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United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2014

and

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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Contents

Letters of transmittal

Letter dated 28 April 2015 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 ended 31 December 2014, which I hereby approve.

(*Signed*) Dr. Babatunde **Osotimehin**
Executive Director

Letter dated 30 June 2015 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 2014.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA) for the year ended 31 December 2014, which comprise the statement of financial position (statement I) as at 31 December 2014, the statement of financial performance (statement II), the statements of changes in net assets (statement III), the cash flow statement (statement IV), the statement of comparison of budget and actual amounts (statement V) and the notes to the financial statements.

Responsibility of management for the financial statements

The Executive Director of UNFPA is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we 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.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers such internal control as is relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2014, and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Furthermore, 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 UNFPA and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and regulation 18.1 of the Financial Regulations and Rules of UNFPA (UNFPA/FIN/REG/Rev.10), effective 1 July 2014, and the related annex thereto, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom
of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund 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 awareness of population problems in both developed and developing countries and provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

UNFPA works with more than 2,550 staff located in 133 countries and in partnership with other United Nations agencies, Governments, civil societies and the private sector to support gender-sensitive policies and programmes. It is funded primarily from voluntary contributions that are categorized as earmarked and unearmarked contributions. Revenues amounting to $1.025 billion were recognized in 2014, comprising unearmarked contributions of $471.9 million, earmarked contributions of $491.7 million and other revenues of $61.48 million. Total expenses amounted to $1 billion, comprising $742.78 million utilized directly by UNFPA and $259.34 million incurred by partner organizations on behalf of UNFPA. The increase in direct expenses of $51.01 million in 2014 from $691.77 million in 2013 is a consequence of the growth of UNFPA programme activities.

Scope of the report

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.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNFPA as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with 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 Board examined UNFPA operations in the areas of governance and accountability; reliance on implementing partners to deliver core mandates; results-based management; programme management; human resources management; inventory management; and procurement and contract management. The report also includes a brief commentary on the status of implementation of previous recommendations.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements for the period under review, as reflected in chapter I of the present report.

Overall conclusion

The Board identified no significant errors, omissions or misstatements that might affect its opinion on the UNFPA financial statements. The Board noted that UNFPA is in good financial health and management has undertaken some initiatives to enhance its operations, for example by introducing new systems such as the global programming system for managing workplans and the strategic information system for analysing information. However, the Board noted scope for improvement in a number of areas, both at headquarters and in field operations. Those areas include the internal control system, governance, accountability, the decentralization of operations, results-based management and programme management.

The Board considers that UNFPA needs to widen the scope of its initiatives, deepen the effect of measures introduced and correct deficiencies noted during audit by fully implementing the recommendations contained therein, to ensure that it delivers its mandate effectively and efficiently.

Key findings

The Board has identified a number of issues which need consideration by management to enhance the effectiveness of UNFPA operations. In particular, the Board highlights the key findings set out below.

(a) Establishment of an enterprise risk management framework and risk register

UNFPA has not yet established a comprehensive enterprise risk management framework and risk register to support risk management across the organization. The Board considers that an enterprise risk management framework and risk registers are crucial tools to guide management in identifying and assessing risks, identifying their related controls and determining a response strategy at all levels of operations, in order to achieve the objectives of the organization. Although the Board is aware that UNFPA is in the process of formalizing an enterprise risk management framework, in line with the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, it is of the view that more effort is required to speed up and embed the process.

(b) Establishment deficiencies (UNFPA decentralized offices)

The Board found a number of deficiencies in the establishment of UNFPA decentralized offices, including country offices lacking written approval from regional offices for establishment of decentralized offices, a lack of justified business cases for establishing them and the offices not being included in the organization structures of country offices. The deficiencies were attributed to a lack of clear guidance on establishing decentralized field offices, since some of those offices were established before the introduction of the UNFPA policy on decentralized offices.

(c) Performance indicators, baselines and targets in workplans

The Board noted that 34 out of 117 workplans signed between UNFPA and its implementing partners, with a total budget of $36.8 million for 2014, had no baselines and targets, while 35 workplans, with an annual budget of $9.6 million, had no performance indicators, targets or baselines, as required under the UNFPA Policies and Procedures Manual. UNFPA stated that it had provided instructions to all country offices and undertook to use the strategic information system and the global programming system, launched in 2014, to redress the noted deficiencies.

(d) Maintenance of a global database for consultants and service contracts

From a review of special service agreements and service contracts, the Board noted that UNFPA had not established a global database for monitoring, controlling and reporting on special service agreements and service contracts in field offices.[a] In addition, country offices do not periodically update the independent roster for international consultants. UNFPA explained that it had not been able to establish the database because it was searching for an effective information technology solution on developing a web-based database that would be properly configured to monitor and report on temporary support personnel.

Recommendations

The Board has made several recommendations based on its audit that are contained in the body of the present report. The main recommendations are that UNFPA:

(a) **(i) Speed up the process of developing the enterprise risk management framework that outlines the underlying approaches to risk management and mitigation strategies to guide UNFPA management in identifying, assessing and addressing risks at all levels of operations; and (ii) establish risk registers at the operational level and a consolidated register at the strategic level, outlining the categories and nature of risks which might affect delivery of the UNFPA mandate;**

(b) **(i) Update the guidelines for decentralized offices to clearly define and outline the different arrangements of decentralized offices for the establishment and management of operations; (ii) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (iii) incorporate the organization chart of decentralized offices and reporting lines into the organization structure of country offices;**

(c) **(i) Include performance indicators, targets and baselines for expected outputs for the workplans of all approved implementing partners; and (ii) ensure that assessment of the performance of implementing partners in delivering the UNFPA core mandate is based on the performance indicators, targets and baselines set out in the approved workplans of implementing partners;**

(d) **Continue to develop a global comprehensive database for maintaining, recording and periodically updating key information on consultants and service contracts, to improve the control, monitoring and reporting of special service agreements and service contracts at field offices.**

[a] Information on personnel hired as local consultants and service contract holders is maintained manually.

Key facts

$511.56 million	UNFPA budget for development and management activities
$1,025.13 million	Revenue reported (including $219.9 million due for payment in future years)
$1,002.12 million	Total expenses
159	Number of countries served by UNFPA
1,525	Number of implementing partners working with UNFPA
1,878	UNFPA local staff
672	UNFPA international staff
10,300	Number of programme activities implemented by implementing partners
$259.34 million	Total amount spent by implementing partners in 2014 for delivery of programme activities on behalf of UNFPA
$742.78 million	Expenses spent directly by UNFPA in 2014

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; to promote awareness of population problems in both developed and developing countries; and provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. UNFPA works with more than 2,550 staff located in 133 countries and in partnership with other United Nations agencies, Governments, civil societies and the private sector to support gender-sensitive policies and programmes.

3. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its operations for the financial year ended 31 December 2014, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter 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.

4. 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 2014 and its financial performance and cash flows for the year then ended, in accordance with 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. The audit included a general review of the 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 country offices in Cameroon, the Democratic Republic of the Congo, Ethiopia, Haiti, India and Zimbabwe, as well as a review of financial transactions and operations at Headquarters in New York.

6. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations in accordance with regulation 7.5 of the Financial Regulations and Rules of the United Nations. Specific areas covered during the audit included governance and accountability; results-based management; programme management; human resources management; inventory management; and procurement management.

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board noted that, of the 22 recommendations made for the year 2013 and previous years, 12 (55 per cent) had been fully implemented and 10 (45 per cent) were under implementation. Annex I to the present report contains a detailed commentary on the status of previous recommendations.

8. The 10 outstanding recommendations await approval for the policies and tools required to implement them, or their implementation depends on the implementation of new policies, structure and tools at field offices.[1]

2. Financial overview

Financial position

9. The total assets of UNFPA as at 31 December 2014 increased from $1,160.46 million in 2013 to $1,295.2 million, as a result of the increased number of investments in 2014, which were attributed to increases in joint programme funds held by UNFPA on behalf of other United Nations organizations. UNFPA also reported $567.77 million of total liabilities as at 31 December 2014 (2013: $401.07 million). That significant increase was caused by an actuarial valuation of employee benefit liabilities and an increase in funds held by UNFPA as administrative agent of joint programmes on behalf of other organizations of the United Nations system. The actuarial loss of $54.98 million occurred owing to a decrease in the discount rate from 5 per cent in 2013 to 4 per cent in 2014.

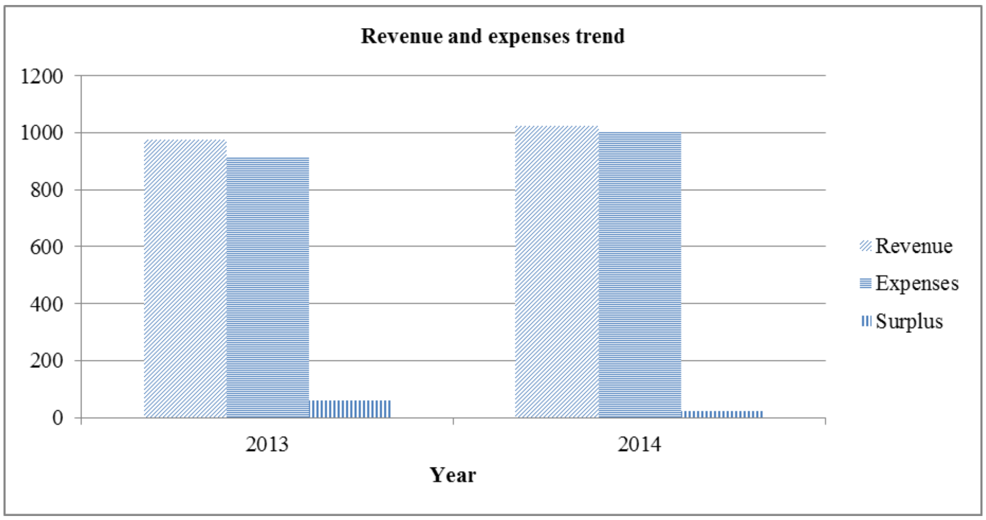
Operating results

10. For 2014, UNFPA reported total revenues of $1,025.13 million (2013: $976.77 million) and total expenses of $1,002.12 million (2013: $913.34 million), representing a surplus of $23.01 million, (2013: $63.43 million). The decrease in surplus is a consequence of a higher level of programme implementation for earmarked resources compared with 2013, as shown in figure II.I.

[1] Performance evaluation online application and global programming system.

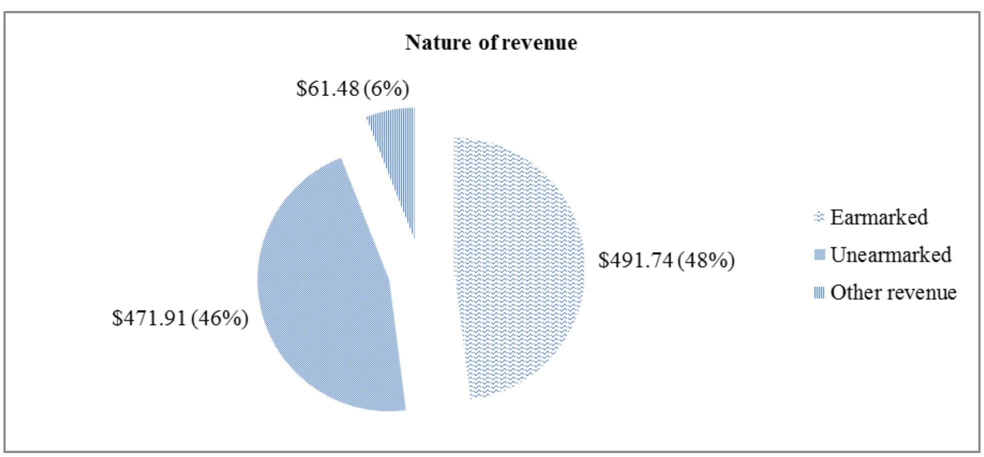
11. Of the total revenues, $491.74 million (48 per cent) related to earmarked contributions, $471.91 million (46 per cent) related to unearmarked contributions and $61.48 million (6 per cent) related to other sources of revenues, as shown in figure II.II. Total revenues have increased by 5 per cent, reflecting the fact that UNFPA continues to make significant efforts to ensure that resources are available for effective programme delivery, and expenses have increased by 9.7 per cent, reflecting the significant growth of UNFPA programme activities.

Figure II.I
Revenue, expenses and surplus of UNFPA for 2013 and 2014
(Millions of United States dollars)



Source: UNFPA 2014 financial statements.

Figure II.II
Revenue of the United Nations Population Fund, 2014
(Millions of United States dollars)



Source: UNFPA financial statements for 2014.

Ratio analysis

12. The analysis of the main financial ratios (see table II.1) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Furthermore, the decrease in the value of the current ratio from 4.6 to 2.5 is due to a shift in composition of the UNFPA investment portfolio from predominantly short-term to long-term investments.

Table II.1
Ratio analysis

Description of ratio	*31 December 2014*	*31 December 2013*
Current ratio[a]		
Current assets: current liabilities	2.5	4.6
Total assets: total liabilities[b]		
Assets: liabilities	2.3	2.9
Cash ratio[c]		
Cash plus investments: current liabilities	1.7	2.9
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	2.1	4.2

Source: Board's analysis of UNFPA financial statements for the period ended 31 December 2014.

[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 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 system

Non-establishment of an enterprise risk management framework and risk register

13. UNFPA implements about 18,724 programme activities in 133 countries and faces a wide range of strategic and operational risks in its day-to-day operations. Nevertheless, the Board noted that it has not yet established an enterprise risk management framework and risk register for guidance on and monitoring of organizational risks.

14. The Board considers that an enterprise risk management framework is crucial for documenting and implementing a systematic approach towards the identification, assessment and prioritization of risks across the organization, and will help the organization to establish proper mitigation strategies against identified risks, such as inadequate processes of monitoring, delivery and reporting on programme activities and inappropriate alignment of resources to programmes.

15. UNFPA stated that it was in the process of establishing an enterprise risk management framework and risk register to mitigate organizational and contextual risks associated with its business operations and 11 top corporate risk areas had been identified from initial risk assessments. In addition, a process was under way to formalize an enterprise risk management framework, in line with the framework

issued by the Committee of Sponsoring Organizations of the Treadway Commission. That process highlighted clear support from the top, introduced change in incremental steps, leveraged existing resources, harmonized existing risk management activities and embedded ongoing improvements in enterprise risk management, knowledge-sharing and continuing education into the fabric of the organization. However, the timeline or target dates for completing those activities has not been provided by UNFPA.

16. **The Board recommends that UNFPA: (a) accelerate the process of developing an enterprise risk management framework that outlines the underlying approaches to risk management and mitigation strategies to guide UNFPA management in identifying, assessing and addressing risks at all levels of operations; and (b) establish risk registers at the operational level and a consolidated register at the strategic level outlining the categories and nature of the risks which may affect UNFPA in delivering its mandate.**

4. Governance, accountability and the business transformation process

Establishment of UNFPA decentralized offices

17. Since 2007, UNFPA has been involved in a process of restructuring, including increasing the number of country offices beyond the capital cities by establishing decentralized offices in states, provinces or districts that are often difficult to access. As at December 2014, 91 decentralized offices, located in 36 field offices, were established to enhance programme effectiveness and search for innovative approaches to reach certain groups, generally the most remote and vulnerable areas, where the size and geographical location of the country is challenging and there is an imperative need to invest in strategic partnerships or respond to humanitarian situations. However, the Board noted deficiencies in the current arrangements as detailed below.

Establishment deficiencies

18. The Board noted that UNFPA country offices had no written approval from regional offices to support the establishment of the decentralized offices, contrary to the requirements of paragraph 7 of the UNFPA guidelines for decentralized offices, which requires the written approval of the regional director. In addition, at the country office in Ethiopia, the Board found that the establishment of six placement offices located at each of the offices of the government implementing partners were not in line with the UNFPA guidelines for decentralized offices, nor was there any evidence to confirm that the establishment of those offices had been formalized in an agreement with the Government (either at the national or the local level).

19. Furthermore, the Board found that the business cases submitted for the establishment of decentralized offices lacked important information, such as an explicit rationale for the establishment of a decentralized office, the need for an assessment exercise including a thorough situational analysis, a cost/benefit analysis and a plan for the sustainability of the operations of the decentralized offices with a phase-out process.[2] That was noted in the business cases of country offices in India and the Democratic Republic of the Congo.

[2] See para. 7 of the UNFPA guidelines for decentralized offices.

20. Furthermore, the Board noted that the established structure of decentralized offices and its reporting lines had not been incorporated into the organizational charts of country offices, contrary to paragraph 59 of the guidelines.

21. The Board considers that those deficiencies are due mainly to the lack of clear guidance on the establishment of decentralized offices at field offices, since some decentralized offices were established before the existence of the UNFPA policy on decentralized offices. UNFPA explained that a comprehensive assessment of decentralized offices had been undertaken in April 2015 through the respective regional and country offices; some offices had obtained post facto approval from the regional offices and the remaining offices were in the process of so doing.

22. The Board is of the view that lack of clear guidance on the establishment of decentralized offices at field offices renders it difficult to establish an organizational road map of how activities ought to be conducted in decentralized offices.

23. **The Board recommends that UNFPA: (a) update the guidelines for decentralized offices to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the organization chart of decentralized offices and its reporting lines into the organization structure of country offices.**

Performance assessment deficiencies

24. According to its the guidelines for decentralized offices, UNFPA should conduct monitoring and assessment of decentralized offices (see, for example, paras. 20, 48, 60, 65 and 74).

25. However, at the country offices in Cameroon, the Democratic Republic of the Congo, Ethiopia and India, the Board found that UNFPA was not conducting monitoring and assessment visits to determine the current and continuing needs of the decentralized offices and their operations. As a result, the implementation of various activities conducted in those offices could not be measured reliably.

26. In addition, the Board found that the appointed focal persons in country offices had not been provided with terms of reference, despite being assigned oversight responsibilities to ensure continual support and communication between decentralized offices and country offices.

27. The Board also noted that the deficiencies were due mainly to the absence of clear and documented mechanisms for monitoring and supervision of the decentralized offices. The Board is concerned that the lack of clear and documented mechanisms for the monitoring and supervision of the decentralized offices hinders evaluation of the activities implemented by those offices.

28. **The Board recommends that UNFPA: (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points to ensure that they deliver according to the UNFPA mandate.**

5. Results-based management

Performance indicators, baselines and targets in the workplans of implementing partners

29. The annual workplan is the formal document signed between implementing partners and UNFPA. The plan captures the expected outputs, with indicators (baselines and annual targets), the activities to be carried out towards achievement of the expected outputs and the inputs to be provided for each activity.

