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# Financial report and audited financial statements

**for the year ended 31 December 2014**

**and**

# Report of the Board of Auditors

**Volume IV**
**United Nations University**

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*Note*

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

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# Letters of transmittal

## Letter dated 31 March 2015 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the United Nations University for the year ended 31 December 2014, which I hereby approve. The financial statements have been certified by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

## Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations University for the year ended 31 December 2014.

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

# Chapter I

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

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

### Management's responsibility for the financial statements

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

### 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 controls 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 the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations University as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

### Report on other legal and regulatory requirements

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

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

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

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

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

# Chapter II
# Long-form report of the Board of Auditors

*Summary*

On 11 December 1972, the General Assembly approved the establishment of an international university under the auspices of the United Nations to be known as the United Nations University (UNU). On 6 December 1973, the Assembly formally adopted the Charter of the UNU which states that the UNU shall be an international community of scholars engaged in research, postgraduate training and dissemination of knowledge in furtherance of the purposes and principles of the Charter of the United Nations.

The Board of Auditors audited the financial statements and reviewed the operations of UNU for the year ended 31 December 2014. The audit was carried out through visits to the UNU Centre in Kuala Lumpur, the UNU Institute for the Advanced Study of Sustainability (UNU-IAS) in Tokyo, the UNU-Maastricht Economic and Social Research and Training Centre on Innovation and Technology (UNU-MERIT) in Maastricht and to its headquarters in Tokyo for a review of their financial transactions and operations.

**Audit opinion**

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

**Overall conclusion**

During the period under review, UNU continued its efforts to address the concerns raised by the Board in its previous reports and improve its financial management and overall governance structures. There was, however, a decrease in the rate of implementation of previous recommendations of the Board from 63 per cent in 2011 to 45 per cent in 2013, which points to the need for more concerted efforts to address the Board's recommendations. With total revenue of $71.87 million and expenses of $75.61 million during 2014, the financial statements depicted a net deficit of $3.74 million. However, the overall financial position of UNU remained sound with current assets of more than seven times the current liabilities and total assets being more than five times the total liabilities.

While there were no material issues affecting the financial statements and its compliance with the International Public Sector Accounting Standards (IPSAS), the Board identified a number of disclosures in the notes to the financial statements that could be improved to enhance their conformity to IPSAS and utility to the stakeholders. There was also a need to strengthen monitoring of projects, funds management, inventory management and engagement of consultants and individual contractors in the constituent institutes.

**Key findings**

Our key findings were as follows:

(a) Accounting policies with respect to receivables from exchange transactions, inventories, property, plant and equipment, in-kind contributions of

goods and in-kind contributions of services as disclosed under the notes to the financial statements of UNU were at variance with the relevant recognition and measurement criteria set out in IPSAS or the United Nations policy framework for IPSAS which were followed by the UNU. However, these issues were addressed by UNU during the course of the audit.

*Insufficient monitoring of projects*

(b) The Institute for Advanced Study of Sustainability (UNU-IAS) uses a project and programme management software named “Pelikan” as a tool for project managers to implement their research and capacity development projects. The Board noted that the tool was not used to its full potential as critical fields were not filled out in 95 per cent of the cases checked during the audit and outputs were not loaded in 90 per cent of the cases. Pelikan did not cover the entire project cycle. Outputs were not being uploaded in Pelikan. Fields like finance, history and monitoring were not filled. Further, the progress report of UNU-IAS did not give information on the overall status of projects, such as number of projects planned and completed, number of events planned and executed and outputs planned and achieved. Hence, Management was unable to gain full visibility as to how it was performing or whether it was meeting its objectives. Failure to utilize Pelikan to its fullest capacity undermined its utility as a management tool and impaired the efficiency and effectiveness of the monitoring and decision-making process.

(c) Article VII of the UNU Charter states that the Conference of Directors of research and training centres and programmes shall be called by the Rector periodically to review and evaluate programmes of research being undertaken for the University system. During the period under review, only one such conference was held in May 2014 in UNU-IAS.

(d) In UNU-MERIT, Pelikan contained the summary of 39 projects that either commenced or were completed during the period from January 2012 to December 2014. Of these 39 projects, 25 were in progress, 11 were completed and 3 were cancelled after commencement. We reviewed the status of the projects and noticed that project profiles of 11 projects were incomplete as they lacked critical information that undermined the effectiveness of internal control and monitoring.

*Delay in transfer of surplus funds to cash pool for investment*

(e) In accordance with the Financial Regulations and Rules of the United Nations, the Secretary-General may make investments of funds of the Organization not needed for immediate requirements. UNU participates in the United Nations main cash pool and the euro cash pool. The Board noted that during the year 2014, the University held surplus funds of €0.6 million ($0.8 million) for periods up to five months without transferring them to the cash/euro pool. Similarly, surplus funds of €3 million ($3.9 million) were held for periods up to three months without transferring them to the cash/euro pool.

(f) During the year 2014, UNU-MERIT received €1 million ($1.22 million) in May 2014 and €1.44 million ($1.84 million) in October 2014 and transferred the same to the Pool Fund only in December 2014 after retaining the amounts for a period of seven months and two months, respectively. Such retention of substantial surplus funds in the bank account would result in foregoing the benefits of investment.

*Irregular payment in UNU-MERIT*

(g) In accordance with the Cooperation Agreement (May 2007) between UNU-MERIT and the University of Maastricht, the University of Maastricht shall make available on a non-reimbursable basis to UNU-MERIT the services of such members/employees as required for implementation of integrated activities of the Institute. UNU-MERIT was not liable for any expenditure on the services rendered by University of Maastricht employees. The Board noted that employees of the University of Maastricht working in UNU-MERIT were reimbursed emoluments of $3.90 million by UNU-MERIT post-Cooperation Agreement until 2014. Such payment to employees of the University of Maastricht is contrary to the Cooperation Agreement and has added to the financial burden of UNU-MERIT.

**Human resources management**

(h) A review of engagement of consultants and individual contractors revealed the absence of documentation in the selection process for consultants and individual contractors in the UNU Centre, renewal of contracts without formal evaluation of work performed and payment of fees on a lump-sum basis without certificate of satisfactory completion of work.

(i) In all 170 contracts reviewed by the Board in UNU-MERIT in its Atlas finance module, critical information relating to contracts, namely, the date of approval of contracts and approving authority were incorrectly captured or missing. The details of evaluation of performance of consultants were not being captured and as a result, a consultant was awarded subsequent assignment despite specific recommendation to the contrary on the evaluation of an earlier contract. It was also seen that reasons for cancellation of all the 10 cancelled contracts and details of award of five fresh contracts during the currency of existing contracts were not captured.

(j) According to the Conditions of Service for Personnel Service Agreement as annexed in the UNU personnel policy, the duration of service under a Personnel Service Agreement is initially for a period of two years and not less than six months, which may be renewed from two to four years subject to satisfactory service and availability of funding and in an exceptional case from four to six years subject to the approval of the Rector. There were 27 active Personnel Service Agreement contracts in UNU-Centre and 52 active Personnel Service Agreement contracts in UNU-IAS in 2014. The Board reviewed 23 of these 79 contracts and noted various deviations. For instance, one of the contracts has been running for over 11 years and approval of the Rector was recorded only in the last Performance Evaluation Report. The approval of the Rector was not recorded in any of the Performance Evaluation Report in another case nor was the Rector's approval for extension of Personnel Service Agreement contracts exceeding four years mentioned in the Performance Evaluation Report. Internal extension of contracts for Personnel Service Agreement holders who have already served for more than six years will affect the implementation of the personnel policy guideline.

**Recommendations**

Based on the audit findings, the Board recommended that:

(a) **The Institutes (i) improve their monitoring of ongoing projects and programmes by providing guidance and holding managers accountable for completing project profiles to reveal their actual status, and (ii) utilize Pelikan to its full potential for better internal control and giving reliable information to stakeholders;**

(b) **UNU (i) strengthen its monitoring of surplus funds and ensure their timely transfer to the cash/euro pools for investment by the United Nations Treasury to earn higher returns thereon, and (ii) consider setting a threshold amount above which cash should be automatically invested in the cash pool;**

(c) **UNU adhere to the articles of the Cooperation Agreement with regard to payments to employees of the University of Maastricht;**

(d) **UNU improve the documentation practices to enhance transparency in the selection process, conduct formal evaluation of the work performed before renewal of the contract and take measures to ensure that the total duration of services does not exceed the administrative instructions issued in this regard;**

(e) **UNU ensure strict compliance with UNU personnel policy and adherence to the stipulated recruitment procedure.**

UNU has accepted all the recommendations made by the Board.

**Key facts**

(millions of United States dollars)

| | |
|---|---|
| **71.87:** | Revenue |
| **75.61:** | Expenses |
| **3.74:** | Deficit for the year |
| **468.92:** | Assets |
| **79.89:** | Liabilities |
| **389.03:** | Net assets |

## A. Mandate, scope and methodology

1. In 1969, the General Assembly considered establishing an international university to be devoted to the objectives of peace and progress of the Charter of the United Nations. On 11 December 1972, the General Assembly approved the establishment of an international university under the auspices of the United Nations to be known as the United Nations University (UNU). On 6 December 1973, the General Assembly formally adopted the Charter of the United Nations University, which states that UNU shall be an international community of scholars engaged in research, postgraduate training and dissemination of knowledge in furtherance of the purposes and principles of the Charter of the United Nations. The

University shall devote its work to research into pressing global problems of human survival, development and welfare that are the concerns of the United Nations and its agencies with due attention to the social sciences and the humanities as well as natural sciences both pure and applied.

2. The Board has audited the financial statements of UNU for the year ended 31 December 2014 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing.

3. The audit was conducted primarily to form an opinion as to whether the financial statements fairly presented the financial position of UNU as at 31 December 2014 and the results of its operations and cash flows for the financial period then ended in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether the revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent it was considered necessary to form an opinion on the financial statements.

4. The audit findings presented below were discussed with the UNU administration, whose views have been appropriately reflected in the report.

## B. Findings and recommendations

### 1. Status of implementation of previous recommendations of the Board

5. Of the 11 recommendations made for the biennium 2012-2013, 5 (45 per cent) were fully implemented and 6 recommendations (55 per cent) were under implementation. Details of the status of implementation of the recommendations are presented in annex I. There was, however, a decrease in the rate of implementation of previous recommendations of the Board from 63 per cent in 2011 to 45 per cent in 2013. Although this may be partly attributable to the fact that many of the issues raised are ongoing activities, the extent to which there is a decrease points to the need for more concerted efforts to address the Board’s recommendations.

### 2. Financial statements and financial reporting

6. The total revenue of UNU in 2014 amounted to $71.87 million, which was mainly from voluntary monetary contributions and contributions in kind. The expenses amounted to $75.61 million comprising mainly employees’ salaries, allowances and benefits ($27.44 million), rent, leases and utilities ($17.43 million) and other operating expenses ($13.16 million). This resulted in a net deficit of $3.74 million.

7. As at 31 December 2014, UNU total assets amounted to $468.92 million, of which $407.08 million, or 87 per cent, comprised cash and cash equivalents and investments as depicted in table II.1 below.

Table II.1
**Cash and investments as at 31 December 2014**
(Millions of United States dollars)

| | |
|---|---|
| Cash and cash equivalents | 55.52 |
| Current investments | 23.89 |
| Non-current investments | 327.67 |
| **Total** | **407.08** |

*Source*: Financial statements of UNU.

8. The ratios set out in table II.2 below show that the overall financial position of UNU is sound with current assets being more than seven times the current liabilities and total assets more than five times the total liabilities. Quick ratio and cash ratio are also more than seven, indicating high liquidity. The extent of cash surplus indicates that UNU could either explore the possibility of additional investments to ensure returns from the surplus cash or other avenues of utilization.

Table II.2
**Financial ratios**

| *Ratio* | *31 December 2014* | *1 January 2014* |
|---|---|---|
| **Total assets: total liabilities**[a] | | |
| Assets: liabilities | 5.87 | 5.86 |
| **Current ratio**[b] | | |
| Current assets: current liabilities | 7.63 | 6.19 |
| **Quick ratio**[c] | | |
| (Cash + short-term investments + accounts receivable): current liabilities | 7.59 | 6.14 |
| **Cash ratio**[d] | | |
| (Cash + short-term investments): current liabilities | 7.31 | 5.91 |

*Source*: *UNU, 2014, financial statements*.
[a] A high ratio is a good indicator of solvency.
[b] A high ratio indicates an entity's ability to pay off its current liabilities.
[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.
[d] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

*Revised disclosures in the notes to the financial statements*

9. In accordance with paragraph 27 of IPSAS 1, financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in IPSAS. According to paragraph 29 of IPSAS 1, fair presentation is achieved by compliance with applicable IPSAS and having accounting policies that are reliable and understandable. During a review of

the financial statements and the notes thereto, the Board pointed out a few significant shortcomings and areas of improvement as follows:

(a) Some of the accounting policies disclosed under the notes to the financial statements were at variance with the relevant recognition and measurement criteria set out in IPSAS and the United Nations policy framework for IPSAS. For example, the policy on "receivables from non-exchange transactions — other receivables" included items of exchange transactions like receivables for operating lease arrangements and receivables from staff. The accounting policy on inventory stated use of "average price" cost basis instead of "weighted average". In property, plant and equipment, donated right to use and in-kind contribution of goods and services, the threshold limit for capitalization was mentioned as $5,000 instead of $5,000 per unit. UNU revised and disclosed these policies in the notes to the financial statements.

(b) In accordance with paragraph 29 of IPSAS 24, an entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors by way of note disclosure in the financial statements. Paragraph 3.2.7 of the United Nations policy framework for IPSAS also states that the United Nations shall present an explanation of annual variances and of changes between the original and final budgets in the financial statements. Such disclosure is necessary for the discharge of accountability and provides useful input for analysis of policy shifts and changing priorities. UNU revised note 6 to include an explanation of the changes between the original and final budget by way of note disclosure.

(c) According to applicable accounting policy on multi-year contributions from non-exchange transactions, the funding amounts proposed for future years shall be disclosed in the notes to the Financial Statements as future years' revenue from voluntary contributions. UNU had not included $9 million of voluntary contributions for future years from the Governments of Malaysia and Portugal in the total amount of $53 million disclosed in note 22 relating to contribution agreements signed with donors but for which revenue has not been recognized. The amount of voluntary contributions was understated to that extent. UNU subsequently included this amount in the note disclosure.

## 3. Programme management and monitoring

*Insufficient monitoring of projects in the Institute for the Advanced Study of Sustainability*

10. The Institute for the Advanced Study of Sustainability (UNU-IAS) uses a project and programme management software named "Pelikan" as a tool for project managers to implement their research and capacity development projects. The Board noted the following:

(a) Pelikan has fields to cover the entire project cycle and reporting. It has separate fields for reporting on history, outputs, events, monitoring, finance and file repository. A review of 20 projects of UNU-IAS revealed that the critical field of "events" was not filled out in 95 per cent of the cases and outputs were not uploaded in 90 per cent of cases. Fields like file repository, finance and history were not filled in any project. The monitoring field was incompletely filled;

(b) No details of actual monitoring carried out by the manager were available although Pelikan offers such facility;

(c) Although there is a field for finance, the system provides very little financial information relating to the projects; and

(d) Paragraph 53 of the Programme and Project Management Manual highlights "special cases" which are to be documented in Pelikan. These cases involve extension, revision, suspension or cancellation of projects. No such cases were found documented in Pelikan nor did a specific field exist for this information for monitoring of such special cases.

11. The Board is concerned that failure to utilize Pelikan to its fullest capacity undermines management's ability to monitor the efficiency and effectiveness of projects and make informed decisions. Management stated that the Pelikan team was working on creating a link between Pelikan and Atlas that would automatically populate Pelikan with financial information based on tailor-made standards.

12. The Board also found that the progress report of UNU-IAS did not give information on the overall status of all projects such as the number of projects planned and completed, number of events planned and executed and outputs planned and achieved. In Pelikan, the reporting section in all 20 projects of the UNU-IAS had details of only the Council report. No other reports, such as a six-monthly or annual report or report to donors, were uploaded. For the six closed projects selected for scrutiny, no six-monthly reports or progress reports were submitted in 2014.

13. Management stated that the UNU-IAS will strongly encourage managers to upload in the Pelikan system other relevant reports, such as donor reports.

14. Further, article VII of the UNU Charter states that the Conference of Directors of research and training centre and programme shall be called by the Rector periodically to review and evaluate programmes of research being undertaken and advise and assist the Rector in the improvement of current programmes and in the definition and planning of new programmes for the University system. We noticed that during the period under review only one such conference was held, in May 2014. The focus was mainly on review of new strategic plans for all institutes and did not specifically deal with review and evaluation of programmes and projects.

15. Paragraph 68 of Programme and Project Management Manual states that institutes and programmes should set up the necessary mechanisms to track progress of projects towards results. The Director monitors the projects through monthly or bi-monthly meetings. We noted that the monthly meetings were held six times by the Director. However, the Project Managers' meetings were neither documented nor were any written reports of progress monitoring maintained.

16. Paragraph 14 of Manual focuses on the accountability framework for a strong results-based orientation at the level of Programme Managers, Directors and Rector. Paragraph 69 states that achieving expected results requires the integration of key indicators from results that specify the project objectives, setting of baselines, benchmarks, targets and milestones. Paragraph 70 states that indicators are important and useful tools for monitoring progress towards progress objectives. We found that no formal mechanism existed for the monitoring of projects on the basis of indicators, baselines and benchmarks in the Institute. A review of the six selected

closed projects showed that no reports existed stating the achievement of results against approved workplans and indicators.

17. Management stated that efforts would be made to implement more detailed monitoring, and management would undertake consultations to consider making some fields mandatory. Management added that regular messages are sent to the Project Managers encouraging them to keep Pelikan updated.

*Incomplete project profiles in Maastricht Economic and Social Research and Training*

18. The mission of UNU-MERIT is to research how countries can catch up in the unequal global playing field of the twenty-first century without increasing inequality and social exclusion and to analyse knowledge flows at the regional and global levels and their impact on local development, employment and productivity. To achieve this objective, research projects are undertaken on various topics with financial support from donors, financial institutions and government agencies and outputs in the form of working papers issued.

19. In UNU-MERIT, Pelikan contained the summary of 39 projects that either commenced or were completed during the period from January 2012 to December 2014. Of 39 projects, 25 were in progress, 11 were completed and 3 were cancelled after commencement. We reviewed the project status and noticed that project profiles of 11 projects were incomplete as they lacked critical information as illustrated below:

(a) Of the three cancelled projects, an expenditure of $5,000 was incurred for one project. No reasons for cancellation of any of the projects were recorded;

(b) Details of the scheduled date of completion, the period of extensions granted and the reasons for such extensions, complete details of expenditure incurred were not recorded in the project profiles;

(c) In two closed projects, against the total funds of $531,605 received from the donors, an expenditure of only $324,091 was indicated and the details of the balance funds were not recorded;

(d) In one project, an expenditure of $16,000 was incurred out of specific programme contributions while the working paper was awaiting approval of the funding agency (Asian Development Bank).

20. The Board is concerned about the non-disclosure of critical information of the projects as it would affect the accuracy of project cost in the financial statements besides depriving information to stakeholders.

21. **The Board reiterates its previous recommendation (A/69/5 (Vol. IV)) to refine the Pelikan system by prioritizing the development of new features that enhance its relevance for the end-users, including managers with a focus on financial data and alert mechanisms. It further recommends that (a) the Institutes improve their monitoring of ongoing projects and programmes by utilizing Pelikan to its full potential and (b) managements ensure the completeness of project profiles to reveal their actual status for better internal control and giving reliable information to stakeholders.**

### 4. Funds management in UNU-MERIT

22. In accordance with the Financial Regulations and Rules of the United Nations, the Secretary-General may make investments of funds of the organization not needed for immediate requirements. UNU participates in the United Nations main cash pool and the euro cash pool. The United Nations main cash pool and the euro cash pool comprise each participating fund's share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The United Nations Treasury centrally invests surplus funds on behalf of the Secretariat, including UNU. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and owing to the ability to spread yield curve exposures across a range of maturities.

23. The Board noted that during the year 2014, the University held surplus funds of €0.6 million ($0.8 million) for periods up to five months without transferring them to the cash/euro pool. Similarly, surplus funds of €3 million ($3.9 million) were held for periods up to three months without transferring them to the cash/euro pool. During the year 2014, UNU-MERIT received €1 million ($1.22 million) in May 2014 and €1.44 million ($1.84 million) in October 2014 and transferred the same to the pool fund only in December 2014 after retaining the amounts for a period of seven months and two months, respectively. The Board is concerned that such retention of substantial surplus funds in the bank account would result in foregoing the benefits of investment.

24. **As agreed, the Board recommends that: (a) the management strengthen its monitoring of surplus funds and ensure their timely transfer to the cash/euro pools for investment by the United Nations Treasury to earn higher returns thereon; and (b) the management considers setting a threshold amount above which cash should be automatically invested in the cash pool.**

### 5. Inventory management in UNU-MERIT

25. The guidelines on property management and inventory control of UNU provide for conduct of comprehensive physical verification of inventory every year and submission of the physical inventory certificate signed by the head of an organizational unit to the administrative management at UNU headquarters by 31 January of the next year.

26. UNU-MERIT procured books and other study materials for €86,215 ($111,679) during 2012 and 2013 for their library. The library contained books of more than 7,000 titles besides e-journals and the same is available on loan to the researchers of UNU and affiliated institutes and universities. However, no physical verification of the books was conducted during the period 2012-2014.

27. The Board is concerned that non-furnishing of annual verification certificate to UNU Headquarters and absence of physical verification of the books and study materials increase the risk of losses remaining undetected and of other deficiencies not being addressed in a timely manner.

28. **As agreed, the Board recommends that the management conduct physical verification of library books periodically and promptly furnish physical verification reports to the UNU Headquarters for effective inventory management.**

## 6. Human resources management

*Irregular payment in UNU-MERIT*

29. In accordance with the Cooperation Agreement (May 2007) between UNU-MERIT and the University of Maastricht, the University shall make available on a non-reimbursable basis to UNU-MERIT the services of such members/ employees as are required for implementation of integrated activities of the Institute. UNU-MERIT was not liable for any expenditure on the services rendered by University of Maastricht employees.

