

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019



## Table of Contents

Structure .....	2
Governance .....	3
Mission and Strategic Goals .....	4
Certification of the financial statements for the year ended 31 December 2019 .....	5
Opinion of the External Auditor .....	6
Statement I. Statement of Financial Position.....	9
Statement II. Statement of Financial Performance .....	10
Statement III. Statement of Changes in Net Assets/Equity .....	11
Statement IV. Statement of Cash Flow .....	12
Statement V. Statement of Comparison of Budget and Actual Amounts.....	13
Notes to the financial statements .....	14
1. Reporting entity .....	14
2. Basis of preparation and presentation.....	14
3. Significant accounting policies.....	15
4. Risk Management .....	19
5. Supporting information to the Statement of Financial Position.....	20
6. Supporting information to the Statement of Financial Performance .....	31
7. Supporting information to the Statement of Changes in Net Assets/Equity .....	35
8. Supporting information to the Statement of Comparison of Budget and Actual Amounts .....	36
9. Related parties and other senior management disclosures.....	36
10. Commitments .....	37
11. Future revenue .....	38
12. Contingent liabilities and assets .....	38
13. Events after reporting date .....	38
Schedule I. Annual Financial Position .....	39
Schedule I. Annual Financial Position (continued) .....	40
Schedule II. Annual Financial Performance.....	41
Schedule III. Operating Revenue – Voluntary Contributions .....	42

## 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. Over the past 14 years, Unitaid has invested over US\$3 billion through grants with key partners across the globe. A key source of income is innovative financing, specifically the solidarity levy on airline tickets implemented by France, which was later adopted by a number of other countries (including Cameroon, Chile, Congo, Guinea, Madagascar, Mali, Mauritius, Niger and the Republic of Korea).

Unitaid plays a unique role in shaping the global response to major diseases by speeding up access to the best available medicines, diagnostics and approaches. Unitaid monitors the latest advances in science and medicine and helps develop the best ones into workable health solutions for low- and middle-income countries. Innovations sponsored by Unitaid support the United Nations Sustainable Development Goals, including the push toward universal health coverage.

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 Regulation and Prequalification (HQ/MHP/RPQ) (US\$ 5.0 million in 2019). 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\$ 7.3 million in 2019).

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. The Board is chaired by Marisol Touraine, former French Minister of Social Affairs, Health and Women's Rights, 2012-2017. The Board seeks to take decisions by consensus as far as possible, and is composed of 12 members:

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

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 & 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 & 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

Our mission is to:

- Maximize effectiveness of the global health response by catalysing equitable **access to better health products**
- Ambitious global health targets and waning international resources call for a **more effective response**
- Unitaid enables access to **innovative health products and works with partners** to scale up our initiative

We have three strategic objectives:

- **Innovation** – Unitaid connects innovators who develop better health products with people who need them the most.
- **Access** – Unitaid overcomes barriers to access to health products.
- **Scalability** – Unitaid works with partners to realize the full impact of its interventions to ensure scale-up.

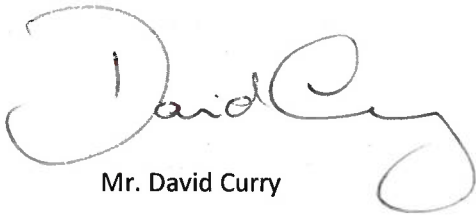
We have four investment commitments:

- **We strive for equity** – Addressing the needs of the people most affected by diseases.
- **We maximize value for money** – Making the most of every dollar spent.
- **We succeed in partnership** – Working hand in hand with partners to achieve greater impact.
- **We invest in products that impact health systems** – Selecting investments with the most benefit.

## Certification of the financial statements for the year ended 31 December 2019

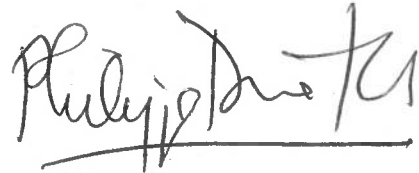
In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization (WHO), attached are Financial Statements for the year ended 31 December 2019. The financial statements, accounting policies and notes have been prepared in accordance with the International 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 2019, together with the notes to the financial statements and supporting schedules, have been reviewed and approved.



Mr. David Curry

Director of Finance and Administration



Dr. Philippe Duneton

Acting Executive Director

24 February 2020

## 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 2019, 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 2019, 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 2019**, 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.

