58,315	-
United Nations Assistance Mission in Afghanistan	-	13,371,960
United Nations Children's Fund	637,931	602,466
United Nations Development Programme	6,593,551	8,754,325
United Nations Economic Commission for Asia and the Pacific	-	75,000
United Nations Environment Programme	-	20,000

United Nations Human Settlements Programme
Technical Cooperation activities
Contributions for the year ended 31 December 2010
(United States Dollars)

Countries/Organisations	2010	2008
United Nations General Trust Fund	6,250,072	2,019,992
United Nations High Commission for Refugees	2,954,684	920,568
United States Agency for International Development	16,005,168	1,400,488
UNOCHA – Somalia	23,979	233,440
World Food Programme	-	20,000
Total United Nations and other organizations	72,922,318	59,084,363
Public Donors		
Al Fayhaa Union of Municipalities	12,300	-
American University of Beirut (AUB)	9,973	-
BASF Aktiengesellschaft	180,950	490,350
City of Munich	28,127	335,394
Fundacao Vale	107,000	-
Gobierno del Estado de Veracruz	-	183,673
Instituto de Promocion y Apoyo al Desarrollo	-	23,013
International Federation of Red Cross and Red Crescent	16,822	1,953,775
Japan Habitat Association	30,000	-
Katahira & Engineers International	38,384	1,145,130
Knorr Bremse Global Care	-	99,441
Miscellaneous Income to UN-Habitat	1,335	-
MRRD Afghanistan	894,920	-
Organization of the Islamic Conference	75,000	-
Prefeitura da Cidade do Rio de Janeiro (PCRJ)	135,113	-
Salvation Army (Sri Lanka)	555,736	445,831
UAE Red Crescent	-	821,722
VARA Broadcasting Corporation – Netherlands	-	6,326
Total Public Donors	2,085,660	5,504,655
Total Trust fund contributions	128,173,166	86,899,333
UNDP funded projects	-	579,887
Total contributions	128,173,166	87,479,220

Statement VI

United Nations Human Settlements Programme
End of Service and Post Retirement Benefits
Statement of income and expenditure and changes in reserves and fund balances
for the year ended 31 December 2010
(Thousands of United States Dollars)

	Reference	After Service Health Insurance	Unused Vacation Days	Repatriation Benefits	Total	
					2010	2008
Non-budgeted accrued expenses		(1,179)	(86)	-	(1,265)	(1,667)
Net excess/ (shortfall) of income over expenditure		(1,179)	(86)	-	(1,265)	(1,667)
Fund balances, beginning of year		(8,177)	(1,968)	-	(10,145)	(10,452)
Fund balances, end of year		(9,356)	(2,054)	-	(11,410)	(12,119)
Reserves, beginning of year		-	-	2	2	-
Transfers to reserves		-	-	330	330	188
Reserves, end of year		-	-	332	332	188
Total reserves and fund balances		(9,356)	(2,054)	332	(11,078)	(11,931)

Statement of assets, liabilities, reserves and fund balances as at 31 December 2010

Assets						
Interfund balances	Note 7	-	-	3,271	3,271	2,286
Total assets		-	-	3,271	3,271	2,286
Liabilities						
End-of-service and post retirement benefits	Note 13	9,356	2,054	2,939	14,349	14,217
Total liabilities		9,356	2,054	2,939	14,349	14,217
Reserves and fund balances						
Reserves		-	-	332	332	188
Fund Balance	Notes 2(q) & 14	(9,356)	(2,054)	-	(11,410)	(12,119)
Total reserves and fund balances	Note 13	(9,356)	(2,054)	332	(11,078)	(11,931)
Total liabilities, reserves and fund balances		-	-	3,271	3,271	2,286