30. The Board noted that 34 out of 117 workplans, with a total budget of $36.8 million for 2014, had no baselines and targets, while 35 workplans, with an annual budget of $9.6 million, had no performance indicators, targets or baselines in their signed workplans, which is contrary to the UNFPA Policies and Procedures Manual.

31. UNFPA explained that it recognized the importance of incorporating results-based management attributes into its workplans and that the latest version of the policy and procedures for the preparation and management of workplans required the inclusion of baselines and targets in workplans. UNFPA also stated that all country offices had been instructed to implement appropriate quality assurance mechanisms and evaluation standards and procedures. Furthermore, the strategic information system and the global programming system, launched in 2014, would be used extensively to assess the performance of implementing partners in delivering the UNFPA core mandate.

32. While the Board acknowledges the management effort, it considers that an adequate assurance mechanism needs to be in place to ensure that performance indicators, baselines and targets are properly formulated and are consistent with both workplans and an integrated results framework for the effective monitoring and assessment of programme activities.

33. The Board is of the view that the lack of performance indicators, baselines and targets in the workplans might result in an inadequate assessment of the performance of implementing partners, as there would be no targets to be achieved or baselines against which to assess output.

34. **The Board recommends that UNFPA: (a) include performance indicators, targets and baselines for expected outputs in the workplans of all its approved implementing partners; and (b) ensure that the assessment of the performance of implementing partners in delivering the UNFPA core mandate is based on those performance indicators, targets and baselines.**

6. Programme management

Inadequate monitoring of the workplans of implementing partners

35. The UNFPA monitoring mechanism for verifying the work of implementing partners includes the submission of quarterly reports to UNFPA by the implementing partners, monitoring visits in the field to implementing partners by UNFPA Programme Officers and independent external audit and certification of expenditure reports submitted by the implementing partners. Along the same lines,

UNFPA country offices have the responsibility of monitoring workplans and ensuring that the monitoring is done adequately.[3]

36. The Board noted that monitoring activities of implementing partners were not conducted as planned in the monitoring plans of field offices. In addition, there were no documented establishment indicators, no clear programme of monitoring of implementing partners and no procedures for the continuous assessment of the performance of each implementing partner, as required by the manual.[4] Examples of the deficiencies noted are as follows:

(a) In the Cameroon country office, non-submission of funding authorization and certificate of expenditure forms for 6 (40 per cent) out of 15 implementing partners who received funds in the second quarter;

(b) In the country office in the Democratic Republic of the Congo, non-completion of planned monitoring activities (quarters 1 to 3) of the workplans of different implementing partners in respect of 123 activities (85 per cent) out of 145 planned activities.

37. UNFPA explained that the latest version of the policy and procedures for programme and financial monitoring and reporting reinforced the need for and importance of programme monitoring, including joint monitoring of workplans, for which both implementing partners and UNFPA should be held accountable, and that management would ensure that monitoring and assessment of the activities of implementing partners were planned and conducted in a timely manner.

38. The Board is of the view that inadequate monitoring of the workplans of implementing partners hinders the effective evaluation of implementing partners as far as implementation of planned programme activities is concerned.

39. **The Board recommends that UNFPA: (a) strengthen its monitoring procedures for implementing partners to ensure adequate performance of programme implementation activities; and (b) prepare monitoring plans that can be achieved within the time frame.**

Reconciliation of data between combined delivery reports and funding authorization and certificate of expenditure forms

40. The combined delivery reports and funding authorization and certificate of expenditure forms are mandatory official reports, which reflect the expenses and funds utilized on programmes and which are required to be prepared quarterly and yearly according to the requirements of the Operations Policies and Procedures Manual. Also, part V of the national execution audit guide requires UNFPA country offices to reconcile the data in the combined delivery reports with the corresponding data in the funding authorization and certificate of expenditure forms and any direct payment forms on a quarterly basis.[5]

41. However, the Board noted that in 72 out of 92 cases reviewed in the six country offices visited, quarterly reconciliation of data between the combined

[3] Monitoring of workplans should be planned before the commencement of programme activities and reviewed throughout the year to ensure it is appropriate.

[4] See section III.B of policy and procedures for programme and financial monitoring and reporting.

[5] Any differences between Atlas records and data submitted by implementing partners through funding authorization and certificate of expenditure forms must be identified and cleared.

delivery reports and funding authorization and certificate of expenditure forms (from implementing partners) had not been conducted at the rate of between 75 and 100 per cent, which is contrary to the national execution audit guide. The country offices stated that they carried out the reconciliation at the year-end after receiving financial closure instructions.

42. UNFPA explained that country offices used to reconcile combined delivery reports with funding authorization and certificate of expenditure forms after the year-end financial closure instructions, in which case the instructions usually required the reconciliation to be processed after the third quarter before the books were closed and prior to the field visit by an external auditor to ensure complete reconciliation for quarter 4 and validity of the expenditures to be audited. In addition, UNFPA explained to the Board that a decision had been made to recommend regular reconciliations and the country offices would comply with that requirement.

43. The Board is concerned that the failure to comply with the requirement to perform the quarterly reconciliation between combined delivery reports and funding authorization and certificate of expenditure forms may affect the accuracy, completeness and reliability of the data recorded in the Atlas system and may inhibit management from identifying and correcting discrepancies between the data in the combined delivery reports and those recorded on the funding authorization and certificate of expenditure forms in a timely manner.

44. **The Board recommends that UNFPA reconcile the data in the combined delivery reports with those recorded in the funding authorization and certificate of expenditure forms on a quarterly basis, in accordance with the national execution audit guide.**

7. Human resources management

Management of the Atlas eService (leave application)

45. In 2012, UNFPA, through the Division for Human Resources, launched an online Atlas eService to be used by all UNFPA permanent and fixed-term staff when applying online for rental subsidies and education grants and making requests for all types of leave.

46. From the recalculation of leave balances, the Board noted that there were differences in some cases between the expected maximum leave balances, which were intended to be recorded in the eService application and the actual balances recorded in the system for the period ended 31 December 2014. For example, differences in 30 out of 78 staff leave balances reviewed were noted when compared with the actual balances recorded in the system.

47. UNFPA explained that the differences noted were the results of the inability of the eService application to record leave properly under certain circumstances. The discrepancies occurred owing to staff conversions in categories from national to international positions when their accrued leave balances were not carried forward accurately in the subsequent period. Furthermore, the Board noted that UNFPA undertook manual adjustments in the eService application to correct the leave points after 31 December 2014, rather than conducting them before the end of the year, as required by the policy of leave recording and management.

48. The Board also noted that the eService application contained records of leave taken in advance by staff in excess of the advance leave days allowed. For example, 5 out of 19 staff reviewed had negative home and annual leave balances in excess of the advance leave days allowed. That was contrary to the required maximum leave that a staff member could take in advance, which were 10 and 12 days for annual and home leave, respectively.

49. The Board is of the view that non-configuration of the eService application to accommodate changes and clean up the data in the system has resulted in incorrect and unreliable data generated from the system. In addition, the absence of controls for the process of recording balances of leave taken in advance and accrued leave balances for staff members who have changed from national to international posts has resulted in manual adjustments, which are susceptible to human error and increase the risk of misstatements for the leave liability balance.

50. **UNFPA agreed with the recommendation of the Board that it: (a) clean up the data and manual adjustments in the eService application before the end of the year to record the leave liability accurately and thereafter monitor the leave records consistently through the system; and (b) configure the eService application so that it does not allow for negative leave balances beyond the maximum advance leave days allowed in the policy.**

Maintenance of the global database for consultants and service contracts

51. UNFPA uses special service agreements and service contracts to engage personnel with expert skills and knowledge to provide temporary assistance to support the implementation of programmes at field offices and provide additional personnel with technical or operational skills for performing non-core functions of operational support. The guide to special service agreements recommends that UNFPA offices develop a database of consultants, to include information such as names, qualifications screened for future use, working experience with other United Nations agencies and performance evaluation reports.

52. From the review of special service agreements and service contracts, the Board noted that UNFPA had not established a global database for monitoring, controlling and reporting on special service agreements and service contracts at field offices. In addition, country offices do not periodically update the independent roster for international consultants and the rosters had no performance evaluation module for recording the actual performance of consultants and temporary support personnel for future reference.

53. UNFPA explained that data on service contracts was already being imported into its Atlas human capital management module to ensure that the UNFPA managers responsible could better manage the contracting of service contract holders in coordination with the field offices of the United Nations Development Programme (UNDP). UNFPA also stated that it was looking for information technology solutions to enhance control, monitoring and reporting on special service agreements and service contracts at field offices. In addition, a performance appraisal report had been launched[6] and a new consultant roster (including mandatory service evaluation) had been created, which would allow for a

[6] An online tool to enhance the system for performance assessments of service contracts.

centralized database for individual consultants and would eventually replace the special service agreement contract modality.

54. The Board considers that the establishment and adequate use of the comprehensive global database for recording and maintaining key information on special service agreements and service contracts, including the number of candidates recruited, their pre-screened qualifications, references, experience and records of the screening and performance evaluation results, will help UNFPA management in monitoring and reporting on temporary support personnel with appropriate data for future reference.

55. **The Board recommends that UNFPA continue to develop a global comprehensive database for maintaining, recording and periodically updating key information on consultants and service contracts to improve control, monitoring and reporting on special service agreements and service contracts at field offices.**

8. Inventory management

56. According to paragraphs A.3.1 and A.8 of the UNFPA inventory management policy, management should ensure the timely delivery of goods to implementing partners so that the best interests of beneficiaries are served.

57. The Board noted, however, that country offices delayed the transfer of inventory items to implementing partners for periods ranging between 2 and 12 months from the date the goods were received at country offices. For example, the country office in the Democratic Republic of the Congo procured and received 116 inventory items in an amount of $3.4 million between 2012 and 2013, but up to 27 October 2014, those items were still in UNFPA stores rather than being distributed to implementing partners. The holding of procured items for such a long time is inconsistent with paragraph A.3.1 and A.8 (i) of the UNFPA inventory management policy. The Board noted that the delays were due mainly to rescheduling of the planned activity of implementing partners and improper monitoring of inventory levels.

58. UNFPA explained that it would take steps to monitor inventory levels at country offices, to ensure swift distribution to intended beneficiaries. It would also ensure that each procurement order was accompanied by a detailed plan so that, once ordered, materials arrived in the field offices; the field offices would take immediate action to distribute them to the planned partners and beneficiaries. Furthermore, the activity implementation plans of implementing partners would be reviewed for any changes prior to procurement or distribution of inventories to ensure timely delivery and distribution.

59. The Board considers that delays in the distribution of inventories to implementing partners may increase holding costs and inventories may become obsolete or damaged.

60. **The Board recommends that UNFPA: (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key**

metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.

9. Accounts and financial management

Management of staff advances

61. From the review of the financial statements, the Board noted that UNFPA had reported a balance of $4.19 million as advances to staff, of which $1.355 million and $0.017 million related to salary advances and advances for purchasing cars, respectively. The ageing analysis report of outstanding staff advances showed that $0.583 million (13.9 per cent) had remained outstanding for more than one year. The Board considers that this is due mainly to the absence of an automated system to control staff advances at field and head offices.

62. The Board also noted that 167 of the 715 individuals who had received salary advances had credit balances amounting to $0.33 million, which were due to wrong posting in salary advance recovery accounts. The credit balances in those accounts are unusual and need investigation to establish the cause for each affected account that has a credit balance rather than a debit balance. The Board is of the view that in the absence of an automated system to control advances, UNFPA may be at risk of non-recovery of salary advances.

63. **UNFPA agreed with the recommendation of the Board that it: (a) speed up the investigation on the unusual credit balances in the individual salary advance accounts; and (b) consider instituting an automated system to control staff advances at field and head offices.**

C. Disclosures by management

64. UNFPA made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud, which in the view of the Board are not significant.

1. Write-off of losses of cash, receivables and property

65. UNFPA informed the Board that it had formally written off losses of $0.51 million (2013: $0.43 million). The write-offs included contributions receivable of $0.23 million, cash stolen of $0.002 million, unsupported national execution expenditures of $0.01 million, property, plant and equipment of $0.01 million and inventory of $0.26 million (see annex II to the present report).

2. Ex gratia payments

66. UNFPA reported that ex gratia payments for the period under review amounted to $0.08 million. The payments had been made as compensation to seven staff for accrued pension rights when they worked as staff members seconded to the UNFPA country office in China and one staff member as compensation for a travel advance (see annex III).

3. Cases of fraud and presumptive fraud

67. In accordance with the International Standards on Auditing (Standard 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.

68. 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 that had been brought to its attention. The Board also enquired as to whether management had any knowledge of any actual, suspected or alleged fraud, including enquiries undertaken by the Office of Audit and Investigation Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the external audit report.

69. In 2014, the Board did not identify any cases of fraud, other than the nine cases of fraud amounting to $0.02 million which had been reported to the Board by the management.

D. Acknowledgement

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

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of
the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Annex I

Status of implementation of recommendations for the financial period ended 31 December 2014

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	A/65/5/Add.7, para. 215	UNFPA Nigeria country office to comply with rule 114.4 (c) of UNFPA Financial Regulations and Rules with regard to payments made with no obligating documents.	UNFPA headquarters has been coordinating closely with the Nigeria country office to address the issue. Payments are made based on a certification indicating that the goods were satisfactorily delivered according to specifications. The preliminary results of a recent Office of Audit and Investigation Services of the Nigeria country office revealed substantial progress in that aspect.	The Board noted improvements in financial management by the Nigeria country office.	X			
2.	A/65/5/Add.7, para. 262	Update the asset management module in the Atlas system with the correct location information for each asset in compliance with the asset management policy.	The Division for Management Services took a snapshot of assets without location information in March. Five assets had no location recorded and had all been acquired in March 2015. UNFPA have proven conclusively that it is always new assets which might not have reached their final destination that do not have location information in Atlas. A follow-up with country offices is performed twice a year to ensure that they clear out their dashboard, which includes assets without location, that way the organization will ensure that on average no recorded asset is without location for more than six months.	The Board reviewed UNFPA in-service asset registers and noted that all assets had locations.	X			
3.	A/67/5/Add.7, para. 83	(a) Provide clarity on the extent of oversight that regional offices should provide to country offices; (b) capacitate regional offices with staff and tools to enable them to carry out the oversight functions; and (c) design and implement the performance measurement system to be used to measure the effectiveness and	A number of steps have been taken to examine the capacity of regional offices and develop it. These include: (a) a management review of the regionalization initiative undertaken at the beginning of 2013, which provided a series of recommendations for the regional offices to deliver on their full potential. That resulted in concrete steps reflected in the new UNFPA business model as part of the next strategic plan (2014-2017), which includes revisiting the roles and responsibilities of the regional offices and clarifying the division of labour with headquarters; (b) the establishment of a new regional office for West Africa; and (c) the creation and filling of a	Management has prepared an organizational handbook with revised terms of references for regional offices with clear oversight roles for country offices.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		performance of regional offices.	number of regional posts in all regional offices aimed at strengthening the capacity of the regional offices. Those posts included regional communications advisers, resource mobilization advisers, international operations managers and human resources strategic partners. In addition to those measures, UNFPA has completed revision of the terms of reference of country offices and regional offices in the organizational handbook. The revised terms of references clearly indicate functions, reporting lines, delegation of authority and cascading oversight responsibilities.					
4.	A/67/5/Add.7, para. 84	Address the weaknesses in regional office architecture as recommended by the Division for Oversight Services.		Under implementation.		X		
5.	A/67/5/Add.7, para. 147	Address deficiencies in regional offices as mentioned in the findings of the Division for Oversight Services.		Under implementation.		X		
6.	A/67/5/Add.7, para. 91	Comply with policies and procedures regarding the evaluation of vendor performance.	(a) The vendor assessment application (version 2) has been running for more than a year without technical issues; (b) Adherence is substantial (83 per cent of 2013 purchase orders have been assessed, most of which will have been dispatched or completed by now); and (c) Reminding country offices to conduct assessments is a "business as usual" activity for the Procurement Service Branch and is part of the workplan of the regional buying teams.	The Board reviewed the vendor assessment application (version 2) and noted improvements in vendor performance evaluation.	X			
7.	A/68/5/Add.7, para. 24	(i) Review and update the fixed asset management policy and procedures to provide a	A "useful life" study was conducted in 2013 and new useful life was included in the policy revision. The policy was revised and issued in September 2014.	The Board reviewed the asset management	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		clear policy on the actions to be taken when property, plant and equipment are fully depreciated; and (ii) review the useful life of property, plant and equipment.		policy; the asset useful lives have been revised.				
8.	A/68/5/Add.7, para. 45	Enhance control over use of special service agreements and only allow special service agreements that are consistent with its policy.	Special service agreement policies (currently three different ones) are reviewed and have been collapsed into one. Executive Committee approval expected early next week in early July 2015.	Management has to approve and implement the policy.		X		
9.	A/68/5/Add.7, para. 49	Abide by the service contract policy by conducting evaluations of service contracts two months prior to the expiration date and provide justification for the renewals.	An online tool to facilitate service contract performance assessments prior to the end or renewal of the contract has been developed.	Management has launched the online performance appraisal tool for service contracts; implementation of the tool is awaited.		X		
10.	A/68/5/Add.7, para. 59	(a) Improve its leave policy to clearly state the role and approval limits so as to ensure that the headquarters have adequate control on endorsement and granting of special leave; and (b) review Atlas reports on special leave to make it more comprehensive by including duration and reason for granting special leave.	Leave policy clearly states roles and approval limits. Existing report tool has been adjusted to address the former limitations.	The Board reviewed the new special leave policy and noted that rules and approval limits have been incorporated into the policy.	X			

	Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
11.	A/68/5/Add.7, para. 67	Strengthen the mechanisms for monitoring and reviewing procurements, taking into consideration risk and cost factors, by increasing regular reviews of the performance of the requisition units.	The Procurement Service Branch has taken measures to increase regular reviews of the performance of the requisition units. • Review of requests for proposals and invitations to bid (for procurement over $100,000) as well as Contract Review Committee draft submissions from country offices/headquarters as a "business as usual" activity • Review of past information from the Contract Review Committee to identify procurement weaknesses and mitigation measures • Communicate with identified procurement gaps in countries and suggest mitigations • Country database has been developed where country procurement information is recorded and used by the Procurement Service Branch for oversight purposes and shared with the Office of Audit and Investigation Services.	Mechanisms for monitoring and reviewing procurement have been improved.	X			
12.	A/69/5/Add.8, para. 16	UNFPA agreed with the Board recommendation to: (a) align the operations of the decentralized offices to cover assessment of the suboffices to ensure they are in compliance with the requirements of UNFPA guidelines for decentralized offices; (b) establish clear descriptions of roles and responsibilities between country offices and decentralized offices; and (c) improve the staffing of the offices and set performance targets, systematic	UNFPA has undertaken a comprehensive assessment of all existing decentralized offices. Complete data on the number of decentralized offices and their approval status are now available. The guidelines on decentralized offices were revised in April 2015. The country offices that have decentralized offices without regional office approval/clearance are being requested to complete the post facto approval process as early as possible.	The Board acknowledges management efforts in undertaking a comprehensive survey. The same recommendation was reiterated in 2014.	X			

Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
	monitoring and assessment criteria for focal points to ensure the quality and timely delivery of the assigned responsibilities.						
13. A/69/5/Add.8, para. 21	UNFPA agreed with the Board's recommendation to consider harmonizing the implementing partner capacity assessment tool and the harmonized approach to cash transfers to improve the assessment of implementing partners.	In response to this recommendation and in the context of the roll-out of the inter-agency harmonized approach to cash transfer (HACT) framework in 2014, UNFPA and the United Nations Children's Fund (UNICEF) have worked on integrating the agency-specific assessments of implementing partners (such as the implementing partner capacity assessment tool (IPCAT) for UNFPA) and the HACT micro-assessment into one harmonized United Nations implementing partner micro-assessment tool. A draft integrated and harmonized implementing partner micro-assessment tool is available and will be ready for launch in June 2015. Until then UNFPA business units will continue applying IPCAT and the 2014 micro-assessment terms of reference.	Launch and implementation of the integrated and harmonized implementing partner micro-assessment tool is awaited.		X		
14. A/69/5/Add.8, para. 25	The Board recommends that UNFPA agree, along with the implementing partners, to abide by the terms of their engagement and ensure the signing of annual workplans is completed in advance of the implementation of any new projects.	Regarding this issue, it may be noted that both the revised policy and procedures for preparation and management of workplans and the legal contracts with implementing partners (both issued in July 2014) emphasize the existing requirement of the timely signing of workplans. In addition, the global programming system, launched in November 2014, brings full transparency to the management of workplans, including the date of signing. The system enables UNFPA to compare budgeting and spending with an implementing partner with the status of the respective workplan (i.e., whether or not it has been signed). The organization expects to see first results, i.e. more timely signing of workplans, by the end of the first quarter of 2015.	The Board acknowledges the efforts of the management in launching the global programming system; however, the effectiveness of the established system in solving the weaknesses noted will be assessed.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
			The global programming system was launched as planned in November 2014. Since then, there has been full transparency for the management of UNFPA workplans, including the date of signing. That further strengthens the workplan policy that stipulates that workplans have to be signed prior to implementation. The system also makes compliance monitoring much easier. In light of those measures having been implemented, UNFPA would suggest that the Board of Auditors close this recommendation.					
15.	A/69/5/Add.8, para. 30	UNFPA agreed with the recommendation of the Board to ensure there is adequate representation in the coordination and oversight of the activities of the field offices by filling the long-outstanding vacant posts on an urgent basis in order to achieve the Fund's programme objectives more efficiently and effectively.	Bench strength has been strengthened through use of the leadership pool, for which the second round of assessments took place in September 2014. In total, 58 candidates have already been assessed with 47 of them assessed as "ready" or "ready with development". As a result, 32 leadership pool members have been given new assignments. The next assessment will take place at the end of June 2015. In 2013 and 2014, executive search services were used to recruit for 10 critical senior level positions. UNFPA will continue to use executive search services by concluding current requests for proposals for the provision of those services. The procurement process has been completed and the new long-term agreement will be signed early in May 2015. Human resources strategic partners have been embedded in the regional offices and at headquarters to closely monitor and support the recruitment for critical vacant posts. The UNDP management consulting team recommendations have been implemented to 80 per cent, in order to streamline recruitment processes and reduce recruitment times. Periodic data review of vacant posts and, where feasible, data clean-ups of posts are being conducted. The last review took place in	The Board has noted the efforts of the management in reducing the vacancy rate.	X			

Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		November 2014; the next one has started and will be concluded in early May 2015. Despite the efforts of UNFPA, a major cause for delay in the filling of vacancies remains, which is the approval of nominations by Governments. That has an impact on the vacancy rate, while being outside the control of the organization. Overall, the vacancy rate has dropped from 20 per cent in April 2014 to 15 per cent in April 2015. There has been a significant reduction in the UNFPA vacancy rate recently, despite an increase in approved posts, while hiring capacity has remained at the same level. In view of those developments, it is requested that this observation be closed.					
16. A/69/5/Add.8, para. 34	UNFPA agreed with the recommendation of the Board that it adhere to the recruitment guide by: (a) ensuring that hiring of service contract holders is not used as a substitute to the recruitment of fixed-term officers; (b) whenever service contract holders are hired, the length of their contracts should not exceed the contract periods stipulated in the service contract user guide; and (c) reconfigure the web-based tool to improve the monitoring and evaluation of the performance of special service agreements and service contracts in a timely manner.	One-off scan of country offices to review whether contract modalities are being used according to policy guidelines. A two-year grace period will be given to allow country offices time to adjust (first pilot region will be conducted by early May 2015). Finalizing migration of service contracts into Atlas. Currently, 109 country offices have been migrated. The Division for Human Resources continues to follow up with remaining country offices and expects to finalize by early May 2015. Human resources strategic partners will review terms of reference for service contracts before they are advertised. The Division for Human Resources reviews existing templates for recruitment of service contracts, together with a review of special service agreement templates. Pilot by 8 May 2015. Following that, remaining regions will conduct a one-off scan by end June 2015, following which terms of reference for service contracts will be reviewed on an ongoing basis.	The Board acknowledges the management response, however, the implementation of the management strategies is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17.	A/69/5/Add.8, para. 39	The Board recommends that UNFPA make proper use of the established monitoring tool for vendor assessment and ensure that country offices evaluate the performance of the suppliers of goods and services with contracts below $50,000 in order to identify deficiencies that require improvement.	The threshold for vendor assessment has decreased further with the launch of the revised procurement procedures. Vendor performance thresholds have been reduced from $50,000 to $5,000 for procurement in country offices and $10,000 for business units at headquarters and regional offices. For the procurement of contraceptives, vendor performance evaluation is done regardless of the contract value.	The Board reviewed the vendor assessment application (version 2) and noted improvements in the vendor performance evaluation.	X			
18.	A/69/5/Add.8, para. 44	UNFPA agreed with the recommendation of the Board that it collaborate with other United Nations agencies to establish long-term agreements with suppliers for services utilized by the field offices on a regular basis.	The work of the High-level Committee on Management Procurement Network on the procurement harmonization project, chaired and managed by UNFPA, indicates that interorganizational collaboration is taking place at field level, that it is increasing and that substantial activities have been completed (see the guidelines for common procurement at country level). As can be seen from the implementation summary report of the project on harmonization and collaborative procurement, guidelines for the use and sharing of long-term agreements were developed and four workshops were conducted during 2014 in Copenhagen, Rome, Addis Ababa, and Hanoi. More than 120 participants from over 20 agencies in over 40 duty stations were trained in the four workshops. In addition, procurement collaboration experts were identified to support further scaling up of procurement collaboration. United Nations Global Marketplace long-term agreement tools have been updated and are available online from https://www.ungm.org/UNUser/LongTermAgreement and https://www.ungm.org/UNUser/LongTermAgreement/SearchLTAs. A common United Nations procurement toolkit was provided. Over 220 people from 30 organizations in 75 duty	Still in progress; the Board recommends that country offices use long-term agreements.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			stations have participated in the eLearning course on harmonized procurement. Four webinars were conducted in late 2014, with 108 terminals logged into the webinars from 48 countries representing over 20 agencies. Lastly, among the countries collaborating on procurement, UNFPA is actively involved in most, including Bolivia (Plurinational State of), Bosnia and Herzegovina, Brazil, Lesotho, the Niger, Senegal, Serbia, the United Republic of Tanzania, Viet Nam and Kosovo. UNFPA-specific activities to ensure increased collaborative procurement activities at field level include: • Inclusion of the guidelines ("Common procurement at the country level") into UNFPA procurement procedures (since October 2012) • Regular correspondence between the Procurement Service Branch and UNFPA country offices demonstrating follow-up and progress in this area.					
19.	A/69/5/Add.8, para. 47	UNFPA agreed with the recommendation of the Board that the training needs of the users of the inventory management system be identified in order to improve their skills for the better management of inventory and reporting.	UNFPA took multiple steps to address the training requirements on the inventory management process: • The first round of online training sessions, facilitated through Webex, took place in June 2014. The Division for Management Services provided five webinars targeting each region. The regional approach aimed to gather together more harmonized audiences, who shared similar issues and experiences on the ground • The second round of online training sessions was completed in October last year, whereby all inventory focal points were invited to attend and participate in three global webinar sessions • The Division also provided one-to-one coaching to several country offices in the last quarter of 2014, targeting specific capacity issues and the needs of inventory focal points	The Board acknowledges the management effort in providing training relating to inventory, this recommendation has been reiterated in 2014.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			in the areas of tracking and managing inventories, use of channel and general compliance. Supporting documents: Webinar for implementing partners in Q2, 2014 and webinar for inventory focal points in Q3, 2014. As a learning organization, UNFPA prioritizes continuous learning in all critical business areas. Whilst those efforts continue, UNFPA proposes that the recommendation is closed based on the evidence of the training provided in 2014. That training has clearly demonstrated improved performance in the area of inventory management in 2014. Furthermore, the introduction of revised and improved inventory systems and the implementation of quarterly stocktaking and reconciliation in 2014 has now strengthened the entire inventory process and oversight within UNFPA.					
20.	A/69/5/Add.8, para. 50	UNFPA agreed with the Board's recommendation that it continue enhancing its efforts to bridge the funding gap in the outstanding liabilities in employee benefits within the proposed time schedule.	1. In addition to the interest and surcharges to payroll costs, UNFPA management decided to add discretionary funding of $10 million in 2015, despite severe funding constraints. That clearly demonstrates the commitment of UNFPA to bridging the funding gap of the outstanding liabilities in employee benefits. 2. UNFPA, together with UNDP and UNICEF, has completed a procurement process to appoint external fund managers for managing the entire portfolio of the after-service health insurance fund in a manner which would deploy an investment strategy appropriate to the longer-term liability. The actual transfer of funds is at an advanced stage and, once concluded, this would generate an improved rate of return in accordance with the actuarial discount rate, thereby having a positive impact on funding of the liability.	The Board acknowledges the efforts of the management to reduce the funding gap; however, it recommends that the management continue enhancing its efforts to reduce the unfunded gap.		X		

				Status after verification			
Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		3. The Finance and Budget Network of the United Nations System Chief Executives Board for Coordination has established a working group on the system-wide opportunities to improve the efficiency and cost-effectiveness of the management of after-service health insurance operations as well as of the growing after-service health insurance liability. UNFPA is a member of the working group and it is evident, based on initial discussions, that the UNFPA funding strategy is much ahead of the rest of the United Nations system.					
21. A/69/5/Add.8, para. 54	The Board recommends that UNFPA ascertain the reasons for the slow rate of implementation of internal audit recommendations and more effectively track and report on progress to senior management.	In response to this recommendation, UNFPA thoroughly reviewed the implementation of the recommendations of the Office of Audit and Investigation Services and the underlying causes of the slow implementation. UNFPA has continued to build on good practices in a number of areas, including the use of an audit monitoring committee to ensure full implementation of the recommendations of the Board of Auditors and those of the Office of Audit and Investigation Services (the internal audit function had previously been part of the Division of Oversight Services). UNFPA senior management places great emphasis on accountability, which includes regular follow-up with country offices on all pending external recommendations and those of the Office of Audit and Investigations Services. Based on the report of the Office of Audit and Investigations Services of 2014, the rate of implementation of recommendation has improved substantially, especially that of the older recommendations and this recommendation may therefore be considered closed.	The Board reviewed the management implementation status of the recommendations of the Office of Audit and Investigations and noted improvement.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
22.	A/69/5/Add.8, para. 58	The Board recommends that UNFPA determine the levels of assurance appropriate for business units ranked as being high- and medium-risk and empower its internal audit with resources, as appropriate, to adapt its audit cycles to the chosen assurance level.	In response to this recommendation and taking into account the Office of Audit and Investigation Services 2015 risk assessment, UNFPA will determine the levels of assurance appropriate for its high- and medium-risk business units and will present its proposal for adapting its audit cycles and aligning the resources of the Office of Audit and Investigation Services, as required, to the Executive Board at its second regular session of 2016 for appropriate consideration.	The Board noted the response of the management and urged it to continue strengthening the Office of Audit and Investigation Services.		X		
	Total			**22**	**12**	**10**	**0**	**0**
	Percentage of total number of recommendations			**100**	**55**	**45**		

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current year*	*Previous year*	*Increase/(decrease)*
Cash	1 583	1 564	19
National execution unsupported expenditure	10 095	120 833	(110 738)
Contributions receivable	227 551	231 981	(4 430)
Inventory	257 853	2 493	255 360
Assets	10 149	3 594	6 555
Total	**507 231**	**360 465**	**146 766**

Annex III

Ex gratia payments

(United States dollars)

	Amount approved by competent authority	*Date of payment*	*Amount paid*	*Reasons for payment*
	594	18/06/2014	594	Compensation provided to staff from China, who did not accrue pension rights as seconded staff members, while de facto working as full staff members
	12 415	18/06/2014	12 415	
	1 942	19/06/2014	1 942	
	22 155	19/06/2014	22 155	
	6 480	18/06/2014	6 480	
	20 971	19/06/2014	20 971	
	10 443	19/06/2014	10 443	
	5 400	07/10/2014	5 400	Compensation for travel advance for staff member who lost his life during official travel in Afghanistan
Total	**80 400**		**80 400**	

Chapter III
Certification of the financial statements

Letter dated 27 April 2015 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 judgements;

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 the 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 Deputy Assistant Administrator, Deputy Director and 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*) Subhash K. **Gupta**
Director
Division for Management Services

Chapter IV

Financial report for the year ended 31 December 2014

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2014 and highlights significant aspects and trends.

2. The financial statements comprise 5 statements, 26 notes and 4 schedules, which include information on the operations funded by UNFPA resources, both unearmarked and earmarked.

Financial performance

Trends in contribution revenue

3. For the second consecutive year, contributions to unearmarked resources increased, this time by $17.4 million (3.8 per cent), to $477.4 million. This positive trend is important since increased and predictable unearmarked resources are necessary to enable UNFPA to implement its strategic plan and deliver its programme to help countries ensure individual well-being, resilience and sustained economic growth, while protecting the environment for present and future generations, in the context of the International Conference on Population and Development beyond 2014, and the transformational post-2015 development agenda.

4. Contributions to earmarked resources in 2014 — net of refunds to donors — totalled $491.7 million, an increase of $21.1 million (4.5 per cent) for the year. Earmarked contributions accounted for 51.0 per cent of total contributions (50.7 per cent in 2013).

5. Consistent with previous years, a small number of donors account for the majority of contributions to UNFPA. In 2014 the top 10 donors accounted for 87.9 per cent of unearmarked resources (87.1 per cent in 2013) and 91.8 per cent of earmarked resources (93.7 per cent in 2013). UNFPA continues to make significant efforts to broaden its donor base by engaging with middle income countries and countries with emerging economies, as well as with the private sector donors.

6. Refunds to donors continued to decrease to $3.7 million in 2014 (from $6.4, $7.4 and $9.5 million in 2013, 2012 and 2011, respectively). In 2014 refunds represented only 0.8 per cent of the total contributions earmarked for co-financing projects. This reflects a continuous improvement in the ability of UNFPA to efficiently implement programme activities.

Other revenue

7. Other revenue increased by $12.4 million, from $49.1 million in 2013 to $61.5 million in 2014. More than 50 per cent of this increase is due to the growth of $6.6 million in revenue from indirect costs, which resulted from the overall increase in programme activities funded with earmarked resources and from the upward revision of standard cost recovery rates applied by UNFPA in accordance with decision 2013/9 of the Executive Board.

8. The cost of procurement services increased to $32.5 million in 2014 ($28.7 million in 2013), reflecting the organization's commitment to increase timely and efficient access to high-quality, affordable commodities. With regard to procurement performed on behalf of third parties, UNFPA only accounts for its handling fee as revenue ($2.3 million in 2014, up by $0.1 million since 2013). Schedule C provides a detailed analysis of third-party procurement services by category of clients.

Future revenue flows and continuity of operations

9. UNFPA fully anticipates solid streams of future revenue based on agreements already signed with donors, for a total of $514.1 million as at 31 December 2014, of which $424.9 million are related to earmarked resources. This is extremely important to ensure continuity and to provide support for the medium- to long-term vision of the organization's programme activities.

Expenses — overview

10. Total expenses increased by 9.7 per cent, from $913.3 million in 2013 to $1,002.1 million in 2014, reflecting the significant growth of UNFPA programme activities. The most visible increase concerned activities funded by earmarked resources, which grew by 23.6 per cent from $406.1 million in 2013 to $501.7 million in 2014.

11. Total expenses for country programmes, global and regional interventions (GRI) and other programme activities increased by 9.3 per cent to $820.2 million ($750.5 million in 2013), while institutional budget expenses increased only by 0.5 per cent to $139.5 million ($138.8 million in 2013). Institutional budget expenses represented 13.9 per cent of the total expenses of UNFPA in 2014, down 1.3 per cent from 2013. This confirms the organization's commitment to continuously strengthen efficiency in corporate support and administrative activities.

Expenses — breakdown by geographical destination, by nature and by implementing agent

12. UNFPA is a field-based organization. In 2014 $667.9 million, or 81.4 per cent, of total expenses for country programmes, GRI and other programme activities was utilized by UNFPA in the field. The regions with the highest value of UNFPA programme assistance in 2014 were eastern and southern Africa (a total of $183.2 million, including $77.1 million in regular resources), followed by Asia and the Pacific ($160.2 million, including $91.0 million in regular resources) and western and central Africa ($158.1 million, including $63.0 million in regular resources). Total expenses for GRI and other global activities amounted to $152.3 million (or 18.6 per cent of total expenses for country programmes, GRI and other programme activities). Of this amount, $102.1 million, or 67.0 per cent, was spent on the Global Programme to Enhance Reproductive Health Commodity Security.

13. The organization's success in delivering its mandate is largely dependent on its skilled and competent national and international staff. In 2014 UNFPA spent

$256.1 million on staff[7] costs, which represents 25.6 per cent of total expenses for the year. This amount is 1.8 per cent lower than in 2013, when staff costs represented 27.4 per cent of total expenses for the year. At the end of 2014, 82.4 per cent of UNFPA staff were based in field offices and 17.6 per cent of Fund staff were based at the organization's headquarters.

