

UNITAID
Audited Financial Report

For the year ended
31 December 2014



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Report of the Executive Director

I am pleased to present the UNITAID Financial Statements for the year ending December 31, 2014.

The Financial Report is an important element of UNITAID's accountability framework as it provides 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 December 31, 2014. The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

Since I joined UNITAID in October 2014, we have been reviewing our business model in order to build efficiencies and deliver greater impact and value-for-money for our investments.

UNITAID is part of the global response to HIV/AIDS, TB and malaria. Its mission is to contribute to the response by bringing new, better, faster and more affordable medicines, technologies and systems to those in need. It plays a unique and catalytic role in global health, transforming game changing ideas into solutions for the real world problems identified by its partners. UNITAID connects the solutions with the needs on the ground by identifying and overcoming the market-based obstacles in the way.

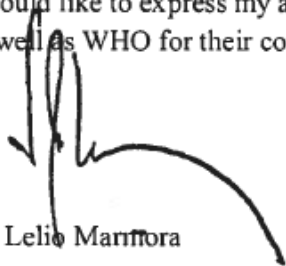
UNITAID's investments have contributed to important improvements across the three diseases, by enabling the global response to achieve more with existing resources. We are now working to develop a robust and comprehensive approach to value-for-money across our diverse portfolio.

Today 12.9 million people living with HIV/AIDS are on antiretroviral treatment from just 1.6 million in 2006, achieved in part through a tenfold price reduction in the cost of key medicines; over 70% of multidrug resistant TB (MDR TB) patients can be detected and treated, largely through increased access to innovative tools; and there has been a 50% reduction in the mortality rate due to malaria since the year 2000, in which greater access to quality anti-malarials in both the public and private sectors and growth in preventatives such as bed nets have played a role.

UNITAID-funded activities have taken place in 105 low- and middle-income countries, in line with UNITAID's constitutional requirements. Donors can help UNITAID deliver even more effectively on its innovative mandate by providing multi-year, formal and timely pledges, and by making timely payments of their contributions. Contributions from donors have totaled US\$ 2.4 billion through December 31, 2014. UNITAID has committed US\$ 2 billion and disbursed US\$ 1.5 billion to grantees over the same period. In 2014 these disbursements represented 84% of UNITAID's overall expenses.

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, the governments, foundations and partners, as well as WHO for their continued support.

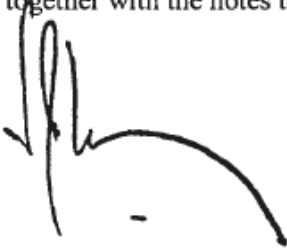


Mr Lelio Marimora

Executive Director

Certification of the financial statements for the year ended 31 December 2014

According to WHO Financial Regulation XIII – Accounts and Financial Statements, accounts for UNITAID have been established and maintained in accordance with IPSAS. The financial statements for the year ended 31 December 2014, together with the notes to the statements and supporting schedules, have been reviewed and are approved.

A handwritten signature in black ink, appearing to be "Lelio Marmora".

Mr Lelio Marmora

Executive Director

Geneva, 23 March 2014

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
International Drug Purchase Facility (UNITAID)

Report on the financial statements

We have audited the accompanying financial statements of the UNITAID, which comprise the Statement of Financial Position as at 31 December 2014, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flow, Comparison of Budget and Actual Amounts for the year then ended and the Notes to the Financial Statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 internal control 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 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, these financial statements present fairly, in all material respects, the financial position of the UNITAID as at 31 December 2014, and its financial performance, changes in net assets/equity, cash flow, and the comparison of budget and actual amounts, in accordance with IPSAS.

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.


Heidi L. Mendoza
Officer in Charge, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
9 April 2015



Statement I. Statement of Financial Position

As at 31 December 2014

(in thousands of US dollars)

	Notes	31-Dec-14	31-Dec-13
ASSETS			
Current assets			
Cash and cash equivalents held by WHO	6.1	852 882	707 070
Contributions receivable - current	6.2	6 488	9 103
Accounts receivable - current	6.3	1 480	-
Staff receivables	6.4	213	145
Total current assets		861 063	716 318
Non-current assets			
Contributions receivable - non-current	6.2	8 000	12 000
Total non-current assets		8 000	12 000
TOTAL ASSETS		869 063	728 318
LIABILITIES			
Current liabilities			
Accounts payable	6.5	25 419	333
Staff payables	6.6	46	39
Accrued staff benefits - current	6.7	653	814
Deferred revenue - current	6.8	4 000	4 488
Accrued liabilities	6.9	6 565	1 226
Total current liabilities		36 683	6 900
Non-current liabilities			
Deferred revenue - non-current	6.8	8 000	12 000
Accrued staff benefits - non-current	6.7	3 039	2 564
Total non-current liabilities		11 039	14 564
TOTAL LIABILITIES		47 722	21 464
NET ASSETS			
Fund balance	8	821 341	706 854
TOTAL NET ASSETS		821 341	706 854
TOTAL LIABILITIES AND NET ASSETS		869 063	728 318

The statement of significant policies and the accompanying notes form part of the financial statements.



Statement II. Statement of Financial Performance

For the year ended 31 December 2014

(in thousands of US dollars)

	Notes	31-Dec-14	31-Dec-13
REVENUE			
Voluntary contributions	7.1	248 785	279 668
Finance revenue	7.2	3 465	3 688
Micellaneous income	10.b	399	-
Total revenue		252 649	283 356
EXPENSES			
Disbursements to grantees	7.3	116 052	125 873
Staff and other personnel costs	7.4	12 546	12 325
Consulting and contractual services	7.5	8 314	7 190
Travel	7.6	948	1 185
Equipment and furniture	7.7	50	85
General operating expenses	7.8	170	74
Training	7.9	82	44
Total expenses		138 162	146 776
TOTAL SURPLUS FOR THE YEAR		114 487	136 580



Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2014

(in thousands of US dollars)

	Notes	31-Dec-14	Surplus	31-Dec-13
Fund balance	8	821 341	114 487	706 854
TOTAL NET ASSETS/EQUITY		821 341	114 487	706 854



Statement IV. Statement of Cash Flow

For the year ended 31 December 2014

(in thousands of US dollars)