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

United Nations Human Settlements Programme

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

United Nations Human Settlements Programme

- (vi) Miscellaneous income includes sale of used or surplus property, refunds of expenditure charged to prior bienniums, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified, and other sundry income;
 - (vii) Income relating to future financial bienniums is not recognized in the current financial biennium and is recorded as payments or contributions received in advance as referred to in item (n) (iii);
 - (viii) Savings from the liquidation of prior bienniums' obligations relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.
- (l) Expenditure:
- (i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;
 - (ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;
 - (iii) Expenditure for future financial bienniums is not charged to the current financial biennium and is recorded as deferred charges as referred to in item m (iv) and (vi) below.
- (m) Assets:
- (i) Cash and term deposits represent funds held in demand deposit accounts and interest bearing bank deposits;
 - (ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus/minus any unamortized premium/discount. If the market value of the short term investments is lower than the book value, the book value is adjusted accordingly. (See also note 6);
 - (iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the cash pools is reported separately in each of the participating funds' statement and its composition and the market value of its investments are disclosed in Note 6;
 - (iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial biennium. They will be charged as expenditure in a subsequent biennium. These expenditure items include commitments approved by the Controller for future financial bienniums in accordance with Financial Rule 106.7. Such commitments are restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;
 - (v) Interfund balances reflect transactions between funds, and are included in the amounts due to and from the Technical Cooperation Funds, Trust Funds, other Special Accounts, the United Nations General Fund and other United Nations Funds which are normally settled periodically dependent upon availability of cash resources;
 - (vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled;
 - (vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property, and leasehold improvements are not included in the assets of the organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements.
 - (viii) Loan and interest receivable represents the outstanding amount of loans including accrued interest.

United Nations Human Settlements Programme

Liabilities and reserves and fund balances:

- (i) Operating and other types of reserves are included in the "Reserves and fund balances" shown in the financial statements;
 - (ii) Unliquidated obligations for future years are reported as deferred charges and as unliquidated obligations;
 - (iii) Deferred income includes pledged contributions for future bienniums, payments and contributions received in advance, and other income received but not yet earned;
 - (iv) Commitments of the Organization relating to prior, current, and future financial bienniums are shown as unliquidated obligations. Current biennium obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;
 - (v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;
 - (vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance (ASHI), unused vacation days and repatriation benefits. Previously, the accrued liability recorded for ASHI was based on an actuarial valuation whereas the liabilities for unused vacation days and repatriation benefits were recorded based on accrued amounts without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The actuarial valuations have been undertaken by an independent, qualified actuarial firm. This change in accounting policy is made to achieve a more appropriate presentation of the financial statements in accordance with paragraph 18 of the United Nations System Accounting Standards. See note 13.
- (n) Financial reserve: As stated in rule 304.3.2 (b) of the Financial Rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows, and to meet such other similar requirements as may be decided upon by the Governing Council.
- (o) Operational reserve: With regard to the Programme support costs account, and as stated in Administrative Instruction ST/AI/286, an operational reserve of 20% of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources. With regard to trust funds, and as stated in Administrative Instruction ST/AI/284, an operating cash reserve at a constant level of 15% of estimated annual planned expenditure will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditure under the trust fund, including any liquidating liabilities.
- (p) Loan fund reserve: as stated in rules 304.3.2 (e) of the financial rules of the Foundation, the purpose of the loan fund reserve is to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund account.
- (q) Earmarked fund balance: Funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.
- (r) A provision to meet contingent liabilities for compensation payments under Appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.
- (s) Technical cooperation activities:
- (i) The technical cooperation financial statements report on activities financed by voluntary contributions and funds received under inter-organizational arrangements from UNDP and other sources;
 - (ii) Voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

United Nations Human Settlements Programme

- (iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;
- (iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;
- (v) Unliquidated obligations for the current biennium in respect to all technical cooperation activities remain valid for twelve months following the end of the calendar year, rather than the biennium, to which they relate. However in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior biennium obligations are credited to individual projects as a reduction of the current biennium expenditure in accordance with the UNDP reporting requirements;
- (vi) Distribution of interest income for trust funds is calculated at the end of the year using the percentage participation of each fund based on the monthly average fund balance.
- (vii) The United Nations Human Settlements Programme is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The UNJSPF is a funded defined benefit plan.

