

**AUDITED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED  
31 DECEMBER 2017



## Contents

Foreword of the Executive Director.....	2
Structure .....	4
Governance.....	5
Mission and Strategic Goals.....	6
Certification of the financial statements for the year ended 31 December 2017.....	7
Opinion of the External Auditor.....	8
Statement I. Statement of Financial Position .....	11
Statement II. Statement of Financial Performance .....	12
Statement III. Statement of Changes in Net Assets/Equity .....	13
Statement IV. Statement of Cash Flow .....	14
Statement V. Statement of Comparison of Budget and Actual Amounts .....	15
Notes to the financial statements .....	16
1. Basis of preparation and presentation .....	16
2. Significant accounting policies.....	17
3. Risk Management .....	20
4. Supporting information to the Statement of Financial Position.....	21
5. Supporting information to the Statement of Financial Performance.....	31
6. Supporting information to the Statement of Changes in Net Assets/Equity.....	35
7. Related parties and other senior management disclosures .....	36
8. Future commitments to grantees.....	37
9. Future revenue .....	37
10. Contingent liabilities and assets .....	37
11. Events after reporting date.....	38
Schedule I Annual Financial Position .....	39
Schedule II Annual Financial Performance .....	41
Annex 1. Operating Revenue – Voluntary Contributions .....	42

## Foreword of the Executive Director

I am pleased to present Unitaid's Financial Statements for the year ended December 31, 2017.

Unitaid invests in new ways to prevent, diagnose and treat HIV/AIDS, tuberculosis and malaria more quickly, affordably and effectively. We bring the power of new medical discoveries to the people who most need them and set the stage for the large-scale introduction of new health products.

**2017 was a pivotal year for Unitaid in terms of unprecedented growth in our portfolio, the launch of our new strategy and visual identity and an increased recognition of Unitaid in the global health arena; including in the fight against resistance that challenges already hard-won progress.**

Unitaid's strategy 2017-2021 supports a more integrated approach in areas such as reproductive, maternal, newborn and child health, as well as other emerging issues as antimicrobial resistance. In this regard, Unitaid has developed two new Areas for Intervention (Afls) in HIV co-infections and fever management that will allow us to expand further into these new areas. Unitaid supports more radical innovation to accelerate progress towards the global goals and is recognized as a truly innovative thought-leader in global health.

This year was marked by the consolidation of the operating model as Unitaid shifted from putting the model in place to applying it. The changes that Unitaid has implemented over the past three years beginning with a transformation of the Secretariat's organizational structure and the most recent implementation of the operating model have borne their first fruit.

Unitaid now has a fully functional Secretariat in place, with highly talented staff as well as efficient and robust processes. Over 2017, additional systems and initiatives were put in place such as:

- heightened positioning of the organization in the global health arena;
- new formalized systems through standard operating procedures;
- a new risk management framework;
- a new brand and website ([www.unitaid.org](http://www.unitaid.org));
- a new investment case in the framework of the resource mobilisation strategy;
- an investment plan to inform future grant commitments; and
- a strong set of Key Performance Indicators as a basis for measuring performance.

We have also replenished our Proposal Review Committee with top level experts who are widely recognized in their respective fields – an asset that will help Unitaid select the most innovative and highest impact projects for funding. We also published our annual report 2016-2017 demonstrating our significant results and impact as a catalytic player in the global health response.

In 2017, Unitaid has seen a historic level of activity. We have successfully increased our portfolio from US\$ 0.85 billion as at end 2016 to US\$ 1 billion as at end 2017, with 47% of the portfolio invested in the area of HIV/AIDS, 23% in malaria, 19% in tuberculosis and 11% in cross-cutting issues. During the year we started a significant number of grants - 13 for a value of US\$ 305 million as compared to 9 grants worth US\$ 211 million in 2016.

The Financial Report is an important element of Unitaid's accountability framework, providing information to our stakeholders on the financial resources Unitaid has received and how they were used. The information on assets and liabilities, revenue and expenses, cash flow and net assets gives a more complete picture of the financial position of the Secretariat as at 31 December 2017. The Financial Statements have been prepared in accordance with International Public Accounting Standards (IPSAS). These Financial Statements were audited by the External Auditor of the World Health Organization (WHO). The opinion of the auditor is included in the report.

I would like to express my appreciation to the Board members of Unitaid, representing governments, foundations, Civil Society and partners, as well as WHO, for their continued support.

A handwritten signature in black ink, appearing to be 'L. Marmora', with a stylized flourish at the end.

Lelio Marmora  
Executive Director

## Structure

Unitaid was created in 2006 in the context of the fight against HIV/AIDS, tuberculosis and malaria in resource limited settings, with a focus on health products. Its founding members are Brazil, Chile, France, Norway and the United Kingdom, and its core activity is to fund grants. In just over 10 years, Unitaid has invested US\$2.5 billion through 59 grants with key partners across the globe. A key source of income is innovative financing, specifically the international solidarity levy on airline tickets.

Unitaid is an international organisation that invests in new ways to prevent, diagnose and treat HIV/AIDS, tuberculosis and malaria more quickly, more cheaply and more effectively. Unitaid also works to improve access to diagnostics and treatment for HIV co-infection including hepatitis C.

Unitaid is a hosted partnership of the World Health Organization (WHO). As Unitaid's host Organization, it provides the Secretariat with administrative services and facilities, as well as management of the balance of the Unitaid Trust Fund and staff benefits. It also provides strategic and technical advice to the Unitaid Executive Board and partners' benefiting from Unitaid support and is an observing member of Unitaid's Executive Board. Unitaid is a self-financing partnership of WHO and its budget is independent from WHO's. Unitaid produces a full set of financial statements which are audited separately and not consolidated in the financial statements of WHO. Unitaid also has a donor relationship with WHO. In this capacity, Unitaid continues to be one of the principal funders of the WHO Prequalification Programme (medicines, vaccines and diagnostics) implemented by the WHO Department of Essential Medicines and Health Products (EMP – Health Systems and Innovation Cluster)(US\$ 16.9 million in 2017). Unitaid also provides funding to WHO for enabling grants (enabling and accelerating the adoption and uptake of new diagnostics, drugs and regimens) in the area of HIV/AIDS, Hepatitis C, malaria and tuberculosis (US\$ 6 million in 2017).

The Unitaid Secretariat is based solely in Geneva, Switzerland, with no in-country operations. The operations of the Secretariat are administered in accordance with the Unitaid Constitution and WHO rules.

## Governance

The Executive Board, Unitaïd's decision-making body, determines the organization's objectives, monitors progress and approves budgets and grants. The Board is chaired by Celso Amorim, a former Minister of Foreign Affairs for Brazil. Making decisions by consensus, the Executive Board consists of 12 members:

- one representative nominated from each of the five founding countries (Brazil, Chile, France, Norway and the United Kingdom), and Spain;
- one representative of African countries designated by the African Union (currently represented by South Africa); one representative of Asian countries (represented by South Korea);
- two representatives of relevant civil society networks (nongovernmental organizations and communities living with HIV/AIDS, malaria or tuberculosis);
- one representative of the constituency of foundations (represented by the Bill and Melinda Gates Foundation); and
- one representative of the World Health Organization.

