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Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

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Note

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

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Letters of transmittal

Letter dated 31 May 2016 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 2015, 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 19 September 2016 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 2015.

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

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the United Nations University (UNU) for the year ended 31 December 2015, 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 2015 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 United Nations 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 of the
United Kingdom of Great Britain and Northern Ireland

19 September 2016

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 University 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 2015. The audit was carried out through visits to the Institute of Integrated Management of Material Fluxes and of Resources (UNU-FLORES) in Germany, the World Institute for Development Economics Research (UNU-WIDER) in Finland, the UNU Centre in Kuala Lumpur and 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 an increase in the rate of implementation of previous recommendations of the Board from 45 per cent in 2014 to 71 per cent in 2015. This indicates that UNU is making concerted efforts to address the Board’s recommendations.

With total revenue of $63.27 million and expenses of $74.63 million during 2015, the financial statements depicted a net deficit of $11.36 million. However, the overall financial position of UNU remained sound, with current assets of more than eight times the current liabilities and total assets of more than seven 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), there was a need to strengthen monitoring of budget, projects, estate management and procurement in UNU and its constituent Institutes.

Key findings

Our key findings are as follows:

(a) There were 139 assets with a net balance value of $259,144 (original cost $2.59 million) that had completed their useful lives but were still in use. These items were acquired from 1982 to 2011, but UNU had not reviewed the useful lives of the assets as required by IPSAS 17: Property, plant and equipment;

(b) The significant variances between budget estimates and actuals, non-utilization of resources in the core function and significant savings are indicative of preparation of the budget without ascertaining the actual requirements, and of an absence of adequate control over the resources and their utilization;

(c) The Pelikan project management system was not being used to its full potential as an effective tool for monitoring the entire cycle of the project implementation;

(d) UNU did not have a business continuity plan.

Main recommendations

Based on the audit findings, the Board recommended that UNU:

(a) **Review the useful lives of all assets, revalue the fully depreciated assets which are still in use and estimate their useful lives;**

(b) **Take adequate steps for proper budget planning for control and optimum utilization of its resources;**

(c) **Take steps to utilize Pelikan to its full potential;**

(d) **Put in place a business continuity plan in the interests of the organization.**

Key facts

$63.27 million:	Revenue
$74.63 million:	Expenses
$11.36 million:	Deficit for the year
$517.25 million:	Assets
$69.62 million:	Liabilities
$447.63 million:	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 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 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 2015 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 presented fairly the financial position of UNU as at 31 December 2015 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. The Board noted that of the total 14 recommendations that remained outstanding as at 31 December 2014, 10 (71 per cent) had been implemented and 4 (29 per cent) were under implementation. Details of the status of the implementation of the recommendations are presented in the annex to chapter II. The percentage of fully implemented recommendations increased from 45 per cent in 2014 to 71 per cent in 2015. This indicates that UNU is making concerted efforts to address the Board's recommendations. The Board expects that UNU will continue to work on implementing all recommendations.

2. Financial statements and financial reporting

6. Total assets as at 31 December 2015 were $517.25 million compared with $533.12 million as at 31 December 2014, showing a decrease of 2.98 per cent. Assets mainly consist of investments and voluntary contributions receivable, which together amounted to $405.44 million, representing 78.38 per cent of the total

assets. Total liabilities as at 31 December 2015 were $69.62 million compared with $80.40 million as at 31 December 2014.

7. The University's revenue stood at $63.27 million compared with $64.36 million as at 31 December 2014, representing a decrease of 1.69 per cent. The main sources of revenue were voluntary contributions of $60.83 million (96.14 per cent). Total expenditure stood at $74.63 million, against $75.69 million as at 31 December 2014, representing a decrease of 1.4 per cent. The main expense categories were employee salaries, allowances and benefits of $22.97 million (30.8 per cent). Accumulated surpluses and Endowment Fund balances stood at $57.50 million (2014: $47.99 million) and $390.13 million (2014: $404.74 million) respectively.

Financial ratios

8. The ratios set out in table II.1 below indicate that the overall financial position of UNU is sound, with current assets of more than eight times the current liabilities and total assets of more than seven times the total liabilities. The quick ratio and cash ratio also indicate 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.1
Financial ratios

Ratios	*2015*	*2014*
Total assets: total liabilities[a]		
Assets: liabilities	7.43	6.63
Current ratio[b]		
Current assets: current liabilities	8.83	7.47
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	8.75	7.43
Cash ratio[d]		
(Cash + short-term investments): current liabilities	7.35	7.16

Source: UNU 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 short-term 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.

Voluntary contributions receivable: conditional agreements

9. IPSAS 23: Revenue from non-exchange transactions (taxes and transfers), stipulates that 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 control of the asset is deemed to have

been passed, unless the agreement establishes a condition that requires recognition of a liability. In such cases, revenue is recognized as the liability is discharged.

10. The Board examined donor agreements and found that performance obligation was not completed in four cases, but no liability was created by UNU, as set out in table II.2.

Table II.2
Donor agreements

Agreement No.	*Amount involved (USD)*	*Conditions*
CA-92967	131 291	Grant was contingent on the launch of a postdoctoral research project which was due on 1 May 2016. Project for which grant was contingent was yet to start.
CA-89520	262 582	Deliverables (submission of baseline, follow-up and final report of the project) were due from 2016 to 2018, but deliverables were not met as at the date of the financial statements. Liability for $262,582 should have been created.
CA-89455	109 489	Subsequent instalments were payable on completion of relevant milestones. A sum of 150,000 Australian dollars was to be received subject to the approval of the activity completion report and final acquittal statement. This milestone was yet to be achieved as at the date of the financial statements.
CA-89495	212 500	A sum of $212,500 was to be received upon completion of all activities and the submission of a narrative and financial report. This deliverable was not met as at the date of the financial statements. Liability for this amount should have been created.
Total	**715 862**	

Source: UNU.

11. UNU has accounted for the entire amount of voluntary receivables at the time when agreement becomes binding, but in cases of agreements where there were performance obligations to be performed, no liability was created. Non-creation of liability despite non-completion of performance obligation resulted in an understatement of liabilities and overstatement of revenue of $0.72 million.

12. UNU stated that the agreements identified were not considered conditional, and in the past such agreements had always been honoured.

13. Although UNU stated that the cited agreements were not considered conditional, the Board noted clauses in the agreements that required them to be met before revenue was recognized.

14. The Board recommends that UNU create deferred revenue liability for the amount of future instalments which depend on fulfilment of performance obligations.

Non-review of useful lives of assets

15. Paragraph 67 of IPSAS 17: Property, plant and equipment, provides that:

> The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in

accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

16. The Board observed that there were 139 assets with a net balance value of $259,144 (original cost $2.59 million) that had completed their useful lives but were still in use. These items were acquired from 1982 to 2011 but UNU had not reviewed the useful lives of the assets as required by IPSAS 17.

17. UNU stated that it was adopting the useful life as stipulated in the United Nations Policy Framework for IPSAS and the depreciation floor of 90 per cent was still applicable for fully depreciated assets. It also stated that the United Nations was in the process of reviewing the findings of the focus group on property, plant and equipment of the Task Force on Accounting Standards and UNU would adopt any necessary changes accordingly.

18. **The Board recommends that UNU review the useful lives of all assets, revalue the fully depreciated assets which are still in use and estimate their useful lives.**

3. Fundraising arrangement

19. In accordance with the existing funding agreement, the UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) receives annual contributions in the form of core funding from a number of donors in the host country. The current agreements provide for annual cash contributions of 1.793 million euros and in-kind support of 383,318 euros. These include:

(a) The Federal Ministry of Education and Research of Germany (BMBF) — a maximum of 1.05 million euros (cash);

(b) The Saxon State Ministry for Higher Education, Research and the Arts (SMWK) — a maximum of 743,000 euros (cash) and 75,318 euros (in-kind support);

(c) The Technical University, Dresden — 308,000 euros (in-kind support).

20. The funding agreement in respect of the arrangements is valid up to December 2017 and the core funding covers staffing and personnel costs, general administration and programme development costs.

21. The amounts that UNU-FLORES actually receives in a given year depend upon:

(a) The unspent balances carried over from the previous years that UNU-FLORES is permitted by the donors to spend in the subsequent year (the amount of funding received is offset by the carried-over amount);

(b) The annual requirements projected by UNU-FLORES in its requests for contribution payments in two semi-annual instalments.

22. The Board observed that, though at present UNU-FLORES was able to manage its activities comfortably within the present funding agreement, it had yet to diversify its sources of core funding. The present funding agreement would be coming to an end in December 2017 and UNU-FLORES had to seek a renewal of

that agreement. UNU stated that it was in the process of seeking a renewal of the agreement.

23. The Board also noted that the present fundraising strategy was aimed at enhancing the Special Programme Contributions. The Contributions were tied to particular programmes such as the research project to develop models to predict land-use-induced soil pore-space changes and their hydrological impacts, for which funding was sponsored by the German Research Foundation. Special Programme Contributions are instruments that seek funding for specific activities and therefore do not provide a flexible resource in the same way that core funding resources do. As part of its fundraising strategy, the Institute had also planned to organize a biennial Dresden Nexus Conference. The first conference was held in 2015 and the Institute managed to attract $96,754 in Special Programme Contributions. However, in order to have more operational independence and flexibility to prioritize its spending, in accordance with its strategic plan, which anticipates having more operating units in different countries and linking to multilateral funding agencies, UNU-FLORES needs to focus on attracting more core funding.

24. In addition, the UNU Strategic Plan 2015-2019 requires new Institutes to have an endowment fund, which would be invested primarily to generate an income stream to be applied to meet the programme and operational needs of the Institutes. The Board noted that UNU-FLORES did not yet have an endowment fund.

25. In accordance with regulation 4.16 and rule 104.12 of the Financial Regulations and Rules of the United Nations, the funds of United Nations system organizations should be invested in such a manner as to place primary emphasis on minimizing the risk to the principal funds while ensuring the liquidity necessary to meet the Organization's cash-flow requirements. In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the United Nations. In addition, in accordance with article VIII of the Statute of UNU-FLORES, the Institute was required to invest moneys received by it and use the proceeds for financing the activities of UNU-FLORES.

26. The Board observed that UNU-FLORES had carried forward significant surplus funds from 2013 to 2014 but, despite having significant surplus funds, it did not invest in accordance with its Statute. In comparison, other UNU Institutes such as the World Institute for Development Economics Research (UNU-WIDER), the Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT) and UNU Computing and Society (UNU-CS) have made substantial investments of their surplus funds.

27. The Board considers that the dependence of UNU-FLORES upon a single set of donors for core funding, its lack of an endowment fund and its failure to invest its surplus funds through the UNU Centre exposes the Institute to a significant financial risk, which could have an impact on cash flow availability and the Institute's ability to achieve its strategic plan objectives in its current formative phase. In addition, UNU-FLORES has not been gaining the benefit of the higher investment income that could have accrued to it from the investible surpluses.

28. UNU stated that the current funding was sufficient to meet their expenditure. In addition, all efforts were being made to diversify funding sources. UNU was

seeking renewal of the current funding agreement and would also seek long-term commitments from donors. UNU also stated that core funding from other donor countries was not deemed feasible.

29. With regard to the lack of an endowment fund for UNU-FLORES, UNU stated that there was no obligation to set up such a fund. In addition, the donors were also not agreeing to set up an endowment fund, citing low interest rates. However, UNU added that it would approach the donors again to explore the possibility of setting up an endowment fund and would follow the UNU Strategic Plan.

30. The Board acknowledges the restriction imposed upon UNU-FLORES by the present funding agreement. However, the Board is of the opinion that UNU-FLORES was not able to expend all the funds received during the fiscal years 2013 and 2014, as required by the funding agreement, and carried forward the surplus balances to the next year, which resulted in poor budgetary management. Therefore, UNU should continue to explore the possibility of convincing donors that their funding agreements might allow UNU-FLORES to make short-term investments of the surplus funds through the UNU Centre and ensure compliance with the Statute. Similarly, the Institute should continue consultations with donors regarding the establishment of an endowment fund in accordance with the UNU Strategic Plan.

31. **The Board recommends that UNU-FLORES: (a) review its fundraising strategy to develop new avenues of core funding such as multilateral funding agencies in order to put its financial health on a long-term, sound footing; (b) explore the possibility with its donors for establishing an endowment fund; and (c) make short-term investments of the surplus funds through the UNU Centre.**

4. Budget management

Budget planning

32. The position of budget vis-à-vis expenditure of UNU and its Institutes for the year ended 31 December 2015 is set out in table II.3.

Table II.3
Budget
(Thousands of United States dollars)

	Original		*Revised*		*Expenditure*		*Balance*		*Savings (percentage*	
Budget cost category	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Research, training networks and dissemination	18 000	29 204	50 032	54 815	22 975	27 598	27 057	27 217	54	50
Staff and other personnel costs	20 256	18 481	24 960	19 042	15 675	16 755	9 285	2 287	37	12
General expenses	8 931	12 376	13 553	13 719	9 746	10 099	3 807	3 620	28	26

Source: Statement of comparison of budget and actual amounts.

33. The Board noted that the provision made in the budget was not fully utilized. The major variances between budget estimates and actuals, non-utilization of resources in the core function and large savings are indicative of preparation of the

budget without properly ascertaining the actual requirements. It also indicates an absence of adequate control over the resources and their utilization.

34. UNU stated that, in accordance with regulation 1.3 of the Financial Regulations and Rules of the United Nations, the management and execution of the UNU budget was on a biennial rather than annual basis. Accordingly, the variance was to the extent of 35 per cent, 22 per cent and 16 per cent in respect of research, training networks and dissemination; staff and other personnel costs; and general expenses, respectively.

35. The Board does not accept the reply, as even if biennium figures are considered, savings of up to 35 per cent were achieved, which indicates resources could not be utilized optimally.

36. **The Board recommends that UNU take adequate steps for proper budget planning for control and optimum utilization of its resources.**

Non-receipt of contributions from donors

37. The Board observed that there were unpaid pledges amounting to $74.7 million as at 31 December 2015, against $65.83 million for 2014. Details are furnished in table II.4.

Table II.4
Unpaid pledges
(Millions of United States dollars)

Fund	*Amount*
Operating fund	23.31
Endowment Fund	51.39
Total	**74.70**

Source: UNU financial statements.

38. The Board examined the information in respect of 11 donors who had not paid contributions in 2015 and observed that:

(a) The total unpaid pledges against these 11 donors as at 31 December 2015 was $13.5 million, 18 per cent of the total unpaid pledges. Of these, $3.07 million was due for payment in 2015;

(b) One donor had pledged to pay $192,000 to UNU for the establishment of the Institute for National Resources in Africa (UNU-INRA) and the amount had been due for payment since 31 December 1993. Owing to non-receipt of the amount, UNU had made allowance for doubtful receivables of the amount in the financial statements for the year ended 31 December 2015. As a result, expenditure for managing the Institute was incurred from ongoing operations;

(c) In one case (the Ministry of Education of Ghana), the non-release of pledged amounts was mainly owing to the non-submission of final reports; in another case (the Economic Commission for Africa) it was owing to delay in the submission of the midterm report.

39. The non-realization of pledged amounts in time affects the smooth functioning of the Institutes and the completion of the projects and programmes.

40. UNU stated that continual concerted efforts have been taken to pursue the release of funds with the donors. In addition, some of these amounts are to be paid over a period of up to 10 years, in accordance with agreements with the donors. Of the total amount outstanding, $8 million (operating fund) and $45 million (Endowment Fund) is receivable from one government. The government concerned had asked to restructure its payment schedule, and UNU is following up directly with the government.

41. **In view of the large amount of outstanding contributions, the Board urges UNU to continue and strengthen its efforts to collect the outstanding contributions from the donors. In cases where reports from UNU were pending, the reports should be finalized at the earliest date possible and causes of delays in submission should be investigated.**

5. Project management

42. According to the Charter of the United Nations University, the University shall devote its work to collaborative research and education in the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies. Towards the attainment of the above, UNU has been undertaking issue-focused research, teaching and capacity development and providing advisory services to United Nations system organizations and to Member States, and conducting research programmes and projects implemented by UNU through its 13 Centres and Institutes based on these issues. The research projects are either funded through core funds or through the Special Programme Contributions from various donors, including national governments, United Nations agencies and other international agencies. The implementation and monitoring of the projects are guided by the Programme and Project Management Manual issued by UNU. In 2013, 2014 and 2015, UNU implemented 188, 178 and 205 projects, respectively.

43. The Board reviewed the implementation of the projects through the information as available in Pelikan, a project management system used for monitoring projects at UNU. A number of deficiencies found in the implementation and monitoring of the projects are discussed below.

Irregular approval of institutional contractual agreements

44. In accordance with clause 58 of the UNU Programme and Project Management Manual, projects requiring institutional contractual agreements over and above a $200,000 threshold require approval of the UNU Rector. The Board, however, noticed that 24 agreements with contractual amounts of $200,000 and higher were approved by the directors/heads of the Institutes, which was not in compliance with the above provision of the Manual.

45. UNU agreed with the audit observation.

Pelikan project

46. The UNU Manual on Project Management and Pelikan provides a comprehensive and transparent approach for managing UNU projects based on a common and unified set of rules, principles, guidelines and procedures using the Pelikan system. The system is a web-based system and was developed by the United Nations University to support high-quality management in the implementation of projects and to provide researchers with a tool that would enable them to share information online throughout the project cycle (i.e., project conception, implementation (reporting, monitoring and recording) and completion).

47. The Board found deficiencies in the management of projects in the Pelikan system throughout UNU which are explained in the paragraphs below.

48. Examination of the information of 30 ongoing projects and 30 closed projects, as available in the Pelikan, revealed that:

(a) In 10 of 30 ongoing projects, though the expenditure figures were shown in the summary sheet of the project, the same was not shown in the budget trend;

(b) In 20 of 30 test-checked closed projects,[1] the history of the projects containing the date of approval, the date of completion and so on was not available;

(c) In the eight ongoing projects, budget and expenditure were shown as zero in Atlas, though respective figures were available in Pelikan;

(d) In six projects,[2] budget and expenditure figures shown in Pelikan did not tally with the figures available in Atlas.

49. UNU stated that only projects that were integrated with Atlas would show data on "budget trend". It was further stated that, owing to constraints in Atlas, the integration of Pelikan and Atlas would become effective from 2016 onward.

50. While reviewing the status of the projects implemented by UNU-WIDER available in the Pelikan system, the Board observed that, in order to be effective as a project management tool, the Pelikan system needed to be populated with critical information in fields such as "project documents", "activities/events", "outputs", "monitoring", "reporting", "file repository", "finance" and "history". The Board reviewed 17 ongoing projects in detail and found that while data fields such as "project documents", "reporting" and "history" (project approval) were populated in a few projects, other fields such as "monitoring" and "file repository" were not populated with any data/information. The Board also noticed that of the 17 ongoing projects, 6 were not populated in the field "activities/events", 8 were not populated in the field "outputs" and 6 were not populated in the field "finance".

51. UNU stated that it had been working over the past two years to improve the Pelikan system with a view to launching version 2 of the platform. With the launch of that version, a list of current optional fields would become mandatory. It was further stated that the issue had already been addressed, as documented in a memorandum of the UNU Rector issued in March 2016.

[1] Numbers 299, 305, 309, 310, 316, 326, 346-348, 351, 580, 588, 589, 592, 593, 595, 597, 601, 603 and 607.

[2] Numbers 4133, 4164, 4573, 5034, 5133 and 5156.