30. The Board reviewed payment records to University of Maastricht employees made under the agreement and noticed that employees of the University working in the UNU-MERIT were reimbursed emoluments of $3.90 million by UNU-MERIT post-Cooperation Agreement until 2014. The Board is concerned that such payments are contrary to the articles of the Cooperation Agreement and has added to the financial burden of the UNU-MERIT.

31. Management contended that reimbursement of emoluments to University of Maastricht employees is covered under section 3 of the Cooperation Agreement and is sometimes dictated by specific circumstances. It added that the section 3 clearly specifies that both the University of Maastricht and UNU will bear the financial costs of its personnel under this agreement but the costs of a number of job titles will be shared irrespective of where the salaries are paid originally.

32. The Board, however, noted that the modalities relating to these University of Maastricht employees are governed by article 4 of the Cooperation Agreement read with its annex C. Article 4 states that the personnel of the Institute shall consist, inter alia, of academic and administrative personnel made available to the Institute by the University of Maastricht and/or the Japan Foundation for UNU in accordance with the modalities attached hereto as annex C which forms an integral part of this Agreement for the proper implementation of the purposes and activities of the Institute. Article 1.1 of annex C provides that the University of Maastricht "shall make available to the Institute on a non-reimbursable basis, the services of such of its members and the Foundation's academic and administrative personnel (hereinafter jointly the "employees" and individually the "employee") as required for the proper implementation of the integrated activities of the Institute." Further, article 2.1 of annex C provides that the University of Maastricht and where applicable the Foundation, shall pay the employee his/her salary, allowances, benefits and all expenses relating to his/her assignment to the Institute, particularly as concern taxes, medical insurance coverage and other benefits to which the employee is entitled. In accordance with article 2.2 of the regulations of the University of Maastricht, UNU shall not be liable for any expenses related to these employees. We further noted that section 3 does not specify that costs of a number of job titles will be shared irrespective of where the salaries are paid originally. Rather, it mentions that in financial terms, the integration advantages are likely to imply a cost saving for the Institute for New Technologies (INTECH) and an increase in administrative staff positions for UNU-MERIT. Hence, the payments made were not in conformity with these provisions of the Cooperation Agreement.

33. **The Board recommends that management adhere to the articles of the Cooperation Agreement with regard to payments to employees of the University of Maastricht.**

*Irregularities in engagement of consultants and individual contractors*

34. The Board reviewed the selection and management of consultants and individual contractors with reference to the UNU administrative instruction. The Board noted as follows:

(a) *Absence of documentation in the selection process for consultants and individual contractors*: The UNU administrative instruction dated 26 December 2003 relating to the selection process for consultants and individual contractors states, inter alia, that prior to the issuance of a contract, processing offices are required to verify the academic and professional credentials of the candidate recommended for selection. Further, before commencing work, a consultant shall be required to submit a statement of good health and to take full responsibility for the accuracy of that statement, including confirmation that he or she will undertake any inoculations required for the country to which travel is authorized. There were seven consultants and individual contractors who were newly selected in the year 2014 by the UNU-Centre. The academic and professional credentials of the candidate and statement of good health were not recorded in six cases (86 per cent). In the absence of these documents, it could not be ascertained whether the criteria set out for the selection process were reckoned and academic and professional credentials verified at the time of selection of consultants;

(b) *Renewal of contract without formal evaluation of work performed*: Paragraph 3.9 of the UNU administrative instruction regarding the selection process for consultants and individual contractors states that the performance of all consultants needs to be evaluated on the “Evaluation of Services” form and a copy sent to the Personnel Unit to be maintained on the consultant’s file as a reference for consideration of future consultancy contracts. No contract should be renewed without a formal evaluation of the work performed. Of seven cases in which the contracts for consultants and individual contractors were renewed by the UNU-Centre during 2014, the “Evaluation of Services” form was not available in three cases (43 per cent), indicating the absence of formal evaluation of the work performed;

(c) *Payment of fees on a lump-sum basis without certificate of satisfactory completion of work*: Paragraph 3.7 of the UNU administrative instruction states that payment of fees established on a lump-sum basis shall normally take place upon certification by the authorized official of satisfactory completion of the work. No payment shall be made if the consultant fails to complete the service specified in the contract to the satisfaction of UNU. If the service is carried out partially, a determination shall be made as to what amount, if any, is to be paid, based on that part of the work completed. There were four cases in UNU-Centre in which the payment of fees was made on a lump-sum basis during 2014. We noted that in one case the certification by the authorized official of satisfactory completion of the work was not available;

(d) *Duration of service in the last 36 calendar months*: In accordance with extant administrative instructions, no consultant shall provide services for more than 24 months of accrued service within a period of 36 calendar months. We observed that out of 20 consultants and individual contractors at UNU-Centre who worked during 2014, one consultant had worked for 30 months during the last three-year period ended 31 December 2014. Similarly, in 2 of the 21 cases of consultants engaged in UNU-IAS Tokyo who had rendered more than 24 months of service out of 36 calendar months, we observed that in one case the consultant has been providing service continuously since 1 January 2009 and in the second case continuous service was being provided by the consultant from 1 January 2012.

35. **As agreed, the Board recommends that UNU: (a) improve the documentation practices to enhance transparency in the selection process; (b) conduct formal evaluation of the work performed before renewal of the contract;, (c) make payment of fees on a lump-sum basis after certification by the authorized official of satisfactory completion of the work; and (d) take measures to ensure that the total duration of services does not exceed the administrative instructions issued in this regard.**

*Commencement of contracts before signing of agreements*

36. UNU-MERIT enters into contracts with individual/institutional consultants for participation in the PhD programme of the Institute to conduct background research for projects. The Board reviewed 50 of 170 agreements concluded with consultants during 2012 and 2013 and found 11 agreements (22 per cent) had been signed after the commencement of the contract. The average delay was less than one month in six cases and between 2 and 17 months in five cases after the commencement of the contract. Two of these agreements were signed after the completion of the contract period.

*Non-availability of critical information in Atlas module leading to award of contract to ineligible consultant*

37. In UNU-MERIT, the Board reviewed the data relating to the 170 contracts available in the Atlas finance module and observed that critical information relating to contracts, namely, the date of approval of contracts and approving authority were incorrectly captured in all the cases. The details of evaluation of performance of consultants were not being captured and as a result, a consultant was awarded a subsequent assignment despite a specific recommendation to the contrary on the evaluation of the earlier contract. It was also seen that reasons for cancellation of all 10 cancelled contracts and details of award of five new contracts during the currency of existing contracts were not captured.

38. **As agreed, the Board recommends (a) signing of contracts prior to commencement of the contract period, and (b) suitable modification in the Atlas finance module for capturing critical information relating to consultancy contracts in the UNU.**

*Deficiencies in Personal Service Agreements*

39. The conditions of service for Personnel Service Agreements state that the duration of service under a Personnel Service Agreements is initially for a period of two years and not less than six months, which may be renewed for two to four years subject to satisfactory service and the availability of funding and in an exceptional case from four to six years subject to the approval of the Rector. It also states that upon the completion of their assignment, a small number of Personnel Service Agreements may continue to serve the UNU upon applying for vacant positions and following the relevant competitive recruitment procedure. Recruitment is required to be made on an open and competitive basis.

40. There were 27 active Personnel Service Agreement contracts in UNU-Centre and 52 active Personnel Service Agreement contracts in UNU-IAS in 2014. Their age-wise analysis is given below:

Table II.3
**Age-wise analysis of ongoing Personnel Service Agreement contracts**

| | *6 years and above* | *4 to less than 6 years* | *2 to less than 4 years* | *Less than 2 years* | *Total* |
|---|---|---|---|---|---|
| UNU-Centre | 1 | 5 | 8 | 13 | 27 |
| UNU-IAS | 3 | 13 | 12 | 24 | 52 |
| **Total** | **4** | **18** | **20** | **37** | **79** |

41. The Board reviewed 23 of these 79 Personnel Service Agreement contracts (17 Personnel Service Agreement contracts of 52 in UNU-IAS and 6 Personnel Service Agreement contracts of 27 Personnel Service Agreement contracts of UNU-Centre) and noted the following:

(a) Of 4 Personnel Service Agreement contracts with a duration exceeding 6 years (one in UNU-Centre and three in UNU-IAS), 1 has been running for 11 years and 8 months and approval of the Rector was recorded only in the last Performance Evaluation Report, on 28 November 2014. We further noted in another case, the approval of the Rector was not recorded in any of the Performance Evaluation Reports. In one case, only the Director's approval was recorded.

(b) The Board also analysed 13 cases where the duration of the contract from the initial date crossed the four-year limit. In accordance with a United Nations memorandum, further extension from four to six years requires the approval of the Rector. We found that the Rector's approval of the extension of these Personnel Service Agreement contracts exceeding four years was not mentioned in the Performance Evaluation Report in 7 of these 13 cases.

(c) We further observed in the sampled 23 cases:

(i) The absence of 17 Performance Evaluation Reports for different time periods in respect of 9 Personnel Service Agreements;

(ii) No vacancy announcement in 5 cases;

(iii) No selection process being followed in 5 cases.

42. Management stated that after the merger of UNU-IAS and UNU-ISP, they instructed staff to issue vacancy announcements in a timely manner and to follow recruitment procedures.

43. The Board is concerned that internal extension of contracts for Personnel Service Agreement holders who have already served for more than six years will affect the implementation of the personnel policy guideline. Absence of vacancy announcements and non-adherence to the selection process at the stage of recruitment undermines maintenance of the requisite standards of competence, efficiency and integrity.

44. **As agreed by management, the Board recommends strict compliance with UNU personnel policy and adherence to the stipulated recruitment procedure.**

### 7. Travel management

*Monitoring travel arrangements*

45. Paragraph 2.7 of the Travel Guidelines for UNU states that a staff member should make his/her travel arrangements as early as possible as soon as the travel plan is approved, to obtain the lowest applicable airfare for the trip.

46. The Board reviewed 24 cases pertaining to the months of November and December in which expenditure was incurred by the UNU-Centre on booking of air-tickets to verify whether the above guideline was followed. In 9 (38 percent) of 24 cases, the invoice or the e-ticket issuance date was of 10 days or within 10 days prior to the commencement of travel. The management informed the Board that the UNU-Centre did not have the record of the date of booking of air-tickets of these cases. In one of these nine cases, UNU did confirm that the invoice date/e-ticket issuance date was indeed the booking date as evidenced by the e-mail exchange record. In the absence of proper records relating to the date of booking of air-tickets, the UNU did not have an adequate mechanism to monitor whether travel arrangements were made "as early as possible" after approval of the travel plan to obtain the lowest applicable airfare for the trip. UNU may have forgone potential cost savings because of purchase of air-tickets close to the date of travel.

47. UNU stated that the new travel policy which came into effect in February 2015 was designed for cost efficiency by addressing the cost of managing travel as a whole and included audio-video conference options to limit travel, economy class travel irrespective of flight duration, and non-payment of daily subsistence allowance while in flight or in transit. It further stated that assigning staff time to monitor ticket issuance would be onerous and costly to UNU.

48. Although we note the steps taken by management to control travel costs through its new travel policy, the Board is of the view that booking of air tickets sufficiently in advance results in significantly lower fares and is one of the most effective ways to cut down travel expenses. Travel expenses amounted to $5.2 million and constituted about 7 per cent of the total expenses of UNU for the year ending 2014. Hence, it was important for UNU to establish a mechanism to assure itself that its instruction of early booking was indeed being followed for official travel. To this end, UNU could also consider more specificity in its travel policy by stipulating the number of days before the date of travel that tickets should normally be purchased along the lines of the advance purchase policy framed by the United Nations Secretariat (ST/AI/2013/3) instead of just "as early as possible" as also the approvals that should be required for deviation in cases of emergency travel or where adherence to such advance purchase may not be practicably possible. This would also facilitate monitoring and control.

49. **The Board recommends that UNU (a) establish a mechanism to monitor the booking of air tickets to increase cost efficiency, and (b) review its existing travel policy to include more clarity and specificity.**

## C. Disclosures by management

50. In accordance with International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from

fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

51. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also inquire whether management has any knowledge of any actual, suspected or alleged fraud, and this includes enquiries of the Office of Internal Oversight. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

52. Management reported to the Board that there were no write-offs of cash and receivables, losses of property, plant and equipment, inventories and intangibles, cases of fraud or presumptive fraud, or ex gratia payments during the year ended 31 December 2014.

## D. Acknowledgement

53. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff of United Nations University during the conduct of the audit.

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

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

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

30 June 2015

# Annex

## Status of implementation of previous recommendations as at 31 December 2014

| | | | | Status after verification | | | | |
|---|---|---|---|---|---|---|---|---|
| *No.* | *Board report reference* | *Recommendation to UNU* | *Action reported by management* | *Board's assessment* | *Implemented* | *Under Implementation* | *Not Implemented* | *Overtaken by events* |
| 1 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 17 | To clearly define the nature, and scope of the academic programme budget and ensure that the academic programme budget is formulated according to UNU instructions | To be addressed in the 2016-2017 budget formulation | This recommendation is under implementation. | | X | | |
| 2 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 21 | (a) To continue its effort to finalize its policy position paper regarding financial instruments;<br>(b) To update relevant business procedures to ensure full compliance with IPSAS;<br>(c) To consider developing an IPSAS benefit realization plan to allow for full achievement of benefits as expected by IPSAS | (a) Work has not commenced, need to discuss with the United Nations Accounts Division;<br>(b) Completed;<br>(c) Standard operating procedures for employee benefits, prepayment, receipting; completed since the last audit (published on intranet) | Recommendation has partly been implemented. UNU has formulated a policy paper on financial instruments. It has developed standard operating procedures relating to such areas as employee benefits, prepayment and receipting. | | X | | |

| No. | Board report reference | Recommendation to UNU | Action reported by management | Board's assessment | Status after verification: Implemented | Under Implementation | Not Implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|
| 3 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 30 | (a) To establish a formal cooperation agreement with the Japan Foundation for the United Nations University in order to clearly identify respective roles and responsibilities;<br>(b) To recognize and reflect gross proceeds and associated expenses, as well as the donation retained by the Foundation separately in its financial statements, so as to ensure completeness and accuracy of the financial statements | (a) Cooperative agreement drafted by UNU and reviewed by the Office of Legal Affairs. Now under discussion with the Foundation for approval;<br>(b) Relationship with the Foundation disclosed under Related Parties notes in the 2014 financial statement | This recommendation is under implementation. | | X | | |
| 4 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 35 | To develop relevant guidelines for project management and include performance indicators, baselines and other key elements in the project plan in the future | The Rector's Office will undertake such an exploration with the academic staff of UNU institutes after the May 2015 UNU Council meeting in Paris | This recommendation is under implementation. | | X | | |

| *No.* | *Board report reference* | *Recommendation to UNU* | *Action reported by management* | *Status after verification*<br>*Board's assessment* | *Implemented* | *Under Implementation* | *Not Implemented* | *Overtaken by events* |
|---|---|---|---|---|---|---|---|---|
| 5 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 40 | To further strengthen the Pelikan system by prioritizing the development of new features that enhance its relevance for the end-users, including managers with a focus on financial data, alert mechanisms and spot check evaluation | The Rector's Office is currently looking at the functionality of Pelikan with a view to enhancing the user interface and possible connection to the Atlas system if this is warranted | This recommendation is under implementation. While reiterating this, the Board has made further recommendations on this issue. | | X | | |
| 6 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 44 | To strictly follow the requirement of the United Nations Procurement Manual and strengthen the planning process by developing an office-wide annual procurement plan | Implemented in the acquisition plan 2014-2015 UNU-wide | UNU made an office-wide acquisition plan to strengthen the procurement planning process. | X | | | |
| 7 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 48 | To ensure that UNU-INWEH strictly complies with the United Nations Procurement Manual in order to ensure sufficient competition and the control of the procurement procedure | According to the management letter on interim audit dated 20 January 2014 from INWEH to External Auditors, INWEH has implemented the justification for waiver form of competitive bidding | UNU in its response to the Management Letter confirmed implementation of the justification for waiver form for waiver of competitive bidding | X | | | |

| No. | Board report reference | Recommendation to UNU | Action reported by management | Board's assessment | Status after verification: Implemented | Under Implementation | Not Implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|
| 8 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 52 | (a) To speed up finalizing the guidelines for vendor performance evaluation; (b) To ensure that the vendor performance evaluation reports are produced in a timely manner | The UNU is currently adhering to chapter 15.2 of the United Nations Procurement Manual which states that vendors supplying goods and services to UNU must be evaluated periodically to ensure they have fulfilled contract requirements and to take note of any non-performance issues for future contract awards. All UNU institutes and organizational units have submitted their performance evaluation reports for 2013 as at May 2014 | UNU is evaluating the vendors periodically and the vendor evaluation reports are being submitted by the UNU Institutes. | X | | | |
| 9 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 55 | (a) To revise its internal Personnel Service Agreement report or the performance evaluation report to remind the management to undertake corresponding procedures to meet the demand of the personnel policy; (b) To develop an administrative instruction to specify the definition of "duration of service" | This will be addressed in the annex of the amended UNU personnel to be submitted to the UNU Council early in May 2015<br>Target date: 31 May 2015 | This recommendation is under implementation. | | X | | |

| | | | | Status after verification | | | | |
|---|---|---|---|---|---|---|---|---|
| *No.* | *Board report reference* | *Recommendation to UNU* | *Action reported by management* | *Board's assessment* | *Implemented* | *Under Implementation* | *Not Implemented* | *Overtaken by events* |
| 10 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 58) | To ensure that UNU-WIDER takes measures to enhance the transparency and documentation of the consultant selection and recruitment process | UNU-WIDER started implementing the recommendation in 2014 by: (1) reinforcing the staffing of the contracting team; (2) launching a new consultant contracting modus operandi in mid-September 2014; (3) introducing a contract request form that documents the selection process; (4) organizing thematic call for papers for specific research themes and open consultant recruitments have been used more extensively and frequently | UNU has taken measures to enhance transparency in the selection of consultants by introducing a form that documents the selection process. | X | | | |
| 11 | 2012-2013 A/69/5 (Vol. IV), chap. II, para. 62) | To strictly comply with its guidelines on property management and inventory control, to ensure physical inventory of non-expendable property is carried out and reported as required | The UNU property, plant and equipment standard operating procedures were launched in June 2014. Asset Managers and Asset Management Focal Point roles and responsibilities for each organizational unit have been formally established to ensure that physical inventory of non-expendable property is carried out in accordance with guidelines | UNU has framed standard operating procedures to ensure that physical inventory is carried out. | X | | | |
| | **Total** | **11** | | | **5** | **6** | **–** | **–** |
| | **Percentage** | **100** | | | **45** | **55** | **–** | **–** |

# Chapter III
## Certification of the financial statements

## Letter dated 31 March 2015 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations University for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the University during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations University, numbered I to V, are correct.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

# Chapter IV
# Financial report for the year ended 31 December 2014

## A. Introduction

1. The Rector has the honour to submit herewith the financial report on the accounts of the United Nations University (UNU) for the year ended 31 December 2014.

2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex, which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNU is a solution-focused think tank and research arm for the United Nations system. The University's mandate, in accordance with its Charter, is to assist in finding solutions to "the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies", with a particular focus on the needs of developing countries. UNU operates as a global network of academic institutes and programmes that undertake policy-relevant research to offer objective, science-based perspectives in the service of policy debate and development (see: http://unu.edu/about/unu-system).

4. UNU carries out its work in collaboration with other United Nations system entities (agencies, programmes, commissions, funds and convention secretariats) and with leading universities, research institutes and think tanks worldwide, thereby acting as a bridge between United Nations policy communities and academic communities. In undertaking its work, UNU employs an interdisciplinary, problem-solving approach that integrates the quantitative rigour of the natural and physical sciences with the qualitative insights of the social sciences and humanities. With intellectual independence guaranteed by its Charter, UNU is able to offer unbiased, fresh perspectives on current and emerging global challenges.

5. In 2014, the UNU entered its fortieth year of operation. To become more responsive to the needs of the United Nations and its Member States, and to enhance the tangible impact of UNU research on intergovernmental deliberations and policy, a number of institutional changes have been implemented. The aim is to position UNU as an agile player in both the research and policy development arenas, and to broaden its community of donors and supporters. The UNU strategic plan 2015-2019, which outlines the strategic plans of the individual UNU institutes and programmes, was adopted at the sixty-second session of the UNU Council, in December 2014.

6. In 2014, UNU initiated and advanced key institutional developments: the UNU Centre for Policy Research was established to enhance the policy relevance of UNU in the fields of peace and security and global development; the UNU Office at the United Nations in New York evolved in its role as a key node to convey the UNU research-based policy ideas to decision- and policymakers within the United Nations system; the UNU Migration Network was launched to contribute to evidence-based policymaking related to migration in the context of development; the UNU Operating Unit on Policy-Driven Electronic Governance began operations

on 1 July in Guimarães, Portugal; and the UNU Institute for Sustainable Development (UNU-IRADDA) was set up in Algiers.

## B. Adoption of International Public Sector Accounting Standards

7. For the first time, the financial statements of UNU have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). In 2013 and prior years, the financial statements were prepared in accordance with United Nations System Accounting Standards (UNSAS).

8. The adoption of IPSAS has been accepted as best practice for accounting and reporting by the public sector and not-for-profit governmental organizations. UNU adopted IPSAS on 1 January 2014, in accordance with General Assembly resolution 60/283, which cited IPSAS benefits for improving the quality, comparability and credibility of financial reporting across the United Nations system.

### Highlights of key changes to the IPSAS financial statements of UNU

9. Financial statements prepared in accordance with IPSAS use full accrual-based accounting, which is a significant change from the modified cash basis of accounting previously applied under UNSAS. Accrual-based accounting requires the recognition of transactions and events when they occur and the presentation of all assets and liabilities at reporting date. Accordingly, the accounting policies of UNU have been updated to IPSAS; the summary of significant accounting policies, presented in note 3 to the financial statements, reflects this update.