In 2008, Unitaïd's Executive Board formed two committees to guide them in their work, the Finance & Accountability Committee, and the Policy & Strategy Committee. The finances of Unitaïd are overseen by the Finance and Accountability Committee (FAC) of the Executive Board. The role of the FAC is to assist the Board in fulfilling its responsibilities with regard to Unitaïd's financial planning, management, performance and accountability, as well as risk management and internal control. The Policy and Strategy Committee advises the Board on strategic planning, core policies and reviews the performance of the Unitaïd portfolio and responds to policy recommendations from expert advisory groups.

## Mission and Strategic Goals

The Sustainable Development Goals for 2030 signalled a major shift towards a broader agenda on development and health that explicitly sets out to reduce inequities among populations and promotes health as a fundamental human right. Unitaid's strategy follows the Sustainable Development Goal on health, which sets out to promote access to healthcare as a basic human right over the next 15 years.

Unitaid's mission for 2017-2021 is *"to maximize the effectiveness of the global health response by catalysing equitable access to better health products"*. Unitaid's projects work to fill the gap between late-stage development of health products and their widespread adoption. Unitaid ensures that innovative ideas come to fruition in the real world and in doing so, helps innovators to address the needs of underserved populations.

Unitaid adopted a strategy for 2017 to 2021 to support global efforts to end HIV/AIDS, malaria and tuberculosis, and to help reduce inequality in access to healthcare. Unitaid's strategic objectives are to foster innovation and create the right conditions for mass introduction of pioneering medicines, diagnostic tests and prevention tools. The three Strategic Objectives guide the design of Unitaid's interventions, which:

- Promote innovation - Unitaid connects those who are developing innovations with people who need them the most. Innovation means both using existing commodities in new ways and developing new products and approaches.
- Catalyze equitable access to better health products - Unitaid leverages its market expertise and its relationships with partners to design a portfolio of projects that will overcome barriers to access to innovative health products.
- Create the right conditions for scale up, so better health products reach all people who need them

## Certification of the financial statements for the year ended 31 December 2017

In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization (WHO), attached are Financial Statements for the year ended 31 December 2017. The financial statements, accounting policies and notes have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Financial Statements are also prepared according to the Financial Regulations of the World Health Organization and its Financial Rules. The Financial Statements and the notes have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in this report.

The financial statements for the year ended 31 December 2017, together with the notes to the financial statements and supporting schedules, have been reviewed and approved.



Mr. David Curry

Director Finance and Administration



Mr. Lello Marmora

Executive Director

Geneva, 12 March 2018



## Opinion of the External Auditor



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

### **INDEPENDENT AUDITOR'S REPORT**

#### **To the Executive Board**

#### **Opinion**

We have audited the financial statements of the International Drug Purchase Facility (UNITAID), which comprise the statement of financial position as at 31 December 2017, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UNITAID as at 31 December 2017, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the UNITAID in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the **UNITAID financial statements for the year ending 31 December 2017**, but does not include the financial statements and our auditor's report thereon.

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

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

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance are responsible for overseeing the UNITAID's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UNITAID's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UNITAID's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

Further, in our opinion, the transactions of the UNITAID that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a long-form report on our audit of the UNITAID.



**Michael G. Aguinaldo**  
Chairperson, Commission on Audit  
Republic of the Philippines  
External Auditor

**Quezon City, Philippines**  
**3 April 2018**



## Statement I. Statement of Financial Position

As at 31 December 2017

(in thousands of US dollars)

	Notes	31-Dec-17	31-Dec-16
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents held by WHO	4.1	753 210	791 149
Contributions receivable	4.2	598	19 690
Staff receivables	4.3	283	275
Prepayments	4.4	410	392
<b>Total current assets</b>		<b>754 501</b>	<b>811 506</b>
<b>Non-current assets</b>			
Guarantee deposit	4.5	176	168
Promissory notes receivable	4.6	118 438	
<b>Total non-current assets</b>		<b>118 614</b>	<b>168</b>
<b>TOTAL ASSETS</b>		<b>873 115</b>	<b>811 674</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	4.7	1 626	3 810
Staff payables	4.8	4	28
Accrued staff benefits	4.9	749	694
Accrued liabilities	4.10	30 078	13 548
Deferred revenue	4.11		4 000
<b>Total current liabilities</b>		<b>32 457</b>	<b>22 080</b>
<b>Non-current liabilities</b>			
Accrued staff benefits	4.9	13 322	10 202
<b>Total non-current liabilities</b>		<b>13 322</b>	<b>10 202</b>
<b>TOTAL LIABILITIES</b>		<b>45 779</b>	<b>32 282</b>
<b>NET ASSETS/EQUITY</b>			
Fund balance	6	827 336	779 392
<b>TOTAL NET ASSETS/EQUITY</b>		<b>827 336</b>	<b>779 392</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>		<b>873 115</b>	<b>811 674</b>

The section on significant accounting policies and the accompanying notes form part of the financial statements.11

## Statement II. Statement of Financial Performance

For the year ended 31 December 2017

(in thousands of US dollars)

	Notes	31-Dec-17	31-Dec-16
<b>REVENUE</b>			
Voluntary contributions	5.1	254 491	132 650
<b>Total revenue</b>		<b>254 491</b>	<b>132 650</b>
<b>EXPENSES</b>			
Disbursements to grantees	5.2	195 786	132 302
Staff and other personnel costs	5.3	15 210	13 252
Contractual services	5.4	7 516	6 971
Travel	5.5	1 556	1 138
Equipment and furniture	5.6	97	112
General operating expenses	5.7	1 022	1 173
<b>Total expenses</b>		<b>221 187</b>	<b>154 948</b>
Finance revenue	5.8	17 309	4 468
<b>TOTAL SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>50 613</b>	<b>( 17 830)</b>

The section on significant accounting policies and the accompanying notes form part of the financial statements.12

### Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2017

(in thousands of US dollars)

	Notes	31-Dec-17	Surplus/ (Deficit)	Other adjustments (note 4.9)	31-Dec-16
Fund balance	6	827 336	50 613	(2 669)	779 392
<b>TOTAL NET ASSETS/EQUITY</b>		<b>827 336</b>	<b>50 613</b>	<b>(2 669)</b>	<b>779 392</b>

## Statement IV. Statement of Cash Flow

For the year ended 31 December 2017

(in thousands of US dollars)