52. The Board observed that the Pelikan system was not currently being used to its full potential as an effective tool for monitoring the entire cycle of the project implementation.

53. **The Board recommends that: (a) UNU take early steps to reconcile the differences between budget and expenditure figures in Pelikan and Atlas; and (b) UNU-WIDER ensure that the changes necessitated in the Rector's memorandum for utilizing Pelikan to its potential are implemented completely.**

6. Estate management

54. As at 31 December 2015, the United Nations University had 47 occupied buildings in various places, of which 25 were on commercial leases and 1 was on a rental contract. Of the remaining 21, 17 were donated rights-to-use premises classified as operating leases and 4 were donated rights-to-use buildings classified as finance leases. While 23 units were utilized as office space, the remaining 24 were utilized for residential purposes.

55. The Board examined the records relating to utilization of the buildings at the UNU headquarters in Tokyo and noticed leasing of apartments in excess of requirements by UNU-CS in Macao as discussed below.

56. A lease agreement was signed on 27 July 2012 by the Director of the UNU International Institute for Software Technology (now UNU-CS), Macao, China, for the leasing of 27 residential units in Millennium Tower, Macao, for a period of three years from 1 November 2012 to 31 October 2015. In accordance with the terms of the lease agreement, monthly rent of MOP$ 265,360 (US$ 33,241) was payable along with a monthly management fee of MOP$ 34,640 (US$ 4,339), which was to be increased to MOP$ 295,360 (US$ 36,998) in the third year with the same management fees. The agreement was renewed on 27 August 2015 for one year from 1 November 2015 to 31 October 2016 and the number of leased residential units was reduced to 15. The monthly rent was fixed at MOP$ 195,000 (US$ 24,439) for these units and was payable along with a management fee of MOP$ 19,840 (US$ 2,487).

57. The Board observed that from November 2012 to March 2016 between 5 and 26 units were unoccupied at any one time. The decision of UNU-CS to lease these residential quarters without working out the actual requirement resulted in the non-utilization of these residential units, besides a wasteful expenditure of MOP$ 7.58 million (US$ 0.95 million).

58. UNU stated that, following the departure of the Director of UNU-IIST on 31 December 2013 and the closing down of all academic activities, the lease was amended, which resulted in the reduction of the number of apartments from 27 to 15, with a consequent reduction in monthly rental expenses of 48 per cent. Given that the real estate market in Macao was very tight at the time and the post of Director was being advertised with the anticipation that academic activities would resume by mid-2014, it was considered prudent to keep 15 units to meet the anticipated demand. However, the post was re-advertised and the current Director joined in January 2015. Since then, academic activities had been gradually expanding and the utilization of the apartments was increasing accordingly.

59. The Board acknowledges the action taken but is concerned about the decision of UNU to lease residential quarters without assessing the actual requirement.

7. Procurement and contract management

60. In accordance with regulation 5.12 of the Financial Regulations and Rules of the United Nations, procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the United Nations:

(a) Best value for money;

(b) Fairness, integrity and transparency;

(c) Effective international competition;

(d) The interest of the United Nations.

61. The Board noticed that the contracts relating to the refurbishment of the UNU headquarters building and the supply, delivery and installation of furniture for the UNU headquarters building were awarded to three contractors during 2014 and 2015. The deficiencies in award of works and contract management that were observed are set out below.

Award for additional quantities

62. The work of refurbishment of the UNU headquarters building was awarded to a contractor at a cost of 53.92 million yen ($0.45 million). On examination of the records, the Board observed that UNU also awarded works valuing 19.71 million yen ($0.16 million) for additional quantities of items through various purchase orders to the same vendor.

63. In accordance with section 12.3 of the United Nations Procurement Manual, in case of any proposed amendment or modification of a contract previously reviewed by the Headquarters Committee on Contracts, where the amendment, modification or renewal increases the previously approved not-to-exceed contract value by more than 20 per cent or $500,000, whichever amount is lower, the recommendation of the Committee and the approval of the Assistant Secretary-General/Office of Central Support Services shall be obtained prior to any contractual commitment being made. The Board noticed that the cost of work given for additional quantities came to an increase of 35.55 per cent, which was in violation of the above rule.

64. UNU agreed with the audit comment.

Execution of works without approval

65. The office refurbishment work approved by the UNU Council included a provision for refurbishment construction services for the 1st, 3rd, 10th and 11th floors of the UNU headquarters building in Tokyo, as well as the supply, delivery and installation of office furniture for the building.

66. The Board's examination of the records, however, revealed that UNU carried out carpeting works for the 12th floor in January 2016 at a cost of 2.56 million yen

($21,253) through purchase orders 8249 and 8437. Since the above work was not approved by the UNU Council, the execution of it without the Council's approval was irregular.

67. UNU agreed with the audit observation.

Error in database

68. The Board conducted a test check of 49 purchase orders issued during 2015 and found that in 18 cases, goods and services were delivered before the issue of the purchase order.

69. The UNU agreed with the observation and the Board's suggestion that purchase orders should be issued before the procurement of goods and services.

70. **The Board recommends that UNU ensure that purchase orders are issued before the procurement of goods and services.**

Contracts entered into prior to the effective dates of the obligations

71. Rule 105.7 of the Financial Regulations and Rules states:

> Apart from the employment of staff against an authorized staffing table and consequential commitments under the Staff Regulations and Rules and allocations made to executing agencies, no undertaking, including by contract, agreement or purchase order, for an amount exceeding $4,000 (or its equivalent in other currencies) shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts by the certifying officer. This shall be done through the recording of commitments against which relevant payments or disbursements may be made.

72. During the biennium 2014-2015, UNU-WIDER had hired 358 consultants. The Board observed that the start dates of 16 contracts with contract values exceeding $4,000 were prior to the effective dates of the obligations, that is, before the signature of the certifying officer.

73. The Board also noted that institutional contractual agreements entered into with the University of Ghana and the University of Cape Town, with contract values exceeding $4,000, contained start dates that were earlier than the effective dates of the obligations.

74. The Board considers that, although these irregularities did not have a direct financial impact, the rules for creating obligations are very clearly laid down and compliance should be enforced and followed.

75. UNU-WIDER stated that it would include more emphasis on its workflow to address this matter and to minimize future risk.

76. **The Board recommends that UNU ensure that all contracts are signed before commencement.**

8. Other audit findings

Appointment of investment advisor

77. Regulation 5.12 of the United Nations Financial Regulations and Rules states: "Procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works." It provides for a formal method of solicitation for procurement. The United Nations Procurement Manual provides that Procurement Officers and requisitioners must ensure that a vendor's performance evaluation has a satisfactory result before processing any amendment (including any extension) to an existing contract.

78. An agreement was entered into by the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund (who is also responsible for the investment activities of UNU) on behalf of the UNU Endowment Fund on 29 December 2008 with a vendor (Asset Management Company Limited) to provide service as an investment advisor for the period up to December 2011, with a provision for extension of two more years. For this service, investment management fees of $562,500 (discounted) were payable annually.

79. The Board found that, even after December 2013 (the optional two years after December 2011), the agreement was continually extended through amendments (most recently for the period from January to December 2016) without following the formal method of solicitation as provided for in the Financial Regulations and Rules.

80. UNU stated that the contract with the vendor was signed by the Representative of the Secretary-General. On 1 December 2011, the United Nations Joint Staff Pension Fund (UNJSPF) made the determination that, going forward, the selection of external discretionary investment managers was to be treated as an investment decision. Consequently, subsequent to December 2011, the Representative of the Secretary-General had extended the term of various external discretionary investment managers previously retained for both the UNJSPF and the Endowment Fund, including the contract for the vendor (Asset Management Company Limited) relating to the Endowment Fund.

81. The Board observed that UNJSPF had not finalized the guidelines for selecting and evaluating managers of external funds since 2011. In the absence of approved guidelines, UNJSPF and UNU missed the opportunity to hire better external managers and to negotiate more favourable terms and conditions.

82. **The Board recommends that the contract for investment advisory services should be made by UNU through a competitive process.**

Business continuity plan

83. Business continuity plans essentially provide a framework on the basis of which an organization builds its resilience and facilitates the continuation of its operations in the event of disruption of business activities. To minimize the impact of disruptions, in recent years several United Nations organizations have started developing business continuity plans for their headquarters and centres away from

headquarters, including country offices. General Assembly resolution 63/268 stressed the need for a coordinated approach to business continuity management.

84. However, the Board observed that UNU did not have a business continuity plan.

85. UNU stated that most of the University's core areas of business already had de facto continuity plans. All the functions handled by the UNU Centre could immediately be performed from any of the locations where Institutes were located. On the core academic business side, owing to the decentralized nature of UNU, research/teaching could continue even if UNU headquarters or one or more Institutes were impacted. UNU also stated that resilience was systematically factored into the management of the UNU franchise and, as a consequence, while it agreed with the necessity to ensure business continuity, there was no need in its view to develop a bureaucratic holistic document called "Business Continuity Plan", which would require significant staff time to write and keep updated, given that it was more efficient and effective to ensure that individual core operations had already addressed business continuity.

86. The Board is of the opinion that, in the absence of a written document and occasional testing of the business continuity arrangements, UNU cannot have confidence that it will be able to continue its operations in the event of unforeseen emergencies and major disruptions or disasters. In addition, in the absence of a formal plan, it would not be possible to put the framework in place and implement the business continuity plan.

87. **The Board recommends that UNU put in place a business continuity plan to ensure it can continue in operation in the event of major disruptions to its normal business environment, in the interests of the organization.**

C. Disclosures by management

88. 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.

89. 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. The Board also inquired whether UNU had any knowledge of any actual, suspected or alleged fraud, including enquiries of the Office of Internal Oversight. The additional terms of reference governing external audits include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

90. UNU reported to the Board that there were no write-offs of cash, losses of property, plant and equipment, inventories, cases of fraud or presumptive fraud or ex gratia payments made during the year ended 31 December 2015. UNU also

reported that receivables amounting to $6,564.55 had been written off during the year ended 31 December 2015.

D. Acknowledgement

91. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the officials and staff of UNU during the conduct of the audit.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the United Nations 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 of the
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Annex

Status of implementation of previous recommendations of the Board

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
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	Definition is in the memo issued by the Rector on 16 April 2015 and in the budget assumptions for the UNU budget for the biennium 2016-2017.	The recommendation has been implemented.	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; (b) To expedite updating pending business procedures in order to ensure full compliance with IPSAS; (c) To consider developing an IPSAS benefit realization plan to allow for full achievement of benefits as expected by IPSAS	UNU has finished the policy position paper regarding financial instruments and developed the IPSAS benefit realization plan.	The recommendation has been implemented.	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; (b) To develop appropriate accounting policies regarding how UNU will account for the gross proceeds from and the retentions made by the Foundation in preparation for IPSAS implementation	(a) The agreement with the Japan Foundation for the United Nations University has been signed; and (b) information has been disclosed as related party transactions.	The recommendation has been implemented.	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 Office of the Rector has considered the possibility of introducing results-based management on several occasions and takes this opportunity to emphasize again the view that results-based management is ill-suited to measuring the impact of research produced by an entity such as UNU.	The recommendation is under implementation in the revised version of Pelikan.		X		
5	2012-2013 A/69/5 (Vol. IV), chap. II, para. 40	(a) 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;	The Office of the Rector, in cooperation with its information technology unit C3, has developed the second version of Pelikan, which was released in March 2016 and includes an enhanced user interface among other new features. An e-mail alert mechanism already exists in the current version of Pelikan; this functionality will be kept in the relaunched version and complemented by notification mechanisms.	The recommendation has been implemented.	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
		(b) To conduct spot checks on project implementation in accordance with the Programme and Project Management Manual						
6	2012-2013 A/69/5 (Vol. IV), chap. II, para. 55	(a) To revise the performance evaluation report on personnel service agreements in order to remind management to undertake corresponding procedures that comply with the UNU personnel policy; (b) To develop an administrative instruction to specify the definition of "duration of service"	The issue has been addressed in the annex of the amended UNU personnel policy, which was submitted to the UNU Council in early May 2015.	The recommendation has been implemented.	X			
7	2014 A/70/5 (Vol. IV), chap. II, para. 21	The Board reiterated its previous recommendation regarding the refinement of the Pelikan system (see recommendation 5 (a)). (a) To improve Institutes' monitoring of ongoing projects and programmes by utilizing Pelikan to its full potential;	UNU Centre management regularly encourages Institutes through e-mail or memorandums to input content into Pelikan, and has recently requested Institutes to link publications in UNU collections to related projects in Pelikan. Similarly, projects in the Atlas system are to be linked to their respective Pelikan projects. Twice each year, before Council sessions, UNU Centre management sends out e-mails to request the creation of progress reports. A number of fields in Pelikan are being made mandatory in the second version of Pelikan, which is scheduled for release in March 2016.	UNU is trying to address the issue, but still needs to integrate Pelikan with Atlas effectively.		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*
		(b) To ensure the completeness of project profiles to reveal their actual status for better internal control and giving reliable information to stakeholders						
8	2014 A/70/5 (Vol. IV), chap. II, para. 24	(a) To 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; (b) To consider setting a threshold amount above which cash should be automatically invested in the cash pool	UNU-MERIT reports its bank balances (in euros and United States dollars) to the UNU treasury department on a weekly basis. In October 2015, a UNU pool account policy was implemented.	UNU has prescribed a threshold equivalent to two month's expenditure, beyond which the amount is transferred.	X			
9	2014 A/70/5 (Vol. IV), chap. II, para. 28	To conduct physical verification of library books periodically and promptly furnish physical verification reports to the UNU headquarters for effective inventory management	The physical verification exercise was completed.	The recommendation has been implemented.	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*
10	2014 A/70/5 (Vol. IV), chap. II, para. 33	To adhere to the articles of the cooperation agreement with regard to payments to employees of the University of Maastricht	An amendment to the cooperation agreement has been drafted and sent to the University of Maastricht for legal review.	The recommendation is under implementation.		X		
11	2014 A/70/5 (Vol. IV), chap. II, para. 35	(a) To improve the documentation practices to enhance transparency in the selection process; (b) To conduct formal evaluation of the work performed before renewal of the contract; (c) To make payment of fees on a lump-sum basis after certification by the authorized official of satisfactory completion of the work; (d) To take measures to ensure that the total duration of services does not exceed the administrative instructions issued in this regard	The revised UNU personnel policy, which was approved by the UNU Council in May 2015, has been disseminated to all Institutes and units for immediate compliance.	The recommendation has been partly implemented.		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*
12	2014 A/70/5 (Vol. IV), chap. II, para. 38	(a) To sign contracts prior to commencement of the contract period; (b) To suitably modify the Atlas finance module to capture critical information relating to consultancy contracts in the	UNU-MERIT has instructed its research staff to provide requests for consultancy contracts ahead of time in order to give the UNU-MERIT administration sufficient time to prepare the contracts and have them signed prior to the commencement of duties.	The recommendation has been implemented.	X			
13	2014 A/70/5 (Vol. IV), chap. II, para. 44	To maintain strict compliance with UNU personnel policy and adherence to the stipulated recruitment procedure	The UNU-IAS management has instructed all UNU-IAS staff concerned to follow recruitment processes and to complete performance evaluation reports accordingly.	The recommendation has been implemented.	X			
14	2014 A/70/5 (Vol. IV), chap. II, para. 49	(a) To establish a mechanism to monitor the booking of air tickets to increase cost efficiency; (b) To review its existing travel policy to include more clarity and specificity	UNU has established a guiding principle regarding the booking of air tickets.	Guiding principles have been established.	X			
Total		**14**			**10**	**4**		
Percentage		**100**			**71**	**29**		

Chapter III
Certification of the financial statements

Letter dated 31 May 2016 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 2015 have been prepared in accordance with financial rule 106.10.

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, in all material respects.

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

Chapter IV
Financial report for the year ended 31 December 2015

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 2015.

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 of the United Nations system. The University's mandate, as per 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. In 2015, the University completed its fourth decade of academic activity.

5. UNU at 40 continues to deliver on its Charter mandate of "research into the pressing global problems of human survival, development and welfare". In 2015, more focused efforts were made to channel the results of research programmes to policymaking circles in the United Nations. Through its leadership, the UNU Institute on Globalization, Culture and Mobility (UNU-GCM) was involved with the UNU Migration Network, which was formed to strengthen the University's engagement with United Nations policy processes on that issue, particularly within the inter-agency Global Migration Group. After just two years in the Global Migration Group, and in recognition of the University's expertise on the subject matter, the Group invited the UNU Rector to chair the Group in 2017. The UNU International Institute for Global Health (UNU-IIGH) also participated in the United Nations inter-agency work on non-communicable diseases; the UNU Institute for Water, Environment and Health (UNU-INWEH) conducted regional dialogues on water security with the Economic Commission for Latin America and the Caribbean and the Economic and Social Commission for Asia and the Pacific; and the Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT) has joined the Social Protection Inter-Agency Cooperation Board and has become active within the Global Knowledge Partnership on Migration and Development.

B. Overview of the financial statements for the year ended 31 December 2015

6. Financial statements I, II, III, IV and V show the financial results of UNU activities and its financial position as at 31 December 2015. 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.

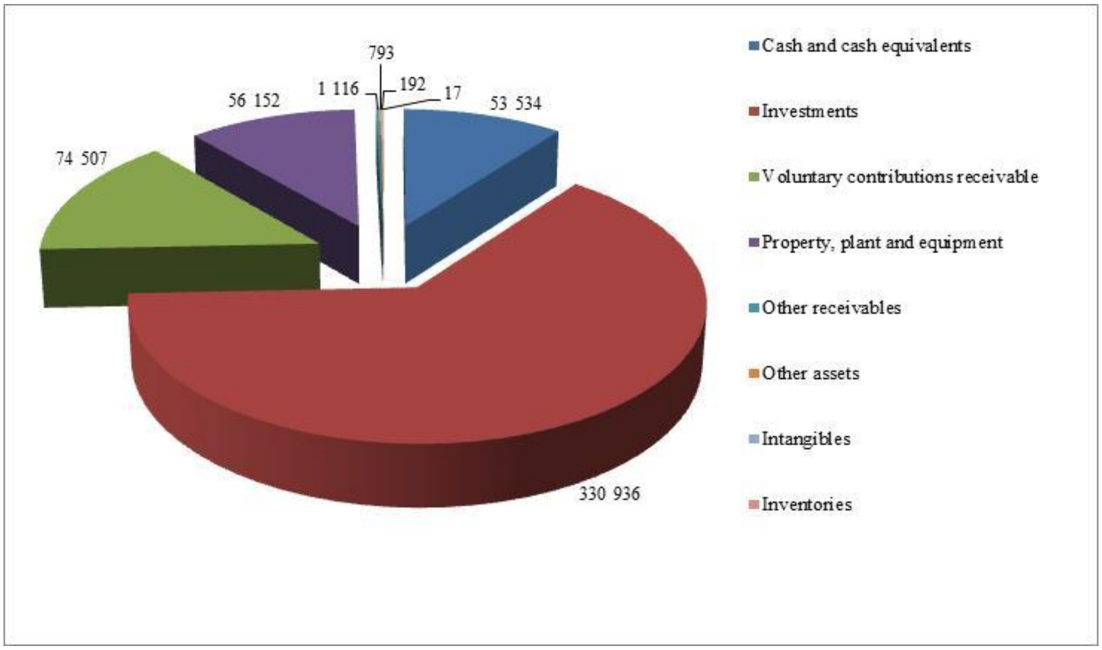
Financial position

Assets

7. Assets as at 31 December 2015 totalled $517.25 million compared with the balance as at 31 December 2014 of $533.12 million. Figure IV.I presents the structure of assets as at 31 December 2015.