	31-Dec-14	31-Dec-13
CASH FLOWS FROM OPERATING ACTIVITIES		
TOTAL SURPLUS FOR THE YEAR	114 487	136 581
(Increase) decrease in current contributions receivable	2 616	104 146
(Increase) decrease in current accounts receivable	(1 480)	0
(Increase) decrease in staff receivables	(68)	(43)
(Increase) decrease in non-current contributions receivable	4 000	(11 512)
Increase (decrease) in deferred revenue - current	(488)	(83 171)
Increase (decrease) in accrued liabilities	5 338	(5 141)
Increase (decrease) in accrued staff benefits - current	(162)	177
Increase (decrease) in accounts payable	25 087	(211)
Increase (decrease) in staff payables	8	(22)
Increase (decrease) in accrued staff benefits - non-current	476	949
Increase (decrease) in deferred revenue - non-current	(4 000)	11 512
Net cash flows from operating activities	145 814	153 265
Cash and cash equivalents held by WHO at the beginning of the year	707 070	553 805
CASH and CASH EQUIVALENTS HELD BY WHO AT END OF THE PERIOD	852 884	707 070



Statement V. Comparison of Budget and Actual Amounts

For the year ended 31 December 2014

(in thousands of US dollars)

	Budget approved Dec-13	Revision	Budget approved Jun-14	Actual	Variance	Impl. rate
REVENUE						
Voluntary contributions	282 880	-	282 880	249 184	(33 696)	88%
Financial revenue	3 500	-	3 500	3 465	(35)	99%
TOTAL RESOURCES	286 380	-	286 380	252 649	(33 731)	88%
EXPENSES						
Governing Bodies	1 313	-	1 313	915	(398)	70%
Secretariat						
Staff costs	13 861	-	13 861	12 546	(1 315)	91%
Activities						
Executive Office	770	-	770	317	(453)	41%
External Relations	1 715	-	1 715	1 097	(618)	64%
Operations Management	536	-	536	379	(157)	71%
Market Dynamics	725	-	725	317	(408)	44%
Finance and Administration	199	-	199	395	196	198%
Hosting costs	2 069	-	2 069	1 396	(673)	67%
Common costs	399	-	399	394	(5)	99%
Total activities	6 413	-	6 413	4 295	(2 118)	67%
Total Secretariat	20 274	-	20 274	16 841	(3 433)	83%
Projects/Special Projects/Secretariat Initiatives						
HIV/AIDS	76 804	(21 163)	55 640	45 221	(10 419)	81%
Tuberculosis	48 923	(6 518)	42 405	27 419	(14 986)	65%
Malaria	29 605	(615)	28 991	25 658	(3 333)	89%
Transversal	17 553	(340)	17 213	10 628	(6 585)	62%
Special Projects (Patent Pool)	5 102	(70)	5 032	5 522	490	110%
Subtotal Projects/Special Projects	177 987	(28 706)	149 281	114 448	(34 833)	77%
Secretariat Initiatives	10 513	-	10 513	5 194	(5 319)	49%
Total Projects/Special Projects/Secretariat Initiatives	188 500	(28 706)	159 794	119 642	(40 152)	75%
SDIS	1 508	-	1 508	762	(746)	51%
TOTAL EXPENSES	211 595	(28 706)	182 889	138 160	(44 729)	76%

Notes to the financial statements

1. Statement of objectives

- 1.1.** The International Drug Purchase Facility (UNITAID) was established in 2006 by the Governments of Brazil, Chile, France, Norway and the United Kingdom of Great Britain and Northern Ireland (the Founding Members) and the World Health Organization (WHO) as an innovative funding mechanism to accelerate access to high-quality drugs and diagnostics for HIV/AIDS, malaria and tuberculosis (TB) in high-burden countries.

UNITAID's mission is to contribute to the scale up of access to treatment for HIV/AIDS, malaria and TB for people in developing countries by leveraging price reductions of quality drugs and diagnostics, which currently are unaffordable for most developing countries, and to accelerate the pace at which they are made available.

UNITAID is unique among global health organizations in that it focuses exclusively on addressing market shortcomings at the global level as a means to sustainably increase access to health products for people specifically in developing countries.

To fulfil its mission, UNITAID aims to use sustainable, predictable and additional funding to help generate a steady demand for drugs and diagnostics, thereby significantly impacting market dynamics to reduce prices and increase availability and supply.

UNITAID supports national and international efforts and complements the role of existing international institutions. It relies on suitable programmatic partners to implement its programmes. At least 85% of UNITAID funds dedicated to purchase commodities should be spent on low-income countries.

- 1.2.** Sustainable and predictable funding is essential for UNITAID to achieve its mission. Since its inception in 2006, 62% of the cumulative funding of UNITAID has come from the solidarity tax levied on air-tickets in several countries supporting UNITAID. Budgetary contributions make up almost the entire balance of the funding.
- 1.3.** The UNITAID Executive Board is the decision-making body for UNITAID and consists of twelve members, including the Founding Members, Asian countries represented by Korea, African countries represented by South Africa, Spain and WHO, as well as representatives from three Constituencies - communities living with HIV/AIDS, malaria or TB, nongovernmental organizations and foundations. The UNITAID Strategy 2013-2016, endorsed by the Board on 29 April 2013, builds on six years of experience and the findings of the Five-Year Evaluation and sets the direction for UNITAID's next phase of evolution. The Strategy reaffirms UNITAID's mandate, lays out its medium-term goals and defines the strategic actions it will put in place over the period to maximize its effectiveness in pursuing its mission. Six strategic objectives have been defined to guide future investments:
- Increase access to simple, POC diagnostics for HIV/AIDS, TB and malaria;
 - Increase access to affordable paediatric medicines to treat HIV/AIDS, TB and malaria;
 - Increase access to emerging medicines and or/regimens, as well as new formulations, dosage forms, or strengths of existing medicines that will improve the treatment of HIV/AIDS and coinfections such as viral hepatitis;
 - Increase access to artemisinin-based combination therapies (ACTs) and emerging medicines, which, in combination with appropriate diagnostic testing, will improve the treatment of malaria;
 - Secure the supply of second-line TB medicines, and increase access to emerging medicines and regimens that will improve treatment of both drug-sensitive and multi drug-resistant TB;
 - Increase access to products for the prevention of HIV/AIDS, TB and malaria.

The processes for project selection in line with strategic priorities were adopted by the UNITAID Executive Board at its 14th session in July 2011.

The finances of UNITAID 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 UNITAID's financial planning, management, performance and accountability, as well as risk management and internal control.

- 1.4.** WHO as UNITAID's host Organization 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. UNITAID is a self-financing partnership of WHO and its budget is independent of WHO's. UNITAID produces a full set of financial statements separate from WHO's which are audited separately from WHO's. UNITAID's accounts are not consolidated in the financial statements of WHO.
- 1.5.** UNITAID has a small secretariat, based solely in Geneva, Switzerland, with no in-country operations.
- 1.6.** UNITAID has a donor relationship with the WHO. In this capacity, UNITAID continues to be the principal funder 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).

