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Interim financial report and statements for the year ended 31 December 2000, the first year of the biennium 2000-2001

Summary

The present document, submitted for information to the Executive Board, contains the financial report on the accounts of UNICEF for the year ended 31 December 2000, the first year of the biennium 2000-2001. The document, comprised of the financial report and 12 statements supported by 1 schedule, summarizes the financial results of transactions made in 2000. In line with General Assembly resolution 50/204 of 23 December 1995, and the formats agreed upon by the Administrative Committee on Coordination, the document is prepared to achieve harmonization of the presentation of the accounts of the agencies in the United Nations system. A summary of significant accounting policies and other information are included in the notes to the financial statements.

* E/ICEF/2001/12.



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Abbreviations

ACC	Administrative Committee on Coordination
AGFUND	Arab Gulf Programme for the United Nations Development Organizations
FRY	Federal Republic of Yugoslavia
ILO	International Labour Organization
NGOs	non-governmental organizations
OPEC	Organization of Petroleum Exporting Countries
PSD	Private Sector Division
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDCP	United Nations International Drug Control Programme
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
WHO	World Health Organization

I. Interim financial report for the year ended 31 December 2000

Introduction

1. The Executive Director of the United Nations Children's Fund (UNICEF) submits herewith the financial report of UNICEF, accompanied by 12 statements and 1 schedule for the year ended 31 December 2000, the first year of the biennium 2000-2001. Of those, statements I, II, III and VII are now presented in line with the formats agreed upon by the Administrative Committee on Coordination (ACC) as a step towards the harmonization of the accounts of agencies in the United Nations system. The financial report provides the financial results of UNICEF activities in 2000. Highlights are summarized in the following paragraphs.

Income

2. UNICEF income in the year 2000 totalled \$1,139 million. Virtually all Governments of both industrialized and developing countries contributed to UNICEF in 2000. Income comprised \$563 million for regular resources, \$377 million for supplementary funds and \$199 million in emergency contributions. The breakdown of UNICEF income by source is: 64 per cent (\$725 million) from Governments; 30 per cent (\$343 million) from fund-raising campaigns, the sale of greeting cards and individual donations; 4 per cent (\$48 million) from miscellaneous sources, including interest and exchange rate revaluation of assets and liabilities; and 2 per cent (\$23 million) under inter-organizational arrangements.

Expenditures

3. UNICEF expenditures in the year 2000 were \$1,105 million. This amount consisted of \$497 million for programme cooperation from regular resources, \$342 million for programme cooperation from supplementary funds and \$183 million for emergency relief and rehabilitation. The remaining expenditures of \$83 million were for management and administration.

Donations-in-kind

4. Donations-in-kind valued by donors at \$15 million were delivered by UNICEF to projects during 2000. These deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Trust funds

5. Trust fund accounts not related to programmes approved by the UNICEF Executive Board are not entered in the financial accounts of UNICEF as income and expenditures. These funds are used mainly to cover the cost of goods and services purchased and delivered on a reimbursable basis by UNICEF on behalf of

Governments, other agencies in the United Nations system and non-governmental organizations (NGOs). In 2000, UNICEF received \$139 million in cash for these trust fund accounts. Disbursements and obligations totalled \$239 million.

Cash holdings

6. UNICEF has total cash of \$524 million. Of this amount, \$104,540,000 is from regular resources and \$419,150,000 is from other resources. The amount also includes the unspent balances from trust fund accounts in the amount of \$97 million. The total cash holdings of UNICEF include \$8 million in currencies restricted for use in donor countries for purchases and other local expenditures.

Approved programmes

7. During 2000, the Executive Board approved the amount of \$1,016 million for new programmes for children in countries with which UNICEF cooperates, as well as for regional and interregional projects. This total includes \$460 million in programmes to be funded from UNICEF regular resources and \$359 million for projects that the Board approved as worthy of support and that were financed by pledges of supplementary funds made in 2000. The total also includes \$197 million for projects financed by pledges for emergency relief and rehabilitation.

