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Financial report and audited financial statements

for the year ended 31 December 2016

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 March 2017 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 2016, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(*Signed*) António **Guterres**

Letter 30 June 2017 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 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations University, which comprise the statement of financial position (statement I) as at 31 December 2016 and 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) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Nations University as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the United Nations University in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the United Nations University to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the United Nations University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the United Nations University.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the United Nations University.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the United Nations University to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the United Nations University to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

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

30 June 2017

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations University (UNU) is a solutions-focused think tank and research arm for the United Nations system. The UNU Centre serves as the administrative, coordination and services unit of the global UNU system. The main research and academic work of the University is carried out by a global network of research and training institutes. This network is supplemented by research programmes.

The Board of Auditors audited the financial statements and reviewed the operations of UNU for the year ended 31 December 2016. The audit was carried out through visits to the UNU Institute for Environment and Human Security (UNU-EHS), in Bonn, Germany; the UNU Vice Rectorate in Europe (UNU-ViE), also in Bonn; the UNU administrative office in Kuala Lumpur; and UNU headquarters, in Tokyo, for a review of their financial transactions and operations.

Audit opinion

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

Overall conclusion

During the period under review, UNU continued its efforts to address the concerns raised by the Board in its previous reports and improve its financial management and overall governance structures. There was, however, a decrease in the rate of implementation of previous recommendations of the Board, from 71 per cent in 2015 to 47 per cent in 2016. This indicates that UNU needs to expedite its work to implement all recommendations.

With total revenue of $66.18 million and expenses of $89.99 million during 2016, the financial statements reflected a net deficit of $23.81 million. However, the overall financial position of UNU remained sound, with current assets of more than three times the current liabilities and total assets of more than six times the total liabilities.

Owing to the findings of the Board, the financial statements had to be recertified. While there were no material issues affecting the financial statements or their compliance with the International Public Sector Accounting Standards (IPSAS) after the recertification, there was a need to strengthen financial reporting, project management, asset management and information and communications technology (ICT) management at UNU and its constituent institutes.

Key findings

Our key findings are as follows:

Valuation of voluntary contributions receivable

(a) UNU did not account for an impairment loss of $11.125 million in voluntary contributions receivable. Pursuant to the Board’s recommendation, the impairment loss was eventually recognized, which led to the recertification of the financial statements;

Voluntary contributions receivable: conditional agreements

(b) The wording of the UNU reference guide on non-exchange revenue accounting for UNU-specific scenarios differs from the relevant regulation set forth in the United Nations Policy Framework for International Public Sector Accounting Standards (ST/IC/2013/36). According to the Framework, multi-year donor agreements are usually unconditional. The reference guide creates the impression that all non-European Commission agreements are considered to be unconditional and that there is no case-by-case assessment required;

(c) UNU considered donor agreements to be unconditional even when they contained specific performance obligations. These obligations may be enforceable if donors decide to withhold future instalments in case the specific performance obligations are not fulfilled. UNU commented that the donors concerned would not enforce the stipulated performance obligations. However, that conclusion can be drawn only if an entity has previously breached a stipulation imposed by a donor in such a way that would prompt the donor to decide whether to enforce the stipulation. As stated by UNU, it has never breached any stipulations imposed by the donors concerned. Therefore, in line with IPSAS 23.21, UNU needs to assume that the donors would enforce the stipulations as long as it has no evidence to the contrary. As a consequence, the stipulations meet the definition of conditions and the agreements are conditional;

Discounting of multi-year voluntary contributions receivable

(d) Multi-year voluntary contributions receivable were not discounted as required under IPSAS 29. The Board noted that, according to the calculations of UNU, discounting would have decreased the voluntary contributions receivable by $1.3 million. While this may not have a material effect on the financial statements for the year ended 31 December 2016, the effect may be material in future years, especially if the discount rate used (0.89 per cent) changes substantially in the future;

Accrual basis concerning travel and employee salaries, allowances and benefits

(e) “Accrual basis” means the method of accounting under which business transactions and comparable events are already recognized in the financial period in which they occur and not only when payment is received or made, even if this happens in the following period. In 2016, UNU paid more than $100,000 for an invoice and a contract relating to an invoice and a contract dating back to 2015. UNU did not record and recognize them in the financial statements for the year ended 31 December 2015, although they related to that period, and the need to create an accrual for both transactions was obvious;

Project management

(f) Academic appointments of United Nations staff and holders of personnel service agreement posts at UNU are limited to a maximum of six years. This six-year rule poses a challenge for UNU-EHS and UNU-ViE, since the duration of contracts does not correspond to the duration of projects;

(g) UNU did not adapt its strategic plan to include the Sustainable Development Goals. UNU-EHS did not establish a strategy for how to contribute to the 2030 Agenda for Sustainable Development through its research and policy advice;

Asset management

(h) The asset management report in the Atlas enterprise resource planning system did not reflect the actual availability of capital and non-capital assets at UNU. The report contained inaccurate information about the location and allocation of assets;

Information and communications technology management

(i) The Campus Computing Centre, the ICT unit of UNU, has not implemented an active risk management system to identify and document the vulnerability of ICT systems;

(j) The ICT management of UNU-EHS and UNU-ViE lacks policies and plans required in its area of responsibility. The lack of active ICT risk management may lead to unidentified ICT risks that are not addressed through effective mitigation measures. This may pose risks to core business processes;

Personal data in Atlas

(k) In the Atlas enterprise resource planning system, all staff members with approval authority can access the personal data of all staff employed under a personnel service agreement or a consultant or individual contractor contract, even if those staff are not within their remit. This may jeopardize the privacy rights of persons outside the responsibility of the staff members who have the relevant approval authority.

Main recommendations

On the basis of the audit findings, the Board recommends that:

(a) **UNU separately assess for impairment, on an individual basis, significant voluntary contributions receivable on the basis of whether objective evidence of impairment exists;**

(b) **UNU adjust its reference guide on non-exchange revenue accounting for UNU-specific scenarios to the United Nations Policy Framework for International Public Sector Accounting Standards to clarify that a case-by-case assessment of all multi-year agreements is necessary to determine whether such agreements are conditional;**

(c) **UNU consider multi-year donor agreements to be conditional where future instalments depend on the fulfilment of enforceable performance obligations, specifically if UNU has no experience with the donor or has not previously breached stipulations and therefore has no evidence that enforcement is unlikely;**

(d) **UNU discount its long-outstanding voluntary contributions receivable;**

(e) **UNU review its internal process for creating accruals and implement internal controls to ensure that expenses are identified and accrued in appropriate periods;**

(f) **UNU ensure that a mechanism is in place for reviewing requests for exceptions to the six-year term limit for its academic personnel. UNU-EHS and UNU-ViE should introduce a transparent scheme for longer-term projects that clearly describes the procedure for finding successors to project leaders or section heads;**

(g) **UNU-EHS and UNU-ViE establish an overall strategy for how to contribute to the 2030 Agenda for Sustainable Development through its research and policy advice. UNU should strengthen its communication regarding the implementation and achievements of research projects and policy advice regarding the 2030 Agenda;**

(h) **UNU verify the availability of its assets and update the corresponding information in the Atlas asset management report;**

(i) **The Campus Computing Centre establish a formalized risk management process that includes the ICT systems of other United Nations entities hosted by the Centre. The risk management document is to be reviewed periodically;**

(j) **UNU-EHS and UNU-ViE establish and implement all necessary ICT policies and plans and review them periodically;**

(k) **UNU restrict access to the personal data contained in personnel service agreements and consultant and individual contractor contracts to the approving officer responsible.**

Key facts

$66.18 million:	Revenue
$89.99 million:	Expenses
$23.81 million:	Deficit for the year
$507.26 million:	Assets
$83.87 million:	Liabilities
$423.39 million:	Net assets

A. Mandate, scope and methodology

1. On 6 December 1973, the General Assembly formally adopted the Charter of the United Nations University (UNU), 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. It also states that the University shall devote its work to research into the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies, with due attention to the social sciences and the humanities as well as natural sciences, pure and applied.

2. UNU operates as an autonomous organ of the General Assembly. UNU conducts its research through a global network of academic institutes and programmes, which are coordinated by the UNU Centre. The Centre serves as the administrative, coordination and services unit of the global UNU system. Although it is located primarily in Tokyo, the Centre has a number of adjunct offices, including an administrative and financial services office in Kuala Lumpur. The main research and academic work of the University is carried out by a global network of

11 research and training institutes. This network is supplemented by research programmes.

3. UNU receives no funds from the regular United Nations budget. It is financed solely through voluntary contributions from host Governments of the University's institutes, foundations, agencies, international organizations and other sources, and through investment income derived from the UNU Endowment Fund.

4. The Board conducted the audit in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing.

5. 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 2016 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 that it was considered necessary to form an opinion on the financial statements.

6. 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

7. The Board noted that out of the total 17 recommendations that remained outstanding as at 31 December 2015, 8 (47 per cent) had been implemented, 7 (41 per cent) were under implementation and 2 (12 per cent) had been overtaken by events. Details of the status of the implementation of the recommendations are presented in the annex to chapter II. The percentage of fully implemented recommendations decreased from 71 per cent in 2015 to 47 per cent in 2016. Although this may be attributable to the fact that many issues raised are ongoing (the percentage of recommendations under implementation rose from 29 per cent in 2015 to 41 per cent in 2016) and two recommendations have been overtaken by events, the Board expects UNU to expedite its work to fully implement all recommendations.

2. Financial statements and financial reporting

8. Total assets as at 31 December 2016 were $507.26 million, compared with $517.18 million as at 31 December 2015, reflecting a decrease of 1.92 per cent. Assets consist mainly of investments and voluntary contributions receivable, which together amounted to $388.74 million, representing 76.64 per cent of total assets. Total liabilities as at 31 December 2016 were $83.87 million, compared with $69.62 million as at 31 December 2015.

9. The University's revenue stood at $66.18 million, compared with the $72.36 million reported in 2015, representing a decrease of 8.53 per cent. The main sources of revenue were voluntary contributions of $49.53 million (74.84 per cent). Total expenses stood at $89.99 million, against the $83.78 million recorded in 2015,

representing an increase of 7.4 per cent. The main expense category was other operating expenses of $33.45 million (37.18 per cent). Accumulated surpluses and endowment fund balances stood at $55.75 million (2015: $58.43 million) and $367.64 million (2015: $389.13 million), respectively.

Financial ratios

10. The ratios set out in the table below indicate that the overall financial position of UNU is sound, with current assets of more than three times the current liabilities and total assets of more than six times the total liabilities. The quick ratio and the cash ratio also indicate high liquidity. The extent of cash surplus indicates that UNU could explore the possibility of either additional investments to ensure returns from the surplus cash or other types of utilization. In general, the financial situation of an entity is not regarded as unsound as long as the financial ratios exceed 1. The decline in the financial ratios in the financial year 2016 was caused mainly by the impairment of a voluntary contribution receivable (see note 9 in chap. V below). Owing to a restatement of the previous-year figures, the ratios shown for the financial year 2015 in the table below do not match the ratios set out in the previous report of the Board (A/71/5 (Vol. IV), chap. II; see note 4 in chap. V below).

Financial ratios

Ratios	*2016*	*2015*[a]
Total assets: total liabilities[b]		
Assets: liabilities	6.05	7.43
Current ratio[c]		
Current assets: current liabilities	3.74	10.35
Quick ratio[d]		
(Cash + short-term investments + accounts receivable): current liabilities	3.67	10.27
Cash ratio[e]		
(Cash + short-term investments): current liabilities	2.31	7.35

Source: UNU financial statements.

[a] Restated.

[b] A high ratio is a good indicator of solvency.

[c] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[d] 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.

[e] The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

Valuation of voluntary contributions receivable

11. In December 2013, the University and a donor signed an agreement on the establishment, operation and location of a new UNU institute. The agreement projected financial contributions for the period 2014-2023 totalling $59.25 million. This amount comprises annual contributions to the UNU Endowment Fund of $5 million and, in addition, annual operational contributions of up to $1.50 million.

12. For 2014, UNU received a contribution of $6.25 million ($5 million to the Endowment Fund and $1.25 million to the operational fund). The contributions for 2015 and 2016, due on 30 June 2015 and 30 June 2016, respectively, are pending. In the financial statements initially submitted to the Board, the outstanding receivables in that regard were recognized in the financial statements at their face value of $53 million. In general, such receivables are subsequently measured at amortized costs.

13. Furthermore, in accordance with section 3.6.3 of the United Nations Corporate Guidance for International Public Sector Accounting Standards: Financial Instruments, voluntary contributions receivable considered to be individually significant are to be assessed for impairment separately on the basis of whether objective evidence of impairment exists (see also IPSAS 29.67). Owing to the large amount of the receivable concerned, it is to be considered significant for UNU. In line with section 3.6.1 of the United Nations Corporate Guidance for International Public Sector Accounting Standards: Financial Instruments and IPSAS 29.68, the United Nations, inter alia, evaluates the following observable data points for impairment:

(a) Significant financial difficulty of the obligor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments.

14. Pursuant to a progress report on the new institute dated 12 December 2016, the Ambassador of the host country, on behalf of his Government, informed the Rector of UNU that the host country would not be in a position to meet the financial conditions of the bilateral agreement with UNU and could not agree to a revised funding schedule, even if the schedule of payments were to be made more flexible.

15. Moreover, the donor is in delinquency on the instalments due on 30 June 2015 and 30 June 2016. In the view of the Board, these facts are indicative of an impairment of the receivable.

16. In addition, at meetings with a UNU delegation held in Tokyo on 31 January and 2 February 2017, a delegation of the host country proposed a rearrangement of the financial terms of the bilateral agreement on the new institute. The proposed rearrangements comprise, inter alia:

(a) A significant reduction in the donation;

(b) The identification of funding sources other than the host country;

(c) A change in the denomination of a part of the operational contribution from United States dollars to local currency.

17. **The Board recommends that UNU separately assess for impairment, on an individual basis, significant voluntary contributions receivable on the basis of whether objective evidence of impairment exists.**

18. UNU agreed with the recommendation. Regarding the receivable described above, UNU had provided an allowance of $1.625 million in accordance with sections 18.2.10 (a) and 18.4.3 (i) of the United Nations Policy Framework for International Public Sector Accounting Standards (ST/IC/2013/36) owing to the overdue instalments from the financial years 2015 and 2016. In accordance with the Board's recommendation, UNU reconsidered the case and found the receivable to be impaired. UNU believes that a reasonable estimate of impairment for the receivable is a total of $12.75 million. Therefore, the allowance was increased by $11.125 million, leading to expenses and a reduction in net assets of the same amount. As a consequence, the financial statements had to be corrected and recertified. The Board will assess whether the recommended individual impairment testing will be carried out in the financial year 2017.

Voluntary contributions receivable: conditional agreements

19. According to the United Nations Policy Framework for IPSAS, a liability needs to be recognized when donor agreements are conditional. For a stipulation to

be a condition, it must include both a performance obligation and an enforceable return obligation.

20. To satisfy the definition of a condition, the performance obligation is one of substance, not merely form, and is required as a consequence of the condition itself. The terms agreed upon need to be specific on matters such as the nature or quantity of goods or services to be provided or the nature of assets to be acquired as appropriate and, if relevant, the financial periods in which the performance obligation is to be carried out.

21. Furthermore, it is crucial to determine whether a requirement to return the asset or other future economic benefits or service potential is enforceable and would be enforced by the donor. If the donor cannot enforce a requirement to return the asset or other future economic benefits or service potential, or if past experience with the donor indicates that the donor never enforces this requirement when breaches have occurred, then the recipient entity may conclude that the stipulation has the form but not the substance of a condition and is therefore a restriction.

22. While multi-year voluntary contribution agreements are usually unconditional according to the United Nations Policy Framework for IPSAS, it is indicated in section 8.4.17 of the Framework that there are certain multi-year voluntary contribution agreements that need to be considered conditional.

23. However, the UNU reference guide on non-exchange revenue accounting for UNU-specific scenarios indicates that, except for European Commission conditional agreements, all UNU multi-year donor agreements are considered to be unconditional. In the financial statements as at 31 December 2016, UNU recognized no liabilities for multi-year donor agreements other than European Commission agreements.

24. The Board observed that the wording of the UNU reference guide was not consistent with the relevant regulation in the United Nations Policy Framework for IPSAS. According to the latter, multi-year donor agreements are usually (but not always) unconditional, and a review of all contribution agreements is necessary to identify the presence of conditions. The reference guide gives the impression that all non-European Commission agreements are unconditional and that a case-by-case assessment is not required.

25. The Board examined donor agreements and found the following cases in which instalment payments were subject to specific enforceable performance obligations:

(a) CA-89495: the agreement determines that 20 per cent of the total funding will be transferred upon the signature of the memorandum of understanding and that the other three instalments, of 35 per cent, 20 per cent and 25 per cent, will be paid upon the submission and approval of the study methodology and the midterm report and upon the completion of all activities;

(b) CA-102623: according to the financial provisions of the agreement, 90 per cent of the budget will be paid in quarterly prepayments. The remaining 10 per cent are subject to the submission of the annual report and full compliance with the key performance indicators.

26. The Board regards the above-mentioned donor agreements as conditional. They contain specific performance obligations such as the submission and approval of a study methodology or compliance with specific key performance indicators. These obligations may be enforceable if donors decide to provide future instalments only in the event that the obligations are fulfilled.

27. UNU pointed out that it had experience with these donors and that they had neither requested any return of funds nor withheld any contributions. UNU also

stated that to date it had never breached stipulations that might have prompted the donor to demand a reimbursement of the asset or other future economic benefits or service potential.

28. The Board acknowledges that having experience with a donor is an important aspect in evaluating whether a performance obligation is one of substance and not merely of form. Past experience with a donor may indicate that the donor never enforces a stipulation. In such cases, the stipulation could have the form but not the substance of a condition. However, this conclusion can be drawn only if an entity has previously breached a stipulation in such a way that would prompt the donor to decide whether to enforce the stipulation. As stated by UNU, it has never breached any stipulations imposed by the donors concerned. Therefore, in line with IPSAS 23.21, UNU needs to assume that the donors would enforce the stipulations as long as it has no evidence to the contrary. As a consequence, the stipulations meet the definition of conditions.

29. **The Board recommends that UNU adjust its reference guide on the United Nations Policy Framework for IPSAS to clarify that a case-by-case assessment of all multi-year agreements is necessary to determine whether such agreements are conditional.**

30. **The Board recommends that UNU consider multi-year donor agreements to be conditional if the receipt of future instalments depends on the fulfilment of enforceable performance obligations, specifically if UNU has no experience with the donor or has not previously breached stipulations and therefore has no evidence that enforcement is unlikely.**

31. UNU agreed to revise the wording of the reference guide. UNU pointed out that the reference guide was worded in this manner because the objective was to provide a practical guide for focal points at the institutes, who were non-finance staff. UNU remarked that in reality, technical reviews of the individual donor agreements were conducted on a case-by-case basis, as the review process was centralized in the financial headquarters. Furthermore, UNU commented that, as stated in the note under scenario 1, “Determining whether a transaction is non-exchange or exchange”, “The examples provided here are not meant to be authoritative and comprehensive. Each transaction needs to be carefully evaluated on a case-by-case basis to fully understand the substance or nature of the transaction in order to determine whether it is an exchange or non-exchange transaction.”

32. UNU disagreed that it should consider multi-year donor agreements to be conditional where future instalments depended on the fulfilment of enforceable performance obligations. UNU commented that, for an arrangement to be treated as conditional, the agreement must: (a) include a stated performance obligation; (b) specify the return of funds (even funds already spent) for non-performance; (c) include a mechanism or process to independently check on performance; (d) include an enforcement process for the return of funds; and (e) have a track record of requiring that funds spent be returned owing to non-performance. It pointed out that the agreements mentioned did not meet the high bar of IPSAS 23. Agreements with payment plans that depended on reporting requirements were a normal practice and did not qualify these stipulations to be conditions. In addition, the return of funds itself was not a sufficient basis for the agreement to be regarded as conditional. UNU further commented that it had applied the guidelines provided by the Accounts Division of the United Nations Office of Programme Planning, Budget and Accounts for an agreement to be treated as conditional. UNU stated that, as this recommendation related to the application of accounting policies, it should be further discussed at the United Nations Headquarters level.

33. The Board acknowledges the comments of UNU. However, the Board holds that UNU cannot draw a conclusion as to the track record of requiring that funds spent be returned owing to non-performance as long as it has not breached a stipulation in such a way that would prompt the donor to decide whether to enforce the stipulation. As indicated above, UNU therefore needs to assume that the donors would enforce the stipulations as long as it has no evidence to the contrary, in line with IPSAS 23.21. As a consequence, in the view of the Board, the stipulations meet the definition of conditions. Furthermore, the relevant accounting policies issued by the Accounts Division, namely, the United Nations Policy Framework for IPSAS, require accounting for the conditions prevailing after the adoption of IPSAS, which means that the existence of conditions must be verified individually for each agreement. The Board therefore reiterates its recommendation above.

Discounting of multi-year voluntary contributions receivable

34. UNU has signed several multi-year donor agreements with a term of five years or more; individual agreements run up to nine years.

35. The University's strategic plan for the period 2015-2019 places emphasis on, inter alia, sustainable growth. The plan highlights the financial requirements for the establishment of UNU institutes, which include a minimum of five years of assured annual core funding, usually at least $1.0 million per year.

36. The recognition and measurement of voluntary contributions receivable are in line with IPSAS 23 and IPSAS 29. Voluntary contributions receivable are initially measured at fair value. Long-term voluntary contributions receivable are subsequently to be measured at amortized costs.