Other current projects implemented by WHO and funded by UNITAID include:

- the TB Paediatric programme implemented by GDF to increase access to optimal paediatric TB medicines
- the Multi-Drug Resistant TB (MDR-TB) scale-up initiative to increase access to quality assured second line treatments, also implemented by GDF
- a Strategic Rotating Stockpile of critical MDR-TB medicines through GDF to ensure timely and uninterrupted availability of critical MDR-TB treatment medicines
- projects on quality control and private sector market entry of Malaria Rapid Diagnostic Tests (RDTs) via the Global Malaria Programme (GMP) in association with FIND and PSI respectively
- an initiative for increased access to optimal paediatric TB medicines via the Global TB Programme (GTB) in association with the Global Alliance for Drug Development (“TB Alliance”)

2. 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 Standards (IFRS) have 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).

2.1. Functional currency and translation of foreign currencies

The functional and reporting currency of UNITAID is the United States dollar.

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange (UNORE) 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 of the first day of the subsequent month. Resulting gains or losses are accounted for in the Statement of Financial Performance.

2.2. Materiality¹ 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 necessarily include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

2.3. 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
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.

3. Significant accounting policies

3.1. Cash and cash equivalents held by WHO

Cash and cash equivalents 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.

3.2. Contributions and accounts receivable

Accounts receivable (voluntary contributions from donors and staff receivables) are recorded at their net estimated realisable 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.

¹ 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.



Voluntary contributions from donors receivable are recognized based on binding agreements between UNITAID and the donor, where amounts and receipt dates are specified.

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.

3.3. 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 not yet been invoiced.

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

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

3.4. Employee benefits

UNITAID recognizes the following employee benefits:

- short-term employee benefits which fall due wholly within twelve months following the end of the accounting period in which employees render the related service
- post-employment benefits
- other long-term employee benefits
- termination benefits

a) Short-term employee benefits

Liabilities established for short-term employee benefits include items such as wages, salaries and social security contributions, paid annual leave and paid sick leave, and non-monetary benefits (such as medical care) for current employees, as well as education grants payable at the reporting date that have not been included in the current expenditure. These amounts are included in the staff payables financial statement line, as they resolve through regular payroll.

Liabilities that are established for the value of accumulated leave, as well as deferred home leave and overtime earned but unpaid at the reporting date (as calculated by WHO payroll), and the current portion of terminal payments (as calculated by the actuaries), are included in the current portion of the accrued staff benefits financial statement line.

b) Post-employment benefits

Post-employment benefits include pension plans, post-employment medical care and post-employment insurance. Pension benefits under defined benefit plans are measured at the present value of the defined benefit obligation (DBO) adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. The DBOs are determined by an independent actuary on an annual basis, and the non-current portion is included in the accrued staff benefits financial statement line.

b.1) Pension plan

UNITAID under WHO participates in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded multi-employer defined benefit plan. As specified by 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 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, the plan assets and other participating organizations in the plan. UNITAID, the UNJSPF, and 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 were a defined contribution plan in line with the requirements of IPSAS 25. For this reason, WHO has treated UNITAID's contributions to the plan during the financial period as expenses in the Statement of Financial Performance.

b.2) Post employment medical care

UNITAID is a participant in the Staff Health Insurance (SHI) which is a defined benefit plan operated and managed by WHO for both current and retired staff. The medical insurance subsidizes the costs of insurance for active and retired staff members and their dependents. The liability is determined by an independent actuary on an annual basis and included in the non-current portion of the accrued staff benefits financial statement line.

c) Termination benefits

Eligible staff members are entitled to certain benefits on termination of their contracts. These include repatriation grants, removal and travel. Terminal payments are determined by an independent actuary on an annual basis, with the current and non-current portions reflected in the accrued staff benefits financial statement lines.

3.5. 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.

3.6. Deferred revenue

Deferred revenue derives from legally binding agreements between UNITAID and its donors. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both WHO/UNITAID and the donor;
- the funds are earmarked and due in a future period.

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

3.7. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by UNITAID during the year, which represents an increase in net assets, and is recognized following the established criteria of IPSAS 23, “Revenue from Non-Exchange Transactions.”

All contributions to UNITAID are voluntary, and therefore considered non-exchange revenue. Voluntary contributions are recorded on an accrual basis. Formal funding agreements signed by both parties are required in order to recognize an asset before receipt of cash. When these agreements constitute long-term commitments (more than one year), the total value of the agreement is recognized both as a receivable and deferred revenue. Contributions are recognized as revenue in the year for which they are committed.

3.8. Expense recognition

Expenses are 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. Therefore grant expenses are not based on the value of the overall commitments.

Funds are disbursed to grantees in accordance to the “Policy on disbursement to grantees” approved by the Executive Board.

3.9. Statement of Cash Flow

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

4. Financial Risks

a) 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.

b) 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.

c) 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 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, 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.

d) Credit risk

WHO's 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.

e) Interest rate risk

UNITAID is exposed to interest rate risk through short-term and long-term fixed income investments managed by the WHO Treasury Unit. The investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of the Organization's investments as at 31 December 2014 was 0.4 years for the short-term investments and 5.8 years for the long-term investments. The duration of the long-term investments was lengthened by purchasing longer term fixed income products to better match the duration of the liabilities which are funded by these investments.

Fixed income derivatives may be used by external investment managers to manage interest rate risk under strict investment guidelines. Interest rate instruments of this type are used for portfolio duration management and for strategic interest rate positioning.

f) 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.

5. Note on the reclassification of balances

The gains and losses from investments, exchange transactions and actuarial valuation are consolidated as Finance revenue. The gains and losses were previously reported as Finance revenue and Finance cost.

6. Supporting information to the Statement of Financial Position

6.1. 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 liabilities its long-term liabilities.

The cash and cash equivalents held on behalf of UNITAID total US\$ 852.9 million at 31 December 2014 compared to US\$ 707.1 million as of 31 December 2013. 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.

in thousands of US dollars

2015	158 148
2016	166 559
2017	79 159
2018	43 132
2019	14 843
Total estimated commitments	461 841

6.2. Contributions receivable – net

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 2014, with non-current receivables expected to be received more than a year from 31 December 2014. These are comprised of:

<i>in thousands of US dollars</i>	2014	2013
Chile	2 000	4 000
Republic of Korea	4 000	4 000
Cyprus	488	1 103
Total current receivables	6 488	9 103
<i>in thousands of US dollars</i>	2014	2013
Republic of Korea	8 000	12 000
Cyprus	-	-
Total non-current receivables	8 000	12 000
Total current and non-current receivables	14 488	21 103

The receivable from Chile was received on 7 January 2015. The receivable from Cyprus corresponds to the 2014 commitment from that country. The receivable from Korea corresponds to a five-year commitment of US\$ 20 million for 2013 through 2017, of which the 2013 and 2014 portions have been paid.