Figure IV.I
Total assets as at 31 December 2015

(Thousands of United States dollars)



8. The main assets as at 31 December 2015 are investments and voluntary contributions receivable totalling $405.44 million, representing 78.4 per cent of the total assets; property, plant and equipment of $56.15 million, or 10.9 per cent; and cash and cash equivalents of $53.53 million, or 10.3 per cent. The remaining assets consist mainly of other receivables, inventories and intangibles.

9. Of the total cash, cash equivalents and investments of $384.47 million, $336.71 million, or 87.6 per cent, is held with the Endowment Fund, while $33.14 million, or 8.6 per cent, is held in the United Nations Treasury main and euro cash pools.

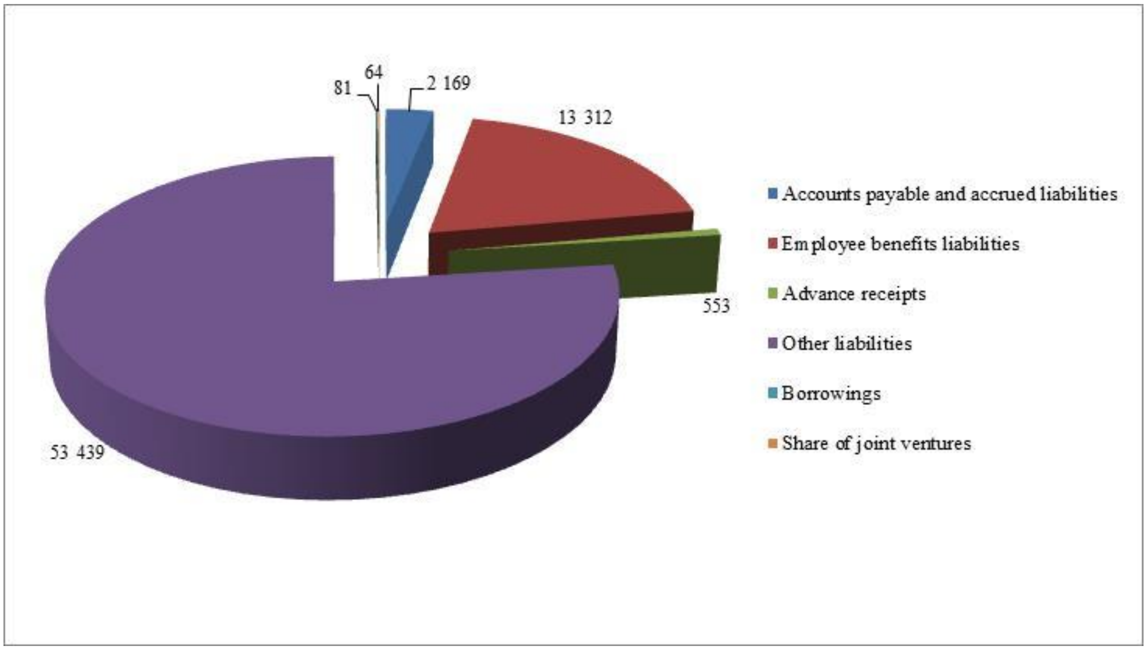
10. Under IPSAS, accounts receivable from voluntary contributions are recognized in full on signature of an agreement including amounts due in future financial periods. The only exception is agreements such as those with the European Union that contain conditions requiring return of the contribution if the funds are not spent in accordance with the terms and conditions specified by the donor. The total voluntary contributions receivable of $25.42 million due as at 31 December 2015 is expected to be received in 2016.

Liabilities

11. Liabilities as at 31 December 2015 totalled $69.62 million, compared with the balance as at 31 December 2014 of $80.40 million. Figure IV.II presents the structure of UNU liabilities as at 31 December 2015.

Figure IV.II
Total liabilities as at 31 December 2015

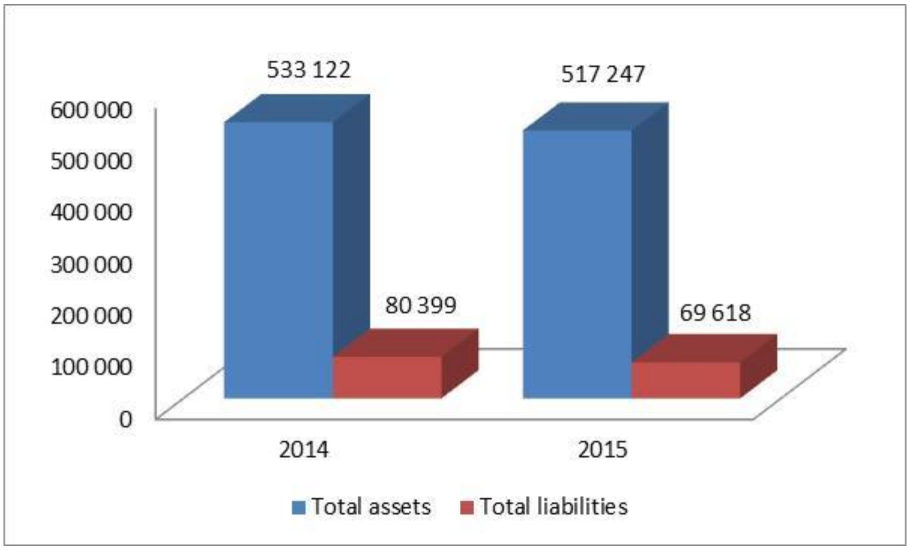
(Thousands of United States dollars)



12. The largest liability was the donated rights-to-use buildings occupied by UNU offices. These liabilities amounted to $53.44 million, representing 76.7 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 $13.31 million, representing 19.1 per cent of UNU total liabilities, and are explained in detail in note 18 of the financial statements. The other liabilities consist mainly of accounts payable and accrued liabilities, and advance receipts.

Figure IV.III
Movement in total assets and total liabilities as at 31 December 2015

(Thousands of United States dollars)



13. Figure IV.III illustrates a slight decrease of 3 per cent in the total assets, from $533.12 million reported for 2014 to $517.25 million reported for 2015, and a 13 per cent decrease in liabilities, from $80.40 million in 2014 to $69.62 million in 2015.

Net assets

14. The movement in net assets during the year, after restating for IPSAS compliance, reflects a decrease of $5.09 million, from $452.72 million as at 31 December 2014 to $447.63 million as at 31 December 2015, owing to the operating surplus of $3.24 million, actuarial gains of $6.25 million and net deficit movement in the Endowment Fund of $14.60 million.

Table IV.1
Summary of financial position as at 31 December 2015

(Thousands of United States dollars)

	2015	*2014*	*Change (amount)*	*Change (percentage)*
Current assets	80 934	82 824	(1 890)	-2.3
Non-current assets	436 313	450 298	(13 985)	-3.1
Total assets	**517 247**	**533 122**	**(15 875)**	**-3.0**
Current liabilities	9 166	11 085	(1 919)	-17.3
Non-current liabilities	60 452	69 314	(8 862)	-12.8
Total liabilities	**69 618**	**80 399**	**(10 781)**	**-13.4**
Net assets/equity	**447 629**	**452 723**	**(5 094)**	**-1.1**

Financial performance

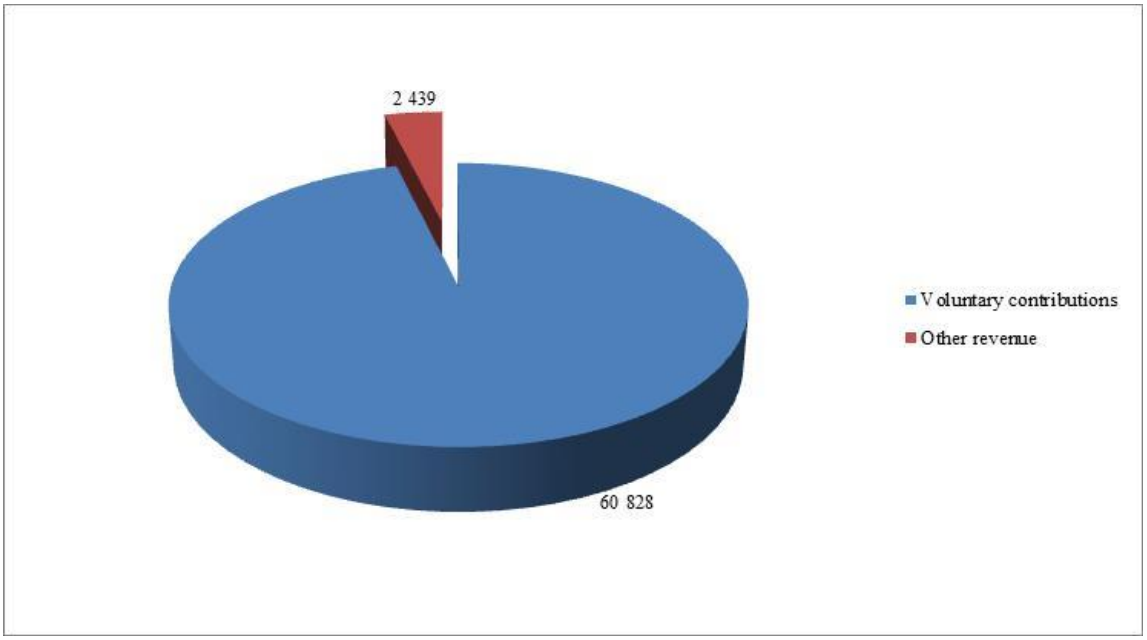
Revenue

15. In 2015, UNU revenue totalled $63.27 million, a decrease of $1.09 million compared with 2014, or 1.69 per cent. The main sources of revenue were voluntary contributions of $60.83 million, including net monetary contributions of $35.58 million from Member States and $7.18 million from other donors. Voluntary contributions revenue also included contributions in kind as a rental subsidy of $18.07 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. Other revenue of $2.44 million consisted mainly of rental and conference services fees received by the University headquarters building and fees from training courses and consulting services.

16. Figure IV.IV presents the structure of UNU revenue as at 31 December 2015.

Figure IV.IV
Total revenue as at 31 December 2015

(Thousands of United States dollars)



17. UNU is heavily reliant on a small number of donors; it was noted that the top seven donors contributed about 76 per cent of the total donor contributions for the year. Figure IV.V highlights the major voluntary contributors, showing Japan as the major contributor for 2015.

Figure IV.V
Voluntary contributions from State donors exceeding $1 million per donor

(Thousands of United States dollars)

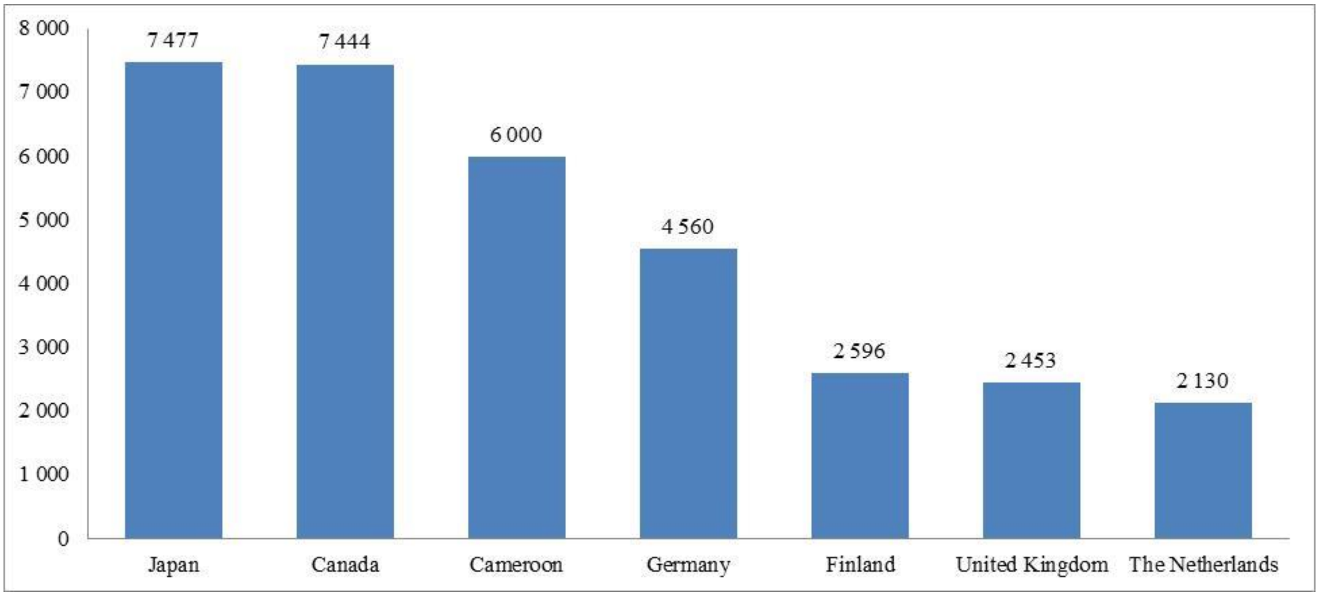


Table IV.2
Comparative revenue analysis

(Thousands of United States dollars)

	2015	*2014*	*Change (amount)*	*Change (percentage)*
Voluntary contributions	60 828	58 001	2 827	4.9
Investment revenue (net)	–	3 829	(3 829)	-100.0
Other revenue	2 439	2 526	(87)	-3.4
Total revenue	**63 267**	**64 356**	**(1 089)**	**-1.7**

Expenses

18. For the year ended 31 December 2015, expenses totalled $74.63 million, a decrease of $1.06 million compared with 2014, or 1.4 per cent. The main expense categories were employee salaries, allowances and benefits of $22.97 million, or 30.8 per cent; rent, leases and utilities of $15.49 million, or 20.8 per cent; and travel of $5.42 million, or 7.3 per cent. During the year, the losses incurred from the change in the fair value of the investments and foreign exchange losses from the Endowment Fund and the UNU share of cash pool amounted to $28.05 million, outweighing the investment revenue and gains on sale of investments of $21.99 million, resulting in a net investment expense of $6.07 million. Figure IV.VI presents the structure of UNU expenses as at 31 December 2015.

Figure IV.VI
Total expenses as at 31 December 2015

(Thousands of United States dollars)

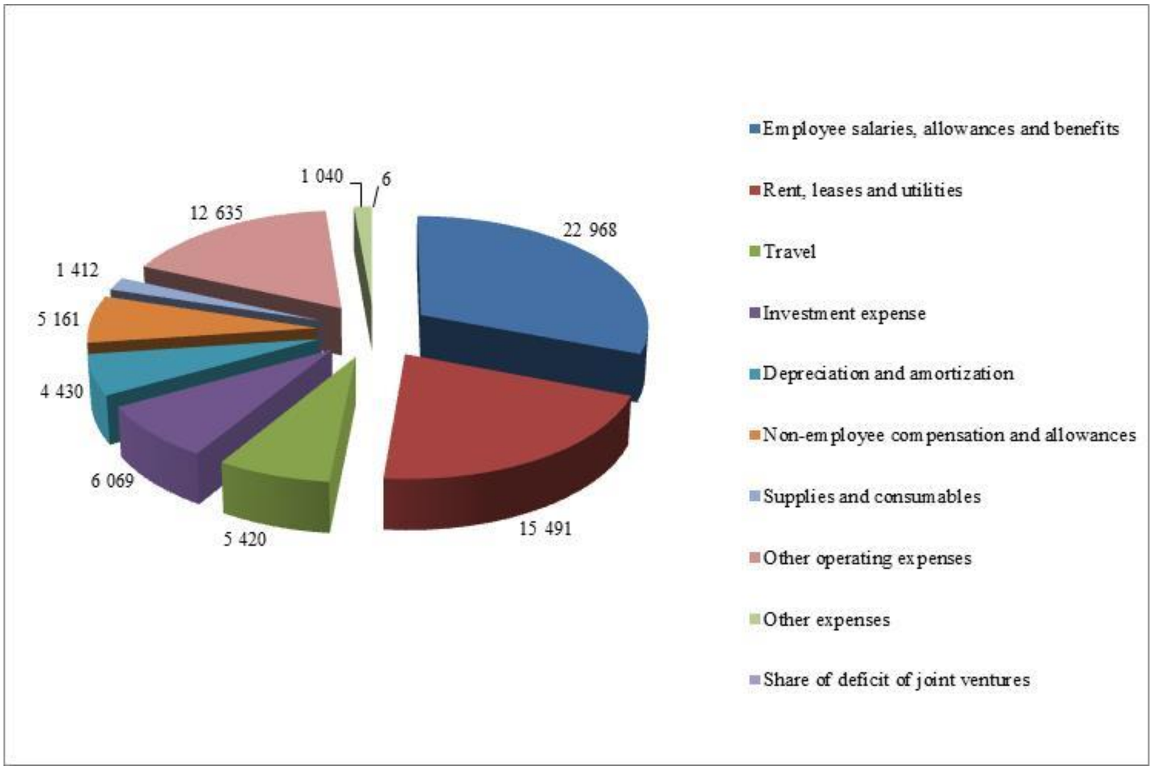


Table IV.3
Comparative expense analysis

(Thousands of United States dollars)

	2015	*2014*	*Change (amount)*	*Change (percentage)*
Employee salaries, allowances and benefits	22 968	27 661	(4 693)	-17.0
Rent, leases and utilities	15 491	17 430	(1 939)	-11.1
Travel	5 420	5 190	230	4.4
Investment expense (net)	6 069	–	6 069	–
Depreciation and amortization	4 430	4 400	30	0.7
Non-employee compensation and allowances	5 161	4 195	966	23.0
Supplies and consumables	1 412	1 293	119	9.2
Other operating expenses	12 635	13 019	(384)	-2.9
Other expenses	1 040	2 496	(1 456)	-58.3
Share of deficit of joint ventures: equity method	6	2	4	200.0
Total expenses	**74 632**	**75 686**	**(1 054)**	**-1.4**

19. During 2015, employee salaries, allowances and benefits decreased by $4.69 million (17.0 per cent), mainly due to the reduction in the short-term contractual personnel cost at the UNU Centre, UNU-MERIT and the UNU Institute for the Advanced Study of Sustainability (UNU-IAS), compared with 2014.

20. The decrease in the rent, leases and utilities by $1.94 million is mainly due to the reduction in the donated rights-to-use arrangements for the UNU Centre offices in Tokyo, accounted for as operating leases as a result of the depreciation of the Japanese yen against the United States dollar.

Operating results

21. The University's overall deficit increased slightly in 2015 to $11.36 million from $11.33 million in 2014, primarily attributable to lower gains on sale of investments by $10.52 million, which was offset by an increase in voluntary contributions of $2.83 million and lower expenses of $7.12 million.

Liquidity position

22. As at 31 December 2015, the liquidity position of UNU was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled $80.15 million (cash and cash equivalents of $53.53 million, short-term investments of $13.88 million and accounts receivable of $12.74 million), whereas total current liabilities amounted to $9.17 million and total liabilities amounted to $69.62 million.

23. Table IV.4 summarizes four key liquidity indicators for the financial year ended 31 December 2015 with comparatives for the year ended 31 December 2014.