37. In its section 18.4.3 (e), the United Nations Policy Framework for IPSAS (ST/IC/2013/36) states that, for long-outstanding assessed contributions receivable from Member States that agree to pay them off in accordance with an agreed-upon payment plan, the value of such receivables will be calculated using the present value approach by discounting future cash flows to the reporting date. The Framework does not specifically require that long-outstanding voluntary contributions receivable be discounted. However, as described above, UNU frequently receives voluntary contributions that result in receivables with a long time to maturity.

38. The Board initially recommended that UNU assess whether the discounting of its long-outstanding voluntary contributions receivable had a material effect. UNU responded that the effect of discounting had no material effect. The Board notes that, according to the calculations of UNU, discounting would have decreased the voluntary contributions receivable by $1.3 million. While this may not have a material effect on the financial statements for the year ended 31 December 2016, the effect may be material in future years, especially if the discount rate used (0.89 per cent) changes substantially in the future.

39. **The Board recommends that UNU discount its long-outstanding voluntary contributions receivable.**

Accrual basis concerning travel and employee salaries, allowances and benefits

40. "Accrual basis" means a basis of accounting under which transactions and other events are recognized when they occur and not only when cash or its equivalent is received or paid. Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements for the periods to which they relate. The elements recognized under the accrual basis are, inter alia, expenses; see IPSAS 1.7.

41. The delivery principle is one of the key concepts of accrual-based accounting. Under the delivery principle, an expense and a corresponding liability (an accrual) should be recognized at the end of the period (i.e., the year) in which the related services were received; see United Nations Corporate Guidance for International Public Sector Accounting Standards: Delivery Principle.

42. In 2 out of 27 sampled transactions concerning travel and employee salaries, allowances and benefits, the Board observed that:

(a) UNU had received an invoice for the airfare for the participants in the UNU regional forum on green economy, held in Accra in November 2015, amounting to 158,943 Ghanaian cedi ($41,744.71), on 6 November 2015. The amount had been paid in January 2016 without having been accrued in 2015;

(b) With regard to a personnel service agreement contract that had expired on 31 December 2015, it had been agreed that the monthly salary should be paid upon satisfactory performance of assignment. After the issuance of the evaluation report, which stated that performance had been satisfactory, the outstanding salary of $65,100 for four months had been paid in April 2016 without having being accrued in 2015.

43. The Board noted that both transactions, together amounting to more than $100,000, should have been recorded and recognized in the financial statements for the year ended 31 December 2015, since they related to that period. The Board holds that for both transactions, the need to create an accrual was identifiable. In the first case, the invoice had been received well before year-end closing started. In the second case, the contract ended at year-end and the payment conditions clearly stated that a payment could be made only after an evaluation had been issued.

44. UNU agreed to our audit finding and confirmed that the transactions related to the financial year 2015. UNU stated that since 2016 it had strengthened internal controls on the accruals process through the review of open purchase orders as at year-end, the review of post-year-end payment vouchers, and training sessions.

45. **The Board recommends that UNU review its internal process for creating accruals and implement internal controls to ensure that expenses are identified and accrued in appropriate periods.**

Depreciation floor

46. The management of property, plant and equipment is described in the instructions for the preparation of IPSAS-compliant financial statements for the year ended 31 December 2016 for UNU (also called closing instructions as at 28 December 2016) by the Accounts Division. Pursuant to that document, the property, plant and equipment balances should be updated, depreciation expense for 2016 must be recorded, and assets are to be physically verified and tested for impairment. As a transitional measure, where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated into the financial statements to reflect a depreciation floor of at least 10 per cent.

47. However, IPSAS 17: Property, plant and equipment, in its paragraph 67, states that 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. In its previous report (A/71/5 (Vol. IV), chap. II), the Board recommended that UNU review the useful lives of assets. UNU stated that the process of reviewing the useful lives of all assets was subject to coordination between it and the Accounts Division. During

the Board’s audit of Volume I for the financial year 2016, the United Nations stated that the review of the useful lives of property, plant and equipment would be undertaken in the course of the 2017/18 period. The Board wishes to emphasize the need for such a review and the need to phase out the transitional measure to employ a depreciation floor of at least 10 per cent.

3. Project management

Length of contracts of United Nations University personnel and scheme for long-term projects

48. UNU employs staff under the provisions of the Staff Regulations of the United Nations and Staff Rules (United Nations staff) and personnel under United Nations personnel service agreements or under consultant or individual contractor contracts. Pursuant to article VIII, paragraph 7, of the UNU Charter, all academic personnel other than the Rector and directing personnel are usually appointed under personnel service agreements.

49. Paragraph 4.2 of the UNU personnel policy stipulates, inter alia, that the initial appointment of United Nations academic staff at UNU shall normally be for a fixed term of one year. Subsequent appointments are contingent upon satisfactory service. The combined total of such fixed-term appointments shall normally not exceed six years.

50. According to the conditions of service set out in the policy, the services of personnel engaged under a personnel service agreement will normally correspond to the duration of the programme/project/administrative tasks for which the services are required. Initial appointment of such personnel shall normally be for a period of two years and not less than six months. Such appointments shall normally be renewed for terms of up to two years, each term subject to satisfactory service and the availability of funding. The combined total of such appointments (initial and renewed) normally will not exceed six years.

51. The clarification regarding the duration of appointment was included in the UNU personnel policy in 2003, after a discussion on the pros and cons of limiting academic appointments. In that discussion, the former Rector emphasized that the limiting of contracts was encapsulated in the policy in a flexible way, allowing exceptions to the rule.

52. In two memos, issued in June and September 2013, the current Rector made clear that the duration of academic appointments of United Nations staff and personnel service agreement holders had to be strictly limited to a maximum of six years. The goal of this six-year rule is to ensure a regular infusion of fresh ideas and a dynamic research agenda to focus on the think-tank function of UNU.

53. At the UNU Institute for Environment and Human Security (UNU-EHS) and the UNU Vice Rectorate in Europe (UNU-ViE), the section heads are United Nations staff. Research on UNU projects is carried out primarily by doctoral students.

54. In the report on its meeting held in July 2016, the UNU-EHS advisory committee pointed out that, owing to the six-year rule, section heads might be unable to continue to supervise a doctoral student throughout the duration of his or her research project. As a consequence, the number of doctoral students at UNU-EHS was likely to decrease and research would be carried out by post-doctoral individuals instead, who would be two to three times more expensive to engage.

55. The advisory committee concluded that UNU-EHS should avoid a situation in which there was a continuous need to recruit new staff to fill vacancies. Therefore, a

transparent scheme for longer-term projects should be put in place that clearly described the roles of individuals and the procedure for finding successors in cases in which a project was scheduled to run beyond the tenure of project leaders or section heads.

56. In the Board's interviews with management, the section heads of UNU-EHS also pointed out that doctoral students acted as an engine of research and also helped to create an efficient worldwide network. Therefore, a reduction in the number of doctoral students might lessen the impact, visibility and reputation of UNU-EHS. According to the section heads, the results and the reputation of UNU-EHS had already diminished.

57. The senior managers at UNU-EHS and UNU-ViE also suggested that UNU terminate the employment of academic staff after the completion of projects because of strategy changes or poor performance, and not for purely administrative reasons.

58. In addition, a report by a review and evaluation panel for UNU-EHS issued in December 2014 stated that the six-year rule was a challenge. Since the heads of a section or programme could be associated with the programme itself, their departure was described as a major risk, since so much of the success and credibility of the institution depended on their work. The report recommended that the challenges of short-term staffing be addressed.

59. The Board takes into consideration that UNU is not like traditional universities; its budget is more modest and its outputs need to achieve policy utility. The Board also agrees with the Rectorate that the regular introduction of new ideas is crucial for the University. However, the Board considers that this does not necessarily require an exchange of persons. As stated in the UNU personnel policy, subsequent appointments of UNU academic staff are subject to satisfactory service. The Board is of the view that an institution as small and dispersed as UNU requires a certain degree of reliability and visibility, within the United Nations system and in the outside academic world. Its work might best be promoted by highly committed and motivated well-connected and visible staff. The quality of the service provided by staff members could be measured by indicators and benchmarks. UNU may therefore take into consideration whether the activities carried out by staff members respond efficiently to the current needs of policymakers.

60. **The Board recommends that UNU ensure that a mechanism is in place for reviewing requests for exceptions to the six-year term limit for academic personnel. UNU should therefore define an efficient system of quality indicators and benchmarks to measure the success of the activities carried out by academic staff.**

61. **The Board also recommends that UNU-EHS and UNU-ViE introduce a transparent scheme for longer-term projects. The scheme should clearly describe the roles of project staff and the procedure for finding successors to project leaders or section heads.**

62. UNU agreed with the recommendations.

Sustainable Development Goals

63. The General Assembly adopted the 2030 Agenda for Sustainable Development in September 2015. The Agenda set out Sustainable Development Goals. At that time, UNU had already implemented its strategic plan for the period 2015-2019. While global development is one of the principal themes of the strategic plan, the plan does not explicitly refer to the Sustainable Development Goals. UNU did not subsequently amend its strategic plan to include the Goals, and there is no other general guideline on how the University plans to support the United Nations system

regarding the 2030 Agenda. This also applies to the UNU work programme and budget estimates for the biennium 2016-2017.

64. Project management at UNU is carried out through Pelikan, an online project management system. In Pelikan, potential contributions to the Sustainable Development Goals are noted for many projects. However, UNU-EHS and UNU-ViE have not established an overall strategy for how to contribute to the implementation of the 2030 Agenda through their research and policy advice. Consequently, UNU-EHS does not condense its research outcomes relating to the Goals at an institute-wide level and therefore does not fully communicate its contributions to their implementation.

65. UNU has not yet taken steps to ensure the visibility of its research and policy advice and its contributions to the implementation of the Sustainable Development Goals, for example, with regard to the high-level political forum on sustainable development, which is the central United Nations platform for the follow-up and review of the 2030 Agenda for Sustainable Development.

66. UNU agreed that it could better communicate the research that it undertakes and the policy advice that it provides to advance the implementation of the 2030 Agenda. UNU would seek to develop more focused public communication on the ways in which it does so and would thereby contribute to the implementation of the Sustainable Development Goals.

67. **The Board recommends that UNU-EHS and UNU-ViE establish an overall strategy for how to contribute to the 2030 Agenda for Sustainable Development through its research and policy advice. This should include future work programmes that relate explicitly to the Sustainable Development Goals.**

68. **Furthermore, UNU should strengthen its communication on the implementation and achievements of research projects and policy advice regarding the 2030 Agenda for Sustainable Development.**

4. Asset management

69. The management of property, plant and equipment is described in the instructions for the preparation of IPSAS-compliant financial statements for the year ended 31 December 2016 for UNU (also called closing instructions as at 28 December 2016) by the Accounts Division of the United Nations Office of Programme Planning, Budget and Accounts.

70. Annex I to the UNU information circular issued on 19 May 2016 introduced changes in the policy on non-capital assets at UNU that exclude chairs and tables with a value lower than $1,500 from assets that are to be capitalized.

UNU headquarters

71. UNU headquarters in Tokyo performed the most recent physical verification exercises for capital assets on 22 December 2016 and for capital and non-capital assets on 12 April 2017.

72. The UNU administrative office provided the Board with an asset management report extracted from the Atlas enterprise resource planning system displaying the 122 capital and 733 non-capital assets that were in use at UNU headquarters in Tokyo as at 17 April 2017. The Board performed a physical verification exercise of all of the capital assets and some of the non-capital assets set out on the list. The Board noted several weaknesses, including the following:

(a) Out of the 122 capital assets, 4 were not located in the places indicated in the asset management report. One capital asset, a car, was not tagged with a visible tag label in reference to the report; the Board could identify the car (referred to in the report) only by verifying its model and description. Twelve tables with an assumed acquisition value of more than $1,500 each were tagged with valid tag labels. However, only 1 of the tables was registered as a capital asset in the report; the other 11 were not registered either as capital assets or as non-capital assets;

(b) Out of the 234 verified non-capital assets, 11 were not located in the places indicated in the asset management report. Twenty-one other non-capital assets were located in rooms other than those indicated in the report. Two of the verified non-capital assets were not tagged, either by a tag label and tag number or by a label indicating the serial number;

(c) Out of the 234 verified non-capital assets, 58 were obsolete or had not been in use for an extended period of time (some for more than a year) but were designated in Atlas as “in use”.

United Nations University Institute for Environment and Human Security and United Nations Vice Rectorate in Europe

73. The most recent physical verification exercises conducted by UNU-EHS and UNU-ViE were carried out in April 2015 for all assets and in December 2016 for capital assets only.

74. The Administration and Finance Unit of UNU-EHS and UNU-ViE provided the Board with an asset management report extracted from the Atlas system listing the capital and non-capital assets in use as at 28 February 2017. The Board performed a physical verification exercise for all of the capital assets and some of the non-capital assets identified on the list. The Board noted, inter alia, the following weaknesses:

(a) Out of the 25 capital assets listed, 14 were not located in the places indicated in the asset management report. None of the capital assets were tagged with a visible tag label in reference to the report. The Board could identify the assets (referred to in the report) only by verifying their serial numbers. Furthermore, 11 capital assets were not listed in the report;

(b) Out of the 50 verified non-capital assets, 37 were not located in the places indicated in the asset management report; 2 had been handed over to the project partner in May 2016 but were listed in the report. Nine additional non-capital assets were located in rooms other than those indicated in the report. Three items of furniture (one chair, one conference table and one cabinet) with an assumed value lower than $1,500 were listed. Only the cabinet was physically available and tagged with a valid tag label;

(c) Out of the total of 238 non-capital assets, 78 were allocated to the previous head of information and communications technology (ICT) according to the asset management report. The current head of ICT had taken office in November 2015.

75. **The Board recommends that UNU-EHS and UNU-ViE perform a physical verification exercise for all capital and non-capital assets as soon as possible and update the actual locations of all assets and the information about the custodian.**

76. **The Board recommends that UNU update the information on capital and non-capital assets in the Atlas enterprise resource planning system on the basis of the physical verification exercise as at April 2017. Atlas should display only assets with the status “in use” that are actually in service. Assets that are obsolete or not in use should be deleted in Atlas, or at least their asset status should be changed from “in use” to “disposed of”.**

77. **Furthermore, the Board recommends that UNU tag all capital and non-capital assets in use with a valid tag label in reference to the information recorded in Atlas.**

78. UNU agreed with the recommendations.

79. UNU noted that UNU-EHS and UNU-ViE would perform a physical verification exercise for all capital and non-capital assets. They pledged to ensure that the records in Atlas or a similar system were up to date. Despite high employee turnover (due largely to contractual limitations on length of service), the asset management team would also pay due regard to the regular updating of the custodian information in Atlas or a similar system.

80. Furthermore, UNU noted that, as part of the asset management road map, UNU-EHS and UNU-ViE had already initiated steps to update their asset management register in Atlas (especially removing items that had been transferred to the project partner).

5. Information and communications technology management

81. Information systems are essential for the support of an entity's core business and its capacity for growth. The management of ICT must be in line with the entity's strategy and objectives. Therefore, the management of ICT should be a significant part of the entity's core business processes.

82. The requirements of an entity for new and revised ICT systems must comply with the ICT strategy on the basis of a cost-benefit balance. Therefore, the entity's strategic intentions must be considered and translated into ICT-specific objectives and business initiatives in order to establish an appropriate ICT strategy. Afterwards, the entity must define what information technology capabilities will be needed to support those objectives and initiatives.

83. UNU also hosts other United Nations entities in its building in Tokyo for which the ICT unit of its headquarters, the Campus Computing Centre, provides services.

Information and communications technology risk management

84. The Campus Computing Centre must implement active risk management to identify the vulnerability of ICT systems and define effective mitigation measures. A business continuity plan that includes a disaster recovery plan must be established to ensure the continuation of an entity's business activities in the event of a disruption and to survive a disastrous interruption in activities.

85. The Campus Computing Centre has established a business continuity plan. A disaster recovery plan is an integral part of the business continuity plan. The plan covers the UNU headquarters network infrastructure, virtual machines, file system, messaging system, storage system, telephony system and intranet and public websites. According to the Centre, the business continuity plan is in line with the strategic goals of UNU, as set out in its work programme.

86. The Campus Computing Centre identified mitigation measures for an event of failure in different ICT subsystems in various sections of its business continuity plan. The Centre has not implemented active risk management to identify and document the vulnerability of its ICT systems.

87. Lack of active ICT risk management may lead to unidentified ICT risks that are not addressed by effective mitigation measures. These may pose risks to core business processes.

88. UNU noted that informal risk assessment processes had been integrated across the department's workflow, as evidenced by the risk mitigation measures established to ensure the availability and continuity of critical services. The Campus Computing Centre had conducted an evaluation and produced a comprehensive business case outlining potential risks and benefits after the implementation of Office 365. Similarly, the recent phishing security exercise and the upcoming security seminar were examples of the department's proactively identifying and managing evolving risks.

89. **The Board recommends that the Campus Computing Centre establish a formalized risk management process that includes the ICT systems of other United Nations entities hosted by the Centre. The risk management document is to be reviewed periodically.**

90. UNU agreed with the recommendation and noted that establishing a formalized risk management process would be a major priority for the Campus Computing Centre.

Information and communications technology policies and emergency plans of the United Nations University Vice Rectorate in Europe and the United Nations University Institute for Environment and Human Security

91. Policies are high-level documents that represent the corporate philosophy of an organization. Management must ensure that employees affected by a specific policy receive a full explanation of the policy and understand its intention. Policies must be reviewed periodically. In the ICT unit, the information security policy and the acceptable use policy are important. They describe how staff may use the ICT infrastructure in compliance with the entity's guidelines. The activities of users must be monitored to ensure that they are following the policies of their entity.

92. The ICT unit of UNU-EHS and UNU-ViE has a staff capacity of four employees. The head of ICT took office in November 2015. The unit has an annual budget of $90,000 that is part of the core budget of UNU-EHS and UNU-ViE. In addition, UNU-EHS and UNU-ViE received specific project contributions of €370,000 (about $400,000) from the German Federal Ministry of Education and Research for the replacement of ICT equipment.

93. In accordance with the business strategy of UNU-EHS and UNU-ViE, three ICT strategic goals were defined and an elementary ICT strategy was formulated. The most important ICT goal in 2016 was continuity of the delivery of ICT services for staff using the ICT equipment installed in 2009 and 2010. In addition, the replacement of ICT equipment must be planned in collaboration with the German Federal Ministry of Education and Research. With respect to other types of strategic planning, UNU-EHS and UNU-ViE are still in the early stages.

94. The Board observed the following:

(a) Although UNU-EHS and UNU-ViE had identified old ICT equipment as a major risk, that risk could not be addressed until the replacement of ICT equipment planned for 2017 had occurred. UNU-EHS and UNU-ViE had not documented active mitigation measures. A formalized risk management process had not been established;

(b) UNU-EHS and UNU-ViE had installed a sufficient data storage and backup system for the protection of its ICT data, paying due regard to the limitations of the Langer Eugen Building. According to the information provided by UNU-EHS and UNU-ViE, the security level in the building was between medium and low. However, the possibility of events of disruption (such as the massive virus attack in May 2016) could not be excluded. UNU-EHS and UNU-ViE had not established a business continuity plan or a disaster recovery plan for such events, including risk analysis and threat scenarios, business impact analysis and mitigation strategies and standard operating procedures providing detailed instructions to be followed in the event of emergencies. Training on how to manage such events had not taken place in 2016;

(c) Although the data of UNU-EHS and UNU-ViE were protected through various measures against unauthorized access, a formalized information security policy had not been established. Information technology security training and intrusion testing had not taken place in 2016;

(d) An acceptable use policy had not been established at UNU-EHS and UNU-ViE. Monitoring of user activities to prevent illegal use or content that might be considered inappropriate was planned for the future but had not yet been established.

95. UNU-EHS and UNU-ViE stated that the reported ICT budget for the biennium 2016-2017 reflected a temporary increase to facilitate the ongoing renewal of the ICT infrastructure. Most of the ICT projects and activities carried out in 2016 had been driven by risk mitigation. Therefore, they were regarded as active mitigation measures by UNU-EHS and UNU-ViE.

96. **The Board recommends that UNU-EHS and UNU-ViE establish and review all necessary policies for using ICT systems in the entity and ensure that all staff comply with those policies.**

97. **Additionally, the Board recommends that UNU-EHS and UNU-ViE plan, formalize and carry out all activities for business continuity and disaster recovery for any event of disruption. This plan is to be reviewed periodically.**

98. UNU concurred with the recommendations and noted that the observations and recommendations corresponded with internally identified requirements. Therefore, they were addressed in the ICT road map. The ICT unit of the Bonn office intended to consult with the Campus Computing Centre on the establishment and alignment of ICT polices and the implementation of the business continuity and disaster recovery plan.

Implementation of Office 365 services at the United Nations University Vice Rectorate in Europe and the United Nations University Institute for Environment and Human Security

99. Every institute of UNU has a different level of integration in the environment of its hosting agency (as defined by the donor agreement). Therefore, it also has different ICT requirements. This is why strategic guidelines for ICT-related matters were not provided by UNU headquarters to the University’s institutes in the past. UNU-EHS and UNU-ViE have their own Internet domains that enable them to administer networks, servers and services in their area of responsibility.

100. UNU headquarters intends to implement the Office 365 product of Microsoft Corporation throughout the UNU system. Accordingly, a request to participate was sent to UNU-EHS and UNU-ViE on 9 July 2016.

101. Office 365 enables UNU users to utilize the full Microsoft Office suite, a 50 GB mailbox, 1 TB cloud storage services, Skype for Business and Office Online. According to the information provided by UNU-EHS and UNU-ViE, the use of Office 365 costs $8 per user on a monthly basis. Therefore, the annual cost will be $6,240 for the current number of staff members (65) and will increase to $9,600, assuming a staff strength of 100. This does not include additional costs for the use of SharePoint solutions (e.g., for project or group folders) or the cost of data recovery in the event of a change in the Microsoft business model. Costs for ICT

personnel at UNU-EHS and UNU-ViE will not be reduced through the use of Office 365 services.