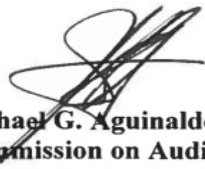
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**  
**6 April 2020**





## Statement I. Statement of Financial Position

As at 31 December 2019

(in thousands of US dollars)

	Notes	31-Dec-19	31-Dec-18
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents held by WHO	5.1	570,844	665,621
Contributions receivable	5.2	98,581	2,465
Staff receivables	5.3	381	470
Prepayments	5.4	34	292
<b>Total current assets</b>		<b>669,840</b>	<b>668,848</b>
<b>Non-current assets</b>			
Guarantee deposits receivable	5.5	556	724
Contributions receivable	5.2	187,019	-
Promissory notes receivable	5.6	298,959	167,067
<b>Total non-current assets</b>		<b>486,534</b>	<b>167,791</b>
<b>TOTAL ASSETS</b>		<b>1,156,374</b>	<b>836,639</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	5.7	384	577
Staff payables	5.8	2	230
Accrued staff benefits	5.9	784	798
Accrued liabilities	5.10	5,619	15,109
Deferred revenue	5.11	93,509	-
<b>Total current liabilities</b>		<b>100,298</b>	<b>16,714</b>
<b>Non-current liabilities</b>			
Accrued staff benefits	5.9	17,236	11,648
Deferred revenue	5.11	187,019	-
<b>Total non-current liabilities</b>		<b>204,255</b>	<b>11,648</b>
<b>TOTAL LIABILITIES</b>		<b>304,553</b>	<b>28,362</b>
<b>NET ASSETS/EQUITY</b>			
Fund balance	7	851,821	808,277
<b>TOTAL NET ASSETS/EQUITY</b>		<b>851,821</b>	<b>808,277</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>		<b>1,156,374</b>	<b>836,639</b>

The section on significant accounting policies and the accompanying notes form part of the financial statements. 9



## Statement II. Statement of Financial Performance

For the year ended 31 December 2019

(in thousands of US dollars)

	Notes	31-Dec-19	31-Dec-18
<b>REVENUE</b>			
Voluntary contributions	6.1	249,003	190,664
<b>Total revenue</b>		<b>249,003</b>	<b>190,664</b>
<b>EXPENSES</b>			
Disbursements to grantees	6.2	214,794	189,374
Constituency funding	6.3	366	365
Staff and other personnel costs	6.4	17,603	16,603
Contractual services	6.5	6,418	5,840
Travel	6.6	1,292	1,816
Equipment and furniture	6.7	120	221
General operating expenses	6.8	1,433	2,110
<b>Total expenses</b>		<b>242,026</b>	<b>216,329</b>
Finance revenue	6.9	42,260	4,901
<b>TOTAL SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>49,237</b>	<b>(20,764)</b>



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

For the year ended 31 December 2019

*(in thousands of US dollars)*

	Notes	31-Dec-19	Surplus/ (Deficit)	Other adjustments (note 4.9)	31-Dec-18
Fund balance	7	851,821	49,237	(5,693)	808,277
<b>TOTAL NET ASSETS/EQUITY</b>		<b>851,821</b>	<b>49,237</b>	<b>(5,693)</b>	<b>808,277</b>



## Statement IV. Statement of Cash Flow

For the year ended 31 December 2019

(in thousands of US dollars)

	31-Dec-19	31-Dec-18
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
TOTAL SUPLUS (DEFICIT) FOR THE YEAR	49,237	(20,764)
(Increase) decrease in contributions receivable - current	(96,116)	(1,867)
(Increase) decrease in staff receivables	89	(187)
(Increase) decrease in prepayments	258	118
(Increase) decrease in guarantee deposit receivable	168	(548)
(Increase) decrease in contributions receivable – non-current	(187,019)	-
(Increase) decrease in promissory notes receivable	(131,892)	(48,629)
Increase (decrease) in accounts payable	(193)	(1,050)
Increase (decrease) in staff payables	(228)	226
Increase (decrease) in accrued staff benefits - current	(14)	49
Increase (decrease) in accrued liabilities	(9,490)	(14,969)
Increase (decrease) in deferred revenue – current	93,509	-
Increase (decrease) in accrued staff benefits - non-current	(105)	32
Increase (decrease) in deferred revenue - non-current	187,019	-
<b>Net cash flows from operating activities</b>	<b>(94,777)</b>	<b>(87,589)</b>
Cash and cash equivalents held by WHO at the beginning of the year	665,621	753,210
<b>CASH and CASH EQUIVALENTS HELD BY WHO AT END OF THE PERIOD</b>	<b>570,844</b>	<b>665,621</b>



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

For the year ended 31 December 2019

(in thousands of US dollars)