14. Expenses for development and training of counterparts have experienced the most significant year on year increase ($28.3 million), closely followed by the increase in contracted and professional services of $24.1 million and other expenses of $18.5 million. The increase under the first two categories is due to the overall growth in programme activities and is in line with the organization's commitment to build on and enhance national capacities; the increase under other expenses is due to the $15.6 million loss on revaluation of contributions receivable accounts (in 2013, UNFPA had a gain of $0.6 million under this category).

15. A significant percentage of UNFPA programme activities are implemented by Governments and non-governmental organizations (NGOs), which in 2014 accounted for $255.1 million, or 31.1 per cent, of total expenses for country programmes, GRI and other programme activities. This amount is $39.3 million higher than in 2013, when activities implemented by Governments and NGOs accounted for $215.8 million, or 28.7 per cent, of total expenses for country programmes, GRI and other programme activities.

Surplus for the year

16. The overall surplus for 2014 was $23.0 million. This amount is almost fully attributable to unearmarked resources. Under earmarked resources, revenue for the year was almost identical to expenses, with a surplus recorded at the minimal amount of $0.04 million — a consequence of higher programme implementation compared to 2013 when the surplus of earmarked resources constituted $75.0 million.

Financial position

Assets and liabilities

17. Total assets as at 31 December 2014 amounted to $1,295.2 million ($1,160.5 million in 2013); total liabilities amounted to $567.8 million ($401.1 million in 2013).

18. As at 31 December 2014, total current assets amounted to $651.8 million, while total current liabilities were valued at $261.9 million. The current ratio, which measures the organization's ability to meet its current obligations, was 2.5 compared to 4.6 at the end of 2013. This decrease, which brought the ratio close to the 2012 level (2.8), should not be considered as an indicator of deteriorated financial health; rather, it is primarily a result of a shift in composition of the Fund's investment portfolio from predominantly short-term to long-term investments. Average maturity of UNFPA investments rose from 10.7 months as at the end of

[7] 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.

2013 to 16.8 months in 2014, resulting in an overall decrease in the amount of current assets held by UNFPA as at the end of 2014. This and other trends are further detailed below.

Cash balances and investment portfolio

19. UNFPA cash, cash equivalents and investments have grown by $168.3 million (22.0 per cent), from $766.5 million at the end of 2013 to $934.8 million at the end of 2014. This growth was due mainly to an increase of $107.1 million in joint programme funds held by UNFPA on behalf of other United Nations system organizations and to an overall decrease in contributions receivable, from $285.5 million at the end of 2013 to $229.1 million at the end of 2014. Both of these developments freed cash available for investments.

20. UNFPA cash balances (cash in hand and in the bank) decreased from $21.1 million at the end of 2013 to $13.3 million at the end of 2014. As mentioned above, the liquidity profile of UNFPA investments shifted in favour of long-term investments, which at the end of 2014 represented 53.9 per cent of the organization's portfolio (38.1 per cent in 2013), to the detriment of cash equivalent instruments and short-term investments, which represented 5.0 and 41.1 per cent, respectively (13.6 and 48.4 per cent, respectively, in 2013).

21. In 2014 yields were down to 0.6 per cent from 0.8 per cent in 2013. UNFPA invests in high-quality financial instruments with strong emphasis on the creditworthiness of the issuers; as at the end of 2014, 65.1 per cent of the total investments with a maturity of three months or longer were held in AAA or AA+ securities (bonds and time deposits).

22. UNFPA treasury and investment services are managed by UNDP under a service level agreement.

Inventories

23. The total value of UNFPA inventories increased significantly, from $46.6 million at the end of 2013 to $54.3 million at the end of 2014. For the most part (91.2 per cent), inventories consist of reproductive health goods temporarily held at vendors' premises, in warehouses in the field or in transit towards their final destination.

24. Field stocks grew for the third year in a row and reached $16.6 million by the end of 2014 (as compared to $10.0 million and $3.7 million in 2013 and 2012, respectively), held at 23 offices. This growth was due primarily to the increase in UNFPA activities in humanitarian emergency areas. Increased inventory losses/adjustments of $0.3 million ($0.1 million in 2013) are also attributable primarily to operations in humanitarian crisis countries. Inventories in transit experienced a slight decrease, from $29.2 million at the end of 2013 to $27.1 million at the end of 2014.

25. In light of the growing importance of procurement and distribution of reproductive health commodities, UNFPA is undertaking a number of initiatives to strengthen its ability to handle, track and report inventories to effectively support its operations in the field.

Property, plant and equipment and intangible assets

26. The value of property, plant and equipment increased to $34.1 million ($31.8 million in 2013). This increase was driven in part by a change in depreciation rates introduced to align the estimated useful life of property, plant and equipment with their actual economic life, which resulted in depreciation charges being $1.3 million less than the charges that would have been recognized using the old accounting estimate. Another reason for the increase is the $1.2 million growth in assets under construction and not yet available, which was almost solely due to the UNFPA share of construction costs for UN House in Brazil.

27. At the end of 2014, the cost of fully depreciated property, plant and equipment items that were still in use amounted to $14.1 million ($16.4 million in 2013).

28. The value of intangibles at the end of 2014 totalled $0.6 million ($0.1 million in 2013); these items relate to commercial and internally developed software owned by UNFPA.

Accounts receivable and payable

29. Contributions receivable reached $229.1 million at the end of 2014 (a decrease of $56.4 million over 2013). Earmarked contributions receivable represent 99.8 per cent of the total. At the end of 2014, a substantial amount of contributions receivable ($219.9 million) referred to instalments from multi-year co-financing agreements, which will become due for payment in future periods.

30. Contributions receivable collection rates remain extremely high; by the end of 2014, UNFPA only had $0.9 million of contributions receivable aged more than 12 months and in the year wrote off just $0.2 million of contributions receivable (the same amount as in 2013).

31. Accounts payable increased significantly over 2014 from $133.5 million to $212.4 million; this growth is attributable to a significant increase in funds held by UNFPA on behalf of other United Nations system organizations as administrative agent of joint programmes ($143.2 million in 2014 compared to $36.1 million in 2013).

Employee benefits

32. The employee benefits liability at the end of 2014 increased to $332.1 million from $259.3 million in 2013, owing primarily to an actuarial loss of $54.3 million on the after-service health insurance liability. The discount rate applied by the actuaries to calculate the liability decreased from 5.01 per cent in 2013 to 4.0 per cent in 2014.

33. The unfunded portion of the employee benefits liability increased from $102.1 million at the end of 2013 to $154.8 million at the end of 2014, owing mainly to the revised discount rate, only compensated in part by additional funding of $20.1 million provided during the year.

34. In 2015 UNFPA, jointly with UNDP, the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women, will transfer the funds set aside for funding the employee benefits liability to external fund managers, who will invest these funds in a more diversified higher-yielding investment portfolio similar to that of the United Nations Joint Staff

Pension Fund. As at the end of December 2014, two fund managers have been identified and contracted by UNDP.

Fund balances and reserves

35. The unearmarked resource balance comprises two categories: undesignated fund balance and designated fund balance.

36. As at the end of 2014, the undesignated fund deficit was $(93.8) million, where the deficit of $(154.8) million represents the unfunded portion of employee benefits liabilities and $61.0 million represents the programmable fund balance on an IPSAS basis. From the programmable fund balance, an amount of $25.1 million is available for reprogramming in 2015.

37. As at the end of 2014, the designated fund balance was $45.7 million. Of this amount, $4.3 million represents the cumulative excess of procurement handling fees over expenses; these funds were set aside in prior years to facilitate procurement services resource planning. Another $5.8 million represent accumulated cost recoveries in excess of budgeted amounts that were transferred to a separate fund in 2013 to cover capacity requirements associated with implementing projects and programming activities. Finally, $35.5 million are attributed to a private endowment fund.

38. As at the end of 2014, the earmarked resource fund balance was $675.4 million. Of this amount, $639.3 million are intended for trust funds activities to be implemented by UNFPA in future years.

Conclusion

39. UNFPA ended the 2014 fiscal year in robust financial health and is well positioned to effectively deliver on its mandate going forward.

Chapter V

Financial statements for the year ended 31 December 2014

United Nations Population Fund

I. Statement of financial position as at 31 December 2014[a]

(Thousands of United States dollars)

	Reference	*As at 31 December 2014*	*As at 31 December 2013*
Assets			
Current assets			
Cash and cash equivalents	Note 3	59 385	122 119
Investment maturing within one year	Note 4	378 448	360 696
Inventories	Note 5	54 282	46 559
Contributions receivable (exchange transactions)	Note 6	171	10
Contributions receivable (non-exchange transactions)	Note 6	117 239	213 980
Prepayments and other current assets	Note 6	28 449	14 765
Operating fund advances	Note 7	13 864	15 146
Total		**651 838**	**773 275**
Non-current assets			
Investments maturing after one year	Note 4	496 920	283 685
Contributions receivable (non-exchange transactions)	Note 6	111 659	71 513
Other non-current assets	Note 6	10	11
Property, plant and equipment	Note 8	34 123	31 841
Intangible assets	Note 9	648	137
Total		**643 360**	**387 187**
Total assets		**1 295 198**	**1 160 462**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	212 434	133 464
Employee benefits	Note 12	31 782	31 447
Other current liabilities and deferred revenue	Note 13	17 647	2 389
Total		**261 863**	**167 300**
Non-current liabilities			
Employee benefits	Note 12	300 302	227 884
Other non-current liabilities and deferred revenue	Note 13	5 603	5 884
Total		**305 905**	**233 768**
Total liabilities		**567 768**	**401 068**
Net assets		**727 430**	**759 394**

	Reference	*As at 31 December 2014*	*As at 31 December 2013*
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	95 128	91 660
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**100 128**	**96 660**
Fund balances			
Designated unearmarked fund balances	Note 14	45 692	48 557
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(93 762)	(61 800)
Earmarked resources	Schedule B	675 372	675 977
Total fund balances		**627 302**	**662 734**
Total reserves and fund balances		**727 430**	**759 394**

[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 2014[a]

(Thousands of United States dollars)

	Reference	*2014*	*2013*
Contribution revenue			
Unearmarked contributions	Schedule A	477 392	459 999
Less: transfers to other revenue for reimbursement of tax charges		(5 483)	(2 931)
Subtotal	Note 15	**471 909**	**457 068**
Earmarked contributions	Note 15	495 415	477 025
Less: refunds to donors		(3 672)	(6 378)
Subtotal		**491 743**	**470 647**
Total contribution revenue	Note 15	**963 652**	**927 715**
Other revenue	Note 16	61 476	49 052
Total revenue		**1 025 128**	**976 767**
Expenses			
Staff costs	Note 18	256 088	250 320
Reproductive health and other programme-related goods	Note 18	168 819	164 154
Development and training of counterparts	Note 18	118 814	90 483
Supplies, materials and operating costs	Note 18	168 623	156 299
Contracted and professional services	Note 18	176 123	152 005
Finance costs	Note 18	608	704
Travel	Note 18	83 139	85 256
Depreciation and amortization	Notes 8, 9, 18	5 822	8 572
Impairment	Note 18	(4)	4
Other expenses	Note 18	24 084	5 543
Total expenses		**1 002 116**	**913 340**
Surplus for the year	Statements III and IV	**23 012**	**63 427**

[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 2014[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 1 January 2013		**568 145**	**93 304**	**661 449**
Movements in fund balances and reserves in 2013				
Transfers to/from operational reserve		(4 456)	4 456	–
Staff-related benefits		34 519	–	34 519
Transfers within UNFPA resources				
Reserve for field accommodation		(1 152)	1 152	–
Surplus/(deficit) for the period	Statement II	65 679	(2 252)	63 427
Total movements during the period		**94 590**	**3 356**	**97 946**
Balance as at 31 December 2013	Statement I	**662 735**	**96 660**	**759 395**
Movements in fund balances and reserves in 2014				
Transfers to/from operational reserve	Note 14	(3 468)	3 468	–
Staff-related benefits	Note 14	(54 977)	–	(54 977)
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(1 828)	1 828	–
Surplus/(deficit) for the period	Note 14, statement II	24 840	(1 828)	23 012
Total movements during the period		**(35 433)**	**3 468**	**(31 965)**
Balance as at 31 December 2014	Statement I	**627 302**	**100 128**	**727 430**

[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 2014[a]

(Thousands of United States dollars)

	Reference	*2014*	*2013*
Cash flows from operating activities			
Surplus for the period	Statement II	23 012	63 427
Foreign-exchange holding loss/(gains) on cash and cash equivalents		117	(250)
Depreciation and amortization	Notes 8, 9, 18	5 822	8 572
Impairment and write-off of property, plant and equipment		6	8
Loss/(gain) on disposal of property, plant and equipment	Note 18	748	394
Investment revenue	Note 16	(5 645)	(6 590)
Increase/(decrease) in allowances for doubtful accounts	Notes 6, 7	142	(302)
(Increase)/decrease in inventories	Note 5	(7 723)	(10 816)
Decrease/(increase) in contributions receivable	Note 6	56 541	(107 527)
Decrease/(increase) in operating fund advances	Note 7	1 229	(1 452)
(Increase)/decrease in prepayments and other assets		(11 888)	2 976
Increase/(decrease) in accounts payable and accruals	Note 10	78 970	(117 753)
Increase/(decrease) in employee benefits obligations	Note 12	72 753	(13 939)
Increase/(decrease) in other liabilities and deferred revenue	Note 13	14 977	(10 448)
Actuarial (loss)/gain	Statement III	(54 977)	34 519
Net cash flows from operating activities		**174 084**	**(159 181)**
Cash flows from investing activities			
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(9 648)	(9 712)
Proceeds of sale of property, plant and equipment		270	144
Purchase of investments	Note 4	(859 983)	(405 502)
Maturities of investments	Note 4	620 785	302 716
Interest received	Notes 4, 6, 16	11 875	13 275
Net cash flows from investing activities		**(236 701)**	**(99 079)**
Cash flows from financing activities		–	–
Net cash flows from financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		**(62 617)**	**(258 260)**
Cash and cash equivalents at the beginning of the period	Note 3	122 119	380 129
Foreign-exchange holding (loss)/gains on cash and cash equivalents		(117)	250
Cash and cash equivalents end of the period	Note 3	**59 385**	**122 119**

[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 to actual amounts for the year ended 31 December 2014[a]

(Thousands of United States dollars)

Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	36 860	32 377	30 381	1 996
Programmes	355 300	356 200	337 457	18 743
Management activities				
Recurring costs	117 043	115 795	106 348	9 447
Non-recurring costs	5 356	5 206	2 426	2 780
United Nations development coordination	2 100	1 981	1 981	–
Total	**516 659**	**511 559**	**478 593**	**32 966**

[a] The accompanying notes are an integral part of 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 lead United Nations agency that supports the integration of population issues in the global development agenda in order to ensure inclusive policies for individual well-being and resilience, sustained inclusive economic growth and sustainable development. The Fund supports countries to promote and protect the human rights of all persons, including by ensuring universal access to sexual and reproductive health, especially for women and young people; build capacity for the collection, analysis and use of population data for policies and programmes to eliminate poverty and redress inequality as well as effectively monitor progress; and ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled, while protecting the environment for current and future generations.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving Millennium Development Goal 5 (to improve maternal health), with priority given to advancing two key Millennium Development Goals targets: to reduce maternal deaths and to achieve universal access to sexual and reproductive health services, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth in more than 150 countries. The work of the Fund is guided by its expertise in population dynamics, human rights and gender equality, and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with Governments, other specialized agencies of the United Nations system, civil society organizations 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 to use population data to anticipate tomorrow's challenges by providing empowering technical guidance, policy advice, training and support, and 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), the key actions for the further implementation of the Programme of Action as well as the Framework of Action for the follow-up to the Programme of Action of the Conference beyond 2014. In particular, the Fund is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, as well as 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 these goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. These goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. The Fund 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 agenda of the post-2015 development framework, including a field presence, under the leadership of a strengthened resident coordinator, in a collegial and participatory resident coordinator system. The Fund 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 provide assistance in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action and in major related United Nations 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 is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the Programme of Action, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population and development issues to the worldwide collaborative effort of meeting the Millennium Development Goals and its successor framework. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Goals. These partnerships are customized to reflect 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 UNDP, UNFPA and the United Nations Office for Project Services.

UNFPA has its headquarters in New York and operates in over 150 regional, subregional, country and liaison offices around the world.

Note 2
Accounting policies and restatement of prior-year comparatives

(a) Summary of significant accounting policies

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

(i) Accounting convention

These 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 these financial statements is the year ended 31 December 2014.

(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, the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange.

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 owing to rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, 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. Financial instruments classified as cash equivalents include investments 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.

Financial assets denominated in foreign currency are translated into United States dollars at the United Nations operational rate of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies financial assets into the following categories: at fair value through surplus or deficit; loans and receivables; held to maturity; and available for sale. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNFPA initially recognizes loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which UNFPA becomes a party to the contractual provision of the instrument.

IPSAS classification	*Financial asset*
Held to maturity	Investments
Available for sale	Investments — none as at 31 December 2014 and 31 December 2013
Loans and receivables	Cash and cash equivalent, contributions receivable, operating fund advances and other receivables
Fair value through surplus or deficit	Derivatives — none as at 31 December 2014 and 31 December 2013

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 subsequently recognized at amortized cost, calculated using the effective interest method. In 2014 UNFPA classified its investment portfolio as held-to-maturity assets.

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 subsequently reported at fair value, with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. 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. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors. As at 31 December 2014, UNFPA had no outstanding balances of financial assets classified in this category.

Loans and receivables financial assets

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. Subsequent to recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss, if applicable. The market value is also disclosed in the notes to these statements. These instruments are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default of a debtor, at specific asset level. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

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

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are assets that are designated on initial recognition or are held for trading. The assets are initially recognized at fair value and any transaction costs are expensed. They are measured at fair value at each reporting date and any resultant fair value gains or losses are recognized through surplus or deficit.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. The fair value of derivatives is obtained from counterparties and is compared to 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. As at 31 December 2014, UNFPA had no open foreign exchange derivative instruments positions in this asset category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

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 (directly or through the use of an allowance account) in the year they arise.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health commodities and medical and other equipment, either for sale to third parties or to be distributed to beneficiaries directly or through implementing partners in support of programme activities implemented on behalf of UNFPA.

Inventory is held for distribution at no cost to beneficiaries or at cost to third parties; as such, inventory is valued at the lower of cost and current replacement cost. Inventory is expensed when control is transferred.

As at the reporting date, inventory consists of items under UNFPA control, either stored within warehouses or in transit and not yet physically received at their destination.