*Assets*

10. Under UNSAS physical assets were expensed when purchased and did not appear on the balance sheet; under IPSAS, UNU has reported property, plant and equipment and inventories on the face of the financial statements for the first time. Assets qualifying as financial instruments are now fair valued and thus endowment fund investments and the UNU share of the investments of the United Nations cash pool reflect mark to market adjustments; also for the first time, UNU has created allowance accounts to value doubtful accounts receivables in accordance with IPSAS.

*Liabilities*

11. Under UNSAS only some liabilities were recognized. Under IPSAS all liabilities are recognized; in preparation for IPSAS, UNU had already recognized its long-term employee benefits liabilities of the after-service health insurance, unused annual leave and accrued repatriation benefits. For the first time, UNU has recognized liabilities associated with its long-term donated right-to-use arrangement classified as a finance lease. Going forward under IPSAS, provisions will be recognized for valid claims (legal or constructive), and liabilities for conditional funding arrangements will be recorded.

*Revenue*

12. Under IPSAS, revenue is recognized when an agreement to provide unconditional funding is signed, even prior to the receipt of cash. For the first time,

UNU has also recognized revenue for donated right-to-use property arrangements in accordance with IPSAS.

*Expenses*

13. Expenses are now recorded in the financial statements only when goods and/or services have been received not when commitments have been made, as was the case under UNSAS. Thus, under IPSAS, commitments against budgets do not qualify as an expense in the financial statements. UNU now reports on the face of the financial statements expenses related to depreciation of assets and actuarial service cost and interest cost on its employee benefit liabilities.

*Note disclosures*

14. IPSAS requires significantly more note disclosures in the financial statements; some of the new areas of note disclosures for UNU include segment reporting, reporting of explanations of material budget versus actual variances, reporting on key management personnel, reporting on details of measurement of employee benefit liabilities, reporting on details of the lifecycle of property, plant and equipment and reporting on investment risks.

15. Of note is that the budget of UNU continues to be prepared on a modified cash basis. As the accounting basis for the budget differs from the basis applied to the financial statements, reconciliation between expenditure against the budget and expenses in accordance with the IPSAS financial statements is provided (see note 6).

16. Under UNSAS, the UNU financial statements were presented showing the distinction between the operating funds. Under IPSAS, an entity-level view of the position, performance and cash flows of the entity is shown on the face of the financial statements. Information by operating fund is annexed to the financial statements.

17. In order to transition to IPSAS, the financial position as at 31 December 2013 was restated and IPSAS-compliant opening balances were compiled as at 1 January 2014, which resulted in an adjustment to the net asset position of UNU (see statement III). Owing to the change of accounting basis in the first year of the adoption of IPSAS, a full suite of comparative information for the prior year is not provided in the financial statements.

## C. Overview of the financial statements for the year ended 31 December 2014

18. Financial statements I, II, III, IV and V show the financial results of UNU activities and its financial position as at 31 December 2014. The notes to the financial statements explain UNU accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

### Revenue

19. In 2014, UNU revenue totalled $71.9 million. The main sources of revenue were voluntary contributions of $65.684 million, including monetary contributions of $37.639 million from member States and $8.275 million from other donors.

During the year, net investment revenue generated from the endowment fund and the UNU share of cash pool amounted to $3.829 million. Other revenue of $2.358 million consists mainly of rental and conference services fee received by the University Headquarters Building, fees from training courses and consulting services. Total revenue also includes contributions in kind as a rental subsidy of $19.771 million for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNU.

20. UNU is heavily reliant on a small number of donors; it was noted that the top nine donors contributed about 74 per cent of the total donor contributions for the year.

**Expenses**

21. For the year ended 31 December 2014 expenses totalled $75.608 million. The main expense categories were staff costs of $27.438 million or 36.3 per cent; rent, leases and utilities of $17.430 million or 23.0 per cent, and travel of $5.190 million or 6.9 per cent. Information for 2013 is not presented since it was prepared on an UNSAS (modified cash) basis which is not comparable.

22. Total personnel cost, which includes staff costs and non-employee compensation and allowances totalled $31.633 million; this amount represents 44 per cent of the total revenue which was reported at $71.871 million.

**Operating results**

23. The net deficit of revenue over expense in 2014, as measured under IPSAS, is $3.737 million. Contributing to the excess of expenses over revenue were personnel costs of $31.633 million and rent, leases and utilities of $17.430 million.

**Assets**

24. Assets as of 31 December 2014 totalled $468.916 million compared to the balance at 31 December 2013 (adjusted for IPSAS compliance) of $476.810 million.

25. The main assets as at 31 December 2014 are cash, cash equivalents and investments totalling $407.087 million representing 86.8 per cent of the total assets; and property, plant and equipment of $58.418 million, or 12.5 per cent. The remaining assets consist mainly of other receivables such as voluntary contributions receivable and investment receivables.

26. Of the total cash, cash equivalents and investments, $354.734 million or 87.1 per cent, is held with the endowment funds while $31.587 million, or 7.8 per cent, is held in the United Nations Treasury main and euro cash pools.

27. Under IPSAS, accounts receivable from voluntary contributions are recognized in full on signature of an agreement including amounts due in future financial periods. The only exception is agreements such as those with the European Union that contain conditions requiring return of the contribution if the funds are not spent in accordance with the terms and conditions specified by the donor. The total accounts receivable of $1.740 million due as at 31 December 2014 is expected to be received in 2015.

### Liabilities

28. Liabilities as of 31 December 2014 totalled $79.885 million compared to the balance at 31 December 2013 of $81.398 million.

29. The largest liability was the donated rights-to-use buildings occupied by UNU offices. These liabilities amounted to $56.858 million, representing 71.2 per cent of total liabilities. The other major component of liabilities was employee benefits earned by staff members and retirees but not paid at the reporting date; primarily these were accrued liabilities for end-of-service and post-retirement benefits. These liabilities accounted for $17.884 million, representing 22.4 per cent of UNU total liabilities and are explained in detail in note 17. The other liabilities consist mainly of accounts payable and accrued liabilities; and advance receipts.

### Net assets

30. The movement in net assets during the year reflects a decrease of $6.381 million from $395.412 million as at 31 December 2013 after restating for IPSAS compliance to $389.031 million as at 31 December 2014, on account of the operating deficit of $1.987 million, an actuarial loss of $2,621,000 and net movement in the Endowment Fund of $1,773,000. The net effect of the changes resulting from the adoption of IPSAS adjustments amounted to an increase of $37,820,000in restated net assets as at 1 January 2014.

### Liquidity position

31. At 31 December 2014, the liquidity position of UNU was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled $82.380 million (cash and cash equivalents of $55.520 million, short-term investments of $23.893 million and accounts receivables of $2.967 million), whereas total current liabilities amounted to $10.858 million and total liabilities amounted to $79.885 million.

32. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2014 with comparatives for the year ended 31 December 2013:

| | *Year end 31 December* | |
|---|---|---|
| *Liquidity indicator* | *2014* | *2013* |
| Ratio of liquid assets to current liabilities | 7.6:1 | 6.1:1 |
| Ratio of liquid assets less accounts receivable to current liabilities | 7.3:1 | 5.9:1 |
| Ratio of liquid assets to total assets | 0.2:1 | 0.2:1 |
| Average months of liquid assets less accounts receivable on hand* | 13.4 | n/a* |

* Comparative not available.

33. The ratio of liquid assets to current liabilities indicates the ability of UNU to pay its short-term obligations from its liquid resources. The ratio of 7.6:1 indicates that current liabilities are covered in excess of seven times by liquid assets, and therefore there are sufficient liquid assets available to fully pay liabilities should the need arise. An increase of the value of this ratio from 6.1:1 in the prior year indicates a higher level of liquidity resulting from decreased current liability

holdings as at the end of 2014. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 7.3 for the current year and 5.9 for the previous year.

34. At 31 December 2014, the UNU total liquid assets was about 20 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $5.934 million for 13.4 months.

35. As at the reporting date, UNU had employee benefit liabilities of $17.884 million. With total cash and cash equivalents and investments of $407.087 million, the employee benefits liabilities are covered; however, no amounts were reserved in the accounts to cover employee benefit liabilities to be paid in the future.

# Annex

## Supplementary information

1. The present annex includes the information the Rector is required to report.

### Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no write-off cases of cash or receivables during 2014 with respect to UNU.

### Write-off of losses of property

3. Pursuant to the financial rule 106.7, there were no write-off of losses of property, plant and equipment, inventories and intangibles for the UNU during the year 2014 arising from accidents, theft, damage or destruction; this does not include factors such as obsolescence or wear and tear.

### Ex gratia payments

4. There were no ex gratia payments during 2014.

# Chapter V

# Financial statements for the year ended31 December 2014

## United Nations University

## I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

| | *Note* | *31 December 2014* | *1 January 2014* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 55 520 | 53 658 |
| Investments | 8 | 23 893 | 16 102 |
| Voluntary contributions receivable | 9 | 1 740 | 1 748 |
| Other receivables | 10 | 1 227 | 985 |
| Inventories | 11 | 22 | 96 |
| Other assets | 12 | 422 | 506 |
| **Total current assets** | | **82 824** | **73 095** |
| **Non-current assets** | | | |
| Investments | 8 | 327 674 | 341 712 |
| Voluntary contributions receivable | 10 | – | 200 |
| Property, plant and equipment | 14 | 58 418 | 61 797 |
| Other assets | 12 | – | 6 |
| **Total non-current assets** | | **386 092** | **403 715** |
| **Total assets** | | **468 916** | **476 810** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 15 | 2 227 | 3 053 |
| Advance receipts | 16 | 2 686 | 1 771 |
| Employee benefits liabilities | 17 | 1 802 | 2 831 |
| Borrowings | 18 | 54 | 60 |
| Other liabilities | 19 | 4 089 | 4 089 |
| **Total current liabilities** | | **10 858** | **11 804** |
| **Non-current liabilities** | | | |
| Advance receipts | 16 | 62 | 206 |
| Employee benefits liabilities | 17 | 16 082 | 12 399 |
| Borrowings | 18 | 31 | 72 |
| Other liabilities | 19 | 52 769 | 56 859 |
| Share of joint ventures: equity method | 28 | 83 | 58 |
| **Total non-current liabilities** | | **69 027** | **69 594** |
| **Total liabilities** | | **79 885** | **81 398** |
| **Net of total assets and total liabilities** | | **389 031** | **395 412** |
| **Net assets** | | | |
| Accumulated surpluses | 20 | 33 296 | 37 904 |
| Endowment fund | 21 | 355 735 | 357 508 |
| **Total net assets** | | **389 031** | **395 412** |

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

## United Nations University

## II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

| | *Note* | *31 December 2014* |
|---|---|---|
| **Revenue** | | |
| Voluntary contributions | 22 | 65 684 |
| Investment revenue | 23 | 3 829 |
| Other revenue | 24 | 2 358 |
| **Total revenue** | | **71 871** |
| **Expenses** | | |
| Employee salaries, allowances and benefits | 25 | 27 438 |
| Rent, leases and utilities | 25 | 17 430 |
| Travel | 25 | 5 190 |
| Depreciation | 14, 25 | 4 400 |
| Non-employee compensation and allowances | 25 | 4 195 |
| Supplies and consumables | 25 | 1 293 |
| Other operating expenses | 25 | 13 164 |
| Other expenses | 25 | 2 496 |
| Share of deficit of joint ventures: equity method | 28 | 2 |
| **Total expenses** | | **75 608** |
| **Deficit for the year** | | **(3 737)** |

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

## United Nations University

## III. Statement of changes in net assets for the year ended 31 December 2014

(Thousands of United States dollars)

| | *Accumulated surpluses* | *Endowment Fund* | *Total* |
|---|---|---|---|
| **Net assets as at 31 December 2013 (UNSAS)** | **42 916** | **314 676** | **357 592** |
| **IPSAS adjustments (note 4):** | | | |
| Change in recognition policy of revenue from voluntary contributions | (3 728) | (3 195) | (6 923) |
| Change in valuation policy of investments | – | 45 762 | 45 762 |
| De-recognition of future year commitments | (8 237) | – | (8 237) |
| Initial recognition of inventories | 96 | – | 96 |
| Initial recognition of property, plant and equipment | 61 797 | – | 61 797 |
| De-recognition of unliquidated obligations | 9 842 | – | 9 842 |
| Initial recognition of accrued liabilities | (1 072) | – | (1 072) |
| Change in valuation policy of employee benefits liabilities | (2 565) | – | (2 565) |
| Initial recognition of donated rights-to-use buildings liabilities | (60 948) | – | (60 948) |
| Initial recognition of borrowings for finance and operating leases | (132) | – | (132) |
| Other adjustments | (7) | 265 | 258 |
| Initial recognition of joint ventures: equity method | (58) | – | (58) |
| **Total IPSAS adjustments** | **(5 012)** | **42 832** | **37 820** |
| **Net assets as at 1 January 2014 (IPSAS)** | **37 904** | **357 508** | **395 412** |
| Shares of changes recognized in the net assets of joint ventures: equity method | (23) | – | (23) |
| Actuarial losses on employee benefits liabilities | (2 621) | – | (2 621) |
| Deficit for the year | (1 964) | (1 773) | (3 737) |
| **Total recognized changes in net assets** | **(4 608)** | **(1 773)** | **(6 381)** |
| **Net assets as at 31 December 2014** | **33 296** | **355 735** | **389 031** |

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

## United Nations University

## IV. Statement of cash flows for the year ended 31 December 2014

(Thousands of United States dollars)

| | Note | 31 December 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Deficit for the year** | | **(3 737)** |
| *Non-cash movements* | | |
| Depreciation | | 4 400 |
| Unrealized loss on investments arising from changes in fair value | | 4 941 |
| Gains on sale of investments | | (25 020) |
| Losses on revaluation of investments | | 24 807 |
| Actuarial loss on employee benefits liabilities | | (2 621) |
| Actuarial loss on share of employee benefits liabilities relating to joint operations | | (23) |
| Investment revenue presented as investing activities | | (8 557) |
| *Changes in assets* | | |
| (Increase)/decrease in voluntary contributions receivable | | 208 |
| (Increase)/decrease in other receivables | | (242) |
| (Increase)/decrease in inventories | | 74 |
| (Increase)/decrease in other assets | | 90 |
| *Changes in liabilities* | | |
| Increase/(decrease) in accounts payable and accrued payable | | (826) |
| Increase/(decrease) in advance receipts | | 771 |
| Increase/(decrease) in employee benefits liabilities | | 2 654 |
| Increase/(decrease) in other liabilities | | (4 090) |
| Share of changes in assets and liabilities of joint ventures: equity method | | 25 |
| **Net cash flows used in operating activities** | | **(7 146)** |
| **Cash flows from investing activities** | | |
| Investment revenue presented as investing activities | | 8 557 |
| Purchases of investments | | (220 550) |
| Proceeds from sales and maturities of investments | | 227 098 |
| Purchases of plant, property and equipment | | (1 022) |
| **Net cash flows from investing activities** | | **14 083** |
| **Cash flows from financing activities** | | |
| Increase/(decrease) in borrowings | | (47) |
| **Net cash flows used in financing activities** | | **(47)** |
| **Net increase in cash and cash equivalents** | | **6 890** |
| **Effect of exchange rate changes on cash and cash equivalents** | | **(5 028)** |
| **Cash and cash equivalents — beginning of year** | | **53 658** |
| **Cash and cash equivalents — end of year** | 7 | **55 520** |

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

## United Nations University

## V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014

(Thousands of United States dollars)

| *Budget cost category* | *Approved budget*[a] *Original biennial* | *Original annual* | *Final annual* | *Actual expenditure (budget basis)* | *Difference*[b] *in per cent* |
|---|---|---|---|---|---|
| Research, training networks and dissemination | 47 204 | 29 204 | 54 815 | 27 598 | -50% |
| Staff and other personnel costs | 38 737 | 18 481 | 19 042 | 16 755 | -12% |
| General operating expenses | 21 307 | 12 376 | 13 719 | 10 099 | -26% |
| **Total** | **107 248** | **60 061** | **87 576** | **54 452** | **-38%** |

[a] The UNU work programme and budget estimates for the biennium 2014-2015 was approved by the UNU Council in November 2013. The original budget was prepared on an annual basis related to each year of the biennium. The annual budget amounts relate to the current year portion of the budget approved by the UNU Council for a two-year budget period.

[b] Represents actual expenditure (budget basis) less final budget as a percentage of the final budget; differences greater than 10 per cent are considered in note 6.

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

## United Nations University
## Notes to the financial statements

### Note 1
### The United Nations University and its activities

1. These financial statements relate to the operations of the United Nations University (UNU), a separate financial reporting entity of the United Nations.

2. In 1969, at its twenty-fourth session, the United Nations General Assembly considered the question of establishing an international university to be devoted to the objectives of peace and progress of the Charter of the United Nations. At that session, the General Assembly invited the Secretary-General to undertake, in cooperation with the United Nations Institute for Training and Research (UNITAR), an expert study on the feasibility of such a university (resolution 2573 (XXIV)). The question was further considered at the following two sessions (resolutions 2691 (XXV) and 2822 (XXVI)).

3. On 11 December 1972, at its twenty-seventh session, the General Assembly approved the establishment of an international university under the auspices of the United Nations, to be known as the United Nations University (resolution 2951 (XXXVII)).

4. On 6 December 1973, at its twenty-eighth session, the General Assembly formally adopted the Charter of the United Nations University (A/9149/Add.2) (resolution 3081 (XXVIII)).

5. On 21 December 2009, at its sixty-fourth session, the General Assembly approved two amendments (additions) to the University Charter: article I, paragraph 8, and article IX, paragraph 2 bis (resolution 64/225), explicitly authorizing the University to "grant and confer master's degrees and doctorates".

6. On 20 December 2013, at its sixty-eighth session, the General Assembly approved amendments to paragraphs 1 and 3 of article IV of the University Charter (resolution 68/236), reducing the number of appointed members of the University Council from 24 to 12.

7. The University is a global think tank and postgraduate teaching University headquartered in Japan, with the mission to contribute, through collaborative research and education, to efforts to resolve the pressing global problems of human survival, development and welfare that are the concern of the United Nations, its peoples and Member States.

8. In carrying out this mission, the University works with leading universities and research institutes in States Members of the United Nations, functioning as a bridge between the international academic community and the United Nations system.

9. Through postgraduate teaching activities, the University contributes to capacity-building, particularly in developing countries.

10. The University Centre in Tokyo serves as the programming, planning and administrative headquarters unit of the University. It comprises the Office of the Rector and the administrative and academic services units that support the work of the global University system. These units include administrative offices in Kuala Lumpur and liaison offices at the United Nations in New York and at the United Nations Educational, Scientific and Cultural Organization in Paris.

11. Included in the University Centre in Tokyo, is the Centre for Policy Research (UNU-CPR) established in 2014 as part of a broader effort by the University Rector to respond to the Secretary-General's request to enhance the University's policy relevance in the fields of peace and security and global development. The core mission of the UNU-CPR is to generate policy research that speaks to major debates in the wider United Nations community as well as the Secretary-General's priorities in these areas.

12. The University encompasses 13 research and training institutes and programmes located in 12 countries around the world. The global University system is coordinated by the UNU Centre:

i. UNU Programme for Biotechnology in Latin America and the Caribbean (UNU-BIOLAC), Caracas;

ii. UNU Institute on Comparative Regional Integration Studies (UNU-CRIS), Bruges, Belgium;

iii. UNU Computing and Society (UNU-CS), Macao, China;

iv. UNU Institute for Environment and Human Security (UNU-EHS), Bonn, Germany;

v. UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES), Dresden, Germany;

vi. UNU Institute on Globalization, Culture and Mobility (UNU-GCM), Barcelona, Spain;

vii. UNU Institute for the Advanced Study of Sustainability (UNU-IAS), Tokyo;

viii. UNU International Institute for Global Health (UNU-IIGH), Kuala Lumpur;

ix. UNU Institute for Natural Resources in Africa (UNU-INRA), Accra;

x. UNU Institute for Water, Environment and Health (UNU-INWEH), Hamilton, Ontario, Canada;

xi. (UNU) Institute for Sustainable Development (UNU-IRADDA), Algiers;

xii. (UNU) Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), Maastricht, The Netherlands;

xiii. UNU World Institute for Development Economics Research (UNU-WIDER), Helsinki.

13. Other activities of the University are carried out through the University Headquarters Building in Tokyo; and the UNU Financial Assistance Programme for Students from Developing Countries Studying in Japan, which was operated through a trust fund until its closure in 2014.

14. The University is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the entities are not deemed to be subject to

common control. The University has no interests in associates or joint ventures. Therefore, these statements relate only to the operations of the University.

### Note 2
### Basis of preparation and authorization for issue

*Basis of preparation*

15. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the University comprise the following:

i. Statement I: statement of financial position;

ii. Statement II: statement of financial performance;

iii. Statement III: statement of changes in net assets;

iv. Statement IV: statement of cash flows (using the indirect method);

v. Statement V: statement of comparison of budgets and actual amounts;

vi. Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes.

16. The financial statements have been prepared on a going-concern basis and the accounting policies as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going-concern assertion is based on the approval by the Council of the United Nations University of the strategic plan for 2015-2019, its net assets position and the positive historical trend of collection of voluntary contributions and that the General Assembly has made no decision to cease the operations of the University.

17. This is the first set of financial statements prepared in compliance with IPSAS, which includes application of certain transitional provisions as identified below. Prior to 1 January 2014, the financial statements were prepared in accordance with United Nations System Accounting Standards (UNSAS), a modified accrual basis of accounting.

18. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized in the statement of financial position. Accordingly, the last audited statement of assets, liabilities and reserves and fund balances as at 31 December 2013 has been revised and the changes are summarized in the statement of changes in net assets.

*Authorization for issue*

19. The financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with regulation 6.2 of the Financial Regulations and Rules the Secretary-General transmits these financial statements as at 31 December 2014 to the Board of Auditors on 31 March 2015. In accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General

Assembly through the Advisory Committee on Administrative and Budgetary Questions.

*Measurement basis*

20. The financial statements are prepared using the historic cost convention except for certain assets as stated in the notes to the financial statements. The financial statements are prepared for the 12- month period from 1 January to 31 December.