Table IV.4
Liquidity indicators for the United Nations University

Indicators	*2015*	*2014*
Ratio of liquid assets to current liabilities	8.7:1	7.4:1
Ratio of liquid assets less accounts receivable to current liabilities	7.4:1	7.2:1
Ratio of liquid assets to total assets	0.2:1	0.2:1
Average months of liquid assets less accounts receivable on hand	11.5	13.4

24. 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 8.7:1 indicates that current liabilities are covered in excess of eight times by liquid assets, and there are, therefore, sufficient liquid assets available to fully pay liabilities should the need arise. An increase of the value of this ratio from 7.4:1 in the prior year indicates a higher level of liquidity resulting from decreased current liabilities holdings as at the end of 2014. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 7.4:1 for 2015 and 7.2:1 for 2014.

25. As at 31 December 2015, 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 $5.85 million for 11.5 months.

26. As at the reporting date, UNU had employee benefit liabilities of $13.31 million. With total cash and cash equivalents and investments of $384.47 million, the employee benefits liabilities are covered.

C. Future outlook

27. Some UNU entities, such as the UNU World Institute for Development Economics Research (UNU-WIDER), UNU-INWEH and UNU-IAS, are working with national governments to shape policy on the implementation of the 2030 Agenda for Sustainable Development. The UNU Institute for Natural Resources in Africa (UNU-INRA) is working with the United Nations Environment Programme and the International Labour Organization on the subnational-level promotion of green economies in Africa; and the UNU Institute on Comparative Regional Integration Studies (UNU-CRIS) and UNU-INRA also work directly with regional organizations, including the Economic Community of West African States, the European Union, the Southern African Development Community and the Union of South American Nations.

28. UNU is also active in collaborative knowledge generation, working in direct partnership with United Nations entities to fill knowledge gaps identified in United Nations policy processes, with outputs designed and tailored to be directly fed into policy processes. This approach picks up and builds on earlier UNU technical inputs into discussions on disaster risk and climate change (from the UNU Institute for Environment and Human Security (UNU-EHS)), development (UNU-WIDER) and water (UNU-INWEH), but involves the integration of United Nations operational entities into longer-term research design and delivery from the outset. Examples include work on the impacts of violent extremism on the reintegration of combatants and children, and work on fragile cities (the UNU Office in New York and the UNU Centre for Policy Research). Looking forward, there are new opportunities emerging, for example with regard to engagement with the Sustainable Energy for All (SE4All) initiative and the UNU Institute on Computing and Society (UNU-CS) work on crowd-sourced data in the implementation of the 2030 Agenda for Sustainable Development.

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), the amount of receivables written off in 2015 was $6,564.55.

Write-off of losses of property

3. Pursuant to financial rule 106.7, there were no write-off of losses of property, plant and equipment, inventories and intangibles for UNU during the year 2015 arising from accident, theft, damage or destruction; this does not include factors such as obsolescence and wear and tear.

Ex gratia payments

4. There were no ex gratia payments during 2015.

Chapter V

Financial statements for the year ended 31 December 2015

United Nations University

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Note	31 December 2015	31 December 2014 (restated[a])
Assets			
Current assets			
Cash and cash equivalents	7	53 534	55 520
Investments	8	13 879	23 893
Voluntary contributions receivable[a]	9	11 620	1 715
Other receivables[a]	10	1 116	1 252
Inventories	11	17	22
Other assets	12	768	422
Total current assets		**80 934**	**82 824**
Non-current assets			
Investments	8	317 057	327 674
Voluntary contributions receivable[a]	9	62 887	63 920
Property, plant and equipment[a]	14	56 152	58 704
Intangibles	15	192	–
Other assets	12	25	–
Total non-current assets		**436 313**	**450 298**
Total assets		**517 247**	**533 122**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	2 169	2 227
Advance receipts[a]	17	526	2 691
Employee benefits liabilities[a]	18	2 349	2 025
Borrowings	19	37	54
Other liabilities[a]	20	4 085	4 088
Total current liabilities		**9 166**	**11 085**

United Nations University

I. Statement of financial position as at 31 December 2015 (continued)

	Note	*31 December 2015*	*31 December 2014 (restated[a])*
Non-current liabilities			
Advance receipts	17	27	62
Employee benefits liabilities	18	10 963	16 082
Borrowings	19	44	31
Other liabilities[a]	20	49 354	53 056
Share of joint ventures: equity method	29	64	83
Total non-current liabilities		**60 452**	**69 314**
Total liabilities		**69 618**	**80 399**
Net of total assets and total liabilities		**447 629**	**452 723**
Net assets			
Accumulated surpluses	21	57 498	47 988
Endowment fund	22	390 131	404 735
Total net assets		**447 629**	**452 723**

[a] Restated due to prior period adjustment (see note 4).

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 2015

(Thousands of United States dollars)

	Note	*2015*	*2014 (restated[a])*
Revenue			
Voluntary contributions[a]	23	60 828	58 001
Investment revenue (net)	24	–	3 829
Other revenue[a]	25	2 439	2 526
Total revenue		**63 267**	**64 356**
Expenses			
Employee salaries, allowances and benefits[a]	26	22 968	27 661
Rent, leases and utilities	26	15 491	17 430
Travel	26	5 420	5 190
Investment expense (net)	24, 26	6 069	–
Depreciation and amortization	14, 15, 26	4 430	4 400
Non-employee compensation and allowances	26	5 161	4 195
Supplies and consumables	26	1 412	1 293
Other operating expenses[a]	26	12 635	13 019
Other expenses	26	1 040	2 496
Share of deficit of joint ventures: equity method	26, 29	6	2
Total expenses		**74 632**	**75 686**
Deficit for the year		**(11 365)**	**(11 330)**

[a] Restated due to prior period adjustment (see note 4).

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 2015

(Thousands of United States dollars)

	Accumulated surpluses	*Endowment Fund*	***Total***
IPSAS net assets as at 1 January 2014	**37 904**	**357 508**	**395 412**
Shares of changes recognized in the net assets of joint ventures: equity method (note 26)	(23)	–	**(23)**
Actuarial losses on employee benefits liabilities (note 18)	(2 621)	–	**(2 621)**
Deficit for the year	(1 964)	(1 773)	**(3 737)**
Net assets as at 31 December 2014	**33 296**	**355 735**	**389 031**
Prior period adjustments[a]	14 692	49 000	**63 692**
Net assets as at 31 December 2014 (restated)	**47 988**	**404 735**	**452 723**
Shares of changes recognized in the net assets of joint ventures: equity method (note 26)	25	–	**25**
Actuarial gains on employee benefits liabilities (note 18)	6 246	–	**6 246**
Surplus/(deficit) for the year	3 239	(14 604)	**(11 365)**
Total recognized changes in net assets	**9 510**	**(14 604)**	**(5 094)**
Net assets as at 31 December 2015	**57 498**	**390 131**	**447 629**

[a] Restated due to prior period adjustment (see note 4).

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 2015

(Thousands of United States dollars)

	Note	*2015*	*2014 (restated[a])*
Cash flows from operating activities			
Deficit for the year		**(11 365)**	**(11 330)**
Non-cash movements			
Bad debt written off	26	6	–
Depreciation and amortization	14, 15	4 430	4 400
Unrealized losses on investments arising from changes in fair value	24	12 816	4 941
Gains on sale of investments	24	(14 502)	(25 020)
Unrealized losses on revaluation of investments	24	15 211	24 807
Current service cost and interest cost of employee benefits liabilities	18	1 365	941
Share of deficit of joint ventures	29	6	2
Losses on disposal of property, plant and equipment	14	65	–
Net investment expense/(revenue) presented as investing activities	24	6 069	(3 829)
In-kind contributions of property, plant and equipment	14	(441)	(285)
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	9	(8 872)	228
Decrease/(increase) in other receivables	10	130	(242)
Decrease in inventories	11	5	74
(Increase)/decrease in other assets	12	(371)	90
Changes in liabilities			
Decrease in accounts payable and accrued liabilities	16	(58)	(826)
(Decrease)/increase in advance receipts	17	(2 200)	776
Increase in employee benefits liabilities	18	85	6 660
Decrease in other liabilities	20	(3 705)	(3 804)
Net cash flows used in operating activities		**(1 326)**	**(2 417)**
Cash flows from investing activities			
Net investment (expense)/revenue presented as investing activities	24	(6 069)	3 829
Net movement in cash pool		(3 842)	601
Dividend received		3 739	3 628
Interest received		3 666	4 541
Purchases of investments		(245 212)	(249 454)
Proceeds from sales and maturities of investments		249 803	247 231
Purchases of plant, property and equipment	14	(1 498)	(1 022)
Acquisition of intangible assets	15	(195)	–
Net cash flows from investing activities		**392**	**9 354**

United Nations University

IV. Statement of cash flows for the year ended 31 December 2015 (continued)

	Note	*2015*	*2014 (restated[a])*
Cash flows from financing activities			
Decrease in borrowings	19	(4)	(47)
Net cash flows from/(used in) financing activities		**(4)**	**(47)**
Net (decrease)/increase in cash and cash equivalents		**(938)**	**6 890**
Effect of exchange rate changes on cash and cash equivalents		**(1 048)**	**(5 028)**
Cash and cash equivalents — beginning of year		**55 520**	**53 658**
Cash and cash equivalents — end of year	**7**	**53 534**	**55 520**

[a] Restated due to prior period adjustment and presentation changes (see note 4).

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 2015

(Thousands of United States dollars)

Budget cost categories	Approved budget[a] Original biennial	Final biennial	Original annual	Final annual	Actual on a comparable basis	Difference: final budget and actual	Difference (percentage)[b]
Research, training networks and dissemination	47 204	77 630	18 000	50 032	22 975	(27 057)	-54
Staff and other personnel costs	38 737	41 715	20 256	24 960	15 674	(9 286)	-37
General operating expenses	21 307	23 652	8 931	13 553	9 746	(3 807)	-28
Total	**107 248**	**142 997**	**47 187**	**88 545**	**48 395**	**40 150**	**-45**

[a] The UNU work programme and budget estimates for the biennium 2014-2015 were 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 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 Assembly invited the Secretary-General to undertake, in cooperation with the United Nations Institute for Training and Research, 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 (XXVII)).

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 Council of the United Nations University 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, 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 Centre for Policy Research 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 University Centre:

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

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

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

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

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

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

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

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

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

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

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

(l) (UNU) Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), Maastricht, the Netherlands;

(m) 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.

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:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

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

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above; and where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

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 the fact that the General Assembly has made no decision to cease the operations of the University.

Authorization for issue

17. These 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 shall transmit these financial statements as at 31 December 2015 to the Board of Auditors by 31 March 2016. These financial statements are exceptionally transmitted by 31 May 2016. In accordance with regulation 7.12 of the Financial Regulations and Rules, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements that are authorized for issue on 19 September 2016.

Measurement basis

18. The financial statements are prepared using the historic cost convention except for real estate assets recorded at depreciated replacement cost and financial assets

recorded at fair value through surplus or deficit. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Functional and presentation currency

19. 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.

20. Transactions in currencies other than the functional currency (foreign currencies) 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 are translated at the United Nations operational rates of exchange year-end rate. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rates of exchange at the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated.

21. 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 judgment and estimation

22. Materiality is central to the preparation and presentation of the financial statements of the University, 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.

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

24. 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 and amortization methods for property, plant and equipment and intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets and liabilities.

Future accounting pronouncements

25. The progress and impact on the University's financial statements of the following significant future accounting pronouncements from the International Public Sector Accounting Standards Board continues to be monitored:

(a) 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;

(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) Emissions trading schemes: the project will consider issues related to emissions trading schemes with the aim of developing a standard (or standards) that provides requirements to administrators and participants in such schemes;

(e) Heritage assets: the project objective is to develop accounting requirements for heritage assets;

(f) Non-exchange expenses: the aim of the project is to develop a standard (or standards) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(g) Revenue: the aim of the project is to develop one or more International Public Sector Accounting Standards covering revenue transactions (exchange and non-exchange) in IPSAS. The aim is to develop new standards-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(h) Employee benefits: the objective is to issue a revised IPSAS 25: Employee benefits, which will converge with the underlying International Accounting Standard 19: Employee benefits;

(i) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: the project objective is to make revisions to the International Public Sector Account Standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints of information.

Future requirements of the International Public Sector Accounting Standards

26. On 30 January 2015, the International Public Sector Accounting Standards Board published IPSAS 33: First-time adoption of accrual basis International Public

Sector Accounting Standards; 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. IPSAS 33 has no impact on the University, which adopted IPSAS with effect from 1 January 2014 before the issuance of the standard. As the University has no activities that come under the scope of the other standards, the effect of the standards is not expected to be material.

27. 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

28. 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.

29. 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.

30. 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.

31. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition or are held for trading or 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 the University. 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 revenue and dividend revenue are recognized as “net gains or losses in fair value of investments” in the surplus or deficit.

32. 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 are 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.

33. 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.

34. 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.

35. Financial assets and liabilities are offset and the net amount is 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.

Investment in cash pools

36. 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.

37. 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.

Endowment Fund investment

38. 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 a revenue stream to be applied to meet the programme and operational needs of the University.

39. 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.

Cash and cash equivalents

40. 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.

Receivables from non-exchange transactions: contributions receivable

41. 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).

42. Voluntary contributions receivable are subject to an allowance for doubtful receivables on the same basis as other receivables.

Receivables from exchange transactions: other receivables

43. Other receivables primarily include 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. Material balances of other receivables and voluntary contributions receivable are subject to specific review, and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing accordingly.

Other assets

44. 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

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

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

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

47. 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.

48. 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.

49. 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

50. 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

51. Property, plant and equipment are classified into different groups of similar nature, functions, useful life and valuation methodologies as vehicles; temporary buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; 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 at fair value 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) For 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 equivalent assets;

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

52. 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 lives are depreciated using a 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
	Communications 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 Medical equipment Security and safety equipment	5 years
	Water treatment and fuel distribution equipment Transportation equipment	7 years
	Accommodation and refrigeration equipment	6 years
	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 rights-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

53. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into 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.

54. The University elected to use 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.

55. 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.

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

57. 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.

Intangible assets

58. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets 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. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

59. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the University are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants' costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Software acquired externally	3-10 years
Software developed internally	3-10 years
Licences and rights	2-6 years (period of licence/right)
Copyrights	3-10 years
Assets under development	Not amortized

60. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

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 liabilities

62. Accounts payable and accrued liabilities 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. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

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 the 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 the 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 rights-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 rights-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 a 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 rights-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 are 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 12 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 travel) 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 comprise after-service health insurance, end-of-service repatriation benefits and pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

73. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the University (other long-term benefit). 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 5 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 (see resolutions 1095 A (XI), 38/235 and 41/209).

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 a 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 at the present value of the estimated liability for settling these entitlements.

77. Annual leave: the liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from the University. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in, first-out

assumption in the determination of the annual leave liabilities whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and there is an increase in the level of accumulated annual leave days overall, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the University. The accumulated annual leave benefit reflecting the outflow of economic resources from the University at end of service is therefore classified as other long-term benefit. Note that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits, therefore the University values its accumulated annual leave benefit liability as a defined post-employment benefit that is actuarially valued.

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. Therefore, 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 benefits 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 benefits 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. Accumulated annual leave is an example of an other long-term benefit.

81. 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. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

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. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

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. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to 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 cash is received subject to specific conditions, revenue recognition is deferred until those conditions have been satisfied.

87. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding.

88. Unused funds returned to the donor are netted against voluntary contributions 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. In-kind contributions 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 from 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) Tuition revenue represents fees received from students pursuing postgraduate courses at the University;

(d) Exchange revenue also includes revenue from the rental of premises and the sale of used or surplus property, revenue from membership subscriptions and revenue 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 revenue, and the interest revenue and dividend revenue arising from the Endowment Fund's investment in securities. The net cash pool and Endowment Fund revenue 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 revenue. The net revenue 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 and 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 acquisition of goods and intangible assets less than capitalization thresholds, 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 and consumables.

Joint ventures accounted for using the equity method

96. A joint venture is a contractual arrangement whereby the University and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 8: Interests in joint ventures, as a jointly controlled entity, jointly controlled asset, jointly controlled operation or joint venture operation over which the University has significant influence. The University has entered into joint venture arrangements for jointly financed activities in which the nature of these arrangements is that the University 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 the University has significant influence at cost, and is adjusted thereafter for the post-acquisition change in the University's share of the joint venture's net assets. The University's 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
Changes in accounting policy and prior-period adjustments

98. For the following material prior-period adjustments, where there is impact relating to 2014, the 2014 comparative figures at the individual line item were retrospectively restated; where there is impact for periods prior to 2014, prior assets were restated:

(a) Prior to 2015, the future portions of voluntary contributions were not recognized in the statement of financial position. Following a change in the non-exchange revenue accounting policy, the future portions of voluntary contributions from unconditional multi-year arrangements are recognized up front when the agreement becomes binding. The effect of the change on the restated statement of financial position for the year ended 31 December 2014 is an increase to the non-current voluntary contributions receivable of $63.92 million in the statement of financial position and a net decrease in voluntary contributions revenue of $7.37 million in the statement of financial performance;

(b) An adjustment of $0.15 million was made owing to a change in accounting policy for scholarship funds whereby an asset and liability are recognized upon receipt of funds, instead of voluntary contributions revenue. The effect of this adjustment is a decrease in both the voluntary contributions revenue and other operating expenses and an increase in the advance receipts;

(c) A reclassification of $0.17 million was made for contributions received for membership. The effect is a decrease in voluntary contributions revenue and a corresponding increase in other revenue in the statement of financial performance, as well as a $0.03 million decrease in the current voluntary contributions receivable and a corresponding increase in other receivables in the statement of financial position;

(d) An adjustment of $0.22 million was made for the under-provision of United Nations tax reimbursements. The effect of this adjustment is an increase to employee benefits current liability of $0.22 million in the statement of financial position and an increase in expenses of $0.22 million in the statement of financial performance;

(e) An adjustment of $0.29 million was made to the donated rights-to-use buildings. The effect of this adjustment is a net increase to other liabilities of $0.29 million and a corresponding increase of $0.29 million to property, plant and equipment in the statement of financial position.

Net impact of prior period adjustments

(Thousands of United States dollars)

	As reported 31 December 2014	*Prior period adjustments*	*As restated 31 December 2014*
Statement of financial position extract			
Assets			
Voluntary contributions receivable (current)	1 740	(25)	1 715
Voluntary contributions receivable (non-current)	–	63 920	63 920
Property, plant and equipment	58 418	286	58 704
Other receivables	1 227	25	1 252
Liabilities			
Advance receipts (current)	2 686	5	2 691
Employee benefits liabilities (current)	1 802	223	2 025
Other liabilities (current)	4 089	(1)	4 088
Other liabilities (non-current)	52 769	287	53 056
Net assets			
Accumulated surpluses	33 296	14 692	47 988
Endowment fund	355 735	49 000	404 735
Statement of financial performance extract			
Revenue			
Voluntary contributions	65 684	(7 683)	58 001
Other revenue	2 358	168	2 526
Expenses			
Employee salaries, allowances and benefits	27 438	223	27 661
Other operating expenses	13 164	(145)	13 019

Note 5
Segment reporting

99. 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.

100. 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 the 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.