The cost of inventory held in stock by headquarters is determined using the weighted average cost basis, while the cost of inventory in transit and field stocks is based on the actual cost of the goods plus other costs incurred in bringing them to their destination, determined based on standard costs.

Items of property, plant and equipment en route to implementing partners as at the reporting date and under UNFPA control are recorded as property, plant and equipment-like inventory in transit based on the actual cost. These items are expensed upon transfer.

(vii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and, where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. All contributions receivable are presented in statement I net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to receivables that remain unpaid beyond their due date and/or at the expiry date of the agreement. If a mutual understanding is reached between the parties to reduce the contribution prior to the expiry of the agreement, the contribution and the related receivable are directly reduced. In cases where, at the agreement expiry date, UNFPA has received no communication from the donor or the donor took a unilateral decision to withdraw from the agreement, the outstanding contributions are considered doubtful and an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and, when recovery is considered doubtful, an allowance is made. Operating fund advances are presented in statement I net of the value of these allowances.

Other assets. An analysis of the items included in other assets (staff advances, accounts receivable and other) is carried out and, where there is evidence that the recovery is doubtful, an allowance is made. These allowances are netted against assets, as shown in statement I and note 6 (b).

(viii) Property, plant and equipment

The capitalization threshold for property, plant and equipment under UNFPA control is $1,000. Property, plant and equipment is capitalized when the asset is put in service and depreciated over its estimated useful life. A full month's depreciation is charged in the month of acquisition, while no depreciation is charged in the month of retirement for those classes of property, plant and equipment subject to depreciation.

Leasehold improvements are recognized as property, plant and equipment valued at 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.

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

Depreciation is provided for property, plant and equipment over its estimated useful life 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 as follows:

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6-10 years
Communication and information technology equipment	2-9 years
Leasehold improvements	Shorter of lease term or useful life
Buildings	30 years
Land	No depreciation
Heritage assets	No depreciation

(ix) Impairment of property, plant and equipment

UNFPA property, plant and equipment is not held for the primary objective of generating a commercial return and is 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, the organization estimates the recoverable service amount of the affected items and writes them down accordingly.

(x) Intangible assets

Intangible assets are capitalized if their cost meets the threshold of $5,000, except for internally developed software, for which the capitalization threshold is $100,000. The capitalized value of the internally developed software excludes research and maintenance costs. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life ranges for classes of intangible asset are as follows:

Intangible asset class	*Estimated useful life*
Software acquired separately	3-6 years
Software developed internally	3-6 years
Intangible assets under development	Not amortized
Licences and rights	Shorter of agreement term and useful life in range of 2-6 years
Copyrights	3-10 years

(xi) Financial liabilities

UNFPA classifies financial liabilities in the following categories: fair value through surplus or deficit and other financial liabilities.

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities
Fair value through surplus or deficit	Derivatives

Financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but not paid for as at the reporting date, unspent funds held for future refunds and other miscellaneous items such as unapplied cash deposits. They are classified as "other financial liabilities" and therefore are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognized at their nominal value.

Derivatives are classified as "financial liabilities at fair value through surplus or deficit". These liabilities are designated on initial recognition or are held for trading. They are measured at fair value at each reporting date and changes therein are recognized in surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. 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. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2014, UNFPA had no open foreign exchange derivative instruments and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

(xii) Employee benefit liabilities

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.

Obligations for new employees are recognized from the date on which they report to their duty station.

UNFPA employee benefits are classified as short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits are comprised of accumulated annual leave, home leave and other short-term benefits.

Annual leave is an accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the organization recognizes as a liability the value of the total accumulated leave days of all staff members as of the balance sheet date.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The 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, the liability is not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits provided by UNFPA are:

- After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their 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.
- End-of-service entitlements, which comprise repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins UNFPA and is measured as the present value of the liability for settling these entitlements when the staff member leaves UNFPA employment.

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 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. Movements in the liability from actuarial gains and losses are recognized in net assets. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

The discount rate used in determining the present value of the liability for post-employment benefits 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 the Regulations of the Fund, membership in the Fund shall be 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 participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNFPA and the United Nations Joint Staff Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNFPA 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 this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

(xiii) 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) represent resources that are unrestricted as to use;

(b) Earmarked contributions (also referred to as other, non-core or restricted contributions) represent resources that are earmarked by the donors as to their use. These include co-financing and the Junior Professional Officers programme. Co-financing includes cost-sharing, thematic and other trust 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 pooled funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of these pooled contributions is recognized at the time of disbursement of those funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Goods in kind are initially recorded at their fair value at the date of receipt 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 services received free of charge.

Revenue from the sale of goods is recognized upon transfer of the goods; revenue from the rendering of procurement services is recognized based on the value of procurement services delivered.

(xiv) Refunds to donors

Refunds arising on the expiry or termination of agreements are recognized when instructions are received from the donor requesting repayment. All refunds to donors are shown as a reduction of contributions revenue. Refunds to donors are disclosed in statement II, note 15 and schedule B.

(xv) Expenses

A significant percentage of programme activities is implemented by Governments and non-governmental organizations (NGOs). Although UNFPA cannot impose a specific basis of accounting on such organizations, these implementing partners are required to report expenses based on the completion of activities funded by UNFPA.

Where the programme activities are implemented by Governments and NGOs, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to these implementing partners, these advances are made on the basis of cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating fund advances" on statement I.

Where the programme activities are implemented by specialized agencies of the United Nations system, these implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenses according to the accounting policies of the specialized agency reporting the expenses.

The support costs incurred by and paid to implementing partners are reported as expenses under funds utilized by implementing partners.

The indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered based on the following rates:

(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	Based on umbrella agreement
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

(xvi) Exchange gains and losses

All 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", respectively. 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 31 December 2014.

(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 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 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 right-to-use agreements granted by the host Governments. Based on the length of agreements (or "lease term") and termination clauses, these donated rights to use can be similar to nominal operating leases or nominal 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), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the financial statements. 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 these situations, a deferred revenue amount is recognized equal to the entire fair market value of the property (or respective share) occupied by UNFPA, which is progressively recognized as revenue and offsets the corresponding depreciation charged over the shorter of the useful life of the property and the right to use term.

(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.

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 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.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Parties related 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 and the Chiefs of the Procurement and Management Information Services branches. 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 loan 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 the organization does not have the power to influence 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 expenses 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 the funds, programmes and specialized agencies of the United Nations system, other intergovernmental institutions and NGOs. UNFPA receives a handling fee in respect of these procurement services at a rate established by the Executive Board, which was 5 per cent for 2014, recorded as part of other revenue.

These services have been reported under schedules B and 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 land and buildings, pension and other post-employment benefits obligations, amounts for litigations, accrued charges, contingent assets and liabilities, and useful lives and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

(xxiv) Transitional provisions

UNFPA has used transitional provisions as follows:

- UNFPA applies the transitional provision in IPSAS 17: Property, plant and equipment, with regard to its leasehold improvements
- IPSAS 25: Employee benefits, was applied prospectively; UNFPA does not present comparative amounts for the previous four reporting periods with regard to the present value of the defined benefit obligations and experience adjustments arising on plan liabilities
- IPSAS 31: Intangible assets, was applied prospectively; as a result, intangible assets that were acquired or internally developed before 1 January 2012 have not been capitalized.

(xxv) Comparison of budget to 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 2014-2017 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.

(b) Changes in presentation and in accounting estimates

(i) Changes in presentation

UNFPA is committed to continuously improving the quality and readability of its financial statements. In this context, the following changes were made in the 2014 financial statements:

- Schedule B was extended to include additional fund sources, which were previously reported under schedules C and E

- Schedules D and E, separate schedules in previous years, were merged to enable consolidated disclosure of all UNFPA expenses broken down by different funding sources within segments of earmarked and unearmarked resources. The revised format no longer discloses information on revenue, since this information is available in schedule A and notes 15 and 16
- In 2014 all the organization's expenses were classified into three categories: country programmes, global and regional interventions and other programme activities, institutional budget and corporate. This change impacted the presentation of expenses in note 19 (a) and new schedule D. Information on 2013 expenses is reported consistently with the new presentation in order to ensure comparability across years.

(ii) Changes in accounting estimates

In 2014 UNFPA revised the estimate of the useful life of property, plant and equipment to better align it with their actual economic life. As a consequence of this change in accounting estimate, depreciation charges in 2014 amounted to $5.6 million, $1.3 million less than the charges that would have been recognized using the old accounting estimate.

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Cash on hand	–	1
Cash at banks	13 288	21 059
Money market funds[a]	21 097	26 066
Time deposits[a]	25 000	–
Commercial paper and discount notes[a]	–	74 993
Total	**59 385**	**122 119**

[a] Financial instruments with a maturity of three months or less from the date of acquisition are classified as cash equivalents.

Cash requirements for immediate disbursements are held in bank accounts. Cash in bank accounts is held predominantly in United States dollars, with a limited amount held in local currencies, as shown in note 25.

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

Investments with a maturity of three months or longer held as at 31 December 2014 were as follows:

(Thousands of United States dollars)

	As at 31 December 2014		*As at 31 December 2013*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	725 781	725 368	520 064	519 438
Time deposits[a]	150 000	150 000	–	–
Commercial paper and discount notes[a]	–	–	124 938	124 943
Total	**875 781**	**875 368**	**645 002**	**644 381**
Of which:				
Maturing within one year	378 476	378 448	361 131	360 696
Maturing after one year	497 305	496 920	283 871	283 685
Total	**875 781**	**875 368**	**645 002**	**644 381**

[a] Financial instruments with maturity longer than three months.

UNFPA classified all its investments as held to maturity. These assets are carried at amortized cost calculated using the effective interest method. The market value of these assets shown in this note is based on quoted market prices from reputable vendors. UNFPA had no impaired investments during the year. Its exposure to credit risk, market risk and currency risk, and its risk management activities related to financial assets, including cash and investments, are discussed in note 25.

Of the total investments of $875.4 million, $454.3 million are restricted in use as follows:

- Operational reserve $95.1 million
- Funding for employee benefits liability $177.3 million
- Principal amount of the private endowment trust $33.7 million
- Funds held by UNFPA on behalf of other United Nations organizations in the capacity of administrative agent for these pooled funds $143.2 million
- Reserve for field accommodation $5.0 million

The average maturity of the UNFPA investment portfolio as at 31 December 2014 is 16.8 months. The average maturity as at 31 December 2013 was 10.7 months.

In 2014 the average yield on the investment portfolio was 0.6 per cent. In 2013 the average yield on investments was 0.8 per cent.

Movements of investments during 2014 were as follows:

(Thousands of United States dollars)

	Time deposits		Commercial paper and discount notes		Bonds		Total	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
Opening balance	–	–	124 943	24 972	519 438	523 311	644 381	548 283
Add: Purchases	330 000	–	44 907	164 764	485 076	240 738	859 983	405 502
Less: Maturities	(180 000)	–	(170 000)	(65 000)	(270 785)	(237 716)	(620 785)	(302 716)
Amortization	–	–	150	207	(8 361)	(6 895)	(8 211)	(6 688)
Closing balance	**150 000**	–	–	**124 943**	**725 368**	**519 438**	**875 368**	**644 381**

The book values of bonds as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2014		As at 31 December 2013	
Bonds	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Obligations of commercial banks	58 549	58 555	68 394	68 366
Non-United States sovereign obligations	155 403	155 243	91 120	90 854
Supranational organizations	318 635	318 517	225 274	225 200
United States government and agency obligations	124 611	124 494	15 007	15 009
Corporate bonds	58 456	58 434	109 729	109 474
Municipals	10 127	10 125	10 540	10 535
Total	**725 781**	**725 368**	**520 064**	**519 438**

Note 5
Inventories

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

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Reproductive health goods, of which:	49 497	42 460
In transit	27 066	29 193
In stock	22 431	13 267
Property, plant and equipment-like inventory in transit	4 785	4 099
Total inventory	**54 282**	**46 559**

Reproductive health goods in transit as at the reporting date represents items procured internationally, under the control of UNFPA, not held in identifiable premises and not yet physically handed over to the beneficiaries or implementing partners.

The inventory movements during 2014 and 2013 are summarized as follows:

(Thousands of United States dollars)

	2014	*2013*
Inventory held as at 1 January	**46 559**	**35 743**
Additions	155 722	157 586
Issues	(147 685)	(146 655)
Inventory losses/adjustments	(314)	(115)
Inventory held as at 31 December	**54 282**	**46 559**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at 31 December 2014 were as follows:

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Non-exchange transactions		
Contributions receivable (current)	117 239	213 980
Unearmarked resources	547	3 299
Earmarked resources	116 692	210 681
Contributions receivable (non-current)	111 659	71 513
Unearmarked resources	–	–
Earmarked resources	111 659	71 513
Exchange transactions		
Contributions receivable (current)	171	10
Contributions receivable (non-current)	–	–
Total	**229 069**	**285 503**

Contributions receivable are presented net of allowance for doubtful accounts. 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. These transactions are similar to “commercial” exchanges. Based on the business model of UNFPA, the procurement activities on behalf of third parties are currently the only exchange transactions. Non-exchange transactions are those transactions for which UNFPA does not receive approximately equal value for goods or services it provides. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions. The distinction between current and non-current receivables is based on the due date. Current contributions receivable are expected to be collected within 12 months from 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 relate mainly to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of non-exchange contributions receivable as at 31 December 2014 (excluding the Junior Professional Officers programme) are as follows:

(Thousands of United States dollars)

	As at 31 December 2014		*As at 31 December 2013*	
Year	*Unearmarked*	*Earmarked*	*Unearmarked*	*Earmarked*
2010	–	–	278	–
2011	171	–	181	–
2012	151	220	195	2 237
2013	146	202	2 925	105 757
2014	250	8 196	–	–
Contributions receivable	**718**	**8 618**	**3 579**	**107 994**
Adjustment for unrealized exchange losses	–	–	(2)	–
Allowance for doubtful account	(171)	–	(278)	–
Contributions receivable not yet due as at 31 December	–	219 904	–	174 210
Total	**547**	**228 522**	**3 299**	**282 204**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is detailed, respectively, in schedules A and B (these schedules do not include the allowances for doubtful accounts).

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable in 2014 is summarized as follows:

(Thousands of United States dollars)

	2014	*2013*
Allowance at 1 January	**(278)**	**(233)**
Contributions receivable for which collection is now considered doubtful	(171)	(278)
Contributions receivable written off	228	227
Recoveries of contributions receivable for which collection was previously considered doubtful	50	6
Allowance at 31 December	**(171)**	**(278)**

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

Prepayments and other current and non-current assets comprise the following:

(Thousands of United States dollars)

	As at 31 December 2014	As at 31 December 2013
Prepayments and other current assets		
Advances to staff	4 190	3 804
Accrued interest	5 245	3 264
Prepayments	6 373	2 512
Miscellaneous accounts receivable	6 804	4 752
Due from other specialized agencies of the United Nations system	2 199	403
Receivables from procurement activities	3 947	143
Less allowance for doubtful account receivable	(309)	(113)
Total	**28 449**	**14 765**
Other non-current assets		
Long-term receivables	10	11
Total	**10**	**11**

Note 7
Operating fund advances

Operating fund advances by category of implementing partners were as follows:

(Thousands of United States dollars)

	As at 31 December 2014	As at 31 December 2013
Governments	7 430	9 508
Intergovernmental institutions and non-governmental organizations	4 989	3 906
Specialized agencies of the United Nations system	1 551	1 785
Less allowance for doubtful advances	(106)	(53)
Total	**13 864**	**15 146**

Note 8
Property, plant and equipment

(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*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
Cost																
As at 1 January	227	227	9 908	8 330	4 045	4 065	16 576	15 744	29 643	27 584	4 493	3 751	956	1 725	65 848	61 426
Additions	–	–	126	478	505	604	2 526	2 405	3 147	4 276	396	742	2 025	956	8 725	9 461
Disposals	–	–	–	–	(255)	(211)	(1 935)	(1 985)	(2 516)	(2 885)	(165)	(50)	–	–	(4 871)	(5 131)
Impairment	–	–	–	–	–	–	–	–	4	(4)	–	–	–	–	4	(4)
Adjustments/ reclassifications	–	–	550	1 100	132	(413)	238	412	144	672	(11)	50	(852)	(1 725)	201	96
As at 31 December	**227**	**227**	**10 584**	**9 908**	**4 427**	**4 045**	**17 405**	**16 576**	**30 422**	**29 643**	**4 713**	**4 493**	**2 129**	**956**	**69 907**	**65 848**
Accumulated depreciation																
As at 1 January	–	–	980	660	2 150	1 776	10 665	10 097	18 312	16 356	1 900	1 112	–	–	34 007	30 001
Depreciation charges	–	–	291	320	369	556	1 409	2 439	2 700	4 425	842	814	–	–	5 611	8 554
Disposals	–	–	–	–	(167)	(129)	(1 695)	(1 874)	(1 885)	(2 521)	(87)	(24)	–	–	(3 834)	(4 548)
Adjustments/ reclassifications	–	–	59	–	107	(53)	(162)	3	(12)	52	8	(2)	–	–	–	–
As at 31 December	**–**	**–**	**1 330**	**980**	**2 459**	**2 150**	**10 217**	**10 665**	**19 115**	**18 312**	**2 663**	**1 900**	**–**	**–**	**35 784**	**34 007**
Net book value as at 1 January	**227**	**227**	**8 928**	**7 670**	**1 895**	**2 289**	**5 911**	**5 647**	**11 331**	**11 228**	**2 593**	**2 639**	**956**	**1 725**	**31 841**	**31 425**
Net book value as at 31 December	**227**	**227**	**9 254**	**8 928**	**1 968**	**1 895**	**7 188**	**5 911**	**11 307**	**11 331**	**2 050**	**2 593**	**2 129**	**956**	**34 123**	**31 841**

A physical count of assets was performed and the results reconciled to the asset values in the asset register as at 31 December 2014. This physical count and the corresponding asset value are certified by both headquarters and the country offices.

Assets under construction pertain primarily to premises in Brazil and property, plant and equipment items in transit as at the reporting date ($1.3 and $0.8 million, respectively). Of $1.0 million of assets under construction and not yet available as at the end of 2013, $0.9 million were completed and put in service by 31 December 2014 and are presented in their respective categories. The value of outstanding commitments for capital purchases as at 31 December 2014 was $0.4 million. As at 31 December 2014, the cost of fully depreciated property, plant and equipment items, which were still in use, amounted to $14.1 million ($16.4 million in 2013).