	31-Dec-17	31-Dec-16
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
TOTAL SUPPLUS (DEFICIT) FOR THE YEAR	50 613	( 17 830)
(Increase) decrease in contributions receivable - current	19 092	26 104
(Increase) decrease in staff receivables	(8)	(185)
(Increase) decrease in prepayments	(18)	(392)
(Increase) decrease in guarantee deposit receivable	(8)	5
(Increase) decrease in promissory notes receivable	(118 438)	
(Increase) decrease in contributions receivable - non-current		4 000
Increase (decrease) in accounts payable	(2 184)	180
Increase (decrease) in staff payables	(24)	25
Increase (decrease) in accrued staff benefits - current	55	212
Increase (decrease) in accrued liabilities	16 530	(470)
Increase (decrease) in accrued staff benefits - non-current	451	479
Increase (decrease) in deferred revenue - non-current	(4 000)	( 4 000)
<b>Net cash flows from operating activities</b>	<b>(37 939)</b>	<b>8 128</b>
<b>Cash and cash equivalents held by WHO at the beginning of the year</b>	<b>791 149</b>	<b>783 021</b>
<b>CASH and CASH EQUIVALENTS HELD BY WHO AT END OF THE PERIOD</b>	<b>753 210</b>	<b>791 149</b>

The section on significant accounting policies and the accompanying notes form part of the financial statements.14

## Statement V. Statement of Comparison of Budget and Actual Amounts

For the year ended 31 December 2017

(in thousands of US dollars)

	Approved Budget	Forecast as at 30.09.2017	Actual	Variance to forecast	Implementation to forecast
<b>Governing Bodies</b>	<b>1 230</b>	<b>1 042</b>	<b>1 084</b>	<b>42</b>	<b>104%</b>
Staff Costs	17 575	16 373	15 210	(1 163)	93%
Activities	4 910	4 603	4 607	4	100%
<b>Secretariat</b>	<b>22 485</b>	<b>20 976</b>	<b>19 817</b>	<b>(1 159)</b>	<b>95%</b>
Grants (non-disb <sup>1</sup> )	775	899	758	(141)	84%
BDMI <sup>2</sup>	2 050	1 090	825	(265)	76%
M&E <sup>3</sup>	1 400	920	395	(525)	43%
<b>Grants, BDMI and M&amp;E</b>	<b>4 225</b>	<b>2 909</b>	<b>1 978</b>	<b>(931)</b>	<b>68%</b>
SDIS <sup>4</sup>	1 075	2 775	2 424	(351)	87%
EVA <sup>5</sup>	1 200	305	98	(207)	32%
<b>SDIS and EVA</b>	<b>2 275</b>	<b>3 080</b>	<b>2 522</b>	<b>(558)</b>	<b>82%</b>
<b>TOTAL</b>	<b>30 215</b>	<b>28 007</b>	<b>25 401</b>	<b>(2 606)</b>	<b>91%</b>

<sup>1</sup> Costs relating to grants that are not disbursed as part of a signed grant agreement.

<sup>2</sup> Business development and market intelligence.

<sup>3</sup> Monitoring and evaluation.

<sup>4</sup> Strategic development and implementation support.

<sup>5</sup> External verification agent.

The section on significant accounting policies and the accompanying notes form part of the financial statements.15



## Notes to the financial statements

### 1. Basis of preparation and presentation

The Memorandum of Understanding signed on 19 September 2006 that established Unitaid as a hosted entity of WHO specifies the principles and rules that apply to funds held in trust by WHO for the benefit of Unitaid. The accounting policies and financial reporting practices applied by Unitaid are in accordance with the WHO Financial Regulations and Rules. The Financial Statements are prepared on the accrual basis of accounting in accordance with IPSAS using the historical cost convention. Where IPSAS does not address a specific matter, the appropriate International Financial Reporting Standard (IFRS) has been applied.

These Financial Statements have been prepared under the assumption that Unitaid is a going concern and will continue in operation and will meet its mandate for the foreseeable future (IPSAS 1 - Presentation of Financial Statements).

These financial statements are presented in United States dollars and all values are rounded to the nearest thousand, also denoted as US\$ thousands (\$000's).

#### Functional currency and translation of foreign currencies

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange which approximates to the exchange rates at the date of transactions. The Operational Rates of Exchange are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing Operational Rates of Exchange year-end closing rate. The resulting gains or losses are accounted for in the Statement of Financial Performance.

#### Materiality<sup>6</sup> and the use of judgments and estimates

Materiality is central to Unitaid's financial statements. The process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information, spanning a number of accounting areas. The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

---

<sup>6</sup> Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

## Financial statements

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flow
- Statement of Comparison of Budget and Actual Amounts; and
- Notes to the financial statements, comprising a description of the basis of preparation and presentation of the statements, a summary of significant accounting policies, and other relevant information.

## 2. Significant accounting policies

### 2.1. Cash and cash equivalents held by WHO

Cash and cash equivalents held by WHO are held at nominal value and comprise cash on hand, cash at banks, collateral deposits, commercial papers, money market funds and short-term bills and notes. All investments that have a maturity of three months or less from the date of acquisition are included as cash and cash equivalents. This includes cash and cash equivalents held in the portfolios managed by external investment managers.

### 2.2. Receivables

Accounts receivable and staff receivables are recorded at their net estimated realizable value and not discounted as the effect of discounting is considered immaterial. Current receivables are amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements.

Contributions receivable are recognized based on payment terms specified in a binding agreement between Unitaid and the contributor. Where no payment terms are specified, the full amount receivable is recognized as currently due. These are recorded at their estimated net realizable value and not discounted as the effect of discounting is considered immaterial.

Promissory notes receivable relate to amounts held in custody by WHO at the Bank of England, which have not yet been encashed.

An allowance for doubtful accounts receivable is recognized when there is a risk that the receivable may be impaired. Changes in the allowance for doubtful accounts receivable are recognized in the Statement of Financial Performance.

### 2.3. Prepayments and deposits

Prepayments relate to amounts paid to suppliers for goods or services not yet received. Guarantee deposits relate to amounts paid as security for the leasing of office space. Prepayments and deposits are recorded at cost.

## **2.4. Leases**

A lease is an agreement whereby the lessor conveys to the lessee (Unitaid), in return for a payment or series of payments, the right to use an asset for an agreed period of time. Every lease is reviewed to determine whether it constitutes a financial or operating lease. Necessary accounting entries and disclosures are made accordingly.

## **2.5. Accounts payable and accrued liabilities**

Accounts payable are financial liabilities for goods or services that have been received by Unitaid and invoiced but not yet paid for.

Accrued liabilities are financial liabilities for goods or services that have been received by Unitaid during the reporting period and which have neither been paid for nor invoiced to Unitaid.

Accounts payable and accrued liabilities are recognized at cost as the effect of discounting is considered immaterial.

Funds committed to grants that are yet unpaid do not appear in the financial statements.

## **2.6. Employee benefits**

Unitaid recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits;
- termination benefits.

Unitaid through WHO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The 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 which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund 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. Unitaid and the UNJSPF, in line with other participating organizations in the Fund, are not in a position to identify Unitaid's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence Unitaid has treated this plan as if it was a defined contribution plan in line with the requirements of IPSAS 25. Unitaid's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (see Statement II).

## **2.7. Provisions and contingent liabilities**

Provisions are recognized for future liabilities and charges where Unitaid has a present legal or constructive obligation as a result of past events and it is probable that there will be a requirement to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of Unitaid.

## **2.8. Deferred revenue**

Deferred revenue derives from legally binding agreements between Unitaid and its contributors. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both Unitaid and the contributor; and
- the funds are earmarked and due in a future period.

