



United Nations

Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

Volume IV

United Nations University

General Assembly

Official Records

Seventy-sixth Session

Supplement No. 5



Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

Volume IV
United Nations University



United Nations • New York, 2021

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.

Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal	5
I. Report of the Board of Auditors on the financial statements: audit opinion	7
II. Long-form report of the Board of Auditors	10
Summary	10
A. Mandate, scope and methodology	12
B. Findings and recommendations	13
1. Follow-up of previous recommendations	13
2. Financial overview	14
3. Investment	16
4. Information and communications technology	17
5. Leases and donated right-to-use arrangements	19
6. Consultants	20
7. Project management	20
C. Disclosures by management	22
1. Write-off of cash, receivables and property	22
2. Ex gratia payments	22
3. Cases of fraud and presumptive fraud	22
D. Acknowledgement	22
Annex	
Status of implementation of recommendations up to the financial year ended	
31 December 2019	23
III. Certification of the financial statements	37
IV. Financial report for the year ended 31 December 2020	38
A. Introduction	38
B. Overview of the financial statements for the year ended 31 December 2020	39
C. Looking ahead	46
Annex	
Supplementary information	47

V.	Financial statements for the year ended 31 December 2020	48
I.	Statement of financial position as at 31 December 2020	48
II.	Statement of financial performance for the year ended 31 December 2020	50
III.	Statement of changes in net assets for the year ended 31 December 2020	51
IV.	Statement of cash flows for the year ended 31 December 2020	52
V.	Statement of comparison of budget and actual amounts for the year ended 31 December 2020.....	54
	Notes to the financial statements	55

Letters of transmittal

Letter dated 31 March 2021 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 submit herewith the financial statements of the United Nations University, for the year ended 31 December 2020, 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 dated 22 July 2021 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, together with the financial report and the audited financial statements of the United Nations University for the year ended 31 December 2020.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 (UNU), which comprise the statement of financial position (statement I) as at 31 December 2020 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 the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNU as at 31 December 2020 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 UNU 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

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2020, 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

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Secretary-General 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, the Secretary-General is responsible for assessing the ability of UNU to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Secretary-General intends either to liquidate UNU 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 UNU.

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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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:

- (a) 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;
- (b) 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 UNU;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General;
- (d) Draw conclusions as to the appropriateness of the Secretary-General'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 UNU 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 UNU to cease to continue as a going concern;
- (e) 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

In our opinion, the transactions of UNU 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 UNU.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

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

(Signed) Hou Kai
Auditor General of the People's Republic of China

22 July 2021

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 2020. The audit was carried out remotely from Santiago owing to the coronavirus disease (COVID-19) pandemic and included the World Institute for Development Economics Research in Helsinki from 11 to 29 January 2021 and the UNU administrative office in Putrajaya, Malaysia, and UNU headquarters in Tokyo from 15 March to 16 April 2021.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with UNU management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNU as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). 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 the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the UNU operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNU as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNU for the year ended 31 December 2020. However, the Board identified scope for improvement related to investment, information and communications technology, leases and donated right-to-use arrangements, consultants and project management.

With total revenue of \$118.1 million, due mainly to a change in the fair value of the United Nations University Endowment Fund and an increase in voluntary contributions, and expenses of \$70.7 million during 2020, the financial statements reflected a surplus of \$47.4 million. The overall financial position of UNU remained

sound, with current assets of more than five times the current liabilities and total assets of more than eight times the total liabilities.

Key findings

The Board's key findings are as follows:

Restricted investment industries

The Board required from UNU the investment portfolio for each exchange traded fund in order to analyse their composition. During the analysis, it was identified that a total of \$10.38 million (2.45 per cent) of the exchange traded funds was related to companies associated with tobacco, controversial weapons, and thermal coal and oil sands.

In addition, it was observed that the investment management agreement signed by the United Nations on behalf of its subsidiary organ, the UNU Endowment Fund, with an investment management company did not include a customized strategic benchmark for eligible assets to exclude or restrict investing in tobacco and controversial weapons industries.

Disaster recovery exercise

The Board requested from UNU information on the disaster recovery exercise (drill) corresponding to the year 2020. In that regard, the entity indicated that the activity had last been carried out in April 2019. It added that, under normal circumstances, the drill was performed on an annual basis; however, owing to the COVID-19 pandemic, UNU was unable to carry out the 2020 exercise.

Main recommendations

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

Restricted investment industries

(a) **Revise the investment restrictions in the policy and procedures of the United Nations University Endowment Fund to include the United Nations position on controversial industries;**

(b) **Make arrangements to incorporate customized strategic benchmarks into its investment management agreements, specifically on the eligible assets, to be aligned with the different United Nations initiatives;**

Disaster recovery exercise

(c) **Perform the disaster recovery exercise at least once a year, in alignment with the provisions included in the United Nations Secretariat information and communication technology technical procedure on disaster recovery planning.**

Follow-up of previous recommendations

There were 37 outstanding recommendations as at 31 December 2019, of which 31 (84 per cent) had been implemented, 4 (11 per cent) were under implementation and 2 (5 per cent) had been overtaken by events. Details on the status of implementation of the recommendations are set out in the annex to chapter II. Of those 37 outstanding recommendations, 3 were more than two years old, details of which are shown in table II.1.

Key facts**\$118.10 million** Revenue**\$70.74 million** Expenses**\$47.36 million** Surplus for the year**\$580.88 million** Assets**\$70.56 million** Liabilities**\$510.32 million** Net assets**A. Mandate, scope and methodology**

1. On 6 December 1973, at its 28th session, 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 UNU 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. Pursuant to article XI, paragraph 1 of the UNU Charter, the University operates as an autonomous organ of the General Assembly and it enjoys the status, privileges, and immunities provided in Articles 104 and 105 of the Charter of the United Nations. 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 Putrajaya, Malaysia (formerly located in Kuala Lumpur). The main research and academic work of the University is carried out by a global network of 13 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 Endowment Fund was established in 1975. It consists of retained voluntary contributions from donors that are permanently invested to generate an income stream to be applied to meet programme and operational needs of the institutes. All Endowment Fund contributions are specified by the donors and are invested into a single endowment investment pool.¹

¹ Along with the UNU Centre, the institutions participating in the UNU Endowment Fund are the Programme of the University of the United Nations/Biotechnology for Latin America and the Caribbean (UNU-BIOLAC), the United Nations University Institute for Environment and Human Security (UNU-EHS), the UNU Institute for the Advanced Study of Sustainability (UNU-IAS), the UNU International Institute for Global Health (UNU-IIGH), the UNU Institute for Natural Resources in Africa (UNU-INRA), the UNU Institute for Sustainable Development (UNU-IRADDA), the United Nations University-Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), the UNU Institute on Computing and Society (UNU-CS), and the World Institute for Development (UNU-WIDER).

5. 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.

6. 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 2020 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.

7. The audit was carried out remotely owing to travel restrictions following the COVID-19 pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that this remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

8. The present report covers matters that, in the Board's opinion, should be brought to the attention of the General Assembly. 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. Follow-up of previous recommendations

9. There were 37 outstanding recommendations as at 31 December 2019, of which 31 (84 per cent) had been implemented, 4 (11 per cent) were under implementation and 2 (5 per cent) had been overtaken by events. Details on the status of implementation of the recommendations are set out in the annex to chapter II. Of those 37 outstanding recommendations, 3 were more than two years old, details of which are shown in table II.1

Table II.1
Status of implementation of recommendations

Report and audit year	Number of recommendations	Recommendations pending as at 31 December 2019			Under implementation	Not implemented	Overtaken by events	Recommendations pending as at 31 December 2020
		Implemented	Under implementation	Not implemented				
A/71/5 (Vol. IV), chap. II (2015)	13	1	—	—	—	—	1	—
A/72/5 (Vol. IV), chap. II (2016)	20	4	2	1	—	—	1	1
A/73/5 (Vol. IV), chap. II (2017)	43	9	7	2	—	—	—	2
A/74/5 (Vol. IV), chap. II (2018)	3	1	1	—	—	—	—	—
A/75/5 (Vol. IV), chap. II (2019)	22	22	21	1	—	—	—	1
Total	101	37	31	4	0	2	4	4

10. The Board considers that an 84 per cent implementation rate indicates a solid commitment of UNU to addressing long-standing recommendations. The Board

acknowledges management's efforts and encourages UNU to finalize the process of implementation.

2. Financial overview

Financial impact due to the COVID-19 pandemic

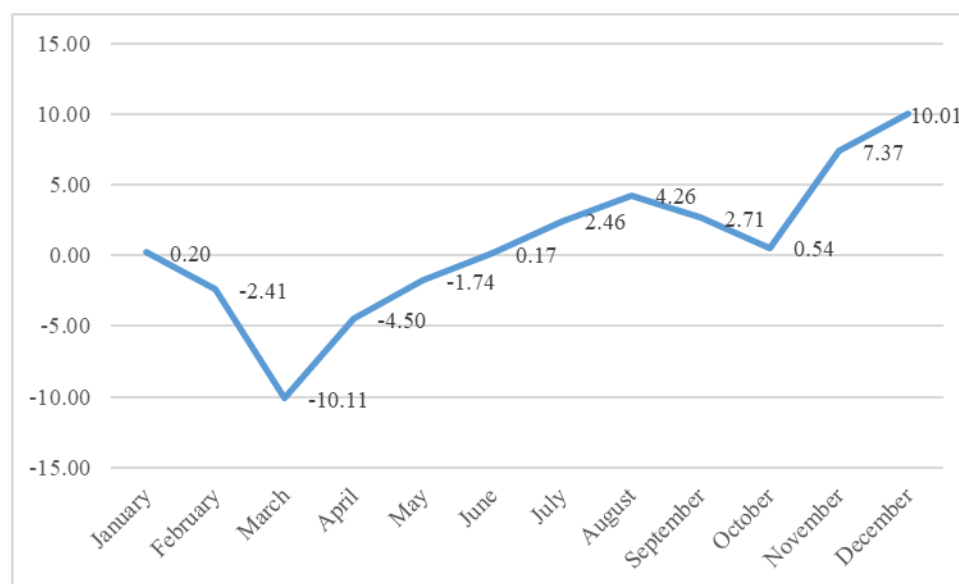
11. The volatility of the financial markets owing to the COVID-19 pandemic had an impact on UNU Endowment Fund performance.

12. During the financial period 2020, the investments of the UNU Endowment Fund decreased by 10.10 per cent in March, ending the year with a 10.01 per cent increase, reaching \$423.60 million in value (2019: \$385.05 million). Variations are shown in figure II.I.

Figure II.I

Monthly accumulated variation of the United Nations University Endowment Fund for 2020

(Percentage)



Source: Monthly United Nations University Endowment Fund reports for 2020.

Financial position

13. As at 31 December 2020, UNU had total assets of \$580.88 million (2019: \$526.56 million), reflecting an increase of 10.32 per cent (\$54.32 million). University assets consist mainly of investments, representing 77.59 per cent (\$450.71 million) of the total assets. Investments included in the UNU Endowment Fund amounted to \$423.60 million, and UNU participation in the United Nations main investment pool account amounted to \$27.11 million. The Endowment Fund is invested in exchange traded funds, with an asset allocation of 50 per cent for the Fixed-Income Fund and 50 per cent for the Equity Fund.

14. UNU reported total liabilities of \$70.56 million as at 31 December 2020 (2019: \$62.76 million), reflecting an increase in total liabilities of 12.43 per cent (\$7.80 million). The increase was attributable to a growth in accounts payable and accrued liabilities, specifically investments payable; an investment pending settlement that amounted to \$4.94 million (2019: \$2.96 million); and an increase in

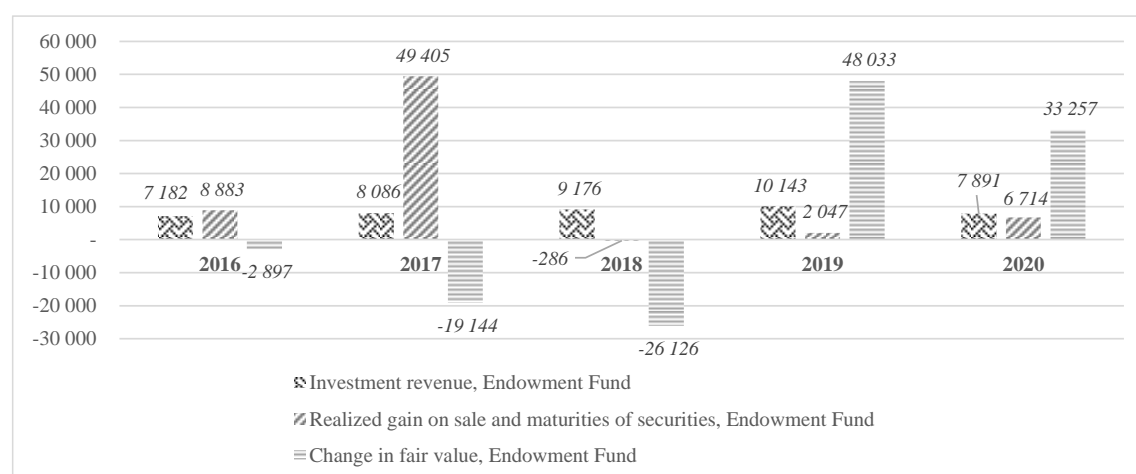
employee benefit liabilities, owing to a growth in the after-service health insurance to \$9.57 million as at 31 December 2020 (2019: \$8.20 million).

Financial performance

15. The University's revenue totalled \$118.10 million (2019: \$120.30 million), representing a decrease of 1.83 per cent (\$2.20 million). The decrease was attributable mainly to investment revenue (net) of \$48.35 million (2019: \$60.75 million), owing to a reduced appreciation of the fair value of the UNU Endowment Fund of \$33.26 million (2019: \$48.03 million), while investment revenue from the UNU Endowment Fund was \$7.89 million (2019: \$10.14 million) and the realized gain on sale and maturities of securities increased to \$6.71 million (2019: \$2.04 million). Historical changes from the past five years of the net Endowment Fund revenue are shown in figure II.II.

Figure II.II
Net Endowment Fund revenue (2016–2020)

(Thousands of United States dollars)



Source: Financial statements of United Nations University from 2016 until 2020.

16. UNU reported total voluntary contributions revenue of \$61.86 million (2019: \$55.90 million), representing a 10.67 per cent increase due to renewals of host country donor agreements. It was also reported that other revenue increased to \$7.88 million (2019: \$3.65 million), owing mainly from foreign exchange gains.

17. Total expenses amounted to \$70.74 million (2019: \$75.81 million), representing a decrease of 6.70 per cent (\$5.07 million), owing to a reduction in other operating expenses and travel as a consequence of safety measures due to the COVID-19 pandemic. The main expense categories were employee salaries, allowances and benefits, of \$27.97 million (39.54 per cent), while leases and utilities totalled \$21.57 million (30.50 per cent) and other operating expenses \$11.97 million (16.92 per cent).

Financial ratios

18. The ratios set out in table II.2 indicate that the overall financial position of UNU is stable, with current assets of more than five times the current liabilities and total assets of more than eight times the total liabilities. The quick ratio and the cash ratio also indicate appropriate liquidity, given that UNU can cover all short-term debt and still have cash remaining. In general, the financial situation of an entity is regarded

as sound as long as the financial ratios exceed 1, taking into account that the entity has also invested part of the cash and cash equivalent in order not to let its money stagnate in the bank and to maximize the benefits. The decrease in the financial ratios in the financial year 2020 was caused mainly by an increase in liabilities, specifically in short-term accounts payable and accrued liabilities and in long-term other liabilities.

Table II.2
Ratio analysis

<i>Ratio</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Total assets: total liabilities^a		
Assets: liabilities	8.23	8.39
Current ratio^b		
Current assets: current liabilities	5.06	6.25
Quick ratio^c		
(Cash + short-term investments + accounts receivable): current liabilities	5.04	6.21
Cash ratio^d		
(Cash + short-term investments): current liabilities	3.46	4.38

Source: UNU financial statements.

^a A high ratio indicates an entity's ability to meet its overall obligations.

^b A high ratio indicates an entity's ability to pay off its current liabilities.

^c The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

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

3. Investment

Restricted investment industries

19. In accordance with part B (Management of investments) of the UNU Endowment Fund policy and procedures, the fiduciary responsibility for the investment of the assets of the Endowment Fund, resides with the Secretary-General.

20. It is also stated in the same document that the Secretary-General delegated such responsibilities to the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund. In turn, the Representative of the Secretary-General is assisted by the Office of Investment Management of the Pension Fund regarding the fulfilment of these responsibilities.

21. In accordance with the investment management agreement signed by the United Nations (on behalf of the UNU Endowment Fund), the investments of the Endowment Fund are managed by an investment management company and overseen by the Office of Investment Management and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund.

22. In accordance with part C (Investment management objectives) of the UNU Endowment Fund policy and procedures, the investment portfolio of UNU is invested in exchange traded funds with the aim of achieving a return on investment that reflects the return of its benchmark indexes, which are the Morgan Stanley Capital International All Country World Investable Market Index for equities and the Bloomberg Barclays US Aggregate Bond Index for bonds.

23. The United Nations, through different initiatives such as the United Nations Global Compact (updated on 12 September 2017), the World Health Organization Framework Convention on Tobacco Control (in force since 2005) and the Convention on Certain Conventional Weapons (as amended on 21 December 2001), has expressed the need to restrict or limit the development of industries related to tobacco and controversial weapons. In addition, the United Nations requested the preparation of an exclusion list, which was prepared by Morgan Stanley Capital International according to its Environmental, Social and Governance framework.

24. The Board requested from UNU the investment portfolio of each exchange traded fund and analysed their composition.

25. In that regard, the Board compared the exchange traded fund portfolio in which UNU invests against the United Nations exclusion list for 2020, prepared by Morgan Stanley Capital International according to its Environmental, Social and Governance framework. It was identified that \$10.38 million (2.45 percent) of the exchange traded funds included investment in companies associated with tobacco or controversial weapons (e.g., cluster munitions, landmines, depleted uranium, biological or chemical weapons, blinding laser systems, undetectable fragments and incendiary weapons); nuclear weapons; firearms for civil use; and thermal coal and oil sands.

26. The Board observed that the investment management agreement signed by the United Nations on behalf of the UNU Endowment Fund with an investment management company did not include the customized strategic benchmark for eligible assets (exchange traded funds) to exclude or restrict investing in tobacco and controversial weapons companies.

27. The Board considers that keeping instruments associated with companies included in the United Nations exclusion list in the investment portfolio would not align with the various initiatives of the United Nations to restrict the impact on the investments of these types of controversial industries.

28. Likewise, UNU could face an eventual reputational risk if it were exposed as an investor in those controversial industries, which, in turn, might trigger a financial risk if donors were to disagree with its investment in those industries.

29. Considering the relevance of the investment for the financing of UNU, the Board is of the view that the agreements signed with its investment managers should establish restrictions regarding the composition of the instruments to be invested and be aligned with the different United Nations initiatives.

30. The Board recommends that UNU revise the investment restrictions in the policy and procedures of the UNU Endowment Fund to include the United Nations position on controversial industries.

31. The Board recommends that UNU make arrangements to incorporate customized strategic benchmarks into its investment management agreements, specifically on the eligible assets, to be aligned with the different United Nations initiatives.

32. UNU accepted the recommendations.

4. Information and communications technology

Disaster recovery exercise

33. In section 4.1 of the United Nations Secretariat information and communications technology (ICT) technical procedure (Ref: SEC.08.PROC), issued in July 2014, it is stated that ICT service providers must develop, document and implement a disaster

recovery plan and related procedures and guidelines for United Nations ICT resources and data.

34. In section 4.4 of the technical procedure, it is stated that all disaster recovery planning must align with all applicable emergency management plans (business continuity plans and crisis management plans) and should align with international best practices and standards (e.g., contingency planning guide for federal information systems (National Institute of Standards and Technology special publication 800-34Rev.1) and guidelines for ICT readiness for business continuity (ISO/IEC 27031:2011)). Appendix 1 of the technical procedure provides guidelines for disaster recovery planning within the Secretariat.

35. In section 4.8 of the technical procedure, it is stated that “ICT service providers must test and/or exercise the ICT [disaster recovery planning] on a periodic basis (at least annually) to determine the plan’s effectiveness and the organization’s readiness to execute the plan”. This procedure is the disaster recovery exercise or drill.

36. With regard to the UNU campus computing centre procedures, it is stated in the “C3 – ICT disaster recovery plan”, issued in June 2018, that the centre “conducts regular Disaster Recovery Drills to ensure the reliability and the accuracy of our procedures”.

37. The Board required information on the disaster recovery exercise (drill) corresponding to the year 2020. In that regard, the entity indicated that the activity had last been carried out in April 2019. It added that, under normal circumstances, the drill was performed on an annual basis; however, as a result of the COVID-19 pandemic, UNU had decided to cancel the 2020 drill, mainly for the following reasons:

(a) The drill is usually conducted in parallel with the electrical system maintenance to minimize the disruption to ICT services. In 2020, as a consequence of the COVID-19 pandemic and the restrictions on vendor access to the UNU facilities, the aforementioned maintenance was cancelled;

(b) The need to shift the focus on ICT resources to the COVID-19 pandemic response. UNU business continuity required a rapid, continually adaptive approach to ensure that the workforce could have secure, streamlined access to the resources and services required to perform their functions;

(c) Replacement of the core switch system in 2021.

38. When the Board required more details on the non-execution of the 2020 drill, UNU replied that it had performed a disaster recovery exercise in April 2021, coinciding with the audit process.

39. The Board considers that the non-periodic execution of the disaster recovery exercise may affect the effectiveness of the recovery process of ICT resources in case of disaster.

40. In fact, the telecommuting context due to the COVID-19 pandemic underscores the need for performing this exercise, given that any shortcomings in the performance of ICT resources could trigger a discontinuation of UNU communications services.

41. Therefore, the execution of the disaster recovery exercise is needed to provide adequate operational continuity to the activities that depend on the technology and communications infrastructure, in accordance with the international best practices and standards that are presented in guidance such as the above-mentioned technical procedure and the “C3 – ICT disaster recovery plan”.

42. The Board recommends that UNU perform the disaster recovery exercise at least once a year, in alignment with the provisions included in the United

Nations Secretariat information and communications technology technical procedure on disaster recovery planning.

43. UNU accepted this recommendation and explained that it valued the disaster recovery planning exercises and would perform them annually in line with the disaster recovery planning policy's existing operating model.

5. Leases and donated right-to-use arrangements

Non-extension of "donated right-to-use arrangements"

44. The United Nations corporate guidance for IPSAS, on leases and donated right-to-use arrangements, issued in December 2016, contains a section entitled "Methodology to determine the fair value of tradable assets".