Note 9
Intangibles

Intangible assets owned by UNFPA as at 31 December 2014 consisted of internally developed and purchased software as follows:

(Thousands of United States dollars)

	Software		*Software under development*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Cost						
As at 1 January	96	–	59	–	155	–
Additions	615	96	107	59	722	155
Disposals	–	–	–	–	–	–
As at 31 December	**711**	**96**	**166**	**59**	**877**	**155**
Accumulated amortization						
As at 1 January	18	–	–	–	18	–
Amortization charges	211	18	–	–	211	18
Disposals	–	–	–	–	–	–
As at 31 December	**229**	**18**	**–**	**–**	**229**	**18**
Net book value as at 1 January	**78**	**–**	**59**	**–**	**137**	**–**
Net book value as at 31 December	**482**	**78**	**166**	**59**	**648**	**137**

The value of outstanding commitments for purchases of intangible assets as at 31 December 2014 was $0.2 million.

Note 10
Accounts payable and accruals

Accounts payable and accruals comprise the following:

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Accounts payable	20 310	23 337
Accrual liability	29 233	27 540
Administrative agent payable	143 178	36 096
Advance from procurement activities	10 659	13 653
Due to specialized agencies of the United Nations system	39	22 452
Operating fund payable	6 925	6 746
Payable in respect of unspent balances on expired funds	2 090	3 640
Total	**212 434**	**133 464**

"Administrative agent payable" refers to amounts received and administered by UNFPA for programme activities to be implemented by a pool of United Nations system organizations and to be distributed based on an agreed programme of work within a short time frame.

Note 11
Finance lease liability

UNFPA did not have any commercial finance leases as at 31 December 2014.

Note 12
Employee benefits

Employee benefits liabilities reflects liabilities for accumulated annual leave, home leave, repatriation benefits, after-service health insurance and other benefits, as shown below.

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Current employee benefits liabilities		
Short-term benefits		
Accumulated annual leave	22 509	21 744
Accumulated home leave	2 697	3 408
Post-employment benefits		
Repatriation benefits (inactive staff)[a]	862	374
Repatriation benefits (active staff)	2 978	3 706
After-service health insurance	2 736	2 215
Total current employee benefits liabilities	**31 782**	**31 447**

	As at 31 December 2014	As at 31 December 2013
Non-current employee benefits liabilities		
Repatriation benefits (active staff)	21 016	20 700
After-service health insurance	279 286	207 184
Total non-current employee benefits liabilities	**300 302**	**227 884**
Total employee benefits liabilities	**332 084**	**259 331**

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

Accumulated annual leave

Upon end of service, staff members holding fixed-term or continuing appointments may commute accumulated unused annual leave days up to a maximum of 60 working days. UNFPA values this liability through the actual computation of accumulated days of annual leave unused as at the reporting date based on the salary scale as at that date, without discounting.

Accumulated home leave

This liability represents the accumulated amount of the 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 benefits

The liabilities for repatriation benefits for active staff and for after-service health insurance coverage were determined on the basis of an actuarial valuation as at 31 December 2014, which was undertaken by an independent, qualified actuarial firm.

Repatriation benefits

Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

A list of major assumptions that were used by the actuary for determining the repatriation benefits liabilities as at 31 December 2014 is summarized in the table below:

(Percentage)

Major assumptions used for determining the repatriation benefits liabilities	*2014*	*2013*
Single equivalent discount rate	3.30	4.00
Annual salary increase[a]	5.00 to 10.80	5.00 to 10.80
Travel cost increase	2.25	2.50

[a] Different rates were applied based on age and category of staff members.

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits for active staff as at 31 December 2014 was estimated at $24.0 million.

A full provision has been made for those ex-staff members who, at the end of 2014, have not as yet claimed their repatriation entitlements but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of UNFPA, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan, for those who were recruited after 1 July 2007, and 5 years of participation, for those who were recruited prior to that date. This benefit is referred to as after-service health insurance.

The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2014 are summarized in the table below:

(Percentage)

Major assumptions used for determining after-service health insurance liability	*2014*	*2013*
Single equivalent discount rate	4.00	5.01
Inflation rate	2.25	2.50
Health-care cost trend rates:		
United States, non-Medicare plans	6.80, grading down to 4.50 after 9 years	7.30, grading down to 4.50 after 10 years
United States, Medicare plans	6.10, grading down to 4.50 after 9 years	6.30, grading down to 4.50 after 10 years
United States, dental plans	5.00, grading down to 4.50 after 9 years	5.00, grading down to 4.50 after 10 years
Non-United States medical plans	5.00 (flat)	5.00 (flat)

Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits.

In determining the valuation of the organization's residual after-service health insurance liability, contributions from all plan participants are considered. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff are also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the organization's share of costs shall not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2014, net of contributions from plan participants, was as follows:

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Gross liability	440 617	327 154
Offset from contributions made by plan participants	(158 595)	(117 755)
Net liability	**282 022**	**209 399**

Actuarial valuation

Liabilities arising from after-service health insurance and repatriation benefits are determined by consulting independent actuaries. Actuarial assumptions are required to be disclosed in the financial statements.

The actuarial valuation for 2014 was based on the same census data that was provided to the actuary in 2013 for the purpose of calculation of post-employment benefits liabilities as at 31 December 2013. However, the actuaries performed a review of key assumptions, including discount rate, health-care cost trend rates and inflation rate, as part of the valuation for 2014. The next full actuarial valuation will be conducted in 2016 (as at 31 December 2015).

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The actuary has used the spot rates from the Citigroup Pension Discount Curve as the basis for determining the discount rate for the actuarially valued defined benefit plans.

The actuarial valuation also includes actuarial gains and losses resulting from changes in the major assumptions used by the actuary since the previous valuation. Another factor affecting the actuarial valuation is the contributions made by the plan participants. These contributions, identified in the table below as “net of participant contributions”, are deducted from the overall liability to determine the residual obligation of UNFPA.

The 31 December 2014 obligations, annual expense and contributions were based on projections from the 31 December 2013 valuation, with adjustments for the change in actuarial assumptions. Minor differences between the actual annual costs of UNFPA and the projections in the actuarial report were noted and adjusted for in the statement of financial performance.

The change in the after-service health insurance and repatriation benefits liability during 2014 is due to the following effects:

(Thousands of United States dollars)

Post-employment benefits liabilities	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2013	**209 399**	**24 406**	**233 805**
Expenses recognized in 2014			
Current service cost	10 215	1 877	12 092
Interest cost	10 423	899	11 322
Total expenses recognized in 2014	**20 638**	**2 776**	**23 414**
Benefits paid (net of participant contributions)	(2 326)	(3 854)	(6 180)
Actuarial (gain)/loss	54 311	666	54 977
As at 31 December 2014	**282 022**	**23 994**	**306 016**

"Current service cost" is the increase in liability resulting from benefits vested with employees through services in 2014. "Interest cost" is the increase resulting from future employee benefits being closer to settlement. "Benefits paid" corresponds to disbursement of employee benefits in the current year. "Actuarial gains or losses" arise when the actuarial assessment differs from the long-term expectation on the obligations. They result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

The overall actuarial loss recorded in 2014 owing to the decrease in the discount rate used for the actuarial valuation of after-service health insurance is recognized directly as a change in net assets (statement III).

(Thousands of United States dollars)

Actuarial losses/(gains)	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2013	59 100	4 525	63 625
Current period	54 311	666	54 977
As at 31 December 2014	**113 411**	**5 191**	**118 602**

Sensitivity analysis

The table below demonstrates sensitivity of post-employment benefits liabilities and combined service and interest costs to 1 per cent change in the single equivalent discount rate or health-care cost trend rate (with all other assumptions remaining constant):

(Thousands of United States dollars)

	After-service health insurance		
	Year-end liability	*Sum of service and interest costs*	*Repatriation benefits liability (active staff)*
Single equivalent discount rate:			
1 per cent increase	(54 047)	–	(1 922)
1 per cent decrease	67 579	–	2 111
Health-care cost trend rate:			
1 per cent increase	63 164	7 700	–
1 per cent decrease	(48 945)	(6 429)	–

Funding for employee benefit liabilities

As at 31 December 2014, the unfunded portion of after-service health insurance and other staff benefit liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2014		
Funding of employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	282 022	162 048	119 974
Repatriation benefits	24 856	2 092	22 764
Annual leave	22 509	12 609	9 900
Home leave	2 697	548	2 149
Total	**332 084**	**177 297**	**154 787**

In 2014 the liability was funded as follows:

- Transfers from fund balances otherwise available for programming of $10.0 million
- Interest earned on the already-funded portion of the after-service health insurance liability of $0.9 million
- Cost accrual for after-service health insurance (net of payment of premiums), repatriation benefits, annual leave and home leave resulting from payroll charges made during 2014 of $9.2 million.

(Thousands of United States dollars)

	As at 31 December 2013	*Increase/ (decrease) in liability*	*Net increase/ (decrease) in funding*	*As at 31 December 2014*
	Unfunded liability			*Unfunded liability*
After-service health insurance	61 603	72 623	14 252	119 974
Repatriation benefits	23 415	76	727	22 764
Annual leave	13 998	765	4 863	9 900
Home leave	3 117	(711)	257	2 149
Total	**102 133**	**72 753**	**20 099**	**154 787**

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. The Pension Fund is a funded, multi-employer defined-benefit plan.

As there is no consistent and reliable basis for allocating the related liabilities/ assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan; thus, the UNFPA share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

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

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 7.9 per cent for the participants and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with their 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 Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which it paid during the three years preceding the valuation date.

The actuarial valuation as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent (25.57 per cent in the 2011 valuation) of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2015. As at

31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) 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 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

In December 2012 and April 2013 the General Assembly authorized an increase in the normal retirement age and the mandatory age of separation to 65 years of age for new participants in the Fund, with an effective date of no later than 1 January 2014. The related change to the Fund's regulations was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as at 31 December 2013.

During 2014, contributions paid to the United Nations Joint Staff Pension Fund by UNFPA amounted to $30.3 million ($28.6 million in 2013).

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (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 comprise the following:

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Current		
Other current liabilities	226	1 773
Deferred revenue	17 421	616
Total	**17 647**	**2 389**
Non-current		
Other non-current liabilities	167	–
Deferred revenue	5 436	5 884
Total	**5 603**	**5 884**

Deferred revenue includes the unamortized portion of the donated right to use premises — finance lease similar ($4.9 million), contribution to regular resources received in advance ($17.0 million) and $1.0 million for the value of the rent-free period given by the landlord of UNFPA headquarters in New York.

Note 14
Unearmarked resources — movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balances*						*2014*	*2013*
	Programmable fund balance	*After-service health insurance and staff benefits fund*	*Procurement services*	*Cost recovery*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
		(Note 12)	*(Note 14 (a))*	*(Note 14 (b))*	*(Note 14 (c))*		*(Note 14 (d))*	*(Note 14 (e))*		
Balance as at 31 December	40 333	(102 133)	5 093	5 858	37 606	(13 243)	91 660	5 000	83 417	61 118
Net excess/(shortfall) of revenue over expenditure	34 569	(7 677)	–	–	(2 096)	24 796	–	(1 828)	22 968	(11 620)
Changes in allocations										
After-service health insurance and staff-related benefits fund	(10 000)	10 000	–	–	–	–	–	–	–	–
Transfers within reserves										
To reserve for field accommodation	(1 828)	–	–	–	–	(1 828)	–	1 828	–	
To operational reserve	(3 468)	–	–	–	–	(3 468)	3 468	–	–	–
Transfers within UNFPA resources	1 419	–	(769)	–	–	650	–	–	650	(600)
Other adjustments to resource balances										
After-service health insurance and repatriation benefits	–	(54 977)	–	–	–	(54 977)	–	–	(54 977)	34 519
Balance as at 31 December 2014	**61 025**	**(154 787)**	**4 324**	**5 858**	**35 510**	**(48 070)**	**95 128**	**5 000**	**52 058**	**83 417**
Net total		**(93 762)**			**45 692**			**100 128**		

For the purpose of determining the balance of unused resources to be distributed to programme activities in 2015, the following adjustments need to be made to the fund balance represented in the table above to align with the budgetary basis: undepreciated property, plant and equipment net of unamortized donated rights to use finance lease similar ($27.0 million), inventory ($6.5 million), outstanding advances issued under sector-wide approach modality ($2.0 million) and other internally restricted amounts ($0.4 million). The distributable balance therefore amounts to $25.1 million.

Distinction between designated and undesignated fund balances: “designated” refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; “undesignated” refers to the remaining portion of the resource balance.

(a) Procurement services

As at 31 December 2014, an amount of $4.3 million had been set aside to facilitate resource planning in future years, representing the cumulative excess of procurement handling fee over procurement expenses.

(b) Cost recovery

Cost recoveries in excess of budget are retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of cost that are associated with the implementation of projects. There was no movement in fund resources recorded in 2014. Therefore, the fund balance as at 31 December 2014 remained unchanged at $5.8 million.

(c) Private endowment fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $35.5 million comprises the principal of $33.7 million plus subsequent cumulative interest earned of $5.9 million less cumulated expenses for activities of $4.1 million. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or his heirs for any potential liability in the event of a valid claim against the estate.

(d) 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. This level of operational reserve was incorporated within the UNFPA Financial Regulations and Rules endorsed by the Executive Board and set at 20 per cent of unearmarked resources contribution revenue for each year of the UNFPA workplan.

In the year ended 31 December 2014, given net contribution revenue of $475.6 million, the operational reserve was $95.1 million, as also shown in statement I.

(e) Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2014 were $1.8 million. As at 31 December 2014, $1.8 million had been transferred from unexpended resources to replenish the reserve for field accommodation.

Note 15
Contribution revenue

Contribution revenue for 2014 was as follows:

(Thousands of United States dollars)

	2014	*2013*
Unearmarked (core) contributions	477 392	459 999
Less: transfers to other revenue for reimbursement of tax charges	(5 483)	(2 931)
Subtotal	**471 909**	**457 068**
Contributions earmarked for:		
Co-financing	488 744	472 724
Junior Professional Officers	2 051	3 988
Contributions in kind	4 620	313
Less: refunds to donors	(3 672)	(6 378)
Subtotal	**491 743**	**470 647**
Total	**963 652**	**927 715**

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, 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*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Investment revenue	4 534	5 509	1 111	1 081	5 645	6 590
Fees for support services	33 828	27 261	5 376	2 892	39 204	30 153
Net currency revaluation adjustments and gains/(losses) on exchange — contributions receivable	–	(1 394)	–	1 966	–	572
Net currency revaluation adjustments and gains/(losses) on exchange — others	3 280	–	97	–	3 377	–
Revenue earmarked for procurement activities	–	–	3 352	4 369	3 352	4 369
Premises occupied based on donated right to use — operating lease similar	3 387	3 146	–	–	3 387	3 146

	Unearmarked resources		*Earmarked resources*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Premises occupied based on donated right to use — finance lease similar	181	181	–	–	181	181
Reimbursement of tax charges	5 483	2 931	–	–	5 483	2 931
Miscellaneous revenue	737	934	110	176	847	1 110
Total	**51 430**	**38 568**	**10 046**	**10 484**	**61 476**	**49 052**

Revenue and expenses (see note 18) in the amount of $3.4 million were recognized for the donated right to use (operating lease similar) premises occupied in 2014 by UNFPA under this type of agreement, based on the annual rental value of similar premises, as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated right to use (finance lease similar) premises occupied by UNFPA in 2014 under this type of agreement, based on the asset valuation provided by an external independent consultant.

Note 17
Expenses by implementing agent

Total expenses, as presented in statement II, can be further detailed into funds utilized directly by UNFPA and funds utilized by implementing partners, such as Governments, non-governmental organizations and other United Nations system organizations, as follows:

(Thousands of United States dollars)

	2014	*2013*
Governments	122 999	113 126
Non-governmental organizations	133 214	102 627
Specialized agencies of the United Nations system	3 123	5 822
UNFPA	742 780	691 765
Total expenses	**1 002 116**	**913 340**

In 2014 31.1 per cent of programme activities were implemented by Governments and non-governmental organizations (28.7 per cent in 2013).

Note 18
Expenses by nature

Total expenses, as presented in statement II, can be further detailed “by nature”, or type of resource utilized by the organization, as follows:

(Thousands of United States dollars)

	2014	*2013*
Staff costs		
Staff salaries	155 822	147 606
Pension contributions	30 263	28 573
Other employee benefit costs	70 003	74 141
Subtotal, staff costs	**256 088**	**250 320**
Reproductive health and other programme-related goods		
Reproductive health goods	156 471	152 176
Other programme-related goods	12 348	11 978
Subtotal, reproductive health and other programme-related goods	**168 819**	**164 154**
Development and training of counterparts	118 814	90 483
Subtotal, development and training of counterparts	**118 814**	**90 483**
Supplies, materials and operating costs		
Supplies and materials	22 055	23 214
Rent, repairs and maintenance	38 125	32 855
Printing, publications and media	40 886	38 244
Transportation and distribution	23 068	24 438
Other operating costs	44 489	37 548
Subtotal, supplies, materials and operating costs	**168 623**	**156 299**
Contracted and professional services		
Contracted and professional services with individuals	118 899	98 013
Contracted and professional services with companies	53 280	50 839
United Nations Volunteers expenses for contracted services	3 944	3 153
Subtotal, contracted and professional services	**176 123**	**152 005**
Finance costs (mainly bank charges)	608	704
Subtotal, finance costs	**608**	**704**
Travel	83 139	85 256
Subtotal, travel	**83 139**	**85 256**
Depreciation and amortization		
Depreciation	5 611	8 554
Amortization	211	18
Subtotal, depreciation and amortization	**5 822**	**8 572**

	2014	*2013*
Impairment		
Impairment of fixed assets	(4)	4
Subtotal, impairment	**(4)**	**4**
Other expenses		
Premises occupied based on donated right to use	3 387	3 146
Transfers and gains/losses from disposal of fixed assets	748	394
Net currency revaluation adjustments and losses on exchange — contributions receivable	15 584	–
Net currency revaluation adjustments and losses on exchange — others	3 719	1 906
Doubtful accounts expenses	649	134
Other	(3)	(37)
Subtotal, other expenses	**24 084**	**5 543**

Note 19
Unearmarked resources — programme activities by country/territory and region and institutional budget

(a) Total expenses for programme activities by country/territory and region

(Thousands of United States dollars)

	2014	*2013*
Western and central Africa		
Country/territory programmes		
Benin	1 820	2 202
Burkina Faso	3 731	3 357
Cameroon	3 263	3 901
Cabo Verde	1 000	980
Central African Republic	2 651	2 656
Chad	2 983	3 965
Congo	2 133	2 287
Côte d'Ivoire	4 755	5 570
Equatorial Guinea	611	589
Gabon	1 070	869
Gambia	993	1 048
Ghana	3 956	3 055
Guinea	2 965	2 737
Guinea-Bissau	1 109	1 653
Liberia	2 079	2 746
Mali	2 612	2 556
Mauritania	1 614	1 896
Niger	3 256	3 781
Nigeria	8 046	7 968