101. Inter-segment transactions are priced at cost-recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Note	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2015*
Assets					
Current assets					
Cash and cash equivalents	7	30 138	23 396	–	53 534
Investments	8	3 752	10 127	–	13 879
Voluntary contributions receivable	9	1 093	10 527	–	11 620
Other receivables	10	321	795	–	1 116
Inventories	11	–	17	–	17
Other assets	12	644	124	–	768
Inter-fund balances receivable		6 253	25 411	(31 664)	–
Total current assets		**42 201**	**70 397**	**(31 664)**	**80 934**
Non-current assets					
Investments	8	145 804	171 253	–	317 057
Voluntary contributions receivable	9	3 255	59 632	–	62 887
Property, plant and equipment	14	41 270	14 882	–	56 152
Intangibles	15	–	192	–	192
Other assets	12	–	25	–	25
Total non-current assets		**190 329**	**245 984**	**–**	**436 313**
Total assets		**232 530**	**316 381**	**(31 664)**	**517 247**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	16	708	1 461	–	2 169
Advance receipts	17	42	484	–	526
Employee benefits liabilities	18	656	1 693	–	2 349
Borrowings	19	15	22	–	37
Other liabilities	20	3 544	541	–	4 085
Inter-fund balances payable		24 266	7 398	(31 664)	–
Total current liabilities		**29 231**	**11 599**	**(31 664)**	**9 166**
Non-current liabilities					
Advance receipts	17	–	27	–	27
Employee benefits liabilities	18	3 442	7 521	–	10 963

	Note	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2015*
Borrowings	19	26	18	–	44
Other liabilities	20	36 062	13 292	–	49 354
Share of joint ventures: equity method	29	19	45	–	64
Total non-current liabilities		**39 549**	**20 903**	**–**	**60 452**
Total liabilities		**68 780**	**32 502**	**(31 664)**	**69 618**
Net of total assets and total liabilities		**163 750**	**283 879**	**–**	**447 629**
Net assets					
Accumulated surpluses	21	1 613	55 885	–	57 498
Endowment Fund	22	162 137	227 994	–	390 131
Total net assets		**163 750**	**283 879**	**–**	**447 629**

[a] Eliminations comprise $31.70 million relating to inter-fund transactions between the University Centre and its institutes and programmes.

Statement of financial performance as at 31 December 2015

(Thousands of United States dollars)

	Note	*Centre*	*Institutes*	*Elimination*[a]	*Total*
Revenue					
Voluntary contributions	23	19 736	41 092	–	60 828
Other revenue	25	1 826	958	(345)	2 439
Total revenue		**21 562**	**42 050**	**(345)**	**63 267**
Expenses					
Employee salaries, allowances and benefits	26	6 910	16 276	(218)	22 968
Rent, leases and utilities	26	12 991	2 500	–	15 491
Travel	26	910	4 510	–	5 420
Net investment expense	24, 26	3 092	2 977	–	6 069
Depreciation and amortization	14, 15, 26	3 720	710	–	4 430
Non-employee compensation and allowances	26	906	4 309	(54)	5 161
Supplies and consumables	26	617	797	(2)	1 412
Other operating expenses	26	3 444	9 262	(71)	12 635
Other expenses	26	655	385	–	1 040
Share of deficit of joint ventures: equity method	26, 29	2	4	–	6
Total expenses		**33 247**	**41 730**	**(345)**	**74 632**
(Deficit)/surplus for the year		**(11 685)**	**320**	**–**	**(11 365)**

[a] Eliminations comprise $0.30 million relating to revenue from services rendered between the University Centre and its institutes and programmes.

Note 6
Comparison to budget

102. The statement of comparison of budget and actual amounts presents the difference between budget amounts which are prepared on a modified cash basis and actual expenditure on a comparable basis.

103. 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 the Council proceedings. The presentation of activities and associated expenditures in the statement of comparison of budget and actual amounts reflects the cost classification categories approved by the Council:

(a) Research, training networks and dissemination: academic activities;

(b) Staff and other personnel costs: staffing table and other personnel costs;

(c) General operating expenses: general expenses.

104. The original budget amounts are the 2015 portions of the appropriations approved by the Council of the United Nations University 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, the balance of the 2014 budgets carried over to 2015 and increased authorized spending for specific programme activities that the Rector has been authorized by the Council to accept and utilize.

Comparison of budget and actual amounts for the biennium 2014-2015

(Thousands of United States dollars)

	Budget (for 2014-2015 biennium)			
Budget cost categories	*Original biennial*	*Final biennial*	*Actual expenditure budget basis (for 2014-2015 biennium)*	*Difference (percentage)*
Research, training networks and dissemination	47 204	77 630	50 573	-35
Staff and other personnel costs	38 737	41 715	32 429	-22
General operating expenses	21 307	23 652	19 845	-16
Total	**107 248**	**142 997**	**102 847**	**-28**

105. Material difference between the final budget appropriation for the year 2015 and the biennium 2014-2015 and actual expenditure on a modified cash 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-IRADDA (UNU Institute for Sustainable Development) in Algiers has been postponed to the biennium 2016-2017 In addition, a certain number of recruitments were postponed or delayed at the UNU Centre and the institutes owing to cost-cutting measures
General operating expenses	Deferment of the operational set-up of UNU-IRADDA, and the cost-cutting measures taken for the renovation of the headquarters building

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

106. 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 flows are as follows:

Reconciliation between actual amounts on a comparable basis and the statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	***Total***
Actual amounts on comparable basis (Statement V)	**(46 698)**	**(1 693)**	**(4)**	**(48 395)**
Basis differences	32 552		–	**32 552**
Entity differences	(707)	–	–	**(707)**
Timing differences	2	–	–	**2**
Presentation differences	13 525	2 085	–	**15 610**
Actual amounts in statement of cash flows (Statement IV)	**(1 326)**	**392**	**(4)**	**(938)**

107. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations; property, plant and equipment; and voluntary contributions receivable are included as basis differences.

108. 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.

109. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements.

110. 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 revenue and the changes in the investment balance.

Reconciliation of amounts on a budget basis to the statement of financial performance

111. 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 amounts on a budget basis to the statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Total
Actual amounts on comparable basis (Statement V)	**48 395**
Additional assets and intangibles	(1 693)
Depreciation and amortization	4 430
Donated rights-to-use arrangements	13 920
Endowment fund expenditure	843
Inventories	5
Revaluation loss	1 016
Payroll related accruals and education grant prepayments	1 324
Change in obligations/effect of accruals versus obligations	(51)
Lease interest	(4)
Prepayments and other receivables	105
Other accruals	338
Inter-office eliminations	(136)
Losses on disposal of property, plant and equipment	65
Bad debts written off	6
Investment expense	6 069
Actual amounts in statement of financial performance (Statement II)	**74 632**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Cash pools (note 27)	14 197	8 800
Endowment Fund (note 27)	24 716	25 954
Other cash and cash equivalents (note 27)	14 621	20 766
Total cash and cash equivalents	**53 534**	**55 520**

Note 8
Investments

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current investments		
Cash pools (note 27)	12 853	17 346
Endowment Fund (note 27)	1 026	6 547
Total current investments	**13 879**	**23 893**
Non-current investments		
Cash pools (note 27)	6 092	5 441
Endowment Fund (note 27)	310 965	322 233
Total non-current investments	**317 057**	**327 674**
Total investments	**330 936**	**351 567**

Note 9
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Current voluntary contributions		
Voluntary contributions receivable	11 812	1 907
Allowance for doubtful voluntary contributions receivable	(192)	(192)
Total current voluntary contributions receivable	**11 620**	**1 715**
Non-current voluntary contributions receivable		
Voluntary contributions	62 887	63 920
Total non-current voluntary contributions receivable	**62 887**	**63 920**
Total voluntary contributions receivable	**74 507**	**65 635**

112. During the year, a memorandum of understanding with the Government of Cameroon was signed for the voluntary contribution of $6.00 million to the Endowment Fund.

Note 10
Other receivables: receivables from exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Investment receivables	451	783
Member States	289	318
Receivables from other United Nations agencies	4	8
Staff	66	15
Other exchange revenue receivables	306	128
Total other receivables	**1 116**	**1 252**

Note 11
Inventories

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Opening inventory as at 1 January 2015	**22**	**96**
Purchased in period	2	33
Total inventory available	**24**	**129**
Consumption	(2)	(51)
Impairment and write-offs	(5)	(56)
Total inventory as at 31 December 2015	**17**	**22**

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Current other assets		
Advances to other United Nations entities	474	–
Advances to non-staff	167	235
Advances to staff	127	187
Total current other assets	**768**	**422**

	31 December 2015	31 December 2014 (reclassified)
Non-current other assets		
Advances to non-staff	25	–
Total non-current other assets	**25**	**–**
Total other assets	**793**	**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 2015.

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 at 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 $53.44 million relating to rights-to-use arrangements.

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Assets under construction*	*Machinery and equipment*	*Vehicles*	*Communications and IT equipment*	*Furniture and fixtures*	***Total***
Cost as at 31 December 2014							
Cost	136 289	169	484	174	2 631	669	**140 416**
Prior year adjustment	(19)	–	–	–	306	61	**348**
Cost as at 31 December 2014 (restated)	**136 270**	**169**	**484**	**174**	**2 937**	**730**	**140 764**
Additions	441	1 172	13	33	212	68	**1 939**
Disposals	(502)	–	–	–	(81)	(228)	**(811)**
Capitalization	–	–	94	–	–	–	**94**
Reclassification	–	(94)	–	–	–	–	**(94)**
Cost as at 31 December 2015	**136 209**	**1 247**	**591**	**207**	**3 068**	**570**	**141 892**
Accumulated depreciation as at 31 December 2014							
Accumulated depreciation	78 879	–	394	117	2 061	547	**81 998**
Prior year adjustment	(305)	–	–	–	306	61	**62**
Accumulated depreciation as at 31 December 2014 (restated)	**78 574**	**–**	**394**	**117**	**2 367**	**608**	**82 060**
Depreciation charge for the period	4 114	–	28	18	217	50	**4 427**
Depreciation on disposals	(442)	–	–	–	(78)	(227)	**(747)**
Accumulated depreciation as at 31 December 2015	**82 246**	**–**	**422**	**135**	**2 506**	**431**	**85 740**
Net carrying amount							
31 December 2014	57 696	169	90	57	570	122	**58 704**
31 December 2015	**53 963**	**1 247**	**169**	**72**	**562**	**139**	**56 152**

Note 15
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*31 December 2015*
Costs as at 31 December 2014	–	–
Additions	195	195
Disposals	–	–
Completed assets under development	–	–
Cost as at 31 December 2015	**195**	**195**
Accumulated amortization as at 31 December 2014	–	–
Amortization	3	3
Impairment losses (assets still not retired)	–	–
Accumulated amortization as at 31 December 2015	**3**	**3**
Net carrying amount		
31 December 2014	–	–
31 December 2015	**192**	**192**

117. There were no intangible assets in 2014.

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Vendor payables	130	115
Accruals for goods and services	1 576	1 113
Payable to other United Nations agencies	130	650
Other	333	349
Total accounts payable and accrued liabilities	**2 169**	**2 227**

118. $0.17 million was reclassified from the line item “other” to “accruals for goods and services” under the comparative column to better reflect the nature of the payable.

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Current advance receipts		
Contributions received in advance	384	2 544
Other advance receipts	142	147
Total current advance receipts	**526**	**2 691**
Non-current advance receipts		
Contributions received in advance	27	62
Total non-current advance receipts	**27**	**62**
Total advance receipts	**553**	**2 753**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Actuarial valuation	*In-house valuation*	*Total 31 December 2015*	*Total 31 December 2014 (restated)*
After-service health insurance	7 671	–	7 671	11 799
Repatriation benefits	2 073	255	2 328	2 811
Annual leave	1 954	698	2 652	2 866
Subtotal for liabilities on a defined-benefits basis	**11 698**	**953**	**12 651**	**17 476**
Accrued salaries and other staff costs	–	661	661	631
Total employee benefits liabilities	**11 698**	**1 614**	**13 312**	**18 107**

(Thousands of United States dollars)

	Total 31 December 2015	*Total 31 December 2014 (restated)*
Employee benefits liabilities		
Current	2 349	2 025
Non-current	10 963	16 082
Total	**13 312**	**18 107**

119. 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 2015.

Actuarial valuation — assumptions

120. 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 benefits obligations as at 31 December 2014 and 31 December 2015 are:

Actuarial assumptions	*After-service health insurance (percentage)*	*Repatriation benefits (percentage)*	*Annual leave (percentage)*
Discount rates: 31 December 2014 valuation	4.04	3.24	3.23
Discount rates: 31 December 2015 valuation	4.37	3.77	3.56
Inflation: 31 December 2014 valuation	4.50-6.80	2.25	–
Inflation: 31 December 2015 valuation	4.00-6.40	2.25	–

121. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars, euros and Swiss francs.

122. 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 at 31 December 2015, which included escalation rates for 10 years, were maintained for roll-forward since no significant evolution regarding medical trends has been observed. At 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent for non-United States medical plans and health-care escalation rates of 6.4 per cent for all other medical plans (except 5.9 per cent for the United States Medicare plan, and 4.9 per cent for the United States dental plan), grading down to 4.5 per cent over 9 years.

123. With regard to valuation of repatriation benefits as at 31 December 2014 and 31 December 2015, inflation in travel costs was assumed at 2.25 per cent based on the projected United States long-term inflation rate over the next 10 years.

124. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 1-3 years — 9.1 days; 4-8 years — 1 day; and more than 8 years — 0.1 days up to the maximum of 60 days.

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

(Thousands of United States dollars)

	Total
Net defined-benefit liability as at 1 January 2015	**16 579**
Current service cost	1 257
Interest cost	623
Benefits paid	(515)
Subtotal costs recognized in the statement of financial performance	**1 365**
Actuarial gains recognized directly in the statement of changes in net assets	(6 246)
Net recognized liability as at 31 December 2015	**11 698**

Discount rate sensitivity analysis

125. 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 by 1 per cent, its impact on the obligations would be as follows:

Discount rate sensitivity to end of year employee benefits liabilities

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(1 259)	(192)	(141)
As a percentage of end-of-year liability	(16)	(9)	(7)
Decrease of discount rate by 1 per cent	1 606	218	163
As a percentage of end-of-year liability	21	11	8

Medical costs sensitivity analysis

126. 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 owing 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	1 657	(1 291)
Effect on the aggregate of the current service cost and interest cost	231	(171)

Other defined-benefit plan information

127. 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 after-service health insurance, repatriation benefits and annual leave defined-benefits liability as at 31 December 2015

(Thousands of United States dollars)

	2014	*2013 (restated)*	*2012 (restated)*	*2011 (restated)*	*2010 (restated)*
Present value of the defined-benefit obligations	16 579	12 063	10 674	9 780	6 261

Accrued salaries and other staff costs

128. Other liabilities as at the reporting date consist of accruals for United Nations tax reimbursements of $0.34 million (2014: restated at $0.30 million), home leave of $0.28 million (2014: $0.33 million) and termination indemnity of $0.04 million (2014: nil).

United Nations Joint Staff Pension Fund

129. 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.

130. 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 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 at 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.

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

funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 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.

132. 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 at the valuation date. At the time of the present report, the General Assembly has not invoked the provision of article 26.

133. 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 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.

134. 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 2015, the University's contributions paid to the Pension Fund amounted to $2.28 million (2014: $2.39 million).

Fund for compensation payments — Appendix D/workers' compensation

135. 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.

Impact of General Assembly resolutions on staff benefits

136. On 23 December 2015, the General Assembly adopted resolution 70/244, which approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes that have an impact on the calculation of other long-term and end-of-service employee benefits liabilities are set out below.

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years by 1 January 2018 at the latest, taking into account the acquired rights of staff. Once implemented, this change is expected to impact future calculations of employee benefits liabilities
Unified salary structure	The current scales for internationally recruited staff (Professional and Field Service staff) are based on single or dependant rates. These rates affect the staff assessment and post adjustment amounts. The General Assembly has approved a unified salary scale that will result in the elimination of single and dependant rates. The dependant rate will be replaced by allowances for staff members who have recognized dependants in accordance with the United Nations Staff Rules. Revised staff assessment scales and pensionable remuneration scales will be implemented along with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced payments for staff members. However, it is expected that, once implemented, it will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated based on gross salary and staff assessment as at the date of separation, whereas commuted annual leave is calculated based on gross salary, post adjustment and staff assessment as at the date of separation
Repatriation benefit	Staff members are eligible for the repatriation grant upon separation provided they have been in service for at least one year in a duty station outside of their country of nationality. The General Assembly has since revised staff member eligibility for the repatriation grant from one year of service to five years of service for prospective employees, while current employees retain the one-year eligibility. Once implemented, this change is expected to affect future calculations of employee benefits liabilities

137. As at the reporting date, the necessary information regarding the implementation of the proposed changes was not available. This made it impossible for the University to perform a detailed impact analysis of the proposed changes on employee benefits liabilities for the 2015 financial period. As required by IPSAS 1: Presentation of financial statements, the University will determine such impact in the course of 2016 when substantial implementation information is likely to be available and, where material, disclose that information in the financial statements for 2016.

Note 19
Borrowings

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current		
Finance leases (note 30)	37	45
Operating lease straight lining liability	–	9
Total current borrowings	**37**	**54**
Non-current		
Finance leases (note 30)	44	31
Operating lease straight lining liability	–	–
Total non-current borrowings	**44**	**31**
Total borrowings	**81**	**85**

Note 20
Other liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Donated rights-to-use buildings (note 30)		
Current	4 085	4 088
Non-current	49 354	53 056
Total other liabilities	**53 439**	**57 144**

Note 21
Net assets: accumulated surpluses/(deficits)

(Thousands of United States dollars)

	Operating funds	*End-of-services liabilities fund*	*Total 2015*	*Total 2014 (restated)*
Balance as at 1 January	**65 065**	**(17 077)**	**47 988**	**37 904**
Actuarial gains/(losses) recognized in net assets	–	6 246	6 246	(2 621)
Share of changes recognized on the net assets of joint ventures: equity method	25	–	25	(23)
Surplus/(deficit) for the year	4 875	(1 636)	3 239	(1 964)
Prior period adjustments	–	–	–	14 692
Balance as at 31 December	**69 965**	**(12 467)**	**57 498**	**47 988**

Note 22
Net assets: Endowment Fund

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Contributed capital (restricted)	272 533	268 333
Accumulated surpluses (restricted)	117 598	136 402
Total Endowment Fund net assets	**390 131**	**404 735**

Movement in Endowment Fund

Contributed capital (restricted)

(Thousands of United States dollars)

	2015	*2014*
Balance as at 1 January	**268 333**	**259 333**
Endowment Fund received	4 200	9 000
Balance as at 31 December	**272 533**	**268 333**

Accumulated surpluses/(deficits) — restricted

(Thousands of United States dollars)

	2015	*2014*
Balance as at 1 January	**136 402**	**98 175**
Distribution to operating funds	(15 333)	(15 391)
(Deficit)/surplus for the year	(3 471)	4 618
Prior period adjustments		49 000
Balance as at 31 December	**117 598**	**136 402**

Note 23
Voluntary contributions: revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Voluntary monetary contributions	42 964	38 455
Voluntary in-kind contributions	18 065	19 771
Total voluntary contributions received	**61 029**	**58 226**
Refunds	(201)	(225)
Net voluntary contributions received	**60 828**	**58 001**

138. In-kind contributions revenue represents donated rights-to-use facilities and premises based on fair rental value. In-kind contributions of services received of $0.11 million during the period are not recognized as revenue and therefore not included in the above in-kind contribution revenue.

