United Nations

United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-fourth Session
Supplement No. 5H

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 30 April 2019 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year 31 December 2018, which I hereby approve.

(*Signed*) Natalia **Kanem**
Executive Director

Letter dated 24 July 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the year ended 31 December 2018.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of financial position (statement I) as at 31 December 2018 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNFPA, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNFPA to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNFPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNFPA.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNFPA.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNFPA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNFPA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance with regard to, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNFPA that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

In accordance with the strategic direction of UNFPA and in line with General Assembly resolution 70/1 on the 2030 Agenda for Sustainable Development, UNFPA is implementing the strategic plan, 2018–2021, the goal of which is the universal access to sexual and reproductive health and reproductive rights, focusing on women, adolescents and youth.

The Board of Auditors has audited the financial statements and reviewed the operations of UNFPA for the year ended 31 December 2018.

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and has been discussed with UNFPA management, whose views have been appropriately reflected.

Scope of the report

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNFPA operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of previous recommendations.

Audit opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

UNFPA closed 2018 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources.

The Board did not identify significant deficiencies in the area of operation and financial management. However, the Board noted scope for improvement in the areas of the internal control framework, the harmonized approach to cash transfers, human resources management, programme management, inventory management, procurement and contract management, fraud management, information and communications technology and general administration.

Key findings

The Board has identified a number of issues related to enhancing the effectiveness of UNFPA operations. In particular, the Board highlights the following key findings:

(a) Delegations of authority

From its review of the UNFPA policy on delegation of authority, the Board noted that it only established a basis related to human resources and that other matters were not included. The Board observed that different types of personnel were performing identical functions and that, as a result, there were different ways of carrying out identical processes, with no clear guideline for the countries that are under the supervision of the UNFPA Regional Office for Latin America and the Caribbean.

(b) Procurement planning

With respect to the project "Preparedness for the roll-out of effective HIV prevention among key affected populations in Brazil, Peru and Mexico", the project plan of the UNFPA country office in Mexico included the acquisition of 8,400 kits for the diagnosis of chlamydia and gonococcus over a three-year period.

In 2018, UNFPA Mexico purchased the kits through the process called "request for quotation", which limits the purchase to between $5,000 and $49,999. The Board noted that UNFPA Mexico had issued two purchase orders in this modality (in September and November 2018) for the acquisition of the same kits, totalling $51,280, which exceeds the amount allowed for this purchase acquisition method.

(c) Delay in conducting spot checks

Spot checks are required for all implementing partners who reported expenditures above the mandatory threshold of $30,000 and are not audited or working exclusively on direct payments; in all other cases, they are optional. From its review, the Board noted that the Regional Office for Latin America and the Caribbean had not carried out spot checks of the seven implementing partners at the time of the audit. Similarly, the schedule for the spot checks in 2018 had been established in the assurance planning of the Implementing Partner Assurance System; however, none had been performed that year.

(d) Insurance for goods stored in warehouses

The UNFPA policy and procedures for the management of programme supplies establishes that inventory kept in warehouses managed by third parties, including those of other United Nations agencies or programme partners, must be secured at all times. The logistics focal points should assess the suitability of existing insurance agreements and ensure that the storage agreement clearly describes the coverage provided for UNFPA products. From its review, the Board noted that the Regional Office for Latin America and the Caribbean had not provided sufficient evidence of the insurance policy for the goods stored in the warehouse. The Board also noted that the Regional Office was unaware of the existence, procedures and scope of the insurance.

Main recommendations

With regard to the above findings, the Board recommends that UNFPA:

(a) *Delegations of authority*

Review and update the policy on delegation of authority, defining specific guidelines for each high-command position in regional offices, and improve the guidelines for important positions;

(b) *Procurement planning*

(i) **Strengthen its purchasing planning process with the purpose of considering defined needs when selecting the purchasing method for the project;**

(ii) **Comply with established thresholds in accordance with the policy on purchases made by the country offices, and conduct periodic monitoring of the purchasing process implemented;**

(c) *Delay in conducting spot checks*

Make efforts to improve the proactive, effective and timely performance of spot checks for the implementing partner's programmes and conduct spot checks as established in the assurance plan;

(d) *Insurance for goods stored in warehouses*

(i) **Insure its commodities, by either establishing a written agreement with the United Nations Humanitarian Response Depot or signing an insurance agreement to comply with the supply policy, reducing the risk of loss or damage in case of catastrophe;**

(ii) **Issue instructions to the heads of offices, in order to create awareness of the insurance policy uses and standard procedures.**

Key facts

$388.13 million	UNFPA budget for development and management activities
$1,290.32 million	Revenue reported
$1,086.02 million	Total expenses
155	Number of countries served by UNFPA
1,351	Number of implementing partners working with UNFPA
2,058	UNFPA local staff
727	UNFPA international staff
$315.05 million	Total amount spent by implementing partners in 2018 for delivery of programme activities on behalf of UNFPA
$770.97 million	Expenses spent directly by UNFPA in 2018

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) is an international development agency that assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; and to promote awareness of possible strategies to deal with population problems in the forms and means best suited to needs of individual countries.

2. The Board of Auditors audited the financial statements of UNFPA and has reviewed its activities for the year ended 31 December 2018, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The audit was carried out through field visits to the Regional Office for Latin America and the Caribbean and the country office in Mexico and a review of financial transactions and operations at headquarters in New York.

6. The Board also reviewed the operations of UNFPA under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the UNFPA operations.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNFPA management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board noted that there were 26 outstanding recommendations up to the year ended 31 December 2017, of which 13 (50 per cent) have been fully implemented, 12 (46 per cent) are under implementation and 1 (4 per cent) was overtaken by events. Details of the status of implementation of the recommendations from prior years are set out in annex I. UNFPA continues to work on the implementation of outstanding recommendations, enhance policies and establish strategies that allow compliance with the Board recommendations, in order to strengthen its operations.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	13	12	0	1
Percentage	50	46	0	4

Source: Board of Auditors.

2. Financial overview

Financial position

9. The total assets of UNFPA increased by $233.25 million (16.9 per cent), from $1,376.23 million in 2017 to $1,609.48 million as at 31 December 2018. The growth was primarily a result of the increase in working capital investments and contributions receivable. Total liabilities decreased by $5.56 million (1.0 per cent), from $534.72 million in 2017 to $529.16 million in 2018. The reduction in liabilities is due mainly to actuarial gain on post-employment benefits liabilities from an increase in the discount rate used to measure the after-service health insurance liability, offset in part by an increase in accounts payable and accruals for other non-current liabilities.

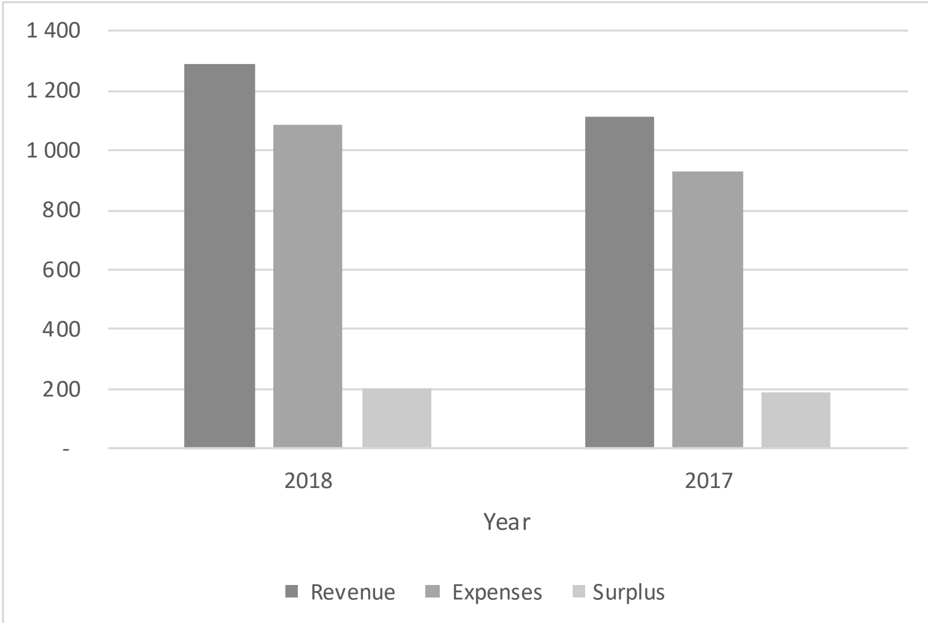
Operating results

10. In 2018, UNFPA reported total revenues of $1,290.32 million (2017: $1,112.55 million) and total expenses of $1,086.02 million (2017: $926.87 million), representing a surplus of $204.30 million (2017: surplus of $185.68 million), as shown in figure II.I. The surplus is a consequence of the timing of the recognition of revenue and expenses and the increase in contribution revenue as a result of successful resource mobilization efforts.

11. Of the total revenues, $824.26 million (2017: $669.94 million) related to earmarked contributions, $378.80 million (2017: $349.91 million) related to unearmarked contributions and $87.26 million (2017: $92.69 million) related to other sources of revenue, as shown in figure II.II. Total revenue increased by 16.0 per cent, or $177.77 million, owing to an increase in earmarked contributions of $150.95 million (gross of refunds to donors), or 22.3 per cent, and unearmarked contributions increased by $28.89 million, or 8.3 per cent, for the first time in five years, reflecting the fact that UNFPA activities continue to be predominantly financed by earmarked funds and executed on the basis of specific donor requirements. UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging-economy countries as well as donors from the private sector.

Figure II.I
Revenue, expenses and surplus of the United Nations Population Fund for 2018 and 2017

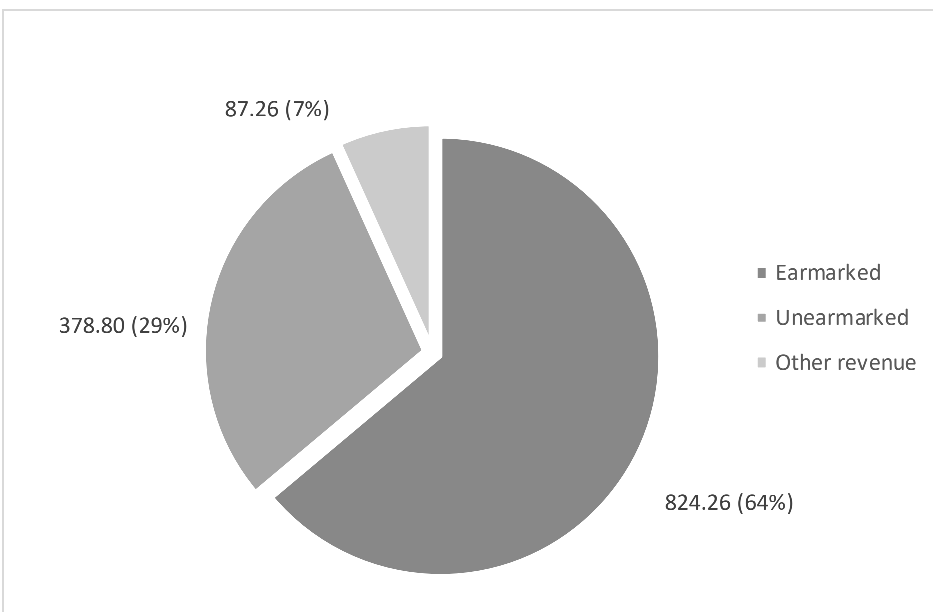
(Millions of United States dollars)



Source: UNFPA financial statements for 2018.

Figure II.II
Revenue of the United Nations Population Fund, 2018

(Millions of United States dollars)



Source: UNFPA financial statements for 2018.

Ratio analysis

12. The analysis of the main financial ratios (see table II.2) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Similarly, the sound financial position is exhibited by all ratios, with the current ratio increasing from 4.3 to 5.3 owing to an increase of $219.83 million in respect of working capital investments. This increase resulted mainly from increased short-term investments made to benefit from favourable yield rates associated with these instruments.

Table II.2
Ratio analysis

Description of ratio	*31 December 2018*	*31 December 2017*
Current ratio[a]		
Current assets: current liabilities	5.3	4.3
Total assets: total liabilities[b]	3.0	2.6
Cash ratio[c]		
Cash plus current investments: current liabilities	3.7	2.8
Quick ratio[d]		
Cash plus current investments plus current contributions receivable: current liabilities	4.8	3.9

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2018.

[a] A high ratio indicates the ability of an entity to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of the liquidity of an entity, obtained by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

3. Internal control framework

Supervision in the Finance Department

13. The UNFPA internal control framework policy, issued in 2016, recognizes five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) and sets out 17 principles that shall be present and functioning in an integrated manner to meet the five components. Principle No. 10 stipulates that UNFPA must select and develop control activities and principle No. 16 establishes that UNFPA must conduct ongoing and/or separate evaluations.

14. Moreover, the policy establishes three lines of defence: the first-level functions are carried out by all organizational personnel at the field, regional and headquarters offices; the second-level functions have controls designed to monitor the operational effectiveness of the first level and mitigate risks; and the third-level functions provide independent assurance of the efficiency and effectiveness of the process and controls in place.

15. After the review of the billing payment process for the United Nations Development Programme (UNDP), it was verified that the Regional Office for Latin America and the Caribbean did not have sufficient evidence to support the review process carried out by the International Operations Manager as a second line of

defence; this process was carried out by the financial associate who conducted the first review and uploaded the journal entry request to AODocs.

16. UNFPA management informed the Board that it would modify AODocs, the platform used to submit journal entries for review, approval and processing by the headquarters Finance Branch. The modified workflow will include approval of the submissions by country office operations managers or heads of office. Similarly, UNFPA has requested country offices to attach signed accounts payable authorization forms to journal entries created and submitted for purposes of payments to other United Nations entities.

17. **The Board recommends that UNFPA strengthen, document and standardize clear revision guidelines, including a timely revision of procedures in accordance with the internal control framework policy, also making efforts to improve the supervision of the procedures and its documentation.**

Segregation of duties in Atlas ERP

18. In regard to the policy for Atlas user profiles and global directory application, issued in 2015, segregation of duties is an important internal control that involves the distribution of tasks and associated privileges for a specific business process among multiple staff, with the primary objective of preventing errors and fraud.

19. Moreover, where reasonable segregation of duties is not possible, it shall be justified and compensating controls shall be documented and approved. The following profiles shall not be combined: (a) finance and procurement; (b) buyer and purchase order manager; (c) buyer or purchase order manager and receipt of goods; (d) finance and manager/approver; (e) requisition/voucher manager and purchase order manager; (f) buyer or purchase order manager and personnel authorized to retire assets. In the case of (c) buyer or purchase order manager and receipt of goods and (f) buyer or purchase order manager and retired assets, the requests for exceptions need to include a commitment that the receipt of goods/services or retirement of assets, according to the case, is not processed by the buyer or purchase order approver for ordering the goods/services.

20. From its review of 31 personnel in the Regional Office for Latin America and the Caribbean, the Board identified two users with profile conflict. In particular, one of the users had field office purchase manager and retire asset profiles and the second had field office buyer and receipt of goods (create receipts) profiles, contrary to the segregation of duties established in the policy. In addition, the Board did not obtain evidence of periodic monitoring of the assigned profiles.

21. UNFPA management has agreed that this was an oversight, and it was corrected during the Board visit to the Regional Office. UNFPA has developed exception reports to document profiles that have been exceptionally approved for staff and personnel by the Division for Management Services. These are reviewed periodically to ensure that exceptions are still needed or modified as necessary to remove the exception.

22. **The Board recommends that UNFPA perform a timely review of the assigned profiles in Atlas and modify the privileges in the cases that are not in line with the segregation of duties established in the policy, and strengthen periodical monitoring of user access and the exception profiles in the Atlas system, documenting such cases in accordance with the Policies and Procedures Manual.**

4. Harmonized approach to cash transfers

Delay in conducting spot checks

23. Regarding the harmonized approach to cash transfers framework, the purpose of the assurance activities is to determine whether the funds transferred to implementing partners were used for their intended purpose and in accordance with the workplan and included micro-assessments, spot checks and auditing. In accordance with the UNFPA spot check guidance, UNFPA offices establish the timing, frequency and staff assigned to conduct spot checks, at the beginning of the year in the assurance plan.

24. In section III.C (4) of the UNFPA Policy and Procedures for Preparation, Management and Monitoring of Workplans, issued in 2018, it is stated that all expenses incurred by implementing partners for agreed workplan activities are subject to periodic assurance activities carried out or commissioned by UNFPA with a scope and frequency determined on a risk basis. The spot checks are a tool for proactive financial monitoring to: (a) assess the accuracy of financial records for cash transfers to the implementing partners; (b) identify gaps and address them throughout implementation; and (c) determine whether there have been any significant changes to internal controls.

25. In accordance with the 2018 Assurance Planning Guidance, spot checks are required for all implementing partners who reported expenditures above the mandatory threshold of $30,000 and are not audited or working exclusively on direct payments; in all other cases, they are optional.

26. The Board noted that the Regional Office for Latin America and the Caribbean had not carried out spot checks of the seven implementing partners maintained up to 13 December 2018. In addition, the assurance planning of the Implementing Partner Assurance System established the schedule for the spot checks that should have been done in October and December 2018.

27. UNFPA management took note of the observation and took action to spot check all regional implementing partners starting in January 2019. UNFPA considers that the timing of spot checks allows flexibility, ensuring that sufficient expenditures are available for review. In addition, management stated that the Regional Office for Latin America and the Caribbean operated in a low-risk context and that there were no other risk factors that would have required a spot check before the time of optimal cost-efficiency.

28. The Board acknowledges the initiatives by management but considers that delays in conducting spot checks are contrary to the assurance plan and impede proactive financial monitoring. In addition, the rescheduling of spot checks demonstrates that the assurance plan activities are unrealistic.

29. **The Board recommends that UNFPA make efforts to improve the proactive, effective and timely performance of spot checks of the programmes of the implementing partners, as established in the assurance plan.**

5. Programme management

Monitoring of the workplan

30. In the UNFPA policy and procedures for preparation, management and monitoring of workplans, it is stated that each workplan funded shall be monitored and that the head of unit has the overall accountability for the management of workplans, including the programmatic and financial monitoring of programme implementation.

31. The purpose of the workplan progress reports is to keep track of the implementation progress and for the implementing partner to provide UNFPA with an accurate update on the progress of the implementation of the workplan activities, including those implemented by contractors.

32. From its review of the annual workplans, the Board noted that on 8 August 2018, the UNFPA country office in Mexico had signed a workplan with the implementing partner Comité de Ayuda a Desastres y Emergencias Nacionales (CADENA) related to post-disaster response and local development, which was enforced until 30 September 2018, and that unexpended funds had been refunded by CADENA on 15 October 2018.

33. However, the country office in Mexico carried out modifications to the workplan on 10 December 2018, 71 days after the execution of the workplan. This situation denotes inadequate planning in the financial monitoring of annual workplans that affects the correct programming of the activities and the communication of those activities to the representative through formal changes in the workplan, in accordance with the policy.

34. UNFPA stated that in the case of the country office in Mexico, due diligence and monitoring of the project had been undertaken during implementation and that proper evidence thereof had been provided to the Board. The action taken by the country office to revise the workplan after it was programmatically completed was a misinterpretation of the global programming system principle, which stipulates that the “KK budgets” are to be aligned with the workplan amounts.

35. The Board takes note of the administration’s response and considers that UNFPA should strengthen the capacity-building of its personnel in order to ensure effective compliance with the principles contained in the global programming system.

36. **The Board recommends that UNFPA strengthen the capacity-building of its personnel for the effective application of global programming system principles.**

37. **The Board recommends that UNFPA supervise the correct modification of the workplan carried out by the field offices in accordance with the policy and procedures for preparation, management and monitoring of workplans.**

6. Inventory management

Inadequate order, cleanliness and security in the warehouse

38. As stated in paragraph 232 of the UNFPA policy and procedures for the management of programme supplies, issued in July 2018, a comprehensive summary of the most relevant requirements for storage of reproductive health commodities can be found in the World Health Organization (WHO) Guidelines for the Storage of Essential Medicines and Other Health Commodities. Paragraphs 247 and 248, under the section on warehouse location and design, provide that adequate fire prevention, detection and extinction mechanisms, such as fire and smoke detectors, extinguishers and sprinklers, must be in place and that an alternative power supply must be available at warehouses located in areas prone to electricity outages.

39. With regard to storage conditions, in paragraph 259, it is indicated that bin cards must be placed at all pallets, shelves, bins and other storage devices used, clearly identifying the product’s names, batch numbers and expiration dates. For emergency reproductive health kits, bin cards must indicate the earliest expiration date for the set of components packed within the kits. In paragraph 264, it is stipulated that storage premises must be maintained clean and aisles maintained clear at all times, and waste and garbage promptly and timely disposed of.

40. In paragraph 266, it is stipulated that the operating conditions of fire prevention, detection and extinction measures and devices must be monitored regularly. The

Regional Office for Latin America and the Caribbean has had a technical agreement with the World Food Programme (WFP) for the provision of services of the United Nations Humanitarian Response Depot network since 2010, in which it is established that WFP shall handle and store with due care UNFPA supplies and equipment inside the Humanitarian Response Depot network.

41. On 13 December 2018, the Board visited the United Nations Humanitarian Response Depot warehouse for physical verification of inventory; the Board detected that the Regional Office for Latin America and the Caribbean had not taken the control measures necessary to have an appropriate warehouse to store and safeguard the inventory and identified the following weaknesses related to order, cleaning and security:

(a) The warehouse did not keep UNFPA goods separated in a specific sector; they were in different spaces mixed with goods from other United Nations and associated entities;

(b) The warehouse's fire hose reels were not in useful condition; there were two fire extinguishers, which had expired in 2016 and 2017;

(c) The Board identified waste materials such as construction materials as well as furniture accumulated in different areas of the warehouse in sectors that were not suitable for storage or disposal;

(d) The floor of the warehouse and the packaging of the UNFPA dignity kits were visibly contaminated with bird droppings;

(e) Fumigation certificate No. 23537 had been expired since 12 March 2018;

(f) The cold storage lacked an extinguisher;

(g) The packaging of the reproductive health kits 1B (female condom) did not have an expiration date.

42. UNFPA stated that it would take the necessary action to inform the United Nations Humanitarian Response Depot of any concerns related to order, cleanliness and security in the warehouse area assigned to UNFPA, to maintain the stored goods in good condition and comply with the policy.

43. **The Board recommends that UNFPA take actions to strengthen order, cleanliness and security in the warehouse, monitoring the condition of the warehouse on a recurring basis, in order to guarantee compliance with the policy.**

Insurance for goods stored in warehouses

44. In accordance with paragraph 269 of the policy and procedures for the management of programme supplies, inventory kept in warehouses managed by third parties, including those of other United Nations agencies or programme partners, must be secured at all times. The logistics focal points should assess the suitability of existing insurance agreements and ensure that the storage agreement clearly describes the coverage provided for UNFPA products.

45. During its analysis of inventory management, the Board noted that the Regional Office for Latin America and the Caribbean had a technical agreement with WFP for the provision of services of the United Nations Humanitarian Response Depot, in which it was established that WFP would handle and store with due care UNFPA supplies and equipment inside the Humanitarian Response Depot.

46. In clause 8.2 of the agreement, it is stated that UNFPA shall be responsible for organizing the insurance for its supplies and equipment stored within the United Nations Humanitarian Response Depot network unless UNFPA has requested WFP to

provide that specific service, a situation that has not occurred to date. The Regional Office explained that it would formally request the Humanitarian Response Depot to include UNFPA commodities under its insurance coverage in accordance with the provisions of the agreement.

47. UNFPA management stated that the Regional Office had provided an email communication with the response of the United Nations Humanitarian Response Depot on the warehouse insurance policy.

48. Despite the information provided, the Board considers that there is no sufficient evidence that permits the confirmation of the coverage provided by the insurance since the Board did not receive the insurance policy. In addition, the Board noted that the Regional Office was unaware of the existence, procedures and scope of the insurance.

49. **The Board recommends that UNFPA insure its commodities, by either establishing a written agreement with the United Nations Humanitarian Response Depot or signing an insurance agreement to comply with the supply policy, reducing the risk of loss or damage in case of catastrophe.**

50. **The Board recommends that UNFPA issue instructions to the heads of offices, in order to create awareness of the insurance policy uses and standard procedures.**

7. Procurement and contract management

Procurement planning

51. The UNFPA policy and procedures for regular procurement, revised in 2015, establishes that assessment, cost estimation and requirement definition are the first steps in the procurement process and essential for procurement activities and that developing a strategic approach to procurement through appropriate and timely procurement planning is a key element for successful implementation of programmes or projects.

52. In that context, the field offices have financial limits for procurement, namely, procurement over $5,000 and below $49,999 should have a minimum of three responsive offers received through a "request for quotation" and procurements above $50,000 require a minimum of three responsive offers through an "invitation to bid and/or a request for proposal".

53. Nevertheless, point 2.5.1.2 of the policy sets out an exception to the use of formal methods of solicitation with a limit of $50,000 that shall be authorized by field office managers.

54. The review of the project "Preparedness for the roll-out of effective HIV prevention among key affected populations in Brazil, Peru and Mexico" of the UNFPA country office in Mexico, which is planned to be executed until 2020, revealed that the project plan includes the acquisition of 8,400 kits for the diagnosis of chlamydia and gonorrhoea, distributed as follows:

Table II.3
Procurement project plan

Item to be procured with UNITAID funds	*Year 1 1 July 2017 to 30 June 2018*	*Year 2 1 July 2018 to 30 June 2019*	*Year 3 1 July 2019 to 30 June 2020*
Polymerase chain reaction kits for diagnosis of chlamydia and gonococcus	1 100	2 600	4 700

Source: table extracted from annex 1 to the project plan for "Preparedness for the roll-out of effective HIV prevention among key affected populations in Brazil, Peru and Mexico".

