Consolidated Statement of Financial Position

(Expressed in thousand US Dollars)

	Reference	31 December 2012	31 December 2011
ASSETS			
Current Assets			
Cash and Cash Equivalents	**Note 3**	160 917	104 664
Short Term Investments	**Note 4.1**	245 645	270 577
Accounts Receivable	**Note 6.1**	195 250	266 334
Inventories	**Note 7**	8 659	1 153
Total Current Assets		**610 471**	**642 728**
Non-Current Assets			
Long Term Investments	**Note 4.2**	215 543	218 309
Accounts Receivable	**Note 6.2**	47 831	98 384
Property, Plant and Equipment	**Note 8.1**	120 398	103 457
Intangible Assets	**Note 9**	3 218	2 116
Total Non-Current Assets		**386 990**	**422 266**
TOTAL ASSETS		**997 461**	**1 064 994**
LIABILITIES			
Current Liabilities			
Accrued Liabilities	**Note 10**	18 789	33 363
Accounts Payable	**Note 11.1**	18 168	28 245
Employee Benefits	**Note 12**	10 447	10 597
Deferred Revenue	**Note 13.1**	379 728	406 684
Total Current Liabilities		**427 132**	**478 889**
Non-Current Liabilities			
Accounts Payable	**Note 11.2**	15 089	19 563
Employee Benefits	**Note 12**	177 502	172 820
Deferred Revenue	**Note 13.2**	202 401	261 199
Total Non-Current Liabilities		**394 992**	**453 582**
TOTAL LIABILITIES		**822 124**	**932 471**
NET ASSETS / EQUITY			
Fund Balances and Reserves			
Fund Balances	**Note 14**	78 963	60 478
Reserves	**Note 14**	96 374	72 045
NET FUND BALANCES and RESERVES		**175 337**	**132 523**

Consolidated Statement of Financial Performance

(Expressed in thousand US Dollars)

	Reference	31 December 2012	31 December 2011
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions	**Note 15**	109 271	101 351
Voluntary Contributions	**Note 15**	216 419	197 085
Other Revenue	**Note 15**	60 632	77 489
Revenue from Exchange Transactions			
Procurement of Public Health Supplies	**Note 15**	562 436	455 891
Other Revenue	**Note 15**	9 702	5 143
Miscellaneous Revenue	**Note 15**	20 128	1 515
TOTAL REVENUE		**978 588**	**838 474**
EXPENSES			
Staff and Other Personnel Costs	**Note 16**	187 269	162 927
Supplies, Commodities, Materials	**Note 16**	564 588	468 716
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization	**Note 16**	1 142	(423)
Contract Services	**Note 16**	92 931	106 588
Travel	**Note 16**	69 031	53 398
Transfers and Grants to Counterparts	**Note 16**	42 760	33 230
General Operating and Other Direct Costs	**Note 16**	11 992	11 885
TOTAL EXPENSES		**969 713**	**836 321**
NET SURPLUS		**8 875**	**2 153**

Consolidated Statement of Changes in Net Assets

(Expressed in thousand US Dollars)

	Reference	31 December 2012	31 December 2011
Net assets at the beginning of the year		132 523	122 775
Settlement of Employee Benefit Liability	**Note 12.3.10**	9 511	10 824
Gain/(Loss) on Revaluation of Investments	**Note 4.2**	212	(303)
(Recognition) / De-recognition of Liability through Reserves	**Note 25**	1 585	(1 637)
WHO De-recognition of prior year expenses	**Note 14.1**	(275)	
Fixed Assets Revaluation Adjustments	**Note 8.1**	23 014	(1 289)
Intangible Assets Adjustments	**Note 9**	(108)	
Total of items (revenue/expenses) recognized		33 939	7 595
Surplus/(deficit) for the Financial Period		8 875	2 153
Total recognized revenue and expense for the year		42 814	9 748
Net assets at the end of the year		**175 337**	**132 523**

Consolidated Cash Flow Statement

(expressed in thousand US dollars)

	31 December 2012	31 December 2011
Cash Flows from Operating Activities:		
Surplus for the period	8 875	2 153
Depreciation and Amortization	2 378	1 746
(Increase) in Accounts Receivable	131 363	(131 749)
(Increase) in Inventories	(7 506)	(312)
Increase / (Decrease) in Accrued Liabilities	(14 574)	6 812
Increase in Accounts Payable	(20 077)	15 402
Increase in Employee Benefits	14 044	5 596
(Decrease) / Increase in Other Liabilities	1 585	(1 637)
Increase / (Decrease) in Deferred Revenue	(85 754)	214 781
Net Cash Flows from Operating Activities	**30 334**	**112 792**
Cash Flows from Investment and Financing Activities:		
(Increase) / Decrease in Short Term Investments	25 144	(95 820)
(Increase) in Long Term Investments	2 766	(76 494)
(Increase) in Property, Plant and Equipment and Intangibles Assets	(1 991)	(3 388)
Net Cash Flows from Investing Activities	**25 919**	**(175 702)**
Net (Decrease) in Cash and Cash Equivalents	**56 253**	**(62 910)**
Cash and Cash Equivalents at the beginning of the Year	**104 664**	**167 574**
Cash and Cash Equivalents at the end of the Year	**160 917**	**104 664**

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

Description of Appropriation Sections	2012-2013 Budget	2012 Disbursements	Disbursements as % of Budget Amount
Section I - To reduce the health, social and economic burden of communicable diseases	23 139	12 238	53%
Section II - To combat HIV/AIDS, tuberculosis and malaria	6 479	3 730	58%
Section III - To prevent and reduce disease, disability and premature death from chronic non-communicable conditions, mental disorders, violence and injuries	11 618	4 888	42%
Section IV - To reduce morbidity and mortality and improve health during key stages of life, including pregnancy, childbirth, the neonatal period, childhood and adolescence, and improve sexual and reproductive health and promote active and healthy ageing for all individuals	11 613	5 363	46%
Section V - To reduce the health consequences of emergencies, disasters, crises and conflicts, and minimize their social and economic impact	4 469	2 430	54%
Section VI - To promote health and development, and prevent or reduce risk factors for health conditions associated with use of tobacco, alcohol, drugs and other psychoactive substances, unhealthy diets, physical inactivity, and unsafe sex, which affect health conditions	7 757	3 148	41%