*Functional and presentation currency*

21. The functional currency and the presentation currency of the University is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

22. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies other than the functional currency are translated at the United Nations operational rates of exchange year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the United Nations operational rates of exchange prevailing at the date of the transaction or when the fair value was determined.

23. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

*Materiality and use of judgement and estimation*

24. Materiality is central to the preparation and presentation of the financial statements UNU and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.

25. The preparation of the financial statements in accordance with IPSAS requires the use of estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

26. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation method for property, plant and equipment; impairment of assets; classification of financial instruments; valuation of inventory and classification of contingent assets and liabilities.

*IPSAS transitional provisions*

27. As permitted on the first-time adoption of IPSAS, the following transitional provisions have been applied:

i. IPSAS 1: Presentation of financial statements — comparative information is provided only for the statement of financial position.

ii. IPSAS 4: The Effects of changes in foreign exchange rates — the cumulative translation differences that may have existed at the date of first-time adoption of IPSAS accrual accounting are deemed to be zero.

iii. IPSAS 17: Property, plant and equipment allows a transitional period of up to five years prior to full recognition of capitalized property, plant and equipment. The University partially invoked this transitional provision and has not recognized project assets, certain long-term donated right-to-use arrangements and leasehold improvements.

iv. IPSAS 31: Intangible assets is applied prospectively to intangible assets. Intangible assets acquired or internally developed before 1 January 2014 have not been capitalized in these financial statements. A number of key systems, whose software costs were incurred prior to 1 January 2014, are not recognized in opening balances owing to the University invoking this transitional provision.

*Future accounting pronouncements*

28. The progress and impact of the following significant future International Public Sector Accounting Standards Board (IPSASB) accounting pronouncements on the UNU financial statements continues to be monitored:

(a) Reporting service performance information — to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programs and services that focuses on meeting the needs of users;

(b) Social benefits — the project objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements;

(c) Public sector combinations — the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e., transactions or other events that bring two or more separate operations into a single public sector entity;

(d) Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector specific financial instruments which are outside the scope of those covered by IPSAS 28: Financial instruments: presentation; IPSAS 29: Financial instruments: recognition and measurement; and IPSAS 30: Financial instruments: disclosures.

*Future requirements of IPSAS*

29. On 30 January 2015 the IPSASB published IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in

associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. The standards will be effective commencing 2017. As the University has no activities which come under the scope of the standards, the effect of the standards is not expected to be material.

30. A number of annexes accompany the financial statements; the annexes are not required by IPSAS but are provided as supplementary information to the user.

## Note 3
## Significant accounting policies

*Financial assets classification*

31. The University classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets primarily depends on the purpose for which the financial assets are acquired.

| *Classification* | *Financial assets* |
|---|---|
| Fair value through surplus or deficit | Investments in Cash Pools and Endowment Fund |
| Loans and receivables | Cash and cash equivalents, receivables from non-exchange and exchange transactions. |

32. All financial assets are initially measured at fair value. The University initially recognizes financial assets classified as loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date the University becomes party to the contractual provisions of the instrument.

33. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date with net gains or losses recognized in surplus or deficit in the statement of financial performance.

34. Financial assets at fair value through surplus or deficit are those that have been either designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. Financial assets are designated as at fair value through surplus or deficit since the investment manager manages the holdings and makes purchase and sale decisions based on fair value assessments in accordance with the documented risk management and investment strategies of UNU. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise. Gains and losses from changes in fair value, interest income and dividend income are recognized as "net gains or losses in fair value of investments" in the surplus or deficit.

35. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially

recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

36. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

37. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the University has transferred substantially all risks and rewards of the financial asset.

38. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

*Financial assets: investment in cash pools*

39. The United Nations Treasury invests funds pooled from the entities of the United Nations Secretariat and other participating entities. Participation in the cash pools implies sharing the risk and returns on investments among all pool participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

40. The University's investment in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investments.

*Financial assets: Endowment Fund investment*

41. The Endowment Fund represents the donor contributions retained for the benefit of the University as specified by the donor. The fund is permanently invested to generate an income stream to be applied to meet the programme and operational needs of the University.

42. The University's Endowment Fund investments are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investments.

*Financial assets: cash and cash equivalents*

43. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

*Financial assets: receivables from non-exchange transactions — contributions receivable*

44. Contributions receivable represent uncollected revenue from voluntary contributions committed to the University by Member States, non-Member States,

and other donors based on enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables.

45. Voluntary contributions receivable are subject to an allowance for doubtful receivables on the same basis as other receivables where the allowance for doubtful receivables is calculated as follows:

(a) Specific review of all receivables that are past due in excess of two years and the allowance is recorded as appropriate;

(b) For receivables with approved payment plans, no allowance for doubtful debt will be established; however, disclosures will be made in the notes to the financial statements.

*Financial assets: receivables from exchange transactions — other receivables*

46. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, and receivables from staff. Receivables from other United Nations reporting entities are also included in this category.

*Other assets*

47. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

*Inventories*

48. Inventory balances are recognized as current assets and include the following categories:

| *Categories* | *Subcategories* |
|---|---|
| Held for sale or external distribution | Books and publications |

49. The University's inventories are assets held for sale or external distribution.

50. The cost of inventory in stock is determined using the weighted average cost basis. The cost of inventories includes the cost of purchase plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions, i.e., donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services, are valued at the lower of cost and current replacement cost.

51. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the University. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

52. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value which are recognized in the statement of financial performance.

*Heritage assets*

53. Heritage assets are not recognized in the financial statements but significant heritage assets transactions are disclosed in notes to the financial statements.

*Property, plant and equipment*

54. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, as vehicles; temporary buildings; communication and information technology equipment; machinery and equipment; furniture and fittings; and real estate assets (building, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) All property, plant and equipment other than real estate assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs.

(b) Owing to the absence of historical cost information, real estate assets are initially recognized using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed), or using external cost estimated for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost.

(c) Property, plant and equipment acquired at nil or nominal cost including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire.

(d) Property, plant and equipment are capitalized when their cost is greater or equal to the threshold of $5,000 per unit or $100,000 per unit for leasehold improvements and self-constructed assets.

55. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of property, plant and equipment with different useful life are depreciated using components approach. Depreciation commences in the month when the University gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal of property, plant and equipment. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are:

| *Class* | *Subclass* | *Estimated useful life* |
|---|---|---|
| Communications and information technology equipment | Information technology equipment | 4 years |
| | Communication and audiovisual equipment | 7 years |
| Vehicles | Light-wheeled vehicles | 6 years |
| | Heavy-wheeled and engineering support vehicles | 12 years |
| | Specialized vehicles, trailers and attachments | 6-12 years |
| Machinery and equipment | Light engineering and construction equipment | 5 years |
| | Medical equipment | |
| | Security and safety equipment | |
| | Water treatment and fuel distribution equipment | 7 years |
| | Transportation equipment | |
| | Heavy engineering and construction equipment | 12 years |
| | Printing and publishing equipment | 20 years |
| Furniture and fixtures | Library reference material | 3 years |
| | Office equipment | 4 years |
| | Fixtures and fittings | 7 years |
| | Furniture | 10 years |
| Buildings | Temporary and mobile buildings | 7 years |
| | Fixed buildings | Up to 50 years |
| | Finance lease or donated right-to-use buildings | Shorter of term of arrangement or life of building |
| Leasehold improvements | Fixtures, fittings and minor construction work | Shorter of lease term or 5 years |

56. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated in the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets, which revealed that the majority of such assets had relatively short useful lives of 10 years or less.

57. The University elected the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the University and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

58. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

59. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstances indicate that carrying amounts may not be recoverable.

60. Land, buildings and infrastructure assets with a year-end net-book-value greater than $100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $5,000 per unit.

*Financial liabilities: classification*

61. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds, and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The University re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

*Financial liabilities: accounts payable and accrued expenses*

62. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less payment discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value as they are generally due within 12 months.

*Advance receipts and other liabilities*

63. Other liabilities consist of advance receipts relating to contributions or payments received in advance, liabilities for conditional funding arrangements or voluntary contributions received for future periods and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the University's revenue recognition policies.

*Leases: the University as a lessee*

64. Leases of property, plant and equipment where the University has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term based on the effective interest rate method.

65. Leases where all of the risks and rewards of ownership are not substantially transferred to the University are classified as operating leases. Payments made under operating leases are charged to statement of financial performance as an expense on a straight-line basis over the lease term.

*Donated rights to use*

66. The University occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use arrangements granted primarily by host Governments at nil or nominal cost. Based on the term of the agreement, and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

67. In the case of an operating lease, an expense and a corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of finance lease (principally with a lease term over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. If property is transferred with specific conditions, deferred revenue for the amount is recognized equal to the entire fair market value of the property (or share of the property) occupied by the University, which is progressively recognized as revenue and offsets the corresponding depreciation charge. If property is transferred without any specific condition, revenue for the same amount is recognized immediately upon assuming control of the property.

68. Long-term donated right-to-use building and land arrangements are accounted for as an operating lease where the University does not have exclusive control over the building and title to the land is not granted.

69. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 per donated rights-to-use premises and $5,000 per unit for machinery and equipment.

*Employee benefits*

70. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employees also include certain individual contractors employed by the University. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

*Short-term employee benefits*

71. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within twelve months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees

based on services rendered. All such benefits which are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.

*Post-employment benefits*

72. Post-employment benefits include the pension plan, the after-service health insurance plan and end-of-service repatriation benefits that are defined benefit plans. Benefits related to the commutation of annual leave are also classified as post-employment defined benefits.

*Defined benefit plans*

73. Defined benefit plans are those where the University's obligation is to provide agreed benefits and therefore the University bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the period in which they occur. The University has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the University did not hold any plan assets as defined by IPSAS 25: employee benefits.

74. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

75. After-service health insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end-of-service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the University's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the University's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the University's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

76. Repatriation benefits: Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the University and is measured as the present value of the estimated liability for settling these entitlements.

77. Appendix D benefits: Appendix D to the Staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations.

*United Nations Joint Staff Pension Fund*

78. The University is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership of 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, plan assets, and costs to individual organizations participating in the Fund. The University, in line with other participating organizations, is not in a position to identify the University'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 University has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The University's contributions to the Pension Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

*Termination benefits*

79. Termination benefits are recognized as an expense only when the University is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

*Other long-term employee benefits*

80. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Other long-term employee benefits comprise liabilities related to the commutation of annual leave balances at end of service.

81. The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore the University recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are calculated on the same actuarial basis as other post-employment

benefits. Actuarial gains and losses on other long-term employee benefits are recognized in the statement of changes in net assets.

*Provisions*

82. Provisions are liabilities recognized for future expenditure of an uncertain amount or timing. A provision is recognized if, as a result of a past event, the University has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation.

*Contingent liabilities*

83. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

*Contingent assets*

84. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the University.

*Commitments*

85. Commitments are future expenses to be incurred by the University on contracts entered into by the reporting date and that the University has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the University in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

*Non-exchange revenue: voluntary contributions*

86. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding, which is the point when the University is deemed to acquire control of the asset. However, where resources provided are subject to specific conditions or when contributions are explicitly given for a specific future financial year, revenue recognition is deferred until those conditions have been satisfied, or the specified financial year commences.

87. Voluntary pledges and other promised donations that are not supported by binding agreements with the terms of offer and acceptance, are recognized as revenue upon receipt of cash.

88. Unused funds returned to the donor are netted against revenue. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the University to administer projects or other programmes on their behalf.

89. In-kind contributions of goods, above a recognition threshold of $5,000 per discrete contribution are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the University and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The University has elected not to recognize in-kind contributions of services but to disclose information on in-kind contributions of services, above a threshold of $5,000 per discrete contribution in the notes to the financial statements.

*Exchange revenue*

90. Exchange transactions are those in which the University sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met.

(a) Revenue from sales of publications and books, and royalties, is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed;

(c) Revenue from tuition income represents fees received from students pursuing postgraduate courses at the University;

(d) Exchange revenue also includes income from the rental of premises, the sale of used or surplus property and income from net gains resulting from currency exchange adjustments.

*Investment revenue*

91. Investment revenue is presented as net gains/losses in fair value of investment in the statement of financial position. This includes the University's share of net cash pool investment income, and the interest income and dividend income arising from the Endowment Fund's investment in securities. The net cash pool and Endowment Fund income includes any gains and losses on the sale of investments, which are calculated as the differences between the sales proceeds and book value and unrealized market gains and losses on securities. Transaction costs that are directly attributable to the investment activities are netted against income. The net income for the cash pool is distributed proportionately to all cash pool participants based on their daily balances while the unrealized market gains and losses on

securities is distributed proportionately to all participants based on their year-end balances.

*Expenses*

92. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.

93. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance subsidies, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of consultant and contractors fees and ad hoc experts.

94. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, and allowance for bad debt and write-off expenses. Other expenses relate to hospitality and official functions, foreign exchange losses and donation/transfer of assets.

95. Supplies and consumables relates to the cost of inventory used and expenses for supplies.

*Joint ventures accounted for using the equity method*

96. A joint venture is a contractual arrangement whereby UNU and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 8 as a jointly controlled entity, jointly controlled asset, jointly controlled operation or joint venture operation over which UNU has significant influence. UNU has entered into joint venture arrangements for jointly financed activities in which the nature of these arrangements is that UNU has significant influence, which is the power to participate in the financial and operating policy decisions of the activities, but has no control or joint control over these activities.

97. Under IPSAS 8: interests in joint ventures. The interests in these activities are accounted for using the equity method. The equity method initially records the interest in a joint venture operation for which UNU has significant influence entity at cost, and adjusted thereafter for the post-acquisition change in the UNU share of the joint venture's net assets. The UNU share of the joint venture's surplus or deficit is recognized in the statement of financial performance and its share of any changes recorded directly in net assets is recognized in the statement of changes in net assets. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

## Note 4
## First implementation of IPSAS: opening balances

98. On 1 January 2014, the University adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in

significant changes to accounting policies and in the type and measurement of assets, liabilities, revenue and expenses recognized.

99. Accordingly, adjustments and reclassifications were made to the University's UNSAS statement of assets, liabilities and reserves and fund balances as at 31 December 2013 to arrive at the 1 January 2014 IPSAS opening statement of financial position.

100. The net effect of the changes resulting from the adoption of IPSAS adjustments amounted to a $37.9 million increase in net assets. Line-by-line adjustments to net assets are shown in the statement of changes in net assets.

## Note 5
## Segment reporting

101. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

102. Segment reporting information is provided on the basis of the two distinguishable components of the University that are engaged in achieving the operating objectives consistent with the overall mission of University:

(a) The UNU Centre serves as the central programming, planning and administrative headquarters unit of the University;

(b) Institutes and programmes undertake research and academic work towards achieving the goals of the University.

**Statement of financial position as at 31 December 2014**

(Thousands of United States dollars)

| | *Centre* | *Institutes* | *Elimination*[a] | *Total* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 10 859 | 44 661 | – | 55 520 |
| Investments | 8 512 | 15 381 | – | 23 893 |
| Voluntary contributions receivable | 24 | 1 716 | – | 1 740 |
| Other receivables | 410 | 824 | (7) | 1 227 |
| Inventories | – | 22 | – | 22 |
| Other assets | 184 | 238 | – | 422 |
| Inter-fund balances receivable | 2 573 | – | (2 573) | – |
| **Total current assets** | **22 562** | **62 842** | **(2 580)** | **82 824** |
| **Non-current assets** | | | | |
| Investments | 152 706 | 174 968 | – | 327 674 |
| Property, plant and equipment | 43 636 | 14 782 | – | 58 418 |
| **Total non-current assets** | **196 342** | **189 750** | **–** | **386 092** |
| **Total assets** | **218 904** | **252 592** | **(2 580)** | **468 916** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | 971 | 1 263 | (7) | 2 227 |
| Advance receipts | 350 | 2 336 | – | 2 686 |
| Employee benefits liabilities | 562 | 1 240 | – | 1 802 |
| Borrowings | 23 | 31 | – | 54 |
| Other liabilities | 3 547 | 542 | – | 4 089 |
| Inter-fund balances payable | 156 | 2 417 | (2 573) | – |
| **Total current liabilities** | **5 609** | **7 829** | **(2 580)** | **10 858** |
| **Non-current liabilities** | | | | |
| Advance receipts | – | 62 | – | 62 |
| Employee benefits liabilities | 5 050 | 11 032 | – | 16 082 |
| Borrowings | 25 | 6 | – | 31 |

| | Centre | Institutes | Elimination[a] | Total |
|---|---|---|---|---|
| Other liabilities | 38 936 | 13 833 | – | 52 769 |
| Share of joint ventures: equity method | 25 | 58 | – | 83 |
| **Total non-current liabilities** | **44 036** | **24 991** | **–** | **69 027** |
| **Total liabilities** | **49 645** | **32 820** | **(2 580)** | **79 885** |
| **Net of total assets and total liabilities** | **169 259** | **219 772** | **–** | **389 031** |
| **Net assets** | | | | |
| Accumulated surplus (deficits) | (3 168) | 36 464 | – | 33 296 |
| Endowment Fund | 172 427 | 183 308 | – | 355 735 |
| **Total net assets** | **169 259** | **219 772** | **–** | **389 031** |

[a] Eliminations comprise $2.6 million relating to inter-fund transactions between the University Centre and its institutes and programmes.

## Statement of financial performance as at 31 December 2014

(Thousands of United States dollars)

| | *Centre* | *Institutes* | *Elimination*[a] | *Total* |
|---|---|---|---|---|
| **Revenue** | | | | |
| Voluntary contributions | 22 399 | 43 285 | – | 65 684 |
| Investment revenue | 2 478 | 1 351 | – | 3 829 |
| Other revenue | 1 681 | 1 200 | (523) | 2 358 |
| **Total revenue** | **26 558** | **45 836** | **(523)** | **71 871** |
| **Expenses** | | | | |
| Employee salaries, allowances and benefits | 8 169 | 19 512 | (243) | 27 438 |
| Rent, leases and utilities | 14 274 | 3 156 | – | 17 430 |
| Travel | 1 047 | 4 160 | (17) | 5 190 |
| Depreciation | 3 735 | 665 | – | 4 400 |
| Non-employee compensation and allowances | 754 | 3 441 | – | 4 195 |
| Supplies and consumable | 569 | 724 | – | 1 293 |
| Other operating expenses | 3 905 | 9 522 | (263) | 13 164 |
| Other expenses | 1 746 | 750 | – | 2 496 |
| Share of deficit of joint ventures: equity method | 1 | 1 | – | 2 |
| **Total expenses** | **34 200** | **41 931** | **(523)** | **75 608** |
| **Surplus/(deficit) for the year** | **(7 642)** | **3 905** | | **(3 737)** |

[a] Eliminations comprise $0.5 million relating to income from services rendered between the University Centre and its institutes and programmes.

## Note 6
## Comparison to budget

103. Statement V: Statement of comparison of budget and actual amounts presents the difference between budget amounts, which are prepared on a modified accrual basis and actual expenditure on a comparable basis.

104. Approved budgets are those that permit expenses to be incurred and are approved by the Council of the United Nations University. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each budget area under Council proceedings. The presentation of activities and associated expenditures in statement V reflects the cost classification categories approved by the Council:

i. Research, training networks and dissemination: academic activities;

ii. Staff and other personnel costs: staffing table and other personnel costs;

iii. General operating expenses: general expenses.

105. The original budget amounts are the 2014 portions of the appropriations approved by the Council for the biennium 2014-2015 on 22 November 2013. Differences between original and final budget amounts are due to revised appropriations as approved by the Council and increased authorized spending for specific programme activities that the Rector has been authorized by the Council to accept and utilize.

106. Material difference between the final budget appropriation and actual expenditure on a modified accrual basis are deemed to be those greater than 10 per cent and are considered below:

| *Budget area* | *Material differences greater than 10 per cent* |
|---|---|
| Research, training networks and dissemination | Low implementation rate of Specific Programme Contributions projects at the UNU-Institute for the Advanced Study of Sustainability (UNU-IAS), as a number of academic projects are in the early stages of the implementation cycle as at year-end |
| Staff and other personnel costs | Recruitment of staff for UNU-Computing and Society and UNU-IRADDA (UNU Institute for Sustainable Development) in Algiers has been postponed to 2015.<br>In addition, a certain number of recruitments were postponed or delayed at the UNU Centre owing to cost-cutting measures |
| General operating expenses | Deferment of the operational set-up of UNU-IRADDA, and the phased renovation of office space at the Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT) and the headquarters building |

*Reconciliation between actual amounts on a comparable basis and the statement of cash flows*

107. Reconciliation between the actual amounts on a comparable basis in the comparison of budget and actual amounts and the actual amounts in the statement of cash lows as follows:

**Reconciliation between actual amounts on a comparable basis and the statement of cash flows for the year ended 31 December 2014**

(Thousands of United States dollars)

| | *Operating* | *Investing* | *Financing* | *Total* |
|---|---|---|---|---|
| **Actual amounts on comparable basis (Statement V)** | **(53 384)** | **(1 021)** | **(47)** | **(54 452)** |
| Entity differences | (593) | – | – | (593) |
| Timing differences | (419) | – | – | (419) |
| Presentation differences | (3 830) | 15 104 | – | 11 274 |
| **Actual amounts in statement of cash flows (Statement IV)** | **(7 146)** | **14 083** | **(47)** | **6 890** |

108. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the cash flow statement, the non-cash elements such as unliquidated obligations, payments against prior-year obligations and property, plant and equipment are included as basis differences.

109. Entity differences represent cash flows (to)/from fund groups other than the University that are reported in the financial statements. The financial statements include results for all fund groups.

110. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the University.

111. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts which is primarily related to the latter not recording income and the changes in the investment balance.