Note 24
Net investments revenue/(expense)

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Summary of revenue and expense from cash pool		
Investment revenue	112	132
Change in fair value	(28)	–
Unrealized losses	(1 720)	(1 768)
Net cash pool expense	**(1 636)**	**(1 636)**
Summary of revenue and expense from Endowment Fund		
Investment revenue	7 372	8 425
Realized gain on sale and maturities of securities	14 502	25 020
Change in fair value	(12 816)	(4 941)
Unrealized losses	(13 491)	(23 039)
Net Endowment Fund (expense)/revenue	**(4 433)**	**5 465**
Total net investment (expense)/revenue	**(6 069)**	**3 829**

Note 25
Other revenue: revenue from exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Publications sales and royalties	30	90
Services rendered	600	246
Rental revenue	1 464	1 313
Tuition revenue	162	318
Membership fees	134	168
Others	49	391
Total other revenue	**2 439**	**2 526**

Note 26
Expenses

(Thousands of United States dollars)

	31 December 2015	31 December 2014 (restated)
Employee salaries, allowances and benefits		
Salary and wages	17 114	20 613
Pension benefits	2 278	2 385
Termination and post-employment benefits	1 560	1 879
Appointment and assignment	288	771
Leave benefits	286	346
Other staff benefits	1 442	1 667
Total employee salaries, allowances and benefits	**22 968**	**27 661**
Rent, leases and utilities		
Rent, leases and utilities	15 491	17 430
Total rent, leases and utilities	**15 491**	**17 430**
Travel		
Travel	5 420	5 190
Total travel	**5 420**	**5 190**
Investment expense (net)		
Investment expense (net)	6 069	–
Total investment expense (net)	**6 069**	**–**
Depreciation and amortization		
Depreciation	4 427	4 400
Amortization	3	–
Total depreciation and amortization	**4 430**	**4 400**
Non-employee compensation and allowances		
Contract services with individuals	5 161	4 195
Total non-employee compensation and allowances	**5 161**	**4 195**
Supplies and consumables		
Information technology and communications equipment	454	398
Equipment	468	383
Information technology supplies and software maintenance	326	255
Office supplies	116	226
Other consumables	48	31
Total supplies and consumables	**1 412**	**1 293**

	31 December 2015	31 December 2014 (restated)
Other operating expenses		
Contractual services with companies	4 532	3 889
Learning costs	2 855	3 224
Maintenance costs	1 401	1 899
Professional services	1 547	1 845
Communications	1 549	1 547
Insurance/warranties	306	288
Recruitment costs	95	155
Security	80	82
Freight costs	59	28
Bad debt written off	6	–
Sundries	205	62
Total other operating expenses	**12 635**	**13 019**
Other expenses		
Foreign exchange losses	1 016	2 423
Hospitality	19	17
Impairment of inventories	5	56
Total other expenses	**1 040**	**2 496**
Share of deficit of joint ventures: equity method	**6**	**2**
Total expenses	**74 632**	**75 686**

Note 27
Financial instruments, financial risk management and the cash pools

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

Financial assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Designated at fair value through the surplus or deficit		
Short-term investments — main cash pool	9 080	6 164
Short-term investments — euro cash pool	3 773	11 182
Short-term investments — Endowment Fund	1 026	6 547
Total short-term investments	**13 879**	**23 893**
Long-term investments — main cash pool	6 092	5 441
Long-term investments — Endowment Fund	310 965	322 233
Total long-term investments	**317 057**	**327 674**
Total designated at fair value through the surplus or deficit investments	**330 936**	**351 567**
Loans and receivables		
Cash and cash equivalents — main cash pool	2 945	3 180
Cash and cash equivalents — euro cash pool	11 252	5 620
Cash and cash equivalents — Endowment Fund	24 716	25 954
Cash and cash equivalents — other	14 621	20 766
Total cash and cash equivalents	**53 534**	**55 520**
Short-term receivables — Voluntary contributions receivable	11 620	1 715
Short-term receivables — Other receivables	1 116	1 252
Long-term receivables — Voluntary contributions receivable	62 887	63 920
Total loans and receivables	**129 157**	**122 407**
Total carrying amount of financial assets	**460 093**	**473 974**
Of which relates to financial assets held in main cash pool	18 117	14 785
Of which relates to financial assets held in euro cash pool	15 025	16 802
Of which relates to financial assets held in Endowment Fund	336 708	354 734
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	2 169	2 227
Total carrying amount of financial liabilities	**2 169**	**2 227**
Summary of net revenue from financial assets		
Net cash pool expense	(1 636)	(1 636)
Net Endowment Fund (expense)/revenue	(4 433)	5 465
Total net (expense)/revenue from financial assets	**(6 069)**	**3 829**

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

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk, including interest rate risk, foreign exchange risk and price risk.

141. The present note and the following note 28 (Financial instruments: Endowment Fund) present 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

142. The investment management function is centralized at United Nations Headquarters, and the University is not permitted in normal circumstances to engage in investing. The risk management practices of the United Nations University are in accordance with the Financial Regulations and Rules and the United Nations Investment Management Guidelines. The University may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

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

144. 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.

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

Financial risk management: credit risk

146. 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

147. 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 2015	*31 December 2014 (restated)*
Credit risk exposure		
Cash and cash equivalent	53 534	55 520
Short-term investments	13 879	23 893
Long-term investments (excludes equity investments)	147 600	139 170
Voluntary contributions receivable	74 507	65 635
Other receivables excluding advances and deferred charges	1 116	1 252
Total	**290 636**	**285 470**

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

Credit risk: contributions receivable and other receivables

149. 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.

Ageing of voluntary contributions and other receivables as at 31 December 2015
(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	63 040	–
Less than 1 year	12 447	–
1-2 years	79	–
2-3 years	52	–
More than three years	197	(192)
Total	**75 815**	**(192)**

Credit risk: cash and cash equivalents

150. The University had cash and cash equivalents of $53.53 million as at 31 December 2015, which is the maximum credit exposure on these assets.

Credit risk: cash pools

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

152. 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 mostly offices of the United Nations Secretariat away from Headquarters who may have a surplus of euros from their operations.

153. As at 31 December 2015, the cash pools held total assets of $7,827.40 million (2014: $9,608.8 million); of this amount, $33.10 million (2014: $31.6 million) was due to the United Nations University, and its share of net revenue from cash pools was negative $1.60 million (2014: negative $1.6 million) owing to a foreign exchange loss of $1.70 million relating to the weakening of the euro currency against the United States dollar.

Summary of assets and liabilities of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment revenue	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash pool liabilities			
Payable to UNU	18 117	15 025	33 142
Payable to other cash pool participants	7 765 751	28 556	7 794 307
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	**–**	**–**	**–**

Summary of net revenue and expenses of the cash pools for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	51 944	48	51 992
Foreign exchange losses	(11 720)	(15 300)	(27 020)
Unrealized losses	(10 824)	(4)	(10 828)
Bank fees	(525)	–	(525)
Net revenue/(expense) from cash pools	**28 875**	**(15 256)**	**13 619**

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 revenue	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 revenue 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
Foreign exchange losses	(7 064)	(14 396)	(21 460)
Unrealized (losses)/gains	(3 084)	9	(3 075)
Bank fees	(214)	(2)	(216)
Net revenue/(expense) from cash pools	**52 149**	**(14 257)**	**37 892**

Financial risk management

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

155. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash needs 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.

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

Financial risk management: credit risk

157. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool 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.

158. 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.

159. The credit ratings used for the cash pools 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

Main pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	AAA	**AA+/AA/AA-**	**Not rated**	**AAA**	**AA+/AA/AA-**	**A+**	**Not rated**
S&P	37.7%	54.2%	8.1%	31.2%	59.8%	1.3%	7.7%
Fitch	61.9%	26.5%	11.6%	52.2%	21.4%	–	26.4%
	Aaa	**Aa1/Aa2/Aa3**		**Aaa**	**Aa1/Aa2/Aa3**		
Moody’s	65.8%	34.2%	–	69.3%	30.7%	–	–
Commercial papers (short-term ratings)							
	A-1+			**A-1+**			**Not rated**
S&P	100.0%			100.0%			–
	F1+			**F1+**			
Fitch	100.0%			90.0%			10.0%
	P-1			**P-1**			
Moody’s	100.0%			70.0%			30.0%
Reverse repurchase agreement (short-term ratings)							
	A-1+			No reverse repurchase agreements were held as at 31 December 2014			
S&P	100.0%						
	F1+						
Fitch	100.0%						
	P-1						
Moody’s	100.0%						
Term deposits							
	aaa	**aa/aa-**	**a+/a**	**aaa**	**aa/aa-**	**a+/a**	
Fitch	–	53.6%	46.4%	–	64.1%	35.9%	

Euro pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	No bonds were held as at 31 December 2015			**AAA**	**AA+**		**Not rated**
S&P				–	100.0%		–
Fitch				–	–		100.0%
				Aaa	**Aa1**		
Moody’s				100.0%	–		–
Term deposits							
	aaa	**aa/aa-**	**a+**	**aaa**	**aa-**	**a+/a/a-**	
Fitch	–	–	100.0%	–	22.1%	77.9%	

160. 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

161. 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.

162. The Financial Regulations and Rules 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.

163. The University performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is 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.

164. 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 2015

(Thousands of United States dollars)

	Less than 1 year	*1 to 5 years*	*Later than 5 years*	*Total*
Assets				
Cash and cash equivalent	53 534	–	–	53 534
Short-term investments	13 879	–	–	13 879
Long-term investments	–	75 705	241 352	317 057
Voluntary contributions receivable	25 416	33 341	15 750	74 507
Other receivables	1 116	–	–	1 116
Total financial assets	**93 945**	**109 046**	**257 102**	**460 093**

Liquidity risk: financial liabilities

165. 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 are 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 2015

(Undiscounted thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	2 169	–	–	2 169
Total	**2 169**	**–**	**–**	**2 169**

Financial risk management: Liquidity risk: cash pools

166. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain 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 a day's notice to support operational requirements. The cash pool liquidity risk is, therefore, considered to be low.

Financial risk management: market risk

167. 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 revenue 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

168. 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 rates rise, 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.

Financial risk management: interest rate risk: cash pools

169. The cash pools comprise the University's main exposure to interest rate risk. Fixed-rate cash and cash equivalents and investments are its 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 (2014: five years). The average durations of the main pool and euro pool were 0.86 years (2014: 1.10 years) and 0.21 years (2014: 0.22 years), respectively, which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

170. 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. Given that these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in 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.

University share of cash pools interest rate risk sensitivity analysis as at 31 December 2015

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	128.99	96.74	64.48	32.24	–	(32.23)	(64.46)	(96.69)	(128.91)
Euro pool total	0.04	0.03	0.02	0.01	–	(0.01)	(0.02)	(0.03)	(0.04)
Total	**129.03**	**96.77**	**64.50**	**32.25**	**–**	**(32.24)**	**(64.48)**	**(96.72)**	**(128.95)**

University share of cash pools interest rate risk sensitivity analysis as at 31 December 2014 (restated)

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	205.45	154.08	102.71	51.35	–	(51.34)	(102.67)	(154.00)	(205.31)
Euro pool total	0.61	0.49	0.37	0.12	–	(0.12)	(0.37)	(0.49)	(0.61)
Total	**206.06**	**154.57**	**103.08**	**51.47**	**–**	**(51.46)**	**(103.04)**	**(154.49)**	**(205.92)**

Market risk: currency risk

171. 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.

172. 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

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

Currency exposure for the University's share of cash pools as at 31 December 2015

(Thousands of United States dollars)

	United States dollars	*Euros*	*Total*
Main cash pool	18 117	–	18 117
Euro cash pool	–	15 025	15 025
Total	**18 117**	**15 025**	**33 142**

Currency risk: sensitivity analysis

174. 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 2015

(Thousands of United States dollars)

	Net assets		*Surplus and deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	(1 366)	1 669	(1 366)	1 699

Other market risk

175. 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

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

Accounting classifications and fair value hierarchy — cash pools

177. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

Fair value hierarchy

178. The levels are defined as:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) 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);

(c) Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

179. 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.

180. 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.

181. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets or 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

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	149 682	–	149 682	–	–	–
Bonds — non-United States agencies	2 190 965	–	2 190 965	2 154 956	–	2 154 956
Bonds — non-United States sovereigns	124 612	–	124 612	691 489	–	691 489
Bonds — supranational	139 828	–	139 828	440 169	–	440 169
Bonds — United States treasuries	1 092 139	–	1 092 139	1 297 290	–	1 297 290
Main pool — commercial papers	949 112	–	949 112	999 234	–	999 234
Main pool — term deposits	–	1 860 000	1 860 000	–	1 830 000	1 830 000
Main pool total	**4 646 338**	**1 860 000**	**6 506 338**	**5 583 138**	**1 830 000**	**7 413 138**

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Euro pool — bonds: non-United States sovereigns	–	–		6 157	–	6 157
Euro pool — term deposits	–	10 941	10 941	–	90 854	90 854
Euro pool total	**–**	**10 941**	**10 941**	**6 157**	**90 854**	**97 011**
Total cash pools	**4 646 338**	**1 870 941**	**6 517 279**	**5 589 295**	**1 920 854**	**7 510 149**

Note 28
Financial instruments: Endowment Fund

182. 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.

183. 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 the 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.

184. 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.

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

186. In accordance with a decision of the Council of the United Nations University 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

187. 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.

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

Financial risk management: credit risk

189. 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.

190. For management of credit risk arising from financial transactions with counterparties, 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 an investment grade assigned by at least one well-known rating agency: Standard and Poor's, Moody's or Fitch.

191. 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

(Thousands of United States dollars)

31 December 2015	*Total*	*Ratings*
Cash and cash equivalent	24 716	Fitch: 100% F1+
Bonds	142 534	Moody's: 56.2% Aaa; 4.8% Aa1; 11.5% Aa2; 5.3% Aa3; 8.5% A1; 9.3% Baa2
		Fitch: 1.1% AA; 3.3% AAA
Total	**167 250**	

31 December 2014	*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**	

192. 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 monitored based on issuer type.

Endowment Fund credit risk concentration

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Bonds		
Government agencies	60 825	49 687
Government bonds	79 838	82 366
Municipal/provincial bonds	1 871	8 223
Total bonds	**142 534**	**140 276**
Equities		
North America	100 932	112 869
Europe	43 406	49 185
Japan	17 201	17 406
Asia ex-Japan	6 966	7 906
Emerging markets	952	1 138
Total equities	**169 457**	**188 504**

Financial risk management: liquidity risk

193. 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.

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

Financial risk management: interest rate risk

195. The University invests primarily in securities with shorter terms to maturity. As at 31 December 2015, the average effective duration of fixed-rate securities was 6.66 years (2014: 5.39 years).

Endowment Fund interest rate risk sensitivity analysis

196. 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:

Endowment Fund interest rate risk sensitivity analysis

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									
31 December 2015	**21.5**	**15.7**	**10.2**	**5.0**	**–**	**(4.7)**	**(9.1)**	**(13.2)**	**(17.0)**
31 December 2014	**16.7**	**12.3**	**8.0**	**3.9**	**–**	**(3.7)**	**(7.3)**	**(10.7)**	**(13.9)**

Market risk: currency risk

197. 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 pounds and Japanese yen:

Currency exposure for the Endowment Fund

(Undiscounted thousands of United States dollars)

	USD	*Euro*	*GBP*	*JPY*	*Others*	*Total*
31 December 2015	**186 032**	**61 490**	**24 167**	**43 724**	**21 417**	**336 830**
31 December 2014	**164 696**	**79 661**	**30 649**	**46 710**	**33 018**	**354 734**

Currency risk: sensitivity analysis

198. The following table indicates the currencies to which the entity had significant exposure as at 31 December 2015. The analysis calculates the effect of a reasonably possible movement of United States dollars against the respective currency rate on net assets and on surplus and deficits with all other variables held constant.

Endowment Fund currency exposure sensitivity analysis

(Thousands of United States dollars)

	31 December 2015		*31 December 2014 (restated)*	
	Net assets and surplus or deficit		*Net assets and surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	(5 590)	6 832	(7 256)	8 869
British pound (10 per cent movement)	(2 197)	2 685	(2 789)	3 408
Japanese yen (10 per cent movement)	(3 975)	4 858	(4 271)	5 220
Others (10 per cent movement)	(1 947)	2 380	(3 007)	3 675

Other market price risk

199. 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 $8.50 million with an equal change in net assets (2014: $9.40 million).

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

Fair value hierarchy

201. 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 were no level 3 financial assets, any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Equity securities	169 457	–	169 457	188 504	–	188 504
Bonds	–	141 431	141 431	–	140 276	140 276
Total	**169 457**	**141 431**	**310 888**	**188 504**	**140 276**	**328 780**

Note 29
Related parties

Key management personnel

202. 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.

203. 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 2015

	Total
Number of positions (full-time equivalents)	4

(Thousands of United States dollars)

	Total
Salary and post adjustment	702
Other compensation/entitlements	171
Non-monetary compensation	329
Total remuneration for the year ended 31 December 2015	**1 202**
Outstanding loans and advances at 31 December 2015	–

204. An official residence, provided free of charge by the Ministry of Education, Culture, Sports, Science and Technology of Japan, 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.

205. 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 the United Nations University

206. In accordance with its Articles of Incorporation, the purpose of the Japan Foundation for the United Nations University is, in accordance with the spirit of the UNU Charter, to contribute to the development of UNU by providing it with necessary assistance and cooperation for the solution of urgent and global problems relating to the survival, welfare and development of humankind, and to promote the spreading of knowledge for the solution of global problems, thereby contributing to the advancement of science and technology, the promotion of international mutual understanding and technological cooperation with developing countries.

207. Established in 1985, the Japan Foundation is an autonomous organization subject to Japanese laws and regulations and its Articles of Incorporation. It is governed by a board that provides oversight on all operations and activities. The University is in the process of concluding a memorandum of understanding with the Foundation that will set out the cooperative relationship between UNU and the Foundation and regulate the use of the University’s name and logo.

208. The Japan Foundation provides UNU with annual revenue and expenditure reports. The reports show the total contributions received by the Foundation and the amount withheld to cover the costs of its activities (which are fully funded by the Foundation’s investment revenue and reserves).

209. During 2015, the unaudited total net cash contribution of $0.20 million, which includes the rental of office space at the UNU headquarters building in Tokyo ($0.04 million), was transferred by the Japan Foundation to the University. Of that amount, $0.08 million was received by the Foundation and $0.12 million came from its reserves. The reserves balance of the Foundation amounts to $6.16 million (unaudited) as at 31 December 2015.

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

210. 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: Interests in joint ventures, 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. The University's share of these activities' operating deficits for the year ended 31 December 2015 is $0.006 million and is recognized in the statement of financial performance. Where activities also have transactions which are recorded directly in net assets, the University's share of these transactions is accounted for through the statement of changes in net assets, and in the year this balance related to the actuarial gains/losses relating to the employee benefits liability valuation. Movements in the jointly controlled operations for the year are reflected in the table below.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Cost as at 1 January 2015	83	58
Movement for the year:		
Changes in net assets of jointly controlled operations recognized through statement of changes in net assets	(25)	23
Share of deficit for the year in operations of jointly controlled operations recognized through statement of financial performance	6	2
Total changes in jointly controlled operations for the year	**(19)**	**25**
Net liability reported in statement of financial position	**64**	**83**

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

Note 30
Leases and commitments

Finance leases

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

Net finance lease asset carrying value

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*
Buildings	53 439	57 144
Machinery and equipment	4	6
Furniture and fixtures	61	34
Total net finance lease asset carrying value	**53 504**	**57 184**

213. Other liabilities include $53.44 million for assets under long-term donated rights-to-use arrangements classified as finance leases in the statement of financial position. Premises categorized as finance leases are the University headquarters building in Tokyo; Casa Silva Mendes in Macao, China; the UNU-IIGH building in Kuala Lumpur; and the Director's residence in Accra.