6.3. Accounts receivable

<i>in thousands of US dollars</i>	2014	2013
Accounts receivable	1 480	-
Total accounts receivable	1 480	-

Amounts receivable have been fully settled as of 6 January 2015.

6.4. 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, which at 31 December, 2014 are broken down as follows:

<i>in thousands of US dollars</i>	2014	2013
Education grant	148	116
Travel advance	12	22
Salary advance	12	19
Other receivables	41	(12)
Total staff receivables	213	145



6.5. 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.

<i>in thousands of US dollars</i>	2014	2013
Accounts payable	25 419	333
Total accounts payable	25 419	333

As at 5 January 2015, US\$ 23.1 million owed to grantees which had been invoiced in the last two weeks of December 2014 were paid.

6.6. 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.

<i>in thousands of US dollars</i>	2014	2013
Salaries payable	39	24
Travel claim payable	5	9
Other staff payables	2	6
Total staff payables	46	39

6.7. Accrued staff benefits – net

Accrued staff benefits include accrued leave, terminal payments (both current and non-current portions), after-service health insurance (ASHI) and liabilities due to service-incurred death or disabilities (special fund for compensation (SFFC)). More information is presented in Note 3.4.

<i>in thousands of US dollars</i>	2014	2013
Accrued leave	567	626
Terminal Payments (TP)	86	188
Total accrued staff benefits - current	653	814

<i>in thousands of US dollars</i>	2014	2013
After Service Health Insurance (ASHI)	2 358	1 710
Terminal Payments (TP)	621	805
Special Fund for Compensation (SFFC)	60	49
Total accrued staff benefits - non-current	3 039	2 564

Total accrued staff benefits	3 692	3 378
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The changes from 2013 are due to the updated independent actuarial report completed by the independent actuary (Aon Hewitt) for 2014.

6.8. Actuarial methods and assumptions

Each year WHO 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 25.

Measurement date	
All plans:	31 December 2014
Discount rate	
Terminal payments (other than accrued leave):	The discount rate used is 2.9% (decrease from 3.7% in the prior valuation). Based on the combined projected benefit payments for both plans and with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve as at 31 December 2014. The resulting discount rate is rounded to the nearest 0.1%.
After-service health insurance:	For Europe, 1.6% (decrease from 2.9% in prior valuation) beginning with the 31 December 2010 valuation, WHO adopted a yield curve approach to reflect the pattern of expected cash flows from the European major office. The rate is a weighted average of the 1.31% rate from the SIX Swiss Exchange yield curve and the 2.21% rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.10%.
Special Fund for Compensation:	The discount rate is 2.9% (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 as at 31 December 2014. The resulting discount rate is rounded to the nearest 0.1%.
Annual general inflation	
Terminal payments (other than accrued leave):	The inflation rate used is 2.2%. Based inflation rates of 2.5% for United States and 1.1% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded to the nearest 0.1%.
Staff health insurance:	Europe 1.4%, the Americas 2.5%, Other Countries 2.5%. Based on Aon Hewitt's Q4 2014 10-year forecast of global capital market assumptions. Rate for Europe is the average of rates for Switzerland (1.1%) and the rest of Europe (1.7%), rounded to the nearest 0.1%. Rate for The Americas and Other Countries is based on the 31 December 2013 valuation of the United Nations Joint Staff Pension Fund (UNJSPF).
Special Fund for Compensation:	The inflation rate used is 2.2%. Based on a weighted average of inflation rates of 2.5% for the United States and 1.3% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded 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 2013 valuation of the United Nations Joint Staff Pension Fund.
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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.
After-service health insurance:	Not applicable
Special Fund for Compensation:	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.
After-service health insurance:	Not applicable
Special Fund for Compensation:	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.
After-service health insurance:	Not applicable
Special Fund for Compensation:	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 25 and, therefore, are excluded from the valuation.
After-service health insurance:	Not applicable
Special Fund for Compensation:	Not applicable

6.9. Deferred revenue

Deferred revenue on voluntary contributions represents the portion of multi-year agreements for which revenue will be recognized in later years in accordance with the conditions set in the agreement. The balance on voluntary contributions is split into current (to be received within one year from 31 December 2014) and non-current deferred revenue (to be received more than one year after 31 December 2014).

<i>in thousands of US dollars</i>	2014	2013
Republic of Korea	4 000	4 000
Cyprus	-	488
Total deferred revenue - current	4 000	4 488
<i>in thousands of US dollars</i>	2014	2013
Republic of Korea	8 000	12 000
Total deferred revenue - non-current	8 000	12 000
Total deferred revenue current and non-current	12 000	16 488

Complete detail of all existing multi-year donor commitments are presented in Note 12.

6.10. Accrued liabilities

Accrued liabilities consist of expenses that have been incurred during 2014, but remain to be paid.

<i>in thousands of US dollars</i>	2014	2013
Accruals (uninvoiced)	1 539	1 226
Approved disbursements to grantees for Projects	5 026	-
Total accrued liabilities	6 565	1 226

As at 15 March 2015, US\$ 38 000 owed to suppliers, and US\$ 4.3 million owed to grantees have been paid.

7. Supporting information to the Statement of Financial Performance

Revenue

7.1. 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 and the Millennium Foundations.

The voluntary contributions shown on the face of the Statement of Financial Performance are for the 2014 and 2013 financial periods only.

<i>in thousands of US dollars</i>	2014	2013
Bill & Melinda Gates Foundation	10 000	10 000
Brazil	42 931	-
Chile	2 000	4 000
Cyprus	488	488
France	105 329	149 456
Madagascar	3	-
Mauritius	1 657	1 685
Millenium Foundation	-	1 500
Norway	19 186	21 368
Republic of Korea	4 000	4 000
United Kingdom of Great Britain and Northern Ireland	63 191	87 171
Total voluntary contributions	248 785	279 668

Refer to Annex 1 for information on voluntary contributions received since 2006.

UNITAID has multi-year commitments, one of which is accounted for as deferred revenue (Republic of Korea), while others are accounted for as contributions when received (Bill and Melinda Gates Foundation), depending on the conditions set out in the signed agreements. Note 11 on Future revenue presents further details. To date UNITAID has not received any contributions in kind.