102. According to UNU-EHS and UNU-ViE, they are able to provide the above-mentioned services themselves. Under this option, the ICT unit calculates total one-time costs of about €16,000 (about $17,000) for a period of at least five years that would have to be paid at the beginning of the period. Additionally, the unit expects maximum annual costs of €660 (about $700) for a videoconferencing provider. Over a five-year period, these costs would total $20,500.

103. The Board observed that, in comparison with these two solutions delivering equivalent benefits, the break-even point of the in-house solution is reached after 3.1 years, assuming 65 staff members. Assuming 100 staff members, this value decreases to 1.9 years. Therefore, the use of Office 365 services is not efficient for UNU-EHS and UNU-ViE.

104. Additional aspects, such as data security in cloud-based storage and mailboxes, may also preclude the use of Office 365 services and the goal of the UNU-EHS and UNU-ViE ICT units to meet the requirements of IT-Grundschutz, offered by the German Federal Office for Information Security to ensure that security and quality are in line with internationally recognized standards. This means in particular that a security level is reached that is suitable and adequate to protect business-related information having normal protection requirements, through the proper application of a set of well-proven technical, organizational, personnel and infrastructural safeguards.

105. UNU stated that it would be a challenge for the ICT unit in Bonn to provide a similar range of services if they were wholly managed in-house. UNU noted that integration with the UNU Centre was highly desirable to ensure that its information and network security policy was aligned with the baseline security implemented at headquarters.

106. UNU also noted that the ICT unit in Bonn might be able to share some of the responsibility for managing user accounts, while also providing hosting resources for related services to reduce or eliminate the administrative cost recovery charge. Under such an arrangement, the email infrastructure could be decommissioned or repurposed. Upon migration to Office 365, users benefited from enhanced email services and a range of productivity and collaboration features provided by Office 365, without any extra costs. The licence fee of approximately $3 per user per month covered the optional desktop Office suite.

107. **The Board recommends that UNU-EHS and UNU-ViE not implement Office 365 until the efficiency of implementing Office 365 in comparison with adequate services provided by the institutes themselves has been verified. Aspects of information technology security also need to be considered in this verification process.**

108. UNU concurred with the recommendation and announced that the ICT unit in Bonn intended to work with the Campus Computing Centre to undertake a review of the efficiency and information technology security provided by Office 365.

Information and communications technology services for other entities

109. The Campus Computing Centre provides ICT services to other United Nations agencies located in the UNU headquarters building in Tokyo, to other UNU institutes and to the Japan Foundation for UNU. These services are based on contracts between the Centre and the entities in question. The Centre has contracts with 17 such entities.

110. The Campus Computing Centre provided the Board with the 17 contracts and all of the invoices that it had sent to the entities. On the basis of those documents, we carried out an invoice verification exercise and noted the following:

(a) The Campus Computing Centre had sent invoices to the UNU International Institute for Global Health (UNU-IIGH) for mailbox services provided for a monthly average fee of $233 during the period from January to August 2016. In addition, the Centre had sent invoices to the Institute for helpdesk services provided for a monthly fee of $500 during the period from January to December 2016. The UNU headquarters ICT unit and UNU-IIGH had not had a formal support agreement concerning those services in 2016. The agencies had not established such an agreement until April 2017, when the previous verbal agreement between UNU and UNU-IIGH had been formalized;

(b) The Campus Computing Centre had sent invoices to the UNU Institute for Water, Environment and Health (UNU-INWEH) for mailbox services provided for an average monthly fee of about $221 during the period from January to October 2016. UNU and UNU-INWEH had not had a formal support agreement that included those services in 2016. The agencies had established an agreement that had superseded the earlier verbal agreement, covering mailbox services, with the previous director of the Institute in October 2016.

111. **The Board recommends that the UNU Campus Computing Centre use only formal agreements with the entities for which it provides services.**

112. UNU concurred with the recommendation.

6. Other audit findings

Minimum required standards for invoices

113. The UNU standard operating procedure on receipting determines the typical workflow for the acquisition of goods and services, which follows the normal procure-to-pay process. According to the procedure, the authorized approving officers sign the payment voucher when the invoice is received. Neither this procedure nor any other UNU regulation determines minimum requirements for invoices provided by vendors.

114. The Board found vendor invoices that did not contain specific data such as date of issue, due date, invoice reference, payment details or tax number. In one case, an invoice for renovation work totalled $50,000. UNU approved payments that were based on invoices that lacked such general data. It was stated that the cases in question related only to small vendors in specific countries.

115. The Board noted that invoices were to contain general data such as date, invoice reference or tax number to clearly match every payment to a specific procurement. This was a necessary condition to avoid duplicate payments and to prevent fraud. Furthermore, some vendors granted a cash discount for payments made within a specific period. To make use of such discounts, invoices needed to contain such payment details.

116. **The Board recommends that UNU determine minimum requirements for invoices provided by vendors.**

117. UNU agreed with the observation and with the Board's recommendation that it determine minimum requirements for invoices provided by vendors.

Fact and figures on web page

118. UNU presents itself on its website. The "Facts and Figures" web page shows basic data about budgets, contributions, activities and personnel.

119. During the audit, the Board observed that the figures and graphs shown on the web page dated back to 2012 and were therefore extremely outdated. We hold that the Internet presence of UNU is a good way for the University to become better known among members of the public. However, this requires the regular updating of facts and figures.

120. UNU responded and removed the outdated information from its website. UNU stated that the data were already included in its annual report, which was posted on its website and updated every year.

121. The Board appreciates the prompt response of UNU. However, having direct access to facts and figures on the website would be more user-friendly than searching for the desired information in the annual report.

122. **The Board recommends that UNU transfer the main facts and figures contained in its annual report to a special section on its website and regularly update the data.**

Personal data in Atlas

123. In the Atlas enterprise resource planning system, all staff members with approval authority can access the personal data of all staff employed under a personnel service agreement or a consultant or individual contractor contract, even if those staff are not within their remit. This may jeopardize the privacy rights of persons outside the area of responsibility of the staff members who have the relevant approval authority.

124. **The Board recommends that UNU restrict access to the personal data contained in personnel service agreements and consultant and individual contractor contracts to the approving officer responsible.**

125. UNU agreed with the observation and the Board's recommendation that the personal data of staff be available only to the responsible approving officer.

C. Disclosures by management

1. Write-off of cash, receivables and property

126. UNU reported to the Board that there were no write-offs of cash, receivables and property during the year ended 31 December 2016.

2. Ex gratia payments

127. UNU reported to the Board that there were no ex gratia payments during the year ended 31 December 2016.

3. Cases of fraud and presumptive fraud

128. In accordance with the 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.

129. 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 enquired as to whether UNU had any knowledge of any actual, suspected or alleged fraud cases. This included enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

130. UNU reported to the Board that there were no cases of fraud or presumptive fraud during the year ended 31 December 2016.

D. Acknowledgement

131. 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 audit.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

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

30 June 2017

Annex

Status of implementation of recommendations up to the year ended 31 December 2015

					Status after verification				
No.	*Audit report, biennium/year*	*Paragraph reference*	*Recommendation of the Board*	*UNU response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
1.	2012/2013 A/69/5 (Vol. IV), chap. II	35	Develop relevant guidelines for project management and include performance indicators, baselines and other key elements in the project plan in the future.	The Rector issued a memorandum on "Project management and quality assurance" to all institute directors and heads of programmes on 8 March 2016. Under the point on "Quality assurance, benchmarking and monitoring", the memorandum specifically requested institute directors and heads of programmes to: (a) establish benchmarks/performance indicators in close consultation with the institutes' respective boards/advisory committees; (b) include monitoring indicators by researchers in projects (in Pelikan, in the monitoring indicator field); and (c) include quality-control measures when approving projects (in the new version of Pelikan, the relevant quality control input field has become mandatory). In addition, since the above-mentioned memorandum was issued, it has become a mandatory agenda item for board/advisory committee meetings at which the boards/advisory committees participate in the formulation of benchmarks and indicators for the institutes/programmes that they oversee. Furthermore, the programme-project management manual was revised in 2016 and resulted in draft project management guidelines. The draft guidelines were endorsed by the management group at its meeting held on 22 September 2016 and were finalized and issued in October 2016.	The recommendation is under implementation. Most institutes began to implement the requirement in 2016, and a few institutes began to do so in 2017.		X		
2.	2014 A/70/5 (Vol. IV), chap. II	21	Refine the Pelikan system by prioritizing the development of new features that enhance its relevance	Pelikan and Atlas have been fully integrated since January 2016. The financial data contained in Atlas is updated daily in Pelikan. Atlas term definitions are also included in	The recommendation has been implemented.	X			

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			for the end-users, including managers, with a focus on financial data and alert mechanisms; (a) Improve the institutes' monitoring of ongoing projects and programmes by utilizing Pelikan to its full potential; (b) Ensure the completeness of project profiles to reveal their actual status for better internal control and giving reliable information to stakeholders.	Pelikan to ensure user-friendliness and consistency across institutes. As Pelikan was updated in March 2016, institutes had to gradually adapt to the new system and the larger number of mandatory fields. The Rector's Office is regularly undertaking spot-check exercises (for example, in February 2016 and in February 2017) to monitor levels of compliance with mandatory fields as well as other crucial project elements (e.g., outputs and activities). Where irregularities are found, project managers are requested to update information in Pelikan. Furthermore, one of the features of the updated version of Pelikan is automated alerts: if mandatory fields are left blank by project managers, Pelikan will send automatic messages to the responsible project manager so that he or she may add missing information. Similarly, automated messages are sent by Pelikan to the relevant user when information requires updating, for example, when a projected project end date has passed. From the perspective of the Rector's Office, and on the basis of the most recent spot-check exercise, the use of Pelikan has been considerably and continuously improved since it was introduced.					
3.	2014 A/70/5 (Vol. IV), chap. II	33	Adhere to the articles of the Cooperation Agreement with regard to payments to employees of the University of Maastricht.	The Amendment to the Cooperation Agreement entered into force on 27 July 2016, including a record of discussions on the "integrated activities". (The initial Cooperation Agreement was signed on 1 May 2007.)	The recommendation has been implemented.	X			
4.	2014 A/70/5 (Vol. IV), chap. II	35	(a) Improve the documentation practices to enhance transparency in the selection process;	UNU will implement an automatic notification from the enterprise resource planning system if the duration of the contract is extended beyond 24 months in a 36-month period for oversight and improved monitoring.	The implementation of the recommendation is in progress.		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			(b) Conduct formal evaluation of the work performed before renewal of the contract; (c) Make payment of fees on a lump-sum basis after certification by the authorized official of satisfactory completion of the work; (d) Take measures to ensure that the total duration of services does not exceed the administrative instructions issued in this regard.		The statement of good health has been included in the contract template in the enterprise resource planning system for consultants and individual contractors for documentation and transparency, and the administrative instruction will be revised to reflect this improved process; the human resources office stated that no contract was renewed without a formal evaluation of the work performed.				
5.	2015 A/71/5 (Vol. IV), chap. II	14	UNU should create deferred revenue liability for the amount of future instalments which depend on fulfilment of performance obligations.	UNU disagreed with the recommendation, as the agreements identified are not considered to be conditions according to IPSAS 23, but instead are stipulations. Therefore, to implement these agreements as conditional would run counter to IPSAS 23.	We have similar findings with regard to the conditionality of multi-year donor agreements and a similar recommendation set out in the present report. This issue will be further discussed at the		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					United Nations Headquarters level.				
6.	2015 A/71/5 (Vol. IV), chap. II	18	UNU should review the useful lives of all assets, revalue the fully depreciated assets which are still in use and estimate their useful lives.	UNU adopts the useful lives stipulated in the United Nations Policy Framework for IPSAS and is working with the Accounts Division of the United Nations Office of Programme Planning, Budget and Accounts to determine whether there are any changes in useful lives on the basis of the review conducted by the United Nations system-wide working group on property, plant and equipment.	The process of reviewing the useful lives of all assets is subject to coordination between UNU and the Accounts Division. During the Board's audit of Volume I for the financial year 2016, the United Nations stated that the review of the useful lives of property, plant and equipment would be undertaken in the course of the period 2017/18.		X		
7.	2015 A/71/5 (Vol. IV), chap. II	31 (a)	The UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) should 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.	As a young institute established approximately 4 years ago, UNU-FLORES made significant improvement and progress in attracting third-party funding for its activities, whereas obtaining core funds from other countries is not possible. It is important to note that the decision of whether to grant funds for the University rests with the host country. The core contributions of UNU-FLORES are based on an unlimited memorandum of understanding with donors and are stable and healthy, and the Institute will prioritize	The funding agreement between UNU-FLORES and its donors will be renewed.		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				specific projects in its diversified fundraising. In fact, the Institute is currently working to renew the funding agreement with its donors, which will be signed by the end of 2017.					
8.	2015 A/71/5 (Vol. IV), chap. II	31 (b)	UNU-FLORES should explore the possibility with its donors for establishing an endowment fund.	Donors have already responded that it is currently not advisable to set up an endowment fund, given the low interest rates, but that they will consider long-term support. According to the UNU strategic plan for 2015-2019, there is no requirement that UNU-FLORES establish an endowment fund.	Taking into account the information provided by UNU, we consider the recommendation to have been overtaken by events.			X	
9.	2015 A/71/5 (Vol. IV), chap. II	31 (c)	UNU-FLORES should make short-term investments of the surplus funds through the UNU Centre.	This has been discussed with the donors, and the request has been rejected. UNU-FLORES will officially approach the donors on the topic of short-term investments of surplus funds during the negotiations on the next funding agreement in the second quarter of 2017.	Taking into account the information provided by UNU, we consider the recommendation to have been overtaken by events.			X	
10.	2015 A/71/5 (Vol. IV), chap. II	36	UNU should take adequate steps for proper budget planning for control and optimum utilization of its resources.	UNU has sought to improve its budget preparation process every biennium, introducing new analyses and metrics to link past practice with future performance expectations. As UNU relies primarily on voluntary contributions from host Governments and other donors, its exact budget envelope is difficult, if not impossible, to predict before a new biennium. Even recurrent funding that has been stable for many years has been known to fluctuate when political and other environmental conditions change. Furthermore, according to the UNU budget	It is to be taken into account that the budget of restricted funding (special project contributions) is per se hard to predict. However, UNU did not improve the budget estimates for 2016 compared with those for		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Status after verification: Board's assessment	Implemented	Under implementation	Overtaken by events	Not implemented
				guidelines, under "expected income", institutes are requested to list only those funds that have been confirmed or are very likely to be confirmed, to ensure that the University formulates its staffing and expenditure levels with the utmost prudence. In addition, institutes prepare a considerable number of research proposals in order to attract additional funding, but it is impossible to predict which proposals will be approved, as they are normally part of competitive processes.	2014 (the first year of the biennium). Difference between final budget and actual in 2014: 38 per cent Difference between final budget and actual in 2016: 37 per cent Furthermore, in accordance with IPSAS 24.14, UNU discloses explanations for material differences between the final budget appropriation and actual expenditure in note 6 to the financial statements. The Board noted that the explanations in the notes to the financial statements for the year ended 31 December 2016 were the same as in the previous year and remained virtually				

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					unchanged compared with the penultimate year. UNU rectified this in accordance with a recommendation in that regard by the Board. However, this indicates that there is further room for improvement regarding control and best use of resources.				
11.	2015 A/71/5 (Vol. IV), chap. II	41	UNU should 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.	Both the UNU Centre (the Rector's Office, finance/administration) and the institutes themselves do their utmost to follow up on outstanding contributions. Finance is required to report on any payments that are expected to be received at a date different from that originally scheduled. As UNU includes a large variety of institutes in different countries and in different circumstances, donor contributions and schedules vary from one location to the next. For example, in the case of the UNU Institute on Globalization, Culture and Mobility, in Spain, it is the federal and regional governments that are providing operational funding to the Institute; similarly, at the UNU Institute on Comparative Regional Integration Studies, in Belgium, the regional government of Flanders and the federal Government of Belgium are contributors. These relationships may encounter difficulties or sensitivities that may be beyond the control of UNU. In another example, the UNU Institute for Sustainable Development, in	The recommendation has been implemented.	X			

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				Algeria, the Institute was created with the host Government agreeing to a funding scheme of recurring endowment operational contributions over 10 years. However, owing to falling oil prices and the resulting strain on the country's finances, the host Government has been unable to fulfil its contractual engagement vis-a-vis UNU with regard to financing. A delegation from the Government of Algeria met with the Rector's Office in Tokyo on 31 January and 1 February 2017 to discuss ways of meeting these funding commitments through alternative mechanisms. UNU will continue to monitor any outstanding financial contributions and will actively follow up with donors.					
12.	2015 A/71/5 (Vol. IV), chap. II	53 (a)	UNU should take early steps to reconcile the differences between budget and expenditure figures in Pelikan and Atlas.	In January 2016, UNU integrated Pelikan with Atlas. Since then, all financial data from Atlas have been automatically entered into Pelikan, and the integration has been updated on a daily basis. The Rector, in a memorandum dated 8 March 2016, emphasized the importance of Pelikan as a tool for institutional memory relating to all UNU projects as well as effective monitoring and reporting. Since that time, the Rector's Office has provided a variety of training exercises and support for various project staff across the UNU system. The Office has also conducted spot-check exercises to monitor and verify the correct use and understanding of Pelikan as a crucial tool for UNU as a whole.	The recommendation has been implemented.	X			
13.	2015 A/71/5 (Vol. IV), chap. II	53 (b)	The UNU World Institute for Development Economics Research (UNU-WIDER) should ensure that the changes necessitated in the Rector's memorandum for utilizing Pelikan to its	The audit recommendation has been fully implemented by UNU-WIDER.	The recommendation has been implemented.	X			

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			potential are implemented completely.						
14.	2015 A/71/5 (Vol. IV), chap. II	70	UNU should ensure that purchase orders are issued before the procurement of goods and services.	An instruction was sent to all organizational units on 28 September 2016 to ensure that purchase orders are issued before the delivery of goods and services and that post facto purchase orders require written justification from the responsible head of office to explain the reasons and causes for the post facto purchase orders and a proposal on how to address those causes in order to avoid their recurrence. The "Overview on purchasing and payment activities" guidelines posted on the intranet have been amended to reflect this.	The recommendation has been implemented.	X			
15.	2015 A/71/5 (Vol. IV), chap. II	76	UNU should ensure that all contracts are signed before commencement.	The contracts team has strengthened its workflow to address this matter. The audit recommendation has been fully implemented.	The recommendation has been implemented.	X			
16.	2015 A/71/5 (Vol. IV), chap. II	82	The contract for investment advisory services should be made by UNU through a competitive process.	A request for information to select a global balanced indexation manager to manage the assets of the Endowment Fund was issued by the Investment Management Division on 31 January 2017 with the following schedule: Request for information response deadline: 15 February 2017 Finalist meeting at Investment Management Division: March 2017 Finalist on-site due diligence: March 2017 Selection of manager: April 2017 Documentation: April 2017 Transition: 1 May 2017 The request for information was sent by the Division to six financial institutions. All but one submitted a proposal by the due date (15 February 2017). The Division undertook a	The recommendation has been implemented.	X			

						Status after verification			
No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Implemented	Under implementation	Overtaken by events	Not implemented
				preliminary evaluation and issued a report on 24 February 2017. On the basis of the scoring, it was recommended that two institutions be passed to the next stage of due diligence. As at the date of the issuance of this update, that is where we stand on this process.					
17.	2015 A/71/5 (Vol. IV), chap. II	87	UNU should put in place a business continuity plan to ensure that it can continue in operation in the event of major disruptions to its normal business environment, in the interest of the organization.	UNU drafted its own business continuity plan in March 2017, following its annual safety and security drills and testing of mobile telephone trees. The document is currently being reviewed by the various offices/units of UNU located in Tokyo. The plan represents the University's road map for ensuring continuity of operations in the event of a disaster that affects UNU in Japan. It defines the risks and disaster scenarios for UNU and lists the safeguards that UNU has put in place to guarantee business continuity. The document includes a description of the business continuity plan process and details about the roles and responsibilities of senior personnel in the event of a crisis. Closely related to the business continuity plan are two additional documents that warrant mention: (a) The country security plan lays out the roles, responsibilities and procedures for all United Nations entities located in Japan in the event of a major disaster. It is activated upon a decision by the senior management team, which is chaired by the Rector of UNU. The country security plan was updated with the support of the Regional Security Adviser of the Department of Safety and Security in March 2017;	The recommendation is expected to be implemented until the end of 2017.		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendation of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				(b) The emergency response plan builds on the business continuity plan and, in visual flowchart form, lays out the various crisis scenarios and related response processes that UNU has identified to follow for each specific scenario. The document was drafted in March 2017 and is currently under review.					
	Total		**17**			**8**	**7**	**2**	**0**
	Percentage		**100**			**47**	**41**	**12**	**0**

Chapter III
Certification of the financial statements

Letter dated 31 March 2017 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 2016 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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 2016

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 2016.

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 think tank and one of several research entities in the United Nations system. The University's mandate, according to 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. The University's strategic plan for 2015-2019 further emphasizes its vocation to act as a bridge between research communities and marshal evidence-based research for policymaking at the United Nations and in Member States. To that end, UNU operates a global network of academic institutes and programmes that conduct policy-relevant research, offering objective, evidence-based solutions to current global problems (see http://unu.edu/about/unu-system).

4. The University's research programme integrates projects that deliver insight on current policy challenges, as well as medium-term "horizon" studies that examine emergent issues. This work is carried out 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. In 2016, new and notable collaborations were initiated with various parts of the Secretariat, and direct research and policy support were offered to the Executive Office of the Secretary-General and the Office of the President of the General Assembly.