55. On 31 July 2018, through document UNFPA/MEX/050/2018, the country office in Mexico made a request for quotation for the acquisition of 720 molecular test kits for the detection of chlamydia and gonorrhoea. Subsequently, on 8 August 2018, in the document "Summary of the evaluation", it is indicated that two quotations were received, both over $50,000. The process was finally declared void and hence the selected purchase method only allows purchases for an amount below $50,000.

56. In September 2018, the second request for quotation was awarded to MCD Servicios Integrales de Diagnósticos S.A.; purchase order No. 9265 was then issued for 480 tests, for the amount of $34,367. In November 2018, through amendment No. 1, a second purchase order, No. 9531, was issued for the additional acquisition of 288 tests, for a total of $16,913, which exceeds the permitted amount for this procurement method of acquisition established by the policy. More detailed information is shown in table II.4.

Table II.4
Summary of purchase orders

Date of purchase order	*Purchase order No.*	*No. of test kits for chlamydia and gonorrhoea*	*Amount*
4 October 2018	9265	480	34 367
30 November 2018	9531	288	16 913
Total		**768**	**51 280**

Source: table elaborated by the Board of Auditors through information obtained from contract UNFPA/MEX/SCP/014/2018, amendment No. 1, purchase order Nos. 9265, and 9531.

57. UNFPA management agrees that the updated needs assessment for the year 2018 should have been properly updated in the procurement plan and that the decision to procure a lower quantity of tests than originally planned should have been attached as a note to the file in the procurement process.

58. UNFPA indicates that the revised procurement procedures that will be launched in the near future clearly instruct the UNFPA business units to prepare annual procurement plans and to review the annual procurement plans quarterly, in order to align the procurement plans with the programme and funding realities and requirements.

59. Similarly, UNFPA management has taken note and will ensure that UNFPA country offices undertake thorough monitoring of procurement processes and established thresholds before commitments and purchase orders are made, in order to comply with the policy. This point will be presented and emphasized in future regional procurement training for the region.

60. **The Board recommends that UNFPA strengthen its purchasing planning process with the purpose of considering defined needs when selecting the purchasing method for the project.**

61. **The Board recommends that UNFPA comply with established thresholds in accordance with the policy on purchases made by the country offices and conduct periodic monitoring of the purchasing process implemented.**

Lack of purchase request for pre-approval by the Procurement Services Branch

62. The policy and procedures for the management of programme supplies define medical devices and supplies, such as hospital equipment, surgical instruments and diagnostic equipment and supplies as "Other goods" acquired by UNFPA for use in its programmes. Similarly, in paragraph 3 (8) under "Key policy requirements", it is

stated that local procurement of pharmaceutical products and medical devices must be undertaken on an exceptional basis, pre-approved by the Procurement Services Branch, and subject to quality assurance in accordance with the applicable corporate policies and procedures.

63. For the project "Preparation for the implementation of the combined prevention of HIV among the key population" the country office in Mexico bought molecular tests for chlamydia and gonorrhoea, generating a purchase order on 4 October 2018 for a total amount of $34,367. On 29 August 2018, the office sent a request for procurement of non-catalogue items to the Procurement Services Branch because the products were not available in the catalogues of UNFPA, the United Nations Children's Fund or WHO.

64. The Board requested the pre-approval for the medical devices from the Procurement Services Branch, not having obtained the evidence from the country office in Mexico. However, management delivered the document "Ec. full quality assurance system certificate", issued by the Government of Spain, which is one of the authorizations required under the UNFPA technical requirements for medical devices.

65. UNFPA management agrees that the country office should have obtained written pre-approval from the Procurement Services Branch before the purchase of the medical supplies with the purpose of obtaining the required technical clearance of medical supplies, as required by the policy for procuring products outside the UNFPA catalogue.

66. **The Board recommends that UNFPA field offices request, in a timely manner, pre-approval by the Procurement Services Branch for the purchase of medical supplies in future purchases and provide evidence of the approval received from the Procurement Services Branch.**

8. Fraud management

Insufficient fraud measures

67. Under the policy against fraudulent and other proscribed practices, revised in October 2018, UNFPA has a zero-tolerance principle for wrongdoing, including fraudulent and other proscribed practices, meaning that UNFPA staff members, non-staff personnel, suppliers, implementing partners and any third parties are not to engage in such practices.

68. Paragraph 5 provides that the policy applies to all UNFPA activities and operations, including programmes funded by UNFPA, as well as those implemented by UNFPA, and is aimed at preventing, detecting and addressing acts of fraud and other proscribed practices involving:

(a) Staff members, defined as holders of UNFPA letters of appointment serving on permanent, continuing, fixed-term or temporary appointment contracts ("staff members");

(b) Vendors, including:

(i) Individual independent contractors such as those individual persons engaged as individual consultants, service contract holders, United Nations volunteers assigned to UNFPA, and interns ("non-staff personnel");

(ii) Actual or potential suppliers of goods and services (commonly referred to as "suppliers");

(iii) Implementing partners engaged by UNFPA for a UNFPA-funded programme ("implementing partners");

(iv) Any other third parties with which the Fund has a contractual relationship ("third parties").

69. In addition, UNFPA staff members have critical roles and responsibilities in ensuring that fraudulent and other proscribed practices are prevented, detected and managed promptly. In paragraph 15, it is established that managers at all levels are expected to act as role models for the rest of the organization. UNFPA non-staff personnel, suppliers, implementing partners and third parties shall be held to the highest ethical standards and should report any acts of fraudulent and other proscribed practices arising in relation to their contract with UNFPA.

70. In paragraph 2.1 of the policy for vendor review and sanctions (revised in October 2018), it is stated that a vendor is an offeror or a prospective, registered or actual supplier, contractor or provider of goods, services and/or works to UNFPA. Paragraph 2.4 sets out six proscribed practices, including unethical practice, which is defined as " conduct or behaviour that is contrary to staff or supplier codes of conduct, such as those relating to conflict of interest, gifts and hospitality, post-employment provisions, abuse of authority and harassment".

71. Lastly, in paragraph 4.2, it is stated that UNFPA staff members must report allegations of wrongdoing to the Director of the Office of Audit and Investigation Services. This obligation shall be considered fulfilled through: (a) a report to the Office of Audit and Investigation Services; (b) a report to the staff member's manager. The manager shall forward the report to the Director of the Office of Audit and Investigation Services without delay.

72. On 31 July 2018, the country office in Mexico requested a quotation for acquisition for the project "Preparation for the implementation of the combined prevention of HIV among the key population". Subsequently, in the bid evaluation report of 24 August 2018, management established: "It should be noted that during the period that this call was open, the provider behaved in a somewhat insistent manner, sought communications with people outside the process to make inquiries about the call, contacted the project team with unethical comments, also contacted the Representative and a secondary distributor, which informed UNFPA that the provider had discouraged him to participate in this call".

73. The Board noted that the provider is constituted in Mexico with another name. In addition, on 7 December, an invitation to bid was held for the acquisition of tests. The expiration date of the deadline for the submission of offers was 11 January 2019. One of the bidders invited to participate was the above-mentioned provider and, on 16 January 2019, the provider was selected as the proposed vendor for the award of the contract of a value of approximately $390,921. In February 2019, the contract was under technical and financial evaluation review by the Contracts Review Committee. The Board observed that UNFPA management had not reported those situations to the Director of the Office of Audit and Investigation Services.

74. UNFPA management considers that proper actions were taken to prevent any type of proscribed practice. UNFPA consulted with the Office of Audit and Investigation Services and, on 10 April 2019, received a response indicating that there was no indication that the company had intentionally attempted to engage in proscribed practices. In addition, a previous consultation with the Office of Audit and Investigation Services or the Regional Office might have provided additional support to the decision taken.

75. The Board takes note of the response by management. However, the Board considers that actions carried out by management were not conducted in a preventive manner.

76. **The Board recommends that UNFPA country offices report, as a preventive mechanism, to the Office of Audit and Investigation Services on the conduct in any further situations that may be noticed in the future, in order to comply with the UNFPA vendor review and sanctions policy.**

9. Human resources management

Delegations of authority

77. The policy on delegation of human resource management authority to the UNFPA-appointed representatives, issued in 1996, establishes that management authority for human resource functions is delegated to the UNFPA-appointed representative and covers the delegation of authority with respect to nationally recruited UNFPA staff and Junior Professional Officers. Moreover, in paragraph 3, it is mentioned that in the countries in which the United Nations Development Programme (UNDP) representative is also the UNFPA representative, there is no change in the operational arrangements for daily management of the UNFPA country office.

78. In paragraph 4, it is pointed out that any exceptions to, or departure from UNDP/UNFPA personnel policies, procedures and practices must be referred to UNFPA headquarters, Division for Finance, Personnel and Administration. In addition, principle No. 3 of the internal control framework policy (see "Control environment" in figure 2), issued in September 2016, stipulates that UNFPA must establish structure, authority and responsibility.

79. The Board observed that identical functions were being performed through different types of work positions. Thus, the policy on delegation of authority only establishes the basis with relation to human resources and does not include other areas such as implementing partner agreements, long-term agreements and co-financing agreements; as a result, there are different ways of proceeding in identical processes, with no clear guideline for the countries that are under the supervision of the Regional Office for Latin America and the Caribbean.

80. UNFPA management will develop a delegation of authority matrix, consolidating the authorities as reflected in the different policies, and will work with regional offices to ensure that the matrix is customized to reflect the arrangements in offices that do not have a UNFPA-appointed representative.

81. **The Board recommends that UNFPA comprehensively review and update the policy on the delegations of authority, defining, especially, specific guidelines for senior positions at regional offices.**

10. General Administration

Relocation of the country office in Panama

82. In accordance with the UNFPA regional office terms of reference, the functions related to facilities are as follows:

(a) To ensure that the regional office infrastructure, assets and facilities meet the requirements for conducting business efficiently and effectively in coordination with the United Nations Sustainable Development Group;

(b) To coordinate closely with the Director of the Division for Management Services in advance of any plans for office relocation;

(c) To continuously explore opportunities for regional inter-agency collaboration for cost savings on travel, greening, common services and common premises;

(d) To review and approve requests by country offices for the establishment of decentralized offices based on business case submission.

83. The regional office is also responsible for monitoring and taking corrective action on the country offices' resource implementation and utilization rates in line with ceilings and reallocating resources in the region in response to the needs expressed by the country offices and the established ceilings, in coordination with the relevant headquarters unit. In addition, the regional office is responsible for monitoring and taking corrective action on the status of assets and real estate activities of country offices.

84. On 18 September 2018, the Regional Director of the Regional Office for Latin America and the Caribbean requested the Executive Director to relocate the Panama country office, owing to the capacity of the Regional Office to receive additional staff, the estimated cost savings of about $33,320 per year and the potential benefits of the operational support, inter-office coordination and quality of support provided by the Regional Office in the areas of procurement, finance, information technology and technical assistance, among other aspects. However, as reported by the Regional Office for Latin America and the Caribbean, as at 20 December 2018, headquarters had not issued a response to the Regional Director regarding said request.

85. The Board considers that the estimated cost savings and the benefits that would result from direct support by the Regional Office to the country office would improve the efficiency of the use of UNFPA resources.

86. UNFPA management has taken note and has explained that the Executive Office of the Secretary-General is currently undertaking a regional review to examine the functions and capacity of the entire regional architecture. This may include the co-location of various agencies in order to strengthen the policy and other support provided to the United Nations country teams, to assist countries in accelerating sustainable development. Furthermore, UNFPA has launched new change initiatives to review and align the functions, roles and responsibilities of the headquarters, regional offices and subregional offices, respectively, to provide harmonized and integrated support to the country offices. The review will be finalized by the end of 2019.

87. **The Board recommends that UNFPA keep sight of efficiencies when restructuring its administrative support to the Panama country office and within the upcoming reform initiatives of the Secretary-General.**

11. Information and communications technology

Information and communications technology facilities

88. In the document "Data Centre Access United Nations Secretariat ICT Technical Procedure", issued in 2015, (applied to all data centres owned, operated or controlled by the United Nations), it is established that data centres must be kept clean and must not be used as a storage room for new, old or an excess of equipment and that the packing material (cardboard, paper, plastic, wood, styrene, etc.) is not allowed in the data centre (see sect. 5 "Conduct in the Data Centre", (i) and (j)). In addition, all packing materials must be removed before equipment is moved into the raised floor areas of the data centre.

89. The Board reviewed the information and communications technology equipment rooms at headquarters and detected the existence of packing material as well as an electrical connection that was out of the wall. This could be a peril because the connection and the rest of the electrical plugs are not properly protected electrical and are susceptible to risks that could affect people and the cooler equipment on which the electrical connection depends.

90. UNFPA management will take appropriate actions to address the recommendations, addressing the specific risk by reviewing the cabling and protections of the equipment rooms as well as shutting down and decommissioning all the equipment that is no longer needed as a consequence of the migration of the applications to the cloud.

91. **The Board recommends that UNFPA take measures to prevent electrical risks inside and around the equipment rooms, with the purpose of protecting the facilities against threats, including natural or human-made disasters.**

C. Disclosures by management

1. Write-off of cash, receivables and property

92. UNFPA informed the Board that it had formally written off losses of $450,515 (2017: $313,396). The write-offs included contributions receivable of $96,651; inventory of $345,910; operating fund advances of $139; and property, plant and equipment of $7,815 (see annex II).

2. Ex gratia payments

93. During the year under review, there was no ex gratia payment reported by UNFPA.

3. Cases of fraud and presumptive fraud

94. In accordance with the International Standards on Auditing (ISA 240), the Board planned its audits of the financial statements so that it had a reasonable expectation of identifying material misstatements and irregularities, including those resulting from fraud. The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

95. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or brought to its attention. The Board also enquired as to whether management had any knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

96. In 2018, the Board did not identify any cases of fraud, other than the five cases of fraud amounting to $3,234.97 that had been reported to the Board by UNFPA.

D. Acknowledgement

97. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and her staff.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Annex I

Status of implementation of recommendations up to the year ended 31 December 2017

						Status of verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
1.	2016	A/72/5/Add.8, chap. II, para. 32	The Board recommends that UNFPA: (a) strengthen control over micro-assessment reports from the service providers to ensure that the reports are supported by details of the work done and provide a clear basis for their conclusions; and (b) ensure that implementing partners are given micro-assessments and plans are established to follow up on the findings and recommendations of the micro-assessment with UNFPA implementing partners or implementing partners shared with other agencies.	To strengthen control over the micro-assessment process and improve the quality of micro-assessment reports, UNFPA issued a checklist designed to support offices in their quality control of new micro-assessments. UNFPA staff focus in their quality reviews on ensuring that the assessors provide sufficient supporting information in the comments field to substantiate their conclusions and ratings. UNFPA will continue to review the data from the Implementing Partner Assurance System and follow up, as needed, with offices to ensure that all required micro-assessments are conducted.	In accordance with the analysis by the Board of Auditors, UNFPA has taken the necessary actions to implement this recommendation. The Board therefore considers this recommendation implemented.	X			
2.	2016	A/72/5/Add.8, chap. II, para. 36	The Board recommends that UNFPA: (a) consider providing adequate training to spot checkers on how to conduct spot checks so as to improve the quality of spot checks; (b) ensure that the implementation of micro-assessment recommendations are followed up during spot checking and that evidence to that effect be maintained by the spot checkers so as to provide supported assurance to UNFPA; and (c) ensure that the spot check	UNFPA informed the Board that to strengthen the quality of spot checks, training activities included webinars to provide training for all staff on the new spot check learning material, specifically the model spot check. In addition, the entity conducted workshops and/or directed support for selected country offices.	The Board verified that UNFPA had taken the necessary actions to implement this recommendation; it is therefore considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Status of verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
			activities are conducted effectively and efficiently, in accordance with established guidance.						
3.	2016	A/72/5/Add.8, chap. II, para. 45	The Board recommends that UNFPA ensure that country offices provide information on annual supplier performance, business volume and savings achieved to the lead United Nations agencies for all long-term agreement holders that are piggybacked with other agencies so that evaluations can be conducted.	UNFPA informed the Board that owing to additional requirements, the Procurement Services Branch was planning to submit the draft updated procurement procedures to the Policy and Procedures Manual secretariat and for approval by the Policy Committee by the final quarter of 2018.	The Board verified that the procurement procedures had been updated, launched and disseminated in January 2019. This recommendation is therefore considered implemented.	X			
4.	2016	A/72/5/Add.8, chap. II, para. 50	The Board recommends that UNFPA field offices adhere to local procurement plans when making procurements and ensure that all the procured items are included in the local procurement plans to facilitate the monitoring of procurement activities and efficiency in the use of resources.	UNFPA informed the Board that owing to additional requirements, the Procurement Services Branch was planning to submit the draft updated procurement procedures to the Policy and Procedures Manual secretariat and for approval by the Policy Committee by the final quarter of 2018.	The Board verified that the procurement procedures had been updated, launched and disseminated in January 2019. This recommendation is therefore considered implemented.	X			
5.	2016	A/72/5/Add.8, chap. II, para. 65	UNFPA agreed with the Board's recommendation to: (a) establish a mechanism that would enable the organization to capture the leave points balances as at the reporting date and not as at the payroll finalization date in order to report accurate leave days and liability; and (b) strengthen its internal controls over the leave approval process by introducing a time limit on the approval of leave requests to ensure the timely and realistic capturing of leave points as at the reporting date.	Regarding recommendation (a), management informed the Board that the annual leave liability as at 31 December 2017 had been adjusted by the monetary value of annual leave events processed in the e-services between the December 2017 and January 2018 payroll freeze dates. Following the adjustment, the monetary value of the difference between the absence cards and the accrued liability balances for 86 individuals highlighted by the Board had been reduced.	The Board acknowledges management efforts and assesses the recommendation as implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				Regarding recommendation (b), UNFPA informed the Board that it would issue a memorandum to all personnel that would be circulated on three occasions to achieve sufficient coverage; the last one was planned for the second week of December 2018. In addition, the administration had sent communications to supervisors who had not approved the leave requests in time in the past and to the staff members who had travelled without approval of their leave requests.					
6.	2016	A/72/5/Add.8, chap. II, para. 85	The Board recommends that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for the recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery mechanisms to ensure that the advances are recovered and cleared from active and separated staff.	UNFPA informed the Board that regarding recommendation (a), it was preparing a separation verification list with standard operating procedures in collaboration with the Finance Branch and that its completion was planned for the fourth quarter of 2018. Regarding recommendation (b), the administration had strengthened compliance with the salary advance policy, including the conditions for recovery of advances.	Regarding recommendation (a), the implementation of the action by management is awaited. On the other hand, the Board has reviewed the actions taken by management on recommendation (b) and considers the recommendation implemented. However, the Board verified that there was a delay in meeting the deadline for the implementation of the recommendation (fourth quarter of 2018). The Board therefore considers this recommendation		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	*Status of verification* Implemented	Under implementation	Overtaken by events	Not implemented
					as under implementation.				
7.	2016	A/72/5/Add.8, chap. II, para. 90	The Board recommends that UNFPA: (a) ensure that the country offices obtain authorization from UNFPA headquarters for all project cash advances above the threshold as stated in the policy; (b) set a time limit for holding the project cash advance per activity per staff in the policies and procedures on project cash advances to minimize prolonged project cash advance balances; and (c) strengthen supervisory and monitoring controls at the level of country offices to ensure compliance with the established policies and procedures.	UNFPA informed the Board that the Division for Management Services was finalizing its review of the project cash advance policy to ensure that the necessary controls, fraud risk factors and a time limit for holding cash advances were duly included in the policy. UNFPA will hold webinars with country offices upon finalization of the policy to ensure widespread compliance. Appropriate monitoring reports are also being developed to strengthen supervisory and monitoring controls.	The Board verified that the approved cash advance policy included the necessary controls, fraud risk factors and a time limit for maintaining cash advances. In addition, the Board verified that the webinars had been carried out as planned by the entity. The Board acknowledges the efforts by management and considers the recommendation implemented.	X			
8.	2016	A/72/5/Add.8, chap. II, para. 100	The Board recommends that UNFPA put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.	UNFPA informed the Board that it had finalized the draft of the software life cycle development policy and distributed the policy document for its review. The entity had incorporated the comments received during the consultation process. In addition, UNFPA reported that the Information Technology Solution Office was currently reviewing the entire information and communications technology (ICT) policy model to address the recommendation.	The Board acknowledges the effort by management to establish a mechanism to monitor the adoption of software policies. However, this recommendation is still under implementation and the deadlines for compliance have been exceeded (fourth quarter of 2018).		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
9.	2017	A/73/5/Add.8, chap. II, para. 16	UNFPA agreed with the Board's recommendation to formalize the enterprise risk management policy to guide staff at country offices and supplement the guidance in place for managing the enterprise risks.	UNFPA is in the process of formalizing its enterprise risk management policy to supplement the existing guidance notes for managing its enterprise risks.	The Board has verified that the entity has conducted an initial discussion on the structure of the policy and a review by interested parties. It is a work in progress that has exceeded the deadline for its implementation (fourth quarter of 2018).		X		
10.	2017	A/73/5/Add.8, chap. II, para. 21	The Board recommends that (a) UNFPA establish a preliminary quality review process to ensure that the reduction of risks rating at country offices and the application of risk mitigation measures are done properly and documented; (b) country offices establish the bases for risk reduction and ensure that the supporting documents for risk mitigation measures are available and aligned strategically with the risk action plans; and (c) country offices establish action plans for the risks which were identified as high.	The entity informed the Board that a quality review of risks was being undertaken by the designated experts of the risk treatment working group for all specified risk areas at the regional and headquarters levels. The headquarters enterprise risk management team was also undertaking, in collaboration with the respective regional offices, a quality review of the risk assessments and mitigation measures for a limited number of business units considered to be high-risk. Action plans had been prepared for all 281 high risks and 20 critical risks and were available in the myRisk application of the strategic information system.	The Board has reviewed the actions taken by management and considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
11.	2017	A/73/5/Add.8, chap. II, para. 25	The Board recommends that UNFPA (a) strengthen control over the implementing partners micro-assessment process carried out by the service providers, to ensure that the micro-assessment reports are supported by details of the work done and provide a clear basis for their conclusions; (b) conduct micro-assessments of all implementing partners who are required to be micro-assessed; and (c) establish a field in the Implementing Partners Assurance System module that could enable follow-up on the implementation of the micro-assessment recommendations.	UNFPA informed the Board that regarding recommendation (a), it would reinforce the first-line control and the quality of the micro-evaluations through the issuance of technical and practical guidance (including a checklist) to the staff for their review of the draft evaluation reports received from service providers. To strengthen second-line control and the quality of micro-assessments, a quality review of a sample of micro-assessments had been conducted and the Division for Management Services would follow up to ensure that those evaluations supported the conclusion of the review. In addition, training would be conducted on the subject (webinar, workshops and direct support). With respect to recommendation (b), continuous monitoring of compliance with this requirement would be carried out through data reports in the Implementing Partner Assurance System and follow-up with offices in non-compliance. In relation to recommendation (c), UNFPA had followed up on the micro-evaluation recommendations, as well as on the proof of the actual functioning of the internal controls assigned in the micro-evaluation, and would focus its efforts on improving	In accordance with the analysis by the Board, UNFPA has taken the necessary actions to implement this recommendation. The Board therefore considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				the follow-up on the micro-evaluation recommendations during random checks.					
12.	2017	A/73/5/Add.8, chap. II, para. 29	The Board recommends that UNFPA country offices ensure that: (a) spot checkers follow up on the implementations of previous micro-assessment recommendations during spot checking and maintain evidence to confirm the follow-up so as to provide assurance to UNFPA; and (b) the spot-check activities are conducted effectively and efficiently, in accordance with established guidance, including by clearly documenting criteria and how samples of transactions are determined.	Regarding recommendation (a), UNFPA reported that in order to strengthen the quality of the on-site controls, the training activities would include a webinar, workshops and/or direct support to the selected purchase orders; moreover, an additional guide was being prepared on the follow-up of the micro-evaluation recommendations and the findings of the internal control (which were based on the key controls of the micro-evaluation). In addition, in order to strengthen second-line control and the quality of randomized controls, a quality review of a sample of all randomized control reports for 2018 available at the time of the review and especially those of high-risk implementing partners was conducted and selected risks were managed. Regarding recommendation (b), the entity would strengthen the quality of the controls on the ground through the issuance of technical and practical guidance to staff for the effective and efficient implementation of on-the-spot controls and to document the criteria and the determination of the sample of implementing partner transactions.	The Board verified that UNFPA had taken the necessary actions to implement this recommendation.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
13.	2017	A/73/5/Add.8, chap. II, para. 30	The Board further recommends that (a) UNFPA improve the spot-check test tool in terms of content to include a separate sheet for verification of assets; and (b) spot checks be conducted as per the established assurance plan and spot-check reports be uploaded to the Implementing Partner Assurance System in a timely manner.	UNFPA improved the content for the verification of assets during random inspections and also supervised the 2018 assurance plans to ensure that the random inspections required were performed and loaded into the Implementing Partner Assurance System.	In accordance with the analysis of the Board of Auditors, UNFPA has taken the necessary actions to implement this recommendation.	X			
14.	2017	A/73/5/Add.8, chap. II, para. 34	The Board recommends that UNFPA country offices (a) ensure that workplans are created, operationally reviewed and printed from the global programming system before being signed by implementing partners to avoid discrepancies between signed workplans and global programming system data; and (b) update the budget information in the global programming system when changes arise.	In August 2018, UNFPA launched the revised workplan policy to strengthen the workflow of the administration of workplans. The policy introduces an additional control according to which payments to implementing partners can no longer be made if workplans are not managed correctly. In addition, it incorporates an additional emphasis on the improvement of programmed budgeting. Additional control panels were created in the "Global Programming System Data Centre", such as "Workplan and KK quantities", which are being used to a great extent to avoid unwanted discrepancies. The global programming system 2018 and the quality assurance review of the workplan, completed by Programme Division in August 2018, confirmed an improved compliance in the correct use of the global programming system to manage workplans and related budgets.	Since the establishment of the revised workplan policy in August 2018, the Board considers the recommendation as having been overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
15.	2017	A/73/5/Add.8, chap. II, para. 40	The Board recommended that UNFPA ensure that country offices: (a) build the capacity of their staff in resource mobilization to enhance the effectiveness of their resource mobilization function; and (b) develop donor mapping and donor management profiles in accordance with their strategies to enhance and encourage donor contributions.	Regarding recommendation (a), UNFPA reported that the efforts were in line with the corporate strategy for UNFPA resource mobilization, which supports an "organization-wide approach". In addition, the Resource Mobilization Branch has taken a series of measures to support the capacity of country offices. This includes: (a) updates to the online resource mobilization toolkit/community with guidance on donors and standardized modalities; (b) in addition to biweekly virtual meetings with regional advisers to facilitate their role in supporting country offices, recording of resource mobilization orientation, specific sessions for Junior Professional Officers and as part of managerial certification, and multiple webinars (live and webcast) that provide guidance on resource mobilization for country offices and regional offices; (c) and a complete review of the resource mobilization plans that accompany all country programme documents. Regarding recommendation (b), the entity reports that it has established an intelligence and projections unit to map pipeline and completed donor-specific pages for key contributors, their priorities and opportunities. More broadly, in the light of	In accordance with the Board's analysis, this is a work in progress; the entity has postponed its compliance until the fourth quarter of 2019.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				required institutional investment to strengthen resource mobilization capacity beyond current efforts, UNFPA has addressed this issue in the position paper it has submitted to the Executive Director on the mobilization structure of resources for UNFPA. All of the above was planned to be finalized during the fourth quarter of 2018, but has been postponed to be completed by the fourth quarter of 2019.					
16.	2017	A/73/5/Add.8, chap. II, para. 45	The Board recommends that UNFPA consider developing an integrated contract management application to enable country offices and units to register and maintain contract files and related documents for effective contract management and administration.	UNFPA management continues to advise country offices to register and maintain contract files and related documents for effective contract management and administration. Since the current enterprise resource planning system does not support integrated contract management, UNFPA is considering implementing an integrated contract management system along with a new enterprise resource planning system. In addition, the entity reports that the implementation of this recommendation is linked to the new implementation of enterprise resource planning.	The Board acknowledges the efforts by management in the matter. It is a work in progress since the entity plans to finalize implementation during the second quarter of 2020. The Board therefore considers this recommendation as under implementation.		X		