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

Description of Appropriation Sections	2012-2013 Budget	2012 Disbursements	Disbursements as % of Budget Amount
Section VII - To address the underlying social and economic determinants of health through policies and programs that enhance health equity and integrate pro-poor, gender-responsive, and human rights-based approaches	8 012	4 256	53%
Section VIII - To promote a healthier environment, intensify primary prevention and influence public policies in all sectors so as to address the root causes of environmental threats to health	11 717	5 814	50%
Section IX - To improve nutrition, food safety and food security throughout the life-course, and in support of public health and sustainable development	10 750	5 858	54%
Section X - To improve the organization, management and delivery of health services	8 253	3 779	46%
Section XI - To strengthen leadership, governance and the evidence base of health systems	30 386	12 888	42%
Section XII - To ensure improved access, quality and use of medical products and technologies	7 115	3 629	51%

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

Description of Appropriation Sections	2012-2013 Budget	2012 Disbursements	Disbursements as % of Budget Amount
Section XIII - To ensure an available, competent, responsive and productive health workforce to improve health outcomes	9 439	4 157	44%
Section XIV - To extend social protection through fair, adequate and sustainable financing	5 171	1 938	37%
Section XV - To provide leadership, strengthen governance and foster partnership and collaboration with Member States, the United Nations system and other stakeholders to fulfill the mandate of PAHO/WHO in advancing the global health agenda, as set out in WHO's Eleven General Programme of Work, and the Health Agenda for the Americas	65 426	33 394	51%
Section XVI - To develop and sustain PAHO/WHO as a flexible, learning organization, enabling it to carry out its mandate more efficiently and effectively	63 756	25 627	40%
Section XVII - Staff Assessment (Transfer to Tax Equalization Fund)			
Effective Working Budget (parts I - XVII) ***Subtotal***	285 100	133 137	47%
Other Sources	328 300	82 883	25%
Total (Note 17)	613 400	216 020	35%

The 2012-2013 Budget amounts reflect the funding appropriated by the Governing Bodies for the Organization's Strategic Plan during the entire 2012-2013 biennium. The Effective Working Budget is comprised of the Pan American Health Organization's and the World Health Organization's regular budget only. The 2012 Disbursements amount reflects the disbursements made in achieving the Organization's Strategic Plan in 2012, the second year of the 2012-2013 biennium.

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Notes to the Financial Statements at 31 December 2012

1. Mission of the Pan American Health Organization

The mission of the Organization is "*To lead strategic collaborative efforts among Member States and other partners to promote equity in health, to combat disease, and to improve the quality of, and lengthen, the lives of the peoples of the Americas.*"

The Pan American Health Organization (the Organization) is an international public health agency with more than 100 years of experience in working to improve health and living standards of the countries of the Americas. It serves as the specialized organization for health of the Inter-American System. It also serves as the Regional Office for the Americas of the World Health Organization and enjoys international recognition as part of the United Nations system.

The Pan American Sanitary Bureau (PASB) is the Secretariat of the Organization. The Bureau is committed to providing technical support and leadership to the Organization's Member States as they pursue their goal of Health for All and the values therein.

The headquarters of the Organization is located in Washington, D.C. In addition, there are Representation Offices throughout the Americas which are in charge of implementing the values, mission and vision of the Organization in the Western Hemisphere.

2. Accounting Policies

2.1 Basis of Preparation

The financial statements of the Pan American Health Organization have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS), using the historical cost convention except for land and buildings which are shown at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

The financial statements of the Organization were authorized for issue by the Director of the Organization on 12 April 2013, under the authority vested in her by the Pan American Sanitary Conference as stated in the Resolution CSP26.R6 in September 2002. No other authority has the power to amend the financial statements after issuance.

The Organization previously prepared its financial statements on the modified cash basis under the United Nations' System Accounting Standards (UNSAS). Based on the decision to change to accrual accounting under IPSAS, amendments to the Financial Regulations and Rules were made and adopted by the Directing Council at its 49th meeting on 28 September 2009 and by the 145th Executive Committee on 2 October 2009, to become effective 1 January 2010. The first time adoption of International Public Sector Accounting Standards effective 1 January 2010 reflected the change from a modified cash basis of accounting to an accrual basis of accounting. The accounting period is 1 January through 31 December. The financial period 1 January through 31 December 2011 represents the second year of the 2010 – 2011 biennium, which is the first biennium when the IPSAS standards were implemented.

These financial statements were prepared on the assumption that the Organization is a going concern and will continue in operation and will meet its mandate for the foreseeable future (IPSAS 1). The Governing Bodies of the Organization have not communicated any intention to terminate the Organization or to cease its operations.

The accounts are prepared on a consolidated basis, including the consolidated results of the Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI).

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

a. Consolidated Statement of Financial Position
b. Consolidated Statement of Financial Performance
c. Consolidated Statement of Changes in Net Assets
d. Consolidated Cash Flow Statement
e. Comparison of Budget and Actual Amounts
f. Notes, comprising a summary of significant accounting policies and other relevant information.

In compliance with IPSAS 1, paragraph 28, the Organization has fully adopted IPSAS. The chart below presents where in the financial statements, each standard was implemented. For the standards that were not, or have not yet been implemented, there is either a reason or an explanation provided.

IPSAS		Financial Statement or Note Where the Standard was Implemented	Reason for not being implemented
No.	**Title**		
1	Presentation of Financial Statements	• All financial statements and Notes to the Financial Statements	
2	Cash Flow Statements	• Cash Flow Statement	
3	Accounting Policies, Changes in Accounting Estimates and Errors	• Accounting Policies – Note 2	
4	The Effects of Changes in Foreign Exchange Rates	• Accounting Policy – Note 2.18 • Cash and Cash Equivalents – Note 3	
5	Borrowing Costs		Not applicable – The Organization does not borrow funds.
6	Consolidated and Separate Financial Statements	• Accounting Policy - Note 2.22 • Consolidated Entities – Note 23	
7	Investments in Associates		Not applicable – The Organization does not have any Associates
8	Interests in Joint Ventures		Not applicable – The Organization does not have Joint Ventures
9	Revenue from Exchange Transactions	• Statement of Financial Performance • Accounting Policy – Note 2.17	
10	Financial Reporting in Hyperinflationary Economies		Not applicable according to the current economic circumstances of the Organization
11	Construction Contracts		Not applicable – The Organization does not implement construction contracts
12	Inventories	• Statement of Financial Position • Accounting Policy - Note 2.7 • Inventories – Note 7	
13	Leases	• Statement of Financial Position • Accounting Policies – 2.9 • Expenses – Note 16	
14	Events After the Reporting Date	• Events After the Reporting Date –Note 22	
15	Financial Instruments: Disclosure and Presentation	• Accounting Policy - Note 2.3 • Financial Instruments – Note 5 (interpreted in conjunction with IAS 39)	
16	Investment Property		Not applicable – The Organization does not have investment property to report