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

The Organization's contribution to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, currently 7.9% for the participant and 15.8% for the Organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the United Nations General Assembly had not invoked this provision.

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

	Foundation activities	Technical Cooperation activities	All funds Eliminations	Total	
				2010	2008
Gain on currency exchange transactions	37	17	-	54	175
Unspecified contributions	27	-	-	27	-
Carbon emissions offsets	106	-	(106)	-	-
Other sundry income	19	-	-	19	9
Total	189	17	(106)	100	184

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

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Adjustments to prior period expenditure	61	(281)	(220)	(98)
Adjustments to prior period pledges	18	-	18	1
Write-offs - Madagascar pledge receivable	(1)	-	(1)	-
Total	78	(281)	(203)	(97)

United Nations Human Settlements Programme

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

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Government of Iraq	-	(140)	(140)	-
Government of Netherlands	-	(21)	(21)	(2)
Ministerie van Buitenlandse Zaken	-	-	-	(118)
Swedish International Development Cooperation Agency SIDA	(257)	-	(257)	-
UNDG, Iraq Trust Fund, BRSP/UNDP	-	(1,014)	(1,014)	-
United Nations High Commission for Refugees	-	(46)	(46)	-
United Nations Trust Fund	(39)	-	(39)	-
Total	(296)	(1,221)	(1,517)	(120)

Note 6. Convertible and non-convertible cash and term deposits and cash pool as at 31 December 2010

(Thousands of United States dollars)

	Reference	Cash Pools	Cash and term deposits
Foundation activities			
United States dollars cash pool		96,647	15,353
Euro cash pool		3,943	-
Indian Rupees c/		-	139
Total a, b/	Statement V	100,590	15,492
Represented by:			
Cash and term deposits US\$		6,288	15,492
Cash and term deposits in the Euro d/		2,605	-
Short term investments at lower or cost or market value		21,237	-
Long term investments		70,039	-
Accrued interest receivable		421	-
Total		100,590	15,492
Technical Cooperation activities			
United States dollars cash pool a, b/	Statement VII	103,852	5,420
Represented by:			
Cash and term deposits		6,756	5,420
Short term investments at lower of cost or market value		22,209	-
Long term investments		74,446	-
Accrued interest receivable		441	-
Total		103,852	5,420
Total Foundation and Technical Cooperation activities	Statement II	204,442	20,912

(a) All investments for Offices away from Headquarters are placed in joint investment pools. Treasury, United Nations Secretariat, is solely responsible for the investment policy and participating offices are only responsible for their own cash flow/liquidity planning. Treasury invests in different securities, with varying due dates and interest rates. Hence, it is not practical to indicate due dates and interest rates against the investment pools.

(b) When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. Long term investments are reported at book value.

(c) The exchange rate used to determine the United States dollar equivalent was 1 USD =45.3 Indian Rupees. In local currency amount, Indian Rupees were 6,278,651 at the end of period.

d/ The Euro cash pool comprises cash and term deposits of €1,982,313 and accrued interest receivable of €7,860. The UN operational exchange rate as at 31/12/2010 was 1 USD = 0.761.

United Nations Human Settlements Programme

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

	Foundation activities	Technical Cooperation activities	End of Service and Post-Retirement Benefits	Total	
				2010	2008
Interfund balances receivable	22,292	14,801	3,271	38,364	24,689
Interfund balances payable	(29,482)	(9,646)	-	(39,128)	(26,003)
Net interfund receivable/(payable)	(9,190)	5,155	3,271	(764)	(1,314)
The net interfund payable is due to UNON				(764)	(1,314)
Net interfund payable				(764)	(1,314)

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

Note 8. Other accounts receivable (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Staff members	812	270	1,082	700
UN agencies/entities	2,454	1,633	4,087	2,820
Vendors	78	3	81	238
Governments	143	26	169	-
Others	192	39	231	150
Total	3,679	1,971	5,650	3,908
Ageing:				
Less than six months	3,348	1,715	5,063	3,270
Six months to one year	104	44	148	151
More than one year	113	11	124	238
More than two years	114	201	315	249
Total	3,679	1,971	5,650	3,908

Note 9. Balances relating to projects funded by donors

The amount of \$7.7 million shown in Statement II as "Balances relating to projects funded by donors" represents the amount receivable from UNDP, in accordance with existing arrangements, of which \$2.0 million is related to unliquidated obligations.