45. In order to determine the fair value equivalent of tradable and/or marketable assets received through donated right-to-use arrangements and treated as operating nominal leases, it is established in the above-mentioned guidance that the rental value equivalent for the time period in which the asset brings benefit to the mission and/or office needs to be assessed and its contributions recognized as revenue and expenses on the face of the financial statements. The best benchmarks for the valuation are data provided by the donor (assuming the values provided are reasonable) or market data for a similar asset rented in the same location.

46. In the section entitled "Workflow changes related to IPSAS implementation" of the same guidance, a comprehensive and consistent approach of reviewing, classifying and accounting for leases is established, which includes the identification of contracts and the review of agreements and their classification and accounting.

47. The Board reviewed a sample of five assets received by UNU through donated right-to-use arrangements, treated as operating leases.

48. The Board noted that, as at 31 December 2020, UNU had recorded a rental value of \$235,495.86 as donated right-to-use arrangements of operating lease. The amount was related to office space and was based on the actual annual rental costs.

49. The Board requested from UNU supporting documents on the formalization and the recording of the donation as a donated right-to-use arrangement. The entity provided information that allowed for the verification that, as of January 2020 and as of March 2021, the United Nations University Institute for Integrated Management of Material Fluxes and Resources had not presented an extension agreement to support the aforementioned donated right-to-use arrangement.

50. The Board considers that the non-existence of the donated right-to-use arrangements, which specify conditions, and data such as location, the physical space and rent value, among other definitions of the premises, may hinder the review and classification of and accounting for leases in alignment with the regulations of the United Nations corporate guidance for IPSAS, on leases and donated right-to-use arrangements.

51. The Board recommends that UNU formalize the donated right-to-use arrangement related to the office space of the United Nations University Institute for Integrated Management of Material Fluxes and Resources, in order to ensure that it is aligned with United Nations corporate guidelines, specifically those related to IPSAS, on leases and donated right-to-use arrangements.

52. UNU agreed with the recommendation.

6. Consultants

Amendments to consultant contracts

53. It is indicated in paragraph 10 of annex II to the UNU personnel policy (adopted by the University in December 2003 and amended in June 2020), regarding the conditions of service for consultant or individual contractor contracts that no modification or change in the contract shall be valid and enforceable against UNU unless provided by means of a valid written amendment to the contract signed by the contractor and an authorized official or appropriate contracting authority of UNU.

54. In paragraph 19, regarding the duration of the contracts, it is written that the contractor shall be required to perform specific, results-oriented functions within a prescribed time frame consistent with the workplan of the office concerned. The duration of the contract shall be linked directly to the terms of reference and work assignment set out in the contract.

55. The Board reviewed a sample of 25 contracts of consultants with services in the audit period, in which it identified 10 contracts that had amendments, due to changes in the terms of reference, duration of the contract or schedule, and conditions of payment.

56. As a result of the review, it was observed that four amendments to contracts issued by the World Institute for Development Economics Research (UNU-WIDER) had not been formalized with a document signed by the consultant and the certifying officer, as is mentioned in paragraph 10 of annex II to the UNU personnel policy.

57. The Board verified that the formalization of those amendments had been performed for any type of modification in the remaining six cases.

58. After the Board consulted with the Human Resources Division of the UNU Centre, it was indicated that it had not been the intention of UNU to have different applications, in their institutes, of the aforementioned paragraph 10 of annex II to the UNU personnel policy. The UNU Centre would therefore work with UNU-WIDER to ensure that the policy was adhered to going forward.

59. The Board considers that maintaining amendments to agreements that are not signed by the consultants and an authorized official or appropriate contracting authority of UNU could lead to a lack of assurance in the validity and enforceability of consultant contracts for both parties.

60. The Board recommends that UNU-WIDER formalize the amendments in force that are not signed by the consultants and UNU.

61. The Board recommends that UNU-WIDER formalize every amendment, modification or changes in every occasion they occur, in a timely manner and in alignment with the personnel policy of UNU.

62. UNU accepted the recommendations.

7. Project management

Project management in the Pelikan system

63. UNU project management guidelines, published by the University in December 2016, provide general guidance on project management, focusing on four stages: planning, implementation, evaluation and completion of projects. These guidelines are intended to provide UNU staff with a systematic approach to project management.

64. The processes outlined in the project management guidelines are mandatory for the projects established under the approved biennial work programme.

65. In accordance with the project management guidelines, the project manager is responsible for ensuring that the financial information contained in Atlas is integrated with the project management system (Pelikan) and aligned with established practices. In addition, the project manager has the responsibility for ensuring that the implementation of activities and events, the delivery of outputs and the six-month progress reports are recorded in the project management system.

66. It is indicated in the project management guidelines that, “if a project is not completed within the envisioned time frame, a request for project extension may be approved by the institute/program director. A request, including justification for the project extension and a new expected end date, must be submitted by the project manager and approved by the respective director in the project management system”.

67. Furthermore, archiving refers to the systematic storing of project information throughout the project cycle.

68. The Board reviewed 27 ongoing projects in the Pelikan system, which had been provided by UNU-WIDER, and observed the following:

(a) For one project, the financial information, specifically the expenses contained in Atlas, was not incorporated into the Pelikan system;

(b) Two projects did not incorporate the supporting documents of the extension requested and authorized by their relevant project managers and director in the Pelikan system;

(c) Two projects did not present their progress reports in the Pelikan system;

(d) In one project, the evidence of the budget modification was not found in the Pelikan system;

(e) In one project, the budget allocations in the Pelikan system were not updated.

69. The Board considers that maintaining out-of-date information in the project management system could lead to, among others, inadequate decision-making in the execution of projects, non-compliance with activities and deadlines, and the inefficient use of resources.

70. Considering the aforementioned risks, the Board deems it necessary for UNU-WIDER to improve project management by the project managers, including improving the control and verification of the fulfilment of milestones, the updating of expenses and incurred budgets, the reports required in accordance with UNU project management guidelines and supporting documents required in the Pelikan system.

71. The Board recommends that UNU-WIDER reinforce the role of project managers regarding their responsibilities indicated in the project management guidelines, especially in periodically monitoring the results of the project and the implementation of corrective measures, when applicable.

72. The recommendation was not accepted. UNU stated that, in line with the requirements of the project management guidelines, UNU-WIDER had complied with procedures set out and fulfilled its obligations in ensuring that correct documentation was available in the Pelikan system. Afterwards, the entity pointed out that the cases identified by the Board had already been updated.

73. The Board considers that there is still scope for improvement in the use of the project management system, given that information must be always updated to its most recent version. A second review was performed, and it was noted that not all the cases were updated. Therefore, the recommendation is maintained.

C. Disclosures by management

1. Write-off of cash, receivables and property

74. UNU reported that there were \$5,260.00 write-offs of cash and cash receivables during the year 2020. There were no write-offs of losses of property, plant and equipment, inventories and intangibles during the year 2020.

2. Ex gratia payments

75. UNU reported to the Board that there were no ex gratia payments in 2020.

3. Cases of fraud and presumptive fraud

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

77. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud. No cases of fraud were brought to the Board's attention.

78. In 2020, the Office of Internal Oversight Services was informed of one case of possible fraud related to the University, involving waste of resources, financial irregularity and mishandling of United Nations property assets. An investigation started in March 2021.

D. Acknowledgement

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

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

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

(Signed) Hou Kai
Auditor General of the People's Republic of China

22 July 2021

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2019

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1.	2015	A/71/5 (Vol. IV) , chap. II, para. 14	The Board recommends that UNU create deferred revenue liability for the amount of future instalments which depend on fulfilment of performance obligations.	UNU reviewed the agreement and sequence of events against the criteria for deferred revenue and concluded that there was no deferred revenue liability. The Macao Foundation agreement did not meet all four of the criteria for conditionality and the analysis has been submitted to the auditors.	The Board reviewed the evidence and noted that agreements that were part of this recommendation were no longer in force. Therefore, the Board considers this recommendation to have been overtaken by events.				X
2.	2016	A/72/5 (Vol. IV) , chap. II, para. 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.	UNU reviewed the agreements and concluded that none met the criteria for deferred revenue liability, except for those under European Commission agreements, and the analysis is that they are not conditional.	The Board noted that the relevant agreements were not in force in 2020. Therefore, the Board considers this recommendation to have been overtaken by events.				X
3.	2016	A/72/5 (Vol. IV) , chap. II, para. 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.	UNU-EHS and UNU-ViE performed a physical verification exercise for all capital and non-capital assets in December 2019. Owing to the absence of several staff members, however, approximately 13 per cent of total non-capital asset items (the majority of which were laptops) could not be verified before the end of 2019. The physical verification for the remaining items was completed by	The Board reviewed the physical verifications of non-capital and capital assets and noted that the custodian and the location of the assets were included in both cases. In addition, the information of the physical count coincides with the Atlas in-service report. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
4.	2016	A/72/5 (Vol. IV), chap. II, para. 97	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.	31 January 2020. UNU considers this recommendation implemented and requests its closure by the Board. The priority activities implemented in response to the emergency requirements relating to COVID-19 have resulted in the delay and/or postponement of all planned activities. Given that the situation is ongoing and expected to continue for some time, the recommendation will be implemented once normal operations have been re-established, with delivery aimed for the second quarter of 2022.	The Board reviewed the information provided by UNU, noting that some activities had been postponed owing to the COVID-19 pandemic. Considering the background information provided by UNU, this recommendation is considered to be under implementation.		X		
5.	2016	A/72/5 (Vol. IV), chap. II, para. 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.	UNU received two design proposals developed by a Microsoft-certified partner with a view to identifying possible options for the collaboration of UNU-EHS and UNU-MERIT with Office 365 managed by UNU headquarters. The second design proposal was decided on by both institutes because the requirements had been met. UNU-EHS/UNU-ViE and UNU-MERIT decided on a jointly shared and managed, European Union-based Office 365, which will interoperate with the UNU headquarters-managed Office 365 and address data protection and data privacy concerns/ requirements.	The Board reviewed the analysis performed by the University, which considered the most suitable option and the one that the majority of institutes use (Office 365). In that regard, UNU decided to implement the same tool for UNU-Vie and UNU-EHS, given that it provides email, file-sharing and telecommunication tools, as well as Microsoft support. In addition, the integration of Office 365 allowed for the addressing of the telecommunicating work resulting from the COVID-19 pandemic. Owing to the evidence reviewed, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6.	2017	A/73/5 (Vol. IV) , chap. II, para. 112	The Board recommends that UNU make sure that all UNU ICT users, in particular new personnel, complete the information security awareness training course of the Department of Safety and Security of the Secretariat as soon as possible.	UNU stated that it had achieved a 100 per cent completion rate with regard to the recommendation. UNU considers this recommendation implemented and requests its closure by the Board.	The Board reviewed the completion rate for the security awareness training course and verified an achievement rate of close to 100 per cent rate by ICT users. Therefore, the Board considers this recommendation implemented.	X			
7.	2017	A/73/5 (Vol. IV) , chap. II, para. 113	The Board recommends that UNU request all UNU ICT users to submit their information security awareness – foundational certificates after completion of the course to the UNU human resources services.	All mandatory training certificates are uploaded to the global directory by personnel. Human resources is able to track all completed certificates there by personnel and institutes.	The Board reviewed the submission rate for the security awareness training course and the UNU measures to encourage all ICT users to complete the training. Of 364 ICT users, only 25 had a pending submission. The submission rate achieved by the University was 93 per cent. Therefore, the Board considers this recommendation implemented.	X			
8.	2017	A/73/5 (Vol. IV) , chap. II, para. 118	The Board recommends that UNU assess the sensitivity of data it receives from and sends to third parties in accordance with the classification principles stipulated in ST/SGB/2007/6 and make sure that sensitive information is appropriately protected.	UNU maintains the status of compliance of the UNU Centre and its institutes and programmes on the intranet. The majority of the institutes completed the implementation of the recommendation in 2020. Only UNU-FLORES, UNU-ViE and UNU-EHS need to reach compliance by the end of second quarter of 2021, and their progress is on track. Unforeseen factors related to the COVID-19 pandemic and time-sensitive academic activities have affected these institutes' ongoing data classification efforts.	The Board verified that the assessment of the protection of sensitive information is ongoing. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
9.	2017	A/73/5 (Vol. IV) , chap. II, para. 129	The Board recommends that UNU check randomly, preferably in advance of the planned travel, whether a security clearance was obtained.	The UNU Centre (Kuala Lumpur) randomly selected travel undertaken in 2020 and checked in the Department of Safety and Security travel request information process tools whether the travel had indeed been cleared. All samples indicated that security clearance had been obtained prior to travel.	The Board reviewed the supporting documentation and considers this recommendation implemented.	X			
10.	2017	A/73/5 (Vol. IV) , chap. II, para. 175	The Board recommends that UNU-IAS ensure that travellers report their travel completion within one month after the travel end date.	Among 50 instances of travel completed in 2020, the completion certification for 4 was not submitted within 1 month after the travel end date.	The Board verified that UNU-IAS had taken measures to improve this situation and continue to enhance the process. However, owing to the reviewed data and the UNU response, the Board considers this recommendation to be under implementation.		X		
11.	2017	A/73/5 (Vol. IV) , chap. II, para. 179	The Board recommends that UNU randomly review the requirement on reporting for duty in paragraph 5.4 of the UNU administrative instruction.	Random checks were carried out every six months and institutes were contacted to confirm the compliance of travel undertaken by their offices in accordance with paragraph 4.4 of the UNU travel policy. All samples indicated that there were no cases of non-compliance with reporting for duty after the mission.	The Board reviewed the status of reporting and the supporting evidence provided and confirmed the compliance of UNU. Therefore, the Board considers this recommendation implemented.	X			
12.	2017	A/73/5 (Vol. IV) , chap. II, para. 193	The Board recommends that UNU develop its own institutional memory instead of continuously hiring former staff members as consultants for this purpose.	UNU created a legal section on its intranet that contains UNU legal and regulatory framework, onboarding documents and templates for contracts. Tasks of legal and policy specialist include drafting the UNU legal handbook and designing the UNU legal database.	The Board noted that UNU had outlined the specific tasks of the legal and policy specialist, in order to achieve institutional memory. In addition, the legal handbook was issued. Furthermore, a legal section on the UNU intranet, which contains its legal and regulatory framework, was	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
13.	2017	A/73/5 (Vol. IV) , chap. II, para. 194	Additionally, the Board recommends that UNU describe specific, results-oriented functions to be accomplished within a prescribed time frame in the terms of reference or work assignment contained in its consultant contracts.	UNU considered this recommendation implemented. The Board stated in its comments in the annex to chapter II of A/75/5 (Vol. IV) that "the administrative instruction sets out the procedures to obtain and administer the services of individuals engaged under consultant contracts but does not describe specific, result-oriented functions to be accomplished". Given that consultant contracts are utilized in a variety of functions, from academic to administrative, it is not possible to specify the exact results-oriented functions that are meant to be accomplished for all of them in a broadly applicable administrative instruction. Administrative instruction UNU/ADM/2019/01 already specifies the terms of reference to describe specific, results-oriented functions and for payments to require the certification of satisfactory completion of work. Therefore, UNU considers this recommendation implemented and requests its closure by the Board.	created. Therefore, this recommendation is considered implemented. The Board noted through its review that results-oriented functions to be accomplished within a prescribed time frame were described in the agreements within the contracts. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
14.	2017	A/73/5 (Vol. IV) , chap. II, para. 227	The Board recommends that UNU-IAS perform a physical verification exercise for the library collection and update the information in the library management system at the earliest possible time.	UNU-IAS completed the physical verification of the library collection in August 2019 and updated the library collection system (Koha) by December 2019. As a supporting document, the entity submitted the count sheet in August 2019, and the updated Koha information and physical verification report was signed.	Considering that the entity performed the required physical verification and submitted all the information and that the registry was updated according to the aforementioned inventory, the Board considers this recommendation implemented.	X			
15.	2018	A/74/5 (Vol. IV) , chap. II, para. 23	The Board recommends that UNU maintain an updated valuation of the inventory of its library books in its accounting reports.	The monetary value of the library books has been recorded in the Koha (UNU library database) system.	Taking into consideration that the entity carried out the valuation of its books from the year in which the observation was made, and given that there are non-capital assets, there are no financial risk in the non-valuation of the books acquired prior to 2018. Therefore, the Board considers this recommendation implemented.	X			
16.	2019	A/75/5 (Vol. IV) , chap. II, para. 21	The Board recommends that UNU take proactive measures to expedite the signing of the agreement with the Government of Portugal, so as to ensure resources for UNU-EGOV operations.	UNU sent various letters from the Director of UNU-EGOV, the Rector of UNU and the Chair of the UNU Council to the Prime Minister of Portugal, the Ministry of Foreign Affairs, the Permanent Representative of Portugal to the United Nations and the Portuguese Ambassador to UNESCO.	The Board reviewed the contribution revenue process and verified that no revenue had been recognized nor received from the Government of Portugal during the 2020 period. The Board also noted all the efforts made by UNU to sign the agreement. In the light of these facts, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
17.	2019	A/75/5 (Vol. IV) , chap. II, para. 26	The Board recommends that UNU summarize, in its financial statements, its approach to offsetting administrative costs.	UNU prepared the text to summarize its approach to offsetting administrative costs, for disclosure in the financial statements. It was included in note 3, "Significant accounting policies under voluntary contributions".	The Board verified that UNU had added the paragraph in the financial statements, related to the entity's approach to cost recovery in note 3. Therefore, this recommendation is considered implemented	X			
18	2019	A/75/5 (Vol. IV) , chap. II, para. 41	The Board recommends that UNU establish a minimum requirement in the workplan developed by the project managers in order to provide the necessary information for the achievement of the projects.	UNU did not accept the recommendation because project workplans vary from one project to the next owing to the range of activities, thematic focus and donor requirements prevalent at UNU. Therefore, it is not possible to specify minimum requirements for project workplans.	The Board reviewed a sample of projects initiated in 2020, which included different types of requirements per agreement. It was verified that the compliance of the submitted workplans and the agreements requirements had been accomplished by the entity. Therefore, this recommendation is considered implemented.	X			
19.	2019	A/75/5 (Vol. IV) , chap. II, para. 42	The Board recommends that UNU enhance Pelikan's repository functions in order to provide full information of the contracts, donor reports and outputs of the projects.	UNU did not accept the recommendation because project management documentation varies from one project to the next. The comprehensiveness of documentation depends on donor requirements, the needs of the director of the institute concerned and the scope of the project. Each programme manager is responsible for identifying the most relevant format for project documentation.	The Board reviewed the information included in the repository, collating donor requirements established in the agreements and documentation submitted in Pelikan, concluding that all donor requirements had been fulfilled. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
20.	2019	A/75/5 (Vol. IV) , chap. II, para. 43	The Board recommends that UNU-FLORES adapt the current organizational structure of the office, with the objective of defining an official in charge of project management and informing the Director about the fulfilment and status of projects in a timely manner, in order to support the decision-making process of the Director in the cases that merit it.	Instead of hiring a new staff, the Institute uses the UNU project management tool, Pelikan, to approve project proposals. In addition, UNU-FLORES has put in place a strong process involving relevant individuals to ensure that the Director is kept informed of the project statuses on a timely manner.	In view of the evidence analysed by the Board, it was confirmed that the University had developed a guideline to standardize the project proposal and to ensure that the Director receives up-to-date information. Therefore, the Board considers this recommendation implemented.	X			
21.	2019	A/75/5 (Vol. IV) , chap. II, para. 44	The Board recommends that UNU-FLORES adapt the current organizational structure of the office, with the objective of defining an official in charge to give continuity and informatics support to Pelikan and to the UNU-FLORES website.	The official in charge, namely, the Scientific Knowledge Coordinator, started on 1 January 2021.	The Board confirmed that UNU had appointed a new Scientific Knowledge Coordinator. Therefore, this recommendation is considered implemented.	X			
22.	2019	A/75/5 (Vol. IV) , chap. II, para. 55	The Board recommends that UNU-FLORES ensure that both travel request and the expense report are submitted and approved as soon as they occur in order to record the transaction within the appropriate period.	It is stated in section 2.17, on travel, in the UNU-FLORES handbook, that "it is mandatory to close your travel in the system and serve as travel confirmation. Please note that you have seven days after you return from the mission to submit your travel documents".	The Board reviewed a sample of travel requests, the updated handbook guide and the criteria for registering the travel request and the expenses report, and confirmed that reports and requests had been submitted in a timely manner. Therefore, the Board considers this recommendation implemented.	X			
23.	2019	A/75/5 (Vol. IV) , chap. II, para. 67	The Board recommends that the administration set a deadline for the full implementation of the Atlas travel and expense module by all UNU institutes.	The Atlas partner agencies will be implementing the Oracle cloud enterprise resource planning system, which includes a travel and expense module, effective 1 January 2022. Accordingly, this recommendation is considered to have been overtaken by	The Board reviewed the new background information related to the system migration undertaken by all UNU institutes. The Atlas travel and expense module will be superseded by Oracle effective 1 January 2022. Considering that the measures will be in		X		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				events because UNU will be prioritizing its resources towards the enterprise resource planning project.	place in 2022, this will be analysed during the next audit. Therefore, this recommendation is considered to be under implementation.				
24.	2019	A/75/5 (Vol. IV), chap. II, para. 76	The Board recommends that UNU-FLORES ensure that its Director strengthens the internal control environment, adding fraud control activities, evaluating its impact and assessing the likelihood within the risk matrix that allows monitoring eventual fraud and corruption risks.	UNU-FLORES introduced the training course entitled "Preventing fraud and corruption at the United Nations" as a mandatory course for all employees in February 2020 and monitors the completion of the course by all employees. Fraud alerts are distributed on a regular basis by UNU headquarters (especially by the information technology department) and the Finance and Administration Unit of UNU-FLORES. Historic fraud alerts are collected and made available as training material on the Institute's shared drive. UNU considers this recommendation implemented.	In view of the action taken by the entity, such as implementing measures to educate its staff, online courses and informative emails, as well as monitoring fraud impact in its risk matrix and controls to mitigate risks, the Board considers this recommendation implemented.	X			
25.	2019	A/75/5 (Vol. IV), chap. II, para. 88	The Board recommends that UNU-FLORES apply management tools, such as the balanced scorecard, or any other tool that allows for the measurement of the achievement of the strategic plan in order to assist in the decision-making process of the Institute and to report to the Rector about its progress in achieving the aims of UNU.	UNU disagreed with the recommendation. In line with UNU-wide requirements, UNU-FLORES utilizes a "benchmarks and indicators framework" that is updated and reviewed by the Institute's Advisory Committee on an annual basis. The tool serves the same purpose as a "balanced scorecard", namely, monitoring the progress made towards achieving established objectives. The benchmarks and indicators framework	The Board reviewed the progress report on the implementation of the strategic plan 2015–2019 and key elements of the strategic plan 2020–2024, noting that management had evaluated the impact of the objectives and analysed the achievements accomplished by UNU. Along with the report, UNU also developed a "benchmarks and indicators framework", which allows the monitoring of the strategic plan. In the light of	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				supports high-level decision-making and focuses specifically on performance. UNU-FLORES finalized its implementation plan, which indicates how the targets within the strategic plan will be accomplished.	the evidence provided by the University, the Board considers this recommendation implemented.				
26.	2019	A/75/5 (Vol. IV) , chap. II, para. 98	The Board recommends that UNU-FLORES develop a new risk-control matrix that reflects the objectives of the current administration and organizational structure of the Institute, and consider the risks involved in terms of impact and likelihood of occurrence, as well as the effectiveness of the associated controls.	UNU implemented the recommendation. The most recent risk assessment was conducted on 9 October 2020.	The Board reviewed the updated risk-control matrix, verifying that UNU included the risk impact, likelihood of risk, controls and indicators, which comprises an enhancement of the risk matrix. Therefore, the Board considers this recommendation implemented.	X			
27.	2019	A/75/5 (Vol. IV) , chap. II, para. 99	The Board recommends that UNU-FLORES adjust its current organizational structure with the objective of defining a staff in charge of monitoring the risks and reporting on them to the Director, with regard to the measurements carried out.	UNU-FLORES disagreed with the recommendation, given that monitoring and managing the risks for the Institute is a task assigned to the Director and will not be delegated.	The Board reviewed the risk-control matrix and identified that several risk owners, in accordance with the risk category, had the responsibility for monitoring the risks and reporting on them to the Director. Therefore, this recommendation is considered implemented.	X			
28.	2019	A/75/5 (Vol. IV) , chap. II, para. 111	The Board recommends that UNU-FLORES establish additional guidelines to formalize human resources management, including a formal measurement of the recruitment process, contract renewal, succession planning at the academic unit level and strategies to preserve knowledge.	UNU-FLORES disagreed with the recommendation. The Institute follows the personnel policy and recruitment guidelines of UNU. In addition, the Institute also introduced detailed checklists and reminders that complement the recruitment and contract renewal process to ensure that there is timely completion of	The Board reviewed the implementation of checklists and the recruitment of a new staff member as Scientific Knowledge Coordinator. This new staff member has the following work assignments: to support with the operational management of the Institute's intellectual capital; to manage the preparation of documents	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				tasks. The Institute also will recruit a dedicated staff member to implement the strategies to preserve knowledge in the organization.	and processes to build a scientific knowledge hub; and to draft internal guidelines for scientific knowledge management. Therefore, the Board considers this recommendation implemented.				
29.	2019	A/75/5 (Vol. IV) , chap. II, para. 112	The Board recommends that UNU-FLORES develop a written mechanism to monitor, at least on a quarterly basis, the duration of personnel service agreements and consultant and individual contractor contracts in order to identify critical posts, minimize timelines to fulfil the vacancies and ensure that any project has at least two employees working on it.	The human resources team of UNU-FLORES had introduced a monthly checklist that includes a review of expiring contracts. UNU considers this recommendation implemented and requests its closure.	The Board reviewed the composition and use of the checklist and deems that it is a useful monitoring tool, given that it allows for the verification of the duration of personnel service agreements and identification of critical posts of consultants and individual contractors, minimizing timelines to fill vacancies and ensuring that any project has at least two employees working on it. Therefore, this recommendation is considered implemented.	X			
30.	2019	A/75/5 (Vol. IV) , chap. II, para. 113	The Board recommends that UNU-FLORES harmonize its current organizational structure with the Institute's strategic plan, which guides its research programme.	UNU-FLORES adapted the organization chart with the strategic plan on March 2020. It follows the six capitals of the integrated reporting approach.	The Board reviewed the updated organization chart and verified that it had been modified in accordance with the strategic plan. Therefore, the Board considers, this recommendation implemented.	X			
31.	2019	A/75/5 (Vol. IV) , chap. II, para. 125	The Board recommends that UNU set a deadline for the implementation of the new registration application that allows the creation and approval of new vendors to be consolidated by the Finance and Controlling Division at the Administrative Unit in Putrajaya. That must be	UNU created an online portal. Therefore, it considers this recommendation implemented.	The Board reviewed the portal for the creation and approval of new vendors and verified that it allows the Finance and Controlling Division to review the requests, allowing for the strengthening of controls over segregation of duties. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			accompanied by the strengthening of control over the segregation of duties by the personnel involved in each activity of the process, including the request, creation and approval stages.						
32.	2019	A/75/5 (Vol. IV) , chap. II, para. 135	The Board recommends that UNU update the standard operating procedures for property, plant and equipment in order to reflect current responsibilities and control over UNU property, plant and equipment and intangible assets.	The updated standard operating procedures for property, plant and equipment were published on 30 March 2020. UNU considers this recommendation to have been implemented and requests its closure by the Board.	The Board reviewed and identified the standard operating procedure of UNU, the most recent update of which took place on February 2021, and under section A there were defined roles and responsibilities for each participant in the process. Therefore, the Board considers this recommendation implemented.	X			
33.	2019	A/75/5 (Vol. IV) , chap. II, para. 136	The Board recommends that UNU analyse the cost benefit of carrying out the monthly verification of the accuracy between the Atlas report and the physical location of the asset, as described in the standard operating procedure for property, plant and equipment.	UNU revised its standard operating procedures, effective 30 March 2020, to include monthly reviews of Atlas asset management reports for changes in the physical attributes of the assets. UNU considers this recommendation implemented and requests its closure by the Board.	The Board reviewed the modification on the standard operating procedure, last updated in February 2021, in which the University included a monthly review of Atlas asset management reports for changes in the physical attributes of assets. This modification allows for more accurate control by management. Therefore, this recommendation is considered implemented.	X			
34.	2019	A/75/5 (Vol. IV) , chap. II, para. 137	The Board recommends that UNU review its property, plant and equipment with a periodicity less than a year.	UNU revised its standard operating procedures, effective 30 March 2020. The responsibilities of asset managers are stated in the standard operating procedures, which include monthly reviews of the Atlas asset management	The Board reviewed and confirmed that information related to physical verification of assets are updated periodically in the system. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				reports for changes in the physical attribute of assets, ensuring that any additions, disposals, transfers and adjustments are recorded by the Asset Specialist. UNU considers this recommendation implemented.					
35.	2019	A/75/5 (Vol. IV) , chap. II, para. 146	The Board recommends that UNU-FLORES determine whether the machinery Sedimat 4-12 meets the future economic and technical benefits or the service potential to be considered as an asset of the Institute, as established in IPSAS 17.	UNU-FLORES assessed that the Sedimat 4-12 laboratory equipment met the asset recognition criteria established in IPSAS 17 and provided future economic benefits to the Institute, given that it was used in UNU-FLORES research projects. For a research paper entitled "Quantification of soil pore dynamics during a winter wheat cropping cycle under different tillage regimes", 40 samples were analysed with the machine, 30 of which were mentioned in a publication. The authors of a second research project, entitled "Soil hydraulic response to conservation agriculture under irrigated intensive cereal-based cropping systems in a semi-arid climate", made use of the machine to analyse 12 soil samples. UNU considers this recommendation implemented and requests its closure by the Board.	The Board verified that, in two investigations carried out and duly published, it was verified that the Sedimat 4-12 machinery had been used to process soil samples. Considering that this machinery generates value to the entity, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
36.	2019	A/75/5 (Vol. IV) , chap. II, para. 147	The Board recommends that UNU-FLORES carry out an annual evaluation of signs of deterioration, established in IPSAS 17.	A year-end physical verification of assets for UNU-FLORES, including impairment testing, was conducted at the end of 2020.	Given the most recent physical verification of assets carried out, which included the evaluation of the impairment report, this recommendation is considered implemented.	X			
37.	2019	A/75/5 (Vol. IV) , chap. II, para. 156	The Board recommends that UNU strengthen oversight of the service performed by the business owner in order to ensure that all user accounts that remain dormant for 180 consecutive days are deactivated regularly and in a timely manner.	UNU had reviewed the list of Atlas user accounts without a login for more than 180 days and requested the United Nations Development Programme help desk to deactivate those accounts.	The Board reviewed the control performed by UNU and confirmed that there were no dormant user accounts for more than 180 days. Therefore, the Board considers this recommendation implemented.	X			
Total number of recommendations						37	31	4	–
Percentage of total number of recommendations						100	84	11	–