IPSAS		Financial statement or Note where the Standard was Implemented	Reason for not being implemented
No.	Title		
17	Property, Plant and Equipment	• Accounting Policy – Note 2.8 • Property Plant and Equipment – Note 8	
18	Segment Reporting	• Accounting Policy – Note 2.19 • Segment Reporting – Note 18	
19	Provisions, Contingent Liabilities and Contingent Assets	• Accounting Policy - Note 2.15 and Note 2.16	
20	Related Party Disclosures	• Related Parties - Note 21	
21	Impairment of Non-Cash Generating Assets	• Accounts Receivable – Note 6 • Inventories – Note 7 • Property, Plant and Equipment – Note 8	
22	Disclosure Information about the General Government Sector		Not applicable – The Organization is an international organization
23	Revenue from Non-Exchange Transactions	• Statement of Financial Performance • Accounting Policy – Note 2.17 • Revenue – Note 15 • Segment Reporting – Note 18	
24	Presentation of Budget Information in Financial Statements	• Comparison of Budget and Actual Amounts • Accounting Policy – Note 2.20	
25	Employee Benefits	• Accounting Policy – Note 2.14 • Employee Benefits – Note 12	
26	Impairment of Cash-Generating Assets		Not applicable – The Organization does not have any cash generating assets
27	Agriculture		Not applicable - The Organization is not currently involved in agricultural activities
28	Financial Instruments: Presentation		IPSAS 15 does not prescribe disclosure requirements for financial instruments; disclosure requirements related to financial instruments are included in IPSAS 30. The implementation of IPSAS 28 is required for periods beginning January 1, 2013. The impact of applying IPSAS 28 will have little or no effect on the presentation of financial instruments held by PAHO.
29	Financial Instruments: Recognition and Measurement		Is drawn largely from International Accounting Standard 39. The requirements under IPSAS 29 are nearly the same as those currently applied for the recognition and measurement of financial instruments. The implementation of IPSAS is required for periods beginning

			January 1, 2013. The impact of applying IPSAS 29 will have little effect on the accounting treatments currently applied.
30	Financial Instruments: Disclosures		Supersedes the disclosure requirements of IPSAS 15 and is primarily drawn from International Financial Reporting Standard 7. The disclosure requirements to be applied under IPSAS 30 increase the qualitative and quantitative information to be disclosed regarding exposure to risks arising from financial instruments. The implementation of IPSAS 30 is required for periods beginning January 1, 2013. The initial application of this Standard will require additional disclosure of PAHO's exposure to risks and the nature of the risks, including quantitative data about the risks.
31	Intangible Assets	• Statement of Financial Position • Accounting Policy – Note 2.10 • Note 9	

Transitional Provisions

Number	IPSAS	Adoption
1	Presentation of Financial Statements	The Organization's financial statements and its respective Notes disclose comparative information to the previous financial period (2010).
2	Cash Flow Statements	Not Applicable
3	Accounting Policies, Changes in Accounting Estimates and Errors	Not Applicable
4	The Effects of Changes in Foreign Exchange Rates	Following IPSAS 4, paragraph 67, Transitional Provisions, the financial statements of the Organization do not disclose the cumulative currency exchange translation differences that existed at the date of first adoption of IPSAS. In regards to paragraphs 68 and 69, of the same Transitional Provisions, possible currency exchange translation differences are not considered material due to the fact that the funds of the Organization are mainly retained in US Dollars.
5	Borrowing Costs	Not applicable – The Organization does not borrow funds.
6	Consolidated and Separate Financial Statements	According to IPSAS 6, paragraph 28, the Organization exercises the power to govern the financial and operating policies of the consolidated centers, as well as receives the benefit from their activities. The Organization is not utilizing the transitional provisions from IPSAS 6.
7	Investments in Associates	Not applicable – The Organization does not have Associates
8	Interest in Joint Ventures	Not applicable – The Organization does not have Joint Ventures
9	Revenue from Exchange Transactions	Not applicable
10	Financial Reporting in Hyperinflationary Economies	Not applicable
11	Construction Contracts	Not applicable
12	Inventories	Not applicable
13	Leases	Not applicable
14	Events After the Reporting Date	Not Applicable
15	Financial Instruments: Disclosure and Presentation	Not Applicable
16	Investment Property	Not applicable – The Organization does not have any investment property to report.
17	Property, Plant, and Equipment	Transitional provisions have been applied in the initial recognition of property, plant, and equipment (PP&E) which were purchased or donated before 1 January 2010. Except for land and buildings, assets (PP&E) acquired prior to 1 January 2010 were expensed at the date of purchase and have not been recognized as assets in 2010 or 2011. The Organization will revalue its land and buildings in a periodic basis, including leased property. External experts will be utilized to determine updated market value. The Organization recognized the effect of the initial recognition of PP&E as an adjustment to the opening balance of accumulated surpluses or deficits in 2010. In regards to IPSAS 17, paragraph 99, Transitional Provision, the Organization did not recognize the accumulated depreciation of buildings in 2010.

Number	IPSAS	Adoption
18	Segment Reporting	Not Applicable
19	Provisions, Contingent Liabilities and Contingent Assets	In accordance to transitional provisions from IPSAS 19, the Organization recognized the provisions and contingent liabilities as adjustments to opening balances of accumulated surpluses or deficits in 2010.
20	Related Party Disclosure	Not Applicable
21	Impairment of Non-Cash-Generating Assets	Transitional provisions for Impairment of Non-Cash Generating Assets (IPSAS 21) were considered in the preparation of the 2010 financial statements with no disclosure required.
22	Disclosure of Information about the General Government Sector	Not applicable
23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	Transitional provisions from IPSAS 23 (Revenue from Non-Exchange Transactions) do not apply to the Organization's financial statements since those provisions basically deal with a five year grace period allowed prior to the adoption of this standard; the Organization adopted this standard the first day of adopting IPSAS in 2010.
24	Presentation of Budget Information in Financial Statements	Not applicable
25	Employee Benefits	In accordance with provisions for first time adoption of IPSAS 25, the Organization has disclosed the Defined Benefit Obligation (DBO) for current and former staff (active and inactive), less plan assets already recorded in the books of the Organization. In addition, any gain or loss due to the implementation of IPSAS 25 was recognized as opening accumulated surplus or deficit, accordingly, in 2010.
26	Impairment of Cash-Generating Assets	Transitional provisions were not applied in regards to this standard; since, the Organization does not disclose any cash generating assets.
27	Agriculture	Not applicable
28	Financial Instruments: Presentation	This standard is effective as of 1 January 2013; therefore it does not apply to the Organization's 2012 Financial Statements.
29	Financial Instruments: Recognition and Measurements	This standard is effective as of 1 January 2013; therefore it does not apply to the Organization's 2012 Financial Statements.
30	Financial Instruments: Disclosures	This standard is effective as of 1 January 2013; therefore it does not apply to the Organization's 2012 Financial Statements.
31	Intangible Assets	Per IPSAS 31, Paragraph 28, and beginning in 2011, the Organization capitalized Intangible Assets primarily considering the expected future economic benefit and that the cost or fair value of the asset could be measured reliably. Attending Paragraphs 70 and 129 of IPSAS 31, the Organization will not disclose Intangible Assets which cost was expensed before the adoption of IPSAS. The Organization did not apply transitional provisions (IPSAS 31 Paragraphs 128 to 131) to retrospectively recognize its Intangible Assets.