	Approved Budget	Actual	Variance to budget	Implementation to budget
<b>Governing Bodies</b>	<b>1,100</b>	<b>1,064</b>	<b>(36)</b>	<b>96.7%</b>
Staff Costs <sup>1</sup>	19,936	18,872	(1,064)	94.7%
Activities	5,105	5,315	210	104.1%
<b>Secretariat</b>	<b>25,041</b>	<b>24,187</b>	<b>(854)</b>	<b>96.6%</b>
Grants (non-disb <sup>2</sup> )	810	563	(247)	69.6%
BDMI <sup>3</sup>	1,066	169	(897)	15.9%
SDIS <sup>4</sup>	1,920	1,772	(148)	92.3%
Additional rent <sup>5</sup>	147	-	(147)	0.0%
<b>Grants, BDMI and SDIS</b>	<b>3,943</b>	<b>2,504</b>	<b>(1,439)</b>	<b>63.5%</b>
<b>TOTAL</b>	<b>30,084</b>	<b>27,755</b>	<b>(2,329)</b>	<b>92.3%</b>

<sup>1</sup> Gross payroll costs.

<sup>2</sup> Costs relating to grants that are not disbursed as part of a signed grant agreement.

<sup>3</sup> Business development and market intelligence.

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

<sup>5</sup> Rent related to the move into the Global Health Campus.

The section on significant accounting policies and the accompanying notes form part of the financial statements.13

## Notes to the financial statements

### 1. Reporting entity

Unitaid is an international organisation that invests in innovations to prevent, diagnose and treat HIV/AIDS, tuberculosis and malaria more quickly, affordably and effectively. We also work to improve access to diagnostics and treatment for HIV co-infections such as hepatitis C and human papillomavirus (HPV).

Unitaid is a hosted entity of the World Health Organization (WHO), an intergovernmental and specialized agency of the United Nations. 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.

### 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 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 (US \$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 (Statement II).

## **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.

### **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.

## **3. Significant accounting policies**

### **3.1. 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.

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<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.



### **3.2. 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 (Statement II).

### **3.3. 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.

### **3.4. 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.

### **3.5. 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.

### **3.6. 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 39 (Employee Benefits). Unitaid's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

### **3.7. 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.

### **3.8. 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.

### **3.9. 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.

### **3.10. Expenses**

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.

### **3.11. Statement of Cash Flow**

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

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

The Statement of Comparison of Budget and Actual Amounts (Statement V) includes comparison of Board Approved budget amounts for Governing Bodies, Secretariat and operating expenditures.

## 4. 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 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 (Statement II).

## **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.

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

### **5.1. 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.

## 5.2. Contributions receivable – current and non-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 2019.

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
The Global Fund <sup>7</sup>	5,072	2,426
France <sup>8</sup>	93,509	-
UNOSSC	-	39
<b>Total current receivables</b>	<b>98,581</b>	<b>2,465</b>

Non-current receivables are expected to be received more than one year from 31 December 2019.

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
France <sup>8</sup>	187 019	-
<b>Total non-current receivables</b>	<b>187,019</b>	<b>-</b>

## 5.3. 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\$381 thousand as at 31 December 2019 (US\$470 thousand as at 31 December 2018) of which 96% relates to education grant advances made to staff for the 2020 portion of the 2019-2020 school year.

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Education grant advance	364	407
Other	17	63
<b>Total staff receivables</b>	<b>381</b>	<b>470</b>

<sup>7</sup> The amount receivable from the Global Fund was received in full on 30 January 2020.

<sup>8</sup> Unitaid has a multi-year contribution commitment from France for 2020-2022 to receive €85 million per year for a total of €255 million; payment of which is normally made in June of each commitment year.

#### **5.4. Prepayments**

Prepayments relate to amounts paid to suppliers for goods or services not yet received.

The terms of the sub-lease agreement with The Global Fund to Fight AIDS, Tuberculosis and Malaria are such that rental payments are to be paid in advance per quarter and shall be due and payable on the first day of each calendar quarter.

The terms of the sub-lease agreement with Transocean Management Ltd. (which ended on 30<sup>th</sup> April 2019) are such that rental payments are to be made semi-annually within the first week of each six-month period.

#### **5.5. Guarantee deposit receivable**

WHO, on behalf of Unitaid, entered into a sub-lease agreement with The Global Fund, upon the move to the Global Health Campus on 17 August 2018. A security deposit equivalent to six months' rent was also deposited at Credit Suisse as per the agreement with the Global Fund. The rental guarantee can be released only upon the agreement of both the tenant and the lessor. In the absence of a court action brought by the lessor against the tenant within one year from the date on which the tenant has released the premises covered by the guarantee, the deposit will be liberated in full.