5. Another notable success with regard to the policy-research interface included the landmark conference on the theme "Strengthening the United Nations research uptake", held in Geneva in April and organized by UNU and the Graduate Institute of International and Development Studies. The meeting was attended by some 40 heads of research and policy units from within the United Nations system, as well as by representatives of more than 50 leading international think tanks and research organizations. A broad range of recommendations emerged from the conference on how to bridge the chronic research-policy gap at the United Nations. UNU researchers also presented their research at several global United Nations meetings, including, the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), held in Ecuador, the thirteenth meeting of the Conference of the Parties to the Convention on Biological Diversity, held in Mexico, and the twenty-second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Morocco.

6. The University's work programme for 2016 was delivered under the stewardship of an entirely newly composed governing Council, as the current appointees took office on 3 May 2016. Detailed profiles of Council members are available at https://unu.edu/about/unu-council.

B. Overview of the financial statements for the year ended 31 December 2016

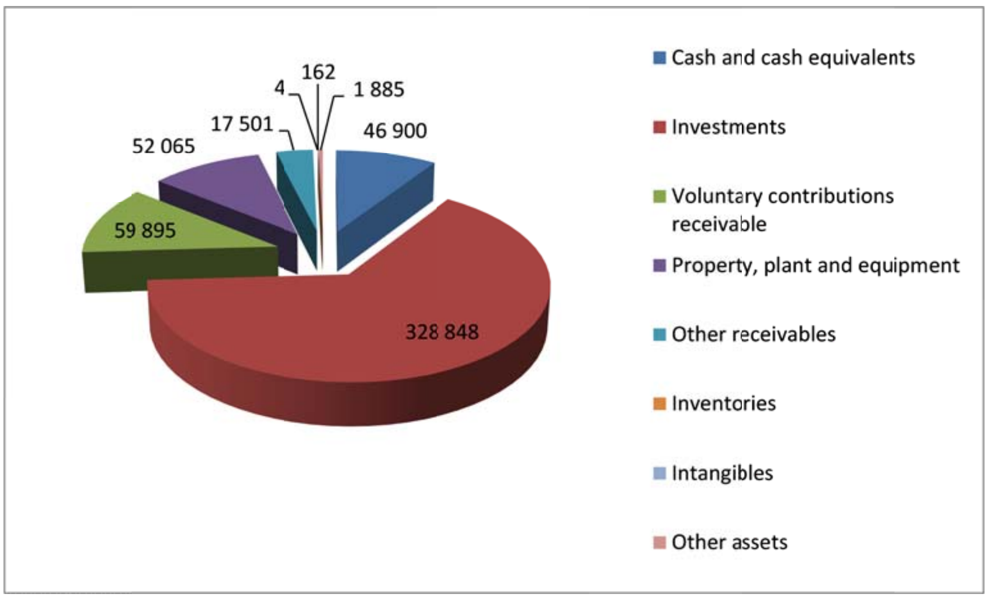
7. Financial statements I, II, III, IV and V show the financial results of UNU activities and its financial position as at 31 December 2016. The notes to the financial statements explain UNU accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

8. Assets as at 31 December 2016 totalled $507.26 million compared with the balance as at 31 December 2015 (restated) of $517.18 million. Figure IV.I presents the structure of assets as at 31 December 2016.

Figure IV.I
Total assets as at 31 December 2016
(Thousands of United States dollars)



9. The main assets as at 31 December 2016 are investments and voluntary contributions receivable totalling $388.74 million, representing 76.6 per cent of the total assets; property, plant and equipment of $52.07 million, or 10.3 per cent; and cash and cash equivalents of $46.90 million, or 9.2 per cent. The remaining assets consist mainly of other receivables, inventories and intangibles.

10. Of the total cash, cash equivalents and investments of $375.75 million, $326.89 million, or 87.0 per cent, is held with the Endowment Fund, while $27.40 million, or 7.3 per cent, is held in the United Nations Treasury main cash pool.

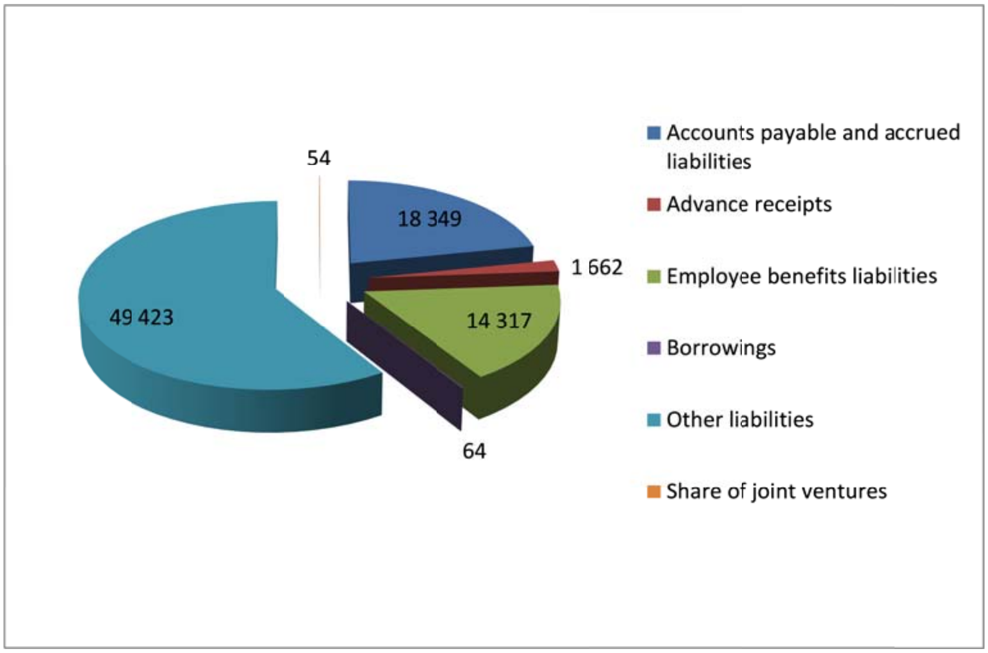
11. Under IPSAS, accounts receivable from voluntary contributions are recognized in full upon signature of an agreement including amounts due in future financial periods. The exception is agreements with performance obligations, such as those with the European Union containing conditions requiring the return of the contribution if the funds are not spent in accordance with the terms and conditions specified by the donor. The current portion of voluntary contributions receivable of $17.72 million as at 31 December 2016 is expected to be received in 2017.

Liabilities

12. Liabilities as at 31 December 2016 totalled $83.87 million, compared with the balance as at 31 December 2015 (restated) of $69.62 million. Figure IV.II presents the structure of UNU liabilities as at 31 December 2016.

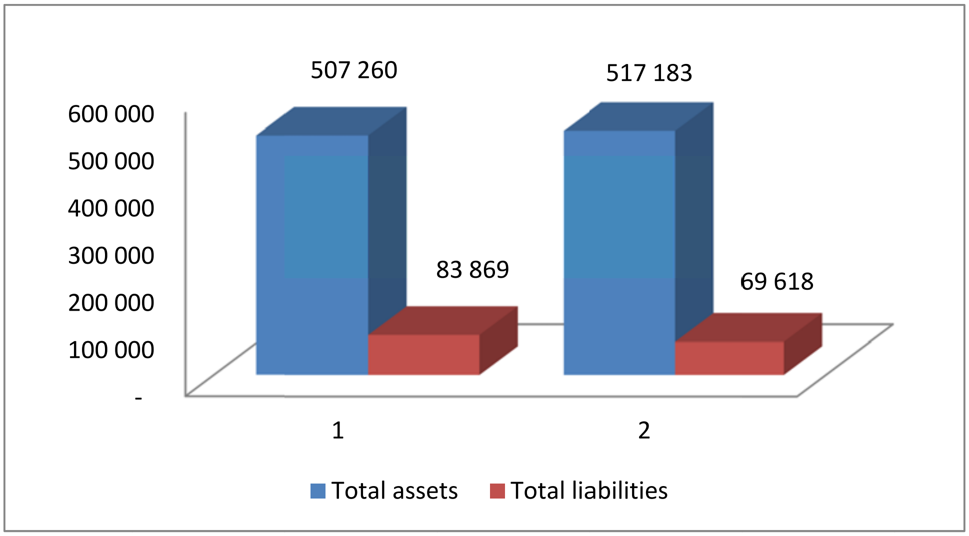
13. The increase of $14.25 million is mainly due to the timing of investment purchases at year-end amounting to $16.68 million, which were recognized as payables based on trade date and settled in early January 2017.

Figure IV.II
Total liabilities as at 31 December 2016
(Thousands of United States dollars)



14. The largest liability was the donated rights-to-use buildings occupied by UNU offices. These liabilities amounted to $49.42 million, representing 58.9 per cent of total liabilities. The other major component of liabilities was accounts payable and accrued liabilities, which accounted for $18.35 million, representing 21.9 per cent of total liabilities. The breakdown is provided in note 16 of the financial statements. The other liabilities consist mainly of employee benefits earned by staff members, retirees and individual contractors but not paid as at the reporting date.

Figure IV.III
Movement in total assets and total liabilities as at 31 December 2016
(Thousands of United States dollars)



15. Figure IV.III illustrates a slight decrease of 1.9 per cent in the total assets, from $517.18 million reported for 2015 (restated) to $507.26 million reported for 2016, and a 20.5 per cent increase in liabilities, from $69.62 million in 2015 to $83.87 million in 2016.

Net assets

16. The movement in net assets during 2016, after restating for IPSAS compliance, reflects a decrease of $24.17 million, from $447.57 million as at 31 December 2015 to $423.39 million as at 31 December 2016, mainly owing to the net deficit movement in the Endowment Fund of $21.49 million and the actuarial loss of $0.37 million.

Table IV.1
Summary of financial position as at 31 December 2016
(Thousands of United States dollars)

	2016	*2015 (restated)*	*Change (amount)*	*Change (percentage)*
Current assets	97 374	94 900	2 474	2.6
Non-current assets	409 886	422 283	(12 397)	-2.9
Total assets	**507 260**	**517 183**	**(9 923)**	**1.9**
Current liabilities	26 047	9 166	16 881	184.2
Non-current liabilities	57 822	60 452	(2 630)	-4.4
Total liabilities	**83 869**	**69 618**	**14 251**	**20.5**
Net assets/equity	**423 391**	**447 565**	**(24 174)**	**-5.4**

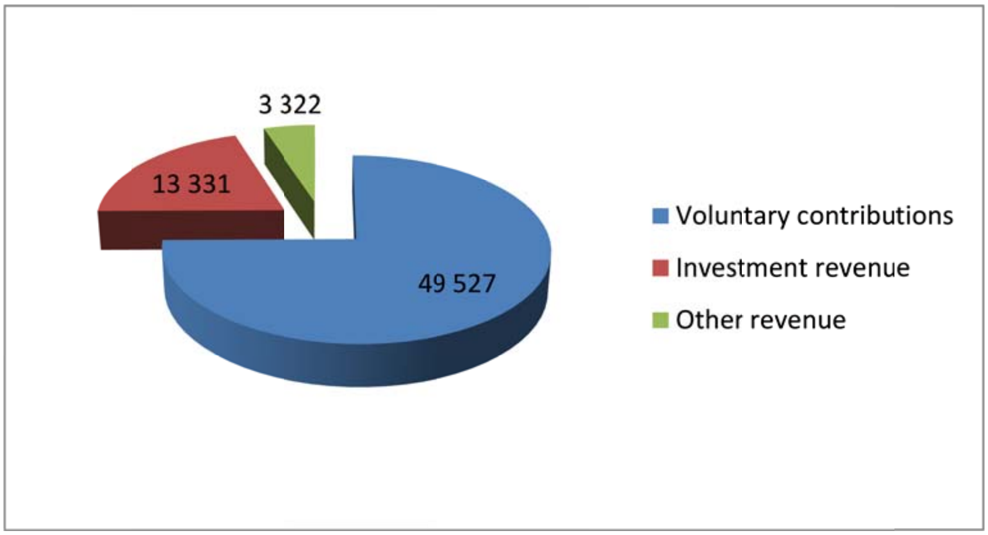
Financial performance

Revenue

17. In 2016, UNU revenue totalled $66.18 million, a decrease of $6.18 million compared with 2015 (restated), or 8.5 per cent. The main sources of revenue were voluntary contributions of $49.53 million, including net monetary contributions of $25.08 million from Member States and $4.29 million from other donors. Voluntary contributions revenue also included contributions in kind as a rental subsidy of $20.15 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. UNU revenue also included investment revenue of $13.33 million and other revenue of $3.32 million, which consisted mainly of rental and conference services fees received by the University headquarters building and fees from training courses and consulting services.

18. Figure IV.IV presents the structure of UNU revenue as at 31 December 2016.

Figure IV.IV
Total revenue as at 31 December 2016
(Thousands of United States dollars)



19. UNU is heavily reliant on a small number of donors; it was noted that the top six donors contributed about 75 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 2016, while figure IV.VI provides a breakdown of the voluntary contributions between the current year and future years, for 2014 to 2016.

Figure IV.V
Voluntary contributions from State donors exceeding $1 million per donor
(Thousands of United States dollars)

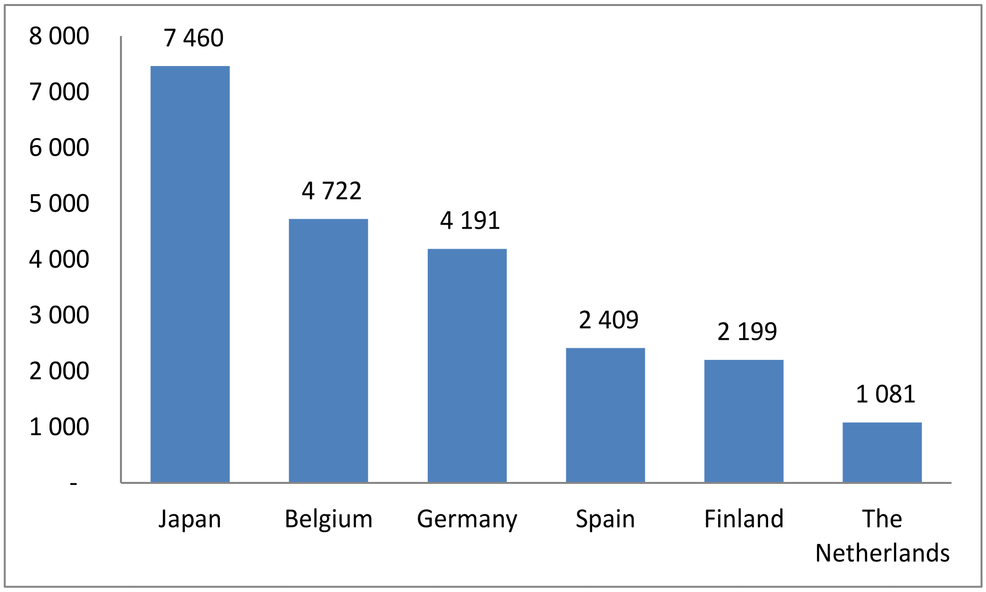


Figure IV.VI
Voluntary contributions for 2014 to 2016, by current year and future years
(Thousands of United States dollars)

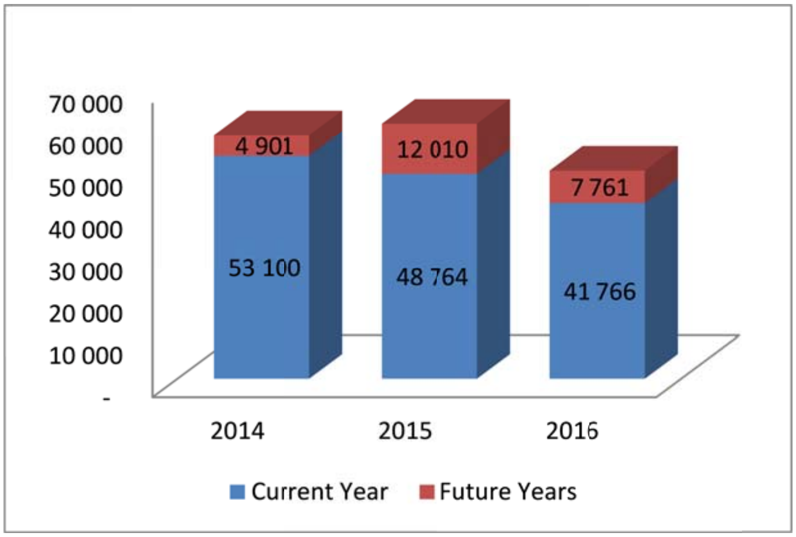


Table IV.2
Comparative revenue analysis
(Thousands of United States dollars)

	2016	*2015 (restated)*	*Change (amount)*	*Change (percentage)*
Voluntary contributions	49 527	60 774	(11 247)	-18.5
Investment revenue (net)	13 331	9 142	4 189	45.8
Other revenue	3 322	2 439	883	36.2
Total revenue	**66 180**	**72 355**	**(6 175)**	**-8.5**

Expenses

20. For the year ended 31 December 2016, expenses totalled $89.99 million, an increase of $6.20 million compared with 2015, or 7.4 per cent. The main expense categories were employee salaries, allowances and benefits of $22.88 million, or 25.4 per cent; rent, leases and utilities of $17.65 million, or 19.6 per cent; and other operating expenses of $33.45 million, or 37.2 per cent. Figure IV.VI presents the structure of UNU expenses as at 31 December 2016.

Figure IV.VII

Total expenses as at 31 December 2016

(Thousands of United States dollars)

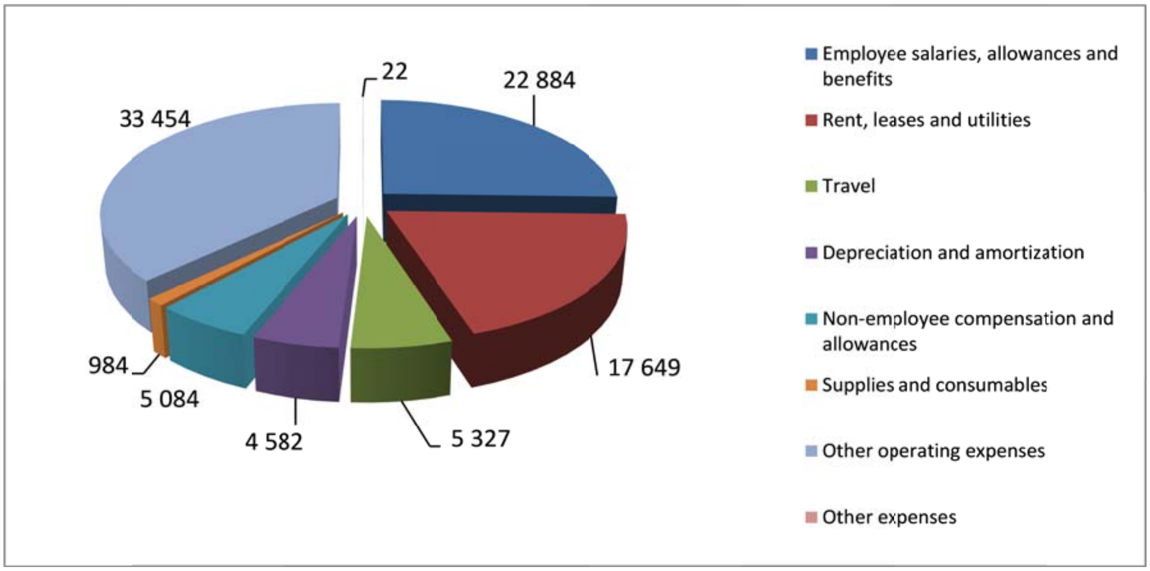


Table IV.3

Comparative expense analysis

(Thousands of United States dollars)

	2016	*2015 (restated)*	*Change*	*Change (percentage)*
Employee salaries, allowances and benefits	22 884	23 168	(284)	-1.2
Rent, leases and utilities	17 649	15 491	2 158	13.9
Travel	5 327	5 420	(93)	-1.7
Depreciation and amortization	4 582	4 430	152	3.4
Non-employee compensation and allowances	5 084	5 161	(77)	-1.5
Supplies and consumables	984	1 412	(428)	-30.3
Other operating expenses	33 454	28 678	4 776	16.7
Other expenses	22	24	(2)	-8.3
Total expenses	**89 986**	**83 784**	**6 202**	**7.4**

21. During 2016, employee salaries, allowances and benefits decreased by $0.28 million (1.2 per cent), mainly due to the reduction in education grants, compared with 2015.

22. The increase in other operating expenses by $4.78 million (16.7 per cent) is mainly due to the higher allowance for doubtful voluntary contributions receivable.

Operating results

23. The University's overall deficit increased in 2016 to $23.81 million from $11.43 million in 2015 (restated), primarily attributable to lower revenue from voluntary contributions and an increase in other operating expenses mainly due to the allowance for doubtful receivables.

Liquidity position

24. As at 31 December 2016, the liquidity position of UNU was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled $95.51 million (cash and cash equivalents of $46.90 million, short-term investments of $13.39 million and accounts receivable of $35.22 million), whereas total current liabilities amounted to $26.05 million and total liabilities amounted to $83.87 million.

25. Table IV.4 summarizes four key liquidity indicators for the financial year ended 31 December 2016 with comparatives for the year ended 31 December 2015.

Table IV.4
Liquidity indicators for the United Nations University

Indicators	*2016*	*2015 (restated)*
Ratio of liquid assets to current liabilities	3.7:1	10.3:1
Ratio of liquid assets less accounts receivable to current liabilities	2.3:1	7.4:1
Ratio of liquid assets to total assets	0.2:1	0.2:1
Average months of liquid assets less accounts receivable on hand	8.5	10.2

26. 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 3.7:1 indicates that current liabilities are covered in excess of three times by liquid assets, and there are, therefore, sufficient liquid assets available to fully pay liabilities should the need arise. A decrease of the value of this ratio from 10.3:1 in the prior year indicates a lower level of liquidity resulting from increased current liabilities holdings as at the end of 2016 owing to the increase in investment payable. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 2.3:1 for 2016 and 7.4:1 for 2015.