Abbreviations: ICT, information and communications technology; UNU-EHS, United Nations University Institute for Environment and Human Security; UNU-FLORES, United Nations University Institute for Integrated Management of Material Fluxes and of Resources; UNU-IAS, United Nations University Institute for the Advanced Study of Sustainability; UNU-MERIT, United Nations University Maastricht Economic and Social Research Institute on Innovation and Technology; UNU-ViE, United Nations University Vice-Rectorate in Europe.

Chapter III

Certification of the financial statements

Letter dated 24 March 2021 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 2020 have been prepared in accordance with regulation 6.1 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. The notes provide additional information on, and clarifications 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) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

Chapter IV

Financial report for the year ended 31 December 2020

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 2020.
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 was established by the General Assembly in 1973 with a mandate to 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.
4. UNU is principally a think tank and one of several research entities in the United Nations system. The University operates as a network of 13 research and training institutes in 12 countries and is coordinated by the UNU Centre in Tokyo. UNU researchers and support personnel collaborate to develop evidence-based solutions to pressing global challenges and advocating realistic policies that support the United Nations system and United Nations Member State development objectives.
5. The research programme of UNU outlined in the strategic plan 2020–2024 is closely aligned with the 2030 Agenda for Sustainable Development and addresses the full range of the 17 Sustainable Development Goals.
6. The University's research findings are disseminated primarily through academic and policy publications (most of which are freely available online) and public events. The University also promotes interaction among scientific and policy communities worldwide and members of the general public, building connections between communities on emerging public policy issues.
7. UNU also offers a range of specialized training opportunities, including accredited postgraduate degree programmes, that help to equip tomorrow's leaders with the academic foundations they will need to solve global challenges.
8. The coronavirus disease (COVID-19) pandemic affected each of the University's institutes differently. In general, however, UNU was able to continue its research and capacity-building work throughout the pandemic, often through modified virtual arrangements that allowed researchers and other stakeholders to engage from around the world.
9. The University's timely research helped policymakers to understand and respond to the COVID-19 pandemic. For example, researchers from several UNU institutes analysed possible measures to mitigate the pandemic's impact on global poverty, human trafficking, humanitarian access, gender inequality and international development assistance.
10. The University's projects seek to build up the academic and research capacities of individuals, institutions and government agencies in the global South. This includes facilitating collaborations that provide developing country scholars and researchers with opportunities to interact with the United Nations and regional policymaking communities. In 2020, for example, UNU embedded policy development researchers with partner institutions in Mozambique, South Africa and Tanzania and also worked directly with various national Governments in the global South to support their electronic governance capabilities.

11. UNU remains well ahead of its ambitious target to reach gender parity at senior levels by 2021. Throughout 2020, it delivered across the full range of gender action categories discussed with the University's governing board (UNU Council). Notably, the University further improved gender parity at senior staff levels (P-3 and above), including academic and non-academic personnel. Significant progress continued towards aligning UNU with gender initiatives across the United Nations, including: (a) the Secretary-General's system-wide strategy on gender parity; (b) the indicators set out in the second United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women; and (c) the goals included in the second UNU Gender Action Plan (2020–2024), with an increasing focus on mainstreaming gender through research.

12. The University celebrated its forty-fifth anniversary in 2020, using the opportunity to look back at its impact since its founding. For example, in the late 1980s, the World Institute for Development Economics Research (UNU-WIDER), the UNU institute in Helsinki, produced case studies on countries in the global South that were instrumental in spurring a global paradigm shift away from one-size-fits-all structural adjustment programmes, urging the International Monetary Fund and the World Bank to be more diagnostic in their responses to that decade's macroeconomic crises. This and other UNU research helped to mainstream the idea that policy solutions for developing countries require an experience- and evidence-based approach. UNU continues to build on this legacy of evidence-based, policy-relevant research.

B. Overview of the financial statements for the year ended 31 December 2020

13. Financial statements I, II, III, IV and V show the financial results of UNU activities and its financial position as at 31 December 2020. 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.

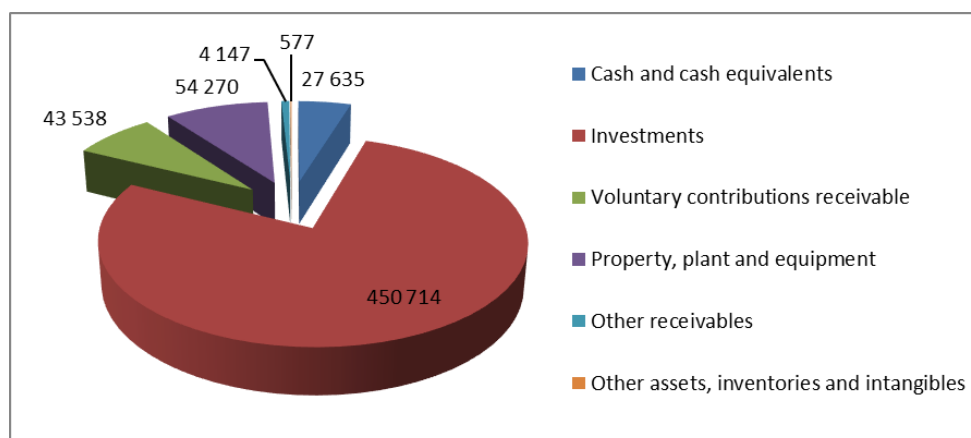
Financial position

Assets

14. Assets as at 31 December 2020 totalled \$580.88 million compared with the balance as at 31 December 2019 of \$526.56 million. Figure IV.I presents the structure of assets as at 31 December 2020.

Figure IV.I
Total assets as at 31 December 2020

(Thousands of United States dollars)



15. The main assets as at 31 December 2020 are investments and property, plant and equipment totalling \$504.98 million, representing 86.9 per cent of the total assets; voluntary contributions receivable of \$43.54 million, or 7.5 per cent; and cash and cash equivalents of \$27.64 million, or 4.8 per cent. The remaining 0.8 per cent of the assets consist mainly of other receivables, other assets and intangibles.

16. Of the total cash, cash equivalents and investments of \$478.35 million, \$425.70 million, or 89.0 per cent, is held with the Endowment Fund, while \$30.44 million, or 6.4 per cent, is held in the United Nations Treasury main cash pool.

17. Under IPSAS, accounts receivable from voluntary contributions are recognized in full upon signature of agreement, including amounts due in future financial periods. An exception applies to agreements with performance obligations, such as those with the European Union containing conditions requiring the return of contributions if funds are not spent in accordance with the terms and conditions specified by the donor.

18. Overall, assets increased by \$54.32 million, or 10.3 per cent, over the prior year. The change is attributable mainly to the favourable change in the fair value of the investments held with the Endowment Fund.

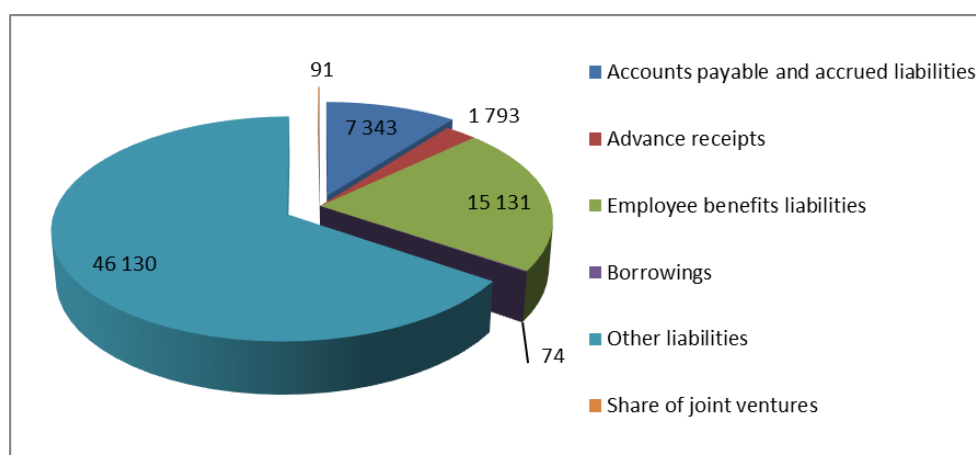
Liabilities

19. Liabilities as at 31 December 2020 totalled \$70.56 million, compared with the balance as at 31 December 2019 of \$62.76 million. Figure IV.II presents the structure of UNU liabilities as at 31 December 2020.

20. The increase in total liabilities of \$7.80 million, or 12.4 per cent, is attributable mainly to the increase in donated right-to-use buildings classified as finance leases. Major components of the University headquarters building in Tokyo were replaced during the year.

Figure IV.II
Total liabilities as at 31 December 2020

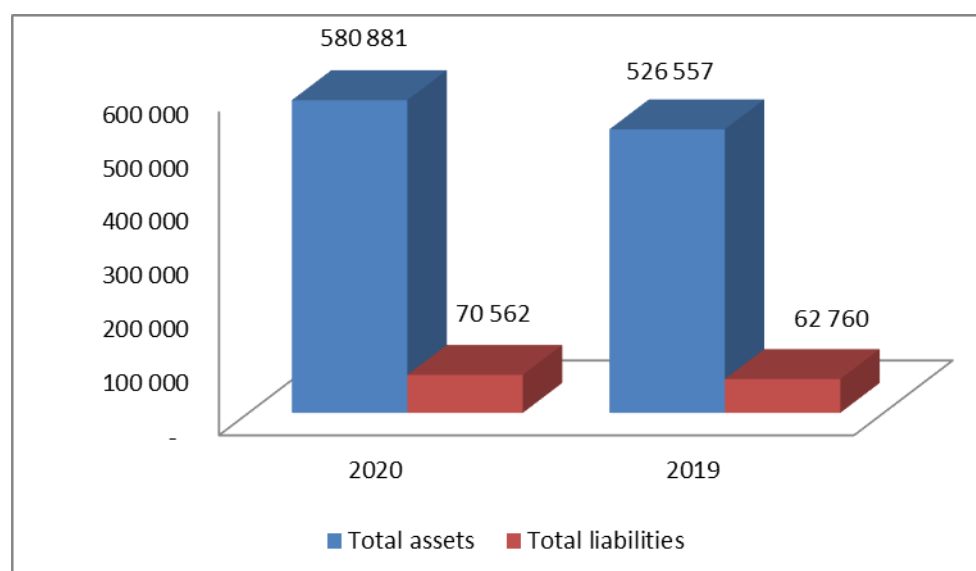
(Thousands of United States dollars)



21. Donated right-to-use buildings occupied by the University's offices and reported as other liabilities were the largest liability held by UNU. These amounted to \$46.13 million, representing 65.4 per cent of total liabilities. The other major component of liabilities was employee benefits earned by staff members, retirees and individual contractors. These accounted for \$15.13 million, representing 21.4 per cent of total liabilities. The remaining liabilities consisted mainly of accounts payable and accrued liabilities, and advance receipts.

Figure IV.III
Movement in total assets and total liabilities as at 31 December 2020

(Thousands of United States dollars)



22. Figure IV.III above illustrates an increase of 10.3 per cent in the total assets during the year, from \$526.56 million in 2019 to \$580.88 million in 2020. On the other hand, total liabilities registered an increase of 12.4 per cent, from \$62.76 million in 2019 to \$70.56 million over the same period. The liability-to-asset ratio remained steady at 12.1 per cent (in 2019, 11.9 per cent).

Net assets

23. The movement in net assets during the year reflects an increase of \$46.52 million, from \$463.80 million as at 31 December 2019 to \$510.32 million as at 31 December 2020, as shown in table IV.1. The increase is attributable primarily to the net surplus movement in the Endowment Fund of \$36.24 million as a result of the growth in the fair value of investment.

Table IV.1

Summary of financial position as at 31 December 2020

(Thousands of United States dollars)

	2020	2019	Change (amount)	Change (percentage)
Current assets	70 289	67 961	2 328	3.4
Non-current assets	510 592	458 596	51 996	11.3
Total assets	580 881	526 557	54 324	10.3
Current liabilities	13 884	10 876	3 008	27.7
Non-current liabilities	56 678	51 884	4 794	9.2
Total liabilities	70 562	62 760	7 802	12.4
Net assets	510 319	463 797	46 522	10.0

Financial performance

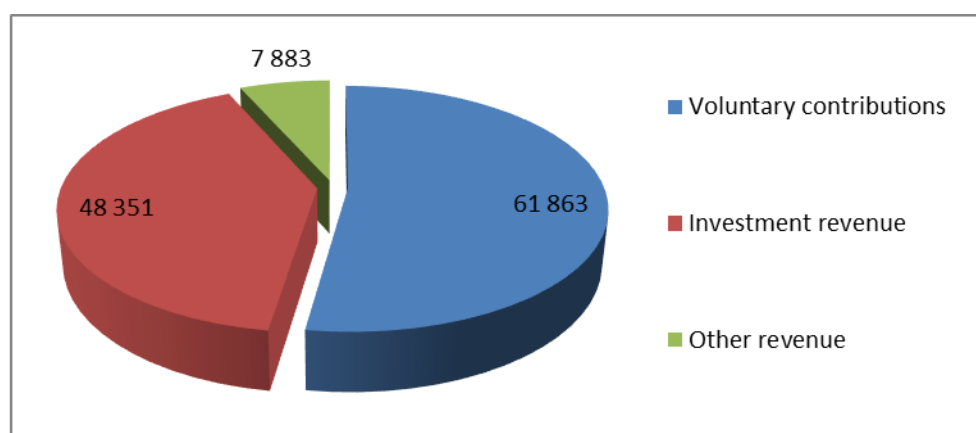
Revenue

24. In 2020, the University's revenue totalled \$118.10 million, a decrease of \$2.20 million compared with 2019, or approximately 1.8 per cent, owing primarily to the smaller magnitude of change in the fair value of Endowment Fund investments in 2020. The main sources of revenue were investment revenue of \$48.35 million and voluntary contributions of \$61.86 million, which included net monetary contributions of \$33.74 million from Member States and \$6.40 million from other donors. Voluntary contributions revenue also comprised contributions in kind as a rental subsidy of \$21.72 million for the year, which represented the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNU. The other revenue amounting to \$7.88 million consisted mainly of foreign exchange gains, fees from consulting services and rental received by the University's headquarters building.