7.2. Finance revenue

Finance revenue includes the following:

<i>in thousands of US dollars</i>	2014	2013
Investment revenue	2 967	9 359
Net realized foreign exchange gains or (losses)	223	(7 212)
Net unrealized foreign exchange gains or (losses)	(120)	1 551
Actuarial revaluation gains or (losses) on Terminal Payments Fund	425	12
Actuarial interest cost related to valuation of Terminal Payments Fund	(30)	(22)
Total financial revenue and costs	3 465	3 688

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. For the 2014 a portion of the gain arose upon receipt of the 2013 contribution from Cyprus.

The unrealized foreign exchange gain/(loss) is the net unrealized foreign exchange gain calculated at December 31, 2014 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, and the amounts have been found to be negligible in 2014.

Expenses

7.3. 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.

UNITAID funds three types of projects:

- Projects are selected as a result of a Call for Proposals and are primarily designed and implemented by partner organizations. Their purpose clearly and directly serves UNITAID’s mandate as they have a direct impact on market dynamics.
- Special Projects are exceptional projects initiated by the Board which constitute a novel way to achieve UNITAID’s objectives. The only special project currently implemented is the grant to the Medicine Patent Pool Foundation.
- Secretariat Initiatives support core activities and are driven by the Secretariat.



Disbursements for 2014 as compared to 2013 are broken down by area as follows:

<i>in thousands of US dollars</i>	2014	2013
HIV/AIDS	44 997	42 683
TB	27 368	31 164
Malaria	25 581	41 952
Transversal	10 866	5 875
Total Projects	108 812	121 674
Special Projects	5 474	3 467
Secretariat Initiatives	1 766	732
Total Projects/Special Projects/Secretariat Initiatives	116 052	125 874

Disbursements to grantees since 2006 are presented in Annex 2.

7.4. 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 (e.g. pensions and insurances) 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. An update to the actuarial assumptions of the accrued staff benefits liability comprised a US\$ 314 000 increase over the prior year, as detailed in Note 6.7.

<i>in thousands of US dollars</i>	2014	2013
Staff salary	10 701	10 591
Staff entitlements	1 845	1 734
Total staff and other personnel costs	12 546	12 325

7.5. Consulting and contractual services

Consulting and 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>	2014	2013
Consulting	1 689	373
Contractual services	4 993	4 658
Contractual services provided by WHO	1 632	2 159
Total consulting and contractual services	8 314	7 190

Consulting services increased over the prior year due to the start of a significant project.

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

<i>in US dollars</i>	2014	2013
Administrative services	970	1 200
Legal services	206	327
Premises	433	528
Audit	23	45
Sub total	1 632	2 100
Additional charges for previous year	-	59
Total services provided by WHO	1 632	2 159

7.6. 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. Expenses under this line item do not include statutory travel for home leave or education grants, which are covered as part of staff costs.

Travel expenses break down as follows:

<i>in thousands of US dollars</i>	2014	2013
Governing Bodies	216	219
Secretariat	612	821
Projects	120	145
Total	948	1 185

7.7. Equipment and furniture

Purchases of equipment 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 of 31 December 2014 no equipment or furniture purchases have reached the threshold.

7.8. 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).

7.9. Training

Training expenses are incurred by staff according to the UNITAID staff training guideline.

8. 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.



<i>in thousands of US dollars</i>	2014	2013
Net assets at the beginning of the period	706 854	570 274
Operating surplus	111 022	132 892
Finance revenue	3 465	3 688
	821 341	706 854

Net assets at December 31, 2014 total US\$ 821 million. The projected balance of funds to be paid against approved grant agreements is an estimated US\$ 462 million as detailed in Note 6.1.

9. Supporting information to the Comparison of Budget and Actual Amounts

In December 2013, UNITAID's Executive Board approved the 2014 budget. An increased budget for projects was approved in June 2014.

The shortfall in voluntary contributions of US\$ 34 million is due to the reduction of the expected contributions from both France and the UK (€10 million and £13 million, respectively).

Actual disbursements for Projects and Special Projects reached 77% of budget for the 2014 year. The differences between budget and actual expenditure arose due to timing adjustments.

10. Related parties and other senior management disclosures

a) Key management personnel

Staff members considered as key management personnel (KMP) include the Executive Director and his Advisor, the Deputy Executive Director and Unit Heads (Operations, Market Dynamics, External Relations, Finance & Administration and Legal).

The table below details the number of KMP staff who held these positions over the course of the year.

<i>in thousands of US dollars</i>	Number of individuals	Compensation & post adjustment	Entitlements	Pension & health plans	Total remuneration to 31-Dec-14	Outstanding advances against entitlements	Outstanding loans
Key management personnel	9	1 612	163	325	2 099	-	-

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.

b) Millennium Foundation

The concept of the Millennium Foundation for Innovative Finance for Health (MFFH) was developed with the support of UNITAID. As an independent non-profit Swiss foundation, MFFH was established to mobilize additional resources to promote health for people in developing countries through the development and use of innovative finance mechanisms.

On 24 October 2012, the Board of the MFFH met to discuss the future of the Foundation. Established primarily to implement the Voluntary Solidarity Contribution (VSC) project, it was found that at the end of 2011 the VSC was not financially viable and therefore was formally closed. On 21 December 2012, the Board of the MFFH passed a resolution to appoint KBT Fiduciaires of Nyon as Liquidator from 1 January 2013 for which a corresponding budget was approved.

The Foundation was put into liquidation and dissolved by the Federal Authority for Foundations (Autorité Fédérale de Surveillance des Fondations) on 24 March 2013. These procedures are now complete and the Federal Authority has asked the Geneva canton to strike the Foundation from the registry of commerce effective 13 February 2014. UNITAID received US\$ 399 049 in the first quarter of 2014 as a final payment of recovery on liquidation.

c) **Medicines Patent Pool Foundation**

UNITAID has been exploring the feasibility of the establishment of a patent pool of HIV/AIDS medicines since 2007. Recognizing the significant potential public health benefits of a patent pool, UNITAID concluded that there is a sufficient basis for the establishment of a patent pool and that its viability cannot be properly tested until a legal entity is established.

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, whereby UNITAID would contribute an amount not to exceed US\$ 4.4 million to facilitate the work of the Foundation during its first year ending 30 June 2011. Additional funding of US\$ 425 000 was approved by the UNITAID Board at its 14th session in July 2011 for the cost-extension of the original agreement until end December 2011. At its 15th session in December 2011, the Executive Board of UNITAID approved further support to MPPF of US\$ 26.3 million from 2012 to 2015.