Prior to the move to the Global Health Campus, WHO, on behalf of Unitaid, entered into a sub-lease agreement with Transocean Management Ltd. The required security deposit equivalent to three months' rent was held on deposit at Credit Suisse in a separate WHO account. Subject to defects caused by the Sub-Lessee, the Sub-Lessor shall liberate the deposit in full within two months of the expiration or earlier termination of the Sub-Lease. In July 2019 the full amount plus interest was released by the Sub-Lessor to Unitaid.

#### **5.6. Promissory notes receivable**

In accordance with Amendments No.3, 2015 and No.4, 2018 to the Donor Administrative Agreement with the United Kingdom (covering the 2015-2017 and 2018-2020 periods respectively), contributions are to be deposited as promissory notes into DFID's 'securities account' at the Bank of England (held in custody by the WHO) following payment requests by Unitaid according 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. Encashment of these notes becomes possible at the point in which Unitaid's cash balance goes below US\$500 million at the end of the financial year (31<sup>st</sup> December).

As per Unitaid's Foreign Exchange Risk Mitigation Policy, all of the promissory notes on deposit at the Bank of England in Pound Sterling are being hedged by WHO treasury.

#### **5.7. 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.

## 5.8. Staff payables

Staff payables consist of amounts owed to staff for reasons such as clearance activities upon repatriation as well as retroactive pay owing.

## 5.9. 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).

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Accrued staff benefits - current		
Terminal Payments	783	797
Special Fund for Compensation	1	1
<b>Total accrued staff benefits - current</b>	<b>784</b>	<b>798</b>
Accrued staff benefits - non-current		
Terminal Payments	1,218	1,025
Special Fund for Compensation	282	88
After Service Health Insurance	15,736	10,535
<b>Total accrued staff benefits - non-current</b>	<b>17,236</b>	<b>11,648</b>

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Accrued staff benefits		
Terminal Payments	2,001	1,822
Special Fund for Compensation	284	89
After Service Health Insurance	15,735	10,535
<b>Total accrued staff benefits</b>	<b>18,020</b>	<b>12,446</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 2019) estimated the full terminal payment liability to be US\$2.001 million compared to US\$1.822 million as at 31 December 2018. 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\$1.318 million (short-term liability, US\$0.100 million; long-term liability, US\$1.218 million) compared to US\$1.122 million as at 31 December 2018 for terminal entitlements, and US\$0.75 million (US\$0.70 million as at 31 December 2018) for annual leave which is included in the terminal payments current balance.

## **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 2019 defined benefit obligation for the Staff Health Insurance based on personnel data and payment experience provided by Unitaid/WHO. As at 31 December 2019, the unfunded defined benefit obligation amounted to US\$21.9 million (US\$15.2 million in 2018) of which US\$5.7 million was charged to net assets / equity in 2019.

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\$284 thousand at 31 December 2019 (US\$89 thousand as at 31 December 2018).

## 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 2018	1,122	15,164	89
Service cost	132	1,087	14
Interest cost	44	197	3
Actual gross benefit payments for 2019	( 125)	( 48)	
Actual administrative expenses		( 3)	
Actual contributions by participants		25	
Plan amendments		( 371)	
(Gain)/Loss on DBO due to financial assumption changes	136	3,708	107
(Gain)/Loss on DBO due to other assumption changes	8	2,204	70
<b>Defined Benefit Obligation as at 31 December 2019</b>	<b>1,318</b>	<b>21,962</b>	<b>283</b>
<b>Reconciliation of Assets</b>			
Assets as at 31 December 2018 (gross of IBNP reserve)		4,905	
Actual gross benefit payments for 2019	( 125)	( 702)	
Actual administrative expenses		( 47)	
Organization Contributions during 2019	125	572	
Participant Contributions during 2019		1,131	
Net transfer to cover WHO-PAHO/PAHO deficit for 2019		0	
Interest on Net SHI Assets for 2019		69	
Asset Gain (Loss)		547	
<b>Assets as at 31 December 2019</b>		<b>4,476</b>	
<b>Reconciliation of Funded Status</b>			
Defined benefit obligation			
Active	1,318	19,282	283
Inactive		2,680	
Total defined benefit obligation	1,318	21,962	283
Plan Assets			
Gross plan assets		( 6,476)	
Offset for 470.1 Reserve		250	
Total plan assets		( 6,226)	
Deficit (Surplus)	1,318	15,736	283

<b>Net Liability (Asset) Recognized in Statement of Financial Position</b>	<b>1,318</b>	<b>15,736</b>	<b>283</b>
Current	100		0.1
Non-current	1,218	15,736	283
<b>Net Liability (Asset) Recognized in Statement of Financial Position</b>	<b>1,318</b>	<b>15,736</b>	<b>283</b>
Annual expense for 2019			
Service cost	132	1,087	14
Interest cost	44	132	3
Remeasurements	144		
Past Service (Credit)/Cost		( 371)	
<b>Total Expense Recognized in Statement of Financial Performance</b>	<b>320</b>	<b>847</b>	<b>17</b>
<b>Actuarial Loss recognised in Net Assets/Equity</b>		<b>5,335</b>	