112. The following table reconciles the expenditure on a budget basis as reported in the statement of comparison of budget and actual amounts to the total IPSAS expenses reported in the statement of financial performance:

### Reconciliation of expenditures on a budget basis to the statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

| | *Total* |
|---|---|
| **Actual expenditure amount on a budget basis (Statement V)** | **54 452** |
| Additional assets | (1 022) |
| Depreciation (Note 14) | 4 400 |
| Donated rights-to-use arrangements (Note 29) | 15 690 |
| Endowment Fund expenses (Annex II) | 873 |
| Inventories (Note 11) | 74 |
| Revaluation loss | 2 495 |
| Payroll related accruals | 921 |
| Change in obligations/effect of accruals versus obligations | (1 991) |
| Other differences — inter-office expenditure elimination | (284) |
| **Actual expenses in Statement of Financial Performance** | **75 608** |

## Note 7
## Cash and cash equivalents

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Cash pools (Note 26) | 8 800 |
| Endowment Fund (Notes 26, 27) | 25 954 |
| Other cash and cash equivalents (Note 26) | 20 766 |
| **Total cash and cash equivalents** | **55 520** |

## Note 8
## Investments

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2014* |
|---|---|---|---|
| Cash pools (Note 26) | 17 346 | 5 441 | 22 787 |
| Endowment Fund (Notes 26, 27) | 6 547 | 322 233 | 328 780 |
| **Total investments** | **23 893** | **327 674** | **351 567** |

## Note 9
## Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Voluntary contributions | 1 932 |
| Allowance for doubtful voluntary contributions receivables | (192) |
| **Total voluntary contributions receivables** | **1 740** |

## Note 10
## Other receivables: receivables from exchange transactions

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Investment receivables | 783 |
| Member States | 318 |
| Receivable from other United Nations agencies | 8 |
| Staff | 15 |
| Other exchange revenue receivables | 103 |
| **Total other receivables** | **1 227** |

## Note 11
## Inventories

### Inventories: books and publications held for sale

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| **Opening inventory 1 January 2014** | **96** |
| Purchased in period | 33 |
| **Total inventory available** | **129** |
| Consumption | (51) |
| Impairment and write-offs | (56) |
| **Total inventory at 31 December 2014** | **22** |

## Note 12
## Other assets

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---:|
| Advances to vendors | 217 |
| Advances to staff | 182 |
| Travel | 23 |
| **Total other assets** | **422** |

## Note 13
## Heritage assets

113. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The University's heritage assets comprise works of art, books and a statue. They were acquired over many years by various means, including purchase, donation and bequest. The heritage assets are not used in the delivery of services relating to the University's institutes or programmes; in accordance with the University's accounting policy, heritage assets are not recognized on the statement of financial position. There were no heritage assets received or disposed of during the year 2014.

## Note 14
## Property, plant and equipment

114. In accordance with IPSAS 17: Property, plant and equipment, opening balances were initially recognized at cost or fair value as of 1 January 2014 and measured at cost thereafter. The opening balance for buildings was obtained on 1 January 2014 based on depreciated replacement cost and was validated by external professionals. Machinery and equipment are valued using the cost method.

115. During the year, there was no write down of property, plant and equipment. As at the reporting date, the University did not identify any additional impairment.

116. The net book value includes $56.86 million relating to rights-to-use arrangements.

**Property, plant and equipment**

(Thousands of United States dollars)

| | *Buildings* | *Assets under construction* | *Machinery and equipment* | *Vehicles* | *Communication and IT equipment* | *Furniture and fittings* | *Total* |
|---|---|---|---|---|---|---|---|
| **Opening balance as at 1 January 2014** | | | | | | | |
| Cost | 135 726 | 38 | 434 | 140 | 2 983 | 712 | 140 033 |
| Accumulated depreciation | (74 778) | – | (385) | (104) | (2 420) | (549) | (78 236) |
| **Net book value** | **60 948** | **38** | **49** | **36** | **563** | **163** | 61 797 |
| Movements | | | | | | | |
| Additions | 525 | 169 | 50 | 34 | 213 | 31 | 1 022 |
| Disposals | – | – | – | – | (565) | (74) | (639) |
| Reclassification | 38 | (38) | – | – | – | – | – |
| Depreciation for the year | (4 100) | – | (9) | (13) | (206) | (72) | (4 400) |
| Depreciation on disposal | – | – | – | – | 565 | 74 | 639 |
| **Total movement** | **(3 537)** | **131** | **41** | **21** | **7** | **(41)** | (3 378) |
| **Closing balance as at 31 December 2014** | | | | | | | |
| Cost | 136 289 | 169 | 484 | 174 | 2 631 | 669 | 140 416 |
| Accumulated depreciation | (78 879) | – | (394) | (117) | (2 061) | (547) | (81 998) |
| **Net book value** | **57 410** | **169** | **90** | **57** | **570** | **122** | 58 418 |

### Note 15
### Accounts payable and accrued liabilities

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Vendor payables | 115 |
| Accruals for goods and services | 939 |
| Payable to other United Nations agencies | 650 |
| Other | 523 |
| **Total accounts payable and accrued payables** | **2 227** |

### Note 16
### Advance receipts

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2014* |
|---|---|---|---|
| Contributions received in advance | 2 686 | 62 | 2 748 |
| **Total advance receipts** | **2 686** | **62** | **2 748** |

### Note 17
### Employee benefit liabilities

(Thousands of United States dollars)

| | *Actuarial valuation* | *In-house valuation* | *Total 31 December 2014* |
|---|---|---|---|
| After-service health insurance | 11 799 | – | 11 799 |
| Repatriation benefits | 2 576 | 235 | 2 811 |
| Annual leave | 2 204 | 662 | 2 866 |
| **Subtotal for liabilities on a defined benefits basis** | **16 579** | **897** | **17 476** |
| Accrued salaries and other staff costs | – | 408 | 408 |
| **Total employee benefits liabilities** | **16 579** | **1 305** | **17 884** |

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2014* |
|---|---|---|---|
| Employee benefit liabilities | 1 802 | 16 082 | 17 884 |
| **Total** | **1 802** | **16 082** | **17 884** |

117. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. Actuarial valuation is usually undertaken every

two years. The most recent actuarial valuation was conducted as at 31 December 2013 and the liabilities have been rolled forward to 31 December 2014.

*Actuarial valuation — assumptions*

118. The University reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2013 and for roll-forward to 31 December 2014 are:

| *Actuarial assumptions* | *After-service health insurance (in percentage)* | *Repatriation benefits (in percentage)* | *Annual leave (in percentage)* |
|---|---|---|---|
| Discount rates: 31 December 2013 valuation | 5.06 | 3.99 | 3.98 |
| Discount rates: 31 December 2014 roll-forward | 4.04 | 3.24 | 3.23 |
| Inflation: 31 December 2013 valuation | 5.00-7.30 | 2.50 | – |
| Inflation: 31 December 2014 roll-forward | 4.50-6.80 | 2.25 | – |

119. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars, euros and Swiss Francs. As interest rates decreased since 31 December 2013, lower discount rates were assumed for roll-forward.

120. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and economic environment. Medical cost trend assumptions that were used for the valuation as of 31 December 2013, which included escalation rates for10 years, were maintained for roll-forward since no significant evolution regarding medical trends has been observed. At 31 December 2014, these escalation rates were a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, health-care escalation rates of 6.8 per cent for all other medical plans, (except 6.1 per cent for the United States Medicare plan, and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over nine years.

121. With regard to valuation of repatriation benefits as of 31 December 2013, inflation in travel costs was assumed at 2.50 per cent based on the projected United States inflation rate over the next 10 years. For the roll-forward valuation, the assumption was decreased to 2.25 per cent to take into consideration the decrease observed on these references in the year.

122. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 1-3 years — 10.9 days; 4-8 years — 1 day; and over 8 years — 0.5 days up to the maximum of 60 days. This assumption was maintained for roll-forward of the liability to 31 December 2014. Since the annual leave actuarial valuation method under UNSAS was not in compliance with IPSAS, the actuarial valuation method for the 1 January 2014 IPSAS opening balances and roll-forward to the year-end was changed from the straight-line to the attribution method. The opening balances impact of this change

was an increase in liability of $0.954 million which is disclosed in the statement of changes in net assets.

*Movement in employee benefits liabilities accounted for as defined benefits plans*

(Thousands of United States dollars)

| | *Total* |
|---|---|
| **Net defined benefit liability at 1 January 2014** | **13 017** |
| Current service cost | 987 |
| Interest cost | 597 |
| Past service costs/curtailments/settlements | (643) |
| **Subtotal costs recognized in the statement of financial performance** | **941** |
| Actuarial (gains)/losses recognized directly in the statement of changes in net assets | 2 621 |
| **Net recognized liability at 31 December 2014** | **16 579** |

*Discount rate sensitivity analysis*

123. The changes in discount rates are driven by the discount curve, which is calculated based on corporate bonds. The bonds markets vary over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by1 per cent, its impact on the obligations would be as follows:

**Discount rate sensitivity to end of year employee benefit liabilities**
(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation benefits* | *Annual leave* |
|---|---|---|---|
| Increase of discount rate by 1 per cent | (2 375) | (210) | (175) |
| As a percentage of end of year liability | (20) | (8) | (8) |
| Decrease of discount rate by 1 per cent | 3 005 | 231 | 191 |
| As a percentage of end of year liability | (25) | (9) | (9) |

*Medical costs sensitivity analysis*

124. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability due to changes in the medical cost rates while holding other assumptions constant; the key assumption held constant is the discount rate. Should the medical cost trend assumption vary by 1 per cent, this would impact the measurement of the defined benefit obligations as follows:

**1 per cent movement in the assumed medical costs trend rates**
(Thousands of United States dollars)

| | *Increase* | *Decrease* |
|---|---|---|
| Effect on the after-service health insurance defined benefit obligation | 2 838 | (2 181) |
| Effect on the aggregate of the current service cost and interest cost | 418 | (358) |

*Other defined benefit plan information*

125. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission in its report to support the recommendation of the United Nations Joint Staff Pension Fund to raise the mandatory age of retirement to 65 years for new staff effective 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of these liabilities.

**Historical information — total liability after-service health insurance, repatriation benefits and annual leave as at 31 December**
(Thousands of United States dollars)

| | *2013* | *2012* | *2011* | *2010* | *2009* |
|---|---|---|---|---|---|
| Present value of the defined benefit obligations | 10 930 | 9 626 | 8 767 | 5 415 | 4 924 |

*Accrued salaries and other staff costs*

126. These costs include accruals for home leave ($0.33 million), United Nations tax reimbursements ($0.07 million).

*United Nations Joint Staff Pension Fund*

127. The Regulations of the United Nations Joint Staff Pension Fund 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 Pension Fund will be sufficient to meet its liabilities.

128. The University's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.90 per cent for participants and 15.80 per cent 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 payable only if and when the 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 Pension 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.

129. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable

remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as of 31 December 2015. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

130. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly has not invoked the provision of article 26.

131. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Pension Fund as at 31 December 2013.

132. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the United Nations Joint Staff Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting www.unjspf.org. During 2014, the University's contributions paid to the Pension Fund amounted to $2.385 million.

*Fund for compensation payments — Appendix D/workers' compensation*

133. The fund for compensation payments relates to the payment of compensation with respect to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the University to continue to fulfil its obligation of making compensation payments for death, injury or illness. The fund derives its revenue from a charge of 0.1 per cent of the net base salary including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payment for injury or illness as well as medical expenses.

## Note 18
## Borrowings

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2014* |
|---|---|---|---|
| Finance leases (Note 29) | 45 | 31 | 76 |
| Operating lease straight lining liability | 9 | – | 9 |
| **Total borrowings** | **54** | **31** | **85** |

### Note 19
### Other liabilities

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2014* |
|---|---|---|---|
| Donated rights-to-use buildings (Note 29) | 4 089 | 52 769 | 56 858 |
| **Total other liabilities** | **4 089** | **52 769** | **56 858** |

### Note 20
### Net assets: accumulated surpluses (deficits)

(Thousands of United States dollars)

| | *Operating funds* | *End of services liabilities fund* | *Trust Fund* | *Total* |
|---|---|---|---|---|
| **Balance as at 1 January 2014** | **50 346** | **(13 017)** | **575** | **37 904** |
| Actuarial gains recognized in Net Assets | – | (2 621) | – | (2 621) |
| Share of changes recognized on the Net Assets of joint ventures: equity method | (23) | – | – | (23) |
| Deficit for the year | (463) | (1 439) | (62) | (1 964) |
| Transfers | 513 | – | (513) | – |
| **Balance as at 31 December 2014** | **50 373** | **(17 077)** | **–** | **33 296** |

### Note 21
### Net assets: Endowment Fund

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Contributed capital (restricted) | 268 333 |
| Accumulated surpluses (restricted) | 87 402 |
| **Total Endowment Fund net asset** | **355 735** |

### Movement in Endowment Fund

(Thousands of United States dollars)

### Contributed capital (restricted)

| | *Total* |
|---|---|
| **Balance as at 1 January 2014** | **259 333** |
| Endowment Fund received | 9 000 |
| **Balance as at 31 December 2014** | **268 333** |

### Accumulated surpluses (deficits) — restricted

(Thousands of United States dollars)

| | Total |
|---|---|
| **Balance as at 1 January 2014** | **98 175** |
| Distribution to operating funds | (15 391) |
| Surplus for the year | 4 618 |
| **Balance as at 31 December 2014** | **87 402** |

## Note 22
## Voluntary contributions: revenue from non-exchange transactions

(Thousands of United States dollars)

| | 31 December 2014 |
|---|---|
| Voluntary monetary contributions | 45 913 |
| Voluntary in-kind contributions | 19 771 |
| **Total voluntary contributions** | **65 684** |

134. At 31 December 2014, the University had $62.7 million of contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This represents contributions due from donors where revenue will be recorded in future accounting periods in accordance with revenue recognition accounting policies.

135. In-kind contributions revenue represents donated rights-to-use facilities and premises based on fair rental value. In-kind contributions of services received during the period are not recognized as revenue and, therefore not included in the above in-kind contribution revenue. In-kind academic support amounting to $0.304 million was received during the period.

## Note 23
## Investments revenue

(Thousands of United States dollars)

| | 31 December 2014 |
|---|---|
| **Summary of income and expense from cash pool** | |
| Investment revenue | 132 |
| Unrealized gains/(losses) | (1 768) |
| **Net cash pool revenue** | **(1 636)** |
| **Summary of income and expense from Endowment Fund** | |
| Investment revenue | 8 425 |
| Realized gain on sale and maturities of securities | 25 020 |
| Change in fair value | (4 941) |

| | *31 December 2014* |
|---|---|
| Unrealized gains/(losses) | (23 039) |
| **Net Endowment Fund revenue** | **5 465** |
| **Total investment revenue** | **3 829** |

## Note 24
## Other revenue: revenue from exchange transactions

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Publications sales and royalties | 90 |
| Services rendered | 246 |
| Rental revenue | 1 313 |
| Tuition revenue | 318 |
| Others | 391 |
| **Total other revenue** | **2 358** |

## Note 25
## Expenses

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| **Employee salaries, allowances and benefits** | |
| Salary and wages | 20 613 |
| Pension benefits | 2 385 |
| Termination and post-employment benefit | 1 879 |
| Appointment and assignment | 771 |
| Leave benefits | 346 |
| Other staff benefits | 1 444 |
| **Total employee salaries, allowances and benefits** | **27 438** |
| **Rent, leases and utilities** | |
| Rent, leases and utilities | 17 430 |
| **Total rent, leases and utilities** | **17 430** |
| **Travel** | |
| Travel | 5 190 |
| **Total travel** | **5 190** |
| **Depreciation** | |
| Depreciation | 4 400 |
| **Total depreciation** | **4 400** |

| | *31 December 2014* |
|---|---|
| **Non-employee compensation and allowances** | |
| Contract services with individuals | 4 195 |
| **Total non-employee compensation and allowances** | **4 195** |
| **Supplies and consumables** | |
| Information technology and communication equipment | 398 |
| Equipment | 383 |
| Information technology supplies and software maintenance | 255 |
| Office supplies | 226 |
| Other consumables | 31 |
| **Total supplies and consumables** | **1 293** |
| **Other operating expenses** | |
| Contractual services with companies | 3 889 |
| Learning costs | 3 369 |
| Maintenance costs | 1 899 |
| Professional services | 1 845 |
| Communications | 1 547 |
| Insurance/warranties | 288 |
| Recruitment costs | 155 |
| Security | 82 |
| Freight costs | 28 |
| Sundries | 62 |
| **Total other operating expenses** | **13 164** |
| **Other expenses** | |
| Foreign exchange (gains)/losses | 2 423 |
| Hospitality | 17 |
| Impairment of inventories | 56 |
| **Total other expenses** | **2 496** |
| **Share of deficit of joint ventures: equity method** | **2** |
| **Total expenses** | **75 608** |

## Note 26
## Financial instruments, financial risk management and the cash pools

136. The following table shows the classes of financial instruments at the University:

### Financial assets

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| **Designated at fair value through the surplus or deficit** | |
| Short-term investments — main cash pool | 6 164 |
| Short-term investments — euro cash pool | 11 182 |
| Short-term investments — Endowment Fund | 6 547 |
| **Total short-term investments** | **23 893** |
| Long-term investments — main cash pool | 5 441 |
| Long-term investments — Endowment Fund | 322 233 |
| **Total long-term investments** | **327 674** |
| **Total designated at fair value through the surplus or deficit investments** | **351 567** |
| **Loans and receivables** | |
| Cash and cash equivalents — main cash pool | 3 180 |
| Cash and cash equivalents — euro cash pool | 5 620 |
| Cash and cash equivalents — Endowment Fund | 25 954 |
| Cash and cash equivalents — other | 20 766 |
| **Total cash and cash equivalents** | **55 520** |
| Voluntary contributions | 1 740 |
| Other receivables | 1 227 |
| **Total loans and receivables** | **58 487** |
| **Total carrying amount of financial assets** | **410 054** |
| Of which relates to financial assets held in main cash pool | 14 785 |
| Of which relates to financial assets held in euro cash pool | 16 802 |
| Of which relates to financial assets held in Endowment | 354 734 |
| **Financial liabilities at amortized cost** | |
| Accounts payable and accrued payables | 2 227 |
| **Total carrying amount of financial liabilities** | **2 227** |

137. The University has exposure to the following financial risks, arising mainly from investments in cash pools and the Endowment Fund:

- Credit risk
- Liquidity risk
- Market risk, including interest rate risk, foreign exchange risk and price risk.

138. The present note and the following note 27 (Financial instruments: Endowment Fund) presents information on the University's exposure to these risks,

the objectives, policies and processes for measuring and managing risk, and the management of capital.

*Financial risk management: risk management framework*

139. The investment management function is centralized at United Nations Headquarters, and the University is not permitted in normal circumstances to engage in investing. The University may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

140. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

141. The objectives of investment management are to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

142. An Investment Committee periodically evaluates investment performance, assesses compliance with the Guidelines and makes recommendations for updates thereto.

*Financial risk management: credit risk*

143. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables.

*Maximum exposure to credit risk*

144. The maximum exposure to credit risk of financial assets equals their carrying amount at the end of the financial reporting period. The following table represents the entity's maximum exposure to credit risk of financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| **Credit risk exposure**: | |
| Cash and cash equivalent | 55 520 |
| Short-term investments | 23 893 |
| Long-term investments (exclude equity investments) | 139 170 |
| Other voluntary contribution receivables | 1 740 |
| Other receivables | 1 227 |
| **Total** | **221 550** |

145. There is no collateral held as security and other credit enhancement.

*Credit risk: contributions receivable and other receivables*

146. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities which do not have significant credit risk. As at the reporting date, the University does not hold any collateral as security for receivables.

**Ageing of voluntary contributions and other receivables as at 31 December 2014**

(Thousands of United States dollars)

| | *Gross receivable* | *Allowance* |
|---|---|---|
| Not yet due | 200 | – |
| Less than 1 year | 1 540 | – |
| Over three years | 192 | 192 |
| **Total** | **1 932** | **192** |

*Credit risk: cash and cash equivalents*

147. The University had cash and cash equivalents of $55.5 million as at 31 December 2014, which is the maximum credit exposure on these assets.

*Credit risk: cash pools*

148. In addition to directly held cash and cash equivalents and investments, the University participates in the United Nations cash pools. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short- and long-term investments) and income is based on each participating entity's principal balance.

149. The University participates in two United Nations Treasury-managed cash pools:

(a) The main cash pool which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro cash pool, which comprises investments in euro currency; the pool participants are for the most part in Offices of the United Nations Secretariat away from Headquarters which may have a surplus of euros from their operations.

150. As at 31 December 2014, the cash pools held total assets of $9,608.8 million; of this amount $31.6 million was due to United Nations University.

151. The net loss to the University from the cash pools was $1.6 million; the net loss was due to a $1.8 million foreign exchange loss relating to the euro currency weakening against the United States dollar.