The total funding support for 2010-2015 approved by the Board is US\$ 31.2 million. As at 31 December 2014 the amount disbursed to MPPF from UNITAID is US\$ 19.7 million (Annex 2).

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

11. Future commitments to grantees

As detailed in Annex 2 the Board has approved US\$ 2.2 billion of funding proposals between the creation of UNITAID in 2006 and its 21st Executive Board Meeting in December 2014. As at 31 December 2014 US\$ 2 billion has been committed through grant agreements, with cumulative disbursements against these commitments totaling US\$ 1.5 billion. The value of future disbursements, including the estimate of potential savings from existing grants and the funding approved for new projects by the EB in December 2014 is estimated at US\$ 462 million as detailed in Note 6.1.

12. Future revenue

UNITAID has the following multi-year commitment agreements which extend through 2017.

<i>in thousands of US dollars</i>	2015	2016	2017	Total through 2017
Bill & Melinda Gates Foundation	10 000	10 000		20 000
Republic of Korea	4 000	4 000	4 000	12 000
Total future revenue	14 000	14 000	4 000	32 000

Formal funding agreements have been signed by both of the above parties, however only the Republic of Korea contribution has been recognized as an asset (both as receivable and deferred revenue) on the balance sheet according to established criteria of IPSAS 23, “Revenue from Non-Exchange Transactions.”

13. Contingent liabilities and assets

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 2014, UNITAID has no pending legal cases and has no such liability to disclose at the date of the preparation of the Financial Statements.

UNITAID has no commitments other than those committed to grantees (as detailed in Note 10). UNITAID has no lease agreements. The current premises are rented directly from WHO as part of the administrative services agreement.

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2014, there are no material contingent assets to disclose.

14. Events after reporting date

UNITAID’s reporting date is 31 December 2014. On the date of signing of these accounts by the External Auditor, there have been no other material events, favorable or unfavorable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.



Schedule I Annual Financial Position

Cumulative as at 31 December 2014 (in thousands of US dollars)

	Notes	2014	2013	2012	2011 (Restated)	2010	2009	2008	2006-2007 (Restated)
ASSETS									
Current assets									
Cash and cash equivalents held by WHO	5.1	852 882	707 070	553 805	489 540	328 289	224 750	312 292	196 187
Contributions receivable - current	5.2	6 488	9 103	113 250	76 989	0	42 782	54 135	34 174
Accounts receivable	5.3	1 480	0	0	0	0	0	0	0
Staff receivables	5.4	213	145	101	87	0	0	7	0
Other current receivables		0	0	0	0	13 347	0	51	0
Total current assets		861 063	716 318	667 157	566 616	341 636	267 532	366 485	230 361
Non-current assets									
Contributions receivable - non-current	5.2	8 000	12 000	488	88 148	0	0	0	0
Total non-current assets		8 000	12 000	488	88 148	0	0	0	0
TOTAL ASSETS		869 063	728 318	667 645	654 764	341 636	267 532	366 485	230 361



Schedule I Annual Financial Position (continued)

Cumulative as at 31 December 2014 (in thousands of US dollars)

	Notes	2014	2013	2012	2011 (Restated)	2010	2009	2008	2006-2007 (Restated)
LIABILITIES									
Current liabilities									
Accounts payable	5.5	25 419	333	543	137	33	10	22 110	8 232
Staff payables	5.6	46	39	61	17	0	0	0	0
Accrued staff benefits - current	5.7	653	814	637	548	0	0	0	0
Deferred revenue - current	5.8	4 000	4 488	87 659	87 659	0	0	0	0
Accrued liabilities	5.9	6 564	1 226	6 367	514	104	45	77	0
Financial liabilities		0	0	0	782	0	0	0	0
Total current liabilities		36 683	6 900	95 268	89 658	137	55	22 187	8 232
Non-current liabilities									
Deferred revenue - non-current	5.8	8 000	12 000	488	88 148	0	0	0	0
Accrued staff benefits - non-current	5.7	3 039	2 564	1 615	1 411	886	241	191	33
Total non-current liabilities		11 039	14 564	2 103	89 559	886	241	191	33
TOTAL LIABILITIES		47 722	21 464	97 371	179 217	1 023	296	22 378	8 265
NET ASSETS									
Fund balance	7	821 341	706 854	570 274	475 547	340 613	267 236	344 107	222 096
TOTAL NET ASSETS		821 341	706 854	570 274	475 547	340 613	267 236	344 107	222 096
TOTAL LIABILITIES AND NET ASSETS		869 063	728 319	667 645	654 764	341 636	267 532	366 485	230 361



Schedule II Annual Financial Performance

Cumulative as at 31 December 2014 (in thousands of US dollars)

	Notes	2014	2013	2012	2011 (Restated)	2010	2009	2008	2006-2007 (Restated)
OPERATING REVENUE									
Voluntary contributions for the period	6.1	248 785	279 668	276 452	270 235	337 437	274 087	349 059	368 889
Finance revenue	6.2	3 465	3 688	1 977	5 353	4 946	10 230	4 999	1 409
TOTAL OPERATING REVENUE		252 250	283 356	278 429	275 588	342 383	284 317	354 058	370 298
OPERATING EXPENSES									
Disbursements to grantees	6.3	116 052	125 873	164 739	123 518	257 300	350 907	226 696	145 036
Staff and other personnel costs	6.4	12 546	12 325	10 605	8 122	6 893	4 758	3 419	1 732
Consulting and Contractual Services	6.5	8 314	7 190	6 783	6 142	3 736	4 340	1 021	1 141
Travel	6.6	948	1 185	1 411	1 256	929	1 083	824	224
Equipment and furniture	6.7	50	85	81	107	59	0	47	43
General operating expenses	6.8	170	74	83	63	89	100	40	26
Training	6.9	82	44	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		138 162	146 776	183 702	139 208	269 007	361 188	232 047	148 202
SURPLUS FROM OPERATIONS		114 088	136 580	94 727	136 380	73 376	(76 871)	122 011	222 096



Annex 1 Operating Revenue – Voluntary Contributions

Cumulative as at 31 December 2014 (in thousands of US dollars)