214. Future minimum finance lease payments under non-cancellable finance lease arrangements for machinery and equipment and furniture and fixtures are:

Obligations for finance leases

(Thousands of United States dollars)

Minimum lease payments as at	*31 December 2015*	*31 December 2014*
Due in less than 1 year	32	45
Due 1 to 5 years	49	32
Due later than 5 years	–	–
Total minimum finance lease obligations	**81**	**77**
Future finance charges	**–**	**(1)**
Future minimum finance lease obligations	**81**	**76**

Operating leases

215. 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 $18.60 million. This total includes $18.07 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 2015*	*31 December 2014*
Due in less than 1 year	773	327
Due 1 to 5 years	1 755	318
Due later than 5 years	4 187	–
Total minimum operating lease obligations	**6 715**	**645**

216. 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

217. 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 2015	*31 December 2014*
Property, plant and equipment	54	65
Goods and services	13 431	14 239
Total	**13 485**	**14 304**

218. Goods and services disclosed include contracts issued to individual contractors amounting to $7.20 million and contracts on building maintenance, cleaning and security services for the University headquarters building in Tokyo amounting to $2.97 million.

Note 31
Provisions, contingent liabilities and contingent assets

Provisions and contingent liabilities

219. Provisions are recognized as 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. Contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated. As at 31 December 2015, there are no material provisions recognized or contingent liabilities to disclose.

Contingent assets

220. 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 2015, the University had no contingent assets.

Note 32
Events after the reporting date

221. 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 2015 — 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	18 617	–	3 361	4 935	112	–	–	–	857	–
Investments	3 274	–	6 099	3 343	137	–	–	–	–	–
Voluntary contributions receivable	1 093	–	202	96	22	12	–	886	85	129
Other receivables	51	60	83	284	–	56	–	31	8	–
Inventories	–	–	–	–	–	–	–	17	–	–
Other assets	644	–	4	46	–	–	–	33	–	–
Inter-fund balances receivable	–	1 113	–	–	1 969	1 261	621	13 790	–	–
Total current assets	**23 679**	**1 173**	**9 749**	**8 704**	**2 240**	**1 329**	**621**	**14 757**	**950**	**129**
Non-current assets										
Investments	863	–	3 847	1 290	92	–	–	–	–	–
Voluntary contributions receivable	3 255	–	190	1 653	–	382	–	363	6 027	–
Property, plant and equipment	384	40 886	91	545	12 680	160	–	12	6	–
Intangible assets	–	–	192	–	–	–	–	–	–	–
Other assets	–	–	–	–	25	–	–	–	–	–
Total non-current assets	**4 502**	**40 886**	**4 320**	**3 488**	**12 797**	**542**	–	**375**	**6 033**	–
Total assets	**28 181**	**42 059**	**14 069**	**12 192**	**15 037**	**1 871**	**621**	**15 132**	**6 983**	**129**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	419	137	290	490	8	36	–	343	79	–
Advance receipts	39	3	–	56	–	–	–	401	–	–
Employee benefits liabilities	425	–	214	42	65	16	3	430	25	35
Borrowings	12	4	16	–	3	–	–	–	–	–
Other liabilities	–	3 544	–	–	488	6	–	–	–	–
Inter-fund balances payable	24 024	–	1 076	61	–	–	–	–	108	88
Total current liabilities	**24 919**	**3 688**	**1 596**	**649**	**564**	**58**	**3**	**1 174**	**212**	**123**

Statement of financial position as at 31 December 2015 (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	17	9	16	–	2	–	–	–	–	–
Other liabilities	–	36 062	–	–	12 122	133	–	–	–	–
Share of joint ventures: equity method	19	–	7	3	5	1	–	6	4	2
Total non-current liabilities	**36**	**36 071**	**23**	**3**	**12 129**	**134**	**–**	**6**	**4**	**2**
Total liabilities	**24 955**	**39 759**	**1 619**	**652**	**12 693**	**192**	**3**	**1 180**	**216**	**125**
Net of total assets and total liabilities	**3 226**	**2 300**	**12 450**	**11 540**	**2 344**	**1 679**	**618**	**13 952**	**6 767**	**4**
Net assets										
Accumulated surpluses	3 226	2 300	12 450	11 540	2 344	1 679	618	13 952	6 767	4
Endowment Fund	–	–	–	–	–	–	–	–	–	–
Total net assets	**3 226**	**2 300**	**12 450**	**11 540**	**2 344**	**1 679**	**618**	**13 952**	**6 767**	**4**

Statement of financial position as at 31 December 2015 (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*
Assets										
Current assets										
Cash and cash equivalents	936	–	–	–	–	28 818	24 716	–	–	**53 534**
Investments	–	–	–	–	–	12 853	1 026	–	–	**13 879**
Voluntary contributions receivable	176	–	219	–	1 500	4 420	7 200	–	–	**11 620**
Other receivables	44	3	39	6	–	665	451	–	–	**1 116**
Inventories	–	–	–	–	–	17	–	–	–	**17**
Other assets	28	12	–	1	–	768	–	–	–	**768**
Inter-fund balances receivable	55	2 927	495	615	1 180	24 026	7 638	–	(31 664)	–
Total current assets	**1 239**	**2 942**	**753**	**622**	**2 680**	**71 567**	**41 031**	**–**	**(31 664)**	**80 934**
Non-current assets										
Investments	–	–	–	–	–	6 092	310 965	–	–	**317 057**
Voluntary contributions receivable	502	15	–	–	6 500	18 887	44 000	–	–	**62 887**
Property, plant and equipment	5	1 140	–	243	–	56 152	–	–	–	**56 152**
Intangible assets	–	–	–	–	–	192	–	–	–	**192**
Other assets	–	–	–	–	–	25	–	–	–	**25**
Total non-current assets	**507**	**1 155**	**–**	**243**	**6 500**	**81 348**	**354 965**	–	–	**436 313**
Total assets	**1 746**	**4 097**	**753**	**865**	**9 180**	**152 915**	**395 996**	**–**	**(31 664)**	**517 247**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	8	18	8	6	–	1 842	327	–	–	**2 169**
Advance receipts	–	–	27	–	–	526	–	–	–	**526**
Employee benefits liabilities	159	84	15	101	–	1 614	–	735	–	**2 349**
Borrowings	–	2	–	–	–	37	–	–	–	**37**
Other liabilities	–	47	–	–	–	4 085	–	–	–	**4 085**
Inter-fund balances payable	–	–	–	–	–	25 357	5 538	769	(31 664)	–
Total current liabilities	**167**	**151**	**50**	**107**	**–**	**33 461**	**5 865**	**1 504**	**(31 664)**	**9 166**

Statement of financial position as at 31 December 2015 (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	–	–	27	–	–	27	–	–	–	**27**
Employee benefits liabilities	–	–	–	–	–	–	–	10 963	–	**10 963**
Borrowings	–	–	–	–	–	44	–	–	–	**44**
Other liabilities	–	1 037	–	–	–	49 354	–	–	–	**49 354**
Share of joint ventures: equity method	5	4	4	4	–	64	–	–	–	**64**
Total non-current liabilities	**5**	**1 041**	**31**	**4**	–	**49 489**	–	**10 963**	–	**60 452**
Total liabilities	**172**	**1 192**	**81**	**111**	–	**82 950**	**5 865**	**12 467**	**(31 664)**	**69 618**
Net of total assets and total liabilities	**1 574**	**2 905**	**672**	**754**	**9 180**	**69 965**	**390 131**	**(12 467)**	–	**447 629**
Net assets										
Accumulated surpluses/(deficits)	1 574	2 905	672	754	9 180	69 965	–	(12 467)	–	**57 498**
Endowment Fund	–	–	–	–	–	–	390 131	–	–	**390 131**
Total net assets	**1 574**	**2 905**	**672**	**754**	**9 180**	**69 965**	**390 131**	**(12 467)**	–	**447 629**

Annex II

Statement of financial performance for the year ended 31 December 2015 — 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	3 609	16 127	6 508	3 519	754	748	186	9 010	7 922	661
Other revenue	270	1 489	122	140	–	–	–	376	10	–
Endowment Fund revenue allocation	7 108	–	2 384	961	1 837	860	463	–	–	–
Total revenue	**10 987**	**17 616**	**9 014**	**4 620**	**2 591**	**1 608**	**649**	**9 386**	**7 932**	**661**
Expenses										
Employee salaries, allowances and benefits	6 198	133	3 286	1 796	359	518	73	3 656	1 136	513
Rent, leases and utilities	669	12 323	423	330	267	197	189	84	136	162
Travel	910	–	1 459	297	106	315	49	1 221	241	–
Investment expense (net)	802	–	176	659	–	–	–	–	–	–
Depreciation and amortization	134	3 586	36	16	510	14	–	2	2	–
Non-employee compensation and allowances	895	11	1 852	225	9	237	3	1 136	118	–
Supplies and consumables	397	220	367	89	26	34	–	146	8	–
Other operating expenses	1 594	1 456	2 350	1 311	290	185	218	2 976	255	24
Other expenses	652	2	36	48	–	1	–	(20)	232	–
Share of deficit of joint ventures: equity method	2	–	1	1	–	–	–	1	–	–
Endowment Fund expense allocation	–	–	–	–	–	–	–	–	–	–
Total expenses	**12 253**	**17 731**	**9 986**	**4 772**	**1 567**	**1 501**	**532**	**9 202**	**2 128**	**699**
Surplus/(deficit) for the year	**(1 266)**	**(115)**	**(972)**	**(152)**	**1 024**	**107**	**117**	**184**	**5 804**	**(38)**

Statement of financial performance for the year ended 31 December 2015 (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***
Revenue										
Voluntary contributions	2 866	47	750	2 121	–	54 828	6 000	–	–	**60 828**
Other revenue	87	–	–	77	–	2 571	4	209	(345)	**2 439**
Endowment Fund revenue allocation	141	1 579	–	–	–	15 333	–	–	(15 333)	–
Total revenue	**3 094**	**1 626**	**750**	**2 198**	**–**	**72 732**	**6 004**	**209**	**(15 678)**	**63 267**
Expenses										
Employee salaries, allowances and benefits	1 259	902	345	1 167	–	21 341	–	1 845	(218)	**22 968**
Rent, leases and utilities	247	13	204	247	–	15 491	–	–	–	**15 491**
Travel	326	293	56	118	29	5 420	–	–	–	**5 420**
Investment expense (net)	–	–	–	–	–	1 637	4 432	–	–	**6 069**
Depreciation and amortization	1	61	–	68	–	4 430	–	–	–	**4 430**
Non-employee compensation and allowances	350	207	61	111	–	5 215	–	–	(54)	**5 161**
Supplies and consumables	32	16	7	72	–	1 414	–	–	(2)	**1 412**
Other operating expenses	344	300	136	416	8	11 863	843	–	(71)	**12 635**
Other expenses	90	(5)	(6)	10	–	1 040	–	–	–	**1 040**
Share of deficit of joint ventures: equity method	–	1	–	–	–	6	–	–	–	**6**
Endowment Fund expense allocation	–	–	–	–	–	–	15 333	–	(15 333)	–
Total expenses	**2 649**	**1 788**	**803**	**2 209**	**37**	**67 857**	**20 608**	**1 845**	**(15 678)**	**74 632**
Surplus/(deficit) for the year	**445**	**(162)**	**(53)**	**(11)**	**(37)**	**4 875**	**(14 604)**	**(1 636)**	**–**	**(11 365)**

Annex III

Statement of appropriation as at 31 December 2015

(Thousands of United States dollars)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU Centre							
Research, training networks and dissemination	1 124	4 456	5 580	1 755	109	1 864	3 716
Staff and other personnel costs	7 788	1 041	8 829	5 976	34	6 010	2 819
General expenses	2 561	511	3 072	2 249	241	2 490	582
Subtotal	**11 473**	**6 008**	**17 481**	**9 980**	**384**	**10 364**	**7 117**
UNU headquarters building							
Research, training networks and dissemination	–	–	–	–	–	–	–
Staff and other personnel costs	208	30	238	131	–	131	107
General expenses	2 274	1 222	3 496	2 332	233	2 565	931
Subtotal	**2 482**	**1 252**	**3 734**	**2 463**	**233**	**2 696**	**1 038**
UNU-WIDER							
Research, training networks and dissemination	1 473	7 691	9 164	5 457	199	5 656	3 508
Staff and other personnel costs	1 616	2 761	4 377	2 797	–	2 797	1 580
General expenses	530	616	1 146	1 025	27	1 052	94
Subtotal	**3 619**	**11 068**	**14 687**	**9 279**	**226**	**9 505**	**5 182**
UNU-MERIT							
Research, training networks and dissemination	1 416	2 245	3 661	1 586	244	1 830	1 831
Staff and other personnel costs	2 139	72	2 211	1 560	7	1 567	644
General expenses	469	899	1 368	538	406	944	424
Subtotal	**4 024**	**3 216**	**7 240**	**3 684**	**657**	**4 341**	**2 899**
UNU-CS							
Research, training networks and dissemination	315	315	630	–	–	–	630
Staff and other personnel costs	1 379	483	1 862	387	–	387	1 475
General expenses	958	216	1 174	707	89	796	378
Subtotal	**2 652**	**1 014**	**3 666**	**1 094**	**89**	**1 183**	**2 483**

Statement of appropriation as at 31 December 2015 (continued)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU-INRA							
Research, training networks and dissemination	654	1 033	1 687	592	224	816	871
Staff and other personnel costs	455	–	455	452	–	452	3
General expenses	275	34	309	172	1	173	136
Subtotal	**1 384**	**1 067**	**2 451**	**1 216**	**225**	**1 441**	**1 010**
UNU-BIOLAC							
Research, training networks and dissemination	295	30	325	168	23	191	134
Staff and other personnel costs	68	10	78	75	3	78	–
General expenses	101	(10)	91	77	–	77	14
Subtotal	**464**	**30**	**494**	**320**	**26**	**346**	**148**
UNU-IAS							
Research, training networks and dissemination	8 648	12 089	20 737	8 534	509	9 043	11 694
Staff and other personnel costs	1 508	(846)	662	284	1	285	377
General expenses	294	5	299	240	7	247	52
Subtotal	**10 450**	**11 248**	**21 698**	**9 058**	**517**	**9 575**	**12 123**
UNU-INWEH							
Research, training networks and dissemination	1 727	(70)	1 657	998	26	1 024	633
Staff and other personnel costs	623	4	627	471	3	474	153
General expenses	337	6	343	307	27	334	9
Subtotal	**2 687**	**(60)**	**2 627**	**1 776**	**56**	**1 832**	**795**
UNU-CRIS							
Research, training networks and dissemination	–	–	–	–	–	–	–
Staff and other personnel costs	682	–	682	485	–	485	197
General expenses	33	4	37	15	–	15	22
Subtotal	**715**	**4**	**719**	**500**	–	**500**	**219**
UNU-EHS							
Research, training networks and dissemination	902	1 878	2 780	1 404	1	1 405	1 375
Staff and other personnel costs	1 013	(78)	935	712	–	712	223

Statement of appropriation as at 31 December 2015 (continued)

Appropriation sections	*Appropriations*			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
General expenses	147	138	285	285	–	285	–
Subtotal	**2 062**	**1 938**	**4 000**	**2 401**	**1**	**2 402**	**1 598**
UNU-IIGH							
Research, training networks and dissemination	697	356	1 053	612	26	638	415
Staff and other personnel costs	1 005	62	1 067	855	–	855	212
General expenses	350	49	399	247	21	268	131
Subtotal	**2 052**	**467**	**2 519**	**1 714**	**47**	**1 761**	**758**
UNU-GCM							
Research, training networks and dissemination	234	178	412	131	–	131	281
Staff and other personnel costs	538	95	633	344	–	344	289
General expenses	228	(2)	226	134	17	151	75
Subtotal	**1 000**	**271**	**1 271**	**609**	**17**	**626**	**645**
UNU-FLORES							
Research, training networks and dissemination	515	631	1 146	377	–	377	769
Staff and other personnel costs	1 234	223	1 457	1 089	4	1 093	364
General expenses	374	246	620	317	–	317	303
Subtotal	**2 123**	**1 100**	**3 223**	**1 783**	**4**	**1 787**	**1 436**
UNU-IRADDA							
Research, training networks and dissemination	–	1 200	1 200	–	–	–	1 200
Staff and other personnel costs	–	846	846	4	–	4	842
General expenses	–	671	671	32	–	32	639
Subtotal	**–**	**2 717**	**2 717**	**36**	**–**	**36**	**2 681**
Operating funds total	**47 187**	**41 340**	**88 527**	**45 913**	**2 482**	**48 395**	**40 132**
Trust fund							
Trust fund	–	–	18	–	–	–	18
Subtotal	**–**	**–**	**18**	**–**	**–**	**–**	**18**
Grand total	**47 187**	**41 340**	**88 545**	**45 913**	**2 482**	**48 395**	**40 150**

Annex IV

Statement of contributions from January to December 2015

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU Centre				
Vice Rectorate in Europe				
European Union (European Commission)	–	19	–	19
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1 474	270	1 744
University of Graz	–	53	–	53
WeCycle	–	14	–	14
UNU Office at the United Nations, New York				
Foundation to Promote Open Society	–	125	–	125
Permanent Mission of Liechtenstein to the United Nations	–	11	–	11
The Freedom Fund	–	50	–	50
Office of the Rector				
Banco Do Brasil S.A.	–	(40)	–	(40)
Farmer’s Market Association	–	149	–	149
Hailiang Group Co. Ltd	–	40	–	40
The Sasakawa Peace Foundation	–	158	–	158
UNU Centre, Kuala Lumpur				
Government of Malaysia — Ministry of Higher Education	–	–	25	25
Centre for Policy Research				
Government of Japan — Ministry of Foreign Affairs	–	704	–	704
United Nations Development Programme	–	162	–	162
United Nations Headquarters, New York	–	47	–	47
E-Governance				
European Union (European Commission)	–	(2)	–	(2)
International Development Research Centre	–	12	–	12
The Portuguese Republic	–	–	13	13
United Nations Development Programme	–	267	–	267

	Endowment Fund contribution	Operating contribution	Voluntary in-kind contributions	Total
United Nations Educational, Scientific and Cultural Organization	–	57	–	57
UNU Centre	**–**	**3 300**	**308**	**3 608**
UNU headquarters building and land				
Government of Japan — Ministry of Foreign Affairs	–	588	15 540	16 128
UNU headquarters building and land	**–**	**588**	**15 540**	**16 128**
UNU-WIDER				
Central Institute for Economic Management	–	12	–	12
Kingdom of Denmark — Ministry of Foreign Affairs of Denmark, Development Assistance	–	300	–	300
Kingdom of Sweden — Swedish International Development Agency, Department for Research Cooperation	–	785	–	785
Republic of Finland — Ministry for Foreign Affairs of Finland, Department for Development Policy, Unit for Development Issues	–	2 595	–	2 595
Government of Finland — Ministry of Environment	–	–	362	362
United Kingdom — Department for International Development	–	2 453	–	2 453
UNU-WIDER	**–**	**6 145**	**362**	**6 507**
UNU-MERIT				
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	–	21	–	21
Dutch Ministry of Education, Culture and Science	–	2 035	–	2 035
European Union (European Commission)	–	165	–	165
Food and Agriculture Organization of the United Nations	–	16	–	16
Japan International Cooperation Agency — Research Institute	–	6	–	6
JaRco Consulting PLC	–	2	–	2
Maastricht Graduate School of Governance	–	171	–	171
Maastricht City Council	–	96	196	292
Porticus Amsterdam CV	–	37	–	37
The New Partnership for Africa's Development Planning and Coordinating Agency	–	176	–	176
The Sasakawa Peace Foundation	–	5	–	5
United Nations Industrial Development Organization	–	154	–	154