The financial statements and supporting Notes are expressed in thousand U.S. dollars.

2.2 Cash and Cash Equivalents

Cash and cash equivalents, which are financial assets, comprise cash on hand, cash at banks, money markets and short-term deposits with original maturities of 90 days or less. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

Short-term deposits are stated at amortized cost using the effective interest method, with interest income recognized on an effective yield basis.

Cash and Cash Equivalents are held for purposes of meeting short-term cash commitments rather than for investment purposes.

2.3 Investments

Investments are financial assets and are recognized when the Organization becomes a party to the contractual provisions of the investment. Investments are classified as either available for sale or held to maturity.

Investments are classified as being available for sale where the Organization has not committed to hold such items to maturity. Available for sale items are stated at fair value (including transaction costs that are directly attributable to the acquisition of the financial asset) with value changes recognized in the Statement of Changes in Net Assets. Impairment charges and interest calculated using the effective interest method are recognized in the surplus or deficit. When an available for sale asset is disposed of, the cumulative gain or loss previously recognized in the Statement of Changes in Net Assets, is included in the surplus or deficit for the period.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Organization has the intention and ability to hold to maturity. Held to maturity investments are comprised of U.S. agency paper such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Held to maturity investments are stated at amortized cost using the effective interest method, with interest income recognized on an effective yield basis in the Statement of Financial Performance.

The effective interest method is applied by determining the interest rate that is required to exactly discount all of the future cash flows associated with the bond to arrive at the initial carrying value of the bond (inclusive of any costs necessarily incurred in its acquisition.) Therefore where a bond is acquired at a discount to its nominal value that discount will increase the effective interest rate and be recognized over the life of the bond.

2.4 Loans and Receivables

Loans and other receivables, that have fixed or determinable payments and are not quoted in an active market, are classified as loans and receivables. Loans and other receivables are stated at amortized cost calculated using the effective interest method, less any impairment.

Interest income is recognized on the effective interest basis, other than for short-term receivables where the recognition of interest would be immaterial.

2.5 Risk Management Policies

The Organization holds funds not required for immediate operating needs as investments in order to earn revenue on surplus liquidity which, in accordance with Financial Regulations X and XI, and Financial Rules X and XI of the Pan American Health Organization, funds a portion of the Regular Program Budget. Investments are made subject to the Organization's Investment Policy, which prescribes guidelines intended to protect invested principal, maintain adequate liquidity and realize a return commensurate with investment risk constraints. Policy guidelines define duration, diversity and credit quality, which are consistent with limiting credit, market and interest rate risk exposures. Investment policies addressing credit, market, and interest rate risks are discussed in Notes 5.2 and 5.3.

2.6 Accounts Receivable

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current receivables are for amounts due within twelve months of the reporting date, while non-current receivables are those that are due more than twelve months from the reporting date of the financial statements. Receivables are stated at amortized cost calculated using the effective interest method, less any impairment losses (which are recognized in the Statement of Financial Performance). However, for current receivables there is no material difference between the amortized costs and so these receivables have been recognized at cost (less any impairment losses).

Receivables from exchange transactions are recognized when the Organization is owed assets or services (usually in the form of cash) arising from a transaction that directly gives approximately equal value to another entity in exchange (IPSAS 9).

Receivables from non-exchange transactions are established when the Organization is owed assets or services (usually in the form of cash) that arise from a transaction that does not directly give approximately equal value in exchange; or the Organization has given value to another entity without directly receiving approximately equal value in exchange (IPSAS 23).

The main types of receivables are:

- **Assessed Contributions (non-exchange transactions)**
  These contributions are formal commitments from Member and Participating States and Associate Members for the biennial budget period. Assessed contributions are recognized as receivables when they become due and payable on 1 January of each year. There is no provision in the Financial Regulations to write-off an assessed contribution; therefore no impairment loss has been recognized.

- **Tax Equalization Fund (non-exchange transactions)**
  Receivables under the Tax Equalization Fund are due from Member States that levy income tax on emoluments received from the Organization by their nationals or others liable to such taxes. The credit from the staff assessment plan is charged with the estimated amount to be levied by those Member States.

  Under the Tax Equalization Fund, the assessed contributions of all Members are reduced by the income generated by the staff assessment plan. In determining the reduction of assessed contributions to be applied to the Member States concerned, the Tax Equalization Fund is credited with the revenue from the staff assessment plan, the credits being recorded in the name of individual Members States, in proportion to their assessments for the biennium.

  Those amounts which have been charged are, in turn, used by the Organization to reimburse income tax paid by the staff concerned.

- **Voluntary Contributions (non-exchange transactions)**
  The Organization enters into Voluntary Contribution agreements which are comprised of (1) the Voluntary Contributions Fund, which includes financial resources from governments, international organizations, and private and public sector organizations; (2) the National Voluntary Contributions Fund, which was established on 1 January 2010 and includes financial resources from governments exclusively for internal projects; (3) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, which includes financial resources from governments, international organizations, and private and public sector organizations; and (4) other funds. Upon signature by both parties and approval by the Organization's Office of Legal Counsel of the agreements, the full value of the agreement is recognized as a receivable and as deferred revenue (Note 2.13)

With the implementation of IPSAS, 2010 was the first year that accounts receivable for Voluntary Contributions was recorded. Therefore, historical data for prior years is not available. For future financial periods, the Organization will use an average percent for Voluntary Contribution agreement, based on the three prior years of data, to determine the current portion of accounts receivable for Voluntary Contribution agreements. However, to determine the current portion of the accounts receivable from Voluntary Contributions as of 31 December 2012, the Organization applied the average percentage of cash received in 2010 and 2011 compared to the 1 January 2010 and 2011 accounts receivable for the Voluntary Contributions agreements. The non-current portion of accounts receivable will be the balance of the total accounts receivable amount for Voluntary Contribution agreements, less the current portion.