Deferred revenue is presented as non-current if revenue is due more than one year after the reporting date.

## **2.9. Revenue**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by Unitaid during the year, and represents an increase in net assets/equity. Unitaid recognizes revenue following the established criteria of IPSAS 23 (Revenue from Non-Exchange Transactions).

All contributions to Unitaid are voluntary, and therefore considered non-exchange revenue. Revenue from voluntary contributions is recorded when a binding agreement is signed by Unitaid and the contributor. Where there are “subject to” clauses in an agreement, Unitaid does not control the resource and does not record the revenue and amount receivable until the cash is received. When there are no payments terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period.

## **2.10. Expense recognition**

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or incurrences of liabilities that result in decreases in net assets. Unitaid recognizes expenses when goods or services are delivered (delivery principle) and not when cash or its equivalent is paid.

Grant disbursements represent non-exchange contracts signed with partner organizations so that they can implement Unitaid funded projects. As grant agreements signed between grantees and Unitaid stipulate conditions, funds are expensed at the time they are transferred to the grantees in accordance with IPSAS 23 (Revenue from non-exchange transactions); therefore grant expenses are not based on the value of the overall commitments.

### **2.11. Statement of Cash Flow**

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

### **2.12. Statement of Comparison of Budget and Actual Amounts**

The Statement of Comparison of Budget and Actual Amounts (Statement V) includes both comparison of Board Approved budget amounts for Governing Bodies and Secretariat expenditures, and comparison of the forecasted disbursements against Board Approved projects (see Annex 2, 2a and 3 for further detail).

## **3. Risk Management**

WHO holds Unitaid's cash and cash equivalents and is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. WHO uses derivative financial instruments to hedge some of its risk exposures. In accordance with WHO's Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the WHO Director General. Some portfolios are managed by external managers appointed by WHO to manage funds in accordance with a defined mandate. The Advisory Investment Committee regularly reviews the investment policies, the investment performance and investment risk for each investment portfolio. The Committee is composed of external investment specialists who can make investment recommendations to the Director General.

### **Credit risk**

Investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits and maximum exposure limits by counterparty established in investment mandates. These limits are applied both to the portfolios managed internally by WHO's Treasury Unit, and to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios.

Credit risk and liquidity risk associated with cash and cash equivalents are minimized by investing only in major financial institutions that have received strong investment grade ratings from primary credit rating agencies. The WHO Treasury Unit reviews the credit ratings of the approved financial counterparties and takes prompt action whenever a credit rating is downgraded.

### **Foreign exchange currency risk**

Unitaid receives voluntary contributions and makes payments in currencies other than the United States dollar and is thus exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. The translation of transactions expressed in other currencies into the United States dollar is performed at the United Nations Operational Rates of Exchange (UNORE) prevailing at the date of transaction.

Assets and liabilities that are denominated in foreign currencies are translated at the UNORE year-end closing rate. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows.

Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

### **Funding risk**

Unitaid's funding is dependent on a relatively small number of donors. Some of these commitments are made on a multi-annual basis, decreasing the funding risk overall but leaving the residual risk that the eventual cash receipts may not amount to the level of the original commitment.

### **Fiduciary risk**

As a grant-making agency, one of the key risks to which Unitaid is exposed to is fiduciary risk. To mitigate this, Unitaid has developed a set of processes from the inception of approved projects to their closure to ensure that funds have been used for intended purposes, agreed results have been delivered in terms of quality and value for money, and risks of fraud, corruption and mismanagement are minimized. These include continuous assessment of grantee capacity, periodic programmatic and financial reporting, mid-term and end-of-project evaluations, as well as annual financial examinations.

## **4. Supporting information to the Statement of Financial Position**

### **4.1. Cash and cash equivalents held by WHO**

Unitaid's cash balances are held centrally by WHO and invested on behalf of Unitaid in accordance with WHO's rules and practices.

WHO centrally manages all cash and investments for WHO and non-consolidated entities such as Unitaid. All cash and investments held are reported in the WHO Financial Statements. They are held for meeting short-term cash requirements rather than for investment purposes. The balance includes cash and cash equivalents held in the portfolios managed by external investment managers.

WHO's main objectives for investments are the:

- preservation of capital;
- maintenance of sufficient liquidity to meet all payments of liabilities on time; and
- optimization of investment returns.

The Investment Policy reflects the nature of WHO's funds, which may either be held short-term, pending programme implementation, or longer-term to meet its long-term liabilities.

The cash and cash equivalents held by WHO on behalf of Unitaid (US\$753.2 million) and the promissory notes receivable at the Bank of England (US\$118.4 million) total US\$871.6 million at 31 December 2017 compared to US\$791.1 million as at 31 December 2016. Of these amounts, the following are estimated commitments against Board-approved projects with signed agreements for disbursements to grantees, as well as Board-approved projects for which signed agreements are currently in process.

<i>in thousands of US dollars</i>	
<b>2018</b>	211 694
<b>2019</b>	164 230
<b>2020</b>	95 306
<b>2021</b>	27 555
<b>2022</b>	4 016
<b>Committed funds on closing projects/reserve</b>	62 896
<b>Total commitments</b>	<b>565 697</b>

#### 4.2. Contributions receivable – current

Contributions receivable relate to voluntary donor contributions for which firm commitment agreements have been received. Current receivables are expected to be received within one year from 31 December 2017.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Spain	598	
France		15 690
Republic of Korea		4 000
<b>Total current receivables</b>	598	19 690

The amount from Spain was received in full on the 19<sup>th</sup> of January 2018.

### 4.3. Staff receivables

In accordance with WHO's Staff Rules and Regulations, staff members are entitled to certain advances including those for salary, education and travel.

The total balance of staff receivables amounts to US\$283 thousand as at 31 December, 2017 (US\$ 275 thousand as at December 2016) of which 94% relates to education grant advances which are made to staff for the 2018 portion of the 2017-2018 school year.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Education grant advance	267	187
Travel advance	16	
Expected SLIC <sup>7</sup>		80
Salary advance		8
<b>Total staff receivables</b>	<b>283</b>	<b>275</b>

### 4.4. Prepayments

The terms of the sub-lease agreement with Transocean Management Ltd. are such that rental payments are to be made semi-annually within the first week of each six-month period.

### 4.5. Guarantee deposit receivable

WHO, on behalf of Unitaid, entered into a sub-lease agreement with Transocean Management Ltd. upon the move into new offices effective 1 July 2015. A security deposit equivalent to three months' rent was required as part of the agreement, and is on deposit at Credit Suisse in a separate WHO account.

### 4.6. Promissory notes receivable

In accordance with Amendment (No.3, 2015) to the Donor Administrative Agreement with the United Kingdom, for the three year period 2015-2017, DFID has committed to make a contribution of up to £132 million in three equal payments of £44 million each, of which £9 million each year is dependent on Unitaid's performance against agreed milestones. As these milestones were achieved for both 2015 and 2016, a promissory note totalling £88 million was deposited into DFID's 'securities account' at the Bank of England (held in custody by the WHO) following a payment request by Unitaid during the 2017 year due to commitment need. These notes are due on demand, however they are not expected to be encashed within twelve months from the financial statement date, and therefore have been classified as non-current.