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
WASTE	–	440	–	440
UNU-MERIT	**–**	**3 324**	**196**	**3 520**
UNU-CS				
Fundação Macau	–	265	488	753
UNU-CS	**–**	**265**	**488**	**753**
UNU-INRA				
Government of Cameroon — National Agency for Information Technologies Development	6 000	–	–	6 000
Government of Ghana — Ministry of Education	–	–	162	162
Government of the Republic of Zambia	–	–	22	22
International Development Research Centre	–	577	–	577
United Nations Trust Fund for Human Security	–	(13)	–	(13)
UNU-INRA	**6 000**	**564**	**184**	**6 748**
UNU-BIOLAC				
Government of Venezuela (Bolivarian Republic of)	–	–	186	186
UNU-BIOLAC	**–**	**–**	**186**	**186**
UNU-CRIS				
Government of Belgium	–	499	162	661
UNU-CRIS	**–**	**499**	**162**	**661**
UNU-IAS				
Aoyama Gakuin University	–	2	–	2
Asia-Pacific Network for Global Change Research (APN)	–	48	–	48
Charles Darwin University	–	–	8	8
Chuo University	–	2	–	2
Dell Corporation Ltd/Dell Incorporation	–	11	–	11
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	–	101	–	101
ECOTIC Association (Asociatia Ecotic)	–	22	–	22
Eisaku Sato Memorial Foundation	–	3	–	3
European Union (European Commission)	–	181	–	181

	Endowment Fund contribution	Operating contribution	Voluntary in-kind contributions	Total
Government of Japan — Ministry of Agriculture, Forestry and Fisheries	–	259	–	259
Government of Japan — Ministry of Education, Culture, Sports, Science and Technology	–	2 459	–	2 459
Government of Japan — Ministry of the Environment	–	3 468	–	3 468
Ibaraki Prefectural Board of Education	–	14	–	14
Ibaraki University	–	28	–	28
Institute for Global Environmental Strategies	–	181	–	181
Integrated Consultancy on Infrastructure Development and Environmental Conservation Inc. (IDEA)	–	16	–	16
International Christian University	–	2	–	2
Ishikawa Prefecture	–	205	–	205
Japan Science and Technology Agency	–	277	–	277
Japan Society for the Promotion Of Science	–	102	–	102
Kanagawa International Foundation	–	61	–	61
Kanazawa City	–	204	–	204
Kirin Holdings Company, Ltd.	–	250	–	250
Nuclear Regulation Authority, Japan	–	584	–	584
Osaka University, Institute for Academic Initiatives	–	6	–	6
Sophia University Tokyo	–	1	–	1
Springer Japan	–	2	–	2
The Christensen Fund	–	155	–	155
The Japan Foundation for the United Nation University	–	6	–	6
The National Environment Management Authority	–	55	–	55
Tokushima University	–	3	–	3
Tsuda College	–	2	–	2
Umicore NV Precious Metals Refining	–	3	–	3
United Nations Educational, Scientific and Cultural Organization	–	65	–	65
United States Environmental Protection Agency	–	40	–	40
University of Limerick	–	11	–	11
University Of Tokyo	–	160	–	160
Yokohama City	–	–	14	14
UNU-IAS	**–**	**8 989**	**22**	**9 011**

	Endowment Fund contribution	Operating contribution	Voluntary in-kind contributions	Total
UNU-INWEH				
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	–	105	–	105
Edmonton Power Corporation Water Services Inc.	–	295	–	295
Government of Canada — Department of Foreign Affairs, Trade and Development	–	7 444	–	7 444
Grand Challenges Canada	–	4	–	4
McMaster University	–	18	–	18
United Nations Development Programme	–	16	–	16
United Nations Economic and Social Commission for Western Asia	–	39	–	39
UNU-INWEH	**–**	**7 921**	**–**	**7 921**
UNU-EHS				
Alexander von Humboldt-Stiftung	–	5	–	5
Deutsche Akademische Austauschdienst (DAAD)	–	109	–	109
Deutsche Forschungsgemeinschaft	–	98	–	98
Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR)	–	14	–	14
European Union (European Commission)	–	134	–	134
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	813	152	965
Flowminder Foundation	–	50	–	50
Helmholtz-Centre Potsdam — GFZ German Research Centre for Geosciences	–	14	–	14
Institute for Social and Environmental Transition	–	13	–	13
KU Leuven, Teaching and Learning Department	–	7	–	7
Ministry of Education and Research Nord Rhein Westerfalia	–	439	–	439
Munich Climate Insurance Initiative	–	565	–	565
Munich Re Insurance	–	82	–	82
Munich Re Foundation	–	150	–	150
The Nature Conservancy	–	36	–	36
United Nations Framework Convention on Climate Change	–	23	–	23
United Nations Convention to Combat Desertification	–	29	–	29
United Nations Environment Programme, Nairobi	–	133	–	133
UNU-EHS	**–**	**2 714**	**152**	**2 866**

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-IIGH				
Government of Malaysia — Ministry of Higher Education	–	–	47	47
UNU-IIGH	**–**	**–**	**47**	**47**
UNU-GCM				
Ministry of Education, Spain	–	561	–	561
Catalonia Government	–	–	190	190
UNU-GCM	**–**	**561**	**190**	**751**
UNU-FLORES				
Deutsche Forschungsgemeinschaft	–	59	–	59
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1 242	–	1 242
Saxon State Ministry for Higher Education, Research and the Arts	–	592	228	820
UNU-FLORES	**–**	**1 893**	**228**	**2 121**
Grand total	**6 000**	**36 763**	**18 065**	**60 828**

Annex V

Statement of unpaid pledges as at 31 December 2015

This table shows the reconciliation of opening to closing pledges for those payees who have unpaid pledges as at 31 December 2015.

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2015	*Add: fresh pledges received in 2015*	*Less: collection during 2015*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2015*
Operating funds					
UNU Centre					
Government donations					
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1 238	(1 238)	–	–
Government of Japan — Ministry of Foreign Affairs	–	704	(704)	–	–
Permanent Mission of Liechtenstein to the United Nations	–	11	(11)	–	–
The Portuguese Republic	4 000	–	–	–	4 000
Other donations					
Farmer’s Market Association	26	148	(137)	–	37
Foundation to Promote Open Society	–	125	(125)	–	–
Hailiang Group Co. Ltd	–	40	(40)	–	–
International Development Research Centre	–	12	(12)	–	–
The Freedom Fund	–	50	(50)	–	–
The Sasakawa Peace Foundation	–	158	(158)	–	–
United Nations Development Programme	–	429	(176)	–	253
United Nations Educational, Scientific and Cultural Organization	–	57	(29)	–	28
United Nations Environment Programme, Nairobi	16	–	(16)	–	–
United Nations Headquarters, New York	–	47	(47)	–	–
University of Graz	–	54	(38)	–	16
WeCycle	–	14	–	–	14
UNU Centre	**4 042**	**3 087**	**(2 781)**	**–**	**4 348**

	Unpaid pledges as at 1 January 2015	Add: fresh pledges received in 2015	Less: collection during 2015	Add: gain/(loss) on exchange	Unpaid pledges as at 31 December 2015
UNU headquarters building					
Government donations					
Government of Japan — Ministry of Foreign Affairs	–	588	(588)	–	–
UNU headquarters building and land	**–**	**588**	**(588)**	**–**	**–**
UNU-WIDER					
Government donations					
Kingdom of Denmark — Ministry of Foreign Affairs of Denmark, Development Assistance	–	300	(300)	–	–
Kingdom of Sweden — Swedish International Development Agency, Department for Research Cooperation	–	785	(785)	–	–
Republic of Finland — Ministry for Foreign Affairs of Finland, Department for Development Policy, Unit for Development Issues	–	2 595	(2 595)	–	–
The National Treasury of the Republic of South Africa	380	–	–	–	380
United Kingdom — Department for International Development	–	1 202	(1 202)	–	–
Other donations					
Central Institute for Economic Management	–	12	–	–	12
Policy Research for Development	188	–	(188)	–	–
United Nations Children’s Fund	69	–	(69)	–	–
University of Copenhagen	200	–	(200)	–	–
UNU-WIDER	**837**	**4 894**	**(5 339)**	**–**	**392**
UNU-MERIT					
Government donations					
Dutch Ministry for Development Cooperation	328	–	–	–	328
Dutch Ministry of Education, Culture and Science	–	2 035	(1 057)	–	978
Maastricht City Council	–	96	–	–	96
Other donations					
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	–	21	(21)	–	–
Economic Research Southern Africa	7	–	–	–	7
Food and Agriculture Organization of the United Nations	–	16	(16)	–	–
Japan International Cooperation Agency — Research Institute	–	6	(6)	–	–

	Unpaid pledges as at 1 January 2015	*Add: fresh pledges received in 2015*	*Less: collection during 2015*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2015*
JaRco Consulting PLC	–	2	(2)	–	–
Maastricht Graduate School of Governance	17	171	(188)	–	–
Porticus Amsterdam CV	–	37	(37)	–	–
The International Organization for Migration	6	–	(6)	–	–
The New Partnership for Africa's Development Planning and Coordinating Agency	–	177	(99)	–	78
The Sasakawa Peace Foundation	–	5	(5)	–	–
United Nations Industrial Development Organization	–	154	(154)	–	–
WASTE	–	439	(177)	–	262
UNU-MERIT	**358**	**3 159**	**(1 768)**	**–**	**1 749**
UNU-CS					
Government donations					
Fundação Macau	–	324	(302)	–	22
UNU-CS	**–**	**324**	**(302)**	**–**	**22**
UNU-INRA					
Other donations					
Brazilian Agricultural Research Corporation (EMBRAPA)	60	–	(60)	–	–
International Development Research Centre	–	577	(577)	–	–
The Sustainability Institute	31	–	(19)	–	12
United Nations Economic Commission for Africa	383	–	–	–	383
UNU-INRA	**474**	**577**	**(656)**	**–**	**395**
UNU-CRIS					
Government donations					
Government of Belgium	702	499	(1 072)	–	129
UNU-CRIS	**702**	**499**	**(1 072)**	**–**	**129**
UNU-IAS					
Government donations					
European Union (European Commission)	188	403	(534)	–	57

	Unpaid pledges as at 1 January 2015	Add: fresh pledges received in 2015	Less: collection during 2015	Add: gain/(loss) on exchange	Unpaid pledges as at 31 December 2015
Government of Australia — Department of the Environment and Heritage	337	–	(229)	–	108
Government of Japan — Ministry of Agriculture, Forestry and Fisheries	–	259	(259)	–	–
Government of Japan — Ministry of Education, Culture, Sports, Science and Technology	–	2 459	(1 668)	(2)	789
Government of Japan — Ministry of the Environment	–	3 468	(3 468)	–	–
Other donations					
Amb3E – Associação Portuguesa de Gestão de Resíduos (The Portuguese Association for Waste Management)	12	(1)	(11)	–	–
Aoyama Gakuin University	–	2	(2)	–	–
Apple Computer Trading (Shanghai) Co. Ltd.	5	–	(5)	–	–
Asia-Pacific Network for Global Change Research (APN)	–	51	(51)	–	–
Asia-Pacific Network for Sustainable Forest Management and Rehabilitation	191	–	(111)	–	80
Canon Inc.	37	–	(13)	–	24
Chuo University	–	2	(2)	–	–
Dell Corporation Ltd/Dell Incorporation	–	11	(11)	–	–
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	–	101	(101)	–	–
ECOTIC Association (Asociatia Ecotic)	–	22	(22)	–	–
Eisaku Sato Memorial Foundation	–	3	(3)	–	–
Ibaraki Prefectural Board of Education	–	14	(14)	–	–
Ibaraki University	–	28	(28)	–	–
Institute for Global Environmental Strategies	–	181	(181)	–	–
Integrated Consultancy on Infrastructure Development and Environmental Conservation Inc. (IDEA)	–	16	(16)	–	–
International Christian University	–	2	(2)	–	–
Ishikawa Prefecture	126	205	(289)	–	42
Japan Science and Technology Agency	–	280	(280)	–	–
Japan Society for the Promotion Of Science	–	102	(102)	–	–
Kanagawa International Foundation	–	61	(31)	–	30
Kanazawa City	42	204	(204)	–	42

	Unpaid pledges as at 1 January 2015	*Add: fresh pledges received in 2015*	*Less: collection during 2015*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2015*
Kirin Holdings Company, Ltd.	–	250	(250)	–	–
Nuclear Regulation Authority, Japan	–	584	(584)	–	–
Osaka University, Institute for Academic Initiatives	–	6	(6)	–	–
Philips Consumers Electronics B.V.	12	(1)	(11)	–	–
Recupel vzw	7	–	(7)	–	–
Springer Japan	–	2	(2)	–	–
The Christensen Fund	–	155	(89)	–	66
The Japan Foundation for the United Nation University	–	6	(6)	–	–
The National Environment Management Authority	–	55	(55)	–	–
Tokushima University	–	3	(3)	–	–
Tsuda College	–	2	(2)	–	–
Umicore NV Precious Metals Refining	–	3	(3)	–	–
United Nations Educational, Scientific and Cultural Organization	–	65	(65)	–	–
United Nations Industrial Development Organization	36	–	(26)	–	10
University of Limerick	–	11	(11)	–	–
University of Tokyo	–	160	(160)	–	–
United States Environmental Protection Agency	–	40	(40)	–	–
UNU-IAS	**993**	**9 214**	**(8 957)**	**(2)**	**1 248**
UNU-INWEH					
Government donations					
Government of Canada — Department of Foreign Affairs, Trade and Development	–	7 444	(1 668)	–	5 776
Other donations					
Anderson Water Systems, Inc.	22	–	–	–	22
Deutsche Gesellschaft for Internationale Zusammenarbelt (GIZ) GmbH	11	105	(116)	–	–
Edmonton Power Corporation Water Services Inc.	–	295	(79)	–	216
Grand Challenges Canada	–	4	(4)	–	–
McMaster University	186	18	(113)	(4)	87
United Nations — Department of Economic and Social Affairs	10	–	–	–	10
United Nations Development Programme	–	16	(16)	–	–

	Unpaid pledges as at 1 January 2015	Add: fresh pledges received in 2015	Less: collection during 2015	Add: gain/(loss) on exchange	Unpaid pledges as at 31 December 2015
United Nations Economic and Social Commission for Asia and the Pacific	–	39	(39)	–	–
United Nations Office for Project Services	49	–	(49)	–	–
Walter & Duncan Gordon Foundation	9	–	(8)	–	1
UNU-INWEH	**287**	**7 921**	**(2 092)**	**(4)**	**6 112**
UNU-EHS					
Government donations					
European Union (European Commission)	76	61	(84)	–	53
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	702	(702)	–	–
Ministry of Education and Research Nord Rhein Westerfalia	–	439	(439)	–	–
Other donations					
Alexander von Humboldt-Stiftung	–	5	(5)	–	–
AXA	131	–	–	–	131
Buendnis Entwicklung Hilft	33	–	(16)	–	17
Deutsche Akademische Austauschdienst (DAAD)	–	109	(109)	–	–
Deutsche Forschungsgemeinschaft	–	98	(84)	–	14
Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR)	–	15	(15)	–	–
Flowminder Foundation	–	50	(50)	–	–
Helmholtz-Centre Potsdam — GFZ German Research Centre for Geosciences	–	13	(2)	–	11
Institute for Social and Environmental Transition	–	13	(13)	–	–
KU Leuven, Teaching and Learning Department	–	7	(7)	–	–
Munich Climate Insurance Initiative	–	564	(344)	–	220
Munich Re Foundation	–	150	(93)	–	57
Munich Re Insurance	–	82	(27)	–	55
The Nature Conservancy	–	36	(36)	–	–
United Nations Convention to Combat Desertification	–	29	(29)	–	–
United Nations Economic and Social Commission for Asia and the Pacific	118	–	(118)	–	–
United Nations Environment Programme, Nairobi	–	133	(81)	–	52
United Nations Framework Convention on Climate Change	–	23	(23)	–	–

	Unpaid pledges as at 1 January 2015	Add: fresh pledges received in 2015	Less: collection during 2015	Add: gain/(loss) on exchange	Unpaid pledges as at 31 December 2015
University of Hannover	113	–	(45)	–	68
UNU-EHS	**471**	**2 529**	**(2 322)**	**–**	**678**
UNU-IIGH					
Other donations					
Swedish Research Council	37	–	(22)	–	15
UNU-IIGH	**37**	**–**	**(22)**	**–**	**15**
UNU-GCM					
Government donations					
Ministry of Education, Spain	–	439	(220)	–	219
Other donations					
Pacific Islands Forum	34	–	(35)	1	–
UNU-GCM	**34**	**439**	**(255)**	**1**	**219**
UNU-FLORES					
Government donations					
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1006	(1006)	–	–
Saxon State Ministry for Higher Education, Research and the Arts	–	592	(592)	–	–
Other donations					
Deutsche Forschungsgemeinschaft	–	59	(59)	–	–
UNU-FLORES	**–**	**1 657**	**(1 657)**	**–**	**–**
UNU-IRADDA					
Government donations					
Government of the People's Democratic Republic of Algeria	8 000	–	–	–	8 000
UNU-IRADDA	**8 000**	**–**	**–**	**–**	**8 000**
Total operating funds as at 31 December 2015	**16 235**	**34 888**	**(27 811)**	**(5)**	**23 307**

	Unpaid pledges as at 1 January 2015	Add: fresh pledges received in 2015	Less: collection during 2015	Add: gain/(loss) on exchange	Unpaid pledges as at 31 December 2015
Endowment Funds					
UNU-INRA					
Government donations					
Government of Cameroon — National Agency for Information Technologies Development	–	6 000	–	–	6 000
Government of Ghana — Ministry of Education	192	–	–	–	192
Government of the Republic of Zambia	400	–	(200)	–	200
UNU-INRA	**592**	**6 000**	**(200)**	**–**	**6 392**
UNU-IIGH					
Government donations					
Government of Malaysia — Ministry of Higher Education	4 000	–	(4 000)	–	–
UNU-IIGH	**4 000**	**–**	**(4 000)**	**–**	**–**
UNU-IRADDA					
Government donations					
Government of the People's Democratic Republic of Algeria	45 000	–	–	–	45 000
UNU-IRADDA	**45 000**	**–**	**–**	**–**	**45 000**
Total Endowment Funds as at 31 December 2015	**49 592**	**6 000**	**(4 200)**	**–**	**51 392**
Total all funds outstanding as at 31 December 2015	**65 827**	**40 888**	**(32 011)**	**(5)**	**74 669**
Allowance for doubtful receivables	**(192)**	**–**	**–**	**–**	**(192)**
Net total all funds outstanding as at 31 December 2015	**65 635**	**40 888**	**(32 011)**	**(5)**	**74 507**

Annex VI

Statement of refunds to donors

(Thousands of United States dollars)

	Operating unit	*31 December 2015*
Donors		
Banco Do Brasil S.A.	UNU Centre	40
European Union (European Commission)	UNU Centre	2
Fundação Macau	UNU-CS	59
United Nations Trust Fund for Human Security	UNU-INRA	13
Asia-Pacific Network for Global Change Research (APN)	UNU-IAS	3
Japan Science and Technology Agency	UNU-IAS	3
European Union (European Commission)	UNU-EHS	81
Total refunds to donors for the year		**201**

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