<b>Sensitivity analysis</b>	<b>US\$ thousands</b>
<b>31 December 2019 defined benefit obligation</b>	
Current medical inflation assumption minus 1%	15,826
Current medical inflation assumption	21,962
Current medical inflation assumption plus 1%	30,935
Current discount rate assumption minus 1%	30,822
Current discount rate assumption	21,962
Current discount rate assumption plus 1%	15,970

## 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.

In 2019, the organization performed a full valuation to estimate the liabilities. Normally, a full evaluation is done every three years.

### Measurement date

All plans: 31 December 2019

### Discount rate

Terminal payments (other than accrued leave): The weighted-average discount rate used is 3% (increase from 4.1% in the prior valuation). Based on the projected benefit payments with weights of 100% on the Aon AA Above Median Curve outside of Switzerland. The resulting discount rate is rounded to the nearest 0.1%.

Staff health insurance: Europe, 0.6% (increase from 1.3% in prior valuation); the Americas, 3.5% (increase from 4.5% in prior valuation); Other Countries, 3.7% (decrease from 4.7% 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. These curves were prescribed by the United Nations. for use in its retiree medical valuations, based on consultations with Aon: Switzerland—SIX Swiss Exchange curve, Euro

Zone—iBoxx Euro Zone curve, and the United States— Aon Hewitt AA Above Median curve.

The discount rates for the 31 December 2019 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: The weighted-average discount rate used is 1.6% (increase from 3.6% in the prior valuation). Based on the combined projected benefit payments with weights of 25% on the Aon AA Above Median Curve outside of Switzerland and 15% on the SIX Swiss Exchange yield curve for Switzerland and 60% on the iBoxx Euro Zone curve. The resulting discount rate is rounded to the nearest 0.1%.

Accident and Illness Insurance: The weighted-average discount rate used is 0.4% (increase from 0.9% in the prior valuation). Based on the combined projected benefit payments with weights of 30% on the Aon AA Above Median Curve outside of Switzerland and 70% on the SIX Swiss Exchange yield curve for Switzerland. The resulting discount rate is rounded to the nearest 0.1%.

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### Annual general inflation

Terminal payments (other than accrued leave): The weighted-average inflation rate used is 2.2%. The regional weightings used are 100% on United States rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Staff health insurance: Europe 1.3%, the Americas and Other Countries 2.2%. The rates are based on the United Nations common assumptions (for long-duration plans) as directed by the United Nations System Task Force on Accounting Standards. Specifically, the rate for Europe is a weighted average of the rates for Switzerland (1.1%) and the rest of Europe (1.8%), with the result rounded to the nearest 0.1%.

For Europe claims region, a weighting of 67% Switzerland and 33% Euro zone is used, with results rounded to the nearest 0.1%. For the Americas and other Countries claims regions, a 100% weighting of the United States inflation rate is used.

Special Fund for Compensation: The weighted-average inflation rate used is 1.8%. The regional weightings used are 15% on Swiss, 60% Euro zone and 25% on United states 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 1.3%. The regional weightings used are 70% on Swiss and 30% on United States rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

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### Annual salary scale

All plans: Includes merit/promotional increases, plus 3.0 % static increases for general inflation, plus productivity growth.

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### Regional groupings for all purposes except claims costs

Terminal payments (other than accrued leave): Not applicable

Staff health insurance: Based on: the Regional Office for Europe, headquarters, which are grouped as Europe; the Regional Office for the Americas constitutes the Americas; and the African Region, the Eastern Mediterranean Region, the South-East Asia Region, and the Western Pacific Region, which are grouped as Other Countries.

Special Fund for Compensation: Not applicable

Accident and Illness Insurance: Not applicable

**Repatriation travel and removal on repatriation**

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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. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

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

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Terminal payments (other than accrued leave):	Using the projected unit credit method with accrual rate proration. A 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

**Accrued leave**

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Terminal payments (other than accrued leave):	The liability is set equal to the walk-away liability – that is, as if all staff separated immediately. Plus 2% increase is applied for incurred but not paid benefits (IBNP).
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

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

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Terminal payments (other than accrued leave):	These benefits are considered termination benefits under IPSAS 39 and, therefore, are excluded from the valuation.
Staff health insurance:	Not applicable
Special Fund for Compensation:	Not applicable
Accident and Illness Insurance:	Not applicable

## United Nations Joint Staff Pension Fund

Unitaid as part of the World Health Organization is a member organization participating in the United Nations Joint Staff Pension Fund (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 Fund. The World Health Organization and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the World Health Organization'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, the World Health Organization has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. The World Health Organization's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

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 Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

The World Health Organization's financial obligation to the Fund 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 payments under Article 26 of the Regulations of the Pension 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 latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% 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 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to USD 7.8 million.