- **Procurement of Public Health Supplies (exchange transactions)**
  The Procurement of Public Health Supplies is critical to the Organization in order to achieve its mission of supporting Member States through technical cooperation for public health programs, including the procurement of vaccines and syringes, medical supplies, diagnostic kits, medications and equipment.

  The accounts receivable from the Member States in the Procurement of Public Health Supplies is comprised by two funds: Revolving Fund for Vaccine Procurement and Regional Revolving Fund for Strategic Public Health Supplies. Receivables are established for each participating Member State upon notification that goods were delivered by the supplier and payment to the supplier has been approved. This triggers an invoice being raised addressed to the relevant Member State.

- **Inter-Organization Funding Activities**
  The Inter-organization accounts receivable represents the amount due to the Organization from the World Health Organization as the net result of inter-agency transactions.

- **Regular Advances to Staff**
  Advances are made to individuals in accordance with the Financial Regulations and Rules of the Organization for entitlements (i.e., education grants, travel, settlements of income tax, insurance claims, etc.) and are recognized as receivables, until they are charged to expense upon receipt of the required claim or supporting documentation.

The Organization will establish allowances for doubtful accounts based on the evidence that certain receivables are uncollectable. A formal procedure has to be followed, based on the delegation of authority regarding the amounts to be written-off, prior to offsetting the uncollectable receivable against the established allowance.

2.7 Inventories

Medications and medical supplies owned and controlled by the Organization are recorded as inventories with the intention that they are held for distribution in the ordinary course of operations. They are valued at the lower of cost or net realizable value at the end of the financial period. The Organization-owned medications and medical supplies quantities, derived from the Organization's tracking systems, are validated by physical stock counts. These medications and medical supplies are expensed when distributed directly by the Organization or once they are handed over to government institutions or non-government institutions. Inventories held for distribution without charge are valued at the lower of cost or replacement cost. Inventories are held at the PROMESS warehouse in Haiti, a strategic storage facility. If the Organization receives inventories acquired through non-exchange transactions, they will be valued at fair value of acquisition. The cost formula, due to the specific circumstances in Haiti, is "First to expire First out" for the inventories of pharmaceutical drugs and medications.

Inventories, procured with Voluntary Contributions on behalf of a project, do not form part of the Organization's inventory. The Organization is simply the implementing agent and is only responsible for the disposition of the items within the terms of the agreement. If the items are not consumed within the project period, the final disposition would be determined by the donor. At no time does the Organization retain control of these items; therefore, the correct accounting treatment is to expense these items at the time of purchase.

2.8 Property, Plant and Equipment

Property, plant, and equipment assets with a value greater than the $20 000 threshold are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value as at the date of acquisition. The Organization applies the cost model to its plant and equipment, i.e. the items are carried at cost, less accumulated depreciation and any accumulated impairment losses. The Organization applies the revaluation model to land and permanent buildings only.

The Organization considers all its Property, Plant and Equipment to be non-cash generating assets.

Depreciation is charged on property, plant, and equipment (except for land) to write-down the cost/fair value of the asset, to its residual value, over the estimated useful life using the straight line method with a full year's depreciation charged in the year of acquisition. The estimated useful lives for fixed assets classes are as follows:

Assets Class and Description	Estimated Useful Life (years)
Permanent Buildings	40 years
Computer Equipment	3 years
Office Equipment	3 years
Motor Vehicles	5 years

Property, plant, or equipment, procured with Voluntary Contributions on behalf of a project, are not the Organization's assets and are meant solely for the use of the project beneficiary. The Organization is the implementing agent and is simply responsible for the disposition of the items within the terms of the agreement. If the items are not consumed within the project period, the final disposition would be determined by the donor. At no time does the Organization retain control of these items; therefore these items are expensed at the time of purchase.

Transitional provisions were applied in the initial recognition of Property, Plant, and Equipment (PP&E) which were purchased or donated before 1 January 2010. Except for land and buildings, assets acquired prior to 1 January 2010 were expensed at the date of purchase and were not recognized as assets. The Organization will revalue its land and buildings on a periodic basis, including leased property. External experts will be utilized to determine updated market value. Movements on revaluation are reflected in revaluation surplus/deficit shown in Note 14.9 and are included within the PAHO Regular Budget Fund balance.

The Organization recognized the effect of the initial recognition of Property, Plant, and Equipment (PP&E) as an adjustment to the opening balance of accumulated surpluses or deficits. In regards to IPSAS 17, paragraph 99, Transitional Provision, the Organization did not recognize the accumulated depreciation of buildings that were recognized as it was not practical to do so.

Leasehold improvements are recognized as assets and valued at cost, and depreciated over the lesser of the remaining useful life of the improvements or the lease term.

Donated land and buildings are valued at fair market value and recognized as non-current assets.

Impairment reviews are undertaken for all assets at least annually.

2.9 Leases

The Organization is the owner and lessor of the land parcel for the building at 2121 Virginia Avenue, N.W., Washington, D.C.

The Organization is the lessee for the first two floors of the same building mentioned above under an operating lease. The Organization also leases various office premises for the Representation Offices throughout the Americas. These are all cancelable agreements. Total annual lease payments have been disclosed in Note 16 on Expenses as a footnote.

Assets held under finance leases are included within Property, Plant and Equipment and are depreciated on a straight line basis over their estimated useful lives. Assets are recognized at fair value or, if lower, the present value of the minimum lease payments. Where assets are provided to PAHO with no or nominal lease payments the fair value of the asset has been recognized.

A liability is also recognized for the same amount. Rental payments are apportioned between the finance element, which is charged in the statement of financial performance, and the capital element, which reduces the lease liability.

2.10 Intangible Assets

Intangible assets, which are above the pre-established thresholds of $30 000 for intangible assets purchased externally and $100 000 for intangible assets developed in-house, are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined for intangible assets over their estimated useful life using the straight line method. Amortization is charged on Intangible Assets to write down the cost/fair value of the asset, to its residual value, over the estimated useful life using the straight line method with a full year's amortization charged in the year of acquisition. The estimated useful lives for intangible assets classes are as follows:

Class	Estimated useful life (years)
Software acquired externally	7
Internally developed software	5
Licenses and rights, copyrights and other intangible assets	3

2.11 Accounts Payable

Accounts Payables are financial liabilities in respect of goods or services that have been received by the Organization and are recognized at amortized cost, which for payables is equal to cost. Accounts payable include the following:

- Amounts due to donors, partners, and stakeholders representing the unspent Voluntary Contributions for expired agreements.
- The inter-organization accounts payable represent the amount due from the Organization to the World Health Organization as the net result of inter-agency transactions.
- Invoices received and approved for payment but not yet paid.