						Status of verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
17.	2017	A/73/5/Add.8, chap. II, para. 49	The Board recommends that UNFPA: (a) adhere to the procurement plans when making procurements and ensure that all relevant procured items are included in the procurement plans to facilitate monitoring of procurement activities and efficiency in the use of resources; and (b) in collaboration with the Procurement Services Branch, continue monitoring local procurement plans against actual procurement.	Regarding recommendation (a), UNFPA reported that owing to additional requirements, the Procurement Services Branch planned to send the draft of the updated procurement procedures to the secretariat for the Policy and Procedures Manual and for the approval of the Policy Committee during the fourth quarter of 2018. Regarding recommendation (b), the entity reported that it continued to monitor local purchasing plans against actual purchases. The objective is to verify the content of the document plan at the end of the year against the actual acquisition. The control is carried out annually at the beginning of the year. Owing to the above, it was planned to finalize these activities during the second quarter of 2019.	According to the analysis by the Board, UNFPA has taken the necessary actions to implement this recommendation.	X			
18.	2017	A/73/5/Add.8, chap. II, para. 54	The Board recommends that UNFPA country offices: (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper and effective planning; and (b) increase the office involvement in the forecasting analysis of reproductive health commodities to identify actual inventory needs.	UNFPA reported that this was achieved by conducting joint commodity needs assessments, quantification, forecasting and a validation exercise with the engagement of key stakeholders. The Commodity Security Branch developed the Commodity Requirement Tool and/or abstraction sheets for primary and secondary data collection from national and subnational sources of information and to validate and consolidate the demographic, family planning programme	The Board verified that UNFPA had taken the necessary actions to implement this recommendation.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				coverage, service delivery data and consumption trends in collaboration with partners to support the commodity needs assessment process, quantification and forecasting process. This was supported with training and webinar sessions with country offices on how to use the tool and abstraction sheets.					
19.	2017	A/73/5/Add.8, chap. II, para. 59	The Board recommends that UNFPA monitor the distribution process to ensure that inventory is handed over to the intended beneficiaries by the implementing partners and get assurance on whether inventory has been utilized as intended.	UNFPA reported that the inventory movement reports had been obtained for 14 implementing partners that collectively received $62.4 million worth of inventories from UNFPA between 1 January 2017 and 30 June 2018 (approximately 35 per cent of total inventories delivered by UNFPA over the same period). However, the implementation deadline for regular collection of inventory reports by implementing partners was postponed from the fourth quarter of 2018 to the third quarter of 2019 owing to the lack of allocated resources for operationalizing this process.	The Board verified that there was a delay in meeting the deadlines for the implementation of this recommendation, which was scheduled for the fourth quarter of 2018. However, the Board acknowledges the efforts by management efforts and will verify the full compliance with the recommendation according to the term indicated by the entity, namely, the third quarter of 2019.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
20.	2017	A/73/5/Add.8, chap. II, para. 65	The Board recommends that UNFPA country offices implement and enforce the introduced policy to ensure that receipt and inspection of inventories at the point of entry are monitored and receipt and inspection reports are prepared to comply with the inventory management policies and procedures.	UNFPA reported that the skills survey had been conducted in all country offices. The survey included all elements of the policy (including the receipt and inspection of inventories). UNFPA conducted an analysis of the capacities of the country offices, and a broader analysis was planned for December 2018. New quarterly reports are required by the Finance Branch for all countries that have received products with the new templates described in the policy.	According to the analysis by the Board, UNFPA has taken the necessary actions to implement this recommendation.	X			
21.	2017	A/73/5/Add.8, chap. II, para. 69	The Board recommends that UNFPA establish a policy on handling staff with disabilities to demonstrate a non-discriminatory and inclusive working environment for staff members.	UNFPA is in the process of developing a policy for persons with disabilities in accordance with best practices within the United Nations system. The policy has been submitted to the Policy Committee and will be reviewed on 11 July 2019.	In accordance with the analysis by the Board, this is a work in progress. However, this recommendation is still under implementation and the deadlines for compliance have been exceeded (fourth quarter of 2018).		X		

						Status of verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
22.	2017	A/73/5/Add.8, chap. II, para. 75	The Board recommends that UNFPA: (a) strengthen controls over country offices to ensure effective utilization of the launched Consultant Monitoring Tool by uploading all required individual consultants' information in the Tool on time and prior to the issuance of an individual consultant contract; (b) ensure that final payments to individual consultants are made at the end of the contract period and after the assessment of the performance of the individual consultants; and (c) include a field in the Tool's system which allows the distinction of individual consultant fees based on either output delivery or working days.	UNFPA informed the Board that regarding recommendation (a), a webinar had been conducted to address these issues in May 2019. Regular training sessions will be conducted for capacity-building and compliance and further analysis is being done to understand the extent of discrepancy between Consultant Monitoring Tool data and actual consultant numbers. Regarding recommendation (b), the Office of Audit and Investigation Services has agreed to include spot checking of compliance as part of the country office audit programme. In addition, two items have been added to the financial country office monthly accountability checklist, in which respective offices will have to verify compliance in respect of the usage of the Consultant Monitoring Tool as well as compliance in finalizing the evaluation of a consultant prior to releasing the final payment. UNFPA is working on exploring the option of having a single enterprise resource planning platform for the management of consultants, which is included as a workstream in the enterprise resource planning project. Regarding recommendation (c), the re-work is almost completed with the AODocs consultants and is being prepared for production.	The Board verified that recommendation (b) is implemented. Regarding recommendations (a) and (c), the Board acknowledges the efforts by the administration to comply; nevertheless, they are still under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
23.	2017	A/73/5/Add.8, chap. II, para. 81	The Board recommends that UNFPA: (a) ensure that all salary advances are requested and approved through the e-service application for easy monitoring and follow-up by the head office; (b) issue instructions to the heads of office to create awareness on the use of salary advance's e-service application and to ensure that all staff use the e-service application; and (c) establish a guidance note to govern the procedures for granting salary advances to service contract holders.	UNFPA reported that regarding recommendations (a) and (b), the guidance notes had been uploaded to the Policy and Procedures Manual and a note had been drafted to address the issue and sent out by the Office of the Deputy Executive Director (Management) in her name. The note was released to the organization by the Office of the Executive Director in December 2018. Regarding recommendation (c), a draft of the guidance document has been created, incorporating the comments from the respective stakeholders. UNFPA is currently working with the Information Technology Solution Office on how to add the new salary advance modality into the existing Atlas system, which will allow the organization to use an already existing workflow to manage such salary advances.	According to the analysis by the Board, this is a work in progress. However, this recommendation is still under implementation and the deadlines for compliance have been exceeded (fourth quarter of 2018). The Board therefore considers this recommendation as under implementation.		X		
24.	2017	A/73/5/Add.8, chap. II, para. 87	The Board recommends that UNFPA establish an enterprise resource planning solution which will have a global travel and expenses module at all country offices to facilitate the travel management activities and reporting, including reporting of travel data globally in real time.	UNFPA management acknowledges the benefits of extending the travel and expenses module functionality to the country offices and is currently piloting the module in one regional office. Lessons learned from the pilot will inform the design and set-up of a new enterprise resource planning solution incorporating a global travel and expenses module. The entity plans to fully implement this recommendation during the second quarter of 2020.	The Board acknowledges the efforts by management in the matter. It is a work in progress since the entity plans to finalize implementation during the second quarter of 2020.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
25.	2017	A/73/5/Add.8, chap. II, para. 93	The Board recommends that UNFPA: (a) conduct a review and configure the Active Directory regularly to remove all separated staff; (b) enforce the domain password policy in accordance with the ICT security policy and add all computers that are not in the Active Directory; (c) establish a mechanism to ensure that the Management Information Services unit conducts periodic surveys of the country offices to review the adequacy of outsourced ICT support services; and (d) establish procedures for the governance of the Active Directory infrastructure, its security and design.	UNFPA reported that regarding recommendations (a) and (b), it had been coordinating with the Cambodia country office with the purpose of regularizing the Active Directory. Regarding recommendation (c), the entity planned a policy review that would end in the first quarter of 2019. Regarding recommendation (d), UNFPA informed the Board that it was adopting the comments reported by Cambodia.	The Board verified that recommendations (a), (b) and (d) are implemented. Regarding recommendation (c) it has been included in the general review of the policy. The Board acknowledges the efforts made by the administration; however, the recommendation remains under implementation.		X		
26.	2017	A/73/5/Add.8, chap. II, para. 98	The Board recommends that UNFPA: (a) incorporate the requirements for ICT security awareness training in the existing policies; and (b) make it mandatory and establish an enforcement mechanism for all staff members to complete information security awareness training.	UNFPA is in the process of incorporating ICT security awareness training requirements into the existing policies and making it mandatory for all staff to complete the training. The entity plans to implement the measures for both recommendations in the fourth quarter of 2018.	According to the analysis by the Board, this is a work in progress, which the entity has postponed until the third quarter of 2019.		X		
	Total				**26**	**13**	**12**	**1**	**0**
	Total percentage				**100**	**50**	**46**	**4**	**0**

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current year*	*Previous year*	*Increase/(decrease)*
Contributions receivable	96 651	115 463	(18 812)
Inventory	345 910	0	345 910
Operating fund advances	139	0	139
Property, plant and equipment	7 815	179 886	(172 071)
Staff receivables	0	17 727	(17 727)
Project cash advance	0	320	(320)
Total	**450 515**	**313 396**	**137 119**

Chapter III
Certification of the financial statements

Letter dated 30 April 2019 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems;

The management provided the Internal Auditor with full and free access to all accounting and financial records;

The recommendations of the United Nations Board of Auditors and Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to the United Nations Population Fund (UNFPA), as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(*Signed*) Andrew **Saberton**
Director
Division for Management Services

Chapter IV

Financial report for the year ended 31 December 2018

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2018 and highlights significant matters and trends related to the Fund's financial position and performance.

Summary of financial results

2. The main financial results for 2018 are summarized as follows:

(a) Total gross contribution revenue increased by 17.6 per cent, reaching $1,255.6 million, the highest contribution revenue generated by UNFPA to date;

(b) Unearmarked contributions increased for the first time in five years, by 8.3 per cent, amounting to $378.8 million. In spite of this increase, the share of unearmarked resources as a percentage of total contribution revenue continued to decline, this year by 2.6 percentage points, to just 30.2 per cent of the annual gross contributions. This trend remains a substantial challenge for UNFPA as regards its ability to deliver on its strategic results;

(c) Total expenses also reached their highest level in UNFPA history, increasing by 17.2 per cent to $1,086.0 million. The increase was mainly a result of scaled-up humanitarian response activities and increased support to large-scale population data projects, such as censuses;

(d) Total assets increased by 16.9 per cent, reaching $1,609.5 million, owing mainly to the excess of contributions collected over expenses paid;

(e) Total liabilities decreased by 1.0 per cent, to $529.2 million, owing mainly to the decrease in the net present value of employee benefits liabilities (see (f) below), offset in part by increases in accounts payable and other liabilities;

(f) Employee benefits liabilities decreased by 6.9 per cent, to $387.3 million, owing mainly to actuarial gains originating from an increase in the discount rate used to determine their net present value. This decrease, combined with funding set aside during the year, increased the funded portion of employee benefits liabilities to 66.3 per cent.

Financial performance

Trends in contribution revenue

3. UNFPA is funded primarily from voluntary contributions that are either unrestricted as to use (referred to as "unearmarked", "core" or "regular" resources) or restricted by the donors for a specific purpose, programme or activity (referred to as "earmarked", "non-core" or "other" resources).

4. In 2018, UNFPA generated its highest gross contribution revenue[1] to date, of $1,255.6 million (2017: $1,067.5 million), surpassing the $1.0 billion mark for the third time in the past five years.

[1] Gross contributions are the amounts specified in the contribution agreements signed with donors, recognized as revenue in accordance with UNFPA accounting policies.

5. Unearmarked contributions increased for the first time in five years, by 8.3 per cent, to $378.8 million (2017: $349.9 million), owing primarily to higher contributions from two major donors and favourable foreign currency exchange movements for several contribution currencies.

6. Gross earmarked contributions increased by 22.2 per cent, to $876.8 million (before cost recovery charges and refunds to donors)[2] in 2018 (2017: $717.6 million), owing mainly to increased contributions from several donor countries and higher United Nations inter-organizational transfers.

7. The share of earmarked resources as a percentage of total gross contribution revenue increased by 2.6 percentage points in 2018, to 69.8 per cent (2017: 67.2 per cent), reflecting the Fund's increased reliance on earmarked resources, in spite of the larger unearmarked resource contributions in 2018, which were $98.6 million lower than in 2014, the first year when UNFPA gross contributions exceeded the $1.0 billion benchmark.

8. Consistent with previous years, the majority of contributions to UNFPA were received from a small number of donors. In 2018, the top 10 donors accounted for 89.4 per cent of unearmarked contribution revenue (2017: 89.4 per cent) and 83.3 per cent of gross earmarked contribution revenue (2017: 80.6 per cent). UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging economy countries, as well as private sector donors.

9. Refunds to donors decreased by 40.2 per cent, to $5.0 million in 2018 (2017: $8.4 million). Continuing the positive trend from previous years, refunds represented only 0.6 per cent of gross earmarked contribution revenue (2017: 1.2 per cent), reflecting the high implementation rate for programme activities.

Other revenue

10. Other revenue decreased by 5.9 per cent in 2018, to $87.3 million (2017: $92.7 million), owing mainly to foreign currency exchange gains of $27.1 million on monetary assets recorded in 2017, compared with $30.6 million in losses generated by the same group of assets in 2018 recognized under other expenses. This reduction was offset in part by an increase in indirect costs recovery and investment revenue of $8.2 million and $10.0 million, respectively.

Future revenue flows and continuity of operations

11. As at 31 December 2018, UNFPA had agreements signed for $269.1 million in future contributions (2017: $239.7 million), of which $172.7 million corresponded to earmarked resources (2017: $202.5 million). This contractually guaranteed revenue is of great importance, as it enables continuity of UNFPA operations.

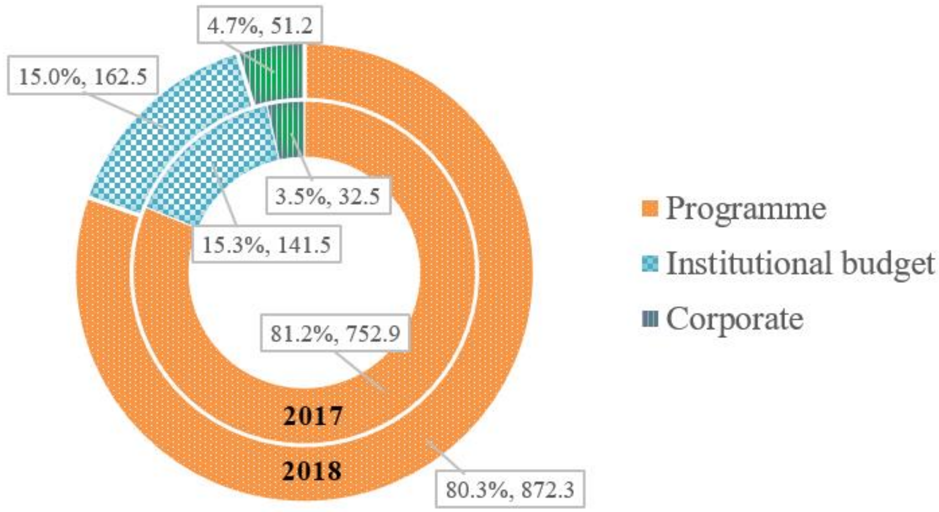
Expenses: overview

12. Total expenses increased by 17.2 per cent, to $1,086.0 million in 2018 (2017: $926.9 million). The increase in expenses is attributed to both unearmarked and earmarked resources, which increased by $38.6 million and $120.5 million, respectively.

13. Figure IV.I provides an overview of expenses for both 2018 and 2017, by purpose.

[2] Earmarked contributions are presented net of cost recovery charges (which are reflected under other revenue) and refunds to donors in the statement of financial performance.

Figure IV.I
Total expenses, by purpose
(Millions of United States dollars)



14. Programme expenses, which include expenses on country programmes, global and regional interventions and other programme activities, increased by 15.9 per cent, to $872.3 million in 2018 (2017: $752.9 million). This growth was mainly the result of scaled-up humanitarian response activities, including the delivery of essential reproductive health services and services addressing gender-based violence in humanitarian settings, and increased support to large-scale population data projects, such as censuses, offset in part by the reclassification of certain costs from global and regional interventions to institutional budget.

15. Institutional budget expenses increased by 14.8 per cent in 2018, to $162.5 million (2017: $141.5 million), in line with the changes introduced by the new integrated budget, 2018–2021, which included the reclassification of costs previously classified under global and regional interventions (classified as programme expenses), the launch of new corporate initiatives, such as the information and communications technology transformation, and increased investments in certain areas, such as internal investigation, coordination on the prevention of sexual exploitation and abuse, and corporate evaluation.

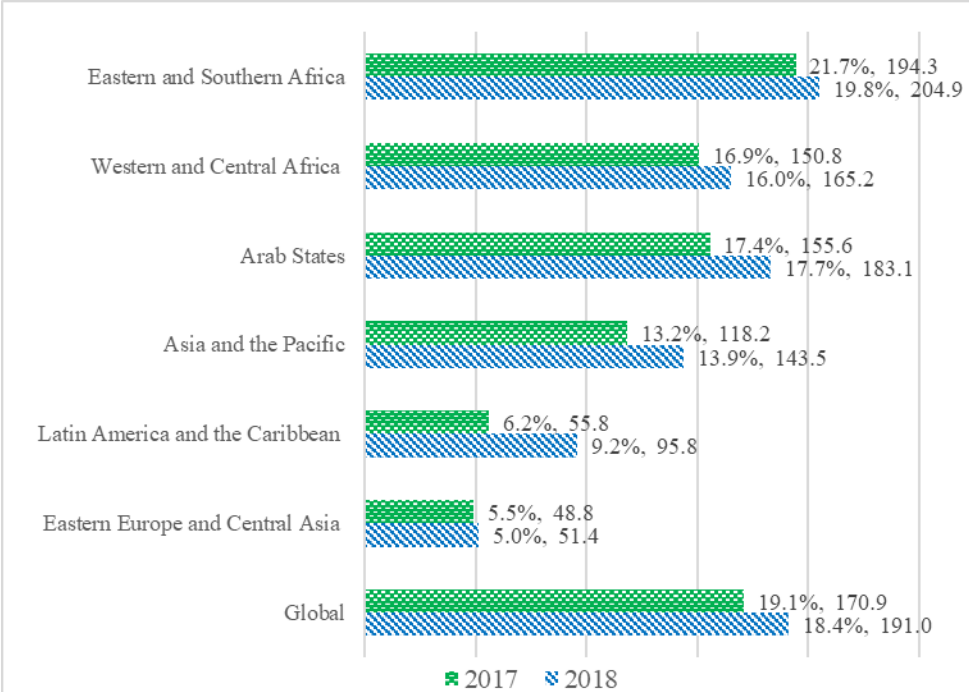
16. Corporate activities expenses, which include costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific strategic plan outcomes, increased by 57.5 per cent, to $51.2 million, in 2018 (2017: $32.5 million), owing mainly to higher service and interest costs of the post-employment benefits liabilities (actuarially determined) and foreign currency exchange losses on monetary assets.

Expenses: breakdown by region and nature

17. As in previous years, and in line with the role of UNFPA as a field-based organization, the majority of the Fund’s programme and institutional budget expenses were incurred in the field ($843.9 million, or 81.5 per cent, in 2018 and $723.5 million, or 80.9 per cent, in 2017).

18. Figure IV.II provides a breakdown of programme and institutional budget expenses by region.

Figure IV.II
Programme and institutional budget expenses, by region
(Millions of United States dollars)



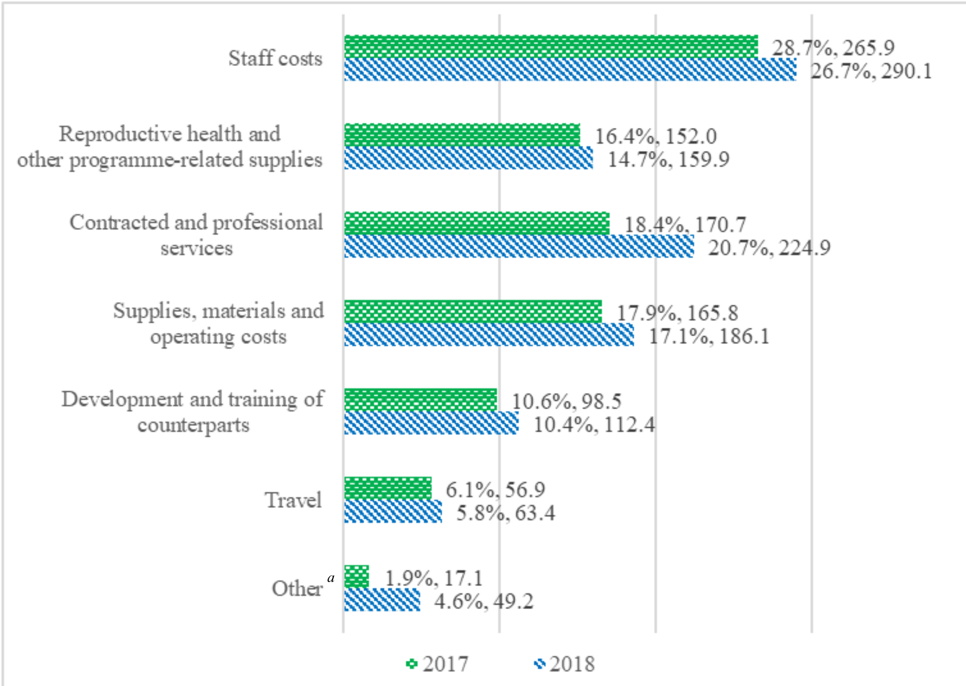
19. The regions with the highest expenses in 2018 were the same as in 2017 and included Eastern and Southern Africa ($204.9 million, or 19.8 per cent), Arab States ($183.1 million, or 17.7 per cent) and Western and Central Africa ($165.2 million, or 16.0 per cent). The region with the highest year-on-year expense growth, of $40.0 million (71.7 per cent), was Latin America and the Caribbean, owing mainly to the implementation of large-scale national population and national housing censuses in Guatemala and Haiti.

20. Global activities expenses amounted to $191.0 million, or 18.4 per cent of total programme and institutional budget expenses (2017: $170.9 million, or 19.1 per cent). Of that amount, $89.2 million, or 46.7 per cent (2017: $78.9 million, or 46.2 per cent), corresponded to UNFPA Supplies [3] activities, primarily for procurement of reproductive health commodities for distribution in programme countries.

21. The breakdown of UNFPA total expenses by nature is summarized in figure IV.III below.

[3] UNFPA Supplies is the Fund's flagship thematic programme dedicated to expanding access to family planning in countries with the greatest needs, so that women and adolescent girls can access a choice of contraceptives no matter where they live.

Figure IV.III
Total expenses, by nature
(Millions of United States dollars)



[a] "Other" includes finance costs, depreciation and amortization, impairment charges and other expenses.