During 2019, contributions paid to the Fund amounted to USD 3.5 million (2018 USD 3.1 million). Expected contributions due in 2020 are approximately USD 4.0 million.

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

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

## 5.10. Accrued liabilities

Accrued liabilities consist of expenses that have been incurred during 2019 but remain to be paid. As at 20 February 2020, US\$4.8 million (of the US\$5.6 million total accrued liabilities) has been paid.

## 5.11. Deferred revenue

Deferred revenue on voluntary contribution represents a three-year agreement (total of €255 million) signed in 2019 with France (2020-2022) for which the revenue recognition has been deferred to future financial periods. The balance on voluntary contributions is split into current (€85 million or US\$93.5 million for 2020) and non-current (€170 million or US\$187 million for 2021 and 2022) deferred revenue.

# 6. Supporting information to the Statement of Financial Performance

## Revenue

### 6.1. 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-19</b>	<b>31-Dec-18</b>
Bill & Melinda Gates Foundation	10,000	10,000
Brazil	4,013	7,602
Chile	-	1,500
France	94,550	105,477
Norway	2,315	2,342
Republic of Korea	5,000	4,000
United Kingdom	113,407	57,217
<b>Total contributions from core donors</b>	<b>229,285</b>	<b>188,138</b>
<i>Contributions from non-core donors:</i>		
Japan	1,000	-
The Global Fund	18,723	2,426
UNOSSC	(5)	100
<b>Total contributions from non-core donors</b>	<b>19,718</b>	<b>2,526</b>
<b>Total voluntary contributions</b>	<b>249,003</b>	<b>190,664</b>

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



## Expenses

### 6.2. 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-19</b>	<b>31-Dec-18</b>
Disbursements to grantees	215,535	189,752
Disbursements to grantees - PPF	995	1,072
Return of funds	(1,736)	(1,450)
<b>Total Projects</b>	<b>214,794</b>	<b>189,374</b>

Disbursements to grantees for 2019 as compared to 2018 are broken down by area as follows:

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
HIV/AIDS	93,891	109,571
TB	38,187	28,255
Malaria	63,009	33,596
Cross-cutting	20,448	18,330
<b>Total Projects</b>	<b>215,535</b>	<b>189,752</b>

The Project Preparation Facility(PPF) allocates funds to proponents in need of funding for effective grant development.

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

### 6.3. Constituency funding

Constituency funding includes those amounts granted to support two civil society networks (nongovernmental organizations and communities living with HIV/AIDS, malaria and tuberculosis) and the representative of African countries designated by the African Union; all three who sit on the Executive Board and have representation on the Committees. The activities funded are for a Communication Focal Point/Liaison Officer, consultation activities, and travel relating to effective representation of issues and concerns at the Executive Board, the Committees and other Unitaid meetings. The Board approves these grants as part of the yearly Governing Bodies budget and authorizes the Executive Director to sign any necessary funding agreements with the organizations designated to receive and administer funds by each of the delegations.

#### 6.4. 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 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).

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Salary costs	18,872	16,989
Actuarial costs	(134)	(122)
Other personnel costs	(1,135)	(264)
<b>Total staff and other personnel costs</b>	<b>17,603</b>	<b>16,603</b>

#### 6.5. 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-19</b>	<b>31-Dec-18</b>
Contractual services	4,399	4,277
Contractual services provided by WHO	2,019	1,563
<b>Total consulting and contractual services</b>	<b>6,418</b>	<b>5,840</b>

A breakdown of the cost of hosting services paid to WHO, audit and internal control services is as follows:

<i>in US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Administrative services	1,845	1,386
Legal services	162	158
Audit	12	19
<b>Total consulting services provided by WHO</b>	<b>2,019</b>	<b>1,563</b>

The amount paid to WHO for administrative services is calculated according to the Generic Hosting Terms for WHO Hosted Partnerships.

## 6.6. 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. This amount does not include the statutory travel for home leave and education grant that is accounted for within staff and other personnel costs.

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
<b>Total travel</b>	<b>1,292</b>	<b>1,816</b>

## 6.7. Equipment and furniture

Total expenses for 2019 were US\$120 thousand (US\$221 thousand for 2018). 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 2019 no equipment or furniture purchases have reached the threshold.