	2014	2013
Sao Tome and Principe	727	553
Senegal	2 799	2 311
Sierra Leone	2 574	2 797
Togo	1 228	1 393
Subtotal, country/territory programmes	**57 975**	**60 870**
Regional projects	5 014	4 902
Total	**62 989**	**65 772**
Eastern and southern Africa		
Country/territory programmes		
Angola	2 872	3 572
Botswana	794	1 388
Burundi	2 868	2 133
Comoros	1 025	1 028
Democratic Republic of the Congo	7 603	7 958
Eritrea	1 407	1 409
Ethiopia	6 528	5 717
Kenya	5 779	4 348
Lesotho	958	1 531
Madagascar	3 892	3 155
Malawi	3 318	3 089
Mauritius	89	76
Mozambique	5 250	3 629
Namibia	1 208	1 561
Rwanda	2 456	3 362
Seychelles	–	58
South Africa	1 949	1 848
South Sudan	5 114	3 706
Swaziland	1 247	1 469
Uganda	6 325	6 451
United Republic of Tanzania	4 525	4 200
Zambia	3 504	3 220
Zimbabwe	3 344	3 591
Subtotal, country/territory programmes	**72 055**	**68 499**
Regional projects	5 086	5 535
Total	**77 141**	**74 034**
Arab States		
Country/territory programmes		
Algeria	456	439
Djibouti	808	696

	2014	2013
Egypt	2 583	2 010
Iraq	2 445	3 104
Jordan	951	627
Lebanon	635	1 122
Libya	553	699
Morocco	1 564	1 437
Oman	100	206
Somalia	3 473	3 604
State of Palestine	2 085	2 072
Sudan	3 315	4 357
Syrian Arab Republic	1 933	2 928
Tunisia	585	567
Yemen	3 530	2 480
Subtotal, country/territory programmes	**25 016**	**26 348**
Regional projects	5 203	4 770
Total	**30 219**	**31 118**
Asia and the Pacific		
Country/territory programmes		
Afghanistan	6 080	6 319
Bangladesh	7 470	7 400
Bhutan	1 004	1 218
Cambodia	3 760	4 309
China	3 998	3 988
Democratic People’s Republic of Korea	1 417	643
India	10 657	9 207
Indonesia	4 815	5 176
Iran (Islamic Republic of)	1 468	1 521
Lao People’s Democratic Republic	2 465	2 637
Malaysia	393	424
Maldives	463	598
Mongolia	2 189	2 733
Myanmar	6 141	10 493
Nepal	4 224	3 427
Pacific multi-islands[l]	4 898	4 283
Pakistan	5 758	4 805
Papua New Guinea	1 938	2 376
Philippines	5 658	8 302
Sri Lanka	1 733	1 646
Thailand	1 667	1 778
Timor-Leste	2 045	1 839

	2014	*2013*
Viet Nam	4 540	4 712
Subtotal, country/territory programmes	**84 781**	**89 834**
Regional projects	6 250	6 631
Total	**91 031**	**96 465**
Latin America and the Caribbean		
Country/territory programmes		
Argentina	677	709
Bolivia (Plurinational State of)	1 243	1 496
Brazil	2 051	2 080
Caribbean, English- and Dutch-speaking[2]	2 864	3 074
Chile	172	212
Colombia	1 678	1 596
Costa Rica	576	683
Cuba	883	718
Dominican Republic	909	819
Ecuador	1 040	1 171
El Salvador	1 220	1 098
Guatemala	1 690	1 681
Haiti	3 268	3 523
Honduras	1 369	1 407
Mexico	1 188	1 247
Nicaragua	1 406	1 378
Panama	702	574
Paraguay	979	758
Peru	1 662	1 898
Uruguay	600	916
Venezuela (Bolivarian Republic of)	975	1 318
Subtotal, country/territory programmes	**27 152**	**28 356**
Regional projects	6 091	5 844
Total	**33 243**	**34 200**
Eastern Europe and Central Asia		
Country/territory programmes		
Albania	490	547
Armenia	492	595
Azerbaijan	729	727
Belarus	296	317
Bosnia and Herzegovina	654	415
Georgia	649	652
Kazakhstan	618	650

	2014	*2013*
Kosovo	259	268
Kyrgyzstan	797	845
Republic of Moldova	497	428
Russian Federation	7	739
Serbia	306	146
Tajikistan	805	812
The former Yugoslav Republic of Macedonia	307	259
Turkey	1 034	1 356
Turkmenistan	740	688
Ukraine	763	691
Uzbekistan	1 235	1 365
Subtotal, country/territory programmes	**10 678**	**11 500**
Regional projects	6 921	5 654
Total	**17 599**	**17 154**
Global programme and other headquarter activities	27 000	35 818
Total programme expenses	**339 222**	**354 561**

[1] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including 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.
[2] Figures for Caribbean, English- and Dutch-speaking, comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

(b) Institutional budget

(Thousands of United States dollars)

	2014	*2013*
Gross expenses	139 549	138 787
Credits to the institutional budget:		
Indirect costs charged to other resources	(33 828)	(27 261)
Cost recovery in excess of budget (note 14 (b))	–	4 736
Procurement handling fee attributable to co-financing activities	–	2 125
Local governments contributions to country offices’ costs	(304)	(310)
Total	**105 417**	**118 077**

Note 20
Provisions, contingent assets and contingent liabilities

Contingent assets for donors’ pledges related to all agreements in force as at 31 December 2014 which did not meet the criteria for revenue recognition were estimated at $514.1 million, of which $424.9 million related to earmarked resources.

As at 31 December 2014, UNFPA did not have any material provisions or contingent liabilities.

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*
2014	21	4 506	919	871	6 296
2013	19	4 102	801	785	5 688

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, 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. These benefits cannot be reliably quantified. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

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 2014. 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 28 April 2015. As at the date of signature of the UNFPA financial statements and related notes for the period ended 31 December 2014, there have been no material events, favourable or unfavourable, that have 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 2014, 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.

Reconciliation between the amount of actual expenses for 2014 presented in statement V, Comparison of budget to actual amounts for the year ended 31 December 2014, and in statement IV, Cash flow statement for the year ended 31 December 2014, are 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*	*Total*
Total actual expenses on a budget comparable basis (statement V)	(473 198)	(5 395)	(478 593)
Basis differences	(21 290)	165	(21 124)
Entity differences	668 572	(231 471)	437 100
Net (decrease)/increase in cash and cash equivalents (statement IV)	**174 084**	**(236 701)**	**(62 617)**

Reconciliation between the actual surplus/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 on projections of contributions and estimates of unutilized resources from the previous year, while financial statements record contributions and other revenue as recognized on a full accrual basis. For expenses, the difference is attributable mainly 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)	32 966
Difference between total revenue and final budgetary allocations	(2 200)
Difference between expenses on a budgetary basis and an accrual basis	(180)
Actual net surplus/(deficit) on a financial reporting comparable basis for activities included in the scope of the budget	**30 586**

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 2014

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (i.e., 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 attributed 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 respective percentage of posts.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Assets						
Current assets						
Cash and cash equivalents	20 891	50 125	38 494	71 994	59 385	122 119
Investments maturing within one year	133 133	148 051	245 315	212 645	378 448	360 696
Inventories	6 478	7 559	47 804	39 000	54 282	46 559
Contributions receivable (exchange transactions)	–	–	171	10	171	10
Contributions receivable (non-exchange transactions)	547	3 299	116 692	210 681	117 239	213 980
Prepayments and other current assets	16 929	12 366	11 520	2 399	28 449	14 765
Operating fund accounts	4 006	4 665	9 858	10 481	13 864	15 146
Total	**181 984**	**226 065**	**469 854**	**547 210**	**651 838**	**773 275**
Non-current assets						
Investments maturing after one year	174 809	116 441	322 111	167 244	496 920	283 685
Contributions receivable (non-exchange transactions)	–	–	111 659	71 513	111 659	71 513
Other non-current assets	10	11	–	–	10	11
Property, plant and equipment	31 278	29 643	2 845	2 198	34 123	31 841
Intangible assets	648	137	–	–	648	137
Total	**206 745**	**146 232**	**436 615**	**240 955**	**643 360**	**387 187**
Total assets	**388 729**	**372 298**	**906 469**	**788 164**	**1 295 198**	**1 160 462**
Liabilities						
Current liabilities						
Accounts payable and accruals	19 571	44 957	192 863	88 507	212 434	133 464
Employee benefits	28 285	28 931	3 497	2 516	31 782	31 447
Other current liabilities and deferred revenue	15 957	(544)	1 690	2 933	17 647	2 389
Total	**63 813**	**73 344**	**198 050**	**93 956**	**261 863**	**167 300**
Non-current liabilities						
Employee benefits	267 255	209 653	33 047	18 231	300 302	227 884
Other non-current liabilities and deferred revenue	5 603	5 884	–	–	5 603	5 884
Total	**272 858**	**215 537**	**33 047**	**18 231**	**305 905**	**233 768**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Total liabilities	**336 671**	**288 881**	**231 097**	**112 187**	**567 768**	**401 068**
Net assets	**52 058**	**83 417**	**675 372**	**675 977**	**727 430**	**759 394**
Reserves and fund balances						
Reserves						
Operational reserve	95 128	91 660	–	–	95 128	91 660
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**100 128**	**96 660**	**–**	**–**	**100 128**	**96 660**
Fund balances						
Designated unearmarked fund balances	45 692	48 557	–	–	45 692	48 557
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(93 762)	(61 800)	–	–	(93 762)	(61 800)
Earmarked resources	–	–	675 372	675 977	675 372	675 977
Total fund balances	**(48 070)**	**(13 243)**	**675 372**	**675 977**	**627 302**	**662 734**
Total reserves and fund balances	**52 058**	**83 417**	**675 372**	**675 977**	**727 430**	**759 394**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Eliminations*[a]		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
Contribution revenue								
Unearmarked contributions	477 392	459 999	–	–	–	–	477 392	459 999
Less: transfers to other revenue for reimbursement of tax charges	(5 483)	(2 931)	–	–	–	–	(5 483)	(2 931)
Subtotal	**471 909**	**457 068**					**471 909**	**457 068**
Earmarked contributions	–	–	529 353	504 471	(33 938)	(27 446)	495 415	477 025
Less: refunds to donors	–	–	(3 672)	(6 378)	–	–	(3 672)	(6 378)
Subtotal	–	–	**525 681**	**498 093**	**(33 938)**	**(27 446)**	**491 743**	**470 647**
Total contribution revenue	**471 909**	**457 068**	**525 681**	**498 093**	**(33 938)**	**(27 446)**	**963 652**	**927 715**
Other revenue	51 430	38 568	10 046	10 484	–	–	61 476	49 052
Total revenue	**523 339**	**495 636**	**535 727**	**508 577**	**(33 938)**	**(27 446)**	**1 025 128**	**976 767**
Expenses								
Staff costs	220 099	218 465	35 989	31 855	–	–	256 088	250 320
Reproductive health and other programme-related goods	15 622	15 339	153 197	148 815	–	–	168 819	164 154
Development and training of counterparts	45 762	42 382	73 162	48 286	(110)	(185)	118 814	90 483
Supplies, materials and operating costs	89 672	90 542	112 779	93 018	(33 828)	(27 261)	168 623	156 299
Contracted and professional services	75 388	77 925	100 735	74 080	–	–	176 123	152 005
Finance costs	261	281	347	423	–	–	608	704
Travel	41 639	49 660	41 500	35 596	–	–	83 139	85 256
Depreciation and amortization	5 405	8 069	417	503	–	–	5 822	8 572
Impairment	(4)	4	–	–	–	–	(4)	4
Other expenses	6 527	4 589	17 557	954	–	–	24 084	5 543
Total expenses	**500 371**	**507 256**	**535 683**	**433 530**	**(33 938)**	**(27 446)**	**1 002 116**	**913 340**
Surplus for the year	**22 968**	**(11 620)**	**44**	**75 047**	–	–	**23 012**	**63 427**

[a] The presentation in the present table reflects the gross performance of each segment and the eliminations column is therefore necessary to remove the effect of inter-segment activities.

Note 25
Financial risk management

UNFPA investment activities are carried out by UNDP under a service level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNFPA. Investments are registered in the name of UNFPA, with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

- Safety: preservation of capital, provided by investing in high-quality fixed-income securities emphasizing the creditworthiness of the issuers
- Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements
- Income: maximization of investment income within the foregoing safety and liquidity parameters

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions are in compliance with the established investment guidelines. UNFPA receives a detailed periodic investment performance report from UNDP which shows the composition and performance of the investment portfolio.

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

- Credit risk: the possibility that third parties may not pay amounts when due
- Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its current obligations
- Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities

Analysis of credit risk

UNDP investment guidelines limit the amount of credit exposure to any single counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereigns, supranational organizations, governmental or federal agencies and banks.

Credit ratings from the three leading credit rating agencies, Moody's, Standard and Poor's, and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2014, UNFPA financial investments were in investment grade instruments, as shown in the following table (presented using Standard and Poor's rating convention).

(Thousands of United States dollars)

2014	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Time deposits[a]	–	–	–	50 000	25 000	25 000	50 000	150 000
Bonds	401 909	168 359	24 845	47 865	67 277	15 113	_	725 368
Total	**401 909**	**168 359**	**24 845**	**97 865**	**92 277**	**40 113**	**50 000**	**875 368**

2013	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Commercial paper and discount notes[a]	99 976	–	–	24 967	–	–	–	124 943
Bonds	327 622	110 604	–	65 974	–	15 238	–	519 438
Total	**427 598**	**110 604**	**–**	**90 941**	**–**	**15 238**	**–**	**644 381**

[a] Excludes investments classified as cash equivalents.

UNFPA credit exposure on outstanding contributions receivable is mitigated by the fact that programme activities do not commence until cash is received.

Analysis of liquidity risk

Investments are made with due consideration to UNFPA cash requirements for operating purposes based on cash flow forecasting. The investment approach includes consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNFPA maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2014	*Percentage*	*31 December 2013*	*Percentage*
Cash balances	13 288	1	21 060	3
Cash equivalents	46 097	5	101 059	13
Subtotal	**59 385**	**6**	**122 119**	**16**
Current investments	378 448	41	360 696	47
Non-current investments	496 920	53	283 685	37
Subtotal	**875 368**	**94**	**644 381**	**84**
Total, investments, cash and cash equivalents	**934 753**	**100**	**766 500**	**100**

Analysis of market risk

Market risk encompasses interest rate risk, foreign exchange risk and other price risk.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and future cash flows. UNFPA is exposed to interest rate risk on its interest-bearing assets. It classifies its entire portfolio as held to maturity. These assets are not marked to market and therefore the carrying values are not impacted by changes in interest rates. Consequently, an interest sensitivity analysis related to these investments would not disclose significant variations in value. The UNDP investment committee regularly monitors the rate of return on the investment portfolio compared to the benchmarks specified in the investment guidelines.

(Thousands of United States dollars)

	As at 31 December 2014	*As at 31 December 2013*
Held to maturity investments	875 368	644 381
Available for sale investments	–	–
Total	**875 368**	**644 381**

UNFPA invests in United States dollar denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2014, UNFPA had $45 million of outstanding floating rate fixed-income securities.

Foreign exchange risk

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

As at 31 December 2014, 99.7 per cent of UNFPA cash, cash equivalents and investments were denominated in United States dollars and 0.3 per cent were denominated in other currencies. Non-United States dollar holdings have the primary objective of supporting local operating activities in programme countries. UNFPA maintains a minimum level of cash and cash equivalents in local currencies and, whenever possible, maintains accounts in United States dollars. All investments held as at 31 December 2014 were denominated in United States dollars.

(Thousands of United States dollars)

	In United States dollars		*In other currencies*		*Total*	
	31 December 2014	*31 December 2013*	*31 December 2014*	*31 December 2013*	*31 December 2014*	*31 December 2013*
Cash and cash equivalents	56 787	109 587	2 598	12 532	59 385	122 119
Investments	875 368	644 381	–	–	875 368	644 381
Total	**932 155**	**753 968**	**2 598**	**12 532**	**934 753**	**766 500**

UNFPA is exposed to foreign exchange risk arising primarily from contributions in currencies other than United States dollars. Foreign exchange risk to UNFPA is mitigated where contributions are received in local currency from programme country Governments and used to fund local expenditure.

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. UNFPA expenses for hedge premiums and exchange gains and losses are shown under "other revenue" (note 16). During 2014, contribution revenue in eight currencies was hedged.

The UNDP Treasury uses derivative instruments such as foreign exchange forwards, options and structured options to manage foreign exchange exposure. Those derivatives are marked to market, with gains or losses recognized in surplus or deficit in the statement of financial performance. As at 31 December 2014, UNFPA had no open derivative positions.

Other price risk

UNFPA is exposed to price risk arising from movement in the prices of financial instruments, which may fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 26
Commitments

As at 31 December 2014, UNFPA commitments for the acquisition of various goods and services contracted but not received amounted to $32.3 million ($43.1 million in 2013).

UNFPA contractual leases in the field are typically between one and five years. UNFPA also holds a longer-term operating lease for its headquarters, located in New York. UNFPA obligations for minimal lease payments as at 31 December 2014 were as follows:

(Thousands of United States dollars)

Undiscounted minimum lease payments	*As at 31 December 2014*	*As at 31 December 2013*
Less than one year	6 586	6 667
One to five years	21 331	21 694
More than five years	32 556	30 570
Total undiscounted minimum lease payments	**60 473**	**58 931**

Only leases with a cancellation notice of 30 days or more are included.