	2006 -2014	2014	2013	2012	2011	2010	2009	2008	2006-2007
Bill & Melinda Gates Foundation	80 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Brazil	80 133	42 931					9 982	11 075	16 145
Cameroon	1 430			412	1 018				
Chile	30 043	2 000	4 000	3 643	2 282	7 439	1 346	4 000	5 333
Congo	1 090				1 090				
Cyprus	3 044	488	488	488	488	488	(27)	629	
France	1 395 092	105 329	149 456	143 408	144 251	197 654	160 009	226 481	268 504
Guinea	49							49	
Luxembourg	1 961				611	611	93	647	
Madagascar	33	3		3	12	4	11		
Mali	928				526	402			
Mauritius	12 083	1 657	1 685	1 709	1 937	1 104	2 270	1 397	324
Millenium Foundation	2 971	-	1 500	1 072					
Niger	281						249		32
Norway	171 649	19 186	21 368	21 546	18 761	22 831	20 118	26 215	21 625
Republic of Korea	43 000	4 000	4 000	7 000	7 000	7 000	7 000	7 000	
Spain	81 603				- 2 813	21 097	20 920	21 962	20 436
United Kingdom of Great Britain and Northern Ireland	499 621	63 191	87 171	87 171	85 072	68 807	42 115	39 604	26 490
Total	2 404 612	248 785	279 668	276 452	270 235	337 437	274 087	349 059	368 889



Annex 2 Portfolio Financial Overview

Cumulative as at 31 December 2014 (in thousands of US dollars)

HIV/AIDS projects	Grantee	Board approved duration	Grant duration	Board approved amount (PSC inclusive as applicable)	Grant agreement value (PSC inclusive as applicable)	Total disbursed per project as at 31 Dec 2014 (PSC inclusive as applicable)	Disbursements to grant agreement value
Paediatric ARV Program	CHAI	2006-2014	2006-2015	418 475	417 100	326 767	78%
Second Line ARV Program	CHAI	2007-2012	2007-2012	305 799	299 651	255 462	85%
Innovation in ARV Paediatric market access (IPMA)	CHAI	2014-2016	2014-2016	12 630	11 630	1 823	0%
PMTCT Initiative and Extension	UNICEF	2007-2011	2007-2011	49 693	47 602	37 061	78%
PMTCT Nutrition	UNICEF	2009-2011	2009-2011	4 764	4 511	3 854	85%
PMTCT Expansion	UNICEF	2009-2011	2009-2011	50 009	46 680	36 398	78%
Estheraid - Easing and safeguarding the availability of ARV treatments	ESTHER	2009-2013	2009-2014	15 950	14 681	13 231	90%
Implementation of CD4 and VL testing in decentralized, resource-limited settings	MSF	2012-2015	2012-2015	28 696	28 696	17 560	61%
Accelerating access to Innovative POC HIV diagnostics (Phase 1 and Phase 2A)	CHAI/UNICEF	2013-2016	2013-2016	55 000	55 000	40 484	74%
Open polyvalent platforms for sustainable and quality access to VL in resource limited settings (OPP-ERA)	FEI	2012-2016	2013 - 2014	6 400	2 400	2 400	100%
Market entry of an improved solid protease inhibitor-based first-line antiretroviral combination therapy for infants and children with HIV/AIDS	DNDi	n/a	2013 - 2016	17 336	17 335	4 945	29%
Manufacture and validation of rapid POC Cd4 testing in India	The Burnett Institute	n/a	2014 - 2016	1 627	1 627	965	0%
Operational studies to validate and accelerate uptake of POC CD4 counters	Daktari Diagnostics	n/a	2014 - 2016	2 687	2 687	1 208	0%
Uptake of a novel, disposable CD4 POC test in developing countries	Zyomix	n/a	2014 - 2016	7 534	7 534	1 611	0%
Tides-ITPC Access to treatment for PLHIV in MIC	Tides Center (ITPC)	3 years	2014-2017	6 000	6 000	1 641	
Providing access to EID and VL monitoring by SAMBA	Diagnostics for the real world	n/a	2014 - 2016	8 844	8 844	4 188	0%
NWGHF-EID Lynx p 24 EID POC	Northwestern Global Health Foundation	3 years		3 705			
C+ HIV/HCV HIV/HCV Drug Affordability Project	Coalition Plus	Phase 1 - 2 years		5 230			
MSF-HCV Access to the HCV treatment revolution	MSF	3 years		14 981			
PSI-Self-testing I HIV self-testing phase 1	Population Services International (PSI)	Phase 1 - 2 years		23 661			
EGPAF-POC EID Introduction of POC EID in decentralized settings	Elisabeth Glaser Pediatric AIDS Foundation	4 years		63 082			
Total for HIV/AIDS Projects				1 102 103	971 978	749 598	77%

Annex 2 Portfolio Financial Overview (continued)
Cumulative as at 31 December 2014 (in thousands of US dollars)

Tuberculosis projects	Grantee	Board Approved duration	Grant Agreement duration	Board approved amount (PSC inclusive as applicable)	Grant agreement value (PSC inclusive as applicable)	Total disbursed per project as at 31 Dec 2014 (PSC inclusive as applicable)	Disbursements to grant agreement value
First Line TB Program	GDF	2007-2011	2007-2011	27 646	27 646	19 211	69%
Paediatric TB Program	GDF	2006-2013	2006-2013	13 487	13 144	13 144	100%
Paediatric TB Program (Extension)	GDF	2012-2016	n/a	23 465			0%
Multi Drug Resistant Tuberculosis (MDR-TB) Scale Up	GDF/GLC	2007-2013	2007-2013	53 372	53 372	53 369	100%
MDR-TB Acceleration and Access Initiative - Strategic Rotating Stockpile	GDF	2008-2015	2008-2015	28 988	28 988	24 647	85%
MDR-TB Acceleration & Access Initiative - Strategic Revolving Fund	GDF	2008-2011	n/a	22 232			0%
Multi Drug Resistant TB Diagnostics (EXPAND)	GDF/FIND/GLI	2009-2013	2009-2015	89 663	89 612	73 479	82%
Scaling up access to contemporary TB diagnostics (Buy-down)	Cepheid	2013 onwards	2013 onwards	4 100	4 100	3 200	78%
Scaling up access to contemporary TB diagnostics (GeneXpert)	Stop TB	2013-2015	2013-2015	25 900	25 900	17 227	67%
Paediatric TB Centre of Excellence	TB Alliance	n/a	2013-2016	16 720	16 606	4 910	30%
PIH-ENDTB Expand New Drug Market for TB	Partners in Health (PIH)	4 years		60 370			
Total for Tuberculosis projects				365 942	259 368	209 187	81%



Annex 2 Portfolio Financial Overview (continued)
Cumulative as at 31 December 2014 *(in thousands of US dollars)*