2.12 Accrued Liabilities

Accrued liabilities are financial liabilities in respect of goods or services that have been received or provided to the Organization during the reporting period and which have not yet been invoiced or invoices have been received but not approved for payment. They are recognized at amortized cost, which for accruals is equal to cost.

2.13 Deferred Revenue

Deferred revenue derives from legally binding agreements between the Organization and partners, such as governments, international organizations and private and public institutions, where the partners provide funding to the Organization to support technical cooperation initiatives (voluntary contributions).

Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties-i.e., the Organization and the donors, partners, or stakeholders, and (2) the funds are conditional. Conditionality of voluntary contribution agreements is determined by factors like:

- The agreement has a stated purpose.
- Funds provided under the agreement must be used for activities as required/described in the agreement.
- The agreement has a budget.
- The agreement has an effective date and an end date.
- The agreement requires technical and financial reporting.
- Any unused funds, upon completion, will be returned to the donor, partner or stakeholder.

Revenue is recognized in the Statement of Financial Performance based on the level of funds implemented during the financial period.

Funds received from governments and institutions participating in the Procurement of Public Health Supplies, in advance of the procurement of the goods, are treated as deferred revenue. Once confirmation is received that goods were delivered by the supplier and payment to the supplier has been approved, the revenue is recognized in the Statement of Financial Performance.

To determine the current portion of the Deferred Revenue of Voluntary Contribution, the Organization used a three year average of the percentage of expense for Voluntary Contributions against the opening balance of Deferred Revenue for the Voluntary Contributions. For future financial periods, the Organization will use an average percent based on the three prior years of data to determine the current portion of Deferred Revenue. The non-current portion of the Deferred Revenue will be the balance of the total Deferred Revenue amount less the current portion.

2.14 Employee Benefits

The Organization recognizes expenses and liabilities in respect of the following employee benefits:

1) Employee benefits earned in the current financial period are current liabilities recognized at an undiscounted cost.
2) Post-employment benefits e.g. ASHI, are recognized at present value of the liability.
3) Other separation-related employee benefits are recognized at present value of the liability.

The Organization periodically contracts the actuarial services of external experts to provide confident figures on the liabilities regarding employee benefits. This information is used to calculate different contribution percentages to be applied for staff costs. The Organization also uses this information for investment purposes to ensure the Plan's investments meet the liquidity requirements of the respective liabilities.

2.15 Provisions and Contingent Liabilities

Provisions are made for future liabilities and expenses where the Organization has a present legal or constructive obligation as a result of past events, and it is probable that the Organization will be required to settle the obligation, and the value can be reliably measured.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the Notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Organization or the value cannot be reliably estimated.

2.16 Contingent Assets

In accordance with IPSAS 19, Contingent Assets will be disclosed when there is enough information that the inflow of economic benefits or service potential is probable.

2.17 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Organization during the year, which represents an increase in net assets (IPSAS 23). The Organization recognizes revenue following the established criteria by IPSAS 9, "Revenue from Exchange Transactions," and IPSAS 23, "Revenue from Non-Exchange Transactions."

Exchange transactions are transactions in which the Organization receives assets or services, or has liabilities extinguished, and directly gives approximately equal value primarily in the form of cash, goods, services, or use of assets to another entity in exchange (IPSAS 9).

In a non-exchange transaction, the Organization either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange (IPSAS 9).

The main sources of revenue for the Organization include but are not limited to: Assessed Contributions, Voluntary Contributions, Procurement of Public Health Supplies, Other Revenue, and Miscellaneous Revenue.

- **Revenue from Assessed Contributions (non-exchange transactions)**
  Revenue from assessed contributions is recognized as of 1 January of each year when the Member States' assessed contribution commitment to the Organization is incurred.

- **Revenue from Voluntary Contributions (non-exchange transactions)**
  Voluntary contributions, confirmed in writing by both parties, are recognized as receivables and deferred revenue (liabilities) because these funding agreements are conditional. As the voluntary contribution projects are implemented, the deferred revenue is then recognized as revenue. Voluntary Contributions categories are explained in Note 2.6.

- **Revenue from the Procurement of Public Health Supplies (exchange transactions)**
  Revenue is recognized in respect of the procurement of public health supplies because the Organization bears the risks and rewards of the purchased goods. Revenue on these transactions is recognized upon the notification that goods were delivered by the supplier and payment to the supplier has been approved. The Procurement of Public Health Supplies is comprised by three funds: Revolving Fund for Vaccine Procurement; Reimbursable Procurement; and the Regional Revolving Fund for Strategic Public Health Supplies. (See Note 2.6 Accounts Receivables, in respect of the Revolving Funds, and Note 2.13 Deferred Revenue, in respect of Reimbursable Procurement).

- **Other Revenue (non-exchange transactions)**
  As the Regional Office of the Americas (AMRO) of the World Health Organization, the Organization receives funding allocations from WHO for the implementation of technical cooperation activities.

  Funds received by the Organization from WHO include the following allocations:
  - Allocations of WHO regular budget
  - Allocations of WHO voluntary contributions
  - Allocations of other WHO internal funds

- **Other Revenue (exchange transactions)**
  The Organization, under its different specific mandates, carries out other technical cooperation activities for which revenue is separately disclosed. These activities include the following: Sales of services and program support costs.

  When necessary, as per IPSAS 18, internal transfers will be eliminated to avoid duplication of revenue.

- **Miscellaneous Revenue (exchange transactions)**
  Miscellaneous revenue includes foreign currency revaluations, exchange rate gains and losses, interest earned, realized gains and losses, and gains and losses from the sale of property, plant, and equipment.

- **Special Activities Segment**
  Special Activities are activities approved by the Organization's Governing Bodies for specific objectives and entitlements. (i.e. staff entitlements, terminal entitlements, after-service health insurance.) Therefore, all employee benefits liabilities have been included in this segment.