25. Figure IV.IV presents the structure of UNU revenue as at 31 December 2020.

Figure IV.IV
Total revenue as at 31 December 2020

(Thousands of United States dollars)



26. UNU is heavily reliant on a small number of donors; it was noted that the top six donors, on an IPSAS basis, contributed about 89.2 per cent of the total net monetary donor contributions for the year. Figure IV.V above highlights the major voluntary contributors, showing Germany as the major contributor for 2020, while figure IV.VI provides a breakdown of the voluntary contributions by current year and future years, from 2016 to 2020.

Figure IV.V
Voluntary contributions from State donors exceeding \$1.0 million per donor, 2020 (IPSAS basis)

(Thousands of United States dollars)

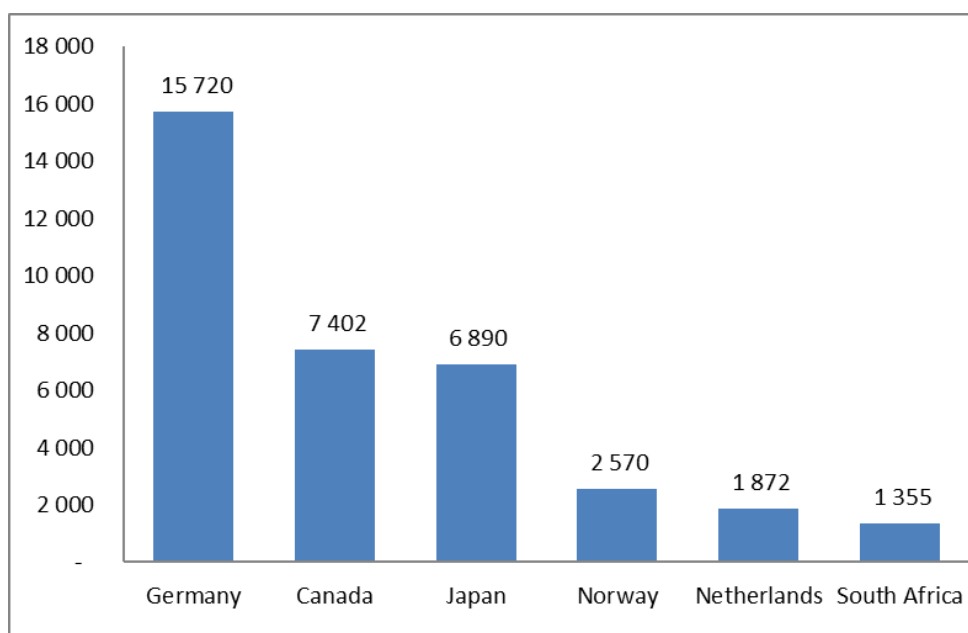


Figure IV.VI
Voluntary contributions by current year and future years, 2016–2020

(Thousands of United States dollars)

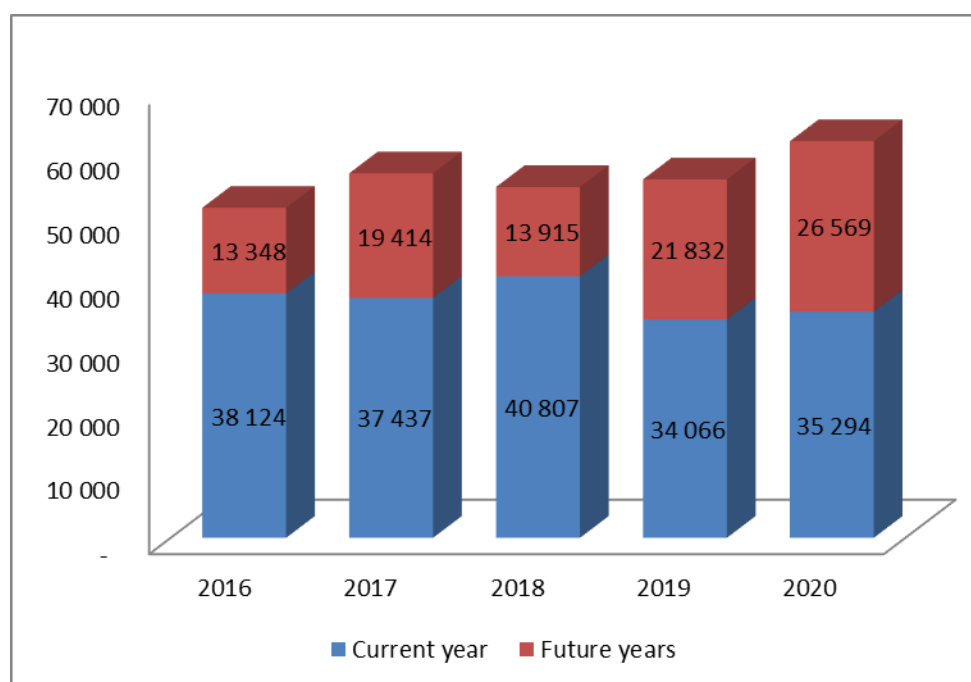


Table IV.2
Comparative revenue analysis

(Thousands of United States dollars)

	2020	2019	Change (amount)	Change (percentage)
Voluntary contributions	61 863	55 898	5 965	10.7
Investment revenue (net)	48 351	60 751	(12 400)	(20.4)
Other revenue	7 883	3 647	4 236	116.2
Total revenue	118 097	120 296	(2 199)	(1.8)

Expenses

27. For the year ended 31 December 2020, expenses totalled \$70.74 million, a decrease of \$5.08 million compared with 2019, or 6.7 per cent. The main expense categories comprised employee salaries, allowances and benefits of \$27.97 million, or 39.5 per cent; rent, leases and utilities of \$21.57 million, or 30.5 per cent; and other operating expenses of \$11.97 million, or 16.9 per cent. Figure IV.VII presents the structure of UNU expenses as at 31 December 2020.

Figure IV.VII
Total expenses as at 31 December 2020

(Thousands of United States dollars)

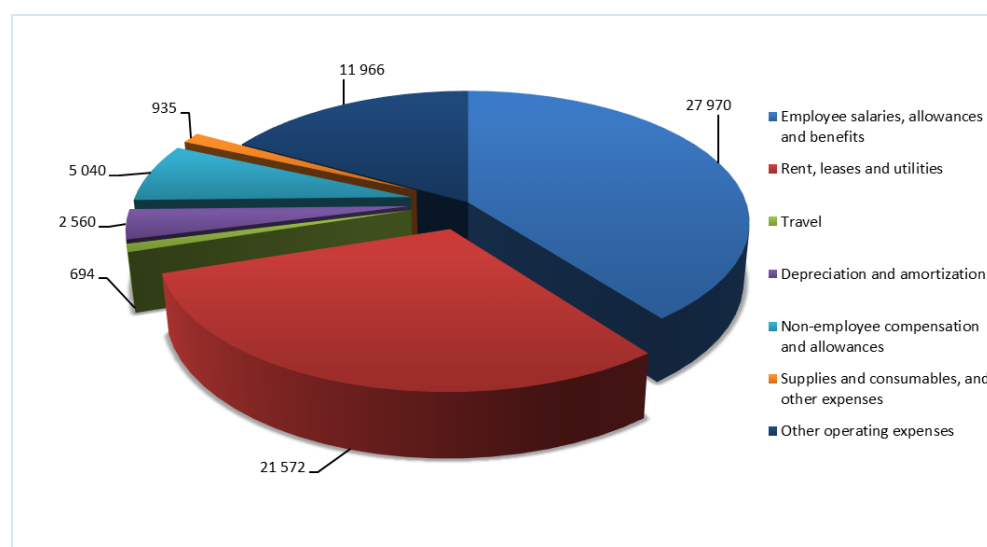


Table IV.3
Comparative expense analysis

(Thousands of United States dollars)

	2020	2019	Change (amount)	Change (percentage)
Employee salaries, allowances and benefits	27 970	27 255	715	2.6
Rent, leases and utilities	21 572	18 354	3 218	17.5
Travel	694	5 029	(4 335)	(86.2)
Depreciation and amortization	2 560	2 371	189	8.0
Non-employee compensation and allowances	5 040	4 442	598	13.5
Supplies and consumables, and other expenses	935	1 273	(338)	(26.6)
Other operating expenses	11 966	17 089	(5 123)	(30.0)
Total expenses	70 737	75 813	(5 076)	(6.7)

28. The University incurred significantly lower other operating expenses amounting to \$5.12 million (30.0 per cent) owing to lower allowances for doubtful voluntary contributions receivable.

29. During 2020, travel was reduced by \$4.34 million (86.2 per cent) as a consequence of the travel restrictions imposed following the outbreak of the COVID-19 pandemic.

30. Rent, leases and utilities increased by \$3.22 million (17.5 per cent) mainly owing to the higher estimated land rental in Japan.

Operating results

31. The University recorded a surplus of \$47.36 million in 2020, compared with \$44.48 million in 2019. The surplus is mainly attributable to the lower expenditure of \$5.08 million, offset by the reduction in revenue of \$2.20 million.

Liquidity position

32. As at 31 December 2020, the liquidity position of UNU was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled \$69.95 million (cash and cash equivalents of \$27.64 million, short-term investments of \$20.40 million and accounts receivable of \$21.91 million), whereas total current liabilities amounted to \$13.88 million and total liabilities amounted to \$70.56 million.

33. Table IV.4 summarizes four key liquidity indicators for the financial year ended 31 December 2020, with comparatives for the year ended 31 December 2019.

Table IV.4

Liquidity indicators for the United Nations University

<i>Indicators</i>	<i>2020</i>	<i>2019</i>
Ratio of liquid assets to current liabilities	5.0:1	6.2:1
Ratio of liquid assets less accounts receivable to current liabilities	3.5:1	4.4:1
Ratio of liquid assets to total assets	0.1:1	0.1:1
Average months of liquid assets less accounts receivable on hand	8.5	7.8

34. 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 5.0:1 indicates that current liabilities are covered five times by liquid assets, and therefore the University is in a comfortable position to meet short-term commitments at the end of 2020. When accounts receivable balances were excluded from the analysis, the coverage of current obligations is at 3.5:1 for 2020 and 4.4:1 for 2019.

35. As at 31 December 2020, the University's total liquid assets were about 12.0 per cent of its total assets, and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of \$5.68 million for 8.5 months.

C. Looking ahead

36. In 2020, the University began to implement the new UNU strategic plan 2020–2024. In the plan, the policy orientation of UNU research is emphasized, prioritizing the policy needs of the United Nations and its Member States, in particular the needs of policymakers in the global South. The plan is focused on policy-oriented research programming; a dynamic, innovative and diverse institutional culture; increased collaboration, communications and visibility; and system-wide financial sustainability.

37. The UNU Endowment Fund rose in value in 2020 along with global markets. UNU leadership will continue to explore strategies to improve the resilience of the Fund, however, particularly in response to the medium-term financial strain that the pandemic has put on donor budgets.

38. In 2021, UNU began the search process for six new members of the UNU Council, who will join the Council in May 2022 and guide the University's programming and operations.

Annex

Supplementary information

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

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were cash and receivables write-offs of \$5,260 in 2020.

Write-off of losses of property

3. Pursuant to financial rule 106.7, there were no write-offs of losses of property, plant and equipment, inventories and intangibles for UNU during the year 2020 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 2020.

Chapter V

Financial statements for the year ended 31 December 2020

United Nations University

I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Assets			
Current assets			
Cash and cash equivalents	Note 6	27 635	28 531
Investments	Note 7	20 399	19 133
Voluntary contributions receivable	Note 8	17 768	18 435
Other receivables	Note 9	4 147	1 452
Inventories	Note 10	—	2
Other assets	Note 11	340	408
Total current assets		70 289	67 961
Non-current assets			
Investments	Note 7	430 315	391 012
Voluntary contributions receivable	Note 8	25 770	16 622
Property, plant and equipment	Note 13	54 270	50 731
Intangibles	Note 14	47	36
Other assets	Note 11	190	195
Total non-current assets		510 592	458 596
Total assets		580 881	526 557
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 15	7 343	5 152
Advance receipts	Note 16	1 793	1 421
Employee benefits liabilities	Note 17	2 544	2 314
Lease liabilities	Note 18	29	11
Other liabilities	Note 19	2 175	1 978
Total current liabilities		13 884	10 876

United Nations University

I. Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Non-current liabilities			
Advance receipts	Note 16	—	561
Employee benefits liabilities	Note 17	12 587	10 796
Lease liabilities	Note 18	45	11
Other liabilities	Note 19	43 955	40 477
Share of joint ventures: equity method	Note 28	91	39
Total non-current liabilities		56 678	51 884
Total liabilities		70 562	62 760
Net of total assets and total liabilities		510 319	463 797
Net assets			
Accumulated surpluses	Note 20	86 570	76 284
Endowment Fund	Note 21	423 749	387 513
Total net assets		510 319	463 797

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

United Nations University**II. Statement of financial performance for the year ended 31 December 2020**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Revenue			
Voluntary contributions	Note 22	61 863	55 898
Investment revenue (net)	Note 23	48 351	60 751
Other revenue	Note 24	7 883	3 647
Total revenue		118 097	120 296
Expenses			
Employee salaries, allowances and benefits	Note 25	27 970	27 255
Rent, leases and utilities	Note 25	21 572	18 354
Travel	Note 25	694	5 029
Depreciation and amortization	Notes 13, 14, 25	2 560	2 371
Non-employee compensation and allowances	Note 25	5 040	4 442
Supplies and consumables	Note 25	933	1 260
Other operating expenses	Note 25	11 966	17 089
Other expenses	Note 25	2	13
Total expenses		70 737	75 813
Surplus/(deficit) for the year		47 360	44 483

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

United Nations University

III. Statement of changes in net assets for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Accumulated surpluses</i>	<i>Endowment Fund</i>	<i>Total</i>
IPSAS net assets as at 1 January 2019	75 051	340 140	415 191
Changes in net assets			
Shares of changes recognized in the net assets of joint ventures: equity method (note 28)	2	—	2
Actuarial losses on employee benefits liabilities (note 17)	(4 121)	—	(4 121)
Surplus/(loss) for the year	(2 890)	47 373	44 483
Total recognized changes in net assets	1 233	47 373	48 606
Net assets as at 31 December 2019	76 284	387 513	463 797
Changes in net assets			
Shares of changes recognized in the net assets of joint ventures: equity method (note 28)	(9)	—	(9)
Actuarial loss on employee benefits liabilities (note 17)	(829)	—	(829)
Surplus for the year	11 124	36 236	47 360
Total recognized changes in net assets	10 286	36 236	46 522
Net assets as at 31 December 2020	86 570	423 749	510 319

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

United Nations University

IV. Statement of cash flows for the year ended 31 December 2020

(Thousands of United States dollars)

	Reference	2020	2019
Cash flows from operating activities			
Surplus/(deficit) for the year		47 360	44 483
<i>Non-cash movements</i>			
Depreciation and amortization	Notes 13, 14, 25	2 560	2 371
Unrealized loss/(gain) on Endowment Fund investments from changes in fair value	Note 23	(33 257)	(48 033)
Realized loss/(gain) on sale of Endowment Fund investments	Note 23	(6 714)	(2 047)
Unrealized loss/(gain) on Endowment Fund due to revaluation		311	57
Actuarial (loss)/gain on employee benefits liabilities	Note 17	(829)	4 121
Loss/(gain) on share of joint ventures	Note 28	(9)	2
Loss/(gain) on disposal of property, plant and equipment	Note 13	1	2
Investment revenue from Endowment Fund presented as investing activities	Note 23	(7 891)	(10 143)
Investment revenue from cash pool presented as investing activities	Note 23	(489)	(528)
Additions of property, plant and equipment from in-kind contribution	Note 13	(5 684)	(3 076)
Additions of property, plant and equipment from lease financing	Note 13	(68)	—
<i>Changes in assets</i>			
Decrease/(increase) in voluntary contributions receivable	Note 8	(8 481)	2 324
Decrease/(increase) in other receivables	Note 9	(2 695)	7 208
Decrease in inventories	Note 10	2	2
Decrease/(increase) in other assets	Note 11	73	234
<i>Changes in liabilities</i>			
Increase/(decrease) in accounts payable and accrued liabilities	Note 15	2 191	(7 011)
Increase/(decrease) in advance receipts	Note 16	(189)	545
Increase/(decrease) in employee benefits liabilities	Note 17	2 021	(3 063)
Increase/(decrease) in other liabilities	Note 19	3 675	(291)
Increase/(decrease) in share of joint ventures: equity method	Note 28	52	2
Net cash flows used in operating activities		(8 060)	(12 841)

United Nations University

IV. Statement of cash flows for the year ended 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Cash flows from investing activities			
Net investment revenue from cash pool presented as investing activities	Note 23	489	528
Net movement in cash pool		(2 021)	(7 759)
Dividends received		3 729	4 974
Interest received		4 162	5 169
Purchases of investments		(73 768)	(48 621)
Proceeds from sales and maturities of investments		74 880	65 538
Purchases of property, plant and equipment	Note 13	(311)	(296)
Acquisition of intangible assets	Note 14	(48)	–
Net cash flows from/(used in) investing activities		7 112	19 533
Cash flows from financing activities			
Lease repayments	Note 18	(16)	(12)
Net additions of property, plant and equipment from lease financing	Note 13	68	–
Net cash flows used in financing activities		52	(12)
Net increase/(decrease) in cash and cash equivalents		(896)	6 680
Cash and cash equivalents – beginning of year	Note 6	28 531	21 851
Cash and cash equivalents – end of year	Note 6	27 635	28 531

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

United Nations University

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2020

(Thousands of United States dollars)

<i>Budget cost categories</i>	<i>Approved budget^a</i>				<i>Actual on a comparable basis</i>	<i>Difference: final budget and actual</i>	<i>Difference (percentage)^b</i>
	<i>Original biennial</i>	<i>Final biennial</i>	<i>Original annual</i>	<i>Final annual</i>			
Research, training networks and dissemination	51 095	52 214	30 891	22 877	21 881	(996)	(4.4)
Staff and other personnel costs	42 494	42 592	21 198	20 434	18 554	(1 880)	(9.2)
General operating expenses	18 897	17 672	9 770	7 574	6 825	(749)	(9.9)
Total	112 486	112 478	61 859	50 885	47 260	(3 625)	(7.1)

^a The UNU work programme and budget estimates for the biennium 2020–2021 were approved by the UNU Council in December 2019. The original budget was prepared on an annual basis related to each year of the biennium. The annual budget amounts relate to the current year portion of the budget approved by the UNU Council for a two-year budget period.

^b Represents actual expenditure (budget basis) less final budget as a percentage of the final budget; differences greater than 10 per cent are considered in note 5.

The accompanying notes are an integral part of these 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 UNU Council from 24 to 12.
7. The University is a global think tank and postgraduate teaching university headquartered in Japan, with the mission to contribute, through collaborative research and education, to efforts to resolve the pressing global problems of human survival, development and welfare that are the concern of the United Nations, its peoples and Member States.
8. In carrying out this mission, the University works with leading universities and research institutes in States Members of the United Nations, functioning as a bridge between the international academic community and the United Nations system.
9. Through postgraduate teaching activities, the University contributes to capacity-building, particularly in developing countries.
10. The UNU Centre in Tokyo serves as the programming, planning and administrative headquarters unit of the University. It comprises the Office of the Rector, the administrative unit in Putrajaya, Malaysia, and academic services units that support the work of the global UNU system.
11. The UNU Centre also includes the Centre for Policy Research, in New York, which was 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 fields of peace and security and global development. The core mission of the unit 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, as follows, with the global UNU system coordinated by the UNU 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 International Institute for Software Technology (UNU-IIST), Macao, China (previously UNU Computing and Society (UNU-CS));
- (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 for the Advanced Study of Sustainability (UNU-IAS), Tokyo;
- (g) UNU International Institute for Global Health (UNU-IIGH), Kuala Lumpur;
- (h) UNU Institute for Natural Resources in Africa (UNU-INRA), Accra;
- (i) UNU Institute for Water, Environment and Health (UNU-INWEH), Hamilton, Ontario, Canada;
- (j) UNU Institute for Sustainable Development (UNU-IRADDA), Algiers;
- (k) UNU Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), Maastricht, the Netherlands;
- (l) UNU World Institute for Development Economics Research (UNU-WIDER), Helsinki;
- (m) UNU Institute for Economic and Social Research (UNU-IESR), Senegal.

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 that 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, these financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the University, consist of the following:

- (a) Statement of financial position (statement I);
- (b) Statement of financial performance (statement II);
- (c) Statement of changes in net assets (statement III);

- (d) Statement of cash flows (using the indirect method) (statement IV);
- (e) Statement of comparison of budget and actual amounts (statement V);
- (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 (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

16. The going-concern assertion is based on the approval by the UNU Council of the work programme and budget estimates for the biennium 2020–2021, its net assets position, the stable historical trend of voluntary contributions collection 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 transmitted the financial statements as at 31 December 2020 to the Board of Auditors by 31 March 2021. In accordance with regulation 7.12, 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 authorized for issue on 31 July 2021.

Measurement basis

18. The financial statements are prepared using the historic-cost convention except for real estate assets (other than prefabricated buildings), which are recorded at depreciated replacement cost, and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

19. The functional currency and 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 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. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which 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 University's financial statements 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 have an impact on the conclusions or decisions of the users of the financial statements.

23. Preparing 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/amortization methods for property, plant and equipment/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/liabilities.

Future accounting pronouncements

25. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the University's financial statements continues to be monitored:

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

(b) Non-exchange expenses: the aim of the project is to develop a standard (or standards) that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard by the end of 2021;

(c) Revenue: the scope of the project is to develop new standard-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). The IPSAS Board is expected to issue the standard by the end of 2021;

(d) 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 Standard. The project will result in a new IPSAS that will replace IPSAS 13: Leases. The development of a new IPSAS is continuing with the date of its issuance yet to be determined by the IPSAS Board;

(e) Public sector measurement: the objectives of this project include (a) to issue amended standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosures; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers may have when applying IPSAS 17: Property, plant and

equipment to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

26. The IPSAS Board has issued the following standards: IPSAS 41: Financial instruments issued August 2018 effective 1 January 2023 and IPSAS 42: Social benefits issued January 2019 effective 1 January 2023. The impact of these standards on the University's financial statements and the comparative period therein has been evaluated to be as follows:

<i>Standard</i>	<i>Anticipated impact in the year of adoption</i>
IPSAS 41	<p>IPSAS 41: Financial instruments substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement and improves that standard's requirements by introducing:</p> <ul style="list-style-type: none"> (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. <p>The effective date of IPSAS 41: Financial instruments was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Its impact on the financial statements will be assessed prior to that date, and the University will be ready for its implementation by the time it becomes effective.</p>
IPSAS 42	<p>IPSAS 42: Social benefits provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>The effective date of IPSAS 42: Social benefits was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Currently, there are no such social benefits in the University's operations.</p>

Note 3
Significant accounting policies

Financial assets classification

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

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus or deficit	Investments in cash pools and the Endowment Fund
Loans and receivables	Cash and cash equivalents and receivables

28. All financial assets are initially measured at fair value. The University initially recognizes financial assets classified as loans and receivables on the date on which 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.