27. As at 31 December 2016, UNU total liquid assets amounted to about 20 per cent of its total assets, and the University held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $7.12 million for 8.5 months.

28. As at the reporting date, UNU had employee benefit liabilities of $14.32 million. With total cash and cash equivalents and investments of $375.75 million, the employee benefits liabilities are covered.

C. Future outlook

29. Some UNU entities, such as the UNU World Institute for Development Economics Research (UNU-WIDER), the UNU Institute for Water, Environment and Health (UNU-INWEH) and the UNU Institute for the Advanced Study of Sustainability (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

promotion of green economies in Africa at the subnational-level, 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.

30. 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 continues and builds on earlier UNU technical inputs into discussions on disaster risk management 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 (of the UNU Office in New York and the UNU Centre for Policy Research in Tokyo). Looking forward, there are new opportunities emerging, for example with regard to engagement with the Sustainable Energy for All 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), there were no write-off cases of cash or receivables in 2016.

Write-off of losses of property

3. Pursuant to financial rule 106.7, there were no write-off cases of losses of property, plant and equipment, inventories and intangibles for UNU during 2016 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 2016.

Chapter V

Financial statements for the year ended 31 December 2016

United Nations University

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Note	*31 December 2016*	*31 December 2015 (restated[a])*
Assets			
Current assets			
Cash and cash equivalents	7	46 900	53 534
Investments	8	13 388	13 879
Voluntary contributions receivable[a]	9	17 723	25 586
Other receivables	10	17 501	1 116
Inventories	11	4	17
Other assets	12	1 858	768
Total current assets		**97 374**	**94 900**
Non-current assets			
Investments	8	315 460	317 057
Voluntary contributions receivable[a]	9	42 172	48 857
Property, plant and equipment	14	52 065	56 152
Intangibles	15	162	192
Other assets	12	27	25
Total non-current assets		**409 886**	**422 283**
Total assets		**507 260**	**517 183**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	18 349	2 169
Advance receipts	17	1 368	526
Employee benefits liabilities	18	2 214	2 349
Borrowings	19	32	37
Other liabilities	20	4 084	4 085
Total current liabilities		**26 047**	**9 166**

United Nations University

I. Statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Note	*31 December 2016*	*31 December 2015 (restated[a])*
Non-current liabilities			
Advance receipts	17	294	27
Employee benefits liabilities	18	12 103	10 963
Borrowings	19	32	44
Other liabilities	20	45 339	49 354
Share of joint ventures: equity method	29	54	64
Total non-current liabilities		**57 822**	**60 452**
Total liabilities		**83 869**	**69 618**
Net of total assets and total liabilities		**423 391**	**447 565**
Net assets			
Accumulated surpluses[a]	21	55 747	58 431
Endowment fund[a]	22	367 644	389 134
Total net assets		**423 391**	**447 565**

[a] Restated due to prior-period adjustment and reclassification (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 2016

(Thousands of United States dollars)

	Note	*2016*	*2015 (restated[a])*
Revenue			
Voluntary contributions[a]	23	49 527	60 774
Investment revenue (net)[a]	24	13 331	9 142
Other revenue	25	3 322	2 439
Total revenue		**66 180**	**72 355**
Expenses			
Employee salaries, allowances and benefits[a]	26	22 884	23 168
Rent, leases and utilities	26	17 649	15 491
Travel	26	5 327	5 420
Depreciation and amortization	14, 15, 26	4 582	4 430
Non-employee compensation and allowances	26	5 084	5 161
Supplies and consumables	26	984	1 412
Other operating expenses[a]	26	33 454	28 678
Other expenses[a]	26	22	24
Total expenses		**89 986**	**83 784**
Deficit for the year		**(23 806)**	**(11 429)**

[a] Restated due to prior-period adjustment and reclassifications (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 2016

(Thousands of United States dollars)

	Accumulated surpluses	*Endowment Fund*	*Total*
IPSAS net assets as at 1 January 2015	47 988	404 735	452 723
Shares of changes recognized in the net assets of joint ventures: equity method (note 29)	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)
Net assets as at 31 December 2015	**57 498**	**390 131**	**447 629**
Prior period adjustments[a]	933	(997)	(64)
Net assets as at 31 December 2015 (restated)	**58 431**	**389 134**	**447 565**
Shares of changes recognized in the net assets of joint ventures: equity method (note 29)	(2)	–	(2)
Actuarial losses on employee benefits liabilities (note 18)	(366)	–	(366)
Surplus/(deficit) for the year	(2 316)	(21 490)	(23 806)
Total recognized changes in net assets	**(2 684)**	**(21 490)**	**(24 174)**
Net assets as at 31 December 2016	**55 747**	**367 644**	**423 391**

[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 2016

(Thousands of United States dollars)

	Note	*2016*	*2015 (restated[a])*
Cash flows from operating activities			
Deficit for the year		(23 806)	(11 429)
Non-cash movements			
Depreciation and amortization	14, 15	4 582	4 430
Unrealized (gains)/losses on endowment fund investments from changes in fair value	24	2 897	12 816
(Gains)/losses on sale of endowment fund investments	24	(8 883)	(14 502)
Unrealized (gains)/losses on endowment fund due to revaluation	24	6 975	13 501
Actuarial (gains)/losses on employee benefits liabilities	18	(366)	6 246
(Gains)/losses on share of joint ventures	29	(2)	25
Losses on disposal of property, plant and equipment	14	148	65
Investment (revenue)/expense from endowment fund presented as investing activities		(7 182)	(7 372)
Investment (revenue)/expense from cash pool presented as investing activities	24	(163)	(84)
In-kind contributions of property, plant and equipment	14	(210)	(441)
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	9	14 548	(8 808)
(Increase)/decrease in other receivables	10	(16 386)	136
Decrease in inventories	11	13	5
Increase in other assets	12	(1 092)	(371)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	16 180	(58)
Increase/(decrease) in advance receipts	17	1 109	(2 200)
Increase/(decrease) in employee benefits liabilities	18	1 005	(4 795)
Decrease in other liabilities	20	(4 016)	(3 705)
Decrease in share of joint ventures: equity method	29	(10)	(19)
Net cash flows used in operating activities		**(14 659)**	**(16 560)**

United Nations University

IV. Statement of cash flows for the year ended 31 December 2016 (continued)

(Thousands of United States dollars)

	Note	*2016*	*2015 (restated[a])*
Cash flows from investing activities			
Net investment revenue/(expense) from cash pool presented as investing activities	24	163	84
Net movement in cash pool		(890)	3 842
Dividend received		4 112	3 786
Interest received		3 070	3 671
Purchases of investments		(526 344)	(309 898)
Proceeds from sales and maturities of investments		528 334	314 786
Purchases of property, plant and equipment	14	(392)	(1 498)
Acquisition of intangible assets	15	(11)	(195)
Net cash flows from investing activities		**8 042**	**14 578**
Cash flows from financing activities			
Decrease in borrowings	19	(17)	(4)
Net cash flows used in financing activities		**(17)**	**(4)**
Net decrease in cash and cash equivalents		**(6 634)**	**(1 986)**
Cash and cash equivalents — beginning of year		**53 534**	**55 520**
Cash and cash equivalents — end of year	7	**46 900**	**53 534**

[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 2016

(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	57 038	56 916	34 212	46 777	22 705	(24 072)	-51
Staff and other personnel costs	41 348	40 332	20 487	19 812	17 530	(2 282)	-12
General operating expenses	19 187	19 768	9 861	10 256	8 423	(1 833)	-18
Total	**117 573**	**117 016**	**64 560**	**76 845**	**48 658**	**(28 187)**	**-37**

[a] The University's work programme and budget estimates for the biennium 2016-2017 were approved by the UNU Council in December 2015. 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 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
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 Charter of the University: 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 Charter of the University (resolution 68/236), reducing the number of appointed members of the Council of the 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. Also at the University Centre in Tokyo is the Centre for Policy Research, established in 2014 as part of a broader effort by the Rector to respond to the Secretary-General's request to enhance the University's policy relevance in the 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 Institute on 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 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. 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 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 2016 to the Board of Auditors by 31 March 2017. 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 30 July 2017.

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

(c) 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;

(d) 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);

(e) 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;

(f) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standards. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2018, with publication in July 2018.

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. Initial application of these standards is required for periods beginning on or after 1 January 2017. IPSAS 33 has no impact on the University, which adopted IPSAS with effect from 1 January 2014 before the issuance of the standard.

27. In July 2016, the International Public Sector Accounting Standards Board issued IPSAS 39: Employee benefits, repealing IPSAS 25: Employee benefits, to align it with the underlying International Accounting Standard, IAS 19: Employee benefits. On 31 January 2017, the Board published IPSAS 40: Public sector combinations, which prescribes the accounting treatment for public sector combinations and sets 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. The impact of these standards on the University's financial statements and the comparative period thereof has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6, Consolidated and separate financial statements. The introduction of IPSAS 34 is not expected to affect the University's financial statements.
IPSAS 35	IPSAS 35 still requires that control be assessed with regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. Management is assessing the University's interests in other reporting entities and arrangements to ensure compliance with the revised definitions.
	The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. The University's financial statements for periods beginning on or after 1 January 2017 will include such an assessment.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary; preparation of financial statements for periods beginning on or after 1 January 2017 will include an assessment of such arrangements.

Standard	*Anticipated impact in the year of adoption*
	Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the University is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method.
	Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, the University interest gives rise to rights over net assets, IPSAS 37 requires the use of the equity method, and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the University will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses. The University is working with the other participants in these arrangements to develop its accounting policies under IPSAS 37.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for interest in other entities and may have impact on the University's financial statements.
IPSAS 39	At the moment, IPSAS 39 will not have any impact on the University, since the "corridor method" on actuarial gains or losses, which is being eliminated, was never applied from the inception of IPSAS adoption in 2014. The University does not have any plan assets, therefore there is no impact from the application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should the University procure plan assets.
IPSAS 40	There is no impact on the University from the application of IPSAS 40 at the moment as there are no public sector combinations yet. Any such impact of IPSAS 40 on the University's financial statements will be evaluated for application by the University by 1 January 2018, the effective date of the standard should such combinations occur.

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 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 are categorized as follows:

Category	*Subcategory*
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) 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;

(c) 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
	Vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	
	Security and safety equipment	
	Mine detection and clearing equipment	
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	
	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/or title to the land is transferred under restricted deeds. Where title to land is transferred to the University without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value as at the acquisition date.

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.

71. The University recognizes the following categories of employee benefits:

(a) short-term employee benefits due to be settled within 12 months after the end of the accounting period in which the employee renders the related services;

(b) post-employment benefits;

(c) other long-term employee benefits;

(d) termination benefits.

Short-term employee benefits

72. 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

73. 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

74. 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 obligations. 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.

75. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligations 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.

76. 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).

77. 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.

78. 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, 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

79. 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.

80. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The University and the Fund, in line with the other organizations participating in the Fund, are 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. The University has therefore 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 Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

81. 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

82. 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 another long-term benefit.

83. 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

84. Provisions are liabilities recognized for future expenses 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

85. 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

86. 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

87. 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

88. 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.

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

90. 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.

91. 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

92. 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

93. 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

94. 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.

95. 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.

96. 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, foreign exchange losses and allowance for bad debt and write-off expenses. Other expenses relate to hospitality and official functions, and donation/transfer of assets.

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

Joint ventures accounted for using the equity method

98. 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.

99. 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
Prior-period adjustments and reclassifications

100. The material prior-period adjustments relate to voluntary contributions. For the following material prior-period adjustments, where there is impact relating to 2015, the 2015 comparative figures at the individual line item were retrospectively restated; where there is impact for periods prior to 2015, prior assets were restated:

(a) An adjustment of $0.93 million was made for the future portions of voluntary contributions not recognized due to delayed submission of the 2015 contribution agreements. The effect of the change on the restated statement of financial position for the year ended 31 December 2015 is an increase of $0.83 million and $0.10 million to the current and non-current voluntary contributions receivable, respectively, in the statement of financial position and an increase in voluntary contributions revenue of $0.93 million in the statement of financial performance;

(b) A further adjustment of $1.00 million was made to the voluntary contributions receivable to restate the contribution from the Government of Cameroon in the appropriate currency. The effect of the changes is decreases of $0.67 million and $0.33 million in the current and non-current voluntary contributions receivable, respectively, and a decrease of $0.99 million in voluntary contributions revenue and an increase of $0.01 million of unrealized losses in the statement of financial performance;

(c) An amount of $13.80 million, formerly classified as non-current voluntary contributions receivable, was reclassified as current voluntary contributions receivable, for amounts that are receivable within 12 months after the end of the financial year;

(d) An amount of $0.20 million for employee medical insurance, formerly classified as other operating expenses, was reclassified as employee salaries, allowances and benefits to better reflect the nature of the expense;

(e) An amount of $15.22 million in foreign exchange losses, formerly classified as investment expense (net), was reclassified as other operating expenses, for purposes of comparison, in line with management's decision in 2016 to no longer record net foreign exchange gains and losses in investment revenue/(expense) but instead to record them in other operating expenses;

(f) An amount of $1.01 million, formerly classified as other expenses, was reclassified as other operating expenses, for purposes of comparison, in line with the management decision made in 2016 to record foreign exchange losses in other operating expenses;

(g) An amount of $.006 million, formerly classified as share of deficit of joint ventures, was reclassified as other operating expenses, for purposes of comparison, instead of showing the amount on a separate line, owing to the immateriality of the amount.

Net impact of prior-period adjustments

(Thousands of United States dollars)

	As reported 31 December 2015	*Prior period adjustments*	*Presentation changes*	*As restated 31 December 2015*
Statement of financial position extract				
Assets				
Voluntary contributions receivable (current)	11 620	13 966		25 586
Voluntary contributions receivable (non-current)	62 887	(14 030)		48 857
Net assets				
Accumulated surpluses	57 498	933		58 431
Endowment fund	390 131	(997)		389 134
Statement of financial performance extract				
Revenue				
Voluntary contributions	60 828	(54)		60 774
Investment revenue (net)			9 142	9 142
Expenses				
Employee salaries, allowances and benefits	22 968		200	23 168
Investment expenses (net)	6 069		(6 069)	-
Other operating expenses	12 635		16 043	28 678
Other expenses	1 040		(1 016)	24
Share of deficit of joint ventures	6		(6)	–

Note 5
Segment reporting

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

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

103. 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 2016

(Thousands of United States dollars)

	Note	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2016*
Assets					
Current assets					
Cash and cash equivalents	7	28 064	18 836	–	46 900
Investments	8	5 260	8 128	–	13 388
Voluntary contributions receivable	9	1 219	16 504	–	17 723
Other receivables	10	7 997	9 504	–	17 501
Inventories	11	–	4	–	4
Other assets	12	1 813	45	–	1 858
Inter-fund balances receivable		6 520	27 147	(33 667)	–
Total current assets		**50 873**	**80 168**	**(33 667)**	**97 374**
Non-current assets					
Investments	8	145 884	169 576	–	315 460
Voluntary contributions receivable	9	1 000	41 172	–	42 172
Property, plant and equipment	14	37 708	14 357	–	52 065
Intangibles	15	9	153	–	162
Other assets	12	–	27	–	27
Total non-current assets		**184 601**	**225 285**	**–**	**409 886**
Total assets		**235 474**	**305 453**	**(33 667)**	**507 260**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	16	8 536	9 813	–	18 349
Advance receipts	17	875	493	–	1 368
Employee benefits liabilities	18	791	1 423	–	2 214
Borrowings	19	14	18	–	32
Other liabilities	20	3 543	541	–	4 084
Inter-fund balances payable		26 667	7 000	(33 667)	–
Total current liabilities		**40 426**	**19 288**	**(33 667)**	**26 047**

Statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Note	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2016*
Non-current liabilities					
Advance receipts	17	294	–	–	294
Employee benefits liabilities	18	3 800	8 303	–	12 103
Borrowings	19	23	9	–	32
Other liabilities	20	32 589	12 750	–	45 339
Share of joint ventures: equity method	29	16	38	–	54
Total non-current liabilities		**36 722**	**21 100**	**–**	**57 822**
Total liabilities		**77 148**	**40 388**	**(33 667)**	**83 869**
Net of total assets and total liabilities		**158 326**	**265 065**	**–**	**423 391**
Net assets					
Accumulated surpluses	21	1 539	54 208	–	55 747
Endowment Fund	22	156 787	210 857	–	367 644
Total net assets		**158 326**	**265 065**	**–**	**423 391**

[a] Eliminations comprise $33.67 million relating to inter-fund transactions between the University Centre and its institutes and programmes.

Statement of financial performance as at 31 December 2016

(Thousands of United States dollars)

	Note	*Centre*	*Institutes*	*Elimination*[a]	*Total*
Revenue					
Voluntary contributions	23	22 348	27 179	–	49 527
Investment revenue (net)	24	6 179	7 152	–	13 331
Other revenue	25	2 209	1 405	(292)	3 322
Total revenue		**30 736**	**35 736**	**(292)**	**66 180**
Expenses					
Employee salaries, allowances and benefits	26	7 776	15 308	(200)	22 884
Rent, leases and utilities	26	15 232	2 430	(13)	17 649
Travel	26	1 098	4 229	–	5 327
Depreciation and amortization	14, 15, 26	3 726	856	–	4 582
Non-employee compensation and allowances	26	644	4 461	(21)	5 084
Supplies and consumables	26	445	539	–	984
Other operating expenses	26	6 865	26 647	(58)	33 454
Other expenses	26	6	16	–	22
Total expenses		**35 792**	**54 486**	**(292)**	**89 986**
Deficit for the year		**(5 056)**	**(18 750)**	**–**	**(23 806)**

[a] Eliminations comprise $0.29 million relating to revenue from services rendered between the University Centre and its institutes and programmes.

Note 6
Comparison to budget

104. 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.

105. Approved budgets are those that permit expenses to be incurred and are approved by the Council of the 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.

106. The original budget amounts are the 2016 portions of the appropriations approved by the Council of the University for the biennium 2016-2017 on 1 December 2015. Differences between original and final budget amounts are due to revised appropriations, as approved by the Council.

107. Material differences between the final budget appropriation for the year 2016 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	For 2016, actual expenditure was lower than budgeted by $24.07 million, owing mainly to the phasing of spending towards the second year of the biennium for a number of academic projects at UNU-IAS.
Staff and other personnel costs	Actual expenditure was below the budget by $2.28 million. Owing to the ongoing discussion on funding commitments, the recruitment of staff by UNU-IRADDA, in Algiers, originally planned for the current biennium, was postponed to the biennium 2018-2019. Furthermore, some recruitments to the UNU Centre and the institutes were delayed as cost-saving measures.
General operating expenses	Actual expenditure was lower than budgeted by $1.83 million, owing primarily to the deferment of UNU-IRADDA operations.

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

108. 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 2016

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on comparable basis (statement V)	**(48 238)**	**(403)**	**(17)**	**(48 658)**
Basis differences	34 529		–	34 529
Entity differences	(950)	–	–	(950)
Presentation differences		8 445	–	8 445
Actual amounts in statement of cash flows (statement IV)	**(14 659)**	**8 042**	**(17)**	**(6 634)**

109. 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.

110. 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.

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

112. 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

113. 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 2016

(Thousands of United States dollars)

	Total
Actual amounts on comparable basis (statement V)	**48 658**
Additional assets and intangibles	(403)
Depreciation and amortization	4 582
Donated rights-to-use arrangements	15 924
Endowment fund expenses	1 316
Inventories	4
Revaluation loss	6 746
Payroll related accruals and education grant prepayments	284
Change in obligations/effect of accruals versus obligations	267
Lease interest	(17)
Prepayments and other receivables	49

	Total
Other accruals	(363)
Inter-office eliminations	(92)
Losses on disposal of property, plant and equipment	148
Allowance for doubtful receivables	12 883
Actual amounts in statement of financial performance (statement II)	**89 986**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Cash pools (note 27)	7 561	14 197
Cash at Endowment Fund (note 27)	17 873	24 716
Other cash (note 27)	21 466	14 621
Total cash and cash equivalents	**46 900**	**53 534**

Note 8
Investments

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current investments		
Cash pools (note 27)	13 388	12 853
Endowment Fund (note 27)	–	1 026
Total current investments	**13 388**	**13 879**
Non-current investments		
Cash pools (note 27)	6 446	6 092
Endowment Fund (note 27)	309 013	310 965
Total non-current investments	**315 460**	**317 057**
Total investments	**328 848**	**330 936**

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (restated)*
Current voluntary contributions receivable		
Voluntary contributions receivable	30 795	25 778
Allowance for doubtful voluntary contributions receivable	(13 072)	(192)
Total current voluntary contributions receivable	**17 723**	**25 586**
Non-current voluntary contributions receivable		
Voluntary contributions receivable	42 172	48 857
Total non-current voluntary contributions receivable	**42 172**	**48 857**
Total voluntary contributions receivable	**59 895**	**74 443**

114. Voluntary contributions receivable are reviewed annually to determine whether there is any indication of impairment in value. For 2016, the allowance for doubtful receivables includes an impairment estimate of $12.75 million, which has been recognized in the statement of financial performance. This impairment represents payment instalments that were in arrears from a multi-year agreement with a major donor. Discussions between the University and the donor are ongoing. Although facing financial difficulties, the donor has begun to seek funding commitments from new partners in the region to provide contributions for the future work programme of the institute it was funding.