## 6.8. 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), hospitality and courtesy expenditures, as well as rent.

Unitaid sub-leases 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-19</b>	<b>31-Dec-18</b>
General operating expenditures	333	380
Rent - The Global Fund	1,100	687
Rent - Blandonnet	-	1,043
<b>Total general operating expenditures</b>	<b>1,433</b>	<b>2,110</b>

## 6.9. Finance revenue

Finance revenue includes the following:

<i>in thousands of US dollars</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Investment revenue	18,164	13,594
Net realized foreign exchange gains or (losses)	5,586	84
Net unrealized foreign exchange gains or (losses)	18,684	(8,769)
Actuarial revaluation gains or (losses) on Terminal Payments Fund	(126)	27
Actuarial interest cost related to valuation of Terminal Payments Fund	(47)	(36)
<b>Total financial revenue and costs</b>	<b>42,260</b>	<b>4,901</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/(loss) calculated at 31 December 2019 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.

## 7. 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 2019 total US\$851.8 million. The projected balance of funds to be paid against approved grant agreements is an estimated US\$520.9 million as detailed in Note 10.

## 8. Supporting information to the Statement of Comparison of Budget and Actual Amounts

In December 2018, at EB30, the Unitaid Executive Board adopted resolution n°1 approving an operating budget of US\$30.1 million for the 2019 calendar year. In August of each year, as part of the exercise to set the next year's budget, a review is undertaken by the Secretariat in order to forecast expected spend through the end of the year against the current year's approved budget.

Variances from budget during 2019 arose as part of the normal course of business. Adjustments were made to the forecast, resulting in an overall implementation to forecast of 96.3% vs the implementation to budget of 91.9% in 2019.

## 9. Related parties and other senior management disclosures

### a) Key management personnel

Staff members considered as key management personnel (KMP) includes the Executive Director, the Chief of Staff, 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-19
10	2,107	134	569	2,810

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 2019 the amount disbursed to MPPF from Unitaid is US\$45.4 million.

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

## 10. Commitments

As at 31 December 2019, the active grant portfolio was US\$1.31 billion with cumulative disbursements against these commitments totaling US\$774.4 million. The value of future disbursements to active grants and the funding approved for new projects by the EB at December 2019 is estimated at US\$520.9 million as detailed below.

<i>in thousands of US dollars</i>	
<b>2020</b>	237,843
<b>2021</b>	123,840
<b>2022</b>	67,190
<b>2023</b>	6,092
<b>Committed funds on closing projects/reserve</b>	85,970
<b>Total commitments</b>	<b>520,935</b>

An additional US\$38.9 million was committed to two grants in early January 2020.

In May 2018, Unitaid signed a ten-year lease agreement with the Global Fund for renting office space at the Global Health Campus. Future annual minimal lease rental payments total to US\$1,085 thousand and are as follows:

- Rent (including parking) – US\$673 thousand,
- Shared services – US\$412 thousand.

## **11. Future revenue**

At 31 December 2019 Unitaid holds the following multi-year agreements:

- EUR 85 million per year from France for 2020-2022;
- USD 10 million per year from Bill and Melinda Gates Foundation for 2017-2021;
- USD 5 million per year from the Republic of Korea for 2019-2021.

On 12 February 2019 Unitaid received confirmation of an Amendment (No.5, 2019) to the Donor Administrative Agreement with the United Kingdom. Of the total £159 million committed for the 2018-2020 period, £27 million is in support of specific grant proposals for vector control for malaria, and two tranches of £66 million to be deposited by both 30 November 2019 and 2020 including £9 million of performance funding assessed on the basis of performance against the agreed milestones for 2018 and 2019 respectively.

## **12. 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.

### **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 2019, there are no material contingent assets to disclose.

## **13. Events after reporting date**

Unitaid's reporting date is 31 December 2019. 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)

	2019	2018	2017	2016	2015 (Restated)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents held by WHO	570,844	665,621	753,210	791,149	783,021
Contributions receivable - current	98,581	2,465	598	19,690	45,794
Staff receivables	381	470	283	275	90
Prepayments	34	292	410	392	-
<b>Total current assets</b>	<b>669,840</b>	<b>668,848</b>	<b>754,501</b>	<b>811,506</b>	<b>828,905</b>
<b>Non-current assets</b>					
Contributions receivable – non-current	187,019	-	-	-	4,000
Promissory notes receivable	298,959	167,067	118,438	-	-
Guarantee deposit receivable	556	724	176	168	173
<b>Total non-current assets</b>	<b>486,534</b>	<b>167,791</b>	<b>118,614</b>	<b>168</b>	<b>4,173</b>
<b>TOTAL ASSETS</b>	<b>1,156,374</b>	<b>836,639</b>	<b>873,115</b>	<b>811,674</b>	<b>833,078</b>