Schedules

Schedule A
Unearmarked resources — status of contributions for the year ended 31 December 2014

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January 2014*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/ (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2014*
Albania	–	–	2	–	–	2	–
Algeria	–	–	10	–	–	10	–
Andorra	–	–	14	–	–	14	–
Angola	–	–	80	–	–	80	–
Antigua and Barbuda	2	(1)	–	–	–	–	1
Argentina	2	(2)	5	–	–	5	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	13 915	–	–	13 915	–
Bahamas	2	–	–	–	–	–	2
Belgium	–	–	9 655	–	(79)	9 576	–
Belize	3	–	–	–	–	–	3
Benin	–	–	2	–	–	–	2
Bhutan	–	–	12	–	–	12	–
Bolivia (Plurinational State of)	–	–	13	–	–	13	–
Botswana	–	–	5	20	–	25	–
Brazil	50	–	–	–	–	–	50
Burkina Faso	17	(9)	19	19	–	39	7
Burundi	–	–	1	–	–	1	–
Cambodia	–	–	7	–	–	7	–
Cameroon	104	(43)	21	–	–	–	82
Canada	–	–	14 017	–	114	14 131	–
Chad	–	–	78	–	–	78	–
Chile	–	–	10	–	–	10	–
China	–	–	1 200	–	–	1 200	–
Comoros	–	–	1	–	–	–	1
Cook Islands	2	–	–	–	–	2	–
Costa Rica	–	–	5	–	–	5	–
Côte d'Ivoire	–	–	49	163	–	212	–
Cuba	–	–	5	–	–	5	–
Czech Republic	–	–	22	–	–	22	–
Democratic People's Republic of Korea	10	–	7	–	–	–	17
Democratic Republic of the Congo	151	(51)	–	–	–	–	100

Donor	Balance due to UNFPA as at 1 January 2014	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains/ (losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December 2014
Denmark	–	–	41 902	16 664	15	58 581	–
Djibouti	–	–	1	–	–	1	–
Dominican Republic	30	–	–	–	–	29	1
Egypt	–	–	98	–	–	98	–
El Salvador	3	–	2	–	–	4	1
Equatorial Guinea	–	–	10	–	–	–	10
Eritrea	–	–	7	–	–	7	–
Estonia	–	–	68	75	–	143	–
Ethiopia	–	–	3	–	–	3	–
Finland	2 717	–	60 446	–	41	63 204	–
France	–	–	752	–	–	752	–
Gambia	23	–	–	–	(4)	16	3
Georgia	–	–	20	–	–	20	–
Germany	–	–	24 690	–	–	24 690	–
Ghana	36	–	18	–	–	–	54
Guatemala	–	–	2	–	–	2	–
Guinea Bissau	3	(1)	–	–	–	–	2
Guyana	–	–	1	–	–	1	–
Honduras	–	–	1	–	–	1	–
India	–	–	500	–	–	500	–
Indonesia	35	(35)	29	–	–	29	–
Iran (Islamic Republic of)	60	–	–	–	1	61	–
Ireland	–	–	4 241	–	–	4 241	–
Israel	–	–	50	–	–	50	–
Italy	–	–	1 361	–	(24)	1 337	–
Japan	–	–	23 816	–	–	23 816	–
Jordan	–	–	50	–	–	50	–
Kazakhstan	–	–	50	–	–	50	–
Kenya	10	(10)	10	–	–	10	–
Kuwait	–	–	10	–	–	10	–
Lao People’s Democratic Republic	–	–	2	–	–	2	–
Lesotho	–	–	3	–	–	3	–
Liberia	30	(10)	–	–	–	–	20
Liechtenstein	–	–	28	–	–	28	–
Luxembourg	–	–	3 665	–	–	3 665	–
Madagascar	15	–	–	–	–	–	15

Donor	Balance due to UNFPA as at 1 January 2014	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains/ (losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December 2014
Malaysia	–	–	15	–	–	15	–
Maldives	15	–	5	–	–	–	20
Mali	–	–	8	23	(1)	30	–
Mauritius	–	–	3	–	–	3	–
Mexico	–	–	70	–	–	–	70
Monaco	–	–	20	–	–	20	–
Mongolia	–	–	4	–	–	–	4
Morocco	–	–	12	–	–	12	–
Nepal	6	–	13	–	(1)	13	5
Netherlands	–	–	48 409	–	(790)	47 619	–
New Zealand	–	–	5 009	–	–	5 009	–
Nicaragua	–	–	10	–	–	10	–
Niger	20	–	20	–	–	–	40
Norway	–	–	69 137	–	–	69 137	–
Pakistan	–	–	405	–	–	405	–
Papua New Guinea	18	(4)	4	–	–	–	18
Peru	–	–	2	–	–	2	–
Philippines	32	(32)	34	–	1	35	–
Poland	–	–	47	–	–	47	–
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	106	–	–	106	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	1	–	–	–	–	1	–
Saint Kitts and Nevis	–	–	1	–	–	1	–
Sao Tome and Principe	9	(9)	10	9	–	19	–
Saudi Arabia	–	–	500	–	–	500	–
Senegal	18	–	18	–	–	36	–
Seychelles	–	–	2	–	–	–	2
Sierra Leone	29	(8)	30	–	–	–	51
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	6	–	–	6	–
South Africa	–	–	44	–	(2)	42	–
Sri Lanka	–	–	18	–	–	18	–
Suriname	2	(2)	–	–	–	–	–
Swaziland	10	–	10	–	–	10	10

Donor	Balance due to UNFPA as at 1 January 2014	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains/ (losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December 2014
Sweden	–	–	70 341	–	(857)	69 484	–
Switzerland	–	–	16 842	–	–	16 842	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	96	–	–	96	–
The former Yugoslav Republic of Macedonia	6	(3)	–	–	–	–	3
Togo	6	–	6	–	–	6	6
Tonga	–	–	1	–	–	1	–
Trinidad and Tobago	5	–	5	–	–	10	–
Tunisia	–	–	15	–	–	15	–
Turkey	–	–	150	–	–	150	–
Turkmenistan	–	–	3	–	–	3	–
Uganda	20	–	10	–	–	10	20
Ukraine	1	(1)	–	–	–	–	–
United Arab Emirates	–	–	10	–	–	10	–
United Kingdom of Great Britain and Northern Ireland	–	–	33 058	–	137	33 195	–
United Republic of Tanzania	4	–	4	–	–	4	4
United States of America	–	–	31 100	–	–	31 100	–
Uruguay	30	–	25	–	–	25	30
Viet Nam	–	–	20	–	–	20	–
Yemen	3	(3)	–	–	–	–	–
Zambia	8	(4)	2	–	–	2	4
Zimbabwe	30	–	30	–	–	–	60
Private contributions	–	–	58	–	–	58	–
Contributions less than $500[a]	1	–	–	–	–	1	–
Subtotal	**3 579**	**(228)**	**477 088**	**16 973**	**(1 449)**	**495 245**	**718**
Government contribution to local office costs	–	–	304	–	–	304	–
Total	**3 579**	**(228)**	**477 392**	**16 973**[b]	**(1 449)**	**495 549**	**718**
Adjustments for exchange gains/(losses) and other rounding adjustments	(2)						–
Contributions receivable as at 31 December	**3 577**						**718**[c]

[a] Includes Grenada, Myanmar, Nauru, Palau, Solomon Islands and Uzbekistan.
[b] This amount is part of deferred revenue presented in note 13.
[c] This amount is presented gross of allowance for doubtful account of $0.2 million.

Schedule B
Earmarked resources — revenue, expenses and fund balances for the year ended 31 December 2014

(Thousands of United States dollars)

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Trust funds									
Africa Development Bank	500	–	–	–	–	500	499	1	–
Algeria	139	–	(1)	–	–	138	34	104	–
Andorra and Monaco	1	283	–	–	–	284	52	232	183
Anesvad Foundation	273	–	–	–	(3)	270	167	103	–
Australia	5 288	5 392	12	–	–	10 692	6 008	4 684	–
Belgium	1 980	–	1	–	–	1 981	714	1 267	–
Belize	21	–	–	–	–	21	14	7	–
Bolivia (Plurinational State of)	31	–	–	–	–	31	30	1	–
Botswana	75	66	–	–	–	141	63	78	–
Boyner Holding and Group Companies	24	111	–	–	–	135	100	35	–
Brazil	878	104	–	–	–	982	175	807	–
Cameroon	595	–	1	–	–	596	406	190	–
Canada	24 270	3 241	12	–	–	27 523	12 714	14 809	7 924
Central African Republic	–	2 144	7	–	–	2 151	332	1 819	79
Colombia	2 323	1 598	16	–	(2)	3 935	3 090	845	–
Concept Foundation	877	(362)	–	(1)	–	514	513	1	–
Congo	–	380	–	–	–	380	–	380	–
Côte d’Ivoire	2	–	–	(1)	–	1	–	1	–
Czech Republic	72	–	–	(2)	–	70	71	(1)	–
Denmark	4 327	3 450	8	–	–	7 785	4 821	2 964	–
Dominican Republic	3	–	–	–	–	3	–	3	–
Egypt	24	–	–	–	(24)	–	–	–	–
Equatorial Guinea	143	2 423	–	–	–	2 566	191	2 375	2 254
European Community	15 331	12 840	37	(194)	(16)	27 998	20 979	7 019	–
Finland	111	–	–	–	(106)	5	(2)	7	–
Ford Foundation	421	600	–	–	–	1 021	483	538	–

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
France	7 819	5 882	13	(67)	–	13 647	4 793	8 854	–
Friends of UNFPA	864	968	–	–	–	1 832	374	1 458	1 081
Gabon	43	–	–	–	–	43	18	25	–
Gates Foundation	7 817	4 064	1	101	–	11 983	2 161	9 822	1 703
Gavi Alliance	–	167	–	–	–	167	10	157	–
Georgia	730	108	–	(67)	–	771	771	–	–
Germany	2 871	50	–	(39)	–	2 882	2 833	49	–
Global Fund	–	85	–	–	–	85	–	85	69
Guatemala	1 486	3 921	–	–	–	5 407	842	4 565	3 055
H&M Hennes & Mauritz	206	–	–	–	–	206	159	47	–
Honduras	–	4 979	–	–	–	4 979	50	4 929	4 929
International Planned Parenthood Federation	51	–	–	–	–	51	49	2	–
Ireland	14	62	–	–	(14)	62	–	62	–
Italy	4 645	934	3	–	(1)	5 581	2 411	3 170	255
Japan	8 925	11 357	36	–	–	20 318	11 604	8 714	–
Joint Programme-UNFPA: participating agent	39 645	36 979	57	(233)	(209)	76 239	38 587	37 652	–
Kazakhstan	2	–	–	–	–	2	–	2	–
KfW — Germany	6 448	–	–	–	–	6 448	1 332	5 116	–
Kuwait	2 260	–	–	–	–	2 260	2 243	17	–
La Fondation Bank of Africa	11	–	–	(1)	–	10	11	(1)	–
Lebanon	243	85	–	–	–	328	189	139	–
Liberia	–	2 076	–	–	–	2 076	–	2 076	2 076
Liverpool School of Tropical Medicine	18	–	–	(18)	–	–	–	–	–
Luxembourg	5 461	544	(2)	–	–	6 003	2 871	3 132	2 235
Malaysia	–	400	1	–	–	401	313	88	–
Mexico	797	134	2	45	(45)	933	567	366	–
MTN Foundation	255	–	–	–	–	255	147	108	74
Multi-donor	48 469	18 307	(229)	–	8	66 555	40 124	26 431	3 858
Netherlands	17 166	6 641	–	–	–	23 807	5 435	18 372	9 775
New Zealand	225	5 072	9	–	–	5 306	644	4 662	3 507
Nigeria	5 545	2 294	5	–	–	7 844	5 398	2 446	223

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Norway	1 653	14 446	2	–	–	16 101	4 131	11 970	9 871
Office for the Coordination of Humanitarian Affairs	6 168	25 718	(2)	(1 246)	(8)	30 630	16 681	13 949	1 710
Office of the United Nations High Commissioner for Refugees	–	103	–	(10)	–	93	92	1	–
Oman	778	–	–	–	–	778	40	738	645
Oman, Basic Terms Cooperation Agreement	610	860	–	–	–	1 470	713	757	–
Packard Foundation	1 171	–	–	–	–	1 171	742	429	–
PATH	–	272	–	–	–	272	53	219	148
Productora de Pulpas Soledad	–	625	–	–	–	625	–	625	–
Qatar	96	–	–	–	–	96	23	73	–
Republic of Korea	6 146	–	5	–	–	6 151	2 382	3 769	1 300
Romania	122	–	–	–	–	122	122	–	–
Russian Federation	–	900	–	–	–	900	–	900	–
Sao Tome and Principe	1	–	–	–	(1)	–	–	–	–
Saudi Arabia	113	–	–	–	–	113	35	78	–
Secretariat of the Pacific Community	1	105	–	21	–	127	–	127	–
Sierra Leone	–	12 701	–	–	–	12 701	1 168	11 533	9 000
Sotici Foundation	46	–	–	–	–	46	13	33	–
Spain	1 425	2 562	2	55	–	4 044	811	3 233	1 829
Sweden	13 668	5 207	10	(29)	–	18 856	9 794	9 062	1 210
Swedish United Nations Association	–	282	–	–	–	282	44	238	–
Switzerland	13 454	1 181	7	–	–	14 642	4 666	9 976	4 993
Syrian Arab Republic	558	–	–	–	–	558	556	2	–
Thematic Trust Fund — Multi-donor	264 790	238 197	1 118	–	314	504 419	199 431	304 988	124 862
Toros Agri Industry	–	119	–	–	–	119	120	(1)	–
TOTAL-Congo	104	257	–	–	–	361	346	15	–
Ultimas Noticias	767	–	–	–	–	767	385	382	–
United Nations Trust Fund for Human Security	2 987	650	(1)	(1)	–	3 635	1 425	2 210	1 307
UNAIDS	11 144	2 599	12	(10)	–	13 745	10 394	3 351	15
United Nations Development Programme (UNDP)	1 991	12 422	2	(20)	–	14 395	6 974	7 421	–

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
UNDP — Multi-Partner Trust Fund	14 317	24 780	9	(40)	–	39 066	21 046	18 020	–
United Nations Children's Fund	8 090	8 079	1	(76)	–	16 094	13 142	2 952	139
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	1	–	–	–	–	1	–	1	–
United Nations Fund for International Partnerships	44	195	–	–	–	239	–	239	195
United Nations Integrated Mission in Timor-Leste	21	–	–	–	–	21	–	21	–
United Nations Office on Drugs and Crime	19	–	–	(19)	–	–	–	–	–
United Nations System Chief Executives Board for Coordination	413	–	–	(2)	–	411	411	–	–
United Kingdom of Great Britain and Northern Ireland	54 032	9 425	(6)	(1 490)	–	61 961	26 298	35 663	17 387
United States of America	6 392	17 820	52	(148)	(1)	24 115	12 331	11 784	5 554
Uruguay	898	280	–	–	–	1 178	393	785	104
Venezuela	1 338	–	–	–	–	1 338	1 293	45	–
Virgin Unite	–	30	–	–	–	30	26	4	–
World Bank	–	1 027	–	(146)	–	881	882	(1)	–
World Health Organization	60	110	–	–	–	170	161	9	–
Zonta International Foundation	636	1 600	–	–	–	2 236	622	1 614	1 145
Small contributions	1 686	1 456	18	(34)	(91)	3 035	1 721	1 314	–
Private individuals	–	3	–	–	–	3	–	3	–
Subtotal, trust funds	**635 465**	**521 390**	**1 218**	**(3 672)**	**(199)**	**1 154 202**	**514 857**	**639 345**	**224 694**
Special funds									
Contribution in kind — earmarked (goods)	190	4 620	–	–	–	4 810	1 619	3 191	3 051
Electronic protocols software (UNICEF)	139	141	–	–	–	280	137	143	–
European Union finance specialist post	160	–	–	–	–	160	(1)	161	–
Donor Reporting Resources	2 309	–	1 970	–	–	4 279	388	3 891	–
Global Contraceptive Community Programme	6 169	–	1 061	–	(1 195)	6 035	1 036	4 999	–
Inventory/items in transit — other resources	5 503	–	–	–	–	5 503	6 963	(1 460)	–
Pooled Forex gains/losses for other resources	2 055	–	–	–	(25)	2 030	97	1 933	–
Population Award	1 737	–	10	–	–	1 747	13	1 734	–

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Rafael M. Salas Endowment Fund	1 080	–	6	–	–	1 086	–	1 086	–
United Nations Care Global Coordinator	1 120	1 151	1	–	–	2 272	1 033	1 239	–
Junior Professional Officers programme	6 335	2 051	1 123	–	–	9 509	4 131	5 378	606
Procurement services — non-third-party services related	13 715	–	4 657	–	770	19 142	5 410	13 732	171
Subtotal, special funds	**40 512**	**7 963**	**8 828**	**–**	**(450)**	**56 853**	**20 826**	**36 027**	**3 828**
Total	**675 977**	**529 353**	**10 046**	**(3 672)**	**(649)**	**1 211 055**	**535 683**	**675 372**	**228 522**

Notes: Contributions and expenses as disclosed in this schedule include: “indirect cost” charges, which in 2014 amounted to $33.8 million; and UNFPA contributions to joint programmes in which the organization is a managing agent, which in 2014 amounted to $0.1 million. With the exception of this schedule and note 24 (b), expenses and earmarked contributions are shown net of these amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by the Fund, with no direct UNFPA programme component, at the request and on behalf of third parties (Governments, specialized agencies of the United Nations system, 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 the aims and policies of the Fund. The terms of the procurement are specified in a procurement services contract. This 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 2013 reclassified as liability	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2014*
Institutions						
Governments and intergovernmental institutions	12 477	21 015	280	33 772	27 516	6 256
UNDP and other specialized agencies of the United Nations system	131	1 715	43	1 889	2 344	(455)
Non-governmental organizations	902	2 556	107	3 565	2 654	911
Total	**13 510**	**25 286**	**430**	**39 226**	**32 514**	**6 712**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2014

(Thousands of United States dollars)

	Country programmes, global and regional interventions, and other programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
Staff costs	95 554	97 179	28 705	23 964	110 514	109 414	14 031	11 872	7 284	7 891	220 099	218 465	35 989	31 855
Reproductive health and other programme-related goods	15 889	15 432	141 587	148 420	(14)	10	(253)	(103)	11 610	395	15 622	15 339	153 197	148 815
Development and training of counterparts	45 394	42 149	73 089	48 099	103	233	265	–	(37)	2	45 762	42 382	73 052	48 101
Supplies, materials and operating costs	69 015	68 632	77 618	64 238	20 743	22 615	(86)	(705)	1 333	1 519	89 672	90 542	78 951	65 757
Contracted and professional services	69 858	74 346	100 371	73 870	4 508	3 322	1 022	257	364	210	75 388	77 925	100 735	74 080
Finance costs	236	247	347	423	13	12	12	22	–	–	261	281	347	423
Travel	38 622	47 485	41 289	35 484	2 754	2 153	263	22	211	112	41 639	49 660	41 500	35 596
Depreciation and amortization	2 872	4 872	407	483	944	1 393	1 589	1 804	10	20	5 405	8 069	417	503
Impairment	(4)	4	–	–	–	–	–	–	–	–	(4)	4	–	–
Other expenses	1 786	4 215	17 552	949	(16)	(365)	4 757	739	5	5	6 527	4 589	17 557	954
Total expenses	**339 222**	**354 561**	**480 965**	**395 930**	**139 549**	**138 787**	**21 600**	**13 908**	**20 780**	**10 154**	**500 371**	**507 256**	**501 745**	**406 084**