29. 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.

30. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. 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.

31. 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.

32. 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 the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

33. 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. 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

34. The United Nations Treasury invests funds pooled from the Secretariat and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

35. The University's investment in the cash pools is 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 investment.

Endowment Fund investment

36. 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.

37. 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

38. 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

39. 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, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contributions receivable are reported at a discounted value calculated using the effective interest method. Voluntary contributions receivable, trade receivables and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

Receivables from exchange transactions: other receivables

40. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Other assets

41. 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

42. Inventory balances are recognized as current assets and include the following category:

Category	Subcategories
Held for sale or external distribution	Books and publications

43. The cost of inventory in stock is determined using the average price 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, that is, donated goods, is 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.

44. 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.

45. 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

46. Heritage assets are not recognized in the financial statements, but significant heritage asset transactions are disclosed in the notes thereto.

Property, plant and equipment

47. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

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

(b) 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;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets. Any subsequent real estate additions are recognized at historical cost;

(d) With regard to 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.

48. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which 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. 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 as follows:

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life</i>
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 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 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, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

49. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result was entered in the master record of the asset.

50. 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.

51. The University chose 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.

52. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises when 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.

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

54. 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 assets. The thresholds for recognition are \$100,000 per unit for internally generated intangible assets and \$5,000 per unit for externally acquired intangible assets.

55. 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, costs for consultants 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.

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

56. 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

57. 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 a duration of less than 12 months are recognized at their nominal value. The University re-evaluates the 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

58. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are recognized and subsequently measured at their nominal value because they are generally due within 12 months.

Advance receipts and other liabilities

59. 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 "lessee"

60. Leases of property, plant and equipment where the University has substantially all 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 on the basis of the effective interest rate method.

61. 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 term of the lease.

Donated right to use

62. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the University, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying asset is transferred to the University.

63. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of 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. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the University does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

64. 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 at the acquisition date.

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

Employee benefits

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

Short-term employee benefits

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

Post-employment benefits

68. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

69. 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 benefits). Defined-benefit plans are those where the University's obligation is to provide agreed benefits and therefore the University bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The University has chosen 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 held no plan assets as defined by IPSAS 39: Employee benefits.

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

71. **After-service health insurance.** Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those recruited before 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 from all plan participants in determining the University's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the University's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

72. **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.

73. **Annual leave.** The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via 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, overall, there is an increase in the level of accumulated annual leave days, 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 under the category

of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the University values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

74. 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 in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

75. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The University and the Fund, in line with the other participating organizations 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. Hence, the University has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The University's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

76. 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

77. 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 long-term employee benefits.

Provisions

78. Provisions are liabilities recognized for future expenditure of 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 amount of the provision is the best estimate of the expenditures expected to be 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

79. Any 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 are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be 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.

80. 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.

81. An indicative threshold of \$10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

82. Contingent assets are 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

83. Commitments are future expenses to be incurred by the University with respect to open contracts which the University has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the 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 are not delivered at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Voluntary contributions

84. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time when 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, recognition of revenue is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of \$50,000.

85. The full amounts relating to unconditional multi-year voluntary contribution agreements (including those committing a maximum contribution cash amount), pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donor are netted against voluntary contributions revenue.

86. Programme support costs, when agreed with donors, are included as part of voluntary contributions. UNU does not apply a fixed percentage for programme support costs. The percentage is negotiated on a case-by-case basis with each donor.

87. 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.

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

Exchange revenue

89. 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, as follows:

(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) Revenue includes tuition 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, membership subscriptions and net currency exchange gains.

Investment revenue

90. Investment revenue includes the University's share of net cash pool revenue and 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 difference between the sale proceeds and book value. 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 on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

91. 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.

92. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment,

repatriation, hardship and other allowances. The non-employee compensation and allowances consist of consultant and contractor fees and ad hoc experts.

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

94. Other operating expenses include the acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and foreign exchange losses. Other expenses relate to contributions in kind, hospitality and official functions, donations and transfers of assets.

Joint arrangements

95. A joint arrangement is an arrangement in which two or more parties have joint control through a binding agreement that gives those parties joint control of the arrangement. This 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 37: Joint arrangements, as either:

(a) A joint operation whereby the parties to the arrangement have rights to assets and obligations for liabilities. 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;

(b) A joint venture whereby the parties to the arrangement have rights to the net assets. The University will account for its interest using the equity method. The equity method initially records the interest at cost and is adjusted thereafter for the post-acquisition changes in the University's share of the net assets. The University's share of the surplus or deficit of the investee is recognized in the statement of financial performance. 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.

96. The University has also entered into joint-venture arrangements for jointly financed operations that give the University significant influence, that is, the power to participate in financial and operating policy decisions but not to control or jointly control those activities. Under IPSAS 37, the interests in those activities are accounted for using the equity method.

Note 4

Segment reporting

97. 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.

98. 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 its overall mission:

(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.

99. 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 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>Centre</i>	<i>Institutes</i>	<i>Elimination^a</i>	<i>31 December 2020</i>
Assets					
Current assets					
Cash and cash equivalents	Note 6	20 353	7 282	—	27 635
Investments	Note 7	10 445	9 954	—	20 399
Voluntary contributions receivable	Note 8	3 557	14 211	—	17 768
Other receivables	Note 9	1 462	2 685	—	4 147
Other assets	Note 11	268	72	—	340
Inter-fund balances receivable		1 587	33 153	(34 740)	—
Total current assets		37 672	67 357	(34 740)	70 289
Non-current assets					
Investments	Note 7	203 377	226 938	—	430 315
Voluntary contributions receivable	Note 8	4 597	21 173	—	25 770
Property, plant and equipment	Note 13	40 984	13 286	—	54 270
Intangibles	Note 14	36	11	—	47
Other assets	Note 11	168	22	—	190
Total non-current assets		249 162	261 430	—	510 592
Total assets		286 834	328 787	(34 740)	580 881
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	Note 15	3 034	4 309	—	7 343
Advance receipts	Note 16	456	1 337	—	1 793
Employee benefits liabilities	Note 17	1 027	1 517	—	2 544
Lease liabilities	Note 18	12	17	—	29
Other liabilities	Note 19	1 712	463	—	2 175
Inter-fund balances payable		32 126	2 614	(34 740)	—
Total current liabilities		38 367	10 257	(34 740)	13 884
Non-current liabilities					
Employee benefits liabilities	Note 17	3 952	8 635	—	12 587
Lease liabilities	Note 18	27	18	—	45
Other liabilities	Note 19	33 214	10 741	—	43 955
Share of joint ventures: equity method	Note 28	32	59	—	91
Total non-current liabilities		37 225	19 453	—	56 678
Total liabilities		75 592	29 710	(34 740)	70 562
Net of total assets and total liabilities		211 242	299 077	—	510 319
Net assets					
Accumulated surpluses	Note 20	19 404	67 166	—	86 570
Endowment Fund	Note 21	191 838	231 911	—	423 749
Total net assets		211 242	299 077	—	510 319

^a Eliminations comprise \$34.74 million relating to inter-fund transactions between the UNU Centre and its institutes and programmes.

Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Reference	Centre	Institutes	Elimination ^a	31 December 2019
Assets					
Current assets					
Cash and cash equivalents	Note 6	20 152	8 379	—	28 531
Investments	Note 7	9 897	9 236	—	19 133
Voluntary contributions receivable	Note 8	2 357	16 078	—	18 435
Other receivables	Note 9	438	1 014	—	1 452
Inventories	Note 10	—	2	—	2
Other assets	Note 11	282	126	—	408
Inter-fund balances receivable		1 320	31 881	(33 201)	—
Total current assets		34 446	66 716	(33 201)	67 961
Non-current assets					
Investments	Note 7	184 443	206 569	—	391 012
Voluntary contributions receivable	Note 8	521	16 101	—	16 622
Property, plant and equipment	Note 13	36 918	13 813	—	50 731
Intangibles	Note 14	—	36	—	36
Other assets	Note 11	168	27	—	195
Total non-current assets		222 050	236 546	—	458 596
Total assets		256 496	303 262	(33 201)	526 557
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	Note 15	2 220	2 932	—	5 152
Advance receipts	Note 16	713	708	—	1 421
Employee benefits liabilities	Note 17	850	1 464	—	2 314
Lease liabilities	Note 18	2	9	—	11
Other liabilities	Note 19	1 436	542	—	1 978
Inter-fund balances payable		28 792	4 409	(33 201)	—
Total current liabilities		34 013	10 064	(33 201)	10 876
Non-current liabilities					
Advance receipts	Note 16	222	339	—	561
Employee benefits liabilities	Note 17	3 390	7 406	—	10 796
Lease liabilities	Note 18	1	10	—	11
Other liabilities	Note 19	29 352	11 125	—	40 477
Share of joint ventures: equity method	Note 28	16	23	—	39
Total non-current liabilities		32 981	18 903	—	51 884
Total liabilities		66 994	28 967	(33 201)	62 760
Net of total assets and total liabilities		189 502	274 295	—	463 797
Net assets					
Accumulated surpluses	Note 20	11 835	64 449	—	76 284
Endowment Fund	Note 21	177 667	209 846	—	387 513
Total net assets		189 502	274 295	—	463 797

^a Eliminations comprise \$33.20 million relating to inter-fund transactions between the UNU Centre and its institutes and programmes.

Statement of financial performance as at 31 December 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>Centre</i>	<i>Institutes</i>	<i>Elimination^a</i>	<i>31 December 2020</i>
Revenue					
Voluntary contributions	Note 22	31 413	30 450	–	61 863
Investment revenue (net)	Note 23	22 829	25 522	–	48 351
Other revenue	Note 24	3 660	4 800	(577)	7 883
Total revenue		57 902	60 772	(577)	118 097
Expenses					
Employee salaries, allowances and benefits	Note 25	10 262	18 108	(400)	27 970
Rent, leases and utilities	Note 25	19 292	2 280	–	21 572
Travel	Note 25	143	551	–	694
Depreciation and amortization	Notes 13, 14, 25	1 793	767	–	2 560
Non-employee compensation and allowances	Note 25	829	4 227	(16)	5 040
Supplies and consumables	Note 25	344	589	–	933
Other operating expenses	Note 25	3 233	8 894	(161)	11 966
Other expenses	Note 25	1	1	–	2
Total expenses		35 897	35 417	(577)	70 737
Surplus for the year		22 005	25 355	–	47 360

^a Eliminations comprise \$0.58 million relating to revenue from services rendered and transactions between the UNU Centre and its institutes and programmes.

Statement of financial performance as at 31 December 2019

(Thousands of United States dollars)

	<i>Reference</i>	<i>Centre</i>	<i>Institutes</i>	<i>Elimination^a</i>	<i>31 December 2019</i>
Revenue					
Voluntary contributions	Note 22	23 204	32 694	–	55 898
Investment revenue (net)	Note 23	28 489	32 262	–	60 751
Other revenue	Note 24	1 963	2 273	(589)	3 647
Total revenue		53 656	67 229	(589)	120 296
Expenses					
Employee salaries, allowances and benefits	Note 25	9 745	17 906	(396)	27 255
Rent, leases and utilities	Note 25	16 311	2 043	–	18 354
Travel	Note 25	1 021	4 008	–	5 029
Depreciation and amortization	Notes 13, 14, 25	1 698	673	–	2 371
Non-employee compensation and allowances	Note 25	1 071	3 371	–	4 442
Supplies and consumables	Note 25	461	799	–	1 260
Other operating expenses	Note 25	3 467	13 815	(193)	17 089
Other expenses	Note 25	3	10	–	13
Total expenses		33 777	42 625	(589)	75 813
Surplus for the year		19 879	24 604	–	44 483

^a Eliminations comprise \$0.59 million relating to revenue from services rendered and transactions between the UNU Centre and its institutes and programmes.

Note 5
Comparison to budget

100. 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.

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

102. The original budget amounts are the 2020 portions of the appropriations approved by the UNU Council for the biennium 2020–2021 on 12 December 2019. Differences between original and final budget amounts are attributable to revised appropriations as approved by the Council and increased authorized spending for specific programme activities that the Rector has been authorized by the Council to accept and utilize.

103. Material differences between the final annual budget appropriation for the year 2020 and the original budget are deemed to be those greater than 10 per cent and are explained as follows:

<i>Budget area</i>	<i>Material differences greater than 10 per cent</i>
Research, training networks and dissemination	Owing to the COVID-19 outbreak and the resulting physical access restrictions in 2020, implementation of projects that required a physical presence was delayed and postponed to the following year. The unutilized budget in 2020 was reallocated to 2021.
General operating expenses	Deferment of non-critical budget spending, such as on office renovation and acquisition of furniture, from 2020 to 2021. Budget savings resulting from the cancellation of travel and lower utility costs in 2020 were reallocated and reprioritized for 2021 budget utilization.

104. There was no material difference between the final budget appropriation for 2020 and actual expenditure on a modified cash basis.

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

105. Reconciliation between the actual amounts on a comparable basis in the statement of 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 2020

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total</i>
Actual amounts on comparable basis (statement V)	(47 260)	–	–	(47 260)
Basis differences	40 638	(359)	–	40 279
Entity differences	(1 438)	–	–	(1 438)
Presentation differences	–	7 471	52	7 523
Actual amounts in statement of cash flows (statement IV)	(8 060)	7 112	52	(896)

106. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results with the statement of cash flows, the non-cash elements, such as unliquidated commitments against the budget that do not represent a cash flow, must be eliminated. Similarly, IPSAS-specific differences, such as payments against prior year commitments and investing cash flows relating to acquisition of property, plant and equipment or intangibles, are included as basis differences to reconcile with the statement of cash flows.

107. 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.

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

109. 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

110. 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 2020

(Thousands of United States dollars)

	<i>Total</i>
Actual amounts on comparable basis (statement V)	47 260
Additional assets and intangibles	(6 262)
Depreciation and amortization	2 560
Donated right-to-use arrangements	25 398
Endowment Fund expenses	1 438
Foreign exchange differences	(399)
Payroll related accruals and education grant prepayments	758
Change in obligations/effect of accruals versus obligations	(1 184)
Lease payments	(16)
Prepayments and other receivables	46
Other accruals	1 277
Inter-office eliminations	(177)
Loss on disposal of property, plant and equipment	1
Allowance for doubtful receivables	37
Actual amounts in statement of financial performance (statement II)	70 737

Note 6

Cash and cash equivalents

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Cash pools (note 26)	3 325	9 171
Cash at Endowment Fund (note 26)	2 103	2 373
Other cash (note 26)	22 207	16 987
Total cash and cash equivalents	27 635	28 531

Note 7

Investments

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Current investments		
Cash pools (note 26)	20 399	19 133
Total current investments	20 399	19 133
Non-current investments		
Cash pools (note 26)	6 715	5 960
Endowment Fund (note 26)	423 600	385 052
Total non-current investments	430 315	391 012
Total investments	450 714	410 145

Note 8**Voluntary contributions receivable: receivables from non-exchange transactions**

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Current voluntary contributions receivable		
Voluntary contributions receivable	68 889	61 648
Allowance for doubtful voluntary contributions receivable	(51 121)	(43 213)
Total current voluntary contributions receivable	17 768	18 435
Non-current voluntary contributions receivable		
Voluntary contributions receivable	37 220	34 772
Allowance for doubtful voluntary contributions receivable	(11 450)	(18 150)
Total non-current voluntary contributions receivable	25 770	16 622
Total voluntary contributions receivable	43 538	35 057

111. The voluntary contributions receivable are reviewed annually to determine if there is any indication of impairment in value. During 2020, the allowance for doubtful receivables includes an impairment for payment instalments that are in arrears.

Note 9**Other receivables: receivables from exchange transactions**

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Investment receivables	2 987	768
Member States	273	257
Receivables from other United Nations entities	20	9
Staff	7	28
Other exchange revenue receivables	884	390
Allowance for doubtful other receivables	(24)	–
Total other receivables	4 147	1 452

112. The increase in investment receivables is attributable mainly to the sale of the exchange-traded fund of \$2.9 million, which was traded on 31 December 2020 and the settlement of which was received on 5 January 2021.

Note 10
Inventories

(Thousands of United States dollars)

	2020	2019
Opening inventory as at 1 January	2	4
Purchased in period	—	—
Total inventory available	2	4
Consumption	—	2
Disposal	2	—
Total inventory as at 31 December	—	2

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Current other assets		
Advances to non-staff	130	231
Advances to staff	210	177
Total current other assets	340	408
Non-current other assets		
Advances to non-staff	190	195
Total non-current other assets	190	195
Total other assets	530	603

Note 12
Heritage assets

113. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The University's heritage assets comprise works of art, books and a statue. They were acquired over many years by various means, including purchase, donation and bequest. The heritage assets are not used in the delivery of services relating to the University's institutes or programmes; in accordance with the University's accounting policy, heritage assets are not recognized on the statement of financial position.

Note 13
Property, plant and equipment

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

115. In 2020, additions to property, plant and equipment included replacement of a central control air-conditioning system and an elevator and construction of an anti-earthquake ceiling for the University headquarters building, contributed by the host Government, which amounted to \$5.68 million.

116. The net book value included \$46.13 million relating to right-to-use arrangements.

Property, plant and equipment: 2020

(Thousands of United States dollars)

	<i>Buildings</i>	<i>Leasehold improvements</i>	<i>Assets under construction</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Communications and information technology equipment</i>	<i>Furniture and fixtures</i>	<i>Total</i>
Cost as at 31 December 2019	138 890	638	151	182	173	1 883	283	142 200
Additions	5 684	—	—	—	36	126	68	5 914
Disposals	(838)	—	—	—	(19)	(380)	(33)	(1 270)
Capitalization	—	300	—	—	—	—	—	300
Reclassification	—	—	(151)	—	—	—	—	(151)
Cost as at 31 December 2020	143 736	938	—	182	190	1 629	318	146 993
Accumulated depreciation as at 31 December 2019	88 909	479	—	148	126	1 568	239	91 469
Depreciation charge for the period	2 138	162	—	12	20	76	23	2 431
10 per cent depreciation adjustment	84	—	—	(11)	2	19	(2)	92
Depreciation on disposals	(838)	—	—	—	(19)	(380)	(32)	(1 269)
Accumulated depreciation as at 31 December 2020	90 293	641	—	149	129	1 283	228	92 723
Net carrying amount								
31 December 2019	49 981	159	151	34	47	315	44	50 731
31 December 2020	53 443	297	—	33	61	346	90	54 270

Note 14 Intangible assets

(Thousands of United States dollars)

	<i>Software developed internally</i>	<i>Software externally acquired</i>	<i>Intangible assets under development</i>	<i>Total 2020</i>	<i>Total 2019</i>
Cost as at 1 January	195	11	—	206	206
Additions	—	12	36	48	—
Cost as at 31 December	195	23	36	254	206
Accumulated amortization as at 1 January	159	11	—	170	128
Amortization	36	1	—	37	42
Accumulated amortization as at 31 December	195	12	—	207	170
Net carrying amount	—	11	36	47	36

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Vendor payables	708	410
Accruals for goods and services	1 513	1 523
Payable to other United Nations entities	4	187
Investment payable	4 942	2 956
Other	176	76
Total accounts payable and accrued liabilities	7 343	5 152

117. The increase in investment payable is attributable mainly to purchases of exchange-traded funds amounting to \$4.90 million on 31 December 2020. Settlement was received on 5 January 2021.

Note 16
Advance receipts

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Current advance receipts		
Contributions received in advance	1 436	1 164
Other advance receipts	357	257
Total current advance receipts	1 793	1 421
Non-current advance receipts		
Contributions received in advance	—	561
Total non-current advance receipts	—	561
Total advance receipts	1 793	1 982

Note 17
Employee benefits liabilities

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2020
After-service health insurance	115	9 457	9 572
Annual leave	107	1 499	1 606
Repatriation benefits	121	1 631	1 752
Defined end-of-service/post-employment benefits liabilities	343	12 587	12 930
Accrued salaries and allowances	2 201	—	2 201
Total employee benefits liabilities	2 544	12 587	15 131

(Thousands of United States dollars)

	Current	Non-current	Total 31 December 2019
After-service health insurance	104	8 100	8 204
Annual leave	159	1 249	1 408
Repatriation benefits	202	1 447	1 649
Defined end-of-service/post-employment benefits liabilities	465	10 796	11 261
Accrued salaries and allowances	1 849	–	1 849
Total employee benefits liabilities	2 314	10 796	13 110

118. The liabilities arising from end-of-service/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 full actuarial valuation was conducted as at 31 December 2019.

Actuarial valuation: assumptions

119. 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 employee benefits. The principal actuarial assumptions used to determine the employee benefits obligations as at 31 December 2020 and 31 December 2019 are as follows:

Actuarial assumptions

(Percentage)

Actuarial assumptions	After-service health insurance	Repatriation benefits	Annual leave
Discount rates, 31 December 2019	3.63	3.19	2.51
Discount rates, 31 December 2020	3.15	2.40	2.27
Inflation, 31 December 2019	3.76–5.44	2.20	–
Inflation, 31 December 2020	3.64–5.31	2.20	–

120. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt and detailed in the actuarial report. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

121. As at 31 December 2020, the assumptions relating to salary increases for staff in the Professional category were 8.5 per cent for the age of 23, grading down to 4.0 per cent for the age of 70. Salaries of staff in the General Service category were assumed to increase by 6.8 per cent for the age of 19, grading down to 4.0 per cent at the age of 65.

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 is revised to reflect the current short-term expectations of the after-service health insurance plan cost decreases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2020 were updated to include escalation rates for future years. As at 31 December 2020, these escalation rates were at 3.64 per cent (2019: 3.76 per cent) for non-United States medical plans in Switzerland and 3.73 per cent (2019: 3.83 per cent) for non-United States medical plans in the eurozone. The escalation rate was at 5.31 per cent (2019: 5.44 per cent) for all other medical plans, except 5.15 per cent (2019: 5.26 per cent) for the United States Medicare plan and 4.59 per cent (2019: 4.66 per cent) for the United States dental plan, grading down to 3.65 per cent (2019: 3.85 per cent) over 6 to 8 years (2019: 3 to 8 years) for non-United States and 14 years (2019: 13 years) for United States health-care costs.

123. With regard to the valuation of repatriation benefits as at 31 December 2020, inflation in travel costs remained unchanged at 2.20 per cent, on the basis of the projected United States inflation rate over the next 20 years.

124. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years, 9.1 per cent; 4–8 years, 1 per cent; and more than 8 years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

125. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Movement in post-employment benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	2020	2019
Net defined-benefit liability as at 1 January	11 261	14 309
Current service cost	940	1 021
Interest cost	378	637
Total costs recognized in the statement of financial performance	1 318	1 658
Benefits paid	(478)	(585)
Actuarial (gain)/loss recognized directly in the statement of changes in net assets ^a	829	(4 121)
Net defined-benefits liability as at 31 December	12 930	11 261

^a The net cumulative amount of actuarial losses recognized in the statement of changes in net assets is \$0.8 million (2019: actuarial gains of \$4.1 million).

Discount rate sensitivity analysis

126. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bond markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 0.5 per cent, its impact on the obligations would be as follows:

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

<i>31 December 2020</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Increase of discount rate by 0.5 per cent	(983)	(78)	(66)
As a percentage of year-end liability	(10)	(4)	(4)
Decrease of discount rate by 0.5 per cent	1 144	84	72
As a percentage of year-end liability	12	5	4

<i>31 December 2019</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Increase of discount rate by 0.5 per cent	(843)	(73)	(58)
As a percentage of year-end liability	(10)	(4)	(4)
Decrease of discount rate by 0.5 per cent	981	79	63
As a percentage of year-end liability	12	5	4

Medical costs sensitivity analysis

127. 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 resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, this would have an impact on the measurement of the defined-benefits obligations, as follows:

Medical costs sensitivity analysis: 0.5 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars and percentage)

<i>2020</i>	<i>Increase</i>	<i>Decrease</i>
Effect on the defined-benefits obligation	11.53% 1 104	(10.03%) (960)
Effect on the aggregate of the current service cost and interest cost	1.58% 151	(1.33%) (127)
Total effect	1 255	(1 087)

<i>2019</i>	<i>Increase</i>	<i>Decrease</i>
Effect on the defined-benefits obligation	11.54% 947	(10.03%) (823)
Effect on the aggregate of the current service cost and interest cost	1.57% 129	(1.33%) (109)
Total effect	1 076	(932)

Other defined-benefits plan information

128. Benefits paid for 2020 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued

annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the following table.

Estimated defined-benefits payments, net of participants' contributions

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total</i>
2021	120	124	110	354
2020	107	208	163	478

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Present value of the defined-benefit obligations	11 261	14 309	15 155	12 691	11 698

Accrued salaries and allowances

129. Accrued salaries and allowances comprise \$1.11 million (2019: \$0.87 million) in annual leave for certain individual contractors and compensatory time off, United Nations tax reimbursements of \$0.56 million (2019: \$0.58 million), repatriation benefits payable of \$0.22 million (2019: \$0.24 million) and home leave of \$0.31 million (2019: \$0.16 million).

United Nations Joint Staff Pension Fund

130. It is stated in the Regulations of the United Nations Joint Staff Pension Fund that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

131. The University's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

132. The latest actuarial valuation for the Pension Fund was completed as at 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

133. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per

cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

134. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

135. Should article 26 be invoked as a result of an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to \$7,546.92 million, of which 0.09 per cent was contributed by the University.

136. During 2020, contributions paid to the Pension Fund by the University amounted to \$2.44 million (2019: \$2.47 million). Expected contributions due in 2021 are approximately \$2.56 million.

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

138. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on the Fund's website (www.unjspf.org).

Note 18

Lease liabilities

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Finance leases (note 29)		
Current	29	11
Non-current	45	11
Total lease liabilities	74	22

Note 19
Other liabilities

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Donated right-to-use buildings (note 29)		
Current	2 175	1 978
Non-current	43 955	40 477
Total other liabilities	46 130	42 455

139. The increase in the donated right-to-use buildings is attributable mainly to the replacement of major components of the University headquarters building in Tokyo, contributed by the host Government, which amounted to \$5.68 million during the year.

Note 20
Net assets: accumulated surpluses/(deficits)

(Thousands of United States dollars)

	Operating funds	End-of-service liabilities fund	Total 2020	Total 2019
Balance as at 1 January	86 023	(9 739)	76 284	75 051
Actuarial gains/(losses) recognized in net assets	—	(829)	(829)	4 121
Share of changes recognized on the net assets of joint ventures: equity method	(9)	—	(9)	2
Surplus/(deficit) for the year	11 540	(416)	11 124	(1 190)
Transfers to end-of-service liabilities fund	—	—	—	—
Transfers to Endowment Fund	—	—	—	(1 700)
Balance as at 31 December	97 554	(10 984)	86 570	76 284

Note 21
Net assets: Endowment Fund

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Contributed capital (restricted)	282 116	281 116
Accumulated surpluses (restricted)	141 633	106 397
Total Endowment Fund net assets	423 749	387 513

**Movement in Endowment Fund
Contributed capital (restricted)**

(Thousands of United States dollars)

	2020	2019
Balance as at 1 January	281 116	279 416
Endowment Fund received	1 000	1 700
Balance as at 31 December	282 116	281 116

Accumulated surpluses/(deficits): restricted

(Thousands of United States dollars)

	2020	2019
Balance as at 1 January	106 397	60 724
Distribution to operating funds	(10 176)	(12 753)
Surplus/(deficit) for the year	46 662	59 957
Allowance for doubtful receivables	(1 250)	(1 531)
Balance as at 31 December	141 633	106 397

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

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Voluntary monetary contributions	40 232	38 687
Voluntary in-kind contributions	21 723	18 582
Total voluntary contributions received	61 955	57 269
Refunds	(92)	(1 371)
Net voluntary contributions received	61 863	55 898

140. A case-by-case analysis of all non-exchange revenue agreements has been undertaken against the criteria laid down in IPSAS 23. The non-exchange revenue comprises cash and cash equivalents of \$13.6 million and voluntary contributions receivable of \$26.6 million that are subject to general stipulations in the agreements that did not qualify as conditions. UNU has had a positive experience with donors that pay the instalments due regularly. Historically, UNU has never breached stipulations and donors have not been prompted to demand refunds or reimbursements.

141. The net voluntary contributions, amounting to \$61.9 million, consist of \$35.3 million of contributions for the current year 2020 and \$26.6 million for future years, as follows: 2021: \$8.3 million; 2022: \$7.5 million; 2023: \$6.5 million; 2024: \$2.8 million; and 2025: \$1.5 million.

142. In-kind contributions revenue represents donated right-to-use facilities and premises based on fair rental value. In-kind contributions of services received of \$0.91 million during the period are not recognized as revenue and therefore are not included in the above in-kind contributions revenue.

Note 23
Net investment revenue/(expense)

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Summary of revenue and expense from cash pool		
Investment revenue	312	490
Change in fair value	162	28
Unrealized gains/(losses)	15	10
Net cash pool revenue/(expense)	489	528
Summary of revenue/(expense) from Endowment Fund		
Investment revenue	7 891	10 143
Realized gain/(loss) on sale and maturities of securities	6 714	2 047
Change in fair value	33 257	48 033
Net Endowment Fund revenue/(expense)	47 862	60 223
Total net investment revenue/(expense)	48 351	60 751

Note 24
Other revenue: revenue from exchange transactions

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Publications, sales and royalties	11	14
Services rendered	2 601	1 523
Rental revenue	1 220	1 441
Tuition revenue	151	219
Membership fees	—	40
Foreign exchange gains	3 858	228
Other	42	182
Total other revenue	7 883	3 647

143. Other revenue increased significantly mainly as a result of the foreign currency revaluation gains recorded in the current year.

Note 25
Expenses

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Employee salaries, allowances and benefits		
Salaries and wages	21 845	20 210
Pension benefits	2 442	2 474
Termination and post-employment benefits	1 021	1 806
Appointment and assignment benefits	374	404
Leave benefits	329	400
Other staff benefits	1 959	1 961
Total employee salaries, allowances and benefits	27 970	27 255
Rent, leases and utilities		
Rent, leases and utilities	21 572	18 354
Total rent, leases and utilities	21 572	18 354
Travel		
Travel	694	5 029
Total travel	694	5 029
Depreciation and amortization		
Depreciation	2 523	2 329
Amortization	37	42
Total depreciation and amortization	2 560	2 371
Non-employee compensation and allowances		
Contract services with individuals	5 040	4 442
Total non-employee compensation and allowances	5 040	4 442
Supplies and consumables		
Information technology and communications equipment	380	491
Equipment	89	69
Information technology supplies and software maintenance	384	556
Office supplies	72	106
Other consumables	8	38
Total supplies and consumables	933	1 260
Other operating expenses		
Contractual services with companies	4 895	3 790
Learning costs	1 370	2 473
Maintenance costs	1 646	1 576
Professional services	1 462	1 166
Communications	992	1 194
Insurance/warranties	74	51
Recruitment costs	14	84
Security	130	40

	31 December 2020	31 December 2019
Freight costs	6	4
Allowance for doubtful receivables	1 289	6 543
Share of deficit/(surplus) joint ventures: equity method	43	4
Sundries	45	164
Total other operating expenses	11 966	17 089
Other expenses		
Hospitality	2	13
Total other expenses	2	13
Total expenses	70 737	75 813

144. Travel expenses decreased by 86.20 per cent, from \$5.03 million in 2019 to \$0.69 million in 2020, mainly as a result of travel bans and restrictions resulting from the COVID-19 pandemic.

Note 26

Financial instruments, financial risk management and the cash pools

145. The following table shows the classes of financial instruments at UNU:

Financial assets

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Designated at fair value through surplus or deficit		
Short-term investments: main cash pool	20 399	19 133
Total short-term investments	20 399	19 133
Long-term investments: main cash pool	6 715	5 960
Long-term investments: Endowment Fund	423 600	385 052
Total long-term investments	430 315	391 012
Total designated at fair value through surplus or deficit investments	450 714	410 145
Cash and cash equivalents		
Cash and cash equivalents: main cash pool	3 325	9 171
Cash and cash equivalents: Endowment Fund	2 103	2 373
Cash and cash equivalents: other	22 207	16 987
Total cash and cash equivalents	27 635	28 531
Loans and receivables		
Short-term receivables: voluntary contributions receivable	17 768	18 435
Short-term receivables: other receivables	4 147	1 452
Long-term receivables: voluntary contributions receivable	25 770	16 622
Total cash and cash equivalents, loans and receivables	75 320	65 040
Total carrying amount of financial assets	526 034	475 185

	31 December 2020	31 December 2019
Of which relates to financial assets held in main cash pool	30 439	34 262
Of which relates to financial assets held in Endowment Fund	425 704	387 425
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	7 343	5 152
Total carrying amount of financial liabilities	7 343	5 152
Summary of net revenue from financial assets		
Net cash pool revenue	489	528
Net Endowment Fund revenue/(expense)	47 862	60 223
Total net revenue/(expense) from financial assets	48 351	60 751

146. 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.

147. The present note and note 27, 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

148. 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 UNU are in accordance with the Financial Regulations and Rules of the United Nations and the Investment Management Guidelines. The University may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

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

150. 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.

151. An investment committee periodically evaluates investment performance, assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

152. 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

153. 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 2020	31 December 2019
Credit risk exposure		
Cash and cash equivalents	27 635	28 531
Short-term investments	20 399	19 133
Long-term investments (excludes equity investments)	218 646	197 968
Voluntary contributions receivable	43 538	35 057
Other receivables, excluding advances and deferred charges	4 147	1 452
Total	314 365	282 141

154. There is no collateral held as security or other credit enhancement.

Credit risk: contributions receivable and other receivables

155. 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 2020

(Thousands of United States dollars)

	Gross receivable	Allowance
Neither past due nor impaired	64 646	(18 152)
Less than one year	7 846	(6 952)
One to three years	14 843	(14 665)
More than three years	22 945	(22 826)
Total	110 280	(62 595)

156. The allowance for doubtful receivables includes an impairment estimate of \$59.0 million, which represents payment instalments in arrears, as well as the future funding instalments from a multi-year agreement with major donors.

Credit risk: cash and cash equivalents

157. The University had cash and cash equivalents of \$27.64 million as at 31 December 2020, which is the maximum credit exposure on these assets.

Credit risk: cash pools

158. In addition to directly held cash and cash equivalents and investments, the University participates in the United Nations Treasury cash pool. The main pool

comprises operational bank account balances in a number of currencies and investments in United States dollars.

159. Pooling funds has a positive effect on overall investment performance and risk because of economies of scale and through 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.

160. As at 31 December 2020, the cash pools held total assets of \$10,652.4 million (2019: \$9,339.4 million), of which \$30.4 million was due to the University (2019: \$34.3 million), and its share of revenue from the cash pools was \$0.5 million (2019: \$0.5 million).

Summary of assets and liabilities of the main pool as at 31 December 2020

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	7 120 427
Long-term investments	2 349 880
Total fair value through the surplus or deficit investments	9 470 307
Loans and receivables	
Cash and cash equivalents	1 163 684
Accrued investment revenue	18 398
Total loans and receivables	1 182 082
Total carrying amount of financial assets	10 652 389
Cash pool liabilities	
Payable to UNU	30 439
Payable to other cash pool participants	10 621 950
Total liabilities	10 652 389
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	113 031
Unrealized gains	54 145
Investment revenue from main pool	167 176
Foreign exchange gains	5 837
Bank fees	(578)
Operating gains from main pool	5 259
Revenue and expenses from main pool	172 435

Summary of assets and liabilities of the main pool as at 31 December 2019

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	6 801 542
Loans and receivables	
Cash and cash equivalents	2 499 980
Accrued investment revenue	37 868
Total loans and receivables	2 537 848
Total carrying amount of financial assets	9 339 390
Cash pool liabilities	
Payable to UNU	34 263
Payable to other cash pool participants	9 305 127
Total liabilities	9 339 390
Net assets	—

Summary of revenue and expenses of the main pool for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	198 552
Unrealized gains	14 355
Investment revenue from main pool	212 907
Foreign exchange gains	3 313
Bank fees	(808)
Operating gains from main pool	2 505
Revenue and expenses from main pool	215 412

Financial risk management

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

162. The objective of investment management is 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.

163. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

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

165. 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.

166. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds, certificates of deposit 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 ratings as at 31 December 2020

(Percentage)

<i>Main pool</i>	<i>Ratings as at 31 December 2020</i>				<i>Ratings as at 31 December 2019</i>			
Bonds (long-term ratings)								
	<i>AAA</i>	<i>AA+/AA/AA-</i>	<i>A+</i>	<i>Not rated/ rating withdrawn</i>	<i>AAA</i>	<i>AA+/AA/AA-</i>	<i>A+</i>	<i>Not rated</i>
Standard & Poor's	44.0	53.2	—	2.8	35.8	58.8	—	5.4
Fitch	61.4	15.5	—	23.1	60.2	23.8	—	16.0
	<i>Aaa</i>	<i>Aa1/Aa2/Aa3</i>	<i>A1</i>		<i>Aaa</i>	<i>Aa1/Aa2/Aa3</i>	<i>A1</i>	
Moody's	61.1	34.9	0.4	3.6	54.8	45.2		
Commercial papers/certificates of deposit (short-term ratings)								
	<i>A-1+/A-1</i>				<i>A-1+/A-1</i>			
Standard & Poor's	100.0				100.0			
	<i>F1+/F1</i>			<i>Not rated</i>	<i>F1+/F1</i>			
Fitch	98.0			2.0	100.0			
	<i>P-1</i>				<i>P-1</i>			
Moody's	100.0				100.0			
Term deposits (Fitch viability ratings)								
	<i>aaa</i>	<i>aa/aa-</i>	<i>a+/a/a-</i>		<i>aaa</i>	<i>aa/aa-</i>	<i>a+/a</i>	
Fitch	—	27.5	72.5		—	84.2	15.8	

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

Financial risk management: liquidity risk: cash pool

168. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within

a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: liquidity risk: financial assets and financial liabilities

169. The University's existing cash resources, investments and contributions receivable significantly exceeded the current cash outflow requirements. The following table provides an analysis of the University's total assets into relevant maturity terms based on remaining contractual maturities:

Maturities for financial assets as at 31 December 2020

(Thousands of United States dollars)

	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
Assets				
Cash and cash equivalents	27 635	—	—	27 635
Short-term investments	20 399	—	—	20 399
Long-term investments	—	6 715	423 600	430 315
Voluntary contributions receivable	17 768	25 770	—	43 538
Other receivables	4 147	—	—	4 147
Total financial assets	69 949	32 485	423 600	526 034

Maturities for financial liabilities as at 31 December 2020

(Undiscounted thousands of United States dollars)

	<i><3 months</i>	<i>3 to 12 months</i>	<i>>1 year</i>	<i>Total</i>
Accounts payable and accrued liabilities	7 343	—	—	7 343
Total	7 343	—	—	7 343

Financial risk management: interest rate risk: main pool

170. The cash pools comprise the University'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 cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool on 31 December 2020 was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

171. The cash pools interest rate risk sensitivity analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the 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 points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2020

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	148.41	111.30	74.20	37.10	–	(37.10)	(74.18)	(111.26)	(148.34)

Main pool interest rate risk sensitivity analysis as at 31 December 2019

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	134.47	100.84	67.22	33.61	–	(33.60)	(67.20)	(100.79)	(134.38)

Other market price risk

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

Accounting classifications and fair value hierarchy

173. 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.

174. The levels are defined as:

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

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

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

175. 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.

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

177. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets. liabilities carried at fair value or 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 2020			31 December 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds: corporate	452 281	—	452 281	148 473	—	148 473
Bonds: non-United States agencies	931 565	—	931 565	755 027	—	755 027
Bonds: supranational	787 362	—	787 362	423 230	—	423 230
Bonds: United States treasuries	502 462	—	502 462	497 829	—	497 829
Bonds: non-United States sovereigns	151 035	—	151 035	—	—	—
Main pool: commercial papers	—	2 062 987	2 062 987	—	347 398	347 398
Main pool: certificates of deposit	—	2 762 615	2 762 615	—	3 419 585	3 419 585
Main pool: term deposits	—	1 820 000	1 820 000	—	1 210 000	1 210 000
Main pool total	2 824 705	6 645 602	9 470 307	1 824 559	4 976 983	6 801 542

Note 27

Financial instruments: Endowment Fund

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

179. The Representative of the Secretary-General, with the assistance of the Office of Investment Management of the Pension Fund, reviews the UNU Endowment Fund portfolio and monitors the performance of the investment manager of the Endowment Fund on an ongoing basis. The Investments Committee of the Pension Fund provides oversight and advice for the investment of the assets of the Endowment Fund.

180. The investments of the Endowment Fund are managed by a global investment management firm and overseen by the Office of Investment Management and the Representative of the Secretary-General. UNU adopts a passive investment strategy, based on a global balanced indexation mandate. The investment portfolio is invested in exchange-traded funds with the aim of achieving a return on investment that reflects the return of its benchmark indexes, which are the Morgan Stanley Capital International All Country World Investible Market Index for equities and the Bloomberg Barclays United States Aggregate Bond Index for bonds.

181. The investment management objectives as set by the General Assembly for the Office of Investment Management of the Pension Fund are as follows:

(a) **Safety**, which is achieved by ensuring adequate asset class, geographic, currency, sector and industry diversification, by carefully researching and documenting investment recommendations and constantly reviewing the portfolio in order to take advantage of the unsynchronized economic cycles, market and currency movements. Asset classes are all subject to market risk; security is a relative term;

(b) **Liquidity**, which requires ready marketability of the assets in recognized sound, stable and competitive exchanges or markets. Liquidity is required to ensure

that the portfolio can be restructured in the shortest possible time in order to enhance total return and/or to minimize potential losses;

(c) **Profitability**, which requires that each investment at the time of purchase should be expected to earn a positive total return, taking into account potential risk, particularly market risk which is common to all securities of the same general class and commonly can be mitigated but not eliminated by diversification;

(d) **Convertibility**, which is the ability to readily convert investments into liquid currencies. Convertibility facilitates payments in local currencies. The fiduciary responsibility to the Fund's participants mandates that because of the United States dollar-based market valuation of the Fund, and the United States dollar-based appraisal of its actuarial soundness, all investments should be readily and fully convertible into United States dollars.

182. The approved strategic asset allocation and policy benchmark for the UNU Endowment Fund is as follows:

<i>Asset class</i>	<i>Benchmark index</i>	<i>Strategic benchmark allocation weight (percentage)</i>
Equities	Morgan Stanley Capital International All Country World Investible Market Index	50
Bonds	Bloomberg Barclays United States Aggregate Bond Index	50
Total		100

183. In accordance with a decision of the UNU Council at its forty-sixth session, cash withdrawal from the Endowment Fund to finance the biennial budget is limited to 5 per cent annually of the five-year average market value. To ensure the sustainability of the UNU Endowment Fund, the withdrawal limit has been lowered to 4.75 per cent for the biennium 2020–2021.

Financial risk management

184. The Representative of the Secretary-General for the investment of the assets of the Pension Fund, with the assistance of the Office of Investment Management, 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.

185. An investment committee periodically evaluates investment performance and assesses compliance with the Investment Management Guidelines and makes recommendations for updates thereto.

186. The following table provides a summary of the Endowment Fund investments by asset class:

	<i>31 December 2020</i>	<i>31 December 2019</i>
Equities	211 670	193 043
Bonds	211 931	192 009
Cash	2 103	2 373
Financial assets held in the Endowment Fund	425 704	387 425

Financial risk management: credit risk

187. UNU aims to minimize its credit risk through the application of risk management policies overseen by the Office of Investment Management and the Representative of the Secretary-General for the investment of the assets of the Pension Fund.

188. 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 allowed to invest only in bonds with an investment grade assigned by at least one well-known rating agency: Standard & Poor's or Fitch. The minimum Standard & Poor's rating requirement for bonds is BBB, and the minimum Fitch viability rating for cash and term deposits is F1+.

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

Endowment Fund credit ratings

<i>31 December 2020</i>	<i>Total</i>	<i>Ratings</i>
Cash and cash equivalents	2 103	Fitch: 100% F1+
Bonds	211 930	Long-term Standard & Poor's: 69.4% AAA; 2.9% AA; 0.3% A+; 12.0% A; 15.4% BBB
Total	214 033	

<i>31 December 2019</i>	<i>Total</i>	<i>Ratings</i>
Cash and cash equivalent	2 373	Fitch: 100% F1+
Bonds	192 009	Long-term Standard & Poor's: 72.0% AAA; 2.7 % AA; 0.4% A+; 10.8% A; 14.2% BBB
Total	194 382	

190. 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 sector.

Endowment Fund credit risk concentration for bonds

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Sector		
Treasury	79 869	77 088
Government related	10 699	9 685
Corporate	59 852	48 936
Securitized	61 510	56 300
Total bonds	211 930	192 009

Endowment Fund risk concentration for equities

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Region		
North America	119 759	105 892
Emerging markets	27 635	23 235
Developed markets	64 276	63 916
Total equities	211 670	193 043

Financial risk management: liquidity risk

191. 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.