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

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Education grant advances	298	105	403	183
Other	-	-	-	148
Total	298	105	403	331

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

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Prior periods	16,455	5,665	22,120	22,137
Current period	21,912	48,822	70,734	45,224
Total	38,367	54,487	92,854	67,361

United Nations Human Settlements Programme

Note 12. Other accounts payable (Thousands of United States Dollars)

	Foundation activities	Technical Cooperation activities	Total	
			2010	2008
Governments	120	-	120	541
Staff members	282	253	535	399
Vendors	292	162	454	689
UN agencies/entities	884	1,200	2,084	3,461
Others	149	24	173	230
Total	1,727	1,639	3,366	5,320

Note 13. End-of-service and post-retirement benefits

- (a) End-of-service and post-retirement benefits comprise after-service health insurance (ASHI) coverage, commutation of unused vacation days, and repatriation benefits. As disclosed in Note 2 (n) (vi), effective with the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation. The actual evaluation is carried out every two years, normally during the last year of the biennium. The next scheduled valuation is as at 31 December 2011. The current year liabilities have been recorded based on the estimates provided in the 31 December 2009 valuation.
- (b) After-service health insurance (ASHI)
- i) Upon end-of-service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including ten years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as ASHI.
 - ii) The major assumptions used by the actuary to determine the liabilities for ASHI as at 31 December 2009 were a discount rate of 6.0%; health care escalation rates of 8.4% in 2010, grading down to 4.5% in 2027 and later years for USA medical plans, and 6.0% in 2010 grading down to 4.5% in 2027 and later years for medical plans outside of the USA; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Pension Fund (UNJSPF) in making its own actuarial valuation. By comparison, the assumptions used to determine the liabilities for ASHI as at 31 December 2007 were a discount rate of 5.5%; health care escalation rates of 9.5% in 2008, grading down to 5.0% in 2015 and later years for United States medical plans, and 5.7% in 2008 grading down to 4.5% in 2012 and later years for medical plans outside of the United States of America. There were no changes in the UNSJPF retirement, withdrawal and mortality assumptions since the 2007 valuation.
 - iii) Another factor in the ASHI valuation is to consider contributions by all plan participants in determining the Organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and commencing with the 31 December 2009 valuation, 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. These ratios require that the Organization's share shall not exceed one-half for non-USA health plans, two-thirds for USA health plans, and three-quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost sharing ratios.
 - iv) The discount rate of 6.0% was used to estimate the liabilities as at 31 December 2010.
 - v) On the basis of the assumptions outlined in (ii), (iii) and (iv) above, the present value of the estimated accrued liability as at 31 December 2010, net of contributions from plan participants is estimated at US\$9,356,000.
 - vi) Further to the assumptions in (b)(ii) above, it is estimated that the present value of the liability would increase by 22% or decrease by 17% if medical trend costs are increased or

United Nations Human Settlements Programme

decreased by 1% respectively, with all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 23% and decrease by 17% if discount rate is decreased or increased by 1% respectively, with all other assumptions held constant.

(c) Unused vacation days

- i) Upon end-of-service, staff members may commute unused vacation days up to a maximum of sixty working days for those holding a fixed term or continuing appointments. This benefit is referred to as annual leave benefits.
- ii) As referred to in Note 2 (n) (vi), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were directly calculated based on amounts accrued as at the reporting date without discounting or other adjustments.
- iii) The major assumptions used by the actuary were a discount rate of 6.0%; and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth year, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates ranging from 10.6% to 5.5% based on age and category of the staff members.
- iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2010 is estimated at US\$2,054,000.
- v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively due to impracticality of undertaking an actuarial valuation as at 31 December 2007.