(Signed) Carol Bellamy
Executive Director
United Nations Children's Fund

Notes to the financial statements

Note 1

Statement of the objectives and activities of UNICEF

1. UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The organization mobilizes political will and material resources to help countries, particularly developing countries, to ensure a "first call for children" and to build their capacity to form appropriate policies and deliver services for children and their families.

Note 2

Summary of significant accounting policies

2. Until 31 December 1987, UNICEF accounts were maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the nature of the work of UNICEF. By its decision 1987/13 (E/ICEF/1987/11), the Executive Board adopted the UNICEF Financial Regulations and Rules in accordance with Economic and Social Council decision 1986/1981 of 31 July 1986, as approved by the General Assembly in its decision 41/461 of 11 December 1986.

3. In line with the goal of achieving harmonization of the presentation of the accounts by the agencies in the United Nations system, statements I, II, III and VII are now shown in line with the formats agreed upon by ACC.

Accounting period

4. By its decision 1987/2, the Executive Board decided that, effective 1 January 1988, UNICEF would commence its financial reporting on a biennial basis. Since 1 January 1988, the accounts have been maintained on a biennial basis in accordance with the UNICEF Financial Regulations and Rules.

Unit of account

5. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange.

Translation of currencies

6. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are completed are accounted for as gains or losses on exchange transactions.

7. Periodically, assets and liabilities in currencies other than United States dollars are revalued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure. In accordance with UNICEF Executive Board decision 1990/28 (E/ICEF/1990/13), differences resulting from the payment of contributions pledged in currencies other than United States dollars are recorded against the contributions.

Income

8. Income consists of regular resources, supplementary funds and emergency relief and rehabilitation. Regular resources include funds from the voluntary annual contributions of Governments, intergovernmental organizations, NGOs, the net income from the Private Sector Division (PSD), unearmarked funds contributed by the public and other income. Supplementary funds are those contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board. Emergency relief and rehabilitation funds include those contributed for emergency operations.

9. Income is recorded on the basis of funds or pledges received for the current year. Pledges received for future years for purposes specified by donors are considered deferred income and recorded as "pledged and received in advance".

10. Contributions income received from National Committees for UNICEF and NGOs is accounted for on a cash basis of accounting, with the exception of contributions for supplementary funds and for emergency relief and rehabilitation, which may be recorded on the basis of a valid pledge from a National Committee. The validity of the pledge is determined by the existence of funds raised and a statement from the National Committee that it is committing funds to UNICEF in the form of a pledge.

11. All other income received by UNICEF is classified as miscellaneous income and is credited as regular resources.

12. The statement of income and expenditure does not include funds received and expenditures made from trust fund accounts. Those transactions that do not require commitments by the Executive Board are maintained as trust fund accounts.

13. Donations-in-kind, which are recorded as memorandum entries in the books of accounts, are not part of UNICEF income.

Expenditure

14. All expenditure of UNICEF is accounted for on an accrual basis, except for that relating to staff entitlements, which is accounted for on the basis of cash disbursements only.

15. Deferred charges comprise expenditure items that are not properly chargeable in the current financial period and will be charged as expenditure in a subsequent financial period.

16. No provision is made for staff entitlements for repatriation, etc., that will take place in the future or to meet contingencies under appendix D of the United Nations Staff Rules, as funds are provided in the budget appropriations as required.

Assets

17. All funds received are deposited into UNICEF bank accounts, including those under trust fund account arrangements, and reflected as cash holdings.

18. All outstanding pledges for contributions are recorded as receivables (see paragraph 9 above).

19. Prior to 1989, certain buildings purchased by UNICEF and considered as capital assets were valued at cost less accumulated depreciation. In 1989, the unamortized value of UNICEF capital assets was expended against the 1988-1989 budget, resulting in a fully depreciated UNICEF capital asset account as of 31 December 1989. Future acquisitions of UNICEF capital assets will be included in the capital asset fund (see paragraph 24 below).