22. The Fund's success in delivering its mandate is dependent on its skilled and competent national and international staff. In 2018, UNFPA spent $290.1 million on staff costs,[4] which represents 26.7 per cent of its total expenses for the year (2017: $265.9 million, or 28.7 per cent). At the end of 2018, 84.0 per cent (2017: 83.8 per cent per cent) of UNFPA staff were based in field offices.

23. Expenses for reproductive health and other programme-related supplies increased by 5.2 per cent, to $159.9 million in 2018 (2017: $152.0 million), owing mainly to the increase in deliveries of humanitarian supplies, such as dignity and well-being kits, and implantable contraceptives to UNFPA programme countries.

24. Expenses for contracted and professional services had the highest year-on-year growth, of $54.2 million (31.8 per cent), owing mainly to higher personnel costs incurred by UNFPA implementing partners for large-scale population data projects, such as censuses, and for service delivery in humanitarian settings.

25. Supplies, materials and operating costs increased by 12.2 per cent, to $186.1 million (2017: $165.8 million), owing mainly to higher printing, equipment and transportation costs incurred for large-scale population data projects, as well as an increase in shipping costs for reproductive health commodities.

26. Expenses for development and training of counterparts and travel increased by 14.1 per cent and 11.4 per cent, to $112.4 million and $63.4 million, respectively

[4] The term "staff" includes all staff members who are appointed by or on behalf of the Executive Director of UNFPA pursuant to the United Nations Staff Regulations under appointment authority delegated to the Executive Director by the Secretary-General (ST/SGB/2004/10, effective 1 June 2004, and General Assembly decision 58/555 on personnel matters relating to UNFPA). It includes all staff members holding continuing, fixed-term and temporary contracts.

(2017: $98.5 million and $56.9 million), owing mainly to increased investments by UNFPA implementing partners in training and capacity-building and higher domestic travel costs required for population data projects. In spite of the increase in the absolute values, travel expenses as a percentage of total expenses continued to decrease in 2018 for the fifth year in a row, by 0.3 percentage points, from 6.1 per cent in 2017 to 5.8 per cent in 2018.

27. Other expenses increased by 187.7 per cent, to $49.2 million in 2018 (2017: $17.1 million), owing mainly to the foreign currency exchange losses on monetary assets and liabilities.

Expenses: breakdown by contribution to strategic results

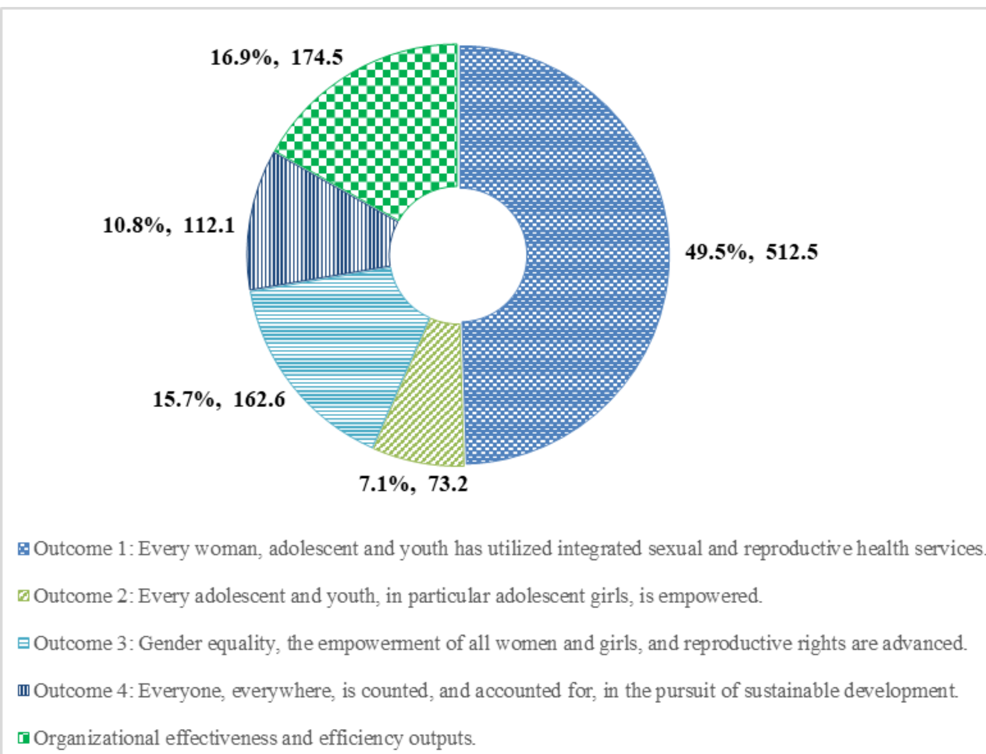
28. The UNFPA strategic plan, 2018–2021 articulates a set of results at the impact, outcome and output levels that UNFPA plans to achieve during the strategic plan cycle. Overall, there are 14 development outputs, contributing to four development outcomes, all enabled by four organizational effectiveness and efficiency outputs.[5]

29. A complete analysis of the results achieved by UNFPA in 2018 by each outcome and output of the strategic plan is available in the report of the Executive Director on the implementation of the strategic plan, 2018–2021 (DP/FPA/2019/4 (Part I)). Expenses incurred to achieve those results are summarized in figure IV.IV below.

Figure IV.IV

Expenses incurred in 2018, by development outcomes and organizational effectiveness and efficiency outputs of the strategic plan, 2018–2021[a]

(Millions of United States dollars)



[a] Includes programme and institutional budget expenses.

[5] See annex I: Integrated results and resources framework, strategic plan, 2018–2021.

30. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2018, $586.4 million, or 67.2 per cent, of all programme expenses were incurred for activities that either had gender equality and the empowerment of women as their primary objective or made a significant contribution to gender equality.

Net results for the year

31. The UNFPA surplus for the year increased by 10.0 per cent, to $204.3 million (2017: $185.7 million). Most of this surplus ($164.6 million) corresponded to earmarked resources and reflects the increase in contribution revenue for the year as well as the difference in the timing of recognition of revenue and expenses.

32. In 2018, UNFPA implemented 96.5 per cent of its adjusted unearmarked resources budget, 1.9 percentage points higher than in 2017, when the implementation rate reached 94.6 per cent. The implementation rates by cost classification categories approved by the UNFPA Executive Board are summarized in the table below.

Cost classification category	*2018*	*2017*
Development activities	96.4	96.9
United Nations development coordination	100.0	100.0
Management activities	96.8	89.8
Special purposes	99.6	n/a
Total	**96.5**	**94.6**

33. Statement V provides more details about budgetary performance for institutional budget and programme activities funded with unearmarked resources in 2018. Note 23 provides a reconciliation between statement V prepared on a budget comparable basis and cash flow, revenue and expenses presented on a full accrual basis.

Financial position

Assets and liabilities

34. As at 31 December 2018, the total assets and liabilities of UNFPA amounted to $1,609.5 million and $529.2 million, respectively (2017: $1,376.2 million and $534.7 million).

35. At the end of the year, the total current assets and current liabilities amounted to $844.3 million and $159.1 million, respectively (2017: $640.8 million and $148.9 million). The current ratio as at 31 December 2018 was 5.3 (2017: 4.3), indicating that UNFPA has sufficient resources to meet its current obligations. The increase in the current ratio was caused mainly by increased short-term investments made to benefit from favourable yield rates associated with these instruments.

Cash, cash equivalents and investments

36. Total cash, cash equivalents and investments held by UNFPA increased by 19.9 per cent, to $1,152.0 million as at 31 December 2018 (2017: $960.5 million), owing mainly to the excess of contributions collected over expenses paid.

37. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet the Fund's working capital needs,

managed by UNDP under a service-level agreement, is limited to investment-grade, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. This portfolio, measured at amortized cost, was valued at $914.0 million as at 31 December 2018 (2017: $723.3 million) and generated an average yield of 2.0 per cent throughout the year (2017: 1.3 per cent).

38. A separate portfolio established in 2016 jointly with some other United Nations organizations and managed by two independent investment managers invests resources allocated for funding after-service health insurance liabilities in diversified, higher-yielding financial instruments, similar in composition to investments held by the United Nations Joint Staff Pension Fund, mainly fixed-income securities and equities. In 2018, UNFPA transferred an additional $15.0 million to this portfolio, increasing total contributions over the past three years to $180.0 million. The portfolio, measured at fair value, amounted to $194.8 million as at 31 December 2018 (2017: $190.6 million). Even though the portfolio yielded a negative return in 2018 (with losses ranging from 3.27 per cent to 5.83 per cent for the portfolio components managed by each investment manager) owing to a market downturn in the last quarter of the year, it has consistently outperformed the return benchmarks and achieved average annual return rates ranging between 4.64 per cent and 5.81 per cent since its inception.

39. Detailed information about UNFPA investments is disclosed in notes 4 and 25 to the financial statements.

Inventories

40. The total value of inventories of reproductive health commodities and other programme-related supplies held for distribution to programme countries or sale to third parties increased by 32.7 per cent, to $50.8 million, as at 31 December 2018 (2017: $38.3 million). The increase was due primarily to a higher volume of purchases in 2018 and increased quantities of essential supplies held in stock by UNFPA field offices as part of humanitarian response operations.

41. Inventory balances are presented net of provisions for impairment losses of $0.1 million as at 31 December 2018 (2017: $0.5 million).

Contributions receivable

42. Contributions receivable increased by 6.9 per cent, to $336.3 million as at 31 December 2018 (2017: $314.6 million). Of these receivables, only $4.5 million, or 1.3 per cent, were due for payment as at 31 December 2018 (2017: $34.4 million, or 10.9 per cent), and the remaining 98.7 per cent are scheduled to be collected in the future years.

43. Unearmarked contributions receivable decreased by 99.1 per cent, to $0.3 million (2017: $30.7 million), owing mainly to two large contributions outstanding as at 31 December 2017 and collected in 2018. Earmarked contributions receivable increased by 18.3 per cent, to $336.0 million (2017: $283.9 million), owing mainly to the larger 2018 revenue levels.

44. The allowance for doubtful contributions receivable amounted to $0.9 million as at 31 December 2018 (2017: $1.1 million), reflecting an aged earmarked contribution receivable from a donor country of $0.5 million assessed as non-collectable, as well as unearmarked contributions receivable from several programme countries, totalling $0.4 million, that were either outstanding for more than three years or due from countries with a prior history of non-payment.

Operating fund advances

45. Total operating fund advances outstanding at the end of the year decreased by 9.9 per cent, to $7.0 million (2017: $7.7 million), owing primarily to a $0.6 million decrease in advances held by other United Nations organizations for implementation of UNFPA activities.

46. The allowance for doubtful operating fund advances amounted to $0.6 million as at 31 December 2018 (2017: $0.9 million), reflecting advances to governmental and non-governmental partners, including as part of sector-wide approach basket funds, whose recovery, either through refunds or submission of satisfactory expense reports, was deemed doubtful.

Property, plant and equipment and intangible assets

47. As at 31 December 2018, UNFPA held property, plant and equipment (or fixed assets) of $34.4 million (2017: $33.3 million). As in 2017, the largest classes within property, plant and equipment were vehicles, with a net book value of $11.1 million, or 32.1 per cent of the total (2017: $11.6 million, or 34.8 per cent), followed by buildings, with a net book value of $9.5 million, or 27.6 per cent of the total (2017: $10.3 million, or 30.9 per cent).

48. Intangible assets as at 31 December 2018 amounted to $1.4 million (2017: $0.6 million), consisting of externally acquired and internally developed software, including one application under development, at an accumulated cost of $1.0 million, which once placed in production will significantly strengthen accessibility, analysis and reporting of population-related data and indicators.

Accounts receivable and payable

49. Prepayments and other assets increased by 30.4 per cent, to $27.6 million as at 31 December 2018 (2017: $21.1 million), owing mainly to the early prepayment of the 2019 UNFPA contribution to the resident coordinator system of $4.6 million. UNFPA was one of the first United Nations organizations to pay this contribution, demonstrating its commitment towards a strong and independent resident coordinator function.

50. Prepayments and other assets are presented net of an allowance for doubtful accounts of $1.3 million (2017: $1.1 million), comprising mostly aged value-added tax reimbursement claims, the collection of which was assessed as doubtful.

51. Accounts payable increased by 10.6 per cent, to $113.9 million as at 31 December 2018 (2017: $103.0 million), owing mainly to an increase in funds due to UNDP as part of the inter-fund settlement process, and higher prepayments for third-party procurement orders not yet fulfilled by UNFPA.

Employee benefits

52. Employee benefits liabilities decreased by 6.9 per cent, to $387.3 million (2017: $415.8 million), owing mainly to a $55.3 million actuarial gain on post-employment benefits liabilities, offset in part by a $31.4 million liability increase from the recognition of annual service and interest costs. The actuarial gain resulted primarily from an increase in the discount rate used to measure the after-service health insurance liability, to 4.62 per cent (2017: 3.91 per cent), supplemented by favourable experience adjustments.

53. The unfunded portion of employee benefits liabilities decreased by 24.4 per cent, to $130.4 million (2017: $172.5 million), owing to a $28.5 million decrease in the gross liability amount and the net $13.6 million increase in liability funding.

UNFPA maintains a high funding level of its employee benefits liabilities of 66.3 per cent, or $256.9 million (2017: $243.3 million or 58.5 per cent), demonstrating a sound and prudent financial management approach towards these obligations. UNFPA will be reviewing its after-service health insurance liability funding strategy as part of the midterm review of the strategic plan and the integrated budget.

Other liabilities and deferred revenue

54. Other liabilities and deferred revenue increased by 75.4 per cent, to $28.0 million as at 31 December 2018 (2017: $15.9 million), owing mainly to bridge funding of $14.1 million provided by one donor for the procurement of reproductive health commodities ahead of the receipt of the contributions earmarked for that purpose.

Fund balances and reserves

55. Reserves and fund balances increased by 28.4 per cent, totalling $1,080.3 million at 31 December 2018 (2017: $841.5 million).

56. The operational reserve, set at 20.0 per cent of the annual unearmarked resources contribution revenue, was increased to $75.5 million as at 31 December 2018 (2017: $70.5 million) on account of the larger unearmarked resources contribution revenue in 2018. The humanitarian response reserve, which operates as a revolving fund, was increased to $7.5 million (2017: $5.0 million), expanding the resource pool available to UNFPA field offices for immediate commencement of humanitarian operations, upon signature of co-financing agreements. The reserve for field accommodation was replenished by $0.6 million in 2018 (2017: $1.0 million) to cover the qualifying expenses incurred during the year and bring the reserve level back to $5.0 million, as established by the Executive Board.

57. Designated unearmarked resources fund balances, which represent funds set aside by management for special purposes and not available for programming, increased by 35.5 per cent, to $58.3 million (2017: $43.0 million), owing primarily to the retention of $8.1 million in cost recoveries in excess of budget in a separate fund and a management allocation of $5.0 million for prefunding of development programme activities.

58. The deficit under undesignated unearmarked resources decreased by 58.2 per cent, to $39.5 million (2017: $94.5 million deficit), owing to a combined impact of the actuarial gain on post-employment benefits liabilities and the regular resources surplus for the year, offset in part by transfers to reserves and designated funds and the unrealized loss on the after-service health insurance investment portfolio. Total funds made available for programming in 2019 amounted to $61.4 million (2018: 48.5 million). Note 14 to the accompanying financial statements provides additional details on this amount.

59. Undesignated earmarked fund balances increased by 19.8 per cent, to $973.5 million (2017: $812.4 million), owing mainly to the large increase in earmarked resources contribution revenue, which exceeded expenses funded from this source. The fund balances amount includes contributions of $336.0 million not yet collected and thus not available for programming (2017: $283.9 million). It also includes contributions collected to fund future years' activities.

Conclusion

60. UNFPA closed 2018 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses

within the available financial resources. Notwithstanding a highly favourable amount of earmarked contributions and the increase in absolute amounts of contributions to unearmarked resources, which remain the bedrock of UNFPA operations, these have continued to decline as a percentage of overall revenue generated by UNFPA. This trend remains a substantial challenge for UNFPA as regards its ability to deliver on its strategic results.

Chapter V

Financial statements for the year ended 31 December 2018

United Nations Population Fund

I. Statement of financial position as at 31 December 2018[a]

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Assets			
Current assets			
Cash and cash equivalents	Note 3	150 877	184 391
Investments maturing within one year	Note 4	436 020	228 973
Inventories	Note 5	50 827	38 314
Contributions receivable	Note 6	172 043	160 239
Prepayments and other current assets	Note 6	27 534	21 128
Operating fund advances	Note 7	6 976	7 745
Total		**844 277**	**640 790**
Non-current assets			
Investments maturing after one year	Note 4	565 127	547 154
Contributions receivable	Note 6	164 241	154 361
Other non-current assets	Note 6	18	3
Property, plant and equipment	Note 8	34 436	33 291
Intangible assets	Note 9	1 382	631
Total		**765 204**	**735 440**
Total assets		**1 609 481**	**1 376 230**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	113 938	102 979
Employee benefits	Note 12	35 330	34 147
Other current liabilities and deferred revenue	Note 13	9 831	11 778
Total		**159 099**	**148 904**
Non-current liabilities			
Employee benefits	Note 12	351 931	381 656
Other non-current liabilities and deferred revenue	Note 13	18 128	4 159
Total		**370 059**	**385 815**
Total liabilities		**529 158**	**534 719**
Net assets		**1 080 323**	**841 511**
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	75 476	70 535
Humanitarian response reserve	Note 14	7 500	5 000
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**87 976**	**80 535**
Fund balances			
Designated unearmarked fund balances	Note 14	58 288	43 022
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(39 487)	(94 477)
Earmarked resources	Schedule B	973 546	812 431
Total fund balances		**992 347**	**760 976**
Total reserves and fund balances		**1 080 323**	**841 511**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2018[a]

(Thousands of United States dollars)

	Reference	*2018*	*2017*
Contribution revenue			
Unearmarked contributions	Schedule A	378 800	349 914
Subtotal	Note 15	**378 800**	**349 914**
Earmarked contributions	Note 15	829 250	678 297
Less: refunds to donors	Note 15	(4 993)	(8 356)
Subtotal	Note 15	**824 257**	**669 941**
Total contribution revenue	Note 15	**1 203 057**	**1 019 855**
Other revenue	Note 16	87 263	92 694
Total revenue		**1 290 320**	**1 112 549**
Expenses			
Staff costs	Note 18	290 046	265 916
Reproductive health and other programme-related supplies	Note 18	159 935	152 041
Development and training of counterparts	Note 18	112 413	98 528
Supplies, materials and operating costs	Note 18	186 134	165 779
Contracted and professional services	Note 18	224 926	170 663
Finance costs	Note 18	1 000	695
Travel	Note 18	63 439	56 924
Depreciation and amortization	Notes 8, 9, 18	7 209	7 206
Impairment	Note 18	68	449
Other expenses	Note 18	40 850	8 668
Total expenses		**1 086 020**	**926 869**
Surplus for the year	Statements III and IV	**204 300**	**185 680**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2018[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 31 December 2016		**635 925**	**75 505**	**711 430**
Movements in fund balances and reserves in 2017				
Transfers to/from operational reserve		(30)	30	–
Actuarial loss on employee benefits liabilities		(69 472)	–	(69 472)
Gain in fair value of investments recognized in net assets		13 955	–	13 955
Other movement in fund balances		(82)	–	(82)
Transfers within UNFPA resources				
Reserve for field accommodation		(988)	988	–
Humanitarian response reserve		(5 000)	5 000	–
Surplus/(deficit) for the year	Statement II	186 668	(988)	185 680
Total movements during the year		**125 051**	**5 030**	**130 081**
Balance as at 31 December 2017	Statement I	**760 976**	**80 535**	**841 511**
Movements in fund balances and reserves in 2018				
Transfers to/from operational reserve	Note 14	(4 941)	4 941	–
Actuarial gain on employee benefits liabilities	Note 14	55 316	–	55 316
Loss in fair value of investments recognized in net assets	Note 14	(20 804)	–	(20 804)
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(636)	636	–
Humanitarian response reserve	Note 14	(2 500)	2 500	–
Surplus/(deficit) for the year	Note 14, statement II	204 936	(636)	204 300
Total movements during the year		**231 371**	**7 441**	**238 812**
Balance as at 31 December 2018		**992 347**	**87 976**	**1 080 323**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2018[a]

(Thousands of United States dollars)

	Reference	*2018*	*2017*
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	204 300	185 680
Adjustments to reconcile surplus/(deficit) for the year to net cash flows:			
Unrealized loss/(gain) on foreign exchange translation		16 130	(8 864)
Unrealized loss/(gain) on investments recognized in surplus/(deficit)	Note 4	1 721	(2 170)
Investment revenue presented as investing activities	Note 16	(27 006)	(17 030)
Depreciation and amortization	Notes 8, 9, 18	7 209	7 206
Impairment and write-off of property, plant and equipment		46	185
Loss on disposal of property, plant and equipment and intangible assets	Note 18	1 787	153
Changes in assets			
(Increase)/decrease in inventories	Note 5	(12 061)	7 542
(Increase)/decrease in contributions receivable		(36 548)	(25 618)
(Increase)/decrease in prepayments and other assets	Note 6	(4 468)	(2 687)
Decrease/(increase) in operating fund advances		1 026	(1 348)
Increase/(decrease) in provisions/allowance for doubtful accounts	Notes 5, 6, 7	(763)	2 763
Changes in liabilities and net assets			
Increase/(decrease) in accounts payable and accruals		11 012	12 331
Increase/(decrease) in employee benefits liabilities	Note 12	(28 542)	86 130
Actuarial gain/(loss) on employee benefits liabilities	Statement III	55 316	(69 472)
Increase/(decrease) in other liabilities and deferred revenue	Notes 11, 13	12 022	1 088
Net cash flows from operating activities		**201 181**	**175 889**
Cash flows from investing activities			
Purchases of investments	Note 4	(864 796)	(761 106)
Maturities of investments	Note 4	553 721	499 270
Sales of investments	Note 4	64 369	43 951
Interest received	Notes 4, 6, 16	14 658	9 931
Dividends received	Notes 6, 16	2 040	1 823
Gain on sale of investments	Notes 16	7 439	5 968
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(11 574)	(6 660)
Proceeds from sale of property, plant and equipment		536	567
Net cash flows from investing activities		**(233 607)**	**(206 256)**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	–	(183)
Net cash flows from financing activities		**–**	**(183)**
Net increase/(decrease) in cash and cash equivalents		**(32 426)**	**(30 550)**
Cash and cash equivalents at the beginning of the year	Note 3	184 391	213 582
Effect of exchange rate changes on cash and cash equivalents		(1 088)	1 359
Cash and cash equivalents end of the year	**Note 3**	**150 877**	**184 391**

[a] The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the "indirect method".

United Nations Population Fund

V. Statement of comparison of budget with actual amounts for the year ended 31 December 2018[a]

(Thousands of United States dollars)

	2018			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	33 991	32 632	32 621	11
Programmes	220 800	221 000	211 817	9 183
United Nations development coordination	**2 304**	**2 304**	**2 304**	**–**
Management activities				
Recurring costs	128 573	128 790	124 983	3 807
Non-recurring costs	1 800	1 800	1 368	432
Special purposes				
Information and communications technology transformation	11 210	1 607	1 600	7
Total	**398 678**	**388 133**	**374 693**	**13 440**

[a] The accompanying notes are an integral part of the financial statements.

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxv) to the financial statements.

United Nations Population Fund
Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the United Nations sexual and reproductive health agency. Its mission is to deliver a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled. UNFPA helps governments integrate population issues into the global development agenda to improve societies' well-being and resilience and promote sustained inclusive economic growth and sustainable development. UNFPA supports countries in promoting and protecting the human rights of all persons to sexual and reproductive health and in building their capacity to collect, analyse and use population data to eliminate poverty and effectively monitor their progress.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health for all by accelerating progress towards achieving the goals of the International Conference on Population and Development beyond 2014 and the 2030 Agenda for Sustainable Development. Its three transformative results are its priorities: achieving zero preventable maternal deaths; zero unmet need for family planning and zero gender-based violence and harmful practices against women and girls by 2030. With that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries.

The Fund's work is guided by its expertise in population dynamics, human rights and gender equality and driven by the specific needs of countries. The Fund is a catalyst for action and advocacy, partnering with governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries use population data to anticipate tomorrow's challenges through providing technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994), and the Framework of Action for the follow-up to the Programme of Action of the International Conference on Population and Development beyond 2014. UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves, in addition to being critical to achieving inclusive and transformational sustainable development.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. The goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated – they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the transformational 2030 Agenda for Sustainable Development, with a powerful field presence, under the leadership of a strengthened resident coordinator in a collegial and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries under the Programme of Action of the International Conference on Population and Development as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action of the International Conference on Population and Development is also essential for achieving the 2030 Agenda for Sustainable Development. Both have the overarching aim of ending extreme poverty, ensuring that all persons enjoy human rights and protect the environment for current and future generations. The focus of the two interlinked agendas on the demographic dividend, youth and women's empowerment and gender equality, resilience and data for development makes the special expertise of UNFPA in reproductive health and reproductive rights and population and development issues even more relevant to the worldwide collaborative effort of achieving the Sustainable Development Goals. UNFPA, working in multiple partnerships, supports gender-responsive policies and programmes to achieve the Sustainable Development Goals. Those partnerships are customized to national and local circumstances.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the Assembly and the Economic and Social Council. On administrative, financial and programme matters, UNFPA reports to its governing body: the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS).

UNFPA has its headquarters in New York and operates through a network of more than 150 regional, sub-regional, country and liaison offices around the world.

Note 2
Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2018.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies (henceforth referred to as "foreign currencies"), the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange.