### Summary of assets and liabilities of the cash pools as at 31 December 2014

(Thousands of United States dollars)

| | *Main pool* | *Euro pool* | *Total* |
|---|---|---|---|
| **Fair value through surplus or deficit** | | | |
| Short-term investments | 3 930 497 | 97 011 | 4 027 508 |
| Long-term investments | 3 482 641 | – | 3 482 641 |
| **Total fair value through surplus or deficit investments** | **7 413 138** | **97 011** | **7 510 149** |
| **Loans and receivables** | | | |
| Cash and cash equivalents | 2 034 824 | 48 819 | 2 083 643 |
| Accrued investment income | 14 842 | 119 | 14 961 |
| **Total loans and receivables** | **2 049 666** | **48 938** | **2 098 604** |
| **Total carrying amount of financial assets** | **9 462 804** | **145 949** | **9 608 753** |
| **Cash pool liabilities** | | | |
| Payable to UNU | 14 785 | 16 802 | 31 587 |
| Payable to other cash pool participants | 9 448 019 | 129 147 | 9 577 166 |
| **Total liabilities** | **9 462 804** | **145 949** | **9 608 753** |
| **Net assets** | **–** | **–** | **–** |

### Summary of net income and expenses of the cash pools for the year ended 31 December 2014

(Thousands of United States dollars)

| | *Main pool* | *Euro pool* | *Total* |
|---|---|---|---|
| Investment revenue | 62 511 | 132 | 62 643 |
| Financial exchange gains/(losses) | (7 064) | (14 396) | (21 460) |
| Unrealized gains/(losses) | (3 084) | 9 | (3 075) |
| Bank fees | (214) | (2) | (216) |
| **Net income from cash pools** | **52 149** | **(14 257)** | **37 892** |

152. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

153. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

154. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end the credit ratings were:

**Investments of the cash pools by credit ratings as at 31 December 2014**

| *Main pool* | *Ratings* |
|---|---|
| Bonds | S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by S&P; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated |
| Discounted instruments | S&P: 100% A-1+; Moody's: 70.0% P1 and 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated |
| Term deposits | Fitch: 64.1% aa- and 35.9% a+/a/a- |
| *Euro pool* | *Ratings* |
| Bonds | S&P: 100% AA+; Moody's 100% Aaa; Fitch: 100% not rated |
| Term deposits | Fitch: 22.1% aa- and 77.9% a+/a/a- |

155. The United Nations Treasury actively monitors credit ratings and given that the University has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

*Financial risk management: liquidity risk*

156. Liquidity risk is the risk that the University might not have adequate funds to meet its obligations as they fall due. The University's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

157. The Financial Rules and Regulations of the United Nations require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the liquidity risk to the University with regard to contributions which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

158. The University performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The University maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

159. The table below provides an analysis of total assets into relevant maturity terms based on remaining contractual maturities:

**Maturities for financial assets as at 31 December 2014**

(Thousands of United States dollars)

| | *Less than 1 year* | *1 to 5 years* | *Later than 5 years* | *Total* |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalent | 55 520 | – | – | 55 520 |
| Short-term investments | 23 893 | – | – | 23 893 |
| Long-term investments | – | 5 441 | 322 233 | 327 674 |
| Voluntary contributions receivables | 1 740 | – | – | 1 740 |
| Other accounts receivable | 1 127 | 100 | – | 1 227 |
| **Total assets** | **82 280** | **5 541** | **322 233** | **410 054** |

*Liquidity risk: financial liabilities*

160. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to contributions, cash and investments available to the entity and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. At the reporting date, the University has not pledged any collateral for any liabilities or contingent liabilities and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the University can be required to settle each financial liability are:

**Maturities for financial liabilities as at 31 December 2014**

(Undiscounted thousands of United States dollars)

| | *<3 months* | *3 to 12 months* | *>1 year* | *Total* |
|---|---|---|---|---|
| Accounts payable and accrued payables | 2 227 | – | – | 2 227 |
| **Total** | **2 227** | **–** | **–** | **2 227** |

*Liquidity risk: cash pools*

161. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants’ commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day’s notice to support operational requirements. Cash pool liquidity risk is therefore considered to be low.

*Financial risk management: market risk*

162. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the University’s income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the University’s fiscal position.

*Market risk: interest rate risk*

163. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to change in interest rates. In general, as interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk.

*Interest rate risk: cash pools*

164. Fixed-rate cash and cash equivalents and investments are the University's interest-bearing financial instruments. As at the reporting date, the cash pools invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average durations of the main cash pool and euro pool were 1.10 years and 0.22 years, respectively, which are considered to be an indicator of low risk.

*Interest rate risk sensitivity analysis: cash pools*

165. This analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit the change in fair value represents the increase/decrease of the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis point in the yield curve is shown (100 basis points equals 1 per cent). These basis point shifts are illustrative.

**UNU share of cash pools interest rate risk sensitivity analysis as at 31 December 2014**

| **Shift in yield curve** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Basis points | -200 | -150 | -100 | -50 | 0 | 50 | 100 | 150 | 200 |
| **Increase/(decrease) in fair value** (millions of United States dollars) | | | | | | | | | |
| **Main pool total** | **0.32** | **0.24** | **0.16** | **0.08** | **–** | **(0.08)** | **(0.16)** | **(0.24)** | **(0.32)** |
| **Euro pool total** | **0.07** | **0.06** | **0.05** | **0.01** | **–** | **(0.01)** | **(0.03)** | **(0.06)** | **(0.07)** |
| **Total** | **0.39** | **0.30** | **0.21** | **0.09** | **–** | **(0.09)** | **(0.19)** | **(0.30)** | **(0.39)** |

*Market risk: currency risk*

166. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The University has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in currency exchange rates. Management policies and the Guidelines require the University to manage its currency risk exposure.

167. The University's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The University maintains a minimum level of assets in local currencies and United

States dollars. The University mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

*Currency risk: cash pools*

168. At the reporting date, the non-United States dollar-denominated balances in the University's share of cash pools is predominantly in euros.

**Currency exposure for the University's share of cash pools as at 31 December 2014**

(Thousands of United States dollars)

| | *United States dollars* | *Euros* | *Others* | *Total* |
|---|---|---|---|---|
| Main cash pool | 14 717 | 5 | 63 | 14 785 |
| Euro cash pool | – | 16 802 | – | 16 802 |
| **Total** | **14 717** | **16 807** | **63** | **31 587** |

*Currency risk: sensitivity analysis*

169. A strengthening/weakening of the euro United Nations operational exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased/decreased net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

**Currency exposure sensitivity analysis as at 31 December 2014**

(Thousands of United States dollars)

| | *Net assets* | | *Surplus and deficit* | |
|---|---|---|---|---|
| | *Strengthening* | *Weakening* | *Strengthening* | *Weakening* |
| Euro (10 per cent movement) | (1 528) | 1 867 | (1 528) | 1 867 |

*Other market risk*

170. The University is not exposed to other significant price risks as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

*Other market price risk: cash pools*

171. The cash pools are not exposed to other significant price risks, as they do not sell short, or borrow securities, or purchase securities on margin, which limits the potential loss of capital.

*Accounting classifications and fair value — cash pools*

172. The carrying value of fair value through surplus or deficit investments is at fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

*Fair value hierarchy*

173. The table below presents financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

174. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

175. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in level 2.

176. The following fair value hierarchy presents the cash pools' assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

**Fair value hierarchy — total cash pools as at 31 December 2014**

(Thousands of United States dollars)

| *Financial assets at fair value through surplus or deficit* | *Level 1* | *Level 2* | *Total* |
|---|---|---|---|
| **Main pool** | | | |
| Bonds — Non-United States Agencies | 2 154 956 | – | 2 154 956 |
| Bonds — Non-United States Sovereigns | 691 489 | – | 691 489 |
| Bonds — Supranationals | 440 169 | – | 440 169 |
| Bonds — United States Treasuries | 1 297 290 | – | 1 297 290 |
| Discounted instruments | 999 234 | – | 999 234 |
| Term deposits | – | 1 830 000 | 1 830 000 |
| **Subtotal main pool** | **5 583 138** | **1 830 000** | **7 413 138** |

| *Financial assets at fair value through surplus or deficit* | *Level 1* | *Level 2* | *Total* |
|---|---|---|---|
| **Euro pool** | | | |
| Bonds — Non-United States Sovereigns | 6 157 | – | 6 157 |
| Term deposits | – | 90 854 | 90 854 |
| **Subtotal euro pool** | **6 157** | **90 854** | **97 011** |
| **Total cash pools** | **5 589 295** | **1 920 854** | **7 510 149** |

## Note 27
## Financial instruments: Endowment Fund

177. The fiduciary responsibility of the investment of the assets of the UNU Endowment Fund resides with the Secretary-General of the United Nations. The Secretary-General delegated such responsibilities to the Representative of the Secretary-General, and in turn, the Representative of the Secretary-General is assisted by the Investment Management Division of the United Nations Joint Staff Pension Fund in connection with the fulfilment of these responsibilities.

178. The Representative of the Secretary-General, with the assistance of the Pension Fund Investment Management Division, reviews the UNU Endowment Fund Portfolio and monitors the performance of Fund's investment manager on an ongoing basis. The United Nations Investment Committee keeps a constant review of the investment of the assets of the UNU Endowment Fund.

179. The investments of the Endowment Fund are managed by a financial advisory firm and overseen by the Investment Management Division and the Representative of the Secretary-General for Investments of the Pension Fund. The investment management objectives are the following:

(a) Safety: ensure the preservation of capital;

(b) Liquidity: ensure sufficient liquidity to enable the University to readily meet all operating requirements. Only assets that have a readily available market value and can be easily converted to cash are held;

(c) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and multi-currency cash flow characteristics. Performance relative to benchmarks determines whether satisfactory market returns are being achieved in the investment.

180. The approved policy for the long-term allocation of investments calls for the distribution of investments as follow: equity 50 per cent; fixed income 45 per cent and cash and cash equivalents 5 per cent.

181. In accordance with a decision of the Council of UNU at its forty-sixth session, cash withdrawal from the Endowment Fund to finance the biennium budget is limited to 5 per cent annually of the five-year average market value.

*Financial risk management*

182. The Representative of the Secretary-General for Investments of the Pension Fund, with the assistance of the Investment Management Division, approves the strategic asset allocation, investment performance targets and investment guidelines

and policies. In addition, the performance of the Endowment Fund portfolio is monitored on an ongoing basis.

183. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

*Financial risk management: credit risk*

184. UNU aims to minimize its credit risk through the application of risk management policies overseen by the Investment Management Division and the Representative of the Secretary-General for Investments of the Pension Fund.

185. For management of credit risk arising from financial transaction with counterparty which encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts, counterparties are limited to major banks and financial institutions and the policy restricts the exposure to any one counterparty by setting credit limits taking into account the credit quality of the counterparty. The exposure to credit risk primarily arises from the University's bond investments. It manages this risk through appropriate investment policies whereby the University is only allowed to invest in bonds with investment grade assigned by at least one well-known rating agency, Standard and Poor's, Moody's or Fitch.

186. The University annually reviews the credit limits applied and regularly monitors the counterparties' credit quality reflecting market credit conditions. At year-end, the credit ratings were:

**Endowment Fund credit ratings as at 31 December 2014**

(Thousands of United States dollars)

| | *Total* | *Ratings* |
|---|---|---|
| Cash and cash equivalent | 25 954 | Fitch: 100% F1+ |
| Bonds | 140 276 | Moody's: 9.7% Aa1; 1.8% Aa2; 9.0% Aa3; 53.5% Aaa; 6.7% A1; 16.6% Baa2; Fitch: 1.3% AA; 1.4% BBB+ |
| **Total** | **166 230** | |

187. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk. For bond investments, the credit risk concentration is monitor based on issuer type.

### Endowment Fund credit risk concentration as at 31 December 2014

(Thousands of United States dollars)

| | *Total* |
|---|---|
| **Bonds** | |
| Government agencies | 49 687 |
| Government bonds | 82 366 |
| Municipal/provincial bonds | 8 223 |
| **Total bonds** | **140 276** |
| **Equities** | |
| North America | 112 869 |
| Europe | 49 185 |
| Japan | 17 406 |
| Asia ex-Japan | 7 906 |
| Emerging markets | 1 138 |
| **Total equities** | **188 504** |

*Financial risk management: liquidity risk*

188. The University's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed contributions and the ability to sell investments.

189. The University considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and contribution receivables. The entity's existing cash resources and contribution receivables significantly exceed the current cash outflow requirements.

*Financial risk management: interest rate risk*

190. The University invests primarily in securities with shorter terms to maturity. As at 31 December 2014, the average effective duration of fixed-rate securities were 5.39 years.

*Endowment Fund interest rate risk sensitivity analysis*

191. A change of 200 basis points in interest rates at the reporting date (assuming that all other variables, particularly currency exchange rates, remain constant) would have increased/(decreased) net assets and surplus or deficit as follows:

**The University's Endowment Fund interest rate risk sensitivity analysis as at 31 December 2014**

| **Shift in yield curve** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Basis points | -200 | -150 | -100 | -50 | 0 | 50 | 100 | 150 | 200 |
| **Increase/(decrease) in fair value** (millions of United States dollars) | | | | | | | | | |
| **Sensitivity analysis** | **16.7** | **12.3** | **8.0** | **3.9** | **–** | **(3.7)** | **(7.3)** | **(10.7)** | **(13.9)** |

*Market risk: currency risk*

192. The following table summarizes the net open position by currency as at the end of the financial reporting period, which are mainly in euros, British Pound and Japanese Yen:

**Currency exposure for the Endowment Fund as at 31 December 2014**

(Undiscounted thousands of United States dollars)

| | *US$* | *Euro* | *GBP* | *JPY* | *Others* | *Total* |
|---|---|---|---|---|---|---|
| **Total** | **164 696** | **79 661** | **30 649** | **46 710** | **33 018** | **354 734** |

*Currency risk: sensitivity analysis*

193. The following table indicates the currencies to which the entity had significant exposure as at 31 December 2014. The analysis calculates the effect of a reasonably possible movement of United States dollars against the respective currency rate on net asset and on surplus and deficits with all other variables held constant.

**Endowment Fund currency exposure sensitivity analysis as at 31 December 2014**

(Thousands of United States dollars)

| | *Net assets* | | *Surplus and deficit* | |
|---|---|---|---|---|
| | *Strengthening* | *Weakening* | *Strengthening* | *Weakening* |
| Euro (10 per cent movement) | 131 | (160) | 131 | (160) |
| British Pound (10 per cent movement) | (907) | 1 108 | (907) | 1 108 |
| Japanese Yen (10 per cent movement) | 652 | (797) | 652 | (797) |
| Others (10 per cent movement) | (1 530) | 1 871 | (1 530) | 1 871 |

*Other market price risk*

194. The University's exposure to other price risk arises mainly from investments in equities of the Endowment Fund. Price risk arises owing to the University's exposure to equities. Had the market price of equities increased/decreased by 5 per cent, the surplus or deficit would have increased/decreased by $ 9.4 million with an equal change in net assets.

195. The University is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, all of which limits the potential loss of capital.

*Fair value hierarchy*

196. The following fair value hierarchy presents the Endowment Fund investment assets that are measured at fair value at the reporting date analysed by various levels within the fair value hierarchy. There is no financial liability measured at fair value.

### Fair value hierarchy for the year ended 31 December 2014

(Thousands of United States dollars)

| | *Level 1* | *Level 2* | *Total* |
|---|---|---|---|
| **Financial assets at fair value through surplus or deficit** | | | |
| Equity securities | 188 504 | – | 188 504 |
| Bonds | – | 140 276 | 140 276 |
| **Total** | **188 504** | **140 276** | **328 780** |

197. There is no transfer between level 1 and level 2 of the fair value hierarchy for UNU for the financial year ended 31 December 2014. The following tables provide details of reconciliation of the movements in level 3 financial instruments during the year ended 31 December 2014. The transfer out of level 3 is due to changes in pricing source used. There is no transfer into level 3.

(Thousands of United States dollars)

| | *Total* |
|---|---|
| **As at 1 January 2014** | **5 261** |
| Transfers out of Level 3 | (5 261) |
| **As at 31 December 2014** | **–** |

## Note 28
## Related parties

*Key management personnel*

198. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the University. For the University, the key management personnel group comprises the Rector, the Senior Vice-Rector and two Vice-Rectors. They have the relevant authority and responsibility for planning, directing and controlling the University's activities.

199. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

### Key management personnel as at 31 December 2014

| | *Total* |
|---|---|
| Number of positions (full-time equivalents) | 4 |

(Thousands of United States dollars)

| | *Total* |
|---|---|
| Salary and post adjustment | 1 155 |
| Other compensation/entitlements | 319 |
| **Total remuneration for the year ended 31 December 2014** | **1 474** |
| Outstanding loans and advances at 31 December 2014 | – |

200. An official residence, provided free of charge by the Ministry of Education, Culture, Sports, Science and Technology, is made available to the Rector in the UNU headquarters building. A monthly fixed amount is charged to the Rector for utilities and maintenance of the official residence.

201. No close family member of key management personnel was employed by the University at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the University.

*Related entity transactions: Japan Foundation for UNU*

202. The Japan Foundation for UNU was established in 1985 to support the development of the University through cooperation on activities and projects of common interest. The Japan Foundation serves as a receptacle for financial contributions to the University from the Japanese private sector.

203. The Japan Foundation is an independent, non-governmental organization registered under the laws of Japan as a foundation. It is governed by a board that provides oversight on all operations and activities. The Japan Foundation is not considered an associate or joint venture of the University. The University is in the process of concluding an agreement of cooperation with the Japan Foundation which will set out the specific nature of the cooperative relationship between UNU and the Foundation and will regulate the use of the University's name and logo.

204. The Japan Foundation for UNU provides the University with annual revenue and expenditure reports. The reports show the total contributions received by the Foundation, the amount withheld to cover the costs of its activities (which are fully funded by the Foundation's investment income and reserves), reserves and the net due to the University.

205. During the year, the unaudited total net cash contribution of $0.35 million, which includes the rental of office space at the UNU headquarters building ($0.05 million) was transferred by the Japan Foundation to the University. Of that amount, $0.22 million was received by the Foundation and $0.13 million came from its reserves. The reserves balance of the Foundation $6.32 million (unaudited) as at 31 December 2014.

*Related entity transactions: joint venture operations over which UNU has significant influence accounted for using the equity method*

206. Jointly financed operations relating to safety and security, and to the Chief Executive Board Salary Survey, are established under binding agreements. The University has significant influence over these activities which under IPSAS 8 is the power to participate in the financial and operating policy decisions of the activities but has no control or joint control over these activities. The University's interest in these activities is its share of these activities' net liabilities which is based on the funding apportionment percentage. These cost-sharing ratios vary to reflect key factors such as the number of employees and the total space occupied. Since the total of these activities are in a net liability position, this is recognized as a non-current liability in the statement of financial position. UNU's share of these activities' operating deficits for the year ended 31 December 2014 is $0.002 million and is recognized in the statement of financial performance. Where activities also have transactions which are recorded directly in net assets, UNU's share of these transactions is accounted for through statement III: statement of changes in net assets and in the year this balance related to the actuarial gains/losses relating to the employee benefit liability valuation. Movements in the jointly controlled operations for the year are reflected in the table below:

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| **Cost as at 1 January 2014** | **58** |
| Movement for the year: | |
| Changes in net assets of jointly controlled operations recognized through statement of changes in net assets | 23 |
| Share of deficit for the year in operations of jointly controlled operations recognized through statement of financial performance | 2 |
| **Total changes in jointly controlled operations for the year** | **25** |
| **Net liability reported in statement of financial position** | **83** |

207. No contingent liabilities arise from UNU's interest in jointly controlled entities or joint venture operations over which the University has significant influence.

## Note 29
## Leases and commitments

*Finance leases*

208. The University enters into finance leases for the use of buildings; machinery and equipment and furniture and fittings. The net year-end carrying value for each class of asset is:

**Net finance lease asset carrying value**

(Thousands of United States dollars)

| | *Building* | *Machinery and equipment* | *Furniture and fittings* | *Total* |
|---|---|---|---|---|
| As at 31 December 2014 | 56 858 | 6 | 34 | 56 898 |

209. Other liabilities include $56.86 million for assets under long-term donated right-to-use arrangements classified as finance lease in the statement of financial position. Premises categorized as finance leases are the University Headquarters Building, Tokyo; Casa Silva Mendes, Macau, China; UNU-IIGH building, Kuala Lumpur, and the Director's residence in Accra.

210. Future minimum finance lease payments under non-cancellable finance lease arrangements for machinery and equipment, and furniture and fittings are:

**Obligations for finance leases**

(Thousands of United States dollars)

| | *Minimum lease payments as at 31 December 2014* |
|---|---|
| Due in less than 1 year | 45 |
| Due 1 to 5 years | 32 |
| Due later than 5 years | – |
| **Total minimum finance lease obligations** | **77** |
| **Future finance charges** | **(1)** |
| **Future minimum finance lease obligations** | **76** |

*Operating leases*

211. The University enters into operating lease arrangements for the use of buildings and photocopiers. The total operating lease payments recognized in expenditure for the year were $16.06 million. This total includes $15.69 million towards donated rights-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum operating lease payments under non-cancellable arrangements are:

**Obligations for operating leases**

(Thousands of United States dollars)

| | *Minimum lease payments as at 31 December 2014* |
|---|---|
| Due in less than 1 year | 327 |
| Due 1 to 5 years | 318 |
| Due later than 5 years | – |
| **Total minimum operating lease obligations** | **645** |

212. These contractual leases are typically between one to seven years with some leases allowing extension clauses and/or permitting early termination within 30, 60, or 90 days. The amounts present future obligations for the minimum contractual term taking into consideration contract annual lease payment increases in accordance with lease agreements.

*Contractual commitments*

213. At the reporting date, the commitments for property, plant and equipment, and goods and services contracted but not delivered were:

(Thousands of United States dollars)

| | *31 December 2014* |
|---|---|
| Property, plant and equipment | 65 |
| Goods and services | 14 239 |
| **Total** | **14 304** |

214. Goods and services disclosed include contracts issued to individual contractors amounting to $8.09 million and contracts on building maintenance, cleaning and security services for the University Headquarters Building in Tokyo amounting to $3.97 million.

## Note 30
## Provisions, contingent liabilities and contingent assets

*Provisions and contingent liabilities*

215. Provisions are recognized for contingent liabilities when the University has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The estimate is discounted where the effect of the time value of money is material. As at 31 December 2014, there are no material provisions recognized or contingent liabilities to disclose.

*Contingent assets*

216. In accordance with IPSAS 19 (Provisions, contingent liabilities and contingent assets), contingent assets are disclosed where an event will give rise to a probable inflow of economic benefits to the University. As at 31 December 2014, the University had no contingent assets.