---

<sup>7</sup> Sick leave under insurance cover refund, amount was received in 2017.



#### 4.7. Accounts payable

Accounts payable represent the total amounts outstanding to suppliers of goods and services at the end of the period for goods and services received and invoiced during the period, as well as disbursements owing to grantees.

As at 20 February 2018, the US\$1.6 million owed to grantees and suppliers which had been invoiced in the last two weeks of December 2017 were paid.

#### 4.8. Staff payables

Staff payables consist of salaries payable (balances due to staff pending the finalization of the separation process), travel claims payable and bank returns balances due to staff pending the receipt of updated bank account information.

#### 4.9. Accrued staff benefits

Accrued staff benefits include terminal payments, staff health insurance and liabilities due to service-incurred death or disability (Special Fund for Compensation).

Description	31-Dec-17	31-Dec-16
Accrued staff benefits - current		
Terminal payments	749	694
<b>Total accrued staff benefits - current</b>	<b>749</b>	<b>694</b>
Accrued staff benefits - non-current		
Terminal payments	921	788
Special Fund for Compensation	65	46
Staff Health Insurance	12 336	9 368
<b>Total accrued staff benefits - non-current</b>	<b>13 322</b>	<b>10 202</b>
Accrued staff benefits		
Terminal payments	1 670	1 482
Special Fund for Compensation	65	46
Staff Health Insurance	12 336	9 368
<b>Total accrued staff benefits</b>	<b>14 071</b>	<b>10 896</b>

## **Terminal payments**

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. The Terminal Payments Fund is funded by a charge made to salary.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted. These liabilities (both current and non-current) would be satisfied through the use of cash and cash equivalents held at WHO should the need arise.

The latest actuarial study (as at 31 December 2017) estimated the full terminal payment liability to be US\$ 1.66 million (short-term liability, US\$ 0.75 million; long-term liability, US\$0.92 million) compared to US\$ 1.48 million as at 31 December 2016. This calculation did not include costs for the end-of-service grant and for separation by mutual agreement on abolishment of posts. The defined benefit obligation amounted to US\$ 1.0 million (US\$ 0.89 million as at 31 December 2016) for terminal entitlements, and US\$ 0.66 million (US\$ 0.59 million as at 31 December 2016) for annual leave which is included in the terminal payments current balance.

As per the actuarial study, a net increase of US\$ 0.18 million is recognized, by nature of expenses, in the Statement of Financial Performance.

## **Staff health insurance (SHI)**

The WHO manages its own health insurance scheme as a separate entity. The Staff Health Insurance has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by staff members, retired staff members and their eligible family members. The Staff Health Insurance is financed from the contributions made by the participants (1/3) and the Organization (2/3) and from investment income.

The Organization accounts for after-service staff health insurance as a post-employment benefit. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

Professional actuaries determined the 2017 defined benefit obligation for the Staff Health Insurance based on personnel data and payment experience provided by Unitaid/WHO. As at 31 December 2017, the unfunded defined benefit obligation amounted to US\$ 16.6million (US\$ 12.4 million in 2016) of which US\$ 2.7 million was charged to net assets / equity in 2017.

Further details on the Staff Health Insurance liability can be found in the annual report of the Staff Health Insurance scheme.

## Special Fund for Compensation (SFFC)

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and other directly related costs, as well as funeral expenses. In addition, the Fund will provide compensation to the disabled staff member (for the duration of the disability) or to the surviving family members.

Unitaid accounts for the Special Fund for Compensation as a post-employment benefit. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

As per the actuarial study, the total liability was US\$ 65 thousand at 31 December 2017 (US\$ 46 thousand as at 31 December 2016).

### Actuarial summary of terminal payments, Staff Health Insurance and the Special Fund for Compensation (US\$ thousands)

Description	Terminal Payments (other than accrued leave)	Staff Health Insurance	Special Fund for Compensation
<b>Reconciliation of Defined Benefit Obligation (DBO)</b>			
Defined Benefit Obligation as at 31 December 2016	895	12 435	46
Service cost	192	1 010	16
Interest cost	24	136	2
Actual gross benefit payments for 2017	( 40)	( 65)	
Actual administrative expenses		( 5)	
Actual contributions by participants		107	
Plan amendments	(2)		
(Gain)/Loss on DBO due to financial assumption changes	(70)	68	2
Loss on DBO due to other assumption changes	12	2 898	( 1)
<b>Defined Benefit Obligation as at 31 December 2017</b>	<b>1 011</b>	<b>16 585</b>	<b>65</b>
<b>Reconciliation of Assets</b>			
Assets as at 31 December 2016 (gross of IBNP reserve)		3 239	
Actual gross benefit payments for 2017	( 40)	( 605)	
Actual administrative expenses		( 44)	
Organization Contributions during 2017	40	513	
Participant Contributions during 2017		1 019	
Net transfer to cover WHO-PAHO/PAHO deficit for 2017		( 37)	
Interest on Net SHI Assets for 2017		40	
Asset Gain (Loss)		340	
<b>Assets as at 31 December 2017</b>		<b>4 465</b>	
<b>Reconciliation of Funded Status</b>			
Defined benefit obligation			
Active	1 011	13 627	55
Inactive		2 958	10
Total defined benefit obligation	1 011	16 585	65
Plan Assets			
Gross plan assets		(4 465)	
Offset for 470.1 Reserve		216	
Total plan assets		(4 249)	
Deficit (Surplus)	1 011	12 336	65
<b>Net Liability (Asset) Recognized in Statement of Financial Position</b>	<b>1 011</b>	<b>12 336</b>	<b>65</b>

Current	91		
Non-current	920	12 336	65
<b>Net Liability (Asset) Recognized in Statement of Financial Position</b>	<b>1 011</b>	<b>12 336</b>	<b>65</b>
Annual expense for 2017			
Service cost	192	1 010	16
Interest cost	24	98	2
Remeasurements	(57)		
Past Service (Credit)/Cost	(2)		
<b>Total Expense Recognized in Statement of Financial Performance</b>	<b>156</b>	<b>1 108</b>	<b>18</b>
<b>Actuarial Loss recognised in Net Assets/Equity</b>		<b>2 669</b>	

Sensitivity analysis	US\$ thousands
<b>31 December 2017 defined benefit obligation</b>	
Current medical inflation assumption minus 1%	12 424
Current medical inflation assumption	16 585
Current medical inflation assumption plus 1%	22 438
Current discount rate assumption minus 1%	22 968
Current discount rate assumption	16 585
Current discount rate assumption plus 1%	12 222

## Actuarial methods and assumptions

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39 (Employee Benefits). In addition, each actuarial assumption is required to be disclosed in absolute terms.

The actuaries used the roll-forward method to estimate the liabilities in 2017. Normally, a full revaluation is done every three years.