Units of currency, assets giving right to units of currency and liabilities to be paid in units of currency are classified as monetary items. All other items are classified as non-monetary items.

All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at the reporting date or, in the case of foreign currency investments maintained in the after-service health insurance investment portfolio, a close approximation thereof.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up as a result of rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

UNFPA classifies financial assets into four categories, as shown below.

IPSAS classification	*Financial asset*
Held-to-maturity	Investments other than after-service health insurance fund investments
Available-for-sale	After-service health insurance fund investments
Loans and receivables	Cash and cash equivalents, contributions receivable and other receivables
Fair value through surplus or deficit	Derivative assets

The classification of financial assets depends on the purpose for which the financial instruments are acquired, as determined at initial recognition and re-evaluated at each reporting date. Loans and receivables are recognized on the date they originated, while all other financial assets are recognized on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs, and are subsequently carried at amortized cost, calculated using the effective interest method. UNFPA classifies its working capital investment portfolio as held-to-maturity.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and are subsequently measured at fair value at the reporting date, with any resultant gains or losses recognized directly in net assets/equity, except for foreign exchange-related gains or losses on monetary items, which are recognized in surplus or deficit in the statement of financial performance. Fair values used for subsequent measurements are based on quoted market prices in an active market. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Interest on available-for-sale financial assets is calculated using the effective interest method. UNFPA classifies its after-service health insurance investment portfolio as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, if applicable. Their market value is also disclosed in the notes to the financial statements. Interest revenue is recognized on a time-proportion basis using the effective interest rate method.

Contributions receivable from exchange and non-exchange transactions are stated at nominal values less any allowance for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are financial assets either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at fair value at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

Impairment of financial assets

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance in the year in which they arise and reduce the amounts of relevant financial assets either directly or through the use of allowance accounts.

Contributions receivable

An analysis of outstanding contributions receivable is carried out with particular reference to receivables that remain unpaid beyond their due dates and/or at the expiry dates of the earmarked contribution agreements.

Contributions receivable relating to regular resources are presumed to be impaired and an allowance for their value is made if they are outstanding for more than three years or are due from donors with a prior history of non-payment.

Earmarked contribution revenue and the related receivables are reduced when a mutual understanding is reached between UNFPA and donors to reduce contributions prior to the expiration of agreements. Contributions receivable not paid as at the expiry dates of the agreements are considered impaired, and an allowance recorded, when UNFPA has not received any communications from the donors confirming their intention to pay the contributions, or when donors have taken a unilateral decision to withdraw from the agreements.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health commodities and other programme-related supplies, controlled by UNFPA and held for distribution to beneficiaries, typically through implementing partners, or for sale to third parties. Inventory is valued at the lower of cost and current replacement cost, less any impairment losses, and is expensed when control is transferred from UNFPA to implementing partners or other third parties. As at the reporting date, UNFPA inventory goods are either located in identifiable premises or are in transit to their destination locations.

Inventory procured with funding from the Global Contraceptive Commodity Programme revolving fund (set up to acquire stocks of reproductive health kits primarily for use in humanitarian response activities) and the AccessRH revolving fund (set up to build inventory of contraceptives in order to reduce supply lead times) is measured using the weighted average cost method. Inventory procured for direct delivery to field or regional offices is measured at actual cost.

The cost of inventory includes its purchase price, conversion costs (for example, kit assembly services) and other costs incurred in bringing the goods to their intended location and condition (for example, freight costs). For inventory under the control of field offices, the amount of other costs is determined on the basis of standard costs. For inventory acquired through a non-exchange transaction (for example, contributions in-kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment en route to implementing partners as at the reporting date are recorded as property, plant and equipment-like inventory in transit.

(vii) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises purchase price plus any other costs directly attributable to bringing an asset to its intended location and condition suitable for its use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value as at the date of acquisition by UNFPA is deemed to be its cost.

The capitalization threshold for property, plant and equipment is $1,000. For asset classes subject to depreciation, a full month’s depreciation is charged in the month in which the assets become available for use. No depreciation is charged in the month of the asset's disposal.

Leasehold improvements are recognized as property, plant and equipment at their cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Depreciation is provided over the estimated useful lives of the assets using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are set out below.

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6–10 years
Information and communications technology equipment	5–11 years
Leasehold improvements	5 years
Buildings	30 years

(viii) Impairment of property, plant and equipment

UNFPA property, plant and equipment are not held for the primary objective of generating a commercial return and are considered "non-cash-generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, UNFPA estimates the recoverable service amount of the affected assets and writes them down accordingly.

(ix) Intangible assets

Intangible assets are capitalized if their cost exceeds the $5,000 threshold, except for internally developed software, for which the capitalization threshold is $100,000. UNFPA classifies all activities associated with the internal development of intangible assets as pertaining to either a research phase or a development phase. Costs incurred for research phase activities are expensed when incurred. Directly attributable costs incurred for development phase activities, for intangible assets that have met the recognition criteria are capitalized. Directly attributable costs include personnel costs, services, supplies and materials consumed in generating the assets. Development costs that do not meet the capitalization criteria are expensed as incurred.

Amortization is provided over the estimated useful life of the assets using the straight line method. The estimated useful life ranges for the different classes of intangible assets are set out below.

Intangible asset class	*Estimated useful life*
Software acquired separately	3–10 years
Internally developed software	3–10 years
Licenses and rights	The shorter of the agreement term and useful life in a range of 2–6 years
Intangible assets under development	Not amortized

(x) Financial liabilities

UNFPA classifies financial liabilities into the following categories:

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable, accrued liabilities, funds held on behalf of joint programmes, refunds due to donors for unspent balances on expired agreements, and other liabilities
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

Other financial liabilities consist mainly of accounts payable in respect of goods and services that have been received by UNFPA but have not been paid for as at the reporting date, funds held on behalf of joint programmes, refunds due to donors and other miscellaneous items such as unapplied cash deposits. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Other financial liabilities due for settlement within 12 months are recognized at their nominal value.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are financial liabilities either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial liabilities at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. They include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. Their fair value is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities are classified as current if they are expected to be settled within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

(xi) Employee benefit liabilities

UNFPA recognizes employee benefits liabilities for benefits to which its employees are entitled.

Employees are defined as staff members, within the meaning of 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. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

UNFPA employee benefits are classified into short-term, post-employment and other long-term benefits.

Short-term employee benefits

Short-term employee benefits include annual and home leave entitlements.

Annual leave is an accumulating compensated absence. UNFPA recognizes a liability for the value of accumulated leave days, up to a maximum of 82.5 days, as at the reporting date, with up to 60 days commutable to cash upon separation from service.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The home leave liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, short-term employee benefits liabilities are not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits, payable upon separation from UNFPA, include:

(a) After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their eligible dependants. The after-service health insurance liability represents the present value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff;

(b) End-of-service entitlements, which comprise repatriation grants and reimbursement of shipping costs and travel expenses.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability amounts resulting from the remeasurement of the net defined benefits liabilities are recognized in net assets. All other changes are recognized in the statement of financial performance in the period in which they occur.

The discount rate used to determine the present value of the liability is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

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

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

Other long-term employee benefits include workers' compensation provided under Appendix D to the United Nations Staff Rules in the event of death, disability, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Obligations for this benefit are valued through an independent actuarial valuation study. All changes in liability amounts, including actuarial gains or losses, are recognized in the statement of financial performance.

(xii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories:

(a) Unearmarked contributions (also referred to as "regular", "core" or "unrestricted" contributions), which represent resources that are unrestricted as to their use;

(b) Earmarked contributions (also referred to as "other", "non-core" or "restricted" contributions), which represent resources that are earmarked as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services and other funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in joint funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of those pooled contributions is recognized at the time when resource allocations are approved by the appropriate governing bodies.

Contributions of goods in kind are recognized as revenue at their fair value on the date of signing of enforceable agreements. Valuation is determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting and personnel services received free of charge.

Revenue from the sale of UNFPA-controlled goods to external parties is recognized upon transfer of the goods; revenue from performing procurement services is recognized when procurement services are rendered.

(xiii) Refunds to donors

Refunds of unspent fund balances at expiration or termination of agreements are recorded upon receipt of relevant requests from donors or when contract language or prior experience indicate that a refund is likely. All refunds to donors are shown as a reduction in contributions revenue. Refunds to donors are disclosed in statement II, notes 15 and 24 (b), and schedule B.

(xiv) Expenses

A significant percentage of programme activities is implemented by governments and non-governmental organizations.

Expenses incurred by governments and non-governmental organizations for the implementation of programme activities on behalf of UNFPA are recorded in the UNFPA accounts on the basis of expense reports provided by these implementing partners. Although UNFPA cannot impose a specific accounting framework on its implementing partners, they are required to report to UNFPA on an accrual basis.

Where UNFPA decides to advance funds to the implementing partners, the advances are made on the basis of approved workplans and are liquidated on the basis of the expense reports submitted. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating fund advances" in the statement of financial position.

Where programme activities are implemented by United Nations organizations, these organizations also provide UNFPA with reports documenting their use of UNFPA resources. These reports define expenses according to the accounting policies of the reporting United Nations agency. Advances to United Nations organizations that remain outstanding at the end of the year are also classified as "operating fund advances" in the statement of financial position.

(xv) Indirect costs

Indirect costs[6] are recovered on the amount of expenses funded from earmarked contributions based on the following rates:

[6] "Indirect costs" mean the expenses incurred by UNFPA as a function of and in support of its activities and programmes, but which cannot be unequivocally traced to those activities and programmes.

(Percentage)

Agreement type	*Rate*
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Contributions from programme governments contributing to their own country programme	5
Umbrella agreements	0–8
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

Indirect costs recovered are reduced from earmarked contributions revenue and included under other revenue for regular resources. The amount of indirect costs is shown as expense in schedule B to demonstrate total charges to individual trust and special funds.

(xvi) Foreign currency exchange gains and losses

All foreign currency exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within "other revenue" and "other expenses" in the statement of financial performance, apart from unrealized gains and losses on non-monetary assets classified as available-for-sale, such as equity instruments, which are recognized directly in net assets.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term for non-cancellable agreements is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use agreements granted by the host governments. Based on the length of agreements (or "lease term") and termination clauses, the donated rights to use can be similar to operating or finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease-similar agreements (principally short term), expense and revenue amounts equal to the annual market rent of similar premises are recognized in the statement of financial performance. In the case of finance lease-similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In those situations, a deferred revenue amount is recognized equal to the entire fair market value of the property. This liability is progressively recognized as revenue over the shorter of the useful life of the property and the right-to-use term in the amount equal to the property's depreciation expense for the same period.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation amount.

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 UNFPA; 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 liabilities are not recognized, but are disclosed if material.

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 UNFPA. Contingent assets are not recognized, but are disclosed if an inflow of economic benefits or service potential is probable.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office, the Chief of the Procurement Services Branch and the Director of the Information Technology and Solutions Office. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loans obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as UNDP does not have the power to influence the financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future liabilities to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA 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 UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a handling fee in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2018, recorded as part of other revenue.

These services have been reported under schedule B and schedule C. Note 16 provides further disclosure on the revenue for procurement services.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to, fair value of assets, impairment losses, useful lives, accrued charges, after-service health insurance and other employee benefits liabilities and contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2017 financial statements.

(xxiv) Transitional provisions

UNFPA did not apply any transitional provisions for the year ended 31 December 2018.

(xxv) Comparison of budget with actual amounts

UNFPA prepares its budget on a modified cash basis.

A comparison between budget and actual amounts on a budget comparable basis is presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization's institutional budget was prepared on a quadrennial basis for the period 2018–2021 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

(xxvi) Adoption of new accounting standards

In 2018, UNFPA adopted IPSAS 39: Employee benefits. The adoption of this standard did not have a significant impact on UNFPA accounts as presented in these financial statements.

(xxvii) Changes in accounting policies, accounting estimates or presentation

The presentation of the cash flow statement was enhanced in 2018 to present changes in monetary assets and liabilities based on their amounts prior to computing unrealized foreign exchange gains and losses. The presentation change does not affect the net amounts of net cash flows from operating, investing and financing activities or of the net change in cash and cash equivalents.

(xxviii) Future accounting changes

In 2018, the IPSAS Board approved new accounting standard IPSAS 41: Financial instruments, which establishes new requirements for classifying, recognizing and measuring financial instruments replacing those listed in IPSAS 29: Financial instruments: recognition and measurement. The new standard introduces a new single classification and measurement model for financial assets based on each entity's objectives for holding the assets, a forward-looking impairment model and an improved hedge accounting model. The effective date for implementation of IPSAS 41 is 1 January 2022. Based on preliminary assessment, the valuation and measurement of financial instruments in UNFPA will be impacted by the requirements of the new standard; however, this impact is unlikely to be significant. In 2019, UNFPA will engage in more detailed assessment of the changes it needs to introduce to successfully adopt IPSAS 41 by the implementation deadline.

Note 3
Cash and cash equivalents

Cash and cash equivalents held by UNFPA as at the reporting date comprise:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Cash		
Cash on hand	2	1
Cash at banks	43 225	46 627
Cash held by investment managers	5 146	6 178
Cash equivalents		
Money market funds	52 504	131 585
Time deposits	50 000	–
Total	**150 877**	**184 391**

Cash required for immediate disbursements is maintained on hand and at banks, in United States dollars and in foreign currencies, as shown in note 25.

Cash held by investment managers represents cash held within the after-service health insurance investment portfolio, in overnight sweep accounts, pending reinvestment into long-term financial instruments or for rebalancing purposes. Note 4 provides more details on the purpose and composition of the Fund's investment portfolios.

Cash equivalents are highly liquid financial instruments, such as money market funds, time deposits and bonds, with a maturity of three months or less from the date of acquisition, that are held in the UNFPA working capital investment portfolio.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

UNFPA maintains two separate investment portfolios.

The working capital investment portfolio, managed by UNDP on behalf of UNFPA, following UNDP investment guidelines and its governance framework, is limited to high-quality, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. Investments are registered in the name of UNFPA and are held by a custodian appointed by UNDP. Throughout 2018, this portfolio was classified as held-to-maturity, carried at amortized cost, and measured using the effective interest method.

Financial instruments with maturity periods of longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2018		*31 December 2017*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	695 166	696 544	514 949	516 762
Commercial paper	–	–	49 942	49 953
Time deposits	115 000	115 000	25 000	25 000
Total	**810 166**	**811 544**	**589 891**	**591 715**
Of which:				
Maturing within one year	434 506	435 295	228 404	228 557
Maturing after one year	375 660	376 249	361 487	363 158
Total	**810 166**	**811 544**	**589 891**	**591 715**

In addition, the working capital investment portfolio included $102.5 million in financial instruments with maturities of three months or less (2017: $131.6 million), reported under cash and cash equivalents (see note 3).

Bonds held in the working capital investment portfolio as at the reporting date included the following:

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
Bond types	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Commercial banks	54 352	54 431	55 554	55 645
Non-United States sovereign obligations	401 427	401 827	233 802	234 671
Supranational organizations	107 887	108 117	86 368	86 883
United States government and agencies	49 620	49 836	84 559	84 561
Corporate	81 880	82 333	54 666	55 002
Total	**695 166**	**696 544**	**514 949**	**516 762**

In 2018, the average yield on the working capital investment portfolio was 2.0 per cent (2017: 1.3 per cent).

A separate portfolio was established in 2016, jointly with some other United Nations organizations, to invest resources allocated to fund after-service health insurance liabilities. This portfolio is managed by two independent external investment managers and is governed by after-service health insurance investment guidelines and a joint governance mechanism. Consistent with its purpose, this portfolio consists of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Investments are classified as available-for-sale and carried at fair market value.

Financial instruments with maturity periods of longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Market value	*Base cost*	*Market value*	*Base cost*
Fixed-income securities	74 822	76 366	66 914	66 076
Equities	114 781	119 665	117 498	102 240
Total	**189 603**	**196 031**	**184 412**	**168 316**
Of which:				
Fixed-income securities maturing within one year	725	725	416	417
Fixed-income securities maturing after one year and equities	188 878	195 306	183 996	167 899
Total	**189 603**	**196 031**	**184 412**	**168 316**

In addition, the after-service health insurance investment portfolio included $5.1 million in cash and financial instruments with maturities of three months or less (2017: $6.2 million), reported under cash and cash equivalents (see note 3).

UNFPA did not have any investment impairments during the year. The organization’s exposure to credit, liquidity and market risks and the related risk management activities are discussed in note 25.

Of the total cash and investments held as at 31 December 2018, $404.7 million were restricted in use as follows (2017: $381.3 million):

	Reference	*Amount*
Funds held by UNFPA on behalf of joint programmes in the capacity of administrative agent	Note 10	$26.1 million
Funding for employee benefits liabilities[a]	Note 12	$256.9 million
Operational reserve	Note 14	$75.5 million
Humanitarian response reserve	Note 14	$7.5 million
Reserve for field accommodation	Note 14	$5.0 million
Principal amount of the private endowment trust	Note 14 (c)	$33.7 million

[a] Including the investments held in the after-service health insurance investment portfolio.

Movements of investments within the working capital investment portfolio during 2018 were as follows:

(Thousands of United States dollars)

	Time deposits		*Commercial paper*		*Bonds*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Opening balance	25 000	15 000	49 953	–	516 762	439 191	591 715	454 191
Add: purchases	430 000	165 000	–	74 735	342 481	397 567	772 481	637 302
Less: maturities	(340 000)	(155 000)	(50 000)	(25 000)	(163 721)	(319 270)	(553 721)	(499 270)
Amortization	–	–	47	218	1 022	(726)	1 069	(508)
Closing balance	**115 000**	**25 000**	**–**	**49 953**	**696 544**	**516 762**	**811 544**	**591 715**

Movements of investments within the after-service health insurance investment portfolio during 2018 were as follows:

(Thousands of United States dollars)

	Fixed-income securities		*Equities*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Opening balance	66 914	34 186	117 498	54 550	184 412	88 736
Add: purchases	23 830	40 490	68 485	83 314	92 315	123 804
Less: sales	(13 310)	(9 423)	(51 059)	(34 528)	(64 369)	(43 951)
Amortization	(230)	(302)	–	–	(230)	(302)
Gain/(loss) in fair value recognized in:						
Surplus/(deficit)	(1 129)	1 578	(592)	592	(1 721)	2 170
Net assets	(1 253)	385	(19 551)	13 570	(20 804)	13 955
Closing balance	**74 822**	**66 914**	**114 781**	**117 498**	**189 603**	**184 412**

Note 5
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Reproductive health and other programme-related supplies, of which:	47 701	37 821
In transit	23 694	26 565
In stock	24 007	11 256
Property, plant and equipment-like inventory in transit	3 216	1 035
Provisions for impairment losses	(90)	(542)
Total	**50 827**	**38 314**

The inventory movements during 2018 and 2017 are summarized as follows:

(Thousands of United States dollars)

	2018	*2017*
Inventory held as at 1 January	**38 314**	**46 308**
Additions	160 363	136 140
Issues	(147 784)	(143 410)
Provisions for impairment losses	452	(452)
Inventory adjustments and write-downs	(518)	(272)
Inventory held as at 31 December	**50 827**	**38 314**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at the reporting date, presented net of allowance for doubtful accounts, were as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Non-exchange transactions		
Contributions receivable (current)	171 766	159 889
Unearmarked resources	288	30 664
Earmarked resources	171 478	129 225
Contributions receivable (non-current)	164 241	154 361
Earmarked resources	164 241	154 361
Exchange transactions		
Contributions receivable (current)	277	350
Total	**336 284**	**314 600**

Non-exchange transactions are those in which UNFPA receives resources from donors to be applied towards advancing the Fund's mission, with no or nominal consideration provided directly in return to the donors. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions.

Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, procurement activities on behalf of third parties are currently the only exchange transactions.

The distinction between current and non-current receivables is based on their due date. Current contributions receivable are expected to be collected within 12 months of the reporting date, and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

The ageing of contributions receivable as at the reporting date was as follows:

(Thousands of United States dollars)

	31 December 2018		*31 December 2017*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2014 and prior	–	529	127	529
2015	132	–	162	–
2016	128	–	161	–
2017	162	–	30 770	2 699
2018	216	3 353	–	–
Contributions receivable as at 31 December	**638**	**3 882**	**31 220**	**3 228**
Contributions receivable not yet due as at 31 December	–	332 643	–	281 237
Allowance for doubtful contributions receivable	(350)	(529)	(556)	(529)
Total	**288**	**335 996**	**30 664**	**283 936**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is provided in schedules A and B, respectively (excluding the allowance for doubtful contributions receivable).

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable is summarized as follows:

(Thousands of United States dollars)

	2018	2017
Allowance at 1 January	**(1 085)**	**(115)**
Contributions receivable for which collection is now considered doubtful	(11)	(1 085)
Contributions receivable written off	97	115
Recoveries and reversals of contributions receivable for which collection was previously considered doubtful	120	–
Allowance at 31 December	**(879)**	**(1 085)**

(b) Prepayments and other current and non-current assets

Prepayments and other current and non-current assets as at the reporting date comprised the following:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Prepayments and other current assets		
Accrued dividends	116	84
Accrued interest	5 227	3 229
Advances to staff	3 737	3 694
Due from other United Nations organizations	249	1 902
Prepayments	8 394	3 108
Deferred programme costs	1 229	–
Receivables from procurement activities	88	389
Miscellaneous accounts receivable	9 771	9 822
Less: allowance for doubtful account receivable	(1 277)	(1 100)
Total	**27 534**	**21 128**
Other non-current assets		
Long term receivables	18	3
Total	**18**	**3**

The movement in the allowance for doubtful advances to staff and miscellaneous accounts receivable is summarized as follows:

(Thousands of United States dollars)

	2018	2017
Allowance at 1 January	**(1 100)**	**(685)**
Accounts receivable for which collection is now considered doubtful	(230)	(736)
Accounts receivable written off	–	14
Recoveries and reversals of accounts receivable for which collection was previously considered doubtful	53	307
Allowance at 31 December	**(1 277)**	**(1 100)**

Note 7
Operating fund advances

Outstanding operating fund advances by implementing partner category as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Governments	3 335	3 014
Intergovernmental institutions and non-governmental organizations	2 118	2 829
United Nations organizations	2 169	2 830
Less: allowance for doubtful advances	(646)	(928)
Total	**6 976**	**7 745**

The movement in the allowance for doubtful operating fund advances is summarized as follows:

(Thousands of United States dollars)

	2018	*2017*
Allowance at 1 January	**(928)**	**(2)**
Advances for which collection is now considered doubtful	(106)	(926)
Advances written off	–	–
Recoveries and reversals of advances for which collection was previously considered doubtful	388	–
Allowance at 31 December	**(646)**	**(928)**

Note 8
Property, plant and equipment

Property, plant and equipment (or fixed assets) movements during 2018 and 2017 are summarized as follows:

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Cost																
As at 1 January	227	227	12 963	12 899	4 796	4 891	18 821	18 561	32 142	31 056	6 618	5 699	879	1 164	76 446	74 497
Additions	–	–	26	14	433	307	2 635	1 791	4 162	2 459	1 125	978	2 156	879	10 537	6 428
Disposals	–	–	(526)	(39)	(381)	(394)	(1 721)	(1 649)	(3 808)	(2 313)	(77)	(70)	–	–	(6 513)	(4 465)
(Impairment)/impairment reversal	–	–	–	–	–	–	(2)	–	(36)	(5)	–	–	–	–	(38)	(5)
Adjustments/reclassifications	–	–	–	89	16	(8)	93	118	163	945	626	11	(879)	(1 164)	19	(9)
As at 31 December	**227**	**227**	**12 463**	**12 963**	**4 864**	**4 796**	**19 826**	**18 821**	**32 623**	**32 142**	**8 292**	**6 618**	**2 156**	**879**	**80 451**	**76 446**
Accumulated depreciation																
As at 1 January	–	–	2 655	2 227	3 095	2 975	12 121	11 324	20 516	18 904	4 768	4 244	–	–	43 155	39 674
Depreciation charges	–	–	423	432	401	440	2 254	2 231	3 096	3 314	770	578	–	–	6 944	6 995
Disposals	–	–	(134)	(4)	(265)	(316)	(1 554)	(1 438)	(2 056)	(1 702)	(75)	(54)	–	–	(4 084)	(3 514)
Adjustments/reclassifications	–	–	–	–	–	(4)	–	4	–	–	–	–	–	–	–	–
As at 31 December	**–**	**–**	**2 944**	**2 655**	**3 231**	**3 095**	**12 821**	**12 121**	**21 556**	**20 516**	**5 463**	**4 768**	**–**	**–**	**46 015**	**43 155**
Net book value as at 1 January	**227**	**227**	**10 308**	**10 672**	**1 701**	**1 916**	**6 700**	**7 237**	**11 626**	**12 152**	**1 850**	**1 455**	**879**	**1 164**	**33 291**	**34 823**
Net book value as at 31 December	**227**	**227**	**9 519**	**10 308**	**1 633**	**1 701**	**7 005**	**6 700**	**11 067**	**11 626**	**2 829**	**1 850**	**2 156**	**879**	**34 436**	**33 291**

Assets under construction and not yet available for use pertain primarily to property, plant and equipment items in transit as at the reporting date. Fixed assets under construction and not yet available as at the end of 2017 were placed in service in 2018 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2018 was $0.6 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2018 was $2.7 million (2017: $5.1 million). As at 31 December 2018, the cost of fully depreciated property, plant and equipment items which were still in use amounted to $24.3 million (2017: $20.6 million).