Note 10
Other receivables: receivables from exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Investment receivables	16 965	451
Member States	225	289
Receivables from other United Nations agencies	48	4
Staff	49	66
Other exchange revenue receivables	214	306
Total other receivables	**17 501**	**1 116**

Note 11
Inventories

(Thousands of United States dollars)

	2016	*2015*
Opening inventory as at 1 January	**17**	**22**
Purchased in period	8	2
Total inventory available	**25**	**24**
Consumption	(17)	(2)
Impairment and write-offs	(4)	(5)
Total inventory as at 31 December	**4**	**17**

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current other assets		
Advances to other United Nations entities	1 656	474
Advances to non-staff	116	167
Advances to staff	86	127
Total current other assets	**1 858**	**768**
Non-current other assets		
Advances to non-staff	27	25
Total non-current other assets	**27**	**25**
Total other assets	**1 885**	**793**

Note 13
Heritage assets

115. 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 2016.

Note 14
Property, plant and equipment

116. During 2016, there was no write-down of property, plant and equipment. As at the reporting date, the University did not identify any additional impairment.

117. The net book value includes $50.77 million relating to rights-to-use arrangements.

Property, plant and equipment: 2016

(Thousands of United States dollars)

	Buildings	*Leasehold improvements*	*Assets under construction*	*Machinery and equipment*	*Vehicles*	*Communications and IT equipment*	*Furniture and fixtures*	*Total*
Cost as at 31 December 2015								
Cost	136 209	–	1 247	591	207	3 068	570	141 892
Restatement	–	–	–	–	–	(305)	(61)	(366)
Cost as at 31 December 2015 (restated)[a]	**136 209**	**–**	**1 247**	**591**	**207**	**2 763**	**509**	**141 526**
Additions	385	108	–	–	34	66	18	611
Disposals	(269)	–	–	(413)	(30)	(150)	(131)	(993)
Capitalization	717	530	–	–	–	–	–	1 247
Reclassification	–	–	(1 247)	–	–	–	–	(1 247)
Cost as at 31 December 2016	**137 042**	**638**	**–**	**178**	**211**	**2 679**	**396**	**141 144**
Accumulated depreciation as at 31 December 2015								
Accumulated depreciation	82 246	–	–	422	135	2 506	431	85 740
Restatement	–	–	–	–	–	(305)	(61)	(366)
Accumulated depreciation as at 31 December 2015 (restated)[a]	**82 246**	**–**	**–**	**422**	**135**	**2 201**	**370**	**85 374**
Depreciation charge for the period	4 154	96	–	71	29	146	45	4 541
Depreciation on disposals	(127)	–	–	(402)	(30)	(145)	(132)	(836)
Impairment losses (assets still not retired)	–	–	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2016	**86 273**	**96**	**–**	**91**	**134**	**2 202**	**283**	**89 079**
Net carrying amount								
31 December 2015	53 963	–	1 247	169	72	562	139	56 152
31 December 2016	**50 769**	**542**	**–**	**87**	**77**	**477**	**113**	**52 065**

[a] An adjustment of $0.37 million to cost and accumulated depreciation, with no impact to net carrying amount of the property, plant and equipment.

Property, plant and equipment: 2015

(Thousands of United States dollars)

	Buildings	*Assets under construction*	*Machinery and equipment*	*Vehicles*	*Communications and IT equipment*	*Furniture and fixtures*	*Total*
Cost at 31 December 2014							
Cost	136 289	169	484	174	2 631	669	140 416
Prior year adjustment	(19)	–	–	–	306	61	348
Cost 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 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	*Software externally acquired*	*Total 2016*	*Total 2015*
Cost as at 1 January	195	–	195	–
Additions	–	11	11	195
Disposals	–	–	–	–
Completed assets under development	–	–	–	–
Cost as at 31 December	**195**	**11**	**206**	**195**
Accumulated amortization as at 1 January	3	–	3	–
Amortization	39	2	41	3
Impairment losses (assets still not retired)	–	–	–	–
Accumulated amortization as at 31 December	**42**	**2**	**44**	**3**
Net carrying amount	**153**	**9**	**162**	**192**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Vendor payables	65	130
Accruals for goods and services	1 448	1 576
Payable to other United Nations agencies	120	130
Investment payable	16 675	–
Other	41	333
Total accounts payable and accrued liabilities	**18 349**	**2 169**

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current advance receipts		
Contributions received in advance	1 197	384
Other advance receipts	171	142
Total current advance receipts	**1 368**	**526**
Non-current advance receipts		
Contributions received in advance	294	27
Total non-current advance receipts	**294**	**27**
Total advance receipts	**1 662**	**553**

118. During 2016, the University received additional pre-financing contributions of $1.1 million from the European Commission.

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Actuarial valuation	*In-house valuation*	*Total 31 December 2016*	*Total 31 December 2015*
After-service health insurance	8 676	–	8 676	7 671
Repatriation benefits	2 025	344	2 369	2 328
Annual leave	1 990	729	2 719	2 652
Subtotal for liabilities on a defined-benefits basis	**12 691**	**1 073**	**13 764**	**12 651**
Accrued salaries and other staff costs	–	553	553	661
Total employee benefits liabilities	**12 691**	**1 626**	**14 317**	**13 312**

	Total 31 December 2016	*Total 31 December 2015*
Employee benefits liabilities		
Current	2 214	2 349
Non-current	12 103	10 963
Total	**14 317**	**13 312**

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 2015 and 31 December 2016 are:

Actuarial assumptions	*After-service health insurance (percentage)*	*Repatriation benefits (percentage)*	*Annual leave (percentage)*
Discount rates: 31 December 2015 valuation	4.37	3.77	3.56
Discount rates: 31 December 2016 valuation	4.16	3.66	3.50
Inflation: 31 December 2015 valuation	4.00-6.40	2.25	–
Inflation: 31 December 2016 valuation	4.00-6.00	2.25	–

121. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (eurozone corporate yield

curve) and Swiss francs (Federation bond yield curve, plus the spread observed between government rates and high-grade corporate bond rates).

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. As at 31 December 2016, 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 6.0 per cent for all other medical plans (except 5.7 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 the valuation of repatriation benefits, as at 31 December 2015 and 31 December 2016, 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)

	2016	*2015*
Net defined-benefit liability as at 1 January	**11 698**	**16 579**
Current service cost	921	1 257
Interest cost	468	623
Benefits paid	(762)	(515)
Subtotal costs recognized in the statement of financial performance	**627**	**1 365**
Actuarial gains/(losses) recognized directly in the statement of changes in net assets	366	(6 246)
Net recognized liability as at 31 December	**12 691**	**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 has an impact on 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	(1 427)	(187)	(143)
As a percentage of end-of-year liability	(16)	(9)	(7)
Decrease of discount rate by 1 per cent	1 820	213	166
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 obligation 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	1 874	(1 461)
Effect on the aggregate of the current service cost and interest cost	261	(194)

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 (see A/67/30, para. 18), 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 2016

(Thousands of United States dollars)

	2015	*2014*	*2013*	*2012*	*2011*	*2010*
Present value of the defined-benefit obligations	11 698	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 $0.41 million (2015: $0.34 million), home leave of $0.12 million (2015: $0.28 million) and termination indemnity of $0.02 million (2015: $0.04 million).

United Nations Joint Staff Pension Fund

129. The Regulations of the 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 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 (compared with a deficit of 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 with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2017.

132. 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.

133. 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 Fund, because 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. As at the time of reporting, the General Assembly has not invoked the provision of article 26.

134. During 2016, the University's contributions paid to the Pension Fund amounted to $2.12 million (2015: $2.28 million). Expected contributions due in 2017 are $2.05 million.

135. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, and they are available from www.unjspf.org.

Fund for compensation payments — Appendix D/workers' compensation

136. 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

137. On 23 December 2015, the General Assembly adopted resolution 70/244, in which the Assembly 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 salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependant rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependant rates as from 1 January 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment 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. This change is expected to affect future calculations of employee benefits liabilities.

138. The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

Note 19
Borrowings

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current		
Finance leases (note 30)	32	37
Operating lease straight lining liability	–	–
Total current borrowings	**32**	**37**
Non-current		
Finance leases (note 30)	32	44
Operating lease straight lining liability	–	–
Total non-current borrowings	**32**	**44**
Total borrowings	**64**	**81**

Note 20
Other liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Donated rights-to-use buildings (note 30)		
Current	4 084	4 085
Non-current	45 339	49 354
Total other liabilities	**49 423**	**53 439**

Note 21
Net assets: accumulated surpluses/(deficits)

(Thousands of United States dollars)

	Operating funds	*End-of-service liabilities fund*	*Total 2016*	*Total 2015 (restated)*
Balance as at 1 January	**70 898**	**(12 467)**	**58 431**	**47 988**
Actuarial gains/(losses) recognized in net assets		(366)	(366)	6 246
Share of changes recognized on the net assets of joint ventures: equity method	(2)	–	(2)	25
Surplus/(deficit) for the year	(1 058)	(1 258)	(2 316)	3 239
Prior period adjustments[a]	–	–	–	933
Balance as at 31 December	**69 838**	**(14 091)**	**55 747**	**58 431**

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

Note 22
Net assets: Endowment Fund

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (restated)*
Contributed capital (restricted)	273 506	272 133
Accumulated surpluses (restricted)	94 138	117 001
Total Endowment Fund net assets	**367 644**	**389 134**

Movement in Endowment Fund

Contributed capital (restricted)

(Thousands of United States dollars)

	2016	*2015 (restated)*
Balance as at 1 January	272 133	268 333
Endowment Fund received	1 373	4 200
Prior period adjustments	–	(400)
Balance as at 31 December	**273 506**	**272 133**

Accumulated surpluses/(deficits) — restricted

(Thousands of United States dollars)

	2016	*2015 (restated)*
Balance as at 1 January	117 001	136 402
Distribution to operating funds	(16 641)	(15 333)
(Deficit)/surplus for the year	3 911	(3 471)
Allowance for doubtful receivables	(10 133)	–
Prior period adjustments	–	(597)
Balance as at 31 December	**94 138**	**117 001**

Note 23
Voluntary contributions: revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (restated)*
Voluntary monetary contributions	29 404	42 910
Voluntary in-kind contributions	20 149	18 065
Total voluntary contributions received	**49 553**	**60 975**
Refunds	(26)	(201)
Net voluntary contributions received	**49 527**	**60 774**

139. During 2016, accounting adjustments amounting to $0.45 million were recorded against the voluntary monetary contributions. The adjustments were

related to the upfront contributions previously recognized in 2015, which are impaired either due to project termination or payment of the final funding instalment based on actual project costs.

140. The reduction in the voluntary monetary contributions is due mainly to the signing of two major multi-year agreements with Member States in 2015, and revenue was recognized upfront in 2015 according to policy, compared with 2016, when no major multi-year agreements were signed.

141. In-kind contributions revenue represents donated rights-to-use facilities and premises based on fair rental value. In-kind contributions of services received of $0.20 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 2016	*31 December 2015 (restated)*
Summary of revenue and expense from cash pool		
Investment revenue	215	112
Change in fair value	(52)	(28)
Net cash pool (expense)/revenue	**163**	**84**
Summary of revenue and expense from Endowment Fund		
Investment revenue	7 182	7 372
Realized gain on sale and maturities of securities	8 883	14 502
Change in fair value	(2 897)	(12 816)
Net Endowment Fund revenue	**13 168**	**9 058**
Total net investment revenue	**13 331**	**9 142**

Note 25
Other revenue: revenue from exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Publications sales and royalties	13	30
Services rendered	802	600
Rental revenue	1 504	1 464
Tuition revenue	179	162
Membership fees	121	134
Others	703	49
Total other revenue	**3 322**	**2 439**

Note 26
Expenses

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (reclassified)*
Employee salaries, allowances and benefits		
Salary and wages	17 699	17 114
Pension benefits	2 123	2 278
Termination and post-employment benefits	1 302	1 560
Appointment and assignment	258	288
Leave benefits	367	286
Other staff benefits	1 135	1 642
Total employee salaries, allowances and benefits	**22 884**	**23 168**
Rent, leases and utilities		
Rent, leases and utilities	17 649	15 491
Total rent, leases and utilities	**17 649**	**15 491**
Travel		
Travel	5 327	5 420
Total travel	**5 327**	**5 420**
Depreciation and amortization		
Depreciation	4 541	4 427
Amortization	41	3
Total depreciation and amortization	**4 582**	**4 430**
Non-employee compensation and allowances		
Contract services with individuals	5 084	5 161
Total non-employee compensation and allowances	**5 084**	**5 161**
Supplies and consumables		
Information technology and communications equipment	476	454
Equipment	59	468
Information technology supplies and software maintenance	297	326
Office supplies	116	116
Other consumables	36	48
Total supplies and consumables	**984**	**1 412**
Other operating expenses		
Contractual services with companies	5 743	4 532
Learning costs	2 673	2 855
Maintenance costs	1 525	1 401
Professional services	1 584	1 547
Communications	1 269	1 549
Insurance/warranties	60	106
Recruitment costs	161	95

	31 December 2016	*31 December 2015 (reclassified)*
Security	80	80
Freight costs	20	59
Allowance for doubtful receivables	12 883	–
Share of deficit/(surplus) joint ventures: equity method	(12)	6
Bad debt written off	–	6
Sundries	271	205
Foreign exchange losses	7 197	16 237
Total other operating expenses	**33 454**	**28 678**
Other expenses		
Hospitality	22	19
Impairment of inventories	–	5
Total other expenses	**22**	**24**
Total expenses	**89 986**	**83 784**

142. The following expenses were reclassified under the comparative column to better reflect the nature of the expenses:

(a) An amount of $0.20 million, formerly classified as insurance/warranties, was reclassified as other staff benefits;

(b) Foreign exchange losses of $1.02 million, formerly classified as other expenses, was reclassified as other operating expenses;

(c) Foreign exchange losses of $15.22 million, formerly classified as net investment revenue/expense, was reclassified as other operating expenses;

(d) Share of deficit joint ventures of $0.006 million was reclassified as other operating expenses.

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

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

Financial assets

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (restated)*
Designated at fair value through the surplus or deficit		
Short-term investments — main cash pool	13 388	9 080
Short-term investments — euro cash pool	–	3 773
Short-term investments — Endowment Fund	–	1 026
Total short-term investments	**13 388**	**13 879**
Long-term investments — main cash pool	6 446	6 092
Long-term investments — Endowment Fund	309 013	310 965
Total long-term investments	**315 460**	**317 057**
Total designated at fair value through the surplus or deficit investments	**328 848**	**330 936**
Loans and receivables		
Cash and cash equivalents — main cash pool	7 561	2 945
Cash and cash equivalents — euro cash pool	–	11 252
Cash and cash equivalents — Endowment Fund	17 873	24 716
Cash and cash equivalents — other	21 466	14 621
Total cash and cash equivalents	**46 900**	**53 534**
Short-term receivables — Voluntary contributions receivable	17 723	25 586
Short-term receivables — Other receivables	17 501	1 116
Long-term receivables — Voluntary contributions receivable	42 172	48 857
Total loans and receivables	**124 296**	**129 093**
Total carrying amount of financial assets	**453 144**	**460 029**
Of which relates to financial assets held in main cash pool	27 395	18 117
Of which relates to financial assets held in euro cash pool	–	15 025
Of which relates to financial assets held in Endowment Fund	326 886	336 707
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	18 349	2 169
Total carrying amount of financial liabilities	**18 349**	**2 169**
Summary of net revenue from financial assets		
Net cash pool revenue	163	84
Net Endowment Fund revenue	13 168	9 058
Total net revenue from financial assets	**13 331**	**9 142**

144. 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.

145. 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

146. 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.

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

148. 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.

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

Financial risk management: credit risk

150. 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

151. 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 2016	*31 December 2015 (restated)*
Credit risk exposure		
Cash and cash equivalent	46 900	53 534
Short-term investments	13 388	13 879
Long-term investments (excludes equity investments)	139 640	147 600
Voluntary contributions receivable	59 895	74 443
Other receivables excluding advances and deferred charges	17 501	1 116
Total	**277 324**	**290 572**

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

Credit risk: contributions receivable and other receivables

153. 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 2016

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	73 711	–
Less than 1 year	9 309	(6 250)
1-3 years	7 204	(6 630)
More than three years	244	(192)
Total	**90 468**	**(13 072)**

154. The allowance for doubtful receivables includes an impairment estimate of $12.75 million, which has been recognized in the statement of financial performance. This impairment represents payment instalments that were in arrears from a multi-year agreement with a major donor who is facing financial difficulties. Discussions between the University and the donor are ongoing.

Credit risk: cash and cash equivalents

155. The University had cash and cash equivalents of $46.90 million as at 31 December 2016, which is the maximum credit exposure on these assets.

Credit risk: main pool

156. In addition to directly held cash and cash equivalents and investments, the University participates in the United Nations Treasury main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars. The euro pool comprises investments in euros. The pool participants are mostly offices of the Secretariat away from Headquarters that may have a surplus of euros from their operations.

157. 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, short-term investments and long-term investments) and revenue is based on each participating entity’s principal balance.

158. As at 31 December 2016, UNU participated in the main pool, which held total assets of $9,033.6 million (2015: $7,783.9 million), of which $27.4 million was due to the Organization (2015: $33.1 million, including participation in the main pool and the euro pool), and its share of revenue from the main pool was $0.2 million (2015: $0.08 million (restated), including revenue from the main pool and the euro pool). As at 31 December 2016, UNU participated exclusively in the main pool.

Summary of assets and liabilities of the main pool as at 31 December 2016

(Thousands of United States dollars)

	Main pool
Fair value through surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to UNU	27 395
Payable to other cash pool participants	9 006 232
Total liabilities	**9 033 627**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	73 903	–	73 903
Unrealized losses	(13 474)	–	(13 474)
Investment revenue from cash pools	**60 429**	**–**	**60 429**
Foreign exchange gains/(losses)	(5 105)	728	(4 377)
Bank fees	(646)	–	(646)
Operating expenses from cash pools	**(5 751)**	**728**	**(5 023)**
Revenue and expenses from cash pools	**54 678**	**728**	**55 406**

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 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
Unrealized losses	(10 824)	(4)	(10 828)
Investment revenue from cash pools	**41 120**	**44**	**41 164**
Foreign exchange losses	(11 720)	(15 300)	(27 020)
Bank fees	(525)	–	(525)
Operating expenses from cash pools	**(12 245)**	**(15 300)**	**(27 545)**
Revenue and expenses from cash pools	**28 875**	**(15 256)**	**13 619**

Financial risk management

159. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

160. 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.

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

Financial risk management: credit risk

162. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main 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 main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

163. The Guidelines require that investments are not to 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.

164. The credit ratings used for the main pool 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 as shown below.

Investments of the cash pools by credit rating as at 31 December

Main pool	*Rating as at 31 December 2016*				*Rating as at 31 December 2015*			
Bonds (long-term ratings)								
	AAA	**AA+/AA/AA-**	**BBB**	**Not rated**		**AAA**	**AA+/AA/AA-**	**Not rated**
S&P	33.6%	55.1%	5.6%	5.7%	S&P	37.7%	54.2%	8.1%
Fitch	62.4%	28.3%		9.3%	Fitch	61.9%	26.5%	11.6%
	Aaa	**Aa1/Aa2/Aa3**				**Aaa**	**Aa1/Aa2/Aa3**	
Moody's	50.3%	49.7%			Moody's	65.8%	34.2%	
Commercial papers (short-term ratings)								
	A-1					**A-1+/A-1**		
S&P	100.0%				S&P	100.0%		
	F1					**F1+**		
Fitch	100.0%				Fitch	100.0%		
	P-1					**P-1**		
Moody's	100.0%				Moody's	100.0%		
Reverse repurchase agreement (short-term ratings)								
	A-1+					**A-1+**		
S&P	100.0%				S&P	100.0%		
	F1+					**F1+**		
Fitch	100.0%				Fitch	100.0%		
	P-1					**P-1**		
Moody's	100.0%				**Moody's**	100.0%		
Term deposits (Fitch viability ratings)								
	Aaa	**aa/aa-**	**a+/a**			**aaa**	**aa/aa-**	**a+/a**
Fitch		48.1%	51.9%		Fitch		53.6%	46.4%

165. The United Nations Treasury actively monitors credit ratings and, because the Organization 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

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

167. 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 2016

(Thousands of United States dollars)

	Less than 1 year	*1 to 5 years*	*Later than 5 years*	*Total*
Assets				
Cash and cash equivalent	46 900	–	–	46 900
Short-term investments	13 388	–	–	13 388
Long-term investments	–	62 482	252 978	315 460
Voluntary contributions receivable	17 723	31 852	10 320	59 895
Other receivables	17 501	–	–	17 501
Total financial assets	**95 512**	**94 334**	**263 298**	**453 144**

Maturities for financial liabilities as at 31 December 2016

(Undiscounted thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	18 349	–	–	18 349
Total	**18 349**	**–**	**–**	**18 349**

Financial risk management: interest rate risk

168. The main pool comprises the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2015: five years). The average duration of the main pool was 0.71 years (2015: 0.86 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

169. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that 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.

Main pool interest rate risk sensitivity analysis as at 31 December 2016

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	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Main pool 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)

Currency exposure for the University's share of cash pools as at 31 December 2016

(Thousands of United States dollars)

	United States dollars	*Euros*	*Total*
Main cash pool	27 401	–	27 401
Euro cash pool	–	–	–
Total	**27 401**	**–**	**27 401**

Currency exposure sensitivity analysis as at 31 December 2016

(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 price risk

170. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

171. 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.

172. The levels are defined as follows:

(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).

173. 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 in the main pool is the current bid price.

174. 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.