### Measurement date

All plans: 31 December 2017

### Discount rate

Terminal payments (other than accrued leave): The weighted average discount rate used is 2.8% (decrease from 3.0% in the prior valuation). Based on the combined projected benefit payments with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

Staff health insurance (SHI): Europe, 1.1% (decrease from 1.5% in prior valuation); the Americas, 4.3% (decrease from 4.5% in prior valuation); Other Countries, 4.6% (decrease from 4.8% in prior valuation).

Discount rates are based on the yields of high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposure—specific to the ASHI—for each grouping of offices. The liability is assumed to be incurred in Swiss francs, euros, and U.S. dollars, based on the approximate liability mix for each grouping of offices and the following yield curves: Switzerland—SIX Swiss Exchange curve, Euro Zone—iBoxx Euro Zone curve, and the United States—Aon Hewitt AA Bond Universe. (cont.)

The discount rates for the 31 December 2017 valuation are based on the geographic locations of the offices, as described in the “Regional groupings for all purposes except claims costs” below. The resulting rate is rounded to the nearest 0.1%.

Special Fund for Compensation (SFFC):

The weighted average discount rate used is 3.4% (decrease from 3.7% in the prior valuation). Based on the combined projected benefit payments from the prior valuation with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

Accident and Illness Insurance (AII):

The weighted-average discount rate used is 0.6%. Based on the combined projected benefit payments with weights of 30% on the Aon Hewitt AA Bond Universe yield curve and 70% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

#### **Annual general inflation**

---

Terminal payments (other than accrued leave):

The weighted-average inflation rate used is 2.2%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt’s 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Staff health insurance:

Europe 1.4%, the Americas 2.5%, Other Countries 2.5%. The rate for Europe is based on Aon Hewitt’s Q4 2016 10-year forecast of global capital market assumptions. Specifically, this rate is a weighted average of the rates for Switzerland (1.1%) and the rest of Europe (1.6%), with the result rounded to the nearest 0.1%.

The rate for Other Countries and the Americas is selected to be consistent with the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (which used a 3.0% general inflation assumption), with the resulting rate adjusted downward by 0.5% to reflect the shorter time horizon of WHO’s valuation.

Special Fund for Compensation:

The weighted-average inflation rate used is 2.2%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt’s 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Accident and Illness Insurance:	The weighted-average inflation rate used is 1.5%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt's 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 30% on non-Swiss rate and 70% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
---------------------------------	--

---

**Annual salary scale**

All plans:	General inflation, plus 0.5% per year productivity growth, plus merit component. Productivity and merit increases are set equal to those from the 31 December 2015 valuation of the UNJSPF.
------------	---

---

**Repatriation travel and removal on repatriation**

Terminal payments (other than accrued leave):	Calculated using the projected unit credit method with service prorated, and an attribution period from the "entry on duty date" to separation.
---	---

SHI, SFFC and All:	Not applicable
--------------------	----------------

---

**Repatriation grant, termination indemnity, and grant in case of death**

Terminal payments (other than accrued leave):	Using the projected unit credit method with accrual rate proration.
---	---

SHI, SFFC and All:	Not applicable
--------------------	----------------

---

**Accrued leave**

Terminal payments (other than accrued leave):	The liability is set equal to the walk-away liability – that is, as if all staff separated immediately.
---	---

SHI, SFFC and All:	Not applicable
--------------------	----------------

---

**Abolition of post, end-of-service grant, and separation by mutual agreement**

Terminal payments (other than accrued leave):	These benefits are considered termination benefits under IPSAS 39 and, therefore, are excluded from the valuation.
---	--

SHI, SFFC and All:	Not applicable
--------------------	----------------

---

## United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Model. The primary purpose of the actuarial valuation is to determine whether the current and estimated asset of the Fund will be sufficient to meet its liabilities.

Unitaid's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payment under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16% (a deficit of 0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54% of pensionable remuneration, compared to the actual contribution rate of 23.70%. The next actuarial valuation will be conducted as of 31 December 2017.

At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1% (127.5% in the 2013 valuation). The funded ratio was 100.9% (91.2% in 2013 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, 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 of the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities under the Fund. At the time of this report, the General Assembly has not invoked the provision of Article 26.

During 2017, Unitaid paid US\$2.6 million (US\$2.2 million in 2016) as a contribution to UNJSPF. Unitaid's contributions paid to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

The United Nations Board Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

#### 4.10. Accrued liabilities

Accrued liabilities consist of expenses that have been incurred during 2017, but remain to be paid. As at 15 Feb 2018, US\$11.8 million (of the US\$30.0 million total accrued liabilities) have been paid.

#### 4.11. Deferred revenue

Deferred revenue on voluntary contributions represents multi-year agreements for which the revenue recognition has been deferred to future financial periods. The balance on voluntary contributions is split into current and non-current deferred revenue, depending upon when the funds are available to the Organization to spend.

As at 31 December 2017, Unitaid did not have any multi-year agreements which qualified for treatment as deferred revenue.

## 5. Supporting information to the Statement of Financial Performance

### Revenue

#### 5.1. Voluntary contributions

Voluntary contributions consist of proceeds from the solidarity tax levied on air-tickets in several countries supporting Unitaid (most notably France), budgetary contributions from donor countries and grants from the Bill and Melinda Gates Foundation.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Bill & Melinda Gates Foundation	10 000	10 000
Brazil	22 107	10 189
Cameroon		504
Chile	1 500	1 500
France	95 333	100 616
Norway	4 860	5 841
Republic of Korea	4 000	4 000
Spain	597	
United Kingdom <sup>8</sup>	116 095	
<b>Total voluntary contributions</b>	<b>254 491</b>	<b>132 650</b>

Refer to Annex 1 for information on voluntary contributions received since 2006. To date Unitaid has not received any contributions in kind.

<sup>8</sup> Commitments from the United Kingdom are now being made through a promissory note (PN) mechanism. Due to the conditions surrounding these promissory notes, PNs relating to contributions for 2015 and 2016 were deposited in 2017. Refer to Note 9 on Future Revenue for additional information.



## Expenses

### 5.2. Disbursements to grantees

Unitaid makes disbursements to grantees for projects which have been approved by the Unitaid Executive Board in accordance with grant agreements and the policy on cash disbursements to grantees.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Disbursements to grantees	197 068	142 520
Disbursements to grantees - PPF	833	1 177
Return of funds	(2 115)	(11 395)
<b>Total disbursements</b>	<b>195 786</b>	<b>132 302</b>

Disbursements for 2017 as compared to 2016 are broken down by area as follows:

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
HIV/AIDS	101 261	55 869
TB	28 221	18 237
Malaria	46 638	45 982
Cross-cutting	20 948	22 432
<b>Total disbursements to grantees</b>	<b>197 068</b>	<b>142 520</b>

Disbursements to grantees since 2006 are presented in Annex 2.