Note 9
Intangibles

Intangible assets movements during 2018 and 2017 and balances are summarized as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Cost								
As at 1 January	771	774	771	501	48	93	1 590	1 368
Additions	–	16	–	144	980	48	980	208
Disposals	(82)	(19)	–	–	–	–	(82)	(19)
Adjustments/reclassifications	–	–	86	126	(48)	(93)	38	33
As at 31 December	**689**	**771**	**857**	**771**	**980**	**48**	**2 526**	**1 590**
Accumulated amortization								
As at 1 January	702	667	257	96	–	–	959	763
Amortization charges	33	50	232	161	–	–	265	211
Disposals	(80)	(15)	–	–	–	–	(80)	(15)
As at 31 December	**655**	**702**	**489**	**257**	**–**	**–**	**1 144**	**959**
Net book value as at 1 January	**69**	**107**	**514**	**405**	**48**	**93**	**631**	**605**
Net book value as at 31 December	**34**	**69**	**368**	**514**	**980**	**48**	**1 382**	**631**

In addition to recognized intangible assets, UNFPA uses other intangible items under its control that did not meet the recognition criteria of IPSAS 31: Intangible assets, and the Fund's accounting policies. These items include: (a) the business intelligence and analytics platform for financial, programme and other management data analysis and reporting; (b) the messaging and collaboration platform providing access to various applications such as email, calendar, file storage and other functionalities; and (c) the document management system.

In 2018, UNFPA incurred research and development expenditures of $0.3 million that did not meet the recognition criteria for intangible assets and thus were expensed during the year (2017: $0.5 million). As at 31 December 2018, UNFPA did not have any commitments for purchases of intangible assets. The cost of fully amortized intangible assets which were still in use by the end of 2018 amounted to $0.58 million (2017: $0.56 million), corresponding primarily to the licence for a suite of office productivity applications procured at a cost of $0.50 million.

Note 10
Accounts payable and accruals

Accounts payable and accruals as at the reporting date comprised the following:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*[a]
Accounts payable	15 683	18 285
Accrual liability	23 242	24 760
Funds held on behalf of joint programmes	26 132	23 811
Advances from procurement activities	22 539	16 654
Due to United Nations organizations	7 160	–
Payable to implementing partners or on their behalf	12 665	12 053
Payable held by investment manager	–	130
Refunds due to donors	6 517	7 286
Total	**113 938**	**102 979**

[a] An amount of $5.674 million was reclassified from “Accounts payable” to “Payable to implementing partners or on their behalf” for enhanced presentation.

Funds held on behalf of joint programmes reflect contributions received and administered by UNFPA in the capacity of administrative agent for programme activities to be implemented in conjunction with other United Nations system organizations and to be distributed based on an agreed programme of work.

“Due to United Nations organizations” reflects amounts payable to UNDP, as part of inter-fund balance settlement. No amount was due as at 31 December 2017, since funds advanced by UNFPA exceeded the amount of payments made by UNDP on behalf of UNFPA, with the balance presented in “prepayments and other current assets” (see note 6 (b)).

Note 11
Finance lease liability

As at 31 December 2018, UNFPA had one finance lease agreement for an office building in one programme country. In 2018, UNFPA did not make any leasing payments for those premises, as its obligations under the agreement were fulfilled in previous years.

Note 12
Employee benefits

Employee benefits liabilities as at the reporting date are shown below.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current employee benefits liabilities		
Short-term employee benefits		
Accumulated annual leave	23 387	22 474
Accumulated home leave	2 757	2 864
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff)[a]	494	647
Repatriation benefits (active staff)	2 716	3 013
After-service health insurance	5 955	5 128
Workers' compensation	21	21
Total current employee benefits liabilities	**35 330**	**34 147**
Non-current employee benefits liabilities		
Post-employment and other long-term employee benefits		
Repatriation benefits (active staff)	24 666	26 382
After-service health insurance	326 843	354 793
Workers' compensation	422	481
Total non-current employee benefits liabilities	**351 931**	**381 656**
Total employee benefits liabilities	**387 261**	**415 803**

[a] Inactive staff are those who had already separated from UNFPA as at the reporting date.

Short-term employee benefits

Short-term employment benefits provided by UNFPA to its staff include annual and home leave, in line with the United Nations Staff Regulations and Rules.

Accumulated annual leave

This liability represents the amount of annual leave days accrued by staff members as at the reporting date up to the maximum of 82.5 days which can be utilized as compensated time in future periods. The liability is accrued as service is rendered based on effective daily salary rates, without discounting.

Accumulated home leave

This liability represents the accumulated amount of anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment and other long-term employee benefits

In line with the United Nations Staff Regulations and Rules, UNFPA staff members are provided with repatriation, after-service health insurance and workers' compensation benefits.

Repatriation benefits

Internationally recruited staff members meeting certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grants, which are based upon length of service, travel and removal expenses.

Repatriation benefits are classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

A separate liability is established in the actual amounts due to be paid to inactive staff members already separated from UNFPA who have not claimed their entitlements as at the reporting date.

After-service health insurance

Staff members, and their eligible dependants, may elect to participate in a UNFPA-subsidized health insurance plan upon the end of service, provided they have met certain eligibility requirements, including 10 years of participation in a contributory health insurance plan of the United Nations for staff members recruited after 1 July 2007 and 5 years for those recruited prior to this date.

This benefit is referred to as the after-service health insurance and is provided primarily through the United States-based insurance plans, the worldwide health insurance plan and the Medical Insurance Plan.

The United States-based and worldwide health insurance plans, designed primarily to provide coverage for the residents of headquarters locations and former internationally recruited staff members (and their eligible dependants), are administered by the United Nations. The Medical Insurance Plan, designed for former locally recruited staff members (and their eligible dependants) residing outside of headquarters locations, is administered by UNDP.

After-service health insurance is classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

Workers' compensation

In accordance with Appendix D to the United Nations Staff Rules, UNFPA staff members are entitled to receive compensation in the event of death, disability, injury or illness attributable to the performance of official duties.

This benefit, classified as "other long-term employee benefit" and accounted similarly to a defined benefit plan, is only recognized as a liability upon occurrence of events that will result in compensation payments.

Measurement of post-employment and other long-term employee benefits

Net defined benefit liabilities for post-employment and other long-term employee benefits obligations are measured by independent actuaries using the projected unit credit method.

The liability amounts are estimated by discounting future cash flows required to settle the obligation, based on census data of employees meeting minimum eligibility criteria, using certain financial, demographic and behavioural assumptions, including discount and health-care cost trend rates, annual salary increases, travel cost increases, cost-of-living adjustments, retiree payments, mortality, withdrawal and retirement projections, scheme enrolment assumption and probability of marriage at retirement.

UNFPA normally performs full actuarial valuation every two years. In the year when a full valuation is not performed, liability amounts are established through the roll-forward of the previous-year census data, including the review and update of key assumptions.

Resources set aside by UNFPA for funding the employee benefits liabilities (see the section on funding below for more details) do not qualify as plan assets under IPSAS 39: Employee benefits because such funds are not held in a trust that is legally separate from UNFPA and which was set up solely to pay or fund the employee benefits. Therefore, liabilities for post-employment and other long-term employee benefits are equal to the present value of the related defined benefit obligations.

2018 actuarial valuation

Summary of main assumptions

The 2018 actuarial valuation was performed on the basis of the roll-forward of the previous-year census data. Key assumptions used for the valuation purposes are summarized as follows:

(Percentage)

	After-service health insurance		*Repatriation benefits (active staff)*		*Workers' compensation*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Single equivalent discount rate	4.62	3.91	4.15	3.46	4.44	3.83
Annual salary increase			3.47–9.27	3.97–9.27		
Travel cost increase			2.20	2.20		
Cost-of-living adjustment					2.20	2.20

The discount rates were set on the basis of the market yields on high-quality corporate bonds with maturity dates approximating the terms of future payments.

The following health-care cost trend rates were used for measurement of the after-service health insurance liability:

	2018			*2017*		
Plan	*Initial (per cent)*	*Final (per cent)*	*Grade down (years)*	*Initial (per cent)*	*Final (per cent)*	*Grade down (years)*
United States, non-Medicare	5.57	3.85	14	5.70	3.85	15
United States, Medicare	5.38	3.85	14	5.50	3.85	15
United States, dental	4.73	3.85	14	4.80	3.85	15
Non-United States – Switzerland	3.89	3.05	9	4.00	3.05	10
Non-United States – eurozone	3.91	3.65	4	4.00	3.65	5

Estimated payments of plan participants towards after-service health insurance costs were deducted from the net liability amount by applying the following cost-sharing ratios approved by the General Assembly:

(Percentage)

Plan	*By retiree*	*By organization*
United States-based plans	33.0	67.0
Worldwide health insurance plan	50.0	50.0
Medical Insurance Plan	25.0	75.0

Mortality, withdrawal and retirement projections used for measurement of the after-service health insurance liability were consistent with those used by the United Nations Joint Staff Pension Fund for actuarial valuation of pension benefits. Mortality projections used for the purposes of workers' compensation were derived from life tables of the World Health Organization.

Scheme enrolment and probability of marriage at retirement were estimated based on historic trends.

2018 actuarial valuation results

The determination of post-employment and other long-term employee benefits liabilities during 2018 is summarized below.

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Workers' compensation*	*Total*
As at 31 December 2017	**359 921**	**29 395**	**502**	**389 818**
Current service cost	14 614	1 823	42	16 479
Net interest	13 969	963	5	14 937
Benefits paid	(3 170)	(2 019)	(20)	(5 209)
Actuarial (gains)/losses arising from:				
Changes in financial assumptions	(50 378)	(1 682)	(25)	(52 085)
Changes in demographic assumptions	–	–	(13)	(13)
Experience adjustments	(2 158)	(1 098)	(48)	(3 304)
As at 31 December 2018	**332 798**	**27 382**	**443**	**360 623**

The current service cost for after-service health insurance and repatriation benefits is the increase in liability resulting from employee service in the current period. The current service cost for workers' compensation reflects the addition of current accident year liabilities and changes to the compensation plan.

Net interest reflects the increase in liability resulting from future employee benefits being closer to settlement. It is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking into account any changes resulting from contribution and benefit payments. Both current service cost and net interest are recognized in surplus or deficit for the year.

Benefits paid reflect the health insurance premiums (employer share), repatriation benefits and workers' compensation benefits paid by UNFPA during the year. They are recorded as reductions in liability. Differences between actual and actuarially estimated benefits paid are classified as a remeasurement of the net defined benefit liability arising from experience adjustments and are recognized in net assets.

Based on actuarial estimates, benefits to be paid by UNFPA during the next reporting period will amount to $6.2 million for the after-service health insurance, $2.8 million for the repatriation benefits and $0.02 million for the workers' compensation benefits.

Actuarial gains and losses are changes in the present value of the defined benefit obligation amounts due to experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and changes in financial and demographic assumptions.

Actuarial gains and losses on post-employment benefits are recognized in net assets. In 2018, an actuarial gain was recorded due to an increase in the discount rates, supplemented by favourable experience adjustments whereby benefits paid were lower than expected. Changes in the accumulated actuarial gains and losses are summarized as follows:

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2017	134 819	12 991	147 810
Current period	(52 536)	(2 780)	(55 316)
As at 31 December 2018	**82 283**	**10 211**	**92 494**

Actuarial gains and losses on workers' compensation are recognized in surplus or deficit for the year. Actuarial gain recorded in 2018 primarily originated from an increase in the discount rate and lower-than-expected claim activity.

The present value of the after-service health insurance liability as at the reporting date on both gross and net of payments by plan participants bases is summarized below.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Gross liability	523 162	565 800
Offset from payments made by plan participants	(190 364)	(205 879)
Net liability	**332 798**	**359 921**

The weighted average duration of the defined benefit obligations as at 31 December 2018 was 21 years for the after-service health insurance, 9 years for the repatriation benefits and 17 years for the workers' compensation.

Sensitivity analysis

The valuation of post-employment and other long-term employee liabilities is sensitive to variations in key assumptions such as the discount and health-care cost trend rates. The table below demonstrates the impact that a 1.00 per cent change in the single equivalent discount rate or health-care cost trend rate would have on the net defined benefit liability amounts and combined annual service and net interest costs (all other assumptions remaining constant).

(Thousands of United States dollars)

	After-service health insurance			
	Year-end liability	*Sum of service and net interest costs*	*Repatriation benefits liability (active staff)*	*Workers' compensation liability*
Single equivalent discount rate				
1.00 per cent increase	(59 526)		(2 182)	(48)
1.00 per cent decrease	79 266		2 522	59
Health-care cost trend rate				
1.00 per cent increase	79 959	7 681		
1.00 per cent decrease	(61 049)	(5 675)		
Cost-of-living adjustment rate				
1.00 per cent increase				44
1.00 per cent decrease				(37)

Funding for employee benefits liabilities

Funding for employee benefits liabilities in 2018 amounted to a net of $13.5 million (2017: $44.6 million), as detailed below.

(a) Net investment loss of $10.0 million generated by the after-service health insurance investment portfolio (2017: gain of $23.2 million). Notes 4 and 25 provide more details on these investments;

(b) Accruals for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave from payroll charges of $8.5 million (2017: $6.4 million);

(c) Transfers from fund balances otherwise available for programming of $15.0 million (2017: $15.0 million).

As at 31 December 2018, the unfunded portion of after-service health insurance and other employee benefits liabilities amounted to $130.4 million (2017: $172.5 million), as detailed below.

(Thousands of United States dollars)

Employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	332 798	222 069	110 729
Repatriation benefits	27 876	8 672	19 204
Annual leave	23 387	23 387	–
Home leave	2 757	2 757	–
Workers' compensation	443	(19)	462
Total	**387 261**	**256 866**	**130 395**

Changes in the unfunded liabilities are summarized in the table below.

(Thousands of United States dollars)

	31 December 2017			31 December 2018
	Unfunded liability	*Increase/(decrease) in liability*	*Net increase/ (decrease) in funding*	*Unfunded liability*
After-service health insurance	145 719	(27 123)	7 867	110 729
Repatriation benefits	26 065	(2 166)	4 695	19 204
Annual leave	–	913	913	–
Home leave	170	(107)	63	–
Workers' compensation	502	(59)	(19)	462
Total	**172 456**	**(28 542)**	**13 519**	**130 395**

Pension benefits

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

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution, at the rate established by the General Assembly, currently at 7.9 per cent for the participants and 15.8 per cent for the participating organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date.

During 2017, the Pension Fund identified anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As a result, as an exception to the normal biennial cycle, the Pension Fund decided to roll forward the participation data as at 31 December 2013 to 31 December 2016, for use in its 2016 financial statements.

The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (2016: 150.1 per cent). The funded ratio was 102.7 per cent (2016: 101.4 per cent) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the United Nations Joint Staff Pension Fund pension plan, the amounts of deficiency payments required of participating organizations would be proportionate to their contributions paid during the three years preceding the valuation date. Total contributions paid to the United Nations Joint Staff Pension Fund during the preceding three years (2015, 2016 and 2017) amounted to $6,931.4 million, of which $95.5 million (1.4 per cent) was contributed by UNFPA.

During 2018, contributions paid to the United Nations Joint Staff Pension Fund by UNFPA amounted to $33.8 million (2017: $32.4 million). Estimated contributions to be paid in 2019 are not expected to be materially different from these amounts.

Membership in the Pension Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Pension Fund at the date of termination shall be paid to the former participating organizations for the exclusive benefit of their staff who were participants in the Pension Fund at that date, pursuant to arrangements mutually reached between the organizations and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets that are in excess of the liabilities will be included in the amount.

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board and the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, which are available at www.unjspf.org.

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue as at the reporting date comprised the following:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current		
Other current liabilities	1 211	301
Deferred revenue	8 462	10 920
Derivative liabilities	158	557
Total	**9 831**	**11 778**
Non-current		
Other non-current liabilities	14 124	–
Deferred revenue	4 004	4 159
Total	**18 128**	**4 159**

Other non-current liabilities comprise bridge funding of $14.1 million provided by one donor for the procurement of reproductive health commodities ahead of the receipt of the contributions earmarked for that purpose. Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) ($4.2 million), and contributions to regular and other resources received in advance ($8.3 million).

Note 14
Unearmarked resources – movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated funds		*Designated funds*						*Reserves*			*2018*	*2017*
	Programmable fund balance	*After-service health insurance and employee benefits fund*	*Procurement services*	*Excess cost recovery*	*Comprehensive resources review*	*Programme continuity fund*	*Private endowment trust*	*Total fund balances*	*Operational reserve*	*Humanitarian response reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
	(Note 14 (a))	*(Note 14 (b))*	*(Note 14 (c))*	*(Note 14 (d))*	*(Note 14 (e))*	*(Note 14 (f))*	*(Note 14 (g))*		*(Note 14 (h))*	*(Note 14 (i))*	*(Note 14 (j))*		
Balance as at 1 January	**77 979**	**(172 456)**	**4 326**	**–**	**2 877**	**–**	**35 819**	**(51 455)**	**70 535**	**5 000**	**5 000**	**29 080**	**45 147**
Net excess/(shortfall) of revenue over expenses	48 482	(7 451)	–	–	(1 302)	–	630	40 359	–	–	(636)	39 723	38 574
Resource allocations and transfers													
After-service health insurance and employee benefits funding	(15 000)	15 000	–	–	–	–	–	–	–	–	–	–	–
Operational reserve	(4 941)	–	–	–	–	–	–	(4 941)	4 941	–	–	–	–
Humanitarian response reserve	(2 500)	–	–	–	–	–	–	(2 500)	–	2 500	–	–	–
Programme continuity fund	(5 000)	–	–	–	–	5 000	–	–	–	–	–	–	–
Reserve for field accommodation	(636)	–	–	–	–	–	–	(636)	–	–	636	–	–
Other transfers	(7 476)	–	2 827	8 111	–	–	–	3 462	–	–	–	3 462	1 309
Adjustments to resource balances													
(Loss)/gain in fair value of investments recognized in net assets	–	(20 804)	–	–	–	–	–	(20 804)	–	–	–	(20 804)	13 955
Actuarial gain/(loss) on employee benefits liabilities	–	55 316	–	–	–	–	–	55 316	–	–	–	55 316	(69 472)
Other employee benefits	–	–	–	–	–	–	–	–	–	–	–	–	(433)
Balance as at 31 December	**90 908**	**(130 395)**	**7 153**	**8 111**	**1 575**	**5000**	**36 449**	**18 801**	**75 476**	**7 500**	**5 000**	**106 777**	**29 080**
Net total		**(39 487)**					**58 288**				**87 976**		

Undesignated funds

Undesignated regular resources funds comprise the programmable fund balance and the after-service health insurance and employee benefits fund.

(a) Programmable fund balance

The programmable fund balance reflects regular resources available for spending on country programmes, the institutional budget, global and regional interventions and the emergency fund, following UNFPA resource allocation and distribution models.

As at 31 December 2018, the programmable fund balance amounted to $90.9 million, of which $61.4 million was available for programming in 2019, after adjustments made to reflect funds required to cover future property, plant and equipment depreciation charges; expensing of inventory balances and outstanding sector-wide approach modality advances; and other internally restricted amounts.

The emergency fund was approved by the Executive Board to provide UNFPA field offices with the initial funding required to jump-start humanitarian activities before the other resources become available. The fund was allocated $7.5 million in regular resources in 2018, which is $2.5 million more than in 2017. Of this amount, $6.6 million was spent in 2018.

(b) After-service health insurance and employee benefits fund

This fund reflects the unfunded balance of after-service health insurance and other employee benefits liabilities as at 31 December 2018 (see note 12).

Designated funds

Designated funds are regular resources internally earmarked by management for special purposes and thus not available for programming. They include the following:

(c) Procurement services fund

The procurement services fund reflects the surplus set aside to cover the cost of procurement activities undertaken by the Procurement Services Branch of UNFPA, on behalf of field offices, headquarters units and third-party clients. The balance has been set aside by management to ensure adequate funding of future procurement activities.

(d) Excess cost recovery

Cost recoveries in excess of budgeted amounts are retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of costs that are associated with the implementation of projects. In 2018, cost recoveries in excess of budget amounted to $8.1 million.

(e) Comprehensive resources review

The comprehensive resources review designated fund was established in 2017 to enable the continued implementation of the change management initiative launched by UNFPA management to ensure optimal alignment between the strategic plan, resource allocation and organizational structures. The fund is a continuation of a provision approved by the Executive Board (see DP/2017/2, decision 2016/10) at the midterm review of the integrated budget (see DP/FPA/2016/3). In 2018, expenses for comprehensive resources review activities amounted to $1.3 million, reducing the fund balance to $1.6 million as at 31 December 2018.

(f) Programme continuity fund

In 2018, UNFPA allocated $5.0 million to a newly established designated fund to pre-finance development programme activities ahead of the receipt of funds committed in signed co-financing agreements. The fund operates on a revolving basis and is to be replenished once donor funding is received.

(g) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $36.4 million comprises the principal of $33.7 million plus cumulative interest earned of $7.5 million, less cumulative eligible expenses of $4.8 million from the date the fund was created. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or the trustee's heirs for any potential liability in the event of a valid claim against the estate.

Reserves

The following reserves were established either in accordance with UNFPA Financial Regulations or based on Executive Board decisions:

(h) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. In accordance with the UNFPA Financial Regulations and Rules, the reserve balance is set at 20 per cent of annual unearmarked resources contribution revenue (excluding government contributions to local office costs).

The amount of the reserve was increased by $4.9 million in 2018 to adjust it to 20 per cent of regular resources contribution revenue in that year.

(i) Humanitarian response reserve

The humanitarian response reserve was established by the Executive Board to pre-finance programme activities before the funding committed in signed donor agreements is received. In 2018, UNFPA allocated an additional $2.5 million to this reserve, bringing its level to $7.5 million as at 31 December 2018.

(j) Reserve for field accommodation

This reserve was established by the Executive Board for the purpose of financing the UNFPA share of construction costs for common premises. In 2018, $0.6 million in qualifying expenses were charged to the reserve and the same amount was replenished in order to bring the reserve level back to $5.0 million.

Note 15
Contribution revenue

Contribution revenue comprises the following:

(Thousands of United States dollars)

	2018	2017
Unearmarked (core) contributions	378 800	349 914
Subtotal	**378 800**	**349 914**
Contributions earmarked for:		
Co-financing	824 413	673 441
Junior Professional Officers	4 458	4 608
Contributions in kind	379	248
Less: refunds to donors	(4 993)	(8 356)
Subtotal	**824 257**	**669 941**
Total	**1 203 057**	**1 019 855**

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA indirect costs of $47.5 million (2017: $39.3 million), which are shown in note 16, under fees for support services.

"Contributions in kind" represents the value of goods received by UNFPA and utilized for its programmatic activities.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Fees for support services	47 251	39 036	3 193	2 238	50 444	41 274
Investment revenue	24 299	15 459	2 707	1 571	27 006	17 030
Gains on foreign currency exchange – contributions receivable	–	3 049	–	18 811	–	21 860
Gains on foreign currency exchange – others	–	5 191	–	–	–	5 191
Premises occupied based on donated right to use	5 789	3 875	–	–	5 789	3 875
Revenue from sale of UNFPA inventory	–	–	2 660	2 390	2 660	2 390
Miscellaneous revenue	1 156	1 043	208	31	1 364	1 074
Total	**78 495**	**67 653**	**8 768**	**25 041**	**87 263**	**92 694**

Fees for support services include the amount of indirect costs charged to other resources of $47.5 million (2017: $39.3 million); fees earned by UNFPA for performing administrative agent functions of $0.8 million (2017: $0.4 million); and handling fees for performing procurement services of $2.1 million (2017: $1.6 million).

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Interest revenue	14 788	7 624	2 707	1 571	17 495	9 195
Dividend revenue	2 072	1 867	–	–	2 072	1 867
Realized gain on sale of investments	7 439	5 968	–	–	7 439	5 968
Total	**24 299**	**15 459**	**2 707**	**1 571**	**27 006**	**17 030**

In 2018, UNFPA incurred losses on foreign currency exchange both for contributions receivable and other assets and liabilities, which are reported as part of other expenses (see note 18).

Revenue and expense in the amount of $5.8 million were recognized in 2018 (2017: $3.9 million) for donated right-to-use arrangements equivalent to the annual rental value for similar premises (for operating lease-similar arrangements) or annual depreciation charges (for finance lease-similar arrangements).

Note 17
Expenses by implementing agent

Total expenses, as presented in the statement of financial performance, can be further broken down on the basis of the implementation modality used, as follows:

(Thousands of United States dollars)

	2018	*2017*
Activities implemented by partner:	315 051	270 292
Governments	106 869	89 976
Non-governmental organizations	202 615	177 002
United Nations organizations	5 567	3 314
Activities implemented by UNFPA	770 969	656 577
Total expenses	**1 086 020**	**926 869**

In 2018, 35.5 per cent of programme activities were implemented by governments and non-governmental organizations (2017: 35.5 per cent). Total expenses for programme activities are disclosed in schedule D.