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

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	697 676	–	697 676	149 682	–	149 682
Bonds — non-United States agencies	1 903 557	–	1 903 557	2 190 965	–	2 190 965
Bonds — non-United States sovereigns	124 854	–	124 854	124 612	–	124 612
Bonds — supranational	213 224	–	213 224	139 828	–	139 828
Bonds — United States treasuries	586 739	–	586 739	1 092 139	–	1 092 139
Main pool — commercial papers	149 285	–	149 284	949 112	–	949 112
Main pool — term deposits	–	2 840 000	2 840 000	–	1 860 000	1 860 000
Main pool total	**3 675 334**	**2 840 000**	**6 515 334**	**4 646 338**	**1 860 000**	**6 506 338**

Note 28
Financial instruments: Endowment Fund

176. The fiduciary responsibility of the investment of the assets of the University's Endowment Fund resides with the Secretary-General. 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.

177. The Representative of the Secretary-General, with the assistance of the Pension Fund Investment Management Division, reviews the Endowment Fund Portfolio and monitors the performance of the Fund's investment manager on an ongoing basis. The Investment Committee regularly reviews the investment of the assets of the Endowment Fund.

178. 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.

179. 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.

180. In accordance with a decision taken by the Council of the 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

181. 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.

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

Financial risk management: credit risk

183. 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.

184. For management of credit risk arising from financial transactions with counterparties, which encompasses issuer risk on marketable securities, and 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.

185. The University annually reviews the credit limits applied and regularly monitors the counterparties’ credit quality reflecting market credit conditions. At year’s end, the credit ratings were as follows:

Endowment Fund credit ratings

(Thousands of United States dollars)

31 December 2016	*Total*	*Ratings*
Cash and cash equivalent	17 873	Fitch: 100% F1+
Bonds	133 194	Moody's: 47.88% Aaa; 9.08% Aa1; 11.85% Aa2; 5.3% Aa3; 10.58% A1; 1.01% A2; 10.41% Baa2
		Fitch: 2.7% AA+; 1.19% AA-
Total	**151 067**	

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; 53.5% Aa3; 8.5% A1; 9.3% Baa2
		Fitch: 1.1% AA; 3.3% AAA
Total	**167 250**	

186. 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 2016	*31 December 2015*
Bonds		
Government agencies	48 006	60 825
Government bonds	73 496	79 838
Municipal/provincial bonds	4 223	1 871
Index-linked government bonds	7 469	–
Total bonds	**133 194**	**142 534**
Equities		
North America	119 343	100 932
Europe	31 062	43 406
Japan	15 988	17 201
Asia (excluding Japan)	8 399	6 966
Emerging markets	1 027	952
Total equities	**175 819**	**169 457**

Financial risk management: liquidity risk

187. 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.

188. 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

189. The University invests primarily in securities with shorter terms to maturity. As at 31 December 2016, the average effective duration of fixed-rate securities was 7.52 years (2015: 6.66 years).

Endowment Fund interest rate risk sensitivity analysis

190. 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 2016	**22.6**	**16.5**	**10.7**	**5.2**	**–**	**(4.8)**	**(9.4)**	**(13.6)**	**(17.4)**
31 December 2015	**21.5**	**15.7**	**10.2**	**5.0**	**–**	**(4.7)**	**(9.1)**	**(13.2)**	**(17.0)**

Market risk: currency risk

191. 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 2016	**178 455**	**54 093**	**15 159**	**42 598**	**36 869**	**327 174**
31 December 2015	**186 032**	**61 490**	**24 167**	**43 724**	**21 417**	**336 830**

Currency risk: sensitivity analysis

192. The following table indicates the currencies to which the entity had significant exposure as at 31 December 2016. 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 2016		*31 December 2015*	
	Net assets and surplus or deficit		*Net assets and surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	(4 918)	6 010	(5 590)	6 832
British pound (10 per cent movement)	(1 378)	1 684	(2 197)	2 685
Japanese yen (10 per cent movement)	(3 873)	4 733	(3 975)	4 858
Others (10 per cent movement)	(3 352)	4 097	(1 947)	2 380

Other market price risk

193. 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 $8.80 million with an equal change in net assets (2015: $8.50 million).

194. 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

195. 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 2016			*31 December 2015(restated)*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Equity securities	175 819	–	175 819	169 457	–	169 457
Bonds	–	133 194	133 194	–	142 534	142 534
Total	**175 819**	**133 194**	**309 013**	**169 457**	**142 534**	**311 991**

Note 29
Related parties

Key management personnel

196. 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.

197. 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 2016

	Total
Number of positions (full-time equivalents)	5

(Thousands of United States dollars)

	Total
Salary and post adjustment	746
Other compensation/entitlements	191
Non-monetary compensation	386
Total remuneration for the year ended 31 December 2016	**1 323**
Outstanding loans and advances at 31 December 2016	–

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

199. 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

200. 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 Charter of the University, 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.

201. 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 recently concluded a memorandum of understanding with the Foundation that sets out the cooperative relationship between UNU and the Foundation and contains regulations on the use of the University's name and logo.

202. The Japan Foundation provides UNU with annual revenue and expense 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.

203. During 2016, the unaudited total net cash contribution of $0.35 million, which includes the rental of office space at the UNU headquarters building in Tokyo ($0.05 million), was transferred by the Japan Foundation to the University. Of that amount, $0.23 million was received by the Foundation and $0.12 million came from its reserves. The reserves balance of the Foundation amounts to $6.15 million (unaudited) as at 31 December 2016.

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

204. 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 surplus for the year ended 31 December 2016 is $0.012 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 2016	*31 December 2015*
Cost as at 1 January	64	83
Movement for the year:		
Changes in net assets of jointly controlled operations recognized through statement of changes in net assets	2	(25)
Share of deficit/(surplus) for the year in operations of jointly controlled operations recognized through statement of financial performance	(12)	6
Total changes in jointly controlled operations for the year	**(10)**	**(19)**
Net liability reported in statement of financial position	**54**	**64**

205. 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

206. 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 2016	*31 December 2015*
Buildings	50 768	53 439
Machinery and equipment	3	4
Furniture and fixtures	56	61
Total net finance lease asset carrying value	**50 827**	**53 504**

207. Other liabilities include $50.77 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.

208. 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 2016*	*31 December 2015*
Due in less than 1 year	32	32
Due 1 to 5 years	32	49
Due later than 5 years	–	–
Total minimum finance lease obligations	**64**	**81**
Future finance charges	**–**	**–**
Future minimum finance lease obligations	**64**	**81**

Operating leases

209. The University enters into operating lease arrangements for the use of buildings and photocopiers. The total operating lease payments recognized in expenses for the year were $20.83 million. This total includes $20.01 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 2016*	*31 December 2015*
Due in less than 1 year	717	773
Due 1 to 5 years	1 497	1 755
Due later than 5 years	3 661	4 187
Total minimum operating lease obligations	**5 875**	**6 715**

210. 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

211. 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 2016	*31 December 2015*
Property, plant and equipment	195	54
Goods and services	12 510	13 431
Total	**12 705**	**13 485**

212. Goods and services disclosed include contracts issued to individual contractors amounting to $7.37 million and contracts on building maintenance, cleaning and security services for the University headquarters building in Tokyo amounting to $2.06 million.

Note 31
Provisions, contingent liabilities and contingent assets

Provisions and contingent liabilities

213. 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 expenses 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 2016, there are no material provisions recognized or contingent liabilities to disclose.

Contingent assets

214. 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 2016, the University had no contingent assets.

Note 32
Events after the reporting date

215. 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 2016 — 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	19 812	–	3 740	2 970	360	–	–	–	1 135	–
Investments	5 260	–	4 254	3 739	135	–	–	–	–	–
Voluntary contributions receivable	1 220	–	87	1 237	–	383	–	699	1 725	918
Other receivables	39	88	35	265	–	19	–	2	5	–
Inventories	–	–	–	–	–	–	–	4	–	–
Other assets	1 794	19	3	–	–	–	–	24	–	–
Inter-fund balances receivable	–	1 471	–	–	2 277	718	749	14 288	–	–
Total current assets	**28 125**	**1 578**	**8 119**	**8 211**	**2 772**	**1 120**	**749**	**15 017**	**2 865**	**918**
Non-current assets										
Investments	2 532	–	2 049	1 801	65	–	–	–	–	–
Voluntary contributions receivable	1 000	–	–	21	–	–	–	–	2 965	3 620
Property, plant and equipment	350	37 358	58	565	12 316	167	–	10	4	–
Intangible assets	9	–	153	–	–	–	–	–	–	–
Other assets	–	–	–	–	27	–	–	–	–	–
Total non-current assets	**3 891**	**37 358**	**2 260**	**2 387**	**12 408**	**167**	**–**	**10**	**2 969**	**3 620**
Total assets	**32 016**	**38 936**	**10 379**	**10 598**	**15 180**	**1 287**	**749**	**15 027**	**5 834**	**4 538**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	603	197	268	58	23	80	10	354	17	3
Advance receipts	869	6	–	211	–	–	–	191	–	–
Employee benefits liabilities	607	–	206	33	62	5	7	301	21	19
Borrowings	11	3	16	–	–	–	–	–	–	–
Other liabilities	–	3 543	–	–	488	6	–	–	–	–
Inter-fund balances payable	26 227	–	288	8	–	–	–	–	35	10
Total current liabilities	**28 317**	**3 749**	**778**	**310**	**573**	**91**	**17**	**846**	**73**	**32**

Statement of financial position as at 31 December 2016 (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	294	–	–	–	–	–	–	–	–	–
Employee benefits liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	18	6	3	–	–	–	–	–	–	–
Other liabilities	–	32 589	–	–	11 634	126	–	–	–	–
Share of joint ventures: equity method	16	–	5	4	5	1	–	6	4	1
Total non-current liabilities	**328**	**32 595**	**8**	**4**	**11 639**	**127**	**–**	**6**	**4**	**1**
Total liabilities	**28 645**	**36 344**	**786**	**314**	**12 212**	**218**	**17**	**852**	**77**	**33**
Net of total assets and total liabilities	**3 371**	**2 592**	**9 593**	**10 284**	**2 968**	**1 069**	**732**	**14 175**	**5 757**	**4 505**
Net assets										
Accumulated surpluses	3 371	2 592	9 593	10 284	2 968	1 069	732	14 175	5 757	4 505
Endowment Fund	–	–	–	–	–	–	–	–	–	–
Total net assets	**3 371**	**2 592**	**9 593**	**10 284**	**2 968**	**1 069**	**732**	**14 175**	**5 757**	**4 505**

Statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Assets										
Current assets										
Cash and cash equivalents	1 010	–	–	–	–	29 027	17 873	–	–	**46 900**
Investments	–	–	–	–	–	13 388	–	–	–	**13 388**
Voluntary contributions receivable	173	–	1 202	–	1 499	9 143	8 580	–	–	**17 723**
Other receivables	47	3	31	2	–	536	16 965	–	–	**17 501**
Inventories	–	–	–	–	–	4	–	–	–	**4**
Other assets	5	13	–	–	–	1 858	–	–	–	**1 858**
Inter-fund balances receivable	158	3 651	473	823	1 471	26 079	7 588	–	(33 667)	–
Total current assets	**1 393**	**3 667**	**1 706**	**825**	**2 970**	**80 035**	**51 006**	–	**(33 667)**	**97 374**
Non-current assets										
Investments	–	–	–	–	–	6 447	309 013	–	–	**315 460**
Voluntary contributions receivable	31	–	785	–	3 750	12 172	30 000	–	–	**42 172**
Property, plant and equipment	–	1 084	–	153	–	52 065	–	–	–	**52 065**
Intangible assets	–	–	–	–	–	162	–	–	–	**162**
Other assets	–	–	–	–	–	27	–	–	–	**27**
Total non-current assets	**31**	**1 084**	**785**	**153**	**3 750**	**70 873**	**339 013**	–	–	**409 886**
Total assets	**1 424**	**4 751**	**2 491**	**978**	**6 720**	**150 908**	**390 019**	–	**(33 667)**	**507 260**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	4	20	13	19	3	1 672	16 677	–	–	**18 349**
Advance receipts	65	–	26	–	–	1 368	–	–	–	**1 368**
Employee benefits liabilities	177	76	13	99	–	1 626	–	588	–	**2 214**
Borrowings	–	2	–	–	–	32	–	–	–	**32**
Other liabilities	–	47	–	–	–	4 084	–	–	–	**4 084**
Inter-fund balances payable	–	–	–	–	–	26 568	5 698	1 401	(33 667)	–
Total current liabilities	**246**	**145**	**52**	**118**	**3**	**35 350**	**22 375**	**1 989**	**(33 667)**	**26 047**

Statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Non-current liabilities										
Advance receipts	–	–	–	–	–	294	–	–	–	**294**
Employee benefits liabilities	–	–	–	–	–	–	–	12 103	–	**12 103**
Borrowings	–	5	–	–	–	32	–	–	–	**32**
Other liabilities	–	990	–	–	–	45 339	–	–	–	**45 339**
Share of joint ventures: equity method	4	3	3	3	(1)	54	–	–	–	**54**
Total non-current liabilities	**4**	**998**	**3**	**3**	(1)	**45 719**	–	**12 103**	–	**57 822**
Total liabilities	**250**	**1 143**	**55**	**121**	**2**	**81 069**	**22 375**	**14 092**	**(33 667)**	**83 869**
Net of total assets and total liabilities	**1 174**	**3 608**	**2 436**	**857**	**6 718**	**69 839**	**367 644**	**(14 092)**	–	**423 391**
Net assets										
Accumulated surpluses/(deficits)	**1 174**	**3 608**	**2 436**	**857**	**6 718**	**69 839**	–	**(14 092)**	–	**55 747**
Endowment Fund	–	–	–	–	–	–	**367 644**	–	–	**367 644**
Total net assets	**1 174**	**3 608**	**2 436**	**857**	**6 718**	**69 839**	**367 644**	**(14 092)**	–	**423 391**

Annex II

Statement of financial performance for the year ended 31 December 2016 — 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	3 103	19 245	4 901	1 256	919	382	137	7 787	118	4 891
Investment revenue	49	–	77	36	2	–	–	–	–	–
Other revenue	594	1 551	138	427	–	–	–	148	401	–
Transfers from the Endowment Fund	7 620	–	2 468	1 000	1 907	636	475	–	–	–
Total revenue	**11 366**	**20 796**	**7 584**	**2 719**	**2 828**	**1 018**	**612**	**7 935**	**519**	**4 891**
Expenses										
Employee salaries, allowances and benefits	7 107	211	3 228	1 749	738	524	56	3 043	1 095	173
Rent, leases and utilities	585	14 647	403	343	332	196	138	73	137	169
Travel	1 098	–	1 209	225	159	255	30	1 457	148	3
Depreciation and amortization	105	3 621	71	105	510	27	–	3	2	–
Non-employee compensation and allowances	642	2	2 503	291	5	265	21	749	65	9
Supplies and consumables	428	17	122	25	45	28	11	208	11	–
Other operating expenses	1457	1 796	2 902	1 239	413	331	243	2 979	71	35
Other expenses	6	–	1	–	1	2	–	2	–	–
Share of deficit of joint ventures: equity method	–	–	–	–	–	–	–	–	–	–
Endowment Fund expense allocation	–	–	–	–	–	–	–	–	–	–
Total expenses	**11 428**	**20 294**	**10 439**	**3 977**	**2 203**	**1 628**	**499**	**8 514**	**1 529**	**389**
Surplus/(deficit) for the year	**(62)**	**502**	**(2 855)**	**(1 258)**	**625**	**(610)**	**113**	**(579)**	**(1 010)**	**4 502**

Statement of financial performance for the year ended 31 December 2016 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Revenue										
Voluntary contributions	1 959	201	2 604	2 024	–	49 527	–	–	–	**49 527**
Investment revenue	–	–	–	–	–	164	13 167	–	–	**13 331**
Other revenue	94	1	1	17	–	3 372	42	200	(292)	**3 322**
Transfers from the Endowment Fund	148	2 096	–	–	291	16 641	–	–	(16 641)	–
Total revenue	**2 201**	**2 298**	**2 605**	**2 041**	**291**	**69 704**	**13 209**	**200**	**(16 933)**	**66 180**
Expenses										
Employee salaries, allowances and benefits	1 419	820	339	1 123	–	21 626	–	1 458	(200)	**22 884**
Rent, leases and utilities	199	13	206	221	–	17 662	–	–	(13)	**17 649**
Travel	320	252	56	115	–	5 327	–	–	–	**5 327**
Depreciation and amortization	–	65	–	73	–	4 582	–	–	–	**4 582**
Non-employee compensation and allowances	265	184	60	44	–	5 105	–	–	(21)	**5 084**
Supplies and consumables	28	9	4	48	–	984	–	–	–	**984**
Other operating expenses	493	252	176	314	2 753	15 454	18 058	–	(58)	**33 454**
Other expenses	7	1	1	1	–	22	–	–	–	**22**
Share of deficit of joint ventures: equity method	–	–	–	–	–	–	–	–	–	–
Endowment Fund expense allocation	–	–	–	–	–	–	16 641	–	(16 641)	–
Total expenses	**2 731**	**1 596**	**842**	**1 939**	**2 753**	**70 762**	**34 699**	**1 458**	**(16 933)**	**89 986**
Surplus/(deficit) for the year	**(530)**	**702**	**1 763**	**102**	**(2 462)**	**(1 058)**	**(21 490)**	**(1 258)**	**–**	**(23 806)**

Annex III

Statement of appropriation as at 31 December 2016

(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	3 048	3 697	6 745	2 935	99	3 034	3 711
Staff and other personnel costs	6 605	–	6 605	6 376	7	6 383	222
General expenses	2 746	(95)	2 651	1 477	310	1 787	864
Subtotal	**12 399**	**3 602**	**16 001**	**10 788**	**416**	**11 204**	**4 797**
UNU headquarters building							
Research, training networks and dissemination	–	–	–	–	–	–	–
Staff and other personnel costs	313	(31)	282	207	–	207	75
General expenses	2 014	156	2 170	1 881	289	2 170	–
Subtotal	**2 327**	**125**	**2 452**	**2 088**	**289**	**2 377**	**75**
UNU-WIDER							
Research, training networks and dissemination	8 207	1 157	9 364	6 199	93	6 292	3 072
Staff and other personnel costs	3 567	(519)	3 048	3 018	30	3 048	–
General expenses	839	(114)	725	620	44	664	61
Subtotal	**12 613**	**524**	**13 137**	**9 837**	**167**	**10 004**	**3 133**
UNU-MERIT							
Research, training networks and dissemination	2 373	817	3 190	1 629	52	1 681	1 509
Staff and other personnel costs	1 797	(181)	1 616	1 366	–	1 366	250
General expenses	438	350	788	781	7	788	–
Subtotal	**4 608**	**986**	**5 594**	**3 776**	**59**	**3 835**	**1 759**
UNU-CS							
Research, training networks and dissemination	127	–	127	–	–	–	127
Staff and other personnel costs	1 190	(26)	1 164	730	14	744	420
General expenses	1 053	26	1 079	1 050	29	1 079	–
Subtotal	**2 370**	**–**	**2 370**	**1 780**	**43**	**1 823**	**547**

Statement of appropriation as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU-INRA							
Research, training networks and dissemination	836	(36)	800	536	91	627	173
Staff and other personnel costs	497	2	499	461	38	499	–
General expenses	266	(2)	264	219	15	234	30
Subtotal	**1 599**	**(36)**	**1 563**	**1 216**	**144**	**1 360**	**203**
UNU-BIOLAC							
Research, training networks and dissemination	309	–	309	201	10	211	98
Staff and other personnel costs	58	–	58	54	–	54	4
General expenses	108	–	108	75	–	75	33
Subtotal	**475**	**–**	**475**	**330**	**10**	**340**	**135**
UNU-IAS							
Research, training networks and dissemination	15 149	4 875	20 024	7 517	645	8 162	11 862
Staff and other personnel costs	623	37	660	652	8	660	–
General expenses	441	(24)	417	407	10	417	–
Subtotal	**16 213**	**4 888**	**21 101**	**8 576**	**663**	**9 239**	**11 862**
UNU-INWEH							
Research, training networks and dissemination	601	189	790	325	8	333	457
Staff and other personnel costs	908	216	1 124	1 123	–	1 123	1
General expenses	327	–	327	313	–	313	14
Subtotal	**1 836**	**405**	**2 241**	**1 761**	**8**	**1 769**	**472**
UNU-CRIS							
Research, training networks and dissemination	–	–	–	–	–	–	–
Staff and other personnel costs	374	(5)	369	256	–	256	113
General expenses	40	5	45	45	–	45	–
Subtotal	**414**	**–**	**414**	**301**	**–**	**301**	**113**
UNU-EHS							
Research, training networks and dissemination	1 387	1 668	3 055	1 467	–	1 467	1 588
Staff and other personnel costs	824	46	870	870	–	870	–
General expenses	138	–	138	131	–	131	7

Statement of appropriation as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
Subtotal	**2 349**	**1 714**	**4 063**	**2 468**	**–**	**2 468**	**1 595**
UNU-IIGH							
Research, training networks and dissemination	860	176	1 036	549	2	551	485
Staff and other personnel costs	985	–	985	870	2	872	113
General expenses	428	–	428	229	31	260	168
Subtotal	**2 273**	**176**	**2 449**	**1 648**	**35**	**1 683**	**766**
UNU-GCM							
Research, training networks and dissemination	166	–	166	121	–	121	45
Staff and other personnel costs	470	(110)	360	338	–	338	22
General expenses	204	14	218	162	–	162	56
Subtotal	**840**	**(96)**	**744**	**621**	**–**	**621**	**123**
UNU-FLORES							
Research, training networks and dissemination	399	22	421	217	9	226	195
Staff and other personnel costs	1 239	(104)	1 135	1 110	–	1 110	25
General expenses	219	79	298	263	35	298	–
Subtotal	**1 857**	**(3)**	**1 854**	**1 590**	**44**	**1 634**	**220**
UNU-IRADDA							
Research, training networks and dissemination	750	–	750	–	–	–	750
Staff and other personnel costs	1 037	–	1 037	–	–	–	1 037
General expenses	600	–	600	–	–	–	600
Subtotal	**2 387**	**–**	**2 387**	**–**	**–**	**–**	**2 387**
Grand total	**64 560**	**12 285**	**76 845**	**46 780**	**1 878**	**48 658**	**28 187**