## Note 31
## Events after the reporting date

217. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

# Annex I

## Statement of financial position as at 31 December 2014 — by operating funds

(Thousands of United States dollars)

| | *Operating funds* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *UNU Centre* | *UNU headquarters building* | *UNU-WIDER* | *UNU-MERIT* | *UNU-CS* | *UNU-INRA* | *UNU-BIOLAC* | *UNU-IAS* | *UNU-INWEH* | *UNU-CRIS* |
| **Assets** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | 17 477 | – | 5 112 | 3 574 | 528 | – | 1 | – | 856 | – |
| Investments | 5 416 | – | 5 565 | 6 252 | 113 | – | – | – | – | – |
| Voluntary contributions receivable | 24 | – | 69 | 23 | – | – | – | 242 | 52 | 702 |
| Other receivables | 26 | 14 | 35 | 151 | 1 | 14 | – | 13 | 15 | – |
| Inventories | – | – | – | – | – | – | – | 22 | – | – |
| Other current assets | 156 | 28 | 21 | 123 | 6 | – | – | 46 | – | – |
| Interfund balances receivable | – | – | – | 304 | 616 | 1 119 | 517 | 14 477 | – | – |
| **Total current assets** | **23 099** | **42** | **10 802** | **10 427** | **1 264** | **1 133** | **518** | **14 800** | **923** | **702** |
| **Non-current assets** | | | | | | | | | | |
| Investments | 317 | – | 3 529 | 1 495 | 100 | – | – | – | – | – |
| Property, plant and equipment | 463 | 43 173 | 39 | 24 | 13 170 | 174 | – | 15 | 8 | – |
| Other non-current assets | – | – | – | – | – | – | – | – | – | – |
| **Total non-current assets** | **780** | **43 173** | **3 568** | **1 519** | **13 270** | **174** | **–** | **15** | **8** | **–** |
| **Total assets** | **23 879** | **43 215** | **14 370** | **11 946** | **14 534** | **1 307** | **518** | **14 815** | **931** | **702** |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Accounts payable | 803 | 82 | 95 | 244 | 2 | 50 | 11 | 464 | 71 | – |
| Advance receipts | 295 | 55 | 1 251 | 279 | – | – | – | 183 | – | – |
| Employee benefits liabilities | 406 | – | 72 | 51 | 85 | 13 | 5 | 487 | 29 | 5 |
| Borrowings | 19 | 3 | – | 10 | 12 | – | – | – | – | – |
| Other current liabilities | – | 3 547 | – | – | 488 | 6 | – | – | – | – |
| Interfund balances payable | 20 440 | 263 | 157 | – | – | – | – | – | 98 | 653 |
| **Total current liabilities** | **21 963** | **3 950** | **1 575** | **584** | **587** | **69** | **16** | **1 134** | **198** | **658** |

## Statement of financial position as at 31 December 2014 (continued)

| | *Operating funds* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *UNU Centre* | *UNU headquarters building* | *UNU-WIDER* | *UNU-MERIT* | *UNU-CS* | *UNU-INRA* | *UNU-BIOLAC* | *UNU-IAS* | *UNU-INWEH* | *UNU-CRIS* |
| **Non-current liabilities** | | | | | | | | | | |
| Advance receipts | – | – | – | – | – | – | – | – | – | – |
| Employee benefits liabilities | – | – | – | – | – | – | – | – | – | – |
| Borrowings | 13 | 12 | – | – | 6 | – | – | – | – | – |
| Other non-current liabilities | – | 38 936 | – | – | 12 611 | 139 | – | – | – | – |
| Share of joint ventures: equity method | 25 | 1 | 10 | 6 | 5 | 2 | – | 8 | 5 | 2 |
| **Total non-current liabilities** | **38** | **38 949** | **10** | **6** | **12 622** | **141** | **–** | **8** | **5** | **2** |
| **Total liabilities** | **22 001** | **42 899** | **1 585** | **590** | **13 209** | **210** | **16** | **1 142** | **203** | **660** |
| **Net of total assets and total liabilities** | **1 878** | **316** | **12 785** | **11 356** | **1 325** | **1 097** | **502** | **13 673** | **728** | **42** |
| **Net assets** | | | | | | | | | | |
| Accumulated surplus (deficits) | 1 878 | 316 | 12 785 | 11 357 | 1 325 | 1 097 | 502 | 13 673 | 728 | 42 |
| Endowment Fund | – | – | – | – | – | – | – | – | – | – |
| **Total net assets** | **1 878** | **316** | **12 785** | **11 357** | **1 325** | **1 097** | **502** | **13 673** | **728** | **42** |

## Statement of financial position as at 31 December 2014 (continued)

(Thousands of United States dollars)

| | *Operating funds* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *UNU-EHS* | *UNU-IIGH* | *UNU-GCM* | *UNU-FLORES* | *UNU-IRADDA* | *Total operating funds* | *Endowment Fund* | *End-of-services and post-retirement liabilities* | *Elimination* | *Total UNU* |
| **Assets** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | 2 018 | – | – | – | – | 29 566 | 25 954 | – | – | 55 520 |
| Investments | – | – | – | – | – | 17 346 | 6 547 | – | – | 23 893 |
| Voluntary contributions receivable | 194 | – | 34 | – | – | 1 340 | 400 | – | – | 1 740 |
| Other receivables | 57 | – | 30 | 93 | – | 450 | 784 | – | (7) | 1 227 |
| Inventories | – | – | – | – | – | 22 | – | – | – | 22 |
| Other current assets | 14 | – | – | 28 | – | 422 | – | – | – | 422 |
| Interfund balances receivable | – | 3 068 | 892 | 785 | 1 216 | 22 994 | 34 222 | – | (57 216) | – |
| **Total current assets** | **2 283** | **3 068** | **956** | **906** | **1 216** | **72 140** | **67 907** | **–** | **(57 223)** | **82 824** |
| **Non-current assets** | | | | | | | | | | |
| Investments | – | – | – | – | – | 5 441 | 322 233 | – | – | 327 674 |
| Property, plant and equipment | – | 1 167 | – | 185 | – | 58 418 | – | – | – | 58 418 |
| Other non-current assets | – | – | – | – | – | – | – | – | – | – |
| **Total non-current assets** | **–** | **1 167** | **–** | **185** | **–** | **63 859** | **322 233** | **–** | **–** | **386 092** |
| **Total assets** | **2 283** | **4 235** | **956** | **1 091** | **1 216** | **135 999** | **390 140** | **–** | **(57 223)** | **468 916** |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Accounts payable | 161 | 39 | 23 | 8 | – | 2 051 | 183 | – | (7) | 2 227 |
| Advance receipts | 259 | – | 123 | 241 | – | 2 686 | – | – | – | 2 686 |
| Employee benefits liabilities | 70 | 27 | 19 | 36 | – | 1 305 | – | 497 | – | 1 802 |
| Borrowings | – | 10 | – | – | – | 54 | – | – | – | 54 |
| Other current liabilities | – | 48 | – | – | – | 4 089 | – | – | – | 4 089 |
| Interfund balances payable | 885 | – | – | – | – | 22 496 | 34 222 | 498 | (57 216) | – |
| **Total current liabilities** | **1 375** | **124** | **165** | **285** | **–** | **32 681** | **34 405** | **995** | **(57 223)** | **10 858** |

**Statement of financial position as at 31 December 2014** (continued)

| | *Operating funds* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *UNU-EHS* | *UNU-IIGH* | *UNU-GCM* | *UNU-FLORES* | *UNU-IRADDA* | *Total operating funds* | *Endowment Fund* | *End-of-services and post-retirement liabilities* | *Elimination* | *Total UNU* |
| **Non-current liabilities** | | | | | | | | | | |
| Advance receipts | – | – | 62 | – | – | 62 | – | – | – | 62 |
| Employee benefits liabilities | – | – | – | – | – | – | – | 16 082 | – | 16 082 |
| Borrowings | – | – | – | – | – | 31 | – | – | – | 31 |
| Other non-current liabilities | – | 1 083 | – | – | – | 52 769 | – | – | – | 52 769 |
| Share of joint ventures: equity method | 5 | 5 | 4 | 5 | – | 83 | | | | 83 |
| **Total non-current liabilities** | **5** | **1 088** | **66** | **5** | **–** | **52 945** | **–** | **16 082** | **–** | **69 027** |
| **Total liabilities** | **1 380** | **1 212** | **231** | **290** | **–** | **85 626** | **34 405** | **17 077** | **(57 223)** | **79 885** |
| **Net of total assets and total liabilities** | **903** | **3 023** | **725** | **801** | **1 216** | **50 373** | **355 735** | **(17 077)** | **–** | **389 031** |
| **Net assets** | | | | | | | | | | |
| Accumulated surplus (deficits) | 903 | 3 023 | 725 | 803 | 1 216 | 50 373 | | (17 077) | – | 33 296 |
| Endowment Fund | – | – | – | – | – | – | 355 735 | | – | 355 735 |
| **Total net assets** | **903** | **3 023** | **725** | **803** | **1 216** | **50 373** | **355 735** | **(17 077)** | **–** | **389 031** |

## Annex II

### Statement of financial performance for the year ended 31 December 2014 — by operating funds

(Thousands of United States dollars)

| | *UNU Centre* | *UNU headquarters building* | *UNU-WIDER* | *UNU-MERIT* | *UNU-CS* | *UNU-INRA* | *UNU-BIOLAC* | *UNU-IAS* | *UNU-INWEH* | *UNU-CRIS* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Voluntary contributions, net | 5 246 | 17 183 | 5 931 | 5 312 | 958 | 662 | 215 | 12 071 | 2 315 | 940 |
| Investment revenue | (991) | – | (65) | (581) | 1 | – | – | – | – | – |
| Other revenue | 295 | 1 297 | 106 | 291 | (13) | 2 | – | 562 | 30 | – |
| Endowment Fund income allocation | 7 104 | – | 2 431 | 972 | 1 848 | 864 | 456 | – | – | – |
| **Total revenue** | **11 654** | **18 480** | **8 403** | **5 994** | **2 794** | **1 528** | **671** | **12 633** | **2 345** | **940** |
| **Expenses** | | | | | | | | | | |
| Employee salaries, allowances and benefits | 7 440 | 174 | 3 088 | 2 768 | 437 | 596 | 67 | 5 137 | 1 267 | 612 |
| Rent, leases and utilities | 797 | 13 476 | 479 | 387 | 344 | 191 | 219 | 430 | 152 | 238 |
| Travel | 1 047 | – | 1 242 | 186 | 68 | 122 | 50 | 1 253 | 232 | 7 |
| Depreciation | 165 | 3 570 | 14 | 8 | 503 | 16 | – | 24 | 4 | – |
| Non-employee compensation and allowances | 745 | 9 | 1 062 | 284 | 34 | 201 | 3 | 1 157 | 146 | – |
| Supplies and consumables used | 390 | 179 | 62 | 41 | 33 | 20 | 14 | 134 | 44 | – |
| Other operating expenses | 1 934 | 1 543 | 1 338 | 1 350 | 264 | 175 | 271 | 3 980 | 311 | 26 |
| Other expenses | 1 770 | (24) | 201 | 241 | 9 | (2) | – | (22) | 81 | – |
| Share of deficit of joint ventures: equity method | 1 | – | 1 | – | – | – | – | – | – | – |
| Endowment Fund expense allocation | – | – | – | – | – | – | – | – | – | – |
| **Total expenses** | **14 289** | **18 927** | **7 487** | **5 265** | **1 692** | **1 319** | **624** | **12 093** | **2 237** | **883** |
| **Surplus (deficit) for the year** | **(2 635)** | **(447)** | **916** | **729** | **1 102** | **209** | **47** | **540** | **108** | **57** |

## Statement of financial performance for the year ended 31 December 2014 (continued)

| | *Operating Funds* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *UNU-EHS* | *UNU-IIGH* | *UNU-GCM* | *UNU-FLORES* | *UNU-IRADDA* | *Total Operating Funds* | *Endowment Fund* | *Trust Fund* | *End-of-services and post-retirement liabilities* | *Elimination* | *Total UNU* |
| **Revenue** | | | | | | | | | | | |
| Voluntary contributions | 2 887 | 317 | 277 | 1 150 | 1 250 | 56 714 | 9 000 | (30) | – | – | 65 684 |
| Investment revenue | – | – | – | – | – | (1 636) | 5 465 | – | – | – | 3 829 |
| Other revenue | 30 | 2 | – | 9 | – | 2 611 | 27 | – | 243 | (523) | 2 358 |
| Endowment Fund income allocation | 144 | 1 572 | – | – | – | 15 391 | – | – | – | (15 391) | – |
| **Total revenue** | **3 061** | **1 891** | **277** | **1 159** | **1 250** | **73 080** | **14 492** | **(30)** | **243** | **(15 914)** | **71 871** |
| **Expenses** | | | | | | | | | | | |
| Employee salaries, allowances and benefits | 1 882 | 926 | 427 | 1 151 | – | 25 972 | – | 27 | 1 682 | (243) | 27 438 |
| Rent, leases and utilities | 310 | 20 | 272 | 114 | – | 17 429 | – | 1 | – | – | 17 430 |
| Travel | 354 | 332 | 73 | 218 | 22 | 5 207 | – | – | – | (17) | 5 190 |
| Depreciation | – | 69 | – | 27 | – | 4 400 | – | – | – | – | 4 400 |
| Non-employee compensation and allowances | 242 | 98 | 27 | 185 | – | 4 195 | – | – | – | – | 4 195 |
| Supplies and consumables used | 16 | 87 | 14 | 259 | – | 1 293 | – | – | – | – | 1 293 |
| Other operating expenses | 384 | 405 | 136 | 422 | 11 | 12 550 | 873 | 5 | – | (263) | 13 164 |
| Other expenses | 228 | – | 3 | 11 | – | 2 496 | – | – | – | – | 2 496 |
| Share of deficit of joint ventures: equity method | – | – | – | – | – | 2 | – | – | – | – | 2 |
| Endowment Fund expense allocation | – | – | – | – | – | – | 15 391 | – | – | (15 391) | – |
| **Total expenses** | **3 416** | **1 937** | **952** | **2 387** | **33** | **73 544** | **16 264** | **33** | **1 682** | **(15 914)** | **75 608** |
| **Surplus (deficit) for the year** | **(355)** | **(46)** | **(675)** | **(1 228)** | **1 217** | **(464)** | **(1 772)** | **(63)** | **(1 439)** | **–** | **(3 737)** |

# Annex III

## Statement of appropriation as at 31 December 2014

(Thousands of United States dollars)

| | *Appropriations* | | | *Expenditures* | | | |
|---|---|---|---|---|---|---|---|
| *Appropriation sections* | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total expenditures* | *Unencumbered balance* |
| **UNU Centre** | | | | | | | |
| Staff and other personnel costs | 7 380 | 121 | 7 501 | 6 766 | 42 | 6 808 | 693 |
| General expenses | 2 826 | 194 | 3 020 | 2 535 | 220 | 2 756 | 264 |
| Research, training networks and dissemination | 4 127 | 1 495 | 5 622 | 2 801 | 237 | 3 039 | 2 583 |
| **Subtotal** | **14 333** | **1 810** | **16 143** | **12 103** | **499** | **12 602** | **3 541** |
| **UNU headquarters building** | | | | | | | |
| Staff and other personnel costs | 204 | – | 204 | 174 | – | 174 | 30 |
| General expenses | 4 374 | – | 4 374 | 2 922 | 230 | 3 151 | 1 223 |
| Research, training networks and dissemination | – | – | – | – | – | – | – |
| **Subtotal** | **4 578** | **–** | **4 578** | **3 096** | **230** | **3 326** | **1 252** |
| **UNU-WIDER** | | | | | | | |
| Staff and other personnel costs | 1 560 | 1 446 | 3 006 | 2 435 | – | 2 435 | 571 |
| General expenses | 530 | 281 | 811 | 524 | 14 | 537 | 274 |
| Research, training networks and dissemination | 1 563 | 5 385 | 6 948 | 3 786 | 128 | 3 913 | 3 035 |
| **Subtotal** | **3 653** | **7 112** | **10 765** | **6 745** | **142** | **6 886** | **3 879** |
| **UNU-MERIT** | | | | | | | |
| Staff and other personnel costs | 375 | – | 375 | 276 | 27 | 303 | 72 |
| General expenses | 1 243 | – | 1 243 | 257 | 87 | 344 | 899 |
| Research, training networks and dissemination | 4 501 | 2 718 | 7 219 | 4 176 | 165 | 4 341 | 2 878 |
| **Subtotal** | **6 119** | **2 718** | **8 837** | **4 709** | **278** | **4 987** | **3 850** |
| **UNU-CS** | | | | | | | |
| Staff and other personnel costs | 955 | – | 955 | 472 | – | 472 | 483 |
| General expenses | 1 046 | – | 1 046 | 817 | 12 | 829 | 217 |
| Research, training networks and dissemination | 353 | 221 | 574 | 29 | – | 29 | 545 |
| **Subtotal** | **2 354** | **221** | **2 575** | **1 319** | **12** | **1 331** | **1 244** |

**Statement of appropriation as at 31 December 2014** (continued)

| *Appropriation sections* | *Appropriations* *Original* | *Changes* | *Revised* | *Expenditures* *Disbursements* | *Unliquidated obligations* | *Total expenditures* | *Unencumbered balance* |
|---|---|---|---|---|---|---|---|
| **UNU-INRA** | | | | | | | |
| Staff and other personnel costs | 446 | 21 | 467 | 467 | – | 467 | – |
| General expenses | 283 | (21) | 262 | 199 | 30 | 228 | 34 |
| Research, training networks and dissemination | 952 | 205 | 1 157 | 362 | 89 | 451 | 706 |
| **Subtotal** | **1 681** | **205** | **1 886** | **1 028** | **119** | **1 146** | **740** |
| **UNU-BIOLAC** | | | | | | | |
| Staff and other personnel costs | 62 | 11 | 73 | 71 | 2 | 73 | – |
| General expenses | 98 | (6) | 92 | 92 | – | 92 | – |
| Research, training networks and dissemination | 295 | (5) | 290 | 226 | 34 | 260 | 30 |
| **Subtotal** | **455** | **–** | **455** | **389** | **36** | **425** | **30** |
| **UNU-IAS** | | | | | | | |
| Staff and other personnel costs | 2 642 | (1 321) | 1 321 | 1 304 | 3 | 1 307 | 14 |
| General expenses | 323 | – | 323 | 305 | 13 | 318 | 5 |
| Research, training networks and dissemination | 10 615 | 14 351 | 24 966 | 10 188 | 716 | 10 904 | 14 062 |
| **Subtotal** | **13 580** | **13 030** | **26 610** | **11 797** | **732** | **12 530** | **14 080** |
| **UNU-INWEH** | | | | | | | |
| Staff and other personnel costs | 620 | – | 620 | 609 | 1 | 610 | 10 |
| General expenses | 339 | – | 339 | 319 | 20 | 339 | – |
| Research, training networks and dissemination | 2 838 | (890) | 1 948 | 1 331 | 119 | 1 450 | 498 |
| **Subtotal** | **3 797** | **(890)** | **2 907** | **2 259** | **140** | **2 399** | **508** |
| **UNU-CRIS** | | | | | | | |
| Staff and other personnel costs | 669 | 8 | 677 | 677 | – | 677 | – |
| General expenses | 33 | (8) | 25 | 21 | – | 21 | 4 |
| Research, training networks and dissemination | – | – | – | – | – | – | – |
| **Subtotal** | **702** | **–** | **702** | **698** | **–** | **698** | **4** |

**Statement of appropriation as at 31 December 2014** (continued)

| | *Appropriations* | | | *Expenditures* | | | |
|---|---|---|---|---|---|---|---|
| *Appropriation sections* | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total expenditures* | *Unencumbered balance* |
| **UNU-EHS** | | | | | | | |
| Staff and other personnel costs | 895 | – | 895 | 895 | – | 895 | – |
| General expenses | 266 | – | 266 | 206 | – | 206 | 60 |
| Research, training networks and dissemination | 1 623 | 1 458 | 3 081 | 1 854 | 3 | 1 858 | 1 223 |
| **Subtotal** | **2 784** | **1 458** | **4 242** | **2 955** | **3** | **2 958** | **1 284** |
| **UNU-IIGH** | | | | | | | |
| Staff and other personnel costs | 999 | (47) | 952 | 918 | – | 918 | 34 |
| General expenses | 412 | 1 | 413 | 403 | 10 | 413 | – |
| Research, training networks and dissemination | 1 470 | (492) | 978 | 556 | 8 | 564 | 414 |
| **Subtotal** | **2 881** | **(538)** | **2 343** | **1 877** | **18** | **1 895** | **448** |
| **UNU-GCM** | | | | | | | |
| Staff and other personnel costs | 521 | – | 521 | 422 | 7 | 429 | 92 |
| General expenses | 203 | – | 203 | 186 | 16 | 202 | 1 |
| Research, training networks and dissemination | 238 | – | 238 | 95 | 1 | 95 | 143 |
| **Subtotal** | **962** | **–** | **962** | **703** | **24** | **727** | **235** |
| **UNU-FLORES** | | | | | | | |
| Staff and other personnel costs | 1 116 | 125 | 1 241 | 1 141 | 2 | 1 143 | 98 |
| General expenses | 379 | 449 | 828 | 505 | 128 | 633 | 195 |
| Research, training networks and dissemination | 629 | 564 | 1 193 | 622 | 73 | 695 | 498 |
| **Subtotal** | **2 124** | **1 138** | **3 262** | **2 269** | **202** | **2 472** | **790** |

**Statement of appropriation as at 31 December 2014** (continued)

| | *Appropriations* | | | *Expenditures* | | | |
|---|---|---|---|---|---|---|---|
| *Appropriation sections* | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total expenditures* | *Unencumbered balance* |
| **UNU-IRADDA** | | | | | | | |
| Staff and other personnel costs | – | 197 | 197 | 11 | – | 11 | 186 |
| General expenses | – | 453 | 453 | 22 | – | 22 | 431 |
| Research, training networks and dissemination | – | 600 | 600 | – | – | – | 600 |
| **Subtotal** | **–** | **1 250** | **1 250** | **33** | **–** | **33** | **1 217** |
| **Operating funds total** | **60 003** | **27 515** | **87 518** | **51 976** | **2 436** | **54 412** | **33 106** |
| **Trust Fund** | | | | | | | |
| Trust Fund | 58 | – | 58 | 40 | – | 40 | 18 |
| **Subtotal** | **58** | **–** | **58** | **40** | **–** | **40** | **18** |
| **Total** | **60 061** | **27 515** | **87 576** | **52 016** | **2 436** | **54 452** | **33 124** |