Expenses incurred by UNFPA implementing partners can be further broken down on the basis of their nature, as follows:

(Thousands of United States dollars)

	2018	*2017*
Reproductive health and other programme-related supplies	12 502	9 352
Development and training of counterparts	93 170	84 900
Supplies, materials and operating costs	67 730	62 570
Contracted and professional services	117 890	90 910
Finance costs	285	275
Travel	20 458	20 447
Other expenses	3 016	1 838
Total expenses	**315 051**	**270 292**

Note 18
Expenses by nature

Total expenses, as presented in the statement of financial performance, can be further broken down on the basis of their nature, as follows:

(Thousands of United States dollars)

	2018	*2017*
Staff costs		
Staff salaries	167 394	159 764
Pension contributions	33 841	32 363
Other employee benefit costs	88 811	73 789
Subtotal, staff costs	**290 046**	**265 916**
Reproductive health and other programme-related supplies		
Reproductive health supplies	128 324	130 486
Other programme-related supplies	31 611	21 555
Subtotal, reproductive health and other programme-related supplies	**159 935**	**152 041**
Development and training of counterparts	112 413	98 528
Subtotal, development and training of counterparts	**112 413**	**98 528**
Supplies, materials and operating costs		
Supplies and materials	27 892	21 513
Rent, repairs and maintenance	47 844	42 310
Printing, publications and media	27 678	27 776
Transportation and distribution	34 112	30 631
Other operating costs	48 608	43 549
Subtotal, supplies, materials and operating costs	**186 134**	**165 779**

	2018	*2017*
Contracted and professional services		
Contracted and professional services with individuals	171 785	131 651
Contracted and professional services with companies	49 483	36 120
United Nations Volunteers expenses	3 658	2 892
Subtotal, contracted and professional services	**224 926**	**170 663**
Finance costs (mainly bank charges)	1 000	695
Subtotal, finance costs	**1 000**	**695**
Travel	63 439	56 924
Subtotal, travel	**63 439**	**56 924**
Depreciation and amortization		
Depreciation	6 944	6 995
Amortization	265	211
Subtotal, depreciation and amortization	**7 209**	**7 206**
Impairment and reversals of impairment losses		
Impairment losses	68	452
Reversals of impairment losses	–	(3)
Subtotal, impairment and reversals of impairment losses	**68**	**449**
Other expenses		
Premises occupied based on donated right to use	5 608	3 694
Transfers and losses on disposal of property, plant and equipment and intangible assets	1 787	153
Losses on foreign currency exchange – contributions receivable	20 877	–
Losses on foreign currency exchange – others	12 695	1 718
Doubtful accounts expenses and write-offs	(171)	3 004
Other	54	99
Subtotal, other expenses	**40 850**	**8 668**
Total expenses	**1 086 020**	**926 869**

Note 19
Programme activities and institutional budget expenses by region and country/territory

(Thousands of United States dollars)

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2018*	*2017*
Eastern and Southern Africa					
Country/territory activities					
Angola	1 859	815	1 038	3 712	3 727
Botswana	573	495	253	1 321	1 103
Burundi	1 625	3 052	787	5 464	6 384
Comoros	704	28	120	852	968
Democratic Republic of the Congo	5 892	14 920	1 080	21 892	20 227
Eritrea	939	493	581	2 013	2 340
Eswatini	651	496	371	1 518	1 904
Ethiopia	4 190	11 044	1 033	16 267	14 488
Kenya	2 976	5 102	955	9 033	10 073
Lesotho	509	571	428	1 508	1 888
Madagascar	3 381	1 817	822	6 020	6 498
Malawi	2 100	8 557	969	11 626	5 218
Mauritius	102	–	–	102	88
Mozambique	3 000	22 968	1 118	27 086	17 605
Namibia	655	386	492	1 533	1 328
Rwanda	1 366	1 620	670	3 656	3 875
South Africa	1 040	1 202	504	2 746	2 199
South Sudan	3 580	17 840	1 837	23 257	21 759
Uganda	2 836	9 958	942	13 736	13 851
United Republic of Tanzania	3 083	10 348	846	14 277	12 215
Zambia	1 763	7 502	717	9 982	9 428
Zimbabwe	1 772	14 360	957	17 089	15 430
Subtotal	**44 596**	**133 574**	**16 520**	**194 690**	**172 596**
Regional activities	2 792	3 852	3 619	10 263	21 711
Total	**47 388**	**137 426**	**20 139**	**204 953**	**194 307**
Western and Central Africa					
Country/territory activities					
Benin	1 559	3 352	775	5 686	3 733
Burkina Faso	2 220	5 058	698	7 976	7 817
Cabo Verde	522	46	439	1 007	919
Cameroon	2 705	5 043	1 039	8 787	6 465
Central African Republic	1 288	2 913	932	5 133	4 198
Chad	2 731	4 647	1 041	8 419	7 019
Congo	990	803	747	2 540	2 956
Côte d’Ivoire	2 609	3 509	1 073	7 191	7 704
Equatorial Guinea	527	1 820	164	2 511	1 836

	Programme activities		Institutional budget	Total	
	Unearmarked	*Earmarked*		*2018*	*2017*
Gabon	499	82	609	1 190	1 123
Gambia	915	363	266	1 544	1 798
Ghana	2 249	1 793	798	4 840	3 750
Guinea	2 279	4 239	827	7 345	6 545
Guinea Bissau	763	276	640	1 679	2 238
Liberia	1 364	4 984	887	7 235	7 905
Mali	2 208	7 333	1 011	10 552	6 512
Mauritania	995	537	711	2 243	2 874
Niger	3 231	9 919	847	13 997	13 008
Nigeria	5 583	14 356	894	20 833	20 006
Sao Tome and Principe	472	307	214	993	889
Senegal	1 833	3 994	448	6 275	4 392
Sierra Leone	1 462	18 824	781	21 067	22 426
Togo	1 492	1 117	728	3 337	2 956
Subtotal	**40 496**	**95 315**	**16 569**	**152 380**	**139 069**
Regional activities	3 775	5 921	3 129	12 825	11 703
Total	**44 271**	**101 236**	**19 698**	**165 205**	**150 772**
Arab States					
Country/territory activities					
Algeria	274	80	483	837	702
Djibouti	515	270	238	1 023	1 042
Egypt	1 158	5 747	409	7 314	3 794
Iraq	1 232	35 729	1 145	38 106	50 915
Jordan	645	13 103	163	13 911	15 980
Lebanon	642	4 617	471	5 730	7 186
Libya	1 374	2 545	222	4 141	2 012
Morocco	924	477	318	1 719	1 280
Oman	163	826	232	1 221	1 084
Somalia	2 442	17 826	923	21 191	12 644
State of Palestine	1 184	2 777	930	4 891	4 709
Sudan	3 474	6 694	1 006	11 174	14 822
Syrian Arab Republic	2 118	32 567	1 069	35 754	19 490
Tunisia	435	744	79	1 258	1 412
Yemen	2 390	22 679	1 356	26 425	10 986
Subtotal	**18 970**	**146 681**	**9 044**	**174 695**	**148 058**
Regional activities	3 220	2 485	2 627	8 332	7 495
Total	**22 190**	**149 166**	**11 671**	**183 027**	**155 553**

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2018*	*2017*
Asia and the Pacific					
Country/territory activities					
Afghanistan	3 600	9 908	1 489	14 997	14 383
Bangladesh	5 501	22 217	1 042	28 760	14 097
Bhutan	540	–	78	618	605
Cambodia	1 620	23	733	2 376	2 836
China	1 465	226	1 124	2 815	3 359
Democratic People's Republic of Korea	990	85	479	1 554	2 191
India	4 169	2 898	522	7 589	6 771
Indonesia	2 747	3 624	575	6 946	5 358
Iran (Islamic Republic of)	902	289	651	1 842	1 932
Lao People's Democratic Republic	1 155	1 713	840	3 708	2 774
Malaysia	427	279	–	706	667
Maldives	302	57	61	420	357
Mongolia	749	1 326	528	2 603	3 381
Myanmar	2 919	9 602	799	13 320	14 173
Nepal	2 298	4 884	724	7 906	6 665
Pacific Islands (multi-country)[a]	2 657	4 221	866	7 744	4 791
Pakistan	3 388	6 837	958	11 183	6 901
Papua New Guinea	1 595	1 822	1 000	4 417	4 115
Philippines	2 824	1 492	789	5 105	4 440
Sri Lanka	632	386	385	1 403	1 300
Thailand	691	–	382	1 073	1 148
Timor-Leste	1 159	468	788	2 415	2 676
Viet Nam	2 188	586	546	3 320	2 590
Subtotal	**44 518**	**72 943**	**15 359**	**132 820**	**107 510**
Regional activities	4 318	2 038	4 310	10 666	10 692
Total	**48 836**	**74 981**	**19 669**	**143 486**	**118 202**
Latin America and the Caribbean					
Country/territory activities					
Argentina	116	32	–	148	114
Bolivia (Plurinational State of)	1 084	3 434	658	5 176	3 389
Brazil	1 608	675	810	3 093	2 451
Caribbean (multi-country)[b]	1 710	550	974	3 234	2 412
Chile	168	–	–	168	148
Colombia	995	703	464	2 162	1 472
Costa Rica	404	24	141	569	541
Cuba	419	488	334	1 241	940
Dominican Republic	609	414	234	1 257	1 371
Ecuador	873	128	492	1 493	1 244
El Salvador	803	806	489	2 098	1 900

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2018*	*2017*
Guatemala	1 354	34 758	755	36 867	13 538
Haiti	2 091	10 413	1 037	13 541	5 367
Honduras	895	4 025	627	5 547	3 638
Mexico	1 112	1 470	539	3 121	1 933
Nicaragua	770	24	538	1 332	1 381
Panama	427	26	148	601	564
Paraguay	818	79	266	1 163	1 022
Peru	1 043	402	628	2 073	2 129
Uruguay	649	1 012	404	2 065	1 821
Venezuela (Bolivarian Republic of)	601	110	207	918	828
Subtotal	**18 549**	**59 573**	**9 745**	**87 867**	**48 203**
Regional activities	3 617	1 181	3 152	7 950	7 577
Total	**22 166**	**60 754**	**12 897**	**95 817**	**55 780**
Eastern Europe and Central Asia					
Country/territory activities					
Albania	547	410	176	1 133	1 410
Armenia	557	108	119	784	754
Azerbaijan	544	97	172	813	1 007
Belarus	355	414	134	903	1 140
Bosnia and Herzegovina	670	314	378	1 362	990
Georgia	598	654	183	1 435	1 474
Kazakhstan	599	274	451	1 324	1 127
Kosovo	514	60	151	725	503
Kyrgyzstan	757	807	138	1 702	997
North Macedonia	400	56	149	605	437
Republic of Moldova	647	328	361	1 336	1 013
Serbia	396	120	92	608	811
Tajikistan	769	298	121	1 188	2 197
Turkey	1 085	22 353	528	23 966	22 655
Turkmenistan	524	148	172	844	740
Ukraine	806	2 989	532	4 327	3 309
Uzbekistan	821	185	442	1 448	1 213
Subtotal	**10 589**	**29 615**	**4 299**	**44 503**	**41 777**
Regional activities	3 329	945	2 618	6 892	7 057
Total	**13 918**	**30 560**	**6 917**	**51 395**	**48 834**
Global programme and other headquarter activities	13 607	105 849	71 520	190 976	170 929
Total programme and institutional budget	**212 376**	**659 972**	**162 511**	**1 034 859**	**894 377**

(Footnotes on following page)

(Footnotes to Note 19)

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[a] The Pacific Islands multi-country programme implements programme activities in the following countries and territories: the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] The Caribbean multi-country programme, English- and Dutch-speaking, implements programme activities in the following countries and territories: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, the Netherlands Antilles (Aruba, Curaçao and Saint Maarten), Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule D provides a breakdown by nature of total programme expenses funded with unearmarked and earmarked resources referenced above.

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2018, UNFPA did not have any material provisions.

Contingent assets for all donor agreements in force as at 31 December 2018 which did not meet the revenue recognition criteria amounted to $269.1 million (2017: $239.7 million), of which $172.7 million related to earmarked resources (2017: $202.5 million). Those contributions will be recognized in future periods when revenue recognition criteria are met.

As at 31 December 2018, UNFPA had a limited number of immaterial contingent liability cases that represented ongoing legal and administrative law claims. The total projected outflow for such cases as at 31 December 2018 was estimated at $0.7 million (2017: $0.7 million). Owing to the uncertainty of the outcomes of the cases, neither a liability nor provision was recorded as at the reporting date, as the occurrence and timing of outflow is not certain. UNFPA 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.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	Key management personnel				
	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2018	24	4 782	1 575	923	7 280
2017	23	4 571	1 412	950	6 933

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

Key management personnel are also eligible for post-employment benefits at the same level as other employees and are ordinary members of the United Nations

Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2018 was estimated at $9.7 million (2017: $10.5 million).

There were no loans or advances granted to key management personnel and their close family members, which were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2018. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director on 30 April 2019.

Resources available to UNFPA in future years may be impacted by changes in the membership of the European Union, including, inter alia, the effect of changes in the value of key contribution currencies against the United States dollar.

Financial assets and liabilities held by UNFPA in key currencies other than the United States dollar as at 31 December 2018 as well as the effect of a 10.0 per cent weakening of these currencies on the UNFPA surplus or deficit and net assets is disclosed in note 25. The impact of the same on amounts that have not been recognized, such as future revenue, cannot be quantified.

As at the date of signature of the UNFPA financial statements for the year ended 31 December 2018, there were no other material events, favourable or unfavourable, that occurred between the reporting date and the date on which the financial statements were authorized for issue that would have affected the statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2018, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior-year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

The reconciliation between the amount of actual expenses for the year 2018 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2018) and in statement IV (cash flow statement for the year ended 31 December 2018) is shown below. Differences are due to “basis” differences and scope (or “entity”) differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(370 201)	(4 492)	–	(374 693)
Basis differences	4 178	229	–	4 407
Entity differences	567 204	(229 344)	–	337 860
Net increase/(decrease) in cash and cash equivalents (statement IV)	**201 181**	**(233 607)**	**–**	**(32 426)**

The reconciliation between the actual surplus or deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**13 440**
Difference between revenue on accrual basis and final budgetary allocations	(1 420)
Difference between expenses on budgetary basis and an accrual basis	(194)
Actual net surplus on a financial reporting comparable basis for activities included in the scope of the budget	**11 826**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2018

UNFPA considers cash, cash equivalents and investments as “joint assets” between segments. It also considers selected accounts payable (e.g., inter-fund accounts) and employee benefits as “joint liabilities” between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributes joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Assets						
Current assets						
Cash and cash equivalents	51 248	59 811	99 629	124 580	150 877	184 391
Investments maturing within one year	148 099	74 272	287 921	154 701	436 020	228 973
Inventories	1 403	1 140	49 424	37 174	50 827	38 314
Contributions receivable	288	30 664	171 755	129 575	172 043	160 239
Prepayments and other current assets	23 868	15 847	3 666	5 281	27 534	21 128
Operating fund advances	1 421	775	5 555	6 970	6 976	7 745
Total	**226 327**	**182 509**	**617 950**	**458 281**	**844 277**	**640 790**
Non-current assets						
Investments maturing after one year	191 951	177 481	373 176	369 673	565 127	547 154
Contributions receivable	–	–	164 241	154 361	164 241	154 361
Other non-current assets	15	–	3	3	18	3
Property, plant and equipment	30 127	30 892	4 309	2 399	34 436	33 291
Intangible assets	1 382	626	–	5	1 382	631
Total	**223 475**	**208 999**	**541 729**	**526 441**	**765 204**	**735 440**
Total assets	**449 802**	**391 508**	**1 159 679**	**984 722**	**1 609 481**	**1 376 230**
Liabilities						
Current liabilities						
Accounts payable and accruals	23 153	14 362	90 785	88 617	113 938	102 979
Employee benefits	28 088	27 942	7 242	6 205	35 330	34 147
Other current liabilities and deferred revenue	7 995	3 661	1 836	8 117	9 831	11 778
Total	**59 236**	**45 965**	**99 863**	**102 939**	**159 099**	**148 904**
Non-current liabilities						
Employee benefits	279 785	312 304	72 146	69 352	351 931	381 656
Other non-current liabilities and deferred revenue	4 004	4 159	14 124	–	18 128	4 159
Total	**283 789**	**316 463**	**86 270**	**69 352**	**370 059**	**385 815**
Total liabilities	**343 025**	**362 428**	**186 133**	**172 291**	**529 158**	**534 719**
Net assets	**106 777**	**29 080**	**973 546**	**812 431**	**1 080 323**	**841 511**
Reserves and fund balances						
Reserves						
Operational reserve	75 476	70 535	–	–	75 476	70 535
Humanitarian response reserve	7 500	5 000	–	–	7 500	5 000
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**87 976**	**80 535**	**–**	**–**	**87 976**	**80 535**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Fund balances						
Designated unearmarked fund balances	58 288	43 022	–	–	58 288	43 022
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(39 487)	(94 477)	–	–	(39 487)	(94 477)
Earmarked resources	–	–	973 546	812 431	973 546	812 431
Total fund balances	**18 801**	**(51 455)**	**973 546**	**812 431**	**992 347**	**760 976**
Total reserves and fund balances	**106 777**	**29 080**	**973 546**	**812 431**	**1 080 323**	**841 511**

UNFPA costs for acquisition of fixed and intangible assets from both unearmarked and earmarked resources are summarized in the table below:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Property, plant and equipment	6 741	4 133	3 796	2 295	10 537	6 428
Intangible assets	980	203	–	5	980	208
Total	**7 721**	**4 336**	**3 796**	**2 300**	**11 517**	**6 636**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Contribution revenue								
Unearmarked contributions	378 800	349 914	–	–	–	–	378 800	349 914
Subtotal	**378 800**	**349 914**	**–**	**–**	**–**	**–**	**378 800**	**349 914**
Earmarked contributions	–	–	876 770	717 589	(47 520)	(39 292)	829 250	678 297
Less: refunds to donors	–	–	(4 993)	(8 356)	–	–	(4 993)	(8 356)
Subtotal	**–**	**–**	**871 777**	**709 233**	**(47 520)**	**(39 292)**	**824 257**	**669 941**
Total contribution revenue	**378 800**	**349 914**	**871 777**	**709 233**	**(47 520)**	**(39 292)**	**1 203 057**	**1 019 855**
Other revenue	78 494	67 653	8 769	25 041	–	–	87 263	92 694
Total revenue	**457 294**	**417 567**	**880 546**	**734 274**	**(47 520)**	**(39 292)**	**1 290 320**	**1 112 549**
Expenses								
Staff costs	228 648	214 779	61 398	51 137	–	–	290 046	265 916
Reproductive health and other programme-related supplies	3 733	4 933	156 202	147 108	–	–	159 935	152 041
Development and training of counterparts	21 284	19 859	91 129	78 704	–	(35)	112 413	98 528
Supplies, materials and operating costs	66 918	63 250	166 736	141 786	(47 520)	(39 257)	186 134	165 779
Contracted and professional services	48 539	42 067	176 387	128 596	–	–	224 926	170 663
Finance costs	369	276	631	419	–	–	1 000	695
Travel	24 111	21 396	39 328	35 528	–	–	63 439	56 924
Depreciation and amortization	6 621	6 755	588	451	–	–	7 209	7 206
Impairment	(24)	449	92	–	–	–	68	449
Other expenses	17 372	5 229	23 478	3 439	–	–	40 850	8 668
Total expenses	**417 571**	**378 993**	**715 969**	**587 168**	**(47 520)**	**(39 292)**	**1 086 020**	**926 869**
Surplus for the year	**39 723**	**38 574**	**164 577**	**147 106**	**–**	**–**	**204 300**	**185 680**

[a] The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. Amounts in the elimination column consist of $47.52 million in indirect costs.

Note 25
Financial risk management

Valuation

Financial assets

The table below shows the value of UNFPA financial assets held as at the reporting date based on the IPSAS classification adopted by UNFPA.

(Thousands of United States dollars)

2018	*Held-to-maturity*	*Available-for-sale*	*At fair value through surplus or deficit*	*Loans and receivables*	*Total*
Cash and cash equivalents	102 504	5 146	–	43 227	150 877
Investments	811 544	189 603	–	–	1 001 147
Contributions receivable[a]	–	–	–	335 233	335 233
Other receivables[b]	–	–	–	14 331	14 331
Total financial assets	**914 048**	**194 749**	**–**	**392 791**	**1 501 588**

[a] Excludes in-kind contributions receivable of $1.1 million.
[b] Excludes prepayments, education grant advances and amounts due from the United Nations organizations, totalling $13.2 million, as disclosed in note 6 (b).

(Thousands of United States dollars)

2017	*Held-to-maturity*	*Available-for-sale*	*At fair value through surplus or deficit*	*Loans and receivables*	*Total*
Cash and cash equivalents	131 585	6 178	–	46 628	184 391
Investments	591 715	184 412	–	–	776 127
Contributions receivable[a]	–	–	–	313 787	313 787
Other receivables[b]	–	–	–	12 923	12 923
Total financial assets	**723 300**	**190 590**	**–**	**373 338**	**1 287 228**

[a] Excludes in-kind contributions receivable of $0.8 million.
[b] Excludes prepayments, education grant advances and amounts due from the United Nations organizations, totalling $8.2 million, as disclosed in note 6 (b).

Held-to-maturity financial assets are carried at amortized cost; as at the reporting date, the book value of these assets (measured at amortized cost) exceeded their market value by $1.4 million (2017: the book value exceeded the market value by $1.8 million).

Available-for-sale financial assets are carried at fair market value, determined on the basis of unadjusted quoted prices in active markets for identical assets. IPSAS 30: Financial instruments: disclosures, defines a three-tier fair value measurement hierarchy, based on the significance of the inputs used in the valuation, with level 1 using the most reliable inputs (unadjusted quoted prices in active markets for identical assets or liabilities), and level 3 using the least reliable (inputs not based on observable market data). Measurement for all UNFPA investments carried at fair value was determined at level 1 of the IPSAS hierarchy.

As at the reporting date, UNFPA had no financial assets recorded at fair value through surplus or deficit (2017: nil).

The carrying values of loans and receivables are a reasonable approximation of their fair value.

Financial liabilities

The table below shows the value of UNFPA financial liabilities held as at the reporting date, based on the IPSAS classification adopted by UNFPA.

(Thousands of United States dollars)

2018	*At fair value through surplus or deficit*	*Other financial liabilities*	*Total*
Accounts payable and accruals[a]	–	106 778	106 778
Other liabilities (current and non-current)	158	15 335	15 493
Total financial liabilities	**158**	**122 113**	**122 271**

[a] Excludes amounts due to the United Nations organizations, totalling $7.2 million, as disclosed in note 10.

(Thousands of United States dollars)

2017	*At fair value through surplus or deficit*	*Other financial liabilities*	*Total*
Accounts payable and accruals	–	102 979	102 979
Other liabilities (current and non-current)	557	301	858
Total financial liabilities	**557**	**103 280**	**103 837**

As at the reporting date, UNFPA had $0.2 million in financial liabilities classified at fair value through surplus or deficit (2017: $0.6 million), arising from foreign currencies exchange contracts held as part of the after-service health insurance investment portfolio. Net exchange gains of $1.3 million, both realized and unrealized, generated by such contracts during the year (2017: loss of $1.9 million) were recognized in surplus for the year in the statement of financial performance.

Financial liabilities amounting to $122.1 million as at 31 December 2018 were classified as other financial liabilities (2017: $103.3 million). Since 88.4 per cent of these liabilities are due for settlement within 12 months from the reporting date, they are carried at their nominal amounts.

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

(a) Credit risk: the risk that financial loss to UNFPA may arise from the failure of third parties to meet its financial/contractual obligations to UNFPA;

(b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;

(c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets is the maximum exposure to credit risk.

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the working capital and after-service health insurance investment portfolios, and limit the extent of credit exposure to any single counterparty, by setting minimum credit quality requirements and limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. The working capital investment portfolio (81 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

Ratings from the three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, are used to evaluate the credit risk of financial instruments. As at the reporting date, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using S&P Global Ratings' rating convention).

Concentration of fixed-income investments by credit rating, working capital investment portfolio[a]

(Thousands of United States dollars)

2018	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits	–	–	–	65 000	25 000	25 000	115 000
Bonds	354 830	133 509	104 382	88 823	15 000	–	696 544
Total	**354 830**	**133 509**	**104 382**	**153 823**	**40 000**	**25 000**	**811 544**

(Thousands of United States dollars)

2017	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits	–	–	–	25 000	–	–	25 000
Commercial paper	–	24 953	10 000	–	–	15 000	49 953
Bonds	288 354	59 396	77 982	69 568	9 999	11 463	516 762
Total	**288 354**	**84 349**	**87 982**	**94 568**	**9 999**	**26 463**	**591 715**

[a] Excludes investments classified as cash and cash equivalents.

Concentration of fixed-income investments by credit rating, after-service health insurance investment portfolio[a]

(Thousands of United States dollars)

2018	*AAA*	*AA+*	*AA-*	*A+*	*A*	*A-*	*BBB+*	*BBB*	*BBB-*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	879	984	730	2 533	847	900	1 421	2 033	103	6 346	58 046	74 822
Total	**879**	**984**	**730**	**2 533**	**847**	**900**	**1 421**	**2 033**	**103**	**6 346**	**58 046**	**74 822**

(Thousands of United States dollars)

2017	*AAA*	*AA+*	*AA-*	*A+*	*A*	*A-*	*BBB+*	*BBB*	*BBB-*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	1 116	1 037	785	2 605	1 080	–	4 993	1 761	107	9 903	43 527	66 914
Total	**1 116**	**1 037**	**785**	**2 605**	**1 080**	**–**	**4 993**	**1 761**	**107**	**9 903**	**43 527**	**66 914**

[a] Excludes investments classified as cash and cash equivalents.

Of the $58.0 million in fixed-income securities held as at 31 December 2018 and not rated by S&P Global Ratings (2017: $43.5 million), instruments valued at

$12.4 million were rated by Moody's (2017: $9.0 million), with assigned ratings ranging from Aaa to Aa2 for $10.6 million and Ba2 for $1.8 million (2017: $6.1 million and $2.9 million, respectively). The majority of other non-rated fixed-income securities represent investments in exchange-traded funds and mutual funds, comprising multiple instruments, which may be rated individually, but the overall funds are not rated.

A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations organizations, which have very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities do not in general commence until cash is received. The UNFPA approach to assessing outstanding contributions receivable for recoverability is described in note 2. An analysis of the age of contributions receivable that are past due as at 31 December 2018 and movements in allowance for doubtful accounts is provided in note 6 (a).