Malaria projects	Grantee	Board Approved duration	Grant Agreement duration	Board approved amount (PSC inclusive as applicable)	Grant agreement value (PSC inclusive as applicable)	Total disbursed per project as at 31 Dec 2014 (PSC inclusive as applicable)	Disbursements to grant agreement value
ACT Scale-up: Liberia and Burundi	UNICEF/WHO	2007	2007	1 335	1 335	978	73%
ACT Scale up Initiative	GFATM/UNICEF	2007-2011	2007-2011	78 888	65 413	39 285	60%
Affordable Medicines for Malaria (AMFM)	GFATM	2009-2013	2009-2013	210 971	210 971	210 971	100%
Long Lasting Insecticide Treated Nets	UNICEF	2009-2010	2009-2010	109 250	109 246	100 794	92%
Assured Artemisinin Supply System (A2S2)	i+Solutions	2009-2013	2009-2013	9 280	9 280	1 600	17%
Sustainable Global and National Quality Control for Malaria Rapid Diagnostics Tests	FIND / WHO	5 years	2013-2017	9 442	9 442	3 552	38%
Creating a Private Sector Market for Quality Assured RDTs in Malaria-Endemic Countries	PSI / MC / FIND / WHO	3 years	2013-2016	34 291	34 291	13 822	40%
Improving severe malaria outcome	MMV / CHAI / MC	n/a	2013 - 2016	34 000	34 000	10 709	31%
MC-SMC Access to SMC Services	Malaria Consortium	3 years	2014-2017	67 435	67 431	11 719	17%
Total for Malaria projects				554 891	541 409	393 430	73%



Annex 2 Portfolio Financial Overview (continued)
Cumulative as at 31 December 2014 (in thousands of US dollars)

Transversal	Grantee	Board Approved duration	Grant Agreement duration	Board approved amount (PSC inclusive as applicable)	Grant agreement value (PSC inclusive as applicable)	Total disbursed per project as at 31 Dec 2014 (PSC inclusive as applicable)	Disbursements to grant agreement value
Pre-qualification of Medicines	WHO	2006-2013	2006-2013	66 110	66 110	61 958	94%
Pre-qualification of Medicines	WHO	2014-2016	2014-2016	38 137	38 137	7 916	21%
Quality assurance of Diagnostics	WHO	2009-2013	2009-2013	10 475	10 475	11 507	110%
Quality assurance of Diagnostics	WHO	2014-2016	2014-2016	12 167	12 167	1 373	11%
Support to the Global Fund Round 6	GFATM	2006-2012	2006-2012	41 529	27 721	27 721	100%
Preventing Patent Barriers	Lawyers collective	3 years	2013-2016	677	677	201	30%
Total for Transversal projects				169 095	155 287	110 676	71%
TOTAL for Projects				2 192 031	1 928 042	1 462 891	76%



Annex 2 Portfolio Financial Overview (continued)
Cumulative as at 31 December 2014 (in thousands of US dollars)

Special Projects	Grantee	Board Approved duration	Grant Agreement duration	Board approved amount (PSC inclusive as applicable)	Grant agreement value (PSC inclusive as applicable)	Total disbursed per project as at 31 Dec 2014 (PSC inclusive as applicable)	Disbursements to grant agreement value
Medicines Patent Pool Foundation	MPPF	2010-2020	2010-2015	31 151	31 151	19 717	63%
Millenium Foundation	MF			22 400	22 400	22 380	100%
Total for Special Projects				53 551	53 551	42 097	79%
Secretariat Initiatives							
A global network to improve access and quality of HIV Monitoring Technologies	LSHTM	n/a	2013-2015	4 928	4 928	1 615	33%
ACT watch2: Malaria market intelligence to evaluate global investments and define sustainable strategic options that ensure access to high quality commodities	PSI	n/a	2014-2016	2 800	2 800	1 091	39%
Total Secretariat Initiatives*				7 728	7 728	2 706	35%
TOTAL for Projects, Special Projects & Secretariat Initiatives				2 253 310	1 989 321	1 507 694	76%

* This Annex does not include disbursements to MIS and CPP projects (US\$2,430k).



Annex 3 Disbursements to Grantees (by grantee)

Cumulative as at 31 December 2014 (in thousands of US dollars)

Lead grantee	2006-2014	2014	2013	2012	2011	2010	2009	2008	2006-07
Clinton Foundation HIV/AIDS Initiative (CHAI)	583 155	17 069	21 609	61 569	56 432	129 348	84 974	140 353	71 800
Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)	238 692		20 000	50 000		65 000	65 000	38 692	0
UNICEF	218 136	(17 302)	(559)		26 779	22 257	142 494	21 055	23 412
Global Drug Facility (WHO)	182 662	22 280	14 116	11 155	14 420	32 248	25 767	23 081	39 595
WHO	99 997	14 579	31 084	19 216	17 948		10 170		7 000
CHAI/UNICEF	40 484	24 881	1 055	14 548					
ESTHER	13 231	1 675	4 174	2 889	4 041		452		
Médecins Sans Frontières (MSF)	17 560	7 700	9 860						
PSI	14 637	7 750	6 887						
The Burnett Institute	965	965							
Daktari Diagnostics	1 208	1 208							
Zyomyx	1 611	1 611							
Diagnostics for the real world	4 188	4 188							
Tides Center (ITPC)	1 641	1 641							
Malaria Consortium	11 719	11 719							
DNDi	4 945		4 945						
TB Alliance	4 671	1 259	3 412						
Medicines for Malaria Venture (MMV)	10 709	7 289	3 420						
Cepheid	3 200		0	3 200					
I+Solutions	1 600	(1 480)	(1 200)	(5 000)			9 280		
FIND	3 141	1 394	1 747						
FEI	2 400	1 360	1 040						
Lawyers Collective	201	117	84						
WHO Programme Support Costs (prior to current WHO/UTD service administrative arrangement)	3 229						672	(672)	3 229
Total Disbursements to grantees	1 463 982	109 903	121 674	157 577	119 620	248 854	338 809	222 509	145 036
Special Projects									
Medicines Patent Pool Foundation	19 716	5 474	3 467	5 976	2 447	2 352			
Millennium Foundation	22 380					6 095	12 098	4 188	
Secretariat Initiatives									
London School of Hygiene and Tropical Medicines (LSHTM)	1 615	675	940						
Other partners leading Secretariat Initiatives	2 430	1 091	(208)	1 186	1 452				
Total Disbursements to Projects, Special Projects and Secretariat Initiatives	1 510 124	117 143	125 873	164 739	123 519	257 300	350 907	226 697	145 036