2.18 Foreign Currency Transactions and Balances

The functional and reporting currency of the Organization is the United States dollar (US$). Transactions in currencies other than US$ are translated into US$ at the prevailing market rate at the time of the transaction. The Organization has determined that the United Nations Operational Rates of Exchange (UNORE) are aligned closely with the prevailing market rates due to the frequent analysis and adjustments and thus function as an approximation of the market rate at the time of the transaction. At the end of each reporting period, the Organization analyzes the performance of the UNORE in comparison with the prevailing market rate in order to determine the alignment and make any required adjustments. Assets and liabilities in currencies other than US$ are translated into US$ at the prevailing market rate at the end of the reporting period. Resulting gains or losses are accounted for in the Statement of Financial Performance within Miscellaneous Revenue.

2.19 Segment Reporting

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. The Organization classifies all projects, operations and fund activities into five segments: 1) Core Activities Segment; 2) Partnership Activities Segment; 3) Enterprise Activities Segment; 4) Special Activities Segment; and 5) Consolidated Sub-regional Centers Activities Segments, and the Inter-Party Transactions. The Organization reports on the transactions and balances of each segment during the financial period.

Every financial period the Organization processes internal transactions, not involving the use of cash (transfers), within any given segment and between different segments. (i.e. Program Support Cost, Provision for Termination and Repatriation Entitlements, After Service Health Insurance, Master Capital Investment Fund, etc.). The effect of these transfers is an over-statement (duplication) of both revenue and expense by the same amount, which are valued at the cost incurred at the time of the original transaction. The Inter-Party Transactions column in the Statement of Financial Performance allows for the elimination of such duplication.

The following segments were identified in order to provide a better understanding of the different activities of the Organization:

Core Activities Segment—Activities critical to the Organization's Strategic Plan which are mandated and appropriated by the Organization's Governing Bodies. (i.e. Activities funded with assessed contributions and other revenue for Regular Budget activities.)

Partnership Activities Segment—Activities aligned with the Organization's Strategic Plan and supported by partners, donors, and stakeholders. (i.e. Activities developed in partnership with external donors who provide the voluntary contributions and to whom the technical and financial reports are provided.)

Enterprise Activities Segment—Activities performed by the Organization to strengthen technical cooperation with the ministries of health and facilitate their access to essential public health supplies. (i.e. Procurement activities funded by the Member States for the access to essential public health supplies.)

Special Activities Segment—Activities approved by the Organization's Governing Bodies for specific objectives and entitlements. (i.e. staff entitlements, terminal entitlements, after-service health insurance.)

Consolidated Sub-Regional Centers Activities Segment – Activities implemented by centers which have their own Member States, budgets, and quotas assessments, such as the Caribbean Epidemiology Center and Caribbean Food and Nutrition Institute.

Intra-Party Transactions – internal transfers. According to IPSAS 18, the Organization eliminates these activities.

2.20 Budget Comparison

The Organization's budget and financial statements are prepared using different accounting bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, and Cash Flow Statement are prepared on a full accrual basis, whereas the Comparison of Budget and Actual Amounts is prepared on a cash basis.

As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

The Organization's Governing Bodies approve the Biennial Program and Budget Plan which includes assessed contributions, projected voluntary funds, and estimated miscellaneous income. The Biennial Program and Budget Plan may subsequently be amended by the Governing Bodies.

The Comparison of Budget and Actual Amounts compares the final budget to actual amounts disbursed, calculated on the same Strategic Objective categories as the corresponding budgetary amounts. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are timing differences for the Organization for purposes of comparison of budget and actual amounts because the budget is prepared on a biennial basis and the financial statements are prepared on an annual basis. Furthermore, other differences result from depreciation and amortization.

Entity differences occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared. Presentation differences are due to differences in the format and classification schemes adopted for the presentation of the Statement of Financial Performance and the Comparison of Budget and Actual Amounts.

2.21 In-Kind Contributions

In-kind contributions of services that support approved operations and activities, including use of premises, utilities, personnel, transportation services, etc., are identified by categories of services under the respective Member State providing the in-kind contribution during the reporting accounting period. These are not recognized in the financial statements because the fair value of the services or assets cannot be reliably measured.

Donated land and permanent buildings are recognized on the Statement of Financial Position at fair market value.

Donated inventories are capitalized subject to the materiality and conditions of the goods. The Organization will only accept donated goods in alignment with its core activities.

2.22 Sub-Regional Consolidated Entities

The Organization has consolidated into its Financial Statements the financial activities of two specialized sub-regional centers: (1) the Caribbean Epidemiology Center and (2) the Caribbean Food and Nutrition Institute.

In accordance with IPSAS 6, paragraph 28, the Organization exercises the power to govern the financial and operating policies of the centers mentioned above, as well as derives benefit from the centers (which represents the ability of the controlling entity to benefit from the centers).

3. Cash and Cash Equivalents

	31 December 2012	31 December 2011
Cash on Hand, US$	62 184	46 204
Cash on Hand, Other Currencies	8 032	7 350
Money Market Funds	100 943	53 227
Less: Plan Assets	(10 242)	(2 117)
Total	**160 917**	**104 664**

4. Investments

4.1 Short-Term Investments

Short-term investments are those with final maturities at purchase between 91-365 days.

	31 December 2012	31 December 2011
Certificates of Deposit	**245 645**	**270 577**

Accrued interest of $ 590 155 (2011: $ 516 907) is included in the balance of short-term investments in the Consolidated Statement of Financial Position

4.2 Long-Term Investments

Long-term fixed income notes within the Organization's general portfolio are held to maturity and stated at amortized cost using the effective interest method. Long-term fixed income notes within the ASHI/TAREP portfolio, comprising the plan assets held in an irrevocable trust, are stated at fair value with value changes recognized in the fund balance.

	31 December 2012	31 December 2011
Net Increase in Long-term Investments		
Increase in Long-term Investments	(2 766)	76 494
Unrealized Net (Gains)/Losses	(212)	303
Net Increase in Long-term Investments	(2 978)	76 797
Cash Flows from Long-term Investments		
Interest Revenue	2 042	2 553
Realized Net Gains	322	556
Total	**2 364**	**3 109**

Valuation of Long-term Investments	**31 December 2012**		**31 December 2011**	
	Cost	**Market**	**Cost**	**Market**
Fixed Income Notes	43 933	44 123	44 650	44 744
Managed Portfolios	209 226	210 163	207 564	208 289
Total	**253 159**	**254 286**	**252 214**	**253 033**

Reconciliation of Long-term Investments	**31 December 2012**	**31 December 2011**
Fixed Income Notes (Cost)	5 019	10 020
Fixed Income Notes (Market)	39 437	34 727
Less: Plan Assets (see note 12.3.5)	(39 437)	(34 727)
Managed Portfolio (Market)	210 524	208 289
Total for Long-term Investments	**215 543**	**218 309**

Long-term fixed income instruments held in the two portfolios are issued by U.S. Government agencies and backed by the full faith and credit of the U.S. Government. Although the credit rating of the U.S. Government was downgraded from its historical AAA rating by one credit rating agency in 2012, there is no evidence to suggest that the borrower will default on these obligations. Accrued interest of $333 519 has been included in the balance of long-term investments and recognized on the Statement of Financial Performance as Miscellaneous Revenue

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Managed Portfolios are classified as available for sale and stated at fair value with value changes recognized in the fund balance. The market value above includes accrued interest of $360 582 (2011: $423 860) and recognized on the Statement of Financial Performance as Miscellaneous Revenue.