Analysis of liquidity risk

UNFPA uses investments in the working capital investment portfolio to meet its regular cash flow needs. UNDP makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Therefore, UNFPA maintains a significant part of its investments in cash equivalents and short-term instruments, sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2018	*Percentage*	*31 December 2017*	*Percentage*
Cash equivalents	102 504	11	131 585	18
Subtotal	**102 504**	**11**	**131 585**	**18**
Current investments	435 295	48	228 557	32
Non-current investments	376 249	41	363 158	50
Subtotal	**811 544**	**89**	**591 715**	**82**
Total investments, cash and cash equivalents	**914 048**	**100**	**723 300**	**100**

Analysis of market risk

Market risk is the risk of financial losses due to unfavourable movements in the market prices of financial instruments, including movements in interest rates, foreign exchange rates and price risk.

(a) Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets, liabilities and future cash flows of interest revenue. UNFPA is exposed to interest rate risk on its interest-bearing assets.

UNFPA investments in the working capital investment portfolio (81 per cent of the total investments), which is classified as held-to-maturity, are not marked to market and their carrying amounts are not affected by changes in interest rates (2017: 76 per cent).

UNFPA investments in the after-service health insurance portfolio (19 per cent of the total investments), which is classified as available-for-sale, are carried at fair value (2017: 24 per cent). As at 31 December 2018, this portfolio included interest-bearing instruments valued at $74.8 million (7 per cent of the total investments), thus creating exposure to interest rate risk (2017: $66.9 million, 9 per cent of the total investments). The table below demonstrates the interest rate sensitivity of these investments, based on their maturity period.

(Thousands of United States dollars)

	2018		*2017*	
Sensitivity variation	*Net assets*	*Surplus/deficit*[a]	*Net assets*	*Surplus/deficit*[a]
100 basis point increase	(1 350)	–	(1 372)	–
50 basis point decrease	675	–	686	–

[a] Since the after-service health insurance investment portfolio is classified as available-for-sale, changes in the fair value are recognized in the net assets, and volatility in the interest rate has no impact on surplus/deficit for the year.

As at 31 December 2018, UNFPA maintained investments of $15.0 million in United States dollar-denominated floating rate fixed-income securities (2017: $15.0 million), all maturing within three months from the reporting date. These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest revenue.

(b) *Foreign exchange risk*

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. The table below summarizes year-end positions of UNFPA financial assets and liabilities by major currency, including those with the largest foreign exchange risk exposure.

(Thousands of United States dollars)

2018	*United States dollar*	*Pound sterling*	*Canadian dollar*	*Euro*	*Other*	*At 31 December 2018*
Cash and cash equivalents	115 496	469	3 739	26 708	4 465	150 877
Investments	943 589	5 710	2 429	31 158	18 261	1 001 147
Contributions receivable	91 552	42 813	72 644	20 824	107 400	335 233
Accounts payable and accruals	(90 402)	(66)	(26)	(706)	(15 578)	(106 778)
Other liabilities (including derivative liabilities)	(1 233)	(14 124)	(10)	(125)	(1)	(15 493)
Net exposure	**1 059 002**	**34 802**	**78 776**	**77 859**	**114 547**	**1 364 986**

(Thousands of United States dollars)

2017	*United States dollar*	*Pound sterling*	*Canadian dollar*	*Euro*	*Other*	*At 31 December 2017*
Cash and cash equivalents	137 384	250	3 939	18 035	24 783	184 391
Investments	714 494	7 382	3 858	30 613	19 780	776 127
Contributions receivable	105 601	63 504	55 385	32 846	56 451	313 787
Accounts payable and accruals	(89 692)	(54)	(4)	(209)	(13 020)	(102 979)
Other liabilities (including derivative liabilities)	(859)	–	–	–	1	(858)
Net exposure	**866 928**	**71 082**	**63 178**	**81 285**	**87 995**	**1 170 468**

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. During 2018, contribution revenue in eight different currencies was hedged.

The table below provides a sensitivity analysis of UNFPA net assets and surplus/deficit for the year to movements of key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus/deficit and net assets for the year and vice versa.

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
2018	*Surplus/deficit*	*Net assets*	*Surplus/deficit*	*Net assets*
Pound sterling	(2 967)	(197)	3 626	241
Canadian dollar	(6 941)	(221)	8 483	270
Euro	(5 505)	(1 573)	6 728	1 923

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
2017	*Surplus/deficit*	*Net assets*	*Surplus/deficit*	*Net assets*
Pound sterling	(6 047)	(415)	7 391	507
Canadian dollar	(5 396)	(347)	6 595	425
Euro	(5 918)	(1 472)	7 233	1 799

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) *Equity price risk*

About 61 per cent of the UNFPA after-service health insurance investment portfolio is composed of equities (2017: 62 per cent). The table below presents a price sensitivity of these investments to a 5 per cent change in fair value. The sensitivity pertains to equities classified as available-for-sale, which are marked to market through net assets/equity. Therefore, changes in prices do not have any impact on surplus/deficit for the year.

(Thousands of United States dollars)

Fair values of equities as at 31 December 2018		*Impact on financial statements*	
		Surplus/deficit	*Net assets*
114 781	5 per cent increase	–	5 739
114 781	5 per cent decrease	–	(5 739)

(Thousands of United States dollars)

Fair values of equities as at 31 December 2017		*Impact on financial statements*	
		Surplus/deficit	*Net assets*
117 498	5 per cent increase	–	5 875
117 498	5 per cent decrease	–	(5 875)

Note 26
Commitments

As at 31 December 2018, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to $86.3 million (2017: $46.9 million).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedules

Schedule A
Unearmarked resources – status of contributions for the year ended 31 December 2018

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Andorra	–	–	12	–	–	12	–
Angola	–	–	20	–	–	20	–
Australia	–	–	7 363	6 571	–	13 934	–
Austria	–	–	231	–	3	234	–
Bahamas	–	–	1	–	–	1	–
Bangladesh	35	–	35	–	–	66	4
Barbados	–	–	15	–	–	15	–
Belgium	–	–	10 753	–	358	11 111	–
Benin	–	–	3	3	–	6	–
Bhutan	–	–	6	6	–	12	–
Bolivia (Plurinational State of)	–	–	6	–	–	6	–
Botswana	–	–	5	–	–	5	–
Burkina Faso	–	–	13	27	–	40	–
Burundi	–	–	1	–	–	1	–
Cameroon	68	(21)	–	–	–	–	47
Cambodia	5	–	5	–	–	–	10
Canada	12 131	–	11 756	–	250	24 137	–
Chad	75	–	–	–	–	–	75
Chile	–	–	5	–	–	5	–
China	–	–	1 600	–	–	1 600	–
Cook Islands	–	–	1	–	–	1	–
Costa Rica	–	–	5	–	–	5	–
Côte d’Ivoire	–	–	29	29	–	58	–
Cyprus	–	–	11	–	–	11	–
Democratic People’s Republic of Korea	20	(7)	–	–	–	–	13
Denmark	–	–	37 062	–	221	37 283	–
Djibouti	2	–	–	–	–	–	2
Dominican Republic	–	–	15	–	–	15	–
El Salvador	–	–	2	–	–	2	–
Equatorial Guinea	40	(10)	–	–	–	–	30
Eritrea	–	–	5	–	–	5	–
Estonia	–	–	71	68	–	139	–
Eswatini	30	–	–	–	–	–	30
Finland	–	–	20 000	–	–	20 000	–

Donor	Balance due to UNFPA as at 1 January	Prior-year adjustments	Current-year commitments (contribution revenue)	Contributions received in advance	Exchange gains/(losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December
France	–	–	675	–	–	675	–
Gambia	–	–	8	–	–	8	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	25 190	–	–	25 190	–
Ghana	54	(18)	–	–	–	–	36
Guatemala	2	–	2	–	–	4	–
Guinea Bissau	–	–	3	6	–	9	–
Guyana	1	–	1	–	–	1	1
Honduras	–	–	3	–	–	3	–
Iceland	–	–	318	–	–	318	–
India	–	–	496	–	–	496	–
Indonesia	14	–	13	–	–	27	–
Ireland	–	–	4 232	–	(195)	4 037	–
Italy	–	–	2 484	–	(126)	2 358	–
Japan	18 324	–	18 961	–	–	37 285	–
Jordan	–	–	50	–	–	50	–
Kazakhstan	–	–	50	–	–	50	–
Kenya	10	–	10	–	–	20	–
Kiribati	15	–	–	–	–	–	15
Kuwait	–	–	10	–	–	10	–
Lao People’s Democratic Republic	3	–	3	–	–	3	3
Lesotho	7	–	7	–	–	7	7
Liechtenstein	–	–	25	–	–	25	–
Luxembourg	–	–	3 194	–	(11)	3 183	–
Madagascar	14	–	15	–	(2)	27	–
Maldives	–	–	10	5	–	15	–
Marshall Islands	–	–	2	–	–	2	–
Mauritania	–	–	3	10	–	13	–
Mauritius	–	–	3	–	–	3	–
Mexico	–	–	61	–	–	61	–
Micronesia (Federated States of)	–	–	3	3	–	6	–
Mongolia	16	(4)	4	4	–	8	12
Morocco	–	–	12	–	–	12	–
Myanmar	–	–	3	–	–	3	–
Nepal	5	–	4	–	–	9	–
Netherlands	–	–	37 500	–	–	37 500	–
New Zealand	–	–	5 252	–	44	5 296	–
Nicaragua	–	–	5	–	–	5	–
Norway	–	–	63 767	–	–	63 767	–

Donor	Balance due to UNFPA as at 1 January	Prior-year adjustments	Current-year commitments (contribution revenue)	Contributions received in advance	Exchange gains/(losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December
Oman	–	–	10	–	–	10	–
Pakistan	–	–	249	–	–	249	–
Palau	–	–	5	–	–	–	5
Panama	–	–	10	–	–	–	10
Papua New Guinea	12	(4)	–	–	–	–	8
Philippines	–	–	36	–	(2)	34	–
Portugal	–	–	108	–	–	17	91
Qatar	–	–	60	–	–	60	–
Republic of Korea	–	–	102	–	–	102	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	–	–	1	–	–	–	1
Samoa	6	–	3	–	–	9	–
Sao Tome and Principe	–	–	9	–	–	5	4
Saudi Arabia	–	–	500	–	–	500	–
Serbia	–	–	5	–	–	5	–
Seychelles	2	(2)	–	–	–	–	–
Sierra Leone	120	(30)	–	–	–	–	90
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	6	–	–	6	–
Slovenia	–	–	6	–	–	6	–
South Africa	39	–	46	–	4	43	46
Spain	–	–	583	–	(14)	569	–
Sri Lanka	–	–	18	–	–	18	–
Sudan	30	–	30	–	–	–	60
Suriname	1	–	–	–	–	–	1
Sweden	–	–	83 039	–	(1 764)	81 275	–
Switzerland	–	–	15 952	–	112	16 064	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	153	150	–	303	–
The former Yugoslav Republic of Macedonia	–	–	3	–	–	–	3
Togo	–	–	5	–	–	5	–
Tokelau	2	–	–	–	–	–	2
Tonga	–	–	1	3	–	4	–
Trinidad and Tobago	–	–	5	–	–	–	5
Turkey	–	–	150	–	–	150	–
Turkmenistan	–	–	3	–	–	3	–
Uganda	15	–	15	–	–	5	25
United Arab Emirates	–	–	10	–	–	10	–

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
United Kingdom of Great Britain and Northern Ireland	–	–	25 510	–	–	25 510	–
Uruguay	–	–	5	–	–	5	–
Vanuatu	–	–	1	–	–	1	–
Viet Nam	–	–	20	–	–	20	–
Zambia	–	–	10	–	–	10	–
Zimbabwe	120	–	30	–	–	150	–
Private contributions	–	–	57	–	–	57	–
Contributions equal to or less than $500[a]	2	(1)	1	1	–	1	2
Subtotal	**31 220**	**(97)**	**378 503**	**6 886**	**(1 122)**	**414 752**	**638**
Government contributions to local office costs	–	–	297	–	–	297	–
Total	**31 220**	**(97)**	**378 800**	**6 886**[b]	**(1 122)**	**415 049**	**638**[c]

[a] Includes Albania and Comoros.
[b] This amount is part of the deferred revenue presented in note 13.
[c] This amount is presented gross of allowance for doubtful accounts of $0.35 million.

Schedule B
Earmarked resources – revenue, expenses and fund balances for the year ended 31 December 2018

(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Trust funds									
ABT Associates Inc.	–	162	–	–	–	162	18	144	–
African Development Bank	1	–	–	–	–	1	–	1	–
Albania	–	210	–	–	–	210	(4)	214	214
Algeria	282	–	–	–	–	282	48	234	125
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Angola	88	(92)	–	–	–	(4)	(4)	–	–
Australia	11 723	42 647	–	(30)	–	54 340	13 758	40 582	25 516
Austria	504	–	–	–	–	504	504	–	–
Azim Premji Philanthropic Initiatives Private Limited	–	1 795	1	–	–	1 796	410	1 386	1 200
Belgium	14 402	622	39	–	–	15 063	7 386	7 677	3 561
Bill & Melinda Gates Foundation	7 197	–	–	–	–	7 197	1 226	5 971	3 297
Botswana	213	–	–	–	–	213	163	50	–
Brazil	2 265	4 865	–	(301)	–	6 829	373	6 456	189
Burkina Faso	3 832	–	–	–	–	3 832	815	3 017	1 811
Cameroon	97	19 002	–	(341)	–	18 758	2 883	15 875	–
Canada	76 916	116 074	6	–	–	192 996	75 880	117 116	72 645
Central African Republic	42	–	–	–	–	42	40	2	–
Chad	3 137	–	–	–	–	3 137	1 693	1 444	1 388
Children’s Investment Fund Foundation	122	200	–	–	–	322	320	2	–
Colombia	5	–	–	–	–	5	–	5	–
Congo	365	95	–	–	–	460	160	300	162
Costa Rica	5	174	–	–	–	179	14	165	–
Côte d’Ivoire	2 712	1 790	–	–	–	4 502	920	3 582	2 923
Democratic Republic of the Congo	655	4 339	–	–	–	4 994	454	4 540	5 104
Denmark	23 406	18 193	–	(74)	–	41 525	13 550	27 975	17 640
El Salvador	7 277	–	–	–	–	7 277	574	6 703	6 375

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Equatorial Guinea	308	486	–	–	–	794	164	630	–
Eswatini	33	–	–	–	–	33	32	1	–
European Commission	22 734	40 293	6	(8)	(120)	62 905	35 145	27 760	–
Finland	4 168	3 149	–	–	–	7 317	5 189	2 128	–
Fiotec	3 900	–	–	–	–	3 900	823	3 077	2 058
Ford Foundation	111	–	–	–	–	111	107	4	–
France	5 005	4 284	–	–	–	9 289	7 559	1 730	–
Friends of UNFPA	2 865	1 083	13	(85)	–	3 876	1 874	2 002	970
Gabon	65	–	–	–	–	65	65	–	–
Gavi Alliance	64	–	–	(48)	–	16	17	(1)	–
Germany	948	836	–	(3)	–	1 781	1 413	368	357
Gobi Oyu Development Support Fund	–	1 754	–	–	–	1 754	135	1 619	1 345
Guatemala	30 745	13 212	297	–	–	44 254	35 472	8 782	2 711
Haiti	7 628	12 000	–	–	–	19 628	3 441	16 187	–
Honduras	2 175	–	–	–	–	2 175	1 380	795	351
Iceland	–	2 087	–	–	–	2 087	445	1 642	800
Individual Giving Programme	–	74	–	–	–	74	–	74	–
Indonesia	477	9 300	–	(338)	–	9 439	1 771	7 668	7 024
International Fund for Agricultural Development	–	145	–	–	–	145	–	145	–
Ireland	1 170	2 180	–	–	–	3 350	750	2 600	–
Itaipu Binacional	–	1 500	–	–	–	1 500	70	1 430	1 200
Italy	13 350	7 612	–	(136)	–	20 826	10 136	10 690	6 112
Japan	7 188	14 254	–	(11)	–	21 431	12 852	8 579	–
Joint Programme-UNFPA: participating agent	15 581	39 160	11	(5)	–	54 747	30 031	24 716	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	3 542	5 817	–	–	–	9 359	7 404	1 955	125
Kazakhstan	127	200	–	–	–	327	139	188	–
Kuwait	17	1 750	–	–	–	1 767	1 011	756	–
Lebanon	224	25	–	–	–	249	115	134	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Liberia	1 827	–	–	–	–	1 827	1 708	119	–
Luxembourg	12 835	1 707	–	(36)	–	14 506	3 300	11 206	7 242
MacArthur Foundation	781	–	–	–	–	781	405	376	–
Malaysia	313	–	–	–	–	313	293	20	–
Mali	3 921	–	–	–	–	3 921	938	2 983	2 080
Mama Malas	1	1	–	–	–	2	–	2	–
MAS Capital (Pvt) Ltd	8	–	–	–	–	8	8	–	–
Mauritania	1 293	–	–	–	–	1 293	446	847	780
Mexico	131	333	–	–	–	464	262	202	–
MTN Foundation	6	–	–	–	–	6	–	6	–
Multi-donor	13 948	7 160	2	7	(44)	21 073	10 397	10 676	1 109
Netherlands	37 105	12 878	–	(201)	–	49 782	15 856	33 926	14 074
New Zealand	2 849	682	–	–	–	3 531	1 268	2 263	–
Niger	5 124	–	–	–	–	5 124	1 464	3 660	2 782
Nigeria	1 732	2 652	–	295	–	4 679	1 659	3 020	219
Noble Energy	5 231	–	–	–	–	5 231	1 796	3 435	1 514
Norway	11 959	42 780	–	(325)	–	54 414	12 563	41 851	17 884
Nutrition International	–	1 575	–	–	–	1 575	125	1 450	1 082
Office for the Coordination of Humanitarian Affairs	11 679	46 746	2	(810)	–	57 617	38 020	19 597	1 019
Office of the United Nations High Commissioner for Refugees	1 462	981	–	(21)	–	2 422	2 421	1	–
Oman	203	–	–	–	–	203	–	203	135
Oman, basic terms cooperation agreement	1 609	860	–	–	(155)	2 314	703	1 611	–
Oyu Tolgoi	19	530	–	–	–	549	160	389	300
Packard Foundation	52	–	–	–	–	52	52	–	–
Panama	–	549	–	–	–	549	21	528	274
Paraguay	2 978	(1 000)	–	–	–	1 978	86	1 892	31
Portugal	22	–	–	–	–	22	–	22	–
Private individuals	16	3	–	–	–	19	–	19	–
Productora de Pulpas Soledad	139	–	–	–	–	139	69	70	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Qatar	265	–	–	–	–	265	15	250	–
REC Foundation	–	5 125	5	–	–	5 130	995	4 135	2 812
Republic of Korea	15 977	12 900	–	–	–	28 877	13 086	15 791	7 736
Republic of Moldova	409	269	–	–	–	678	73	605	–
Russian Federation	1 547	–	–	–	–	1 547	192	1 355	482
Sabanci Foundation	–	73	–	–	–	73	1	72	37
Sao Tome and Principe	1	29	–	–	–	30	30	–	–
Saudi Arabia	424	–	–	8	–	432	194	238	–
SBI Foundation	53	–	–	–	–	53	44	9	–
Sierra Leone	257	–	–	–	–	257	–	257	–
Small contributions	1 259	2 603	–	(1)	(48)	3 813	2 300	1 513	–
Social Development Center	416	–	–	–	–	416	74	342	208
Spain	3 653	2 438	–	(138)	–	5 953	2 493	3 460	–
Sweden	59 899	22 675	4	(121)	9	82 466	36 362	46 104	20 798
Swedish United Nations Association	152	341	–	(18)	(13)	462	441	21	–
Switzerland	16 343	1 386	–	(100)	–	17 629	7 318	10 311	5 241
Terre des hommes Albania	217	–	–	–	–	217	217	–	–
The Resource Foundation	–	582	–	–	–	582	–	582	291
Thematic Trust Fund – multi-donor	139 079	207 503	2 398	–	–	348 980	149 286	199 694	33 038
Timor-Leste	3	–	–	–	–	3	–	3	–
Toms Shoes Inc.	20	–	–	–	–	20	20	–	–
Turkmenistan	873	–	–	–	–	873	128	745	520
UNDP – Multi-Partner Trust Fund	12 232	36 231	4	(52)	–	48 415	24 609	23 806	–
United Kingdom of Great Britain and Northern Ireland	103 192	54 305	27	(1 870)	–	155 654	62 286	93 368	42 814
United Nations Children’s Fund	13 684	21 348	1	(66)	–	34 967	21 600	13 367	–
United Nations Development Programme	3 221	4 329	–	(86)	–	7 464	4 680	2 784	677
United Nations Educational, Scientific and Cultural Organization	1 022	–	–	(3)	–	1 019	274	745	342

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
United Nations Entity for Gender Equality and the Empowerment of Women	636	1 272	–	(19)	–	1 889	509	1 380	–
United Nations Fund for International Partnerships	1 081	550	–	(32)	–	1 599	1 228	371	–
United Nations Human Settlements Programme	440	–	–	–	–	440	432	8	–
United Nations Office for Project Services	1 137	2 492	11	–	–	3 640	1 485	2 155	–
United Nations Office for South-South Cooperation	–	534	–	–	–	534	42	492	67
United Nations System Chief Executives Board for Coordination	–	131	–	–	–	131	–	131	–
United Nations Trust Fund for Human Security	918	–	–	(3)	–	915	498	417	336
United States of America	1 634	–	2	14	(7)	1 643	1 413	230	–
Uruguay	120	1 016	–	–	–	1 136	968	168	122
World Bank	5	–	–	–	–	5	–	5	–
World Food Programme	–	679	–	–	–	679	28	651	419
World Health Organization	1	3 000	–	–	–	3 001	–	3 001	3 000
World Vision Australia	2	–	–	–	(2)	–	–	–	–
Zimbabwe	–	126	–	–	–	126	97	29	–
Zonta International Foundation	1 093	–	–	(32)	–	1 061	1 061	–	–
Subtotal, trust funds	**776 180**	**871 654**	**2 829**	**(4 993)**	**(380)**	**1 645 290**	**707 220**	**938 070**	**334 668**
Special funds									
Contribution in kind – earmarked (goods)	989	379	–	–	–	1 368	305	1 063	1 051
Donor Reporting Resources	2 111	–	843	–	–	2 954	1 211	1 743	–
European Union finance specialist post	162	–	–	–	–	162	–	162	–
Global Contraceptive Commodity Programme	5 000	–	–	–	(375)	4 625	(375)	5 000	–
Inventory/items in transit – other resources	1 057	–	–	–	–	1 057	(662)	1 719	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Junior Professional Officers programme	7 026	4 730	266	–	–	12 022	5 323	6 699	–
Pooled foreign exchange gains/losses for other resources	2 399	–	–	–	119	2 518	–	2 518	–
Population Award	1 744	–	30	–	–	1 774	21	1 753	–
Procurement services – non-third-party services-related	13 795	–	4 783	–	(2 826)	15 752	2 327	13 425	277
Rafael M. Salas Endowment Fund	1 055	–	19	–	–	1 074	–	1 074	–
United Nations Care Global Coordinator	913	7	–	–	–	920	600	320	–
Subtotal, special funds	**36 251**	**5 116**	**5 940**	**–**	**(3 083)**	**44 224**	**8 749**	**35 476**	**1 328**
Total	**812 431**	**876 770**	**8 769**	**(4 993)**	**(3 463)**	**1 689 514**	**715 969**	**973 546**	**335 996**

Note: Contributions and expenses as disclosed in this schedule include "indirect cost" charges of $47.52 million. With the exception of this schedule, expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (governments, intergovernmental organizations, non-governmental organizations or United Nations entities, including the funds and programmes of the United Nations system and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract. That contract includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	Fund balances as at 31 December 2017 reclassified as liabilities	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2018*
Institutions						
Governments and intergovernmental institutions	14 185	40 339	78	54 602	34 657	19 945
UNDP and other United Nations organizations	(371)	2 427	10	2 066	2 064	2
Non-governmental organizations	2 451	4 321	(56)	6 716	4 212	2 504
Total	**16 265**	**47 087**	**32**	**63 384**	**40 933**	**22 451**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2018

(Thousands of United States dollars)

	Programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Staff costs	79 300	85 342	50 978	41 998	125 569	113 629	23 779	15 808	10 420	9 139	228 648	214 779	61 398	51 137
Reproductive health and other programme-related supplies	3 967	4 959	154 101	143 418	61	(153)	(295)	127	2 101	3 690	3 733	4 933	156 202	147 108
Development and training of counterparts	21 320	19 736	91 129	78 704	33	43	(69)	80	–	(35)	21 284	19 859	91 129	78 669
Supplies, materials and operating costs	42 281	44 517	124 030	105 587	24 434	19 654	203	(921)	(4 814)	(3 058)	66 918	63 250	119 216	102 529
Contracted and professional services	40 709	37 707	176 005	128 257	7 389	3 909	441	451	382	339	48 539	42 067	176 387	128 596
Finance costs	110	119	631	419	9	7	250	150	–	–	369	276	631	419
Travel	20 827	18 999	39 044	35 332	3 381	2 650	(97)	(253)	284	196	24 111	21 396	39 328	35 528
Depreciation and amortization	2 687	2 901	578	446	1 705	1 741	2 229	2 113	10	5	6 621	6 755	588	451
Impairment	12	(3)	–	–	–	–	(36)	452	92	–	(24)	449	92	–
Other expenses	1 163	1 023	23 476	3 408	(70)	28	16 279	4 178	2	31	17 372	5 229	23 478	3 439
Total expenses	**212 376**	**215 300**	**659 972**	**537 569**	**162 511**	**141 508**	**42 684**	**22 185**	**8 477**	**10 307**	**417 571**	**378 993**	**668 449**	**547 876**