# Annex IV

## Statement of contributions from January to December 2014

(Thousands of United States dollars)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **UNU Centre** | | | | |
| Government of Japan — Ministry of Foreign Affairs | – | 859 | – | 859 |
| **Vice Rectorate in Europe** | | | | |
| Asia-Pacific Network for Global Change Research | – | 9 | – | 9 |
| Government of France — Ministère de l'éducation nationale, de l'enseignement | – | 38 | – | 38 |
| Federal Republic of Germany — Federal Ministry for Economic Cooperation and Development | – | 659 | – | 659 |
| Federal Republic of Germany — Federal Ministry of Education and Research | – | 1 619 | – | 1 619 |
| Federal Republic of Germany | – | – | 371 | 371 |
| Food and Agriculture Organization of the United Nations | – | 25 | – | 25 |
| Government of Austria — International Social Science Council and International Council for Science | – | 11 | – | 11 |
| Government of Norway — International Social Science Council and International Council for Science | – | 30 | – | 30 |
| Ministry of Science and Technology China | – | 20 | – | 20 |
| National Research Foundation, Brummeria, South Africa | – | 11 | – | 11 |
| National Science Foundation | – | 152 | – | 152 |
| Norwegian Refugee Council | – | 17 | – | 17 |
| Royal Swedish Academy of Sciences/Kungliga Vetenskapsakademien | – | 18 | – | 18 |
| United Nations Environment Programme | – | 51 | – | 51 |
| **UNU Office at the United Nations, New York** | | | | |
| Foundation to Promote Open Society | – | 25 | – | 25 |
| Geneva Global, Inc. | – | 20 | – | 20 |
| **UNU Office at UNESCO** | | | | |
| United Nations Educational, Scientific and Cultural Organization | | | 44 | 44 |
| **Office of the Rector** | | | | |
| Farmer's Market Association | – | 122 | – | 122 |
| Sasakawa Peace Foundation | – | 60 | – | 60 |
| **UNU Centre, Kuala Lumpur** | | | | |
| Government of Malaysia — Economic Planning Unit | – | – | 28 | 28 |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **Centre for Policy Research** | | | | |
| Japan Foundation for the United Nation University | – | 9 | – | 9 |
| **E-Governance** | | | | |
| European Union (European Commission) | – | 9 | – | 9 |
| Fundação Macau | – | 25 | – | 25 |
| The Portuguese Republic | – | 1 000 | 8 | 1 008 |
| United Nations Educational, Scientific and Cultural Organization | – | 6 | – | 6 |
| **UNU Centre** | **–** | **4 795** | **451** | **5 246** |
| **UNU headquarters building and land** | | | | |
| Government of Japan — Ministry of Foreign Affairs | – | 716 | 16 467 | 17 183 |
| **UNU headquarters building and land** | **–** | **716** | **16 467** | **17 183** |
| **UNU-WIDER** | | | | |
| Kingdom of Denmark — Ministry of Foreign Affairs of Denmark, Development Assistance | – | 366 | – | 366 |
| Kingdom of Sweden — Swedish International Development Agency, Department for Research Cooperation | – | 966 | – | 966 |
| Policy Research for Development | – | 225 | – | 225 |
| Republic of Finland — Ministry for Foreign Affairs of Finland, Department for Development Policy, Unit for Development Issues | – | 2 072 | 431 | 2 503 |
| Korea International Cooperation Agency | – | 46 | – | 46 |
| National Treasury of the Republic of South Africa | – | 249 | – | 249 |
| United Kingdom — Department for International Development | – | 1 308 | – | 1 308 |
| United Nations Children’s Fund | – | 69 | – | 69 |
| University of Copenhagen Department of Economics | – | 199 | – | 199 |
| **UNU-WIDER** | **–** | **5 500** | **431** | **5 931** |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **UNU-MERIT** | | | | |
| Deutsche Gesellschaft für Internationale Zusammenarbelt (GIZ) GmbH | – | 23 | – | 23 |
| Dutch Ministry for Development Cooperation | – | 3 218 | – | 3 218 |
| Dutch Ministry of Education, Culture and Science | – | 1 207 | – | 1 207 |
| Economic Research Southern Africa | – | 5 | – | 5 |
| Maastricht Graduate School of Governance | – | 326 | – | 326 |
| Stichting Maastricht Economic Research Institute on Innovation and Technology | – | 17 | – | 17 |
| International Organization for Migration | – | 6 | – | 6 |
| Sasakawa Peace Foundation | – | 40 | – | 40 |
| United Nations Industrial Development Organization | – | 128 | – | 128 |
| Maastricht City Council | – | | 342 | 342 |
| **UNU-MERIT** | **–** | **4 970** | **342** | **5 312** |
| **UNU-CS** | | | | |
| European Union (European Commission) | – | 49 | – | 49 |
| Fundação Macau | – | 420 | 488 | 908 |
| Macau Science and Technology Development Fund | – | 1 | – | 1 |
| **UNU-CS** | **–** | **470** | **488** | **958** |
| **UNU-INRA** | | | | |
| Government of the Republic of Zambia | – | – | 63 | 63 |
| Government of Ghana | – | – | 131 | 131 |
| Economic Commission for Africa, United Nations | – | 468 | – | 468 |
| **UNU-INRA** | **–** | **468** | **194** | **662** |
| **UNU-BIOLAC** | | | | |
| Government of Venezuela (Bolivarian Republic of) | – | – | 215 | 215 |
| **UNU-BIOLAC** | **–** | **–** | **215** | **215** |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **UNU-IAS** | | | | |
| Amb3E — Associação Portuguesa de Gestão de Resíduos (The Portuguese Association for Waste Management) | – | 25 | – | 25 |
| Aoyama Gakuin University | – | 2 | – | 2 |
| Apple Computer Trading (Shanghai) Co Ltd | – | 5 | – | 5 |
| Arrow Electronics | – | 15 | – | 15 |
| Asia-Pacific Network for Global Change Research (APN) | – | 196 | – | 196 |
| Asia-Pacific Network for Sustainable Forest Management and Rehabilitation | – | 136 | – | 136 |
| Asian Development Bank — Metro Manila, Philippines | – | 11 | – | 11 |
| AXA | – | 81 | – | 81 |
| Basel Convention Regional Centre China | – | 2 | – | 2 |
| BIO Intelligence S.A.S. | – | 2 | – | 2 |
| Blueprint Ere Pte Ltd | – | 1 | – | 1 |
| Canon Inc. | – | 28 | – | 28 |
| Chiho Tiande (HK) Ltd. | – | 2 | – | 2 |
| Chuo University | – | 2 | – | 2 |
| Cisco Systems Inc. | – | 15 | – | 15 |
| City of Yokohama | – | 5 | – | 5 |
| Compliance and Risks Ltd | – | 8 | – | 8 |
| Dataserv — Ces Ltd | – | 8 | – | 8 |
| Datec Technology Ltd Scotland | – | 2 | – | 2 |
| Dell Corporation Ltd/Dell Incorporation | – | 16 | – | 16 |
| Deutsche Gesellschaft für Internationale Zusammenarbeit (formerly known as GTZ) | – | 64 | – | 64 |
| Dismantling and Recycling Centre Vienna (D.R.Z) | – | 2 | – | 2 |
| Durabilit | – | 2 | – | 2 |
| EMPA-Swiss Federal Laboratories for Materials Science and Technology | – | 88 | – | 88 |
| Ericsson AB | – | 19 | – | 19 |
| European Union (European Commission) | – | 592 | – | 592 |
| Gareth Dale | – | 1 | – | 1 |
| Global E-Sustainability Initiative (GeSI) | – | 21 | – | 21 |
| Government of Australia — Department of the Environment and Heritage | – | 631 | – | 631 |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| Government of Japan — Ministry of Agriculture, Forestry and Fisheries | – | 302 | – | 302 |
| Government of Japan — Ministry of Education, Culture, Sports, Science and Technology | – | 2 489 | – | 2 489 |
| Government of Japan — Ministry of the Environment | – | 4 033 | – | 4 033 |
| Hewlett Packard GmbH | – | 17 | – | 17 |
| Ibaraki Prefectural Board of Education | – | 14 | – | 14 |
| Ibaraki University | – | 34 | – | 34 |
| Institute for Global Environmental Strategies | – | 98 | – | 98 |
| Integrated Consultancy on Infrastructure Development and Environmental Conservation Inc. | – | 19 | – | 19 |
| International Christian University | – | 2 | – | 2 |
| International University of Japan | – | 1 | – | 1 |
| Ishikawa Prefecture | – | 242 | 16 | 258 |
| Japan Educational Exchanges and Services | – | 26 | – | 26 |
| Japan Science and Technology Agency | – | 133 | – | 133 |
| Kanazawa City | – | 257 | – | 257 |
| KERP Research Electronics | – | 1 | – | 1 |
| Kirin Holdings Company, Ltd. | – | 294 | – | 294 |
| MacArthur Foundation | – | 200 | – | 200 |
| MicroPro Computers Ireland | – | 2 | – | 2 |
| Nokia OYJ | – | 43 | – | 43 |
| Nomura Foundation | – | 4 | – | 4 |
| Nuclear Regulation Authority, Japan | – | 642 | – | 642 |
| Oak Foundation USA | – | 10 | – | 10 |
| Oko-Institit e.V. | – | 1 | – | 1 |
| Osaka University, Institute for Academic Initiatives | – | 51 | – | 51 |
| Philips Consumers Electronics B.V. | – | 20 | – | 20 |
| Recupel | – | 17 | – | 17 |
| Remote Sensing Technology Center of Japan | – | 10 | – | 10 |
| Reverse Logistics Group Americas (fka AER Worldwide) | – | 1 | – | 1 |
| Sims Recycling Solutions | – | 7 | – | 7 |
| Springer Japan | – | 2 | – | 2 |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| Techinische Universtiaet Berlin | – | 2 | – | 2 |
| The Japan Foundation for the United Nations University | – | 258 | – | 258 |
| The Sustainability Consortium | – | 2 | – | 2 |
| The University of Northampton | – | 1 | – | 1 |
| Tokai University | – | 2 | – | 2 |
| Tokushima University | – | 3 | – | 3 |
| Tokyo Institute of Technology | – | 39 | – | 39 |
| Tsuda College | – | 2 | – | 2 |
| TU Braunschweig | – | 2 | – | 2 |
| Umicore NV Precious Metals Refining | – | 7 | – | 7 |
| United Nations Educational, Scientific and Cultural Organization | – | 3 | – | 3 |
| United Nations Environment Programme | – | 23 | – | 23 |
| United Nations Industrial Development Organization | – | 67 | – | 67 |
| United States Environmental Protection Agency | – | 30 | – | 30 |
| University of Southern Denmark | – | 2 | – | 2 |
| University of Tokyo | – | 303 | – | 303 |
| Vereniging Nederlandse Verwijdering Metalektro Producten | – | 14 | – | 14 |
| WorldLoop | – | 4 | – | 4 |
| Yokohama Prefecture | | | 323 | 323 |
| Charles Darwin University | | | 9 | 9 |
| **UNU Centre Library** | | | | |
| Eisaku Sato Memorial Foundation | – | 5 | – | 5 |
| **UNU-IAS** | **–** | **11 723** | **348** | **12 071** |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **UNU-INWEH** | | | | |
| Anderson Water Systems, Inc. | – | 9 | – | 9 |
| Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH | – | 190 | – | 190 |
| Government of Canada | – | 1 842 | – | 1 842 |
| Grand Challenges Canada | – | (4) | – | (4) |
| InterAction Council (Canadian Secretariat) | – | 28 | – | 28 |
| International Center for Agricultural Research in the Dry Areas | – | 20 | – | 20 |
| International Water Management Institute | – | 25 | – | 25 |
| McMaster University, Faculty of Humanities | – | 52 | – | 52 |
| United Nations Secretariat — Department of Economic and Social Affairs | – | 50 | – | 50 |
| United Nations Educational, Scientific and Cultural Organization | – | 5 | – | 5 |
| United Nations Environment Programme | – | 48 | – | 48 |
| United Nations Water | – | 50 | – | 50 |
| **UNU-INWEH** | **–** | **2 315** | **–** | **2 315** |
| **UNU-CRIS** | | | | |
| Government of Belgium | – | 702 | – | 702 |
| Province of West-Flanders | | | 238 | 238 |
| **UNU-CRIS** | **–** | **702** | **238** | **940** |
| **UNU-EHS** | | | | |
| Allianz SE | – | 34 | – | 34 |
| AXA SA | – | 50 | – | 50 |
| Buendnis Entwicklung Hilft | – | 39 | – | 39 |
| Deutsche Forschungsgemeinschaft | – | 73 | – | 73 |
| Deutsche Gesellschaft für Internationale Zusammenarbeit (formerly known as GTZ) | – | 46 | – | 46 |
| Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR) | – | 61 | – | 61 |
| European Union (European Commission) | – | 252 | – | 252 |
| Fachhochschule Koeln | – | (6) | – | (6) |
| Federal Office of Civil Protection and Disaster Assistance (BBK Germany) | – | 1 | – | 1 |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF) | – | 823 | – | 823 |
| Germanwatch e.V | – | 95 | – | 95 |
| MacArthur Foundation | – | 19 | – | 19 |
| Ministry of Education and Research Nord Rhein Westerfalia | – | 496 | – | 496 |
| Munich Climate Insurance Initiative | – | 249 | – | 249 |
| Munich Re Foundation | – | 66 | – | 66 |
| Munich Re Insurance (Muenchener Rueckversicherung) | – | 34 | – | 34 |
| The Nature Conservancy | – | 33 | – | 33 |
| United Nations Convention to Combat Desertification | – | 51 | – | 51 |
| United Nations Economic and Social Commission for Asia and the Pacific | – | 118 | – | 118 |
| United Nations Environment Programme | – | 90 | – | 90 |
| University of Hannover | – | 54 | – | 54 |
| Federal Republic of Germany | – | – | 209 | 209 |
| **UNU-EHS** | **–** | **2 678** | **209** | **2 887** |
| **UNU-IIGH** | | | | |
| Asia-Pacific Network for Global Change Research | – | 19 | – | 19 |
| Government of Malaysia — Ministry of Higher Education | 4 000 | 200 | 47 | 4 247 |
| Ministry of Foreign Affairs, Malaysia | – | 40 | – | 40 |
| Plan Japan | – | 2 | – | 2 |
| Swedish Research Council | – | 9 | – | 9 |
| **UNU-IIGH** | **4 000** | **270** | **47** | **4 317** |
| **UNU-GCM** | | | | |
| Pacific Islands Forum | – | 35 | – | 35 |
| Government of Generalitat of Catalonia | – | – | 242 | 242 |
| **UNU-GCM** | **–** | **35** | **242** | **277** |

**Statement of contributions from January to December 2014** (continued)

| | *Endowment Fund contribution* | *Operating contribution* | *Voluntary in-kind contributions* | *Total* |
|---|---|---|---|---|
| **UNU-FLORES** | | | | |
| Deutsche Forschungsgemeinschaft | – | 5 | – | 5 |
| Federal Republic of Germany — Federal Ministry of Education and Research | – | 627 | – | 627 |
| Saxon State Ministry for Higher Education, Research and the Arts | – | 419 | 99 | 518 |
| **UNU-FLORES** | **–** | **1 051** | **99** | **1 150** |
| **UNU-IRADDA** | | | | |
| Government of the People's Democratic Republic of Algeria | 5 000 | 1 250 | – | 6 250 |
| **UNU-IRADDA** | **5 000** | **1 250** | **–** | **6 250** |
| **Total** | **9 000** | **36 944** | **19 770** | **65 714** |
| **UNU Trust Fund (UNU-FAP)** | | | | |
| Government of Japan — Ministry of Foreign Affairs | – | (30) | – | (30) |
| **Trust Fund total** | **–** | **(30)** | **–** | **(30)** |
| **Total** | **9 000** | **36 914** | **19 770** | **65 684** |

## Annex V

### Statement of unpaid pledges as at 31 December 2014

This table shows the reconciliation of opening to closing pledges for those payees who have unpaid pledges as at 31 December 2014.

(Thousands of United States dollars)

| | *Unpaid pledges as at 31 December 2013* | *Opening balance IPSAS adjustments* | *Add: pledges for 2014 and adjustments* | *Add: pledges for 2015 and adjustments* | *Less: collection during 2014* | *Add: gain/(loss) on exchange* | *Unpaid pledges as at 31 December 2014* |
|---|---|---|---|---|---|---|---|
| **Operating funds** | | | | | | | |
| **UNU Centre** | | | | | | | |
| *Other donations* | | | | | | | |
| Farmer’s Market Association | – | – | 122 | – | (114) | – | 8 |
| United Nations Environment Programme | | – | 51 | – | (35) | – | 16 |
| **Total UNU Centre** | **–** | **–** | **173** | **–** | **(149)** | **–** | **24** |
| **UNU-WIDER** | | | | | | | |
| *Other donations* | | | | | | | |
| United Nations Children’s Fund | | – | 69 | – | – | – | 69 |
| **Total UNU-WIDER** | **–** | **–** | **69** | **–** | **–** | **–** | **69** |
| **UNU-MERIT** | | | | | | | |
| *Other donations* | | | | | | | |
| International Organization for Migration | | – | 7 | – | – | – | 7 |
| Maastricht Graduate School of Governance | | – | 326 | – | (309) | – | 17 |
| **Total UNU-MERIT** | **–** | **–** | **333** | **–** | **(309)** | **–** | **24** |
| **UNU-IAS** | | | | | | | |
| *Government donations* | | | | | | | |
| European Union (European Commission) | – | (261) | 592 | – | (143) | – | 188 |
| *Other donations* | | | | | | | |
| Amb3E — Associação Portuguesa de Gestão de Resíduos (The Portuguese Association for Waste Management) | – | – | 25 | – | (13) | – | 12 |

## Statement of unpaid pledges as at 31 December 2014 (continued)

| | *Unpaid pledges as at 31 December 2013* | *Opening balance IPSAS adjustments* | *Add: pledges for 2014 and adjustments* | *Add: pledges for 2015 and adjustments* | *Less: collection during 2014* | *Add: gain/(loss) on exchange* | *Unpaid pledges as at 31 December 2014* |
|---|---|---|---|---|---|---|---|
| Apple | – | – | 5 | – | – | – | 5 |
| Blueprint Ere Private Limited | – | 2 | 1 | – | (2) | – | 1 |
| Cisco Systems Inc.1 | – | – | 15 | – | (8) | – | 7 |
| Philips Consumers Electronics B.V. | – | 14 | 20 | – | (22) | – | 12 |
| Sims Recycling Solutions | – | 7 | – | – | – | – | 7 |
| The Japan Foundation for the United Nations University | | (70) | 258 | 90 | (277) | – | 1 |
| The University of Northampton | – | – | 1 | – | – | – | 1 |
| Umicore NV Precious Metals Refining | – | 14 | 7 | – | (14) | – | 7 |
| **Total UNU-IAS** | **–** | **(294)** | **924** | **90** | **(479)** | **–** | **241** |
| **Operating funds** (continued) | | | | | | | |
| **UNU-INWEH** | | | | | | | |
| *Other donations* | | | | | | | |
| McMaster University, Faculty of Humanities | – | 4 | 52 | – | (4) | – | 52 |
| **Total UNU-INWEH** | **–** | **4** | **52** | **–** | **(4)** | **–** | **52** |
| **UNU-CRIS** | | | | | | | |
| *Government donations* | | | | | | | |
| Belgium | 678 | – | 702 | – | (677) | – | 703 |
| **Total UNU-CRIS** | **678** | **–** | **702** | **–** | **(677)** | **–** | **703** |
| **UNU-EHS** | | | | | | | |
| *Government donations* | | | | | | | |
| European Union (European Commission) | – | 113 | 251 | 136 | (422) | (2) | 76 |
| *Other donations* | | | | | | | |
| United Nations Economic and Social Commission for Asia and the Pacific | – | – | 118 | – | – | – | 118 |
| **Total UNU-EHS** | **–** | **113** | **369** | **136** | **(422)** | **(2)** | **194** |

## **Statement of unpaid pledges as at 31 December 2014** (continued)

| | *Unpaid pledges as at 31 December 2013* | *Opening balance IPSAS adjustments* | *Add: pledges for 2014 and adjustments* | *Add: pledges for 2015 and adjustments* | *Less: collection during 2014* | *Add: gain/(loss) on exchange* | *Unpaid pledges as at 31 December 2014* |
|---|---|---|---|---|---|---|---|
| **UNU-GCM** | | | | | | | |
| *Other donations* | | | | | | | |
| Pacific Islands Forum | – | – | 34 | – | – | – | 34 |
| **Total UNU-GCM** | **–** | **–** | **34** | **–** | **–** | **–** | **34** |
| **Total operating funds as at 31 December 2014** | **678** | **(177)** | **2 656** | **226** | **(2 040)** | **(2)** | **1 341** |
| **Endowment Funds** | | | | | | | |
| **UNU-INRA** | | | | | | | |
| *Government donations* | | | | | | | |
| Ghana | 192 | – | – | – | – | – | 192 |
| Zambia | 400 | – | – | – | – | – | 400 |
| **Total UNU-INRA** | **592** | **–** | **–** | **–** | **–** | **–** | **592** |
| **Total Endowment Funds as at 31 December 2014** | **592** | **–** | **–** | **–** | **–** | **–** | **592** |
| **Total all funds outstanding as at 31 December 2014** | **1 270** | **(177)** | **2 656** | **226** | **(2 040)** | **(2)** | **1 933** |
| Allowance for doubtful receivables | | | | | | | (193) |
| **Net total all funds outstanding as at 31 December 2014** | | | | | | | **1 740** |

# Annex VI

## Statement of refunds to donors

(Thousands of United States dollars)

| | *Operating Unit* | *Refunds to donors year ended 31 December 2014* |
|---|---|---|
| *Donors* | | |
| Ministry of Foreign Affairs of Japan | UNU-FAP | 30 |
| Maastricht Graduate School of Governance | UNU-MERIT | 6 |
| Asia-Pacific Network for Global Change | UNU-IAS | 13 |
| Koeki Zaidan Hojin Nomura Zaidan | UNU-IAS | 2 |
| Springer Japan KK | UNU-IAS | 26 |
| Japan Educational Exchanges and Services | UNU-IAS | 1 |
| Grand Challenges Canada | UNU-INWEH | 4 |
| Fachhochschule K L | UNU-EHS | 6 |
| Deutsche Gesellschaft für Internationale | UNU-EHS | 1 |
| European Union | UNU-EHS | 136 |
| **Total refunds to donors for year ended 31 December 2014** | | **225** |

15-11000 (E) 250815