## Schedule I. Annual Financial Position (continued)

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

	2019	2018	2017	2016	2015 (Restated)
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	384	577	1,626	3,810	3,630
Staff payables	2	230	4	28	3
Accrued staff benefits - current	784	798	749	694	482
Accrued liabilities	5,619	15,109	30,078	13,548	4,000
Deferred revenue - current	93,509			4,000	14,018
<b>Total current liabilities</b>	<b>100,298</b>	<b>16,714</b>	<b>32,457</b>	<b>22,080</b>	<b>22,133</b>
<b>Non-current liabilities</b>					
Accrued staff benefits - non-current	17,236	11,648	13,322	10,202	4,000
Deferred revenue - non-current	187,019				7,926
<b>Total non-current liabilities</b>	<b>204,255</b>	<b>11,648</b>	<b>13,322</b>	<b>10,202</b>	<b>11,926</b>
<b>TOTAL LIABILITIES</b>	<b>304,553</b>	<b>28,362</b>	<b>45,779</b>	<b>32,282,</b>	<b>34,059</b>
<b>NET ASSETS</b>					
Fund balance	851,821	808,277	827,336	779,392	799,019
<b>TOTAL NET ASSETS</b>	<b>851,821</b>	<b>808,277</b>	<b>827,336</b>	<b>779,392</b>	<b>799,019</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,156,374</b>	<b>836,639</b>	<b>873,115</b>	<b>811,674</b>	<b>833,078</b>

## Schedule II. Annual Financial Performance

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

	2019	2018	2017	2016	2015 (Restated)
<b>OPERATING REVENUE</b>					
Voluntary contributions	249,003	190,664	254,491	132,650	130,737
<b>TOTAL OPERATING REVENUE</b>	<b>249,003</b>	<b>190,664</b>	<b>254,491</b>	<b>132,650</b>	<b>130,737</b>
<b>OPERATING EXPENSES</b>					
Disbursements to grantees	214,794	189,374	195,786	132,302	130,478
Constituency funding	366	365	260	242	221
Staff and other personnel costs	17,603	16,603	15,210	13,252	11,143
Contractual Services	6,406	5,840	7,256	6,729	8,906
Travel	1,292	1,816	1,556	1,138	938
Equipment and furniture	120	221	97	112	293
General operating expenses	1,445	2,110	1,022	1,173	889
<b>TOTAL OPERATING EXPENSES</b>	<b>242,026</b>	<b>216,329</b>	<b>221,187</b>	<b>154,948</b>	<b>152,868</b>
Finance revenue	42,260	4,901	17,309	4,468	3,754
<b>TOTAL (DEFICIT)/SURPLUS</b>	<b>49,237</b>	<b>(20,764)</b>	<b>50,613</b>	<b>(17,830)</b>	<b>(18,377)</b>

### Schedule III. Operating Revenue – Voluntary Contributions

Cumulative as at 31 December 2019 (in thousands of US dollars)

	2006 -2019	2019	2018	2017	2016	2015	2006-2014
<i>Core donors:</i>							
Bill & Melinda Gates Foundation	130,000	10,000	10,000	10,000	10,000	10,000	80,000
Brazil	124,043	4,013	7,602	22,107	10,188	-	80,133
Chile	36,543	-	1,500	1,500	1,500	2,000	30,043
France	1,900,774	94,550	105,477	95,333	100,616	109,706	1,395,092
Norway	192,526	2,315	2,342	4,860	5,841	5,519	171,649
Republic of Korea	64,000	5,000	4,000	4,000	4,000	4,000	43,000
Spain	82,200	-	-	597	-	-	81,603
United Kingdom	786,339	113,407	57,217	116,094	-	-	499,621
Other donors <sup>9</sup>	23,488	-	-	-	505	(488)	23,471
<b>Total core-donor contributions</b>	<b>3,339,913</b>	<b>229,285</b>	<b>188,138</b>	<b>254,491</b>	<b>132,650</b>	<b>130,737</b>	<b>2,404,612</b>
<i>Other contributions:</i>							
Japan	1,000	1,000	-	-	-	-	-
The Global Fund	21,149	18,723	2,426	-	-	-	-
UNOSSC	95	(5)	100	-	-	-	-
<b>Total other contributions</b>	<b>22,244</b>	<b>19,718</b>	<b>2,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total voluntary contributions</b>	<b>3,362,157</b>	<b>249,003</b>	<b>190,664</b>	<b>254,491</b>	<b>132,650</b>	<b>130,737</b>	<b>2,404,612</b>

<sup>9</sup> Other donors include Cameroon, Congo, Cyprus, Guinea, Luxembourg, Madagascar, Mali, Mauritius, the Millennium Foundation and Niger.