20. The stock of programme supplies at the UNICEF Supply Division warehouse at Copenhagen is shown at average cost. Goods in transit to the warehouse are valued at actual cost. Freight paid for supplies to the warehouse is considered part of the cost of supplies.

21. The PSD inventory of raw materials, products in process and finished goods are valued at standard cost.

22. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

Liabilities and reserves

23. The liabilities of UNICEF include contributions received in advance, trust fund accounts, unliquidated obligations, other accounts payable, credit balances in asset accounts and accrued expenses.

24. By its decision 1990/26, the Executive Board approved the establishment of a capital asset reserve fund to better control the future purchase of UNICEF capital assets, mainly buildings to be purchased for office accommodations and staff housing in the field. At such time as may be necessary, additional authorized appropriations will be made to replenish the capital asset reserve.

Consolidation of Private Sector Division accounts

25. The financial report and accounts reflect UNICEF income, expenditure, assets and liabilities, including the net operating income, assets and liabilities of PSD. The principles of consolidation reflect the accounting policies outlined below:

(a) Effective 1997, the reporting period and accounts of PSD will be maintained on a calendar year basis. For consolidation purposes, the UNICEF financial statements include the PSD accounts as at 31 December;

(b) The financial effect of consolidating the PSD accounts on a calendar basis is reflected, most notably, in the receivables and earnings of PSD. Inter-office transactions between UNICEF and PSD are eliminated for consolidation purposes.

Note 3

Income

26. Total income from contributions for the year ended 31 December 2000 was \$927,894,000, an increase of \$49,239,000 compared to the year ended 31 December 1999. Contributions for the year ended 31 December 2000 consisted of \$345,168,000 for regular resources, \$381,773,000 for supplementary funds and \$200,953,000 for emergency relief and rehabilitation.

27. Net income from PSD for the year ended 31 December 2000 was \$163,294,000 as follows:

<i>(In thousands of United States dollars)</i>	
Income	
Gross proceeds from sales	117 363
Private sector fund-raising	159 383
Other income	6 110
Total	282 856
Expenditures	119 562
Net income	163 294

28. Income from miscellaneous sources for the year ended 31 December 2000 was \$65,474,000. The major items are \$37,766,000 in interest on funds held in interest-bearing deposits and in current accounts with banks, and \$8,122,170 in the closure of outstanding budgetary obligations related to prior periods' budgets.

29. Changes in the value of the United States dollar (the accounting unit) in relation to other currencies in which assets and liabilities were held resulted in a net decrease of \$17,828,000 in the accounting value of these assets and liabilities during the year ended 31 December 2000, composed, for the most part, of the following:

<i>(In thousands of United States dollars)</i>	
Decrease on revaluation of contributions receivables and other accounts	17 823
Decrease on revaluation of the call and investment accounts	5
Net decrease	17 828

Note 4

Donations-in-kind

30. Donations-in-kind valued by donors and accepted by the Executive Director at \$15,439,000 were delivered by UNICEF to projects during the year 2000. These are recorded as memorandum entries in the books of accounts and are not part of UNICEF income.

Note 5

Expenditures

31. Total expenditures for the year 2000 amounted to \$1,104,546,000, which is \$44,815,000 greater than the total expenditures of the preceding year. Expenditures for programme cooperation during the present year totalled \$1,021,138,000, or \$50,652,000 greater than that for the year 1999.

32. Expenditures for management and administration in 2000 were \$83,408,000. In 1999, the comparative amount was \$89,255,000.