Annex IV

Statement of contributions from January to December 2016

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU Centre				
Vice-Rectorate in Europe				
Government donations				
Federal Republic of Germany — Federal Ministry of Education and Research (BMBF)	–	1 229	161	1 390
United States Environmental Protection Agency	–	40	–	40
Non-government donations:				
European Commission				
European Union (European Commission)	–	306	–	306
United Nations organizations				
United Nations Environment Programme (UNEP), Nairobi	–	10	–	10
Others				
Dell Corporation Ltd/Dell Incorporation	–	19	–	19
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	69	–	69
Pooled donors	–	2	–	2
Reverse Logistics Group Americas (fka AER Worldwide)	–	1	–	1
Stiftung SENS	–	14	–	14
University of Graz	–	(16)	–	(16)
UNU Office at the United Nations, New York				
Government donations				
Foreign and Commonwealth Office of the United Kingdom	–	89	–	89
Grand Duchy of Luxembourg	–	203	–	203
Permanent Mission of the Principality of Liechtenstein to the United Nations	–	10	–	10
Swiss Federal Department of Foreign Affairs	–	61	–	61
Non-government donations:				
United Nations organizations				
United Nations Children's Fund	–	350	–	350

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Others				
Thomson Reuters	–	10	–	10
Office of the Rector				
Government donations				
Government of Japan — Ministry of Foreign Affairs (MOFA)	–	316	–	316
Non-government donations:				
Others				
Farmer’s Market Association	–	182	–	182
Sasakawa Peace Foundation	–	(20)	–	(20)
UNU Centre, Kuala Lumpur				
Government donations				
Government of Malaysia — Ministry of Higher Education (MOHE)	–	–	23	23
Centre for Policy Research				
Government donations				
United Kingdom — Department for International Development (DFID)	–	58	–	58
Non-government donations:				
United Nations organizations				
United Nations Development Programme	–	(28)	–	(28)
E-Governance				
Government donations				
Portuguese Republic	–	–	14	14
UNU Centre	**–**	**2 905**	**198**	**3 103**
UNU headquarters building and land				
Government donations				
Government of Japan — Ministry of Foreign Affairs (MOFA)	–	1 306	17 940	19 246
UNU headquarters building and land	**–**	**1 306**	**17 940**	**19 246**

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-WIDER				
Government donations				
Government of Finland — Ministry of Environment	–	–	361	361
Government of Norway	–	939	–	939
Kingdom of Denmark — Ministry of Foreign Affairs of Denmark, Development Assistance (MOFA)	–	149	–	149
Kingdom of Sweden — Swedish International Development Agency (SIDA), Department for Research Cooperation (SAREC)	–	791	–	791
Republic of Finland — Ministry of Foreign Affairs of Finland, Department for Development Policy, Unit for Development Issues (MOFA)	–	2 199	–	2 199
Korea International Cooperation Agency	–	148	–	148
Non-government donations:				
Others				
Institute of Development Studies	–	105	–	105
University of Copenhagen Department of Economics	–	208	–	208
UNU-WIDER	**–**	**4 539**	**361**	**4 900**
UNU-MERIT				
Government donations				
Dutch Ministry for Development Cooperation (MDC)	–	(177)	–	(177)
Dutch Ministry of Education, Culture and Science (OCW)	–	980	–	980
Maastricht City Council	–	278	–	278
Non-government donations:				
European Commission				
European Union (European Commission)	–	(27)	–	(27)
United Nations organizations				
United Nations Industrial Development Organization (UNIDO)	–	30	–	30
Food and Agriculture Organization of the United Nations (FAO)	–	16	–	16

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Others				
Maastricht Graduate School of Governance	–	157	–	157
UNU-MERIT	**–**	**1 257**	–	**1 257**
UNU-CS				
Government donations				
Fundação Macau	–	430	488	918
UNU-CS	**–**	**430**	**488**	**918**
UNU-INRA				
Government donations				
Government of Ghana	–	–	162	162
Government of Republic of Zambia	–	–	35	35
Non-government donations:				
United Nations organizations				
United Nations Environment Programme (UNEP), Nairobi	–	28	–	28
Economic Commission for Africa	–	150	–	150
Others				
International Development Research Centre	–	7	–	7
UNU-INRA	–	**185**	**197**	**382**
UNU-BIOLAC				
Government donations				
Government of Venezuela	–	–	137	137
UNU-BIOLAC	**–**	**–**	**137**	**137**
UNU-CRIS				
Government donations				
Government of Belgium	–	4 721	169	4 890
UNU-CRIS	**–**	**4 721**	**169**	**4 890**

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-IAS				
Government donations				
City of Yokohama	–	–	15	15
Government of Japan — Ministry of Agriculture, Forestry and Fisheries (MAFF)	–	225	–	225
Government of Japan — Ministry of Education, Culture, Sports, Science and Technology (MEXT)	–	1 473	–	1 473
Government of Japan — Ministry of the Environment (MOE)	–	3 655	–	3 655
Ibaraki Prefectural Board of Education	–	14	–	14
Ishikawa Prefecture	–	233	–	233
Kanazawa City	–	237	–	237
Non-government donations:				
United Nations organizations				
United Nations Environment Programme	–	71	–	71
Others				
African Development Bank Group	–	430	–	430
Aoyama Gakuin University	–	2	–	2
Asia-Pacific Network for Global Change Research (APN)	–	77	–	77
Asia-Pacific Network for Sustainable Forest Management and Rehabilitation	–	(41)	–	(41)
Chuo University	–	2	–	2
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	14	–	14
Institute for Global Environmental Strategies	–	394	–	394
International Christian University (ICU)	–	2	–	2
Japan Science and Technology Agency	–	248	–	248
Japan Society for the Promotion of Science	–	84	–	84
Kanagawa International Foundation (KIF)	–	33	–	33
Keio University	–	86	–	86
Kirin Holdings Company, Ltd.	–	230	–	230
Nippon Koei Co., Ltd.	–	30	–	30
Osaka University, Institute for Academic Initiatives	–	8	–	8

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Pooled Donors	–	(2)	–	(2)
Reverse Logistics Group Americas (fka AER Worldwide)	–	(1)	–	(1)
Suzuka University of Medical Science	–	3	–	3
Japan Foundation for the United Nation University	–	138	–	138
Tokushima University	–	4	–	4
Tsuda College	–	2	–	2
Universitetet I Tromso — Norges Arktiske Universitet	–	101	–	101
University of Tokyo	–	21	–	21
UNU-IAS	**–**	**7 773**	**15**	**7 788**
UNU-INWEH				
Government donations				
Korea Environment Corporation and Ministry of Environment of Korea	–	105	–	105
Non-government donations:				
Others				
Arab Gulf Programme for United Nations Development Organization (AGFUND)	–	14	–	14
UNU-INWEH	**–**	**119**	**–**	**119**
UNU-EHS				
Government donations				
Federal Republic of Germany — Federal Ministry of Education and Research (BMBF)	–	778	184	962
Ministry of Education and Research Nord Rhein Westerfalia	–	438	–	438
Non-government donations:				
European Commission				
European Union (European Commission)	–	42	–	42
United Nations organizations				
United Nations Environment Programme (UNEP), Nairobi	–	34	–	34
Others				
Alexander von Humboldt-Foundation	–	11	–	11
AXA	–	(131)	–	(131)

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Deutsche Akademische Austauschdienst (DAAD)	–	170	–	170
Deutsche Forschungsgemeinschaft	–	62	–	62
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	22	–	22
Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR)	–	134	–	134
Fachhochschule Koeln	–	7	–	7
Helmholtz-Centre Potsdam — GFZ German Research Centre for Geosciences	–	3	–	3
Munich Climate Insurance Initiative	–	100	–	100
Munich Re Foundation	–	105	–	105
UNU-EHS	–	**1 775**	**184**	**1 959**
UNU-IIGH				
Government donations				
Government of Malaysia — Ministry of Higher Education (MOHE)	–	–	47	47
Non-government donations:				
Others				
Asia-Pacific Network for Global Change Research (APN)	–	(6)	–	(6)
Cardiff University	–	69	–	69
Rockefeller Foundation	–	30	–	30
Wellcome Trust	–	61	–	61
UNU-IIGH	–	**154**	**47**	**201**
UNU-GCM				
Government donations				
Catalonia Government	–	–	195	195
Ministry of Education Spain	–	2 409	–	2 409
UNU-GCM	–	**2 409**	**195**	**2 604**

Statement of contributions from January to December 2016 (continued)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-FLORES				
Government donations				
Federal Republic of Germany — Federal Ministry of Education and Research (BMBF)	–	1 194	–	1 194
Saxon State Ministry for Higher Education, Research and the Arts	–	551	218	769
Non-government donations:				
Others				
Alexander von Humboldt-Foundation	–	10	–	10
Deutsche Forschungsgemeinschaft	–	34	–	34
University of Twente	–	16	–	16
UNU-FLORES	**–**	**1 805**	**218**	**2 023**
Grand total	**–**	**29 378**	**20 149**	**49 527**

1. The presentation of the report has been revised to include the information required by the United Nations System Chief Executives Board for Coordination.
2. The negative operating contribution amounts are mainly due to accounting adjustments and refunds to donors (see annex VI).

Annex V

Statement of unpaid pledges as at 31 December 2016

This table shows the reconciliation of opening to closing pledges for those payees who have unpaid pledges as at 31 December 2016.

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
Operating funds					
UNU Centre					
Government donations					
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1 229	(1 229)	–	–
Government of Japan — Ministry of Foreign Affairs	–	316	(316)	–	–
Grand Duchy of Luxembourg	–	203	(203)	–	–
Portuguese Republic	4 000	–	(2 000)	–	2 000
Permanent Mission of Liechtenstein to the United Nations	–	10	(10)	–	–
Swiss Federal Department of Foreign Affairs	–	61	(61)	–	–
Foreign and Commonwealth Office of the United Kingdom	–	89	(89)	–	–
United Kingdom — Department for International Development (DFID)	–	58	(58)	–	–
United States Environmental Protection Agency	–	40	(40)	–	–
Non-government donations:					
European Commission					
European Union (European Commission)	56	1 233	(1 263)	1	27
United Nations organizations					
United Nations Development Programme (UNDP)	253	(28)	(224)	(1)	–
United Nations Educational, Scientific and Cultural Organization (UNESCO)	28	–	(28)	–	–
United Nations Environment Programme (UNEP)	–	10	(10)	–	–
United Nations Industrial Development Organization (UNIDO)	10	–	(10)	–	–
United Nations Children’s Fund (UNICEF)	–	350	(200)	–	150

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
Others					
Dell Corporation Ltd/Dell Incorporation	–	19	(19)	–	–
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	69	(69)	–	–
Farmer’s Market Association	37	182	(178)	1	42
Stiftung SENS	–	14	(14)	–	–
Thomson Reuters	–	10	(10)	–	–
University of Graz	16	(16)	–	–	–
WeCycle	14	–	(14)	–	–
UNU Centre	**4 414**	**3 849**	**(6 045)**	**1**	**2 219**
UNU headquarters building					
Government donations					
Government of Japan — Ministry of Foreign Affairs	–	1 306	(1 306)	–	–
UNU headquarters building and land	**–**	**1 306**	**(1 306)**	**–**	**–**
UNU-WIDER					
Government donations					
Kingdom of Denmark — Ministry of Foreign Affairs, Development Assistance (MOFA)	–	149	(149)	–	–
Republic of Finland — Ministry of Foreign Affairs, Department for Development Policy, Unit for Development Issues (MOFA)	–	2 199	(2 199)	–	–
Government of Norway	–	939	(939)	–	–
Korea International Cooperation Agency	–	148	(61)	–	87
National Treasury of the Republic of South Africa	380	–	(391)	11	–
Kingdom of Sweden — Swedish International Development Agency (SIDA), Department for Research Cooperation (SAREC)	–	791	(791)	–	–
Non-government donations:					
Others					
Central Institute for Economic Management	12	–	(12)	–	–
Institute of Development Studies	–	105	(105)	–	–

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
University of Copenhagen Department of Economics	–	208	(208)	–	–
UNU-WIDER	**392**	**4 539**	**(4 855)**	**11**	**87**
UNU-MERIT					
Government donations					
Dutch Ministry for Development Cooperation (MDC)	328	(177)	(150)	(1)	–
Dutch Ministry of Education, Culture and Science (OCW)	978	980	(1 018)	16	956
Maastricht City Council	96	278	(374)	–	–
Non-government donations:					
European Commission					
European Union (European Commission)	–	133	(133)	–	–
United Nations organizations					
Food and Agriculture Organization of the United Nations (FAO)	–	16	(16)	–	–
United Nations Industrial Development Organization (UNIDO)	–	30	(30)	–	–
Others					
Economic Research Southern Africa	7	–	–	1	8
Maastricht Graduate School of Governance	–	157	(157)	–	–
New Partnership for Africa's Development Planning and Coordinating Agency	77	–	(40)	6	43
WASTE	262	–	–	(11)	251
UNU-MERIT	**1 748**	**1 417**	**(1 918)**	**11**	**1 258**
UNU-CS					
Government donations					
Fundação Macau	22	430	(452)	–	–
UNU-CS	**22**	**430**	**(452)**	**–**	**–**

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
UNU-INRA					
Non-government donations:					
United Nations organizations					
United Nations Environment Programme (UNEP), Nairobi	–	28	(28)	–	–
Economic Commission for Africa	383	150	(150)	–	383
Others					
International Development Research Centre (IDRC)	–	7	(7)	–	–
Sustainability Institute	12	–	(12)	–	–
UNU-INRA	**395**	**185**	**(197)**	**–**	**383**
UNU-CRIS					
Government donations					
Government of Belgium	129	4 722	(313)	–	4 538
UNU-CRIS	**129**	**4 722**	**(313)**	**–**	**4 538**
UNU-IAS					
Government donations					
Government of Australia — Department of the Environment and Heritage	109	–	(114)	5	–
Government of Japan — Ministry of Agriculture, Forestry and Fisheries (MAFF)	72	225	(303)	6	–
Government of Japan — Ministry of Education, Culture, Sports, Science and Technology (MEXT)	789	1 473	(2 275)	13	–
Government of Japan — Ministry of the Environment (MOE)	191	3 655	(3 866)	20	–
Ibaraki Prefectural Board of Education	–	14	(14)	–	–
Ishikawa Prefecture	42	233	(235)	3	43
Kanazawa City	42	237	(239)	3	43
Non-government donations:					
United Nations organizations					
United Nations Environment Programme (UNEP)	–	71	(71)	–	–

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
Others					
African Development Bank Group	–	430	(430)	–	–
Aoyama Gakuin University	–	2	(2)	–	–
Asian Development Bank — Metro Manila, Philippines	–	92	(92)	–	–
Asia-Pacific Network for Global Change Research (APN)	–	77	(72)	(1)	4
Asia-Pacific Network for Sustainable Forest Management and Rehabilitation	80	(41)	(39)	–	–
Canon Inc	25	–	(14)	2	13
Chuo University	–	2	(2)	–	–
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	14	(14)	–	–
Institute for Global Environmental Strategies (IGES)	538	394	(588)	50	394
International Christian University (ICU)	–	2	(2)	–	–
Japan Educational Exchanges and Services (JEES)	–	32	(32)	–	–
Japan Science and Technology Agency	–	248	(248)	–	–
Japan Society for the Promotion of Science	–	83	(69)	–	14
Kanagawa International Foundation (KIF)	30	33	(63)	–	–
Keio University	–	86	–	–	86
Kirin Holdings Company, Ltd.	–	230	(230)	–	–
Nippon Koei Co., Ltd.	–	30	(30)	–	–
Osaka University, Institute for Academic Initiatives	–	8	(8)	–	–
Suzuka University of Medical Science	–	3	(3)	–	–
Christensen Fund	66	–	(66)	–	–
Japan Foundation for the United Nation University	–	312	(312)	–	–
Tokushima University	–	4	(4)	–	–
Tsuda College	–	2	(2)	–	–
Universitetet I Tromso — Norges Arktiske Universitet	–	101	–	–	101
University of Tokyo	–	21	(21)	–	–
UNU-IAS	**1 984**	**8 073**	**(9 460)**	**101**	**698**

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
UNU-INWEH					
Government donations					
Government of Canada — Department of Foreign Affairs, Trade and Development	5 776	–	(1 561)	217	4 432
Korea Environment Corporation and Ministry of Environment of Korea	–	105	(60)	–	45
Non-government donations:					
United Nations organizations					
United Nations, Department of Economic and Social Affairs (UNDESA)	10	–	(10)	–	–
Others					
Anderson Water Systems, Inc	22	–	–	–	22
Arab Gulf Programme for United Nations Development Organization (AGFUND)	–	14	(14)	–	–
Edmonton Power Corporation Water Services Inc	216	–	(72)	4	148
McMaster University	87	–	(45)	2	44
Walter & Duncan Gordon Foundation	2	–	(2)	–	–
UNU-INWEH	**6 113**	**119**	**(1 764)**	**223**	**4 691**
UNU-EHS					
Government donations					
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	778	(778)	–	–
Ministry of Education and Research Nord Rhein Westerfalia	–	438	(438)	–	–
Non-government donations:					
European Commission					
European Union (European Commission)	53	110	(164)	1	–
United Nations organizations					
United Nations Environment Programme (UNEP), Nairobi	52	34	(86)	–	–
Others					
Alexander von Humboldt-Foundation	–	11	(11)	–	–
AXA	263	(131)	(33)	(8)	91

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
Buendnis Entwicklung Hilft	16	–	–	(1)	15
Deutsche Akademische Austauschdienst (DAAD)	–	170	(170)	–	–
Deutsche Forschungsgemeinschaft	15	62	(76)	(1)	–
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	–	22	(22)	–	–
Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR)	–	134	(121)	–	13
Fachhochschule Koeln	–	7	(7)	–	–
Helmholtz-Centre Potsdam — GFZ German Research Centre for Geosciences	11	3	(8)	–	6
Munich Climate Insurance Initiative	221	100	(290)	(4)	27
Munich Re Foundation	57	105	(162)	–	–
Munich Re Insurance (Muenchener Rueckversicherung)	55	–	(27)	–	28
University of Hannover	68	–	(44)	–	24
UNU-EHS	**811**	**1 843**	**(2 437)**	**(13)**	**204**
UNU-IIGH					
Non-government donations:					
Others					
Cardiff University	–	69	(69)	–	–
Rockefeller Foundation	–	30	(30)	–	–
Swedish Research Council	14	–	(14)	–	–
Wellcome Trust	–	61	(61)	–	–
UNU-IIGH	**14**	**160**	**(174)**	–	–
UNU-GCM					
Government donations					
Ministry of Education, Spain	218	2 379	(610)	–	1 987
UNU-GCM	**218**	**2 379**	**(610)**	**–**	**1 987**

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
UNU-FLORES					
Government donations					
Federal Republic of Germany — The Federal Ministry of Education and Research (BMBF)	–	1 194	(1 194)	–	–
Saxon State Ministry for Higher Education, Research and the Arts	–	551	(551)	–	–
Non-government donations					
Others					
Alexander von Humboldt-Foundation	–	10	(10)	–	–
Deutsche Forschungsgemeinschaft	–	34	(34)	–	–
University of Twente	–	16	(16)	–	–
UNU-FLORES	**–**	**1 805**	**(1 805)**	**–**	**–**
UNU-IRADDA					
Government donations					
Government of the People’s Democrat Republic of Algeria	8 000	–	–	–	8 000
UNU-IRADDA	**8 000**	**–**	**–**	**–**	**8 000**
Total operating funds as at 31 December 2016	**24 240**	**30 827**	**(31 336)**	**334**	**24 065**
Endowment Funds					
UNU-INRA					
Government donations					
Government of Cameroon	5 003	–	(1 373)	(121)	3 509
Government of Ghana — Ministry of Education	192	–	–	–	192
Government of Republic of Zambia	200	–	–	–	200
UNU-INRA	**5 395**	–	**(1 373)**	**(121)**	**3 901**

Statement of unpaid pledges as at 31 December 2016 (continued)

	Unpaid pledges as at 1 January 2016	*Add: fresh pledges received in 2016*	*Less: collection during 2016*	*Add: gain/(loss) on exchange*	*Unpaid pledges as at 31 December 2016*
UNU-IRADDA					
Government donations					
Algeria	45 000	–	–	–	45 000
UNU-IRADDA	**45 000**	**–**	**–**	**–**	**45 000**
Total Endowment Funds as at 31 December 2016	**50 395**	**–**	**(1 373)**	**(121)**	**48 901**
Total all funds outstanding as at 31 December 2016	**74 635**	**30 827**	**(32 709)**	**213**	**72 966**
Allowance for doubtful receivables	**(192)**	**(12 883)**	**–**	**4**	**(13 071)**
Net total all funds outstanding as at 31 December 2016	**74 443**	**17 944**	**(32 709)**	**217**	**59 895**

The presentation of the report has been revised to include the information required by the United Nations System Chief Executives Board for Coordination.

Annex VI

Statement of refunds to donors

(Thousands of United States dollars)

	Operating unit	*31 December 2016*
Donors		
Asia-Pacific Network for Global Change Research (APN)	UNU-IIGH	6
Sasakawa Peace Foundation	UNU Centre	20
Total refunds to donors for the year		**26**

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