(d) Repatriation benefits

- i) Upon end-of-service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.
- ii) As referred to in Note 2 (n) (vi), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were directly calculated based on amounts accrued as of the reporting date without discounting or other adjustments.
- iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent; annual salary increases ranging from 10.6% to 5.5% based on age and category of staff members, and travel cost increases of 4.0% per annum.
- iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2010 was estimated at US\$2,939,000.
- v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively due to impracticality of undertaking an actuarial valuation as at 31 December 2007.

(e) End of Service and post-retirement benefits for the United Nations Human Settlements as at 31 December 2010 are as follows (Thousands of United States Dollars):

	Total	
	2010	2008
After Service Health Insurance	9,356	8,509
Unused Vacation Days	2,054	3,389
Repatriation Benefits	2,939	2,319
Total	14,349	14,217
Less: provision already made	(3,271)	(2,286)
Net liability not funded	11,078	11,931

United Nations Human Settlements Programme

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

	Foundation activities	Technical Cooperation activities	End of Service and Post-Retirement Benefits	Total	
				2010	2008
Financial reserve	6,619	-	-	6,619	3,279
Loan fund reserve	550	-	-	550	-
Operating reserves	4,637	9,681	-	14,318	2,737
Other reserves*	-	-	332	332	188
Total reserves	11,806	9,681	332	21,819	6,204
Loan fund balance	2,709	-	-	2,709	-
Earmarked fund balance	34,277	49,295	-	83,572	104,621
Cumulative surplus/(deficit)	25,346	9,073	(11,410)	23,009	27,793
Total fund balances	62,332	58,368	(11,410)	109,290	132,414
Total reserves and fund balances	74,138	68,049	(11,078)	131,109	138,618

* The other reserve represents excess collection of repatriation benefit funds over the liability as per the actuarial valuation.

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

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

	Total	
	2010	2008
Headquarters		
Computer equipment	1,258	1,060
Office equipment	12	4
Radio and telecommunication equipment	45	21
Audio visual/photographic equipment	54	28
Transportation equipment	201	219
Furniture	653	559
Maintenance equipment	-	-
Document and reproduction equipment	156	174
Total Headquarters	2,379	2,065
Regional and out posted offices	531	208
Projects	8,860	2,875
Total OAHs	9,391	3,083
Total	11,770	5,148
Summary		
Opening balance	9,595	10,401
Acquisitions	1,382	639
Disposals:		
Write-offs	(24)	(29)
Sales	(13)	-
Donations	(19)	(270)
Transfers to other offices/missions	-	-
Other	-	(8)
Prior period adjustments [^]	849	(5,585)
Closing balance	11,770	5,148

[^] Inventory in the database adjusted to physical count as at 31 December 2010

United Nations Human Settlements Programme

Note 16: Status of the Regular Budget funds allocations (exclusive of staff assessments) as at 31 December 2010 (Thousands of United States Dollars).

	Allocation	Unliquidated Obligations	Disbursements	Total Expenditure	
				2010	2008
United Nations General Fund					
Staff and other personnel costs	8,608	49	9,345	9,394	10,029
Operating expenses	2,534	187	2,088	2,275	756
Sub-total	11,142	236	11,433	11,669	10,785
Special Account for Supplementary Development Activities					
Staff and other personnel costs	94	-	12	12	-
Contractual services	553	60	93	153	100
Travel	121	-	14	14	23
Operating expenses	53	-	6	6	-
Fellowships, grants and contributions	840	40	119	159	-
Sub-total	1,661	100	244	344	123
Total	12,803	336	11,677	12,013	10,908