192. 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

193. As at 31 December 2020, the effective duration of bonds held by UNU was 6.02 years (2019: 5.65 years).

Endowment Fund interest rate risk sensitivity analysis

194. 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

<i>Shift in yield curve (basis points)</i>	<i>-200</i>	<i>-150</i>	<i>-100</i>	<i>-50</i>	<i>0</i>	<i>50</i>	<i>100</i>	<i>150</i>	<i>200</i>
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Sensitivity analysis									
31 December 2020	25.5	19.1	12.8	6.4	–	-6.4	-12.8	-19.1	-25.5
31 December 2019	21.7	16.3	10.8	5.4	–	-5.4	-10.8	-16.3	-21.7

Market risk: currency risk

195. The following table summarizes the net open position by currency at the end of the financial reporting period, mainly euros, British pounds and Japanese yen.

Currency exposure for the Endowment Fund

(Undiscounted thousands of United States dollars)

	<i>United States dollars</i>	<i>Euros</i>	<i>British pounds</i>	<i>Japanese yen</i>	<i>Other</i>	<i>Total</i>
31 December 2020	335 385	17 888	8 537	15 108	46 831	423 749
31 December 2019	300 759	17 772	9 772	14 751	42 183	385 237

Currency risk: sensitivity analysis

196. The following table indicates the currencies to which UNU had significant exposure as at 31 December 2020. 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)

	<i>31 December 2020</i>		<i>31 December 2019</i>	
	<i>Net assets and surplus or deficit</i>		<i>Net assets and surplus or deficit</i>	
	<i>Strengthening</i>	<i>Weakening</i>	<i>Strengthening</i>	<i>Weakening</i>
Euro (10 per cent movement)	(1 626)	1 988	(1 616)	1 975
British pound (10 per cent movement)	(776)	949	(888)	1 086
Japanese yen (10 per cent movement)	(1 373)	1 679	(1 341)	1 639
Other (10 per cent movement)	(4 257)	5 203	(3 835)	4 687

Other market price risk

197. The University's exposure to other price risk arises mainly from investments in equities of the Endowment Fund. Had the market price of equities increased/decreased by 5 per cent, the surplus or deficit would have increased/decreased by \$10.6 million with an equal change in net assets (2019: \$9.7 million).

198. 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

199. All Endowment Fund investment assets have quoted prices in active markets and are classified as level 1 within the fair value hierarchy. There were no level 2 or 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 for investments as at 31 December: Endowment Fund

(Thousands of United States dollars)

	31 December 2020	31 December 2019
	Level 1	Level 1
Financial assets at fair value through surplus or deficit		
Equities	211 670	193 043
Bonds	211 930	192 009
Total	423 600	385 052

Note 28**Related parties***Key management personnel*

200. 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, the Vice-Rector, the Director of Administration and the Executive Officer. They have the relevant authority and responsibility for planning, directing and controlling the University's activities.

201. 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 2020

	Total
Number of positions (full-time equivalents)	6
(Thousands of United States dollars)	
	Total
Salary and post adjustment	1 048
Other compensation/entitlements	314
Non-monetary compensation	428
Total remuneration for the year ended 31 December 2020	1 790
Outstanding loans and advances at 31 December 2020	–

202. An official residence, provided free of charge by the Ministry of Education, Culture, Sports, Science and Technology of Japan, is made available to the Rector in

the UNU headquarters building. A monthly fixed amount is charged to the Rector for utilities and maintenance of the official residence.

203. 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

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

205. 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 has a memorandum of understanding with the Foundation that sets out the cooperative relationship between UNU and the Foundation and regulates the use of the University's name and logo.

206. 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).

207. During 2020, the unaudited total net cash contribution of \$0.20 million, which includes the rental of office space at the UNU headquarters building in Tokyo (\$0.05 million), was transferred by the Japan Foundation to the University. Of that amount, \$0.12 million was received by the Foundation and \$0.07 million came from its reserves. The reserves balance of the Foundation amounted to \$5.98 million (unaudited) as at 31 December 2020.

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

208. Jointly financed operations relating to safety and security, and to the United Nations System Chief Executives Board for Coordination 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 without 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 all 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 2020 was \$0.04 million, which was recognized in the statement of financial performance. Where activities also have transactions that 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 the balance related to the actuarial gains/losses relating to the employee benefits liability valuation is recognized in the statement of financial performance. Movements in the jointly controlled operations for the year are reflected in the following table:

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Cost as at 1 January	39	37
Movement for the year:		
Changes in net assets of jointly controlled operations recognized through statement of changes in net assets	9	(2)
Share of deficit/(surplus) for the year in operations of jointly controlled operations recognized through statement of financial performance	43	4
Total changes in jointly controlled operations for the year	91	39
Net liability reported in statement of financial position	91	39

209. 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 29**Leases and commitments***Finance leases*

210. The University enters into finance leases for the use of buildings and furniture and fixtures. The net year-end carrying value for each class of asset is as follows:

Net finance lease asset carrying value

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Buildings	53 442	49 980
Furniture and fixtures	68	15
Total net finance lease asset carrying value	53 510	49 995

211. Other liabilities amounting to \$46.13 million refer to assets under long-term donated right-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 residence for short-term research fellows in Accra.

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

Obligations for finance leases

(Thousands of United States dollars)

<i>Minimum lease payments as at</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Due in less than 1 year	30	11
Due 1 to 5 years	45	11
Total minimum finance lease obligations	75	22
Future finance charges	(1)	—
Future minimum finance lease obligations	74	22

Operating leases

213. 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 \$22.82 million. This total includes \$21.72 million towards donated right-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 as follows:

Obligations for operating leases

(Thousands of United States dollars)

<i>Minimum lease payments as at</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Due in less than 1 year	925	834
Due 1 to 5 years	2 048	2 700
Due later than 5 years	2 821	3 101
Total minimum operating lease obligations	5 794	6 635

214. Operating lease arrangements for premises range from 1 to 20 years, with some leases having renewal clauses. The contractual leases for photocopiers are typically between one and five 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

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

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Property, plant and equipment	96	—
Goods and services	13 599	14 355
Total	13 695	14 355

216. Goods and services disclosed include contracts issued to individual contractors amounting to \$9.24 million and contracts on building maintenance, cleaning and security services for the University headquarters building in Tokyo amounting to \$1.20 million.

Note 30

Provisions, contingent liabilities and contingent assets

Provisions and contingent liabilities

217. 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 2020, there were no material provisions recognized or contingent liabilities to disclose.

Contingent assets

218. 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.

219. As at 31 December 2020, contingent assets for future contributions amounted \$6.99 million (2019: \$7.37 million). The contributions will be recognized in future periods when revenue recognition criteria are met.

Note 31

COVID-19 and its impact

220. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and had an unprecedented impact on the global economy. However, the University continued to focus on the effective implementation of its programmatic activities. The University quickly adjusted to the unprecedented circumstances, and there was robust response from supporting partners/donors in addressing the pandemic during the period. The impact of COVID-19 on the University's 2020 financial statements is summarized below.

221. The COVID-19 pandemic manifested itself in a variety of ways in the activities of the University in 2020. While the impact on the way in which the University conducted its business was profound, the direct and measurable impact on the financial performance for 2020 and the financial position at the end of the year was limited. Furthermore, there can be no objective, exact or systematic determination of the impact of the pandemic on the financial statements, given that accounting and reporting systems are not intended or designed to report costs, revenues and balances on the basis of a specific underlying cause, such as a pandemic. Despite the limitations, certain broad trends are reflected in the financial statements.

222. Voluntary contributions grew by 10.67 per cent, from \$55.90 million to \$61.86 million, from 2019 to 2020. Despite the termination of a major multi-year agreement for UNU-WIDER, total voluntary contributions increased as a result of renewals of host country agreements for the United Nations University Vice-Rectorate in Europe (UNU-VIE), UNU-EHS, the UNU Institute for Water,

Environment and Health (UNU-INWEH) and UNU-FLORES, which signalled the continued long-term commitment of Governments to the University.

223. Total investments increased by 8.07 per cent, from \$410.15 million in 2019 to \$443.24 million in 2020. While the Endowment Fund investment portfolio had declined by 10 per cent in 2020 at the start of the pandemic, it strongly rebounded by 22 per cent, to \$423.60 million, as at 31 December 2020.

224. Travel expenses decreased by 86.20 per cent, from \$5.03 million in 2019 to \$0.69 million in 2020, primarily as a result of travel bans and restrictions and the cancellation or postponement of duty travel, as well as owing to the impact of the pandemic on assignment- and repatriation-related travel patterns (see note 25: Expenses).

225. Projects under implementation were not affected because University personnel adopted enabling technologies for remote work to preserve operations and programme delivery. The learning programme for postgraduate students was initially made fully virtual and was later changed to a hybrid model.

226. The COVID-19-related limitations on physical movement that applied in many of the locations where the University operated resulted in a majority of staff and personnel working remotely, in particular administrative staff whose tasks did not require them to have direct physical contact with beneficiaries, other colleagues or other counterparts. The sudden change to remote work was facilitated by an accelerated changeover to increased use of mobile office tools, in particular laptops, in the first months following the start of the outbreak. Post-pandemic, the change may result in more personnel making a transition to remote working arrangements.

227. Office space was utilized to a much lesser extent in 2020 than in 2019, but, in most cases, rental contracts for buildings were maintained despite the buildings being only partially occupied because there was ongoing uncertainty regarding the duration of the local lockdown restrictions in the countries where the University operates. No decisions concerning the need for, and the use of, office space in the post-pandemic period were made in 2020, and no impairment events were identified that related to potential changes in the nature of work in the post-pandemic period.

228. Physical access to certain locations for the performance of physical asset verification counts was limited in some locations by restrictions imposed by local authorities or for the safety of staff and other counterparts. In such cases, alternative verification methods were applied, and the restrictions did not have an impact on the numbers presented in the financial statements.

229. The long-term impact of the lessons learned from the pandemic is still being evaluated, and it is too early to assess whether any possible changes may have an impact on the carrying value of the University's assets, given that no COVID-19-related asset impairment events were recorded during the annual asset impairment review.

Note 32

Events after the reporting date

230. No material events, favourable or unfavourable, occurred between the date of the financial statements and the date on which the statements were authorized for issue that would have had a material impact on the statements.

Annex I

Statement of financial position as at 31 December 2020, by operating fund

(Thousands of United States dollars)

	Operating funds						
	UNU Centre	UNU headquarters building	UNU-WIDER	UNU-MERIT	UNU-IIST	UNU-INRA	UNU-BIOLAC
Assets							
Current assets							
Cash and cash equivalents	19 307	—	1 667	375	133	—	—
Investments	10 120	—	6 852	2 301	—	—	—
Voluntary contributions receivable	3 557	—	5 623	1 276	25	182	—
Other receivables	35	17	32	584	—	317	—
Other assets	247	21	13	2	10	2	1
Inter-fund balances receivable	—	1 462	77	3 134	881	350	826
Total current assets	33 266	1 500	14 264	7 672	1 049	851	827
Non-current assets							
Investments	3 330	—	2 255	758	—	—	—
Voluntary contributions receivable	4 597	—	5 508	—	—	—	—
Property, plant and equipment	327	40 657	318	49	11 872	120	—
Intangible assets	36	—	—	—	—	—	—
Other assets	168	—	—	—	22	—	—
Total non-current assets	8 458	40 657	8 081	807	11 894	120	—
Total assets	41 724	42 157	22 345	8 479	12 943	971	827
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	494	208	93	185	64	41	9
Advance receipts	456	—	448	—	—	—	—
Employee benefits liabilities	890	29	340	62	57	19	11
Lease liabilities	12	—	10	—	3	—	—
Other liabilities	—	1 712	—	—	410	6	—
Inter-fund balances payable	23 954	—	—	—	—	—	—
Total current liabilities	25 806	1 949	891	247	534	66	20

Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	Operating funds						
	UNU Centre	UNU headquarters building	UNU-WIDER	UNU-MERIT	UNU-IIST	UNU-INRA	UNU-BIOLAC
Non-current liabilities							
Advance receipts	—	—	—	—	—	—	—
Employee benefits liabilities	—	—	—	—	—	—	—
Lease liabilities	27	—	15	—	—	—	—
Other liabilities	—	33 214	—	—	9 837	101	—
Share of joint ventures: equity method	31	—	12	6	5	2	—
Total non-current liabilities	58	33 214	27	6	9 842	103	—
Total liabilities	25 864	35 163	918	253	10 376	169	20
Net of total assets and total liabilities	15 860	6 994	21 427	8 226	2 567	802	807
Net assets							
Accumulated surpluses/(deficits)	15 860	6 994	21 427	8 226	2 567	802	807
Endowment Fund	—	—	—	—	—	—	—
Total net assets	15 860	6 994	21 427	8 226	2 567	802	807

Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating funds</i>						
	<i>UNU-IAS</i>	<i>UNU-INWEH</i>	<i>UNU-CRIS</i>	<i>UNU-EHS</i>	<i>UNU-IIGH</i>	<i>UNU-FLORES</i>	<i>UNU-IRADDA</i>
Assets							
Current assets							
Cash and cash equivalents	–	1 572	–	2 309	–	–	–
Investments	–	90	–	–	–	–	–
Voluntary contributions receivable	148	119	1 691	3 590	796	761	–
Other receivables	1	3	14	150	–	7	–
Other assets	15	5	–	22	1	1	–
Inter-fund balances receivable	7 624	52	1 097	964	3 899	2 038	1 150
Total current assets	7 788	1 841	2 802	7 035	4 696	2 807	1 150
Non-current assets							
Investments	–	30	–	–	–	–	–
Voluntary contributions receivable	11	6 408	82	4 456	728	3 980	–
Property, plant and equipment	15	4	4	16	855	33	–
Intangible assets	–	–	–	11	–	–	–
Other assets	–	–	–	–	–	–	–
Total non-current assets	26	6 442	86	4 483	1 583	4 013	–
Total assets	7 814	8 283	2 888	11 518	6 279	6 820	1 150
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	239	13	926	18	97	14	–
Advance receipts	377	–	–	371	141	–	–
Employee benefits liabilities	294	134	–	159	134	72	–
Lease liabilities	–	–	3	–	1	–	–
Other liabilities	–	–	–	–	47	–	–
Inter-fund balances payable	–	–	–	–	–	–	–
Total current liabilities	910	147	929	548	420	86	–

Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating funds</i>						
	<i>UNU-IAS</i>	<i>UNU-INWEH</i>	<i>UNU-CRIS</i>	<i>UNU-EHS</i>	<i>UNU-IIGH</i>	<i>UNU-FLORES</i>	<i>UNU-IRADDA</i>
Non-current liabilities							
Advance receipts	—	—	—	—	—	—	—
Employee benefits liabilities	—	—	—	—	—	—	—
Lease liabilities	—	—	3	—	—	—	—
Other liabilities	—	—	—	—	803	—	—
Share of joint ventures: equity method	8	5	2	8	6	6	—
Total non-current liabilities	8	5	5	8	809	6	—
Total liabilities	918	152	934	556	1 229	92	—
Net of total assets and total liabilities	6 896	8 131	1 954	10 962	5 050	6 728	1 150
Net assets							
Accumulated surpluses/(deficits)	6 896	8 131	1 954	10 962	5 050	6 728	1 150
Endowment Fund	—	—	—	—	—	—	—
Total net assets	6 896	8 131	1 954	10 962	5 050	6 728	1 150

Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Total operating funds</i>	<i>Endowment Fund</i>	<i>End-of-services and post-retirement liabilities</i>	<i>Elimination</i>	<i>Total UNU</i>
Assets					
Current assets					
Cash and cash equivalents	25 363	2 103	169	—	27 635
Investments	19 363	—	1 036	—	20 399
Voluntary contributions receivable	17 768	—	—	—	17 768
Other receivables	1 160	2 987	—	—	4 147
Other assets	340	—	—	—	340
Inter-fund balances receivable	23 554	10 786	400	(34 740)	—
Total current assets	87 548	15 876	1 605	(34 740)	70 289
Non-current assets					
Investments	6 373	423 601	341	—	430 315
Voluntary contributions receivable	25 770	—	—	—	25 770
Property, plant and equipment	54 270	—	—	—	54 270
Intangible assets	47	—	—	—	47
Other assets	190	—	—	—	190
Total non-current assets	86 650	423 601	341	—	510 592
Total assets	174 198	439 477	1 946	(34 740)	580 881
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	2 401	4 942	—	—	7 343
Advance receipts	1 793	—	—	—	1 793
Employee benefits liabilities	2 201	—	343	—	2 544
Lease liabilities	29	—	—	—	29
Other liabilities	2 175	—	—	—	2 175
Inter-fund balances payable	23 954	10 786	—	(34 740)	—
Total current liabilities	32 553	15 728	343	(34 740)	13 884

Statement of financial position as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Total operating funds</i>	<i>Endowment Fund</i>	<i>End-of-services and post-retirement liabilities</i>	<i>Elimination</i>	<i>Total UNU</i>
Non-current liabilities					
Advance receipts	—	—	—	—	—
Employee benefits liabilities	—	—	12 587	—	12 587
Lease liabilities	45	—	—	—	45
Other liabilities	43 955	—	—	—	43 955
Share of joint ventures: equity method	91	—	—	—	91
Total non-current liabilities	44 091	—	12 587	—	56 678
Total liabilities	76 644	15 728	12 930	(34 740)	70 562
Net of total assets and total liabilities	97 554	423 749	(10 984)	—	510 319
Net assets					
Accumulated surpluses/(deficits)	97 554	—	(10 984)	—	86 570
Endowment Fund	—	423 749	—	—	423 749
Total net assets	97 554	423 749	(10 984)	—	510 319

Annex II

Statement of financial performance for the year ended 31 December 2020, by operating fund

(Thousands of United States dollars)

	Operating funds						
	UNU Centre	UNU headquarters building	UNU-WIDER	UNU-MERIT	UNU-IIST	UNU-INRA	UNU-BIOLAC
Revenue							
Voluntary contributions	11 635	19 777	(1 259)	2 025	713	455	10
Investment revenue	230	–	156	74	–	–	–
Other revenue	2 309	1 220	877	561	38	587	–
Transfers from the Endowment Fund	7 202	1 136	1 000	–	–	720	–
Total revenue	21 376	22 133	774	2 660	751	1 762	10
Expenses							
Employee salaries, allowances and benefits	9 672	327	4 650	1 281	1 064	464	64
Rent, leases and utilities	761	18 531	379	345	443	123	10
Travel	143	–	234	15	10	31	–
Depreciation and amortization	84	1 709	86	132	477	12	–
Non-employee compensation and allowances	829	–	2 242	354	59	361	7
Supplies and consumables	328	16	146	37	26	10	4
Other operating expenses	1 636	1 508	2 265	1 227	242	89	73
Other expenses	1	–	–	–	1	–	–
Endowment Fund expense allocation	–	–	–	–	–	–	–
Total expenses	13 454	22 091	10 002	3 391	2 322	1 090	158
Surplus/(deficit) for the year	7 922	42	(9 228)	(731)	(1 571)	672	(148)

Statement of financial performance for the year ended 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating funds</i>						
	<i>UNU-IAS</i>	<i>UNU-INWEH</i>	<i>UNU-CRIS</i>	<i>UNU-EHS</i>	<i>UNU-IIGH</i>	<i>UNU-FLORES</i>	<i>UNU-IRADDA</i>
Revenue							
Voluntary contributions	5 743	7 601	535	6 884	2 301	5 443	—
Investment revenue	—	5	—	—	—	—	—
Other revenue	272	440	192	1 293	131	153	—
Transfers from the Endowment Fund	—	—	—	118	—	—	—
Total revenue	6 015	8 046	727	8 295	2 432	5 596	—
Expenses							
Employee salaries, allowances and benefits	3 177	1 156	161	2 922	1 428	1 164	—
Rent, leases and utilities	31	122	195	388	8	236	—
Travel	123	21	3	64	37	13	—
Depreciation and amortization	3	—	4	3	50	—	—
Non-employee compensation and allowances	223	21	33	454	385	88	—
Supplies and consumables	165	2	79	55	33	32	—
Other operating expenses	1 639	62	1 164	275	403	104	—
Other expenses	—	—	—	—	—	—	2
Endowment Fund expense allocation	—	—	—	—	—	—	—
Total expenses	5 361	1 384	1 639	4 161	2 344	1 637	2
Surplus/(deficit) for the year	654	6 662	(912)	4 134	88	3 959	(2)

Statement of financial performance for the year ended 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Total operating funds</i>	<i>Endowment Fund</i>	<i>End-of-services and post-retirement liabilities</i>	<i>Elimination</i>	<i>Total UNU</i>
Revenue					
Voluntary contributions	61 863	–	–	–	61 863
Investment revenue	465	47 862	24	–	48 351
Other revenue	8 073	(13)	400	(577)	7 883
Transfers from the Endowment Fund	10 176	–	–	(10 176)	–
Total revenue	80 577	47 849	424	(10 753)	118 097
Expenses					
Employee salaries, allowances and benefits	27 530	–	840	(400)	27 970
Rent, leases and utilities	21 572	–	–	–	21 572
Travel	694	–	–	–	694
Depreciation and amortization	2 560	–	–	–	2 560
Non-employee compensation and allowances	5 056	–	–	(16)	5 040
Supplies and consumables	933	–	–	–	933
Other operating expenses	10 689	1 438	–	(161)	11 966
Other expenses	2	–	–	–	2
Endowment Fund expense allocation	–	10 176	–	(10 176)	–
Total expenses	69 036	11 614	840	(10 753)	70 737
Surplus/(deficit) for the year	11 541	36 235	(416)	–	47 360

Annex III**Statement of appropriations as at 31 December 2020**

(Thousands of United States dollars)

<i>Appropriation sections</i>	<i>Appropriations</i>			<i>Expenditures</i>			<i>Unencumbered balance</i>
	<i>Original</i>	<i>Changes</i>	<i>Revised</i>	<i>Disbursements</i>	<i>Unliquidated obligations</i>	<i>Total expenditures</i>	
UNU Centre							
Research, training networks and dissemination	5 908	(1 456)	4 452	4 166	281	4 447	5
Staff and other personnel costs	7 610	163	7 773	7 130	88	7 218	555
General expenses	2 599	(1 049)	1 550	1 398	46	1 444	106
Subtotal	16 117	(2 342)	13 775	12 694	415	13 109	666
UNU headquarters building							
Research, training networks and dissemination	—	—	—	—	—	—	—
Staff and other personnel costs	344	12	356	295	3	298	58
General expenses	2 270	(320)	1 950	1 628	224	1 852	98
Subtotal	2 614	(308)	2 306	1 923	227	2 150	156
UNU-WIDER							
Research, training networks and dissemination	9 666	(3 337)	6 329	5 988	32	6 020	309
Staff and other personnel costs	3 234	29	3 263	3 065	35	3 100	163
General expenses	1 027	(330)	697	549	12	561	136
Subtotal	13 927	(3 638)	10 289	9 602	79	9 681	608
UNU-MERIT							
Research, training networks and dissemination	1 895	(426)	1 469	1 140	26	1 166	303
Staff and other personnel costs	1 880	—	1 880	1 430	—	1 430	450
General expenses	790	—	790	724	49	773	17
Subtotal	4 565	(426)	4 139	3 294	75	3 369	770
UNU-IIST							
Research, training networks and dissemination	200	(29)	171	93	9	102	69
Staff and other personnel costs	1 361	(184)	1 177	1 003	17	1 020	157
General expenses	1 008	(242)	766	699	29	728	38
Subtotal	2 569	(455)	2 114	1 795	55	1 850	264