Note 6

Write-offs

33. The amount of \$5,830,000 shown in statement I includes the write-off and adjustment of pledges for the year ended 31 December 2000 totalling \$5,436,000. Adjustments for write-offs of other assets and losses amounted to \$394,000. The write-off and adjustment of pledges consist of the following:

	<i>Regular resources</i>	<i>Supplementary funds</i>	<i>Emergency relief and rehabilitation</i>	<i>Total</i>
	<i>(In thousands of United States dollars)</i>			
Supplementary funds cancelled by donors	00	676	00	676
Supplementary funds cancelled on completion of projects	00	942	2 317	3 259
Unpaid pledges	00	00	1 501	1 501
Total write-off and adjustments	00	1 618	3 818	5 436

Note 7

Provision for uncollectible contributions receivable

34. In line with the recommendation of the external auditors (A/51/5/Add.2, paragraph 35), a \$5 million provision for potentially uncollectible contributions receivable has been set up with a transfer from the regular resources fund balance.

Note 8

Assets

35. At 31 December 2000, cash totalled \$523,690,000 (statement II), of which \$104,540,000 are from regular resources and \$419,150,000 from other resources. The amount also includes restricted currencies of \$8,384,000, consisting of the following currencies with large amounts: \$1,953,000 in Moroccan dirhams; \$715,000 in Indian rupees; and \$639,000 in Mexican pesos.

36. Contributions receivable for current and prior years totalled \$197,158,000 as of 31 December 2000. Included in the contributions receivable are \$153,331,000 for supplementary funds and \$38,504,000 for emergency relief and rehabilitation, payment of which is normally related to the progress in implementing specific projects and occurs in accordance with payment schedules agreed upon with donors.

37. The aggregate of other accounts receivable, advances and deposits as at 31 December 2000 totalled \$332,708,000, including the accounts of PSD, which total \$194,169,000.

38. The aggregate value of inventory as at 31 December 2000 totalled \$31,230,000, consisting mainly of programme supplies in stock at the UNICEF Supply Division warehouse at Copenhagen and PSD stock.

39. Capital assets reflected in the financial statements of 31 December 2000 consist of office buildings and staff housing presented at their acquisition cost of \$12,361,000, as well as PSD machinery and equipment that is depreciated over the estimated useful life of these assets. The depreciated value of the PSD capital assets

is \$1,487,000. Details of UNICEF capital assets, except PSD, are given in statement VIII.

40. The cost of non-expendable property as at 31 December 2000 totalled \$55,616,000. Computer equipment acquired in 2000 has been charged against the administrative budget, a procedure applied consistently since 1986, and is not reflected in the statements.

41. As at 31 December 2000, the organization's call accounts and time deposits were valued at \$525,297,000. The application of the United Nations rates of exchange as of 1 January 2001 will result in a foreign exchange gain of \$1,461,0000 and increase the value of the call accounts and time deposits to \$526,758,000.

Note 9 **Reserves**

42. In 1950, the Executive Board authorized the establishment of a reserve for insurance of \$200,000 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. Up to 1992, the reserve was restored to its authorized limit by a transfer from income. There were no movements in the reserve for the year 2000:

<i>(In thousands of United States dollars)</i>	
Balance, 1 January 2000	104 010
Charges against the reserve in 2000	-
Balance, 31 December 2000	104 010

43. In 1987, UNICEF established a reserve of \$100,000 to self-insure for property losses. This reserve was funded equally from the year 1987 and the biennium 1988-1989. Up to 1992, the reserve was restored to its original amount by a transfer from income. There were no movements in the reserve for the year 2000:

<i>(In thousands of United States dollars)</i>	
Balance, 1 January 2000	26 399
Charges against the reserve in 2000	-
Balance, 31 December 2000	26 399

Note 10 **Contingent liability**

44. UNICEF has not specifically accrued for liabilities for after-service health insurance costs or liabilities for other types of end-of-service benefits that will be owed when staff members leave the organization.

45. The net contingent liability for staff benefits as at 31 December 2000 is estimated at \$58,710,000, consisting of the following:

<i>(In thousands of United States dollars)</i>	
Accumulated leave	29 549 000
Repatriation grant	29 161 000
Total	58 710 000

46. There is no provision in the accounts for this amount. The expenditures will be charged against the budget appropriations of the periods when actual payments are made.