Note 17: Experimental Reimbursable Seeding Operations Trust Fund

- (i) An amount of US\$2,750,000 has been allocated for reimbursable seeding operations under the Loan Fund account.
- (ii) A Loan Fund Reserve has been established at the level of 20% of disbursed reimbursable seeding operations under the Loan Fund account to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund.
- (iii) Interest income from loan operations is recognized as income in the year when earned.
- (iv) The following is the summary status of the loan account (thousands US\$) :

	2010
Interest income - loans (*)	33
Interest income – other	12
Loan receivable (*)	2,583
Loan Fund balance	2,709

* including accrued interest

- (v) As at 31 December 2010, five (5) loans had been disbursed. The maturity dates of the loans receivable is as follows (thousands US\$):

5 years or less	630
Greater than 5 years up to 10 years	475
Greater than 10 years	1,469
	2,574

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

United Nations Human Settlements Programme

Note 18: Change in accounting policies:

a) Regular Budget funding

UN-Habitat's funding from Regular Budget and its related expenditure, previously reported as a note to the financial statements, are now reported on the face of the financial statements. Management judges that this policy provides a more complete presentation of the financial results of UN-Habitat. The assets and liabilities related to regular budget funding are wholly owned by the UN Secretariat and are reported in Volume I of its financial statements.

The comparatives for the biennium ended 31 December 2008 have been restated as shown below.

Statement I			
Statement of income and expenditure and changes in reserves and fund balances			
(Thousands of United States Dollars)			
	as originally reported	Inclusion of Regular Budget	Restated
Total Income	161,535	10,908	172,443
Total Expenditure	138,522	10,908	149,430

b) Treatment of advances to implementing agencies

UN-Habitat's advances to implementing agencies, previously recorded directly against the unliquidated obligation are now recorded as receivables and the obligation is reduced upon receipt of the expenditure report from the implementing agency.

c) Treatment of local imprest bank accounts

UN-Habitat's bank balances on local imprest accounts for UN-Habitat's offices away from Headquarters, previously recorded to receivable accounts are now recorded in the ledgers as bank balances. Management believes that this properly classifies the cash related to imprest accounts resulting in a better presentation on the financial statements.

The changes in (b) and (c) above affect the Statement of assets, liabilities, reserves and fund balances for both the Foundation activities (statement V) and the Technical Cooperation activities (statement VII) as well as the all funds summary (statement II). Comparatives for the biennium ended 31 December 2008 for these statements have been restated as shown below.

Statement II				
Statement of assets, liabilities, reserves and fund balances				
(Thousands of United States Dollars)				
	as originally reported	OAHs Bank Balances Reclassification	Recording of Advances to Implementing agencies	Restated
Cash and term deposits	4,151	618	-	4,769
Accounts Receivable: other	2,106	(618)	2,420	3,908
Unliquidated obligations	64,941	-	2,420	67,361

United Nations Human Settlements Programme

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

	as originally reported	OAHs Bank Balances Reclassification	Recording of Advances to Implementing agencies	Restated
Cash and term deposits	1,758	549	-	2,307
Accounts Receivable: other	1,094	(549)	184	729
Unliquidated obligations	39,224	-	184	39,408

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

	as originally reported	OAHs Bank Balances Reclassification	Recording of Advances to Implementing agencies	Restated
Cash and term deposits	2,393	69	-	2,462
Accounts Receivable: other	1,012	(69)	2,236	3,179
Unliquidated obligations	25,717	-	2,236	27,953

The All Funds Summary Statement of cash flows (Statement III) for the year ended 31 December 2008 has been restated accordingly.

Note 19: Contingent liabilities:

As 31 December 2010, UN-Habitat had 3 potential cases of contingent liabilities. One is with a vendor in the Iraq programme and 2 are staff related cases that have been filed with the United Nations Dispute Tribunal (UNDT). Management has determined that the 2 staff related cases meet the criteria for disclosure as contingent liabilities. The estimated liability for the 2 cases is US\$140,263.