In June 2015, the Executive Board passed a resolution to establish a Project Preparation Facility (PPF), to allocate funding to proponents in need of funding for effective grant development. The facility was not available for use until 2016. The principles attached are:

- PPF per grant shall be capped, with funding to be 2% of the proposed budget or US\$0.5 million, whichever is less
- Eligible costs are restricted to key grantee staff, necessary pre-implementation activities, required experts and travel
- PPF will be attributed on a needs basis, taking into account the level of investment

Funding accessed under the PPF for 2017 and 2016 are broken down as follows:

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
HIV/AIDS	833	957
Malaria		220
<b>Total disbursements to grantees - PPF</b>	<b>833</b>	<b>1 177</b>

Return of funds consists of amounts returned by grantees for unspent funds remaining upon grant closure.

### 5.3. Staff and other personnel costs

Staff and other personnel costs represent the total cost of employing staff. These include charges for base salary, post adjustment and other types of entitlements paid or payable by Unitaid. Staff costs also include the movement in the actuarial calculations for accrued staff benefits which is recognized in the Statement of Financial Performance (Statement II).

### 5.4. Contractual services

Contractual services represent payments made to service providers for specified deliverables as well as the cost of hosting services paid by Unitaid to WHO.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Contractual services	6 004	5 680
Contractual services provided by WHO	1 512	1 291
<b>Total contractual services</b>	<b>7 516</b>	<b>6 971</b>

A breakdown of the cost of hosting services paid to WHO is as follows:

<i>in US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Administrative services	1 328	1 105
Legal services	165	167
Audit	19	19
<b>Total contractual services provided by WHO</b>	<b>1 512</b>	<b>1 291</b>

## 5.5. Travel

Travel represents the cost of travel for Unitaid staff, non-staff participants in meetings and consultants paid by Unitaid. Travel expenses include airfare, per diem and other travel related costs. This amount does not include the statutory travel for home leave and education grant that is accounted for within staff and other personnel costs.

Travel expenses break down as follows:

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Governing Bodies	290	283
Secretariat	749	567
Grants and business development	517	288
<b>Total</b>	<b>1 556</b>	<b>1 138</b>

## 5.6. Equipment and furniture

Purchases of equipment and furniture are fully expensed at cost value in the financial period in which they were acquired if the value of every individual purchased item does not exceed a capitalization threshold of US\$5 000. As at 31 December 2017 no equipment or furniture purchases have reached the threshold.

## 5.7. General operating expenses

General operating expenses reflect the cost of general operations of Unitaid. This includes utilities, telecommunications (fixed telephones, mobile phones, internet, and teleconference expenses) and rent.

Unitaid rents office space outside of the WHO campus. Obligations through the life of the sub-lease can be found at Note 10.

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
General operating expenses	245	399
Blandonnet premises rent	697	694
Blandonnet premises ancillary costs	80	80
<b>Total</b>	<b>1 022</b>	<b>1 173</b>

## 5.8. Finance revenue

Finance revenue includes the following:

<i>in thousands of US dollars</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>
Investment revenue	15 251	6 361
Net realized foreign exchange gains or (losses)	(82)	(1 834)
Net unrealized foreign exchange gains or (losses)	1 958	( 5)
Actuarial revaluation gains or (losses) on Terminal Payments Fund	58	( 29)
Actuarial interest cost related to valuation of Terminal Payments Fund	124	( 25)
<b>Total financial revenue and costs</b>	<b>17 309</b>	<b>4 468</b>

Net interest received is made available for allocation to Unitaid projects and/or Secretariat expenses. The realized foreign exchange gain/(loss) is made up of gains upon actual receipt of multi-year contributions that have been entered into the hedging program of WHO, as well as realized foreign exchange gains/(losses) on non-USD currency payables throughout the financial year.

The unrealized foreign exchange gain/(loss) is the net unrealized foreign exchange gain calculated at 31 December 2017 for hedged contributions not yet received and amounts payable in non-USD currency.

Interest earned by grantees on the available cash balances provided by Unitaid is not directly reflected in the financial statements of Unitaid. The grantees are required to manage the interest earned on the available cash balances according to the “Policy of interest income earned by grantees on funds provided by Unitaid”, approved by the Unitaid Executive Board in its 14th session in July 2011. Grantees report back to the Secretariat on interest earned on disbursements from Unitaid, but given the needs-based disbursement policy of Unitaid and current market conditions the net interest earned by the grantees on idle cash is expected to be negligible.

## 6. Supporting information to the Statement of Changes in Net Assets/Equity

Unitaid maintains a single fund. The net assets have not been allocated to specific reserves by the Board. The net assets are the cumulative results of revenue and expenses since inception.

Net assets as at 31 December 2017 total US\$827.3 million. The projected balance of funds to be paid against approved grant agreements is an estimated US\$565.7 million as detailed in Note 4.1.

## 7. Related parties and other senior management disclosures

### a) Key management personnel

Staff members considered as key management personnel (KMP) includes the Executive Director and his Advisor, the Deputy Executive Director and the Senior Management Team (Operations, Strategy, Results, External Relations, Communications, Finance and Administration, and Legal).

Number of individuals	Compensation & post adjustment	Entitlements	Pension & health plans	Total remuneration to 31-Dec-17
10	1 915	249	508	2 672

The aggregate remuneration paid to KMP includes: net salaries, post adjustment, entitlements, assignment and other grants, rental subsidy, personal effects shipment costs, and employer pension and current health insurance contributions.

KMP also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. KMP are enrolled as ordinary members in the WHO pension plan managed by the UNJSPF.

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

### b) Medicines Patent Pool Foundation

The Medicines Patent Pool Foundation (MPPF) is an independent non-profit Swiss foundation established to improve health by providing patients in low- and middle-income countries with increased access to quality, safe, efficacious, more appropriate and affordable health products, through a voluntary patent pool mechanism, initially in the area of antiretroviral pharmaceutical products, pediatric antiretroviral products and new fixed dose combinations.

MPPF was founded in July 2010. Unitaid signed an agreement with MPPF on 17 September 2010 to facilitate the work of the Foundation. The total funding support for 2010-2015 approved by the Board is US\$31.2 million with an additional US\$29.2 million approved for the 2016-2020 period at the December 2016 Executive Board meeting. As at 31 December 2017 the amount disbursed to MPPF from Unitaid is US\$33.9 million (Annex 3).

Although Unitaid does not have representation on the Board of MPPF, it attends its meetings as an Observer.

## 8. Future commitments to grantees

As at 31 December 2017, the active grant portfolio was US\$1.0 billion with cumulative disbursements against these commitments totaling US\$434.3 million. The value of future disbursements to active grants and the funding approved for new projects by the EB in December 2017 is estimated at US\$565.7 million as detailed in Note 4.1.

## 9. Future revenue

On 16 December 2015 Unitaid received confirmation of an Amendment (No.3, 2015) to the Donor Administrative Agreement with the United Kingdom. Of the total £132 million committed for the 2015-2017 period, the 2017 commitment of £44 million (of which £9 million each year is dependent on Unitaid's performance against agreed milestones) has yet to be deposited. Due to this conditionality the 2017 commitment is not yet included in the promissory notes receivable. This will be requested by Unitaid according to grant commitment need.

## 10. Contingent liabilities and assets

### a) Contingent liabilities

Unitaid recognizes a provision for all present obligations for which a probable outflow of resources will be required to settle the obligation and for which the value of the obligation can be reasonably estimated. These provisions are recorded as an expense in the period in which they occur and a corresponding liability is established.