Statement of appropriations as at 31 December 2020 (continued)

(Thousands of United States dollars)

<i>Appropriation sections</i>	<i>Appropriations</i>			<i>Expenditures</i>			<i>Unencumbered balance</i>
	<i>Original</i>	<i>Changes</i>	<i>Revised</i>	<i>Disbursements</i>	<i>Unliquidated obligations</i>	<i>Total expenditures</i>	
UNU-INRA							
Research, training networks and dissemination	242	265	507	434	29	463	44
Staff and other personnel costs	438	16	454	414	27	441	13
General expenses	142	(16)	126	120	–	120	6
Subtotal	822	265	1 087	968	56	1 024	63
UNU-BIOLAC							
Research, training networks and dissemination	305	(234)	71	55	15	70	1
Staff and other personnel costs	91	(17)	74	62	3	65	9
General expenses	72	(44)	28	25	–	25	3
Subtotal	468	(295)	173	142	18	160	13
UNU-CRIS							
Research, training networks and dissemination	826	12	838	546	281	827	11
Staff and other personnel costs	248	(61)	187	171	–	171	16
General expenses	417	33	450	246	182	428	22
Subtotal	1 491	(16)	1 475	963	463	1 426	49
UNU-IAS							
Research, training networks and dissemination	7 559	(2 858)	4 701	4 528	172	4 700	1
Staff and other personnel costs	1 103	(488)	615	604	8	612	3
General expenses	334	(79)	255	224	30	254	1
Subtotal	8 996	(3 425)	5 571	5 356	210	5 566	5
UNU-INWEH							
Research, training networks and dissemination	239	(94)	145	47	14	61	84
Staff and other personnel costs	1 148	30	1 178	1 052	–	1 052	126
General expenses	269	(40)	229	177	–	177	52
Subtotal	1 656	(104)	1 552	1 276	14	1 290	262

Statement of appropriations as at 31 December 2020 (continued)

(Thousands of United States dollars)

<i>Appropriation sections</i>	<i>Appropriations</i>			<i>Expenditures</i>			<i>Unencumbered balance</i>
	<i>Original</i>	<i>Changes</i>	<i>Revised</i>	<i>Disbursements</i>	<i>Unliquidated obligations</i>	<i>Total expenditures</i>	
UNU-EHS							
Research, training networks and dissemination	3 088	(95)	2 993	2 949	43	2 992	1
Staff and other personnel costs	780	54	834	780	–	780	54
General expenses	243	11	254	216	2	218	36
Subtotal	4 111	(30)	4 081	3 945	45	3 990	91
UNU-IIGH							
Research, training networks and dissemination	414	527	941	722	89	811	130
Staff and other personnel costs	1 299	21	1 320	1 250	13	1 263	57
General expenses	326	(80)	246	114	7	121	125
Subtotal	2 039	468	2 507	2 086	109	2 195	312
UNU-FLORES							
Research, training networks and dissemination	499	(239)	260	222	–	222	38
Staff and other personnel costs	1 455	(132)	1 323	1 094	10	1 104	219
General expenses	250	(37)	213	98	26	124	89
Subtotal	2 204	(408)	1 796	1 414	36	1 450	346
UNU-IRADDA							
Research, training networks and dissemination	50	(50)	–	–	–	–	–
Staff and other personnel costs	207	(207)	–	–	–	–	–
General expenses	23	(3)	20	–	–	–	20
Subtotal	280	(260)	20	–	–	–	20
Grand total	61 859	(10 974)	50 885	45 458	1 802	47 260	3 625

Annex IV**Statement of contributions, January to December 2020**

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
UNU Centre			
Vice Rectorate in Europe			
Government donations			
Germany, Federal Ministry of Education and Research	5 244	231	5 475
Non-government donations			
<i>European Commission</i>			
European Union (European Commission)	697	—	697
<i>United Nations organizations</i>			
International Telecommunication Union	(12)	—	(12)
United Nations Environment Programme	(34)	—	(34)
United Nations Industrial Development Organization	(211)	—	(211)
<i>Other</i>			
Vereniging Nederlandse Verwijdering Metalektro Producten	10	—	10
Centre for Policy Research			
Government donations			
United Kingdom of Great Britain and Northern Ireland, Foreign and Commonwealth Office	620	—	620
Netherlands, Ministry of Foreign Affairs	332	—	332
Permanent Mission of Liechtenstein to the United Nations	5	—	5
Norwegian Agency for Development Cooperation	2 570	—	2 570
Switzerland, Federal Department of Foreign Affairs	253	—	253
Ireland, Department of Foreign Affairs	48	—	48
United Kingdom, Department for International Development	99	—	99
Non-government donations			
<i>Other</i>			
LGT Group	50	—	50
Liechtenstein Bankers' Association	51	—	51
University of Nottingham, Rights Lab	(5)	—	(5)
Tarom Foundation	20	—	20

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
Office of the Rector			
Government donations			
Japan, Ministry of Foreign Affairs	1 523	—	1 523
Non-government donations			
<i>Other</i>			
Aeon Company	5	—	5
Farmer's Market Association, Tokyo	15	—	15
Japan Tobacco	5	—	5
JXTG Nippon Oil and Energy Corporation	5	—	5
Lion Corporation	4	—	4
Marubeni Corporation	5	—	5
Mitsui Fudosan Company	5	—	5
Nomura Securities Company	4	—	4
Suntory Holdings	5	—	5
Toyota Motor Corporation	14	—	14
UCC Holdings Company	4	—	4
UNU Centre, Kuala Lumpur			
Government donations			
Malaysia, Ministry of Higher Education	—	21	21
E-governance			
Government donations			
Portugal	—	52	52
UNU Centre	11 331	304	11 635

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
UNU headquarters building and land			
Government donations			
Japan, Ministry of Foreign Affairs	–	19 784	19 784
Non-government donations			
<i>Other</i>			
Farmer's Market Association, Tokyo	(7)	–	(7)
UNU headquarters building and land	(7)	19 784	19 777
UNU-WIDER			
Government donations			
Finland, Ministry of Environment	–	364	364
South Africa, National Treasury	1 355	–	1 355
United Kingdom, Department for International Development	(3 793)	–	(3 793)
Non-government donations			
<i>Other</i>			
Institute of Development Studies	308	–	308
University of Copenhagen, Department of Economics	507	–	507
UNU-WIDER	(1 623)	364	(1 259)
UNU-MERIT			
Government donations			
Netherlands, Ministry of Education, Culture and Science	1 219	–	1 219
Maastricht City Council	321	–	321
Non-government donations			
<i>Other</i>			
Maastricht Graduate School of Governance	280	–	280
Stichting Maastricht Economic Research Institute on Innovation and Technology	205	–	205
UNU-MERIT	2 025	–	2 025

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
UNU-IIST			
Government donations			
Macao Foundation	253	410	663
Macao Science and Technology Development Fund	50	–	50
UNU-IIST	303	410	713
UNU-INRA			
Government donations			
Ghana, Ministry of Education	–	71	71
Zambia	–	48	48
Germany, Federal Ministry for Economic Cooperation and Development	252	–	252
Non-government donations			
<i>Other</i>			
Ashesi University Ghana, Climate Innovation Centre	15	–	15
International Development Research Centre	69	–	69
UNU-INRA	336	119	455
UNU-BIOLAC			
Government donations			
Bolivarian Republic of Venezuela	–	10	10
UNU-BIOLAC	–	10	10
UNU-CRIS			
Government donations			
Belgium	399	170	569
Non-government donations			
<i>Other</i>			
University of Ghent	(34)	–	(34)
UNU-CRIS	365	170	535

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
UNU-IAS			
Government donations			
City of Yokohama	–	16	16
Japan, Ministry of Education, Culture, Sports, Science and Technology	1 364	–	1 364
Japan, Ministry of the Environment	3 524	–	3 524
Ibaraki Prefectural Board of Education	9	–	9
Ishikawa Prefecture	235	–	235
Kanazawa City	234	–	234
Non-government donations			
<i>Other</i>			
Eisaku Sato Memorial Foundation	3	–	3
Integrated Consultancy on Infrastructure Development and Environmental Conservation	14	–	14
Japan Society for the Promotion of Science	35	–	35
Keio University, Keio Research Institute at Shonan Fujisawa Campus	97	–	97
Kyoto University	2	–	2
National Institute for Environmental Studies	54	–	54
Japan Foundation for the United Nations University	23	–	23
University of Tokyo	129	–	129
Wakayama University	4	–	4
UNU-IAS	5 727	16	5 743
UNU-INWEH			
Government donations			
Canada, Department of Foreign Affairs, Trade and Development	7 402	–	7 402
Non-government donations			
<i>Other</i>			
Anderson Water Systems	(10)	–	(10)
McMaster University	209	–	209
UNU-INWEH	7 601	–	7 601

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
UNU-EHS			
Government donations			
Germany, The Federal Ministry of Education and Research	3 124	265	3 389
Ministry of Education and Research Nord Rhein Westfalia	2 271	—	2 271
Non-government donations			
<i>European Commission</i>			
European Union (European Commission)	48	—	48
<i>Other</i>			
German Research Foundation	(2)	—	(2)
German Aerospace Centre	177	—	177
Frankfurt School of Finance and Management	450	—	450
International Development Research Centre	191	—	191
University of Applied Sciences, Cologne	1	—	1
Munich Climate Insurance Initiative	352	—	352
Munich Re Foundation	9	—	9
Newcastle University	(2)	—	(2)
UNU-EHS	6 619	265	6 884
UNU-IIGH			
Government donations			
Malaysia, Ministry of Higher Education	—	47	47
Non-government donations			
<i>United Nations organizations</i>			
United Nations Development Programme	(65)	—	(65)
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	58	—	58
World Health Organization	(39)	—	(39)

Statement of contributions, January to December 2020 (continued)

(Thousands of United States dollars)

	<i>Operating contribution</i>	<i>Voluntary in-kind contributions</i>	<i>Total</i>
<i>Other</i>			
Bill and Melinda Gates Foundation	2 250	–	2 250
Ford Foundation	50	–	50
UNU-IIGH	2 254	47	2 301
UNU-FLORES			
Government donations			
Germany, Federal Ministry of Education and Research	4 828	–	4 828
Saxon State Ministry for Higher Education, Research and the Arts	–	234	234
Non-government donations			
<i>United Nations organizations</i>			
United Nations Industrial Development Organization	83	–	83
<i>Other</i>			
Alexander von Humboldt Foundation	13	–	13
German Research Foundation	(23)	–	(23)
German Agency for International Cooperation	144	–	144
German Aerospace Centre	164	–	164
UNU-FLORES	5 209	234	5 443
Grand total	40 140	21 723	61 863

Note: The negative operating contribution amounts are attributable mainly to accounting adjustments and refunds to donors (see annex VI).

Annex V**Statement of unpaid pledges as at 31 December 2020**

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
Operating funds					
UNU Centre					
Government donations					
Germany, Federal Ministry of Education and Research	–	5 244	(1 217)	368	4 395
Germany, Federal Environment Agency	145	–	(95)	10	60
Ireland, Department of Foreign Affairs	–	48	(48)	–	–
Japan, Ministry of Foreign Affairs	–	1 523	(1 523)	–	–
Netherlands, Ministry of Foreign Affairs	–	332	(332)	–	–
Norwegian Agency for Development Cooperation	–	2 570	(114)	71	2 527
Norwegian Ministry of Foreign Affairs	371	–	(373)	2	–
Permanent Mission of Liechtenstein to the United Nations	92	5	(97)	–	–
Switzerland, Federal Department of Foreign Affairs	370	253	(335)	12	300
United Kingdom of Great Britain and Northern Ireland, Foreign and Commonwealth Office	14	620	(487)	–	147
United Kingdom, Home Office	930	–	(458)	(1)	471
United Kingdom, Department for International Development	113	98	(206)	(5)	–
Uganda, National Information Technology Authority	211	–	(59)	–	152
Non-government donations					
<i>European Commission</i>					
European Union (European Commission)	–	123	(68)	2	57
<i>United Nations organizations</i>					
International Telecommunication Union	228	(13)	(192)	3	26
United Nations Environment Programme ^a	34	(34)	–	–	–
United Nations Industrial Development Organization ^a	211	(211)	–	–	–

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
<i>Other</i>					
Aeon Company	—	5	(5)	—	—
Farmer's Market Association, Tokyo	45	15	(41)	—	19
Japan Tobacco	—	5	(5)	—	—
Eneos Corporation	—	5	(5)	—	—
LGT Group	—	50	(50)	—	—
Liechtenstein Bankers' Association	—	51	(51)	—	—
Lion Corporation	—	5	(5)	—	—
Marubeni Corporation	—	5	(5)	—	—
Mitsui Fudosan Company	—	5	(5)	—	—
Nomura Securities Company	—	5	(5)	—	—
Recruit Holdings Company	—	5	(5)	—	—
University of Nottingham, Rights Lab	5	(5)	—	—	—
Shimizu Corporation	—	5	(5)	—	—
Suntory Holdings	—	5	(5)	—	—
Tarom Foundation	—	20	(20)	—	—
Toyota Motor Corporation	—	5	(5)	—	—
UCC Holdings Company	—	5	(5)	—	—
Vereniging Nederlandse Verwijdering Metalektro Producten	98	10	(111)	3	—
UNU Centre	2 867	10 759	(5 937)	465	8 154
UNU headquarters building					
Non-government donations					
<i>Other</i>					
Farmer's Market Association, Tokyo	11	(7)	(4)	—	—
UNU headquarters building and land	11	(7)	(4)	—	—

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
UNU-WIDER					
Government donations					
Finland, Ministry for Foreign Affairs	3 243	–	(2 920)	101	424
Myanmar, Central Statistical Organization, Ministry of Planning and Finance	297	–	(246)	(4)	47
Norway	8 499	–	(2 039)	236	6 696
South Africa, National Treasury	–	1 355	(1 044)	44	355
Swedish International Development Cooperation Agency, Department for Research Cooperation	3 424	–	(854)	365	2 935
United Kingdom, Department for International Development	3 932	(3 793)	–	(139)	–
Non-government donations					
<i>Other</i>					
Institute of Development Studies	–	308	(76)	8	240
Trade and Industrial Policy Strategies	214	–	(206)	(8)	–
University of Copenhagen, Department of Economics	–	507	(120)	47	434
UNU-WIDER	19 609	(1 623)	(7 505)	650	11 131
UNU-MERIT					
Government donations					
Netherlands, Ministry of Education, Culture and Science	1 095	1 219	(1 150)	75	1 239
Maastricht City Council	–	321	(321)	–	–
Non-government donations					
<i>Other</i>					
Maastricht Graduate School of Governance	–	280	(280)	–	–
Stichting Maastricht Economic Research Institute on Innovation and Technology	–	205	(205)	–	–
WASTE	46	–	–	3	49
UNU-MERIT	1 141	2 025	(1 956)	78	1 288

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
UNU-IIST					
Government donations					
Macao Foundation	190	292	(483)	1	–
Macao Science and Technology Development Fund	–	50	(25)	–	25
UNU-IIST	190	342	(508)	1	25
UNU-INRA					
Government donations					
Germany, Federal Ministry for Economic Cooperation and Development	–	252	(118)	10	144
Non-government donations					
<i>United Nations organizations</i>					
Economic Commission for Africa	383	(383)	–	–	–
<i>Other</i>					
Ashesi University Ghana, Climate Innovation Centre	–	15	(15)	–	–
International Development Research Centre	–	69	(64)	–	5
University of the Witwatersrand	74	–	(43)	2	33
UNU-INRA	457	(47)	(240)	12	182
UNU-CRIS					
Government donations					
Belgium	1 562	399	(872)	97	1 186
Non-government donations					
<i>Other</i>					
University of Ghent	725	(34)	(298)	47	440
Vrije Universiteit Brussel	268	–	(130)	9	147
UNU-CRIS	2 555	365	(1 300)	153	1 773

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
UNU-IAS					
Government donations					
Association of Southeast Asian Nations Coordinating Centre for Humanitarian Assistance on Disaster Management	23	—	(23)	—	—
Japan, Ministry of Education, Culture, Sports, Science and Technology	—	1 364	(1 364)	—	—
Japan, Ministry of the Environment	—	3 524	(3 524)	—	—
Ibaraki Prefectural Board of Education	—	9	(9)	—	—
Ishikawa Prefecture	45	235	(236)	4	48
Kanazawa City	45	234	(235)	4	48
Rural Development Administration of the Republic of Korea	50	—	(51)	1	—
Non-government donations					
Asian Development Bank, Metro Manila, Philippines	—	136	(136)	—	—
Asia-Pacific Network for Global Change Research	16	—	—	—	16
Eisaku Sato Memorial Foundation	—	3	(3)	—	—
Integrated Consultancy on Infrastructure Development and Environmental Conservation	—	14	(14)	—	—
Japan Society for the Promotion of Science	38	35	(31)	1	43
Keio University	—	97	(97)	—	—
Kyoto University	—	2	(2)	—	—
National Institute for Environmental Studies	—	54	(54)	—	—
Resona Holdings	—	95	(95)	—	—
Japan Foundation for the United Nations University	—	153	(153)	—	—
University of Tokyo	—	129	(129)	—	—
Wakayama University	—	4	—	—	4
UNU-IAS	217	6 088	(6 156)	10	159

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
UNU-INWEH					
Government donations					
Canada, Department of Foreign Affairs, Trade and Development	–	7 402	(1 480)	338	6 260
Non-government donations					
<i>Other</i>					
Anderson Water Systems	11	(11)	–	–	–
Centre de recherche en ressources en eau du bassin du Congo, University of Kinshasa	45	–	–	–	45
McMaster University	72	209	(66)	7	222
UNU-INWEH	128	7 600	(1 546)	345	6 527
UNU-EHS					
Government donations					
Germany, Federal Ministry of Education and Research	864	3 124	(1 378)	284	2 894
Ministry of Education and Research Nord Rhein Westfalia	–	2 271	(597)	166	1 840
Non-government donations					
<i>European Commission</i>					
European Union (European Commission)	7	46	(31)	2	24
<i>United Nations organizations</i>					
United Nations Framework Convention on Climate Change secretariat	386	–	(309)	–	77
<i>Other</i>					
German Research Foundation	–	(2)	2	–	–
German Agency for International Cooperation	75	–	(75)	6	6
German Aerospace Centre	467	177	(450)	27	221
Eurac Research	1 563	–	(415)	141	1 289
Frankfurt School of Finance and Management	632	450	(615)	84	551

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
International Development Research Centre	–	191	(61)	5	135
Munich Climate Insurance Initiative	856	353	(407)	80	882
Munich Re Foundation	67	8	(77)	2	–
Munich Re Insurance	28	–	(29)	1	–
Newcastle University	131	(2)	(5)	3	127
University of Applied Sciences, Cologne	–	1	(1)	–	–
UNU-EHS	5 076	6 617	(4 448)	801	8 046
UNU-HIGH					
Non-government donations					
<i>United Nations organizations</i>					
United Nations Development Programme ^a	64	(64)	–	–	–
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	–	58	(58)	–	–
World Health Organization ^a	40	(40)	–	–	–
<i>Other</i>					
Bill and Melinda Gates Foundation	–	2 251	(727)	–	1 524
Ford Foundation	–	50	(50)	–	–
UNU-HIGH	104	2 255	(835)	–	1 524

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
UNU-FLORES					
Government donations					
Germany, Federal Ministry of Education and Research	1 191	4 828	(1 503)	29	4 545
Saxon State Ministry for Higher Education, Research and the Arts	550	–	(561)	11	–
Non-government donations					
<i>United Nations organizations</i>					
United Nations Industrial Development Organization	–	82	(82)	–	–
<i>Other</i>					
Alexander von Humboldt Foundation	–	13	(13)	–	–
German Research Foundation	59	(23)	(36)	–	–
German Agency for International Cooperation	–	144	(62)	4	86
German Aerospace Centre	9	164	(70)	7	110
UNU-FLORES	1 809	5 208	(2 327)	51	4 741
UNU-IRADDA					
Government donations					
Algeria	8 000	–	–	–	8 000
UNU-IRADDA	8 000	–	–	–	8 000
UNU-IESR					
Government donations					
Senegal, Ministry of Foreign Affairs	5 000	–	–	–	5 000
UNU-IESR	5 000	–	–	–	5 000
Total operating funds as at 31 December 2020	47 164	39 582	(32 762)	2 566	56 550

Statement of unpaid pledges as at 31 December 2020 (continued)

(Thousands of United States dollars)

	<i>Unpaid pledges as at 1 January 2020</i>	<i>Add: fresh pledges received in 2020</i>	<i>Less: collection during 2020</i>	<i>Add: gain/(loss) on exchange</i>	<i>Unpaid pledges as at 31 December 2020</i>
Endowment Funds					
UNU-INRA					
Government donations					
Cameroon	3 056	—	—	303	3 359
Zambia	200	—	—	—	200
UNU-INRA	3 256	—	—	303	3 559
UNU-IRADDA					
Government donations					
Algeria	45 000	—	—	—	45 000
UNU-IRADDA	45 000	—	—	—	45 000
UNU-IESR					
Government donations					
Senegal, Ministry of Foreign Affairs	1 000	—	—	—	1 000
UNU-IESR	1 000	—	—	—	1 000
Total Endowment Funds as at 31 December 2020	49 256	—	—	303	49 559
Total all funds outstanding as at 31 December 2020	96 420	39 582	(32 762)	2 869	106 109
Allowance for doubtful receivables	(61 363)	(878)	—	(330)	(62 571)
Net total all funds outstanding as at 31 December 2020	35 057	38 704	(32 762)	2 539	43 538

^a Includes adjustment to reclassify pledge amounts to exchange revenue.

Annex VI

Statement of refunds to donors

(Thousands of United States dollars)

	<i>Operating unit</i>	<i>31 December 2020</i>
Donors		
Macao Foundation	UNU-IIST	83
German Aerospace Centre	UNU-FLORES	2
German Research Foundation	UNU-EHS	2
Munich Climate Insurance Initiative	UNU-EHS	5
Total refunds to donors for the year		92