5. Financial Instruments

5.1 Nature of Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement, and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability, are set out in Note 2.3.

Financial Instruments and Method of Valuation

	2012 Amortized Cost	2012 Fair Market Value	2011 Amortized Cost	2011 Fair Market Value
Cash and Cash Equivalents	171 159		106 780	
Short-term Investments				
Certificates of Deposit (held to maturity)	245 645		270 577	
Long-term Investments				
Fixed Income Notes (held to maturity)	5 019		10 020	
Fixed Income Notes (Plan Assets)		39 437		34 727
Managed Portfolios (available for sale)		210 524		208 289
Total	**421 823**	**249 961**	**387 377**	**243 016**

5.2 Interest Rate Risk

The Organization is exposed to interest rate risk through both short-term and long-term investments. Principal amounts are stated at amortized cost for investments held to maturity and at fair value for investments available for sale.

	Effective Maturity	Effective Interest Rate	Fixed Interest	Floating Interest	Non-Interest Bearing
Total Cash and Cash Equivalents	<90 days	0.10%		110 845	60 314
Short-term Investment					
Certificates of Deposit	109 days	0.42%	245 645		
Long-term Investments					
Fixed Income Notes	3.71 years	1.35%	5 019		
Plan Assets	8.90 years	2.41%	39 437		
Managed Portfolios	1.67 years	0.72%	210 524		
Total			**500 625**	**110 845**	**60 314**

The Organization holds certain fixed income notes that the issuer has a right to redeem prior to its maturity date.

Callable Instruments

Issuer	Principal	Rate	Maturity	Call Dates
Federal Home Loan Bank	5 000 000	2.50%	14-Feb-22	Next call date 14 Feb 2013
Federal Farm Credit Bank	5 300 000	2.64%	14-Mar-22	Next call date 14 Mar 2013
Federal Home Loan Bank	4 200 000	2.14%	5-Dec-22	Next call date 5 Dec 2013
Federal National Mortgage Association	5 000 000	1.35%	16-Sep-16	Next call date 16 Sep 2013
Federal Farm Credit Bank	5 000 000	2.24%	6-Sep-18	Next call date 6 Sep 2013
Federal Farm Credit Bank	5 000 000	2.45%	8-Feb-22	Next call date 8 Feb 2013
Federal Home Loan Bank	4 500 000	2.70%	21-Mar-22	Next call date 21 Mar 2013
Federal Home Loan Bank	5 000 000	2.50%	5-Jul-22	Next call date 15 Jul 2013
Federal Home Loan Mortgage Corporation	5 000 000	2.10%	23-Aug-22	Next call date 23 Aug 2013
Total	44 000 000			

5.3 Credit Risk

The Organization's credit risk is mitigated by Investment Policies which stipulate limits on the amount of credit exposure to any one counterparty and minimum credit quality requirements.

In accordance with the Investment Policy requirements, internally managed investments are restricted to A1/P1 ($245 644 851 in certificates of deposit) and AAA/Aaa ($44 456 580 in Fixed Income Notes) rated financial instruments. Fixed Income Notes consist primarily of U.S. Agency Paper which carries the implicit guarantee of the U.S. Government. Although the credit rating of the U.S. Government was downgraded from its historical AAA rating by one credit rating agency in 2012, there is no evidence to suggest that the borrower will default on these obligations.

Funds placed with external investment managers are restricted to instruments rated A1/P1 or A- or A3 credit quality or higher in accordance with their mandates ($210 523 529 in Managed Portfolios). Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements.

Depository accounts are held at financial institutions with investment grade ratings by primary rating agencies, where such ratings exist. In those instances where no rating is available, the overall financial strength of the institution is evaluated prior to depositing funds within the institution.

The maximum credit risk represents the carrying amount of loans and receivables. The PAHO Investment Committee approves financial instruments, as well as partner financial institutions, in accordance with the Investment Policy guidelines noted above in order to mitigate credit risk. However, there may be some counterparty risk associated with the concentration of financial instruments and cash deposits in the banking sector. These significant concentrations in the banking sector equal 46% of the total cash, short-term and long-term investments.

5.4 Exchange Rate Risk

The Statement of Financial Position does not reflect significant exposure to exchange rate risk. However, 25% of the expense is disbursed in currencies other than the United States dollar. These disbursements are not hedged, but are met by local currency receipts and the purchase of local currency as needed in the market at the time of disbursement.

6. Accounts Receivable

6.1 Accounts Receivable - Current

	31 December 2012	31 December 2011
Assessed Contributions	32 845	28 974
Voluntary Contributions	126 243	196 773
Procurement Funds	18 814	15 136
Balance due from Pan American Health and Education Fund	351	
Expanded Textbook and Instructional Materials Program	57	
Regular Advances to Staff	4 414	4 384
Prepaid Expenses	10 726	18 950
Miscellaneous Receivables	1 800	2 117
Total	**195 250**	**266 334**

6.1.1 Accounts Receivable from Assessed Contributions

Statement of Assessed Contributions as of 31 December 2012

(Expressed in thousand US Dollars)

	Arrears	2012	Total 2012	Total 2011
PAHO				
Antigua and Barbuda				21
Argentina				3 562
Brazil		3 105	3 105	
Costa Rica				8
Dominica				21
El Salvador		110	110	
France		1	1	19
Grenada	20	21	41	68
Guatemala				175
Guyana		5	5	2
Haiti				42
Puerto Rico		81	81	103
Saint Lucia				43
Saint Vincent and The Grenadines		21	21	
United Kingdom	65	44	109	121
United States		22 456	22 456	19 660
Uruguay				168
Venezuela		2 103	2 103	
Total - PAHO	**85**	**27 947**	**28 032**	**24 013**
CAREC Member States	2 844	505	3 349	3 349
CFNI Member States	1 284	180	1 464	1 612
TOTAL	**4 213**	**28