Contingent liabilities however, relate to potential future outflows which do not meet the criteria of a provision (i.e. they are not probable or cannot be reasonably estimated). If a contingent liability is not considered remote it should be disclosed in the notes to the Financial Statements. As at 31 December 2017, Unitaid has no pending legal cases and has no such liability to disclose at the date of the preparation of the Financial Statements.

As at 1 May 2016, Unitaid entered into an operating sub-lease arrangement for renting office space outside of the WHO campus until 30 April 2019. Future minimal lease rental payments are as follows (using the UN rate of exchange at 31 December 2017):

<i>in thousands of US dollars</i>	<b>2018</b>	<b>2019</b>
Office space and parking	670	223
Ancillary costs	83	28
<b>Total sublease obligation</b>	<b>753</b>	<b>251</b>

Other commitments are those amounts already committed to grantees (as detailed in Note 8).

**b) Contingent assets**

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2017, there are no material contingent assets to disclose.

**11. Events after reporting date**

Unitaid's reporting date is 31 December 2017. On the date of the signing of these accounts, no material events, favourable or unfavourable, had arisen between the balance sheet date and the date when the financial statements were authorized for issue that would have an impact on the financial statements.

## Schedule I Annual Financial Position

as at 31 December for the current and previous four years (in thousands of US dollars)

	2017	2016	2015	2014	2013
			(Restated)		
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents held by WHO	753 210	791 149	783 021	852 882	707 070
Contributions receivable - current	598	19 690	45 794	6 488	9 103
Accounts receivable	-	-	-	1 480	-
Staff receivables	283	275	90	213	145
Prepayments	410	392	-	-	-
<b>Total current assets</b>	<b>754 501</b>	<b>811 506</b>	<b>828 905</b>	<b>861 063</b>	<b>716 318</b>
<b>Non-current assets</b>					
Contributions receivable - non-current	118 438		4 000	8 000	12 000
Guarantee deposit receivable	176	168	173	-	-
<b>Total non-current assets</b>	<b>118 614</b>	<b>168</b>	<b>4 173</b>	<b>8 000</b>	<b>12 000</b>
<b>TOTAL ASSETS</b>	<b>873 115</b>	<b>811 674</b>	<b>833 078</b>	<b>869 063</b>	<b>728 318</b>



## Schedule I Annual Financial Position (continued)

as at 31 December for the current and previous four years (in thousands of US dollars)

	2017	2016	2015	2014	2013
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	1 626	3 810	3 630	25 419	333
Staff payables	4	28	3	46	39
Accrued staff benefits - current	749	694	482	653	814
Accrued liabilities	30 078	13 548	4 000	4 000	4 488
Deferred revenue - current	-	4 000	14 018	6 565	1 226
<b>Total current liabilities</b>	<b>32 457</b>	<b>22 080</b>	<b>22 133</b>	<b>36 683</b>	<b>6 900</b>
<b>Non-current liabilities</b>					
Accrued staff benefits - non-current	13 322	10 202	4 000	8 000	12 000
Deferred revenue - non-current			7 926	3 039	2 564
<b>Total non-current liabilities</b>	<b>13 322</b>	<b>10 202</b>	<b>11 926</b>	<b>11 039</b>	<b>14 564</b>
<b>TOTAL LIABILITIES</b>	<b>45 779</b>	<b>32 282</b>	<b>34 059</b>	<b>47 722</b>	<b>21 464</b>
<b>NET ASSETS</b>					
Fund balance	827 336	779 392	799 019	821 341	706 854
<b>TOTAL NET ASSETS</b>	<b>827 336</b>	<b>779 392</b>	<b>799 019</b>	<b>821 341</b>	<b>706 854</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>873 115</b>	<b>811 674</b>	<b>833 078</b>	<b>869 063</b>	<b>728 318</b>

## Schedule II Annual Financial Performance

for the period ended 31 December for the current and previous four years (in thousands of US dollars)

	2017	2016	2015	2014	2013
<b>OPERATING REVENUE</b>					
Voluntary contributions for the period	254 491	132 650	130 737	248 785	279 668
Miscellaneous income	-	-	-	399	-
<b>TOTAL OPERATING REVENUE</b>	<b>254 491</b>	<b>132 650</b>	<b>130 737</b>	<b>249 184</b>	<b>279 668</b>
<b>OPERATING EXPENSES</b>					
Disbursements to grantees	195 766	132 302	130 478	116 052	125 873
Staff and other personnel costs	15 210	13 252	11 143	12 546	12 325
Contractual Services	7 498	6 971	9 127	8 396	7 234
Travel	1 556	1 138	938	948	1 185
Equipment and furniture	97	112	293	50	85
General operating expenses	1 060	1 173	889	170	74
<b>TOTAL OPERATING EXPENSES</b>	<b>221 187</b>	<b>154 948</b>	<b>152 868</b>	<b>138 162</b>	<b>146 776</b>
Finance revenue	17 309	4 468	3 754	3 465	3 688
<b>TOTAL (DEFICIT)/SURPLUS</b>	<b>50 613</b>	<b>( 17 830)</b>	<b>( 18 377)</b>	<b>114 487</b>	<b>136 580</b>

## Annex 1. Operating Revenue – Voluntary Contributions

*Cumulative as at 31 December 2017 (in thousands of US dollars)*

	2006 -2017	2017	2016	2015	2014	2013	2006-2012
Bill & Melinda Gates Foundation	110 000	10 000	10 000	10 000	10 000	10 000	60 000
Brazil	112 428	22 107	10 188	-	42 931	-	37 202
Cameroon	1 934	-	504	-	-	-	1 430
Chile	35 043	1 500	1 500	2 000	2 000	4 000	24 043
Congo	1 090	-	-	-	-	-	1 090
Cyprus	2 555	-	-	( 488)	488	488	2 066
France	1 700 748	95 333	100 616	109 706	105 328	149 457	1 140 307
Guinea	49	-	-	-	-	-	49
Luxembourg	1 961	-	-	-	-	-	1 961
Madagascar	33	-	-	-	3	-	30
Mali	928	-	-	-	-	-	928
Mauritius	12 083	-	-	-	1 657	1 685	8 741
Millenium Foundation	2 572	-	-	-	-	1 500	1 072
Niger	281	-	-	-	-	-	281
Norway	187 869	4 860	5 841	5 519	19 186	21 368	131 096
Republic of Korea	55 000	4 000	4 000	4 000	4 000	4 000	35 000
Spain	82 200	597	-	-	-	-	81 603
United Kingdom *	615 716	116 094	-	-	63 191	87 171	349 259
<b>Total</b>	<b>2 922 490</b>	<b>254 491</b>	<b>132 650</b>	<b>130 737</b>	<b>248 785</b>	<b>279 668</b>	<b>1 876 158</b>

\*The 2017 receipt from the UK relates to promissory note deposits for both the 2015 and 2016 contribution year.  
A promissory note of up to £44m for the 2017 contribution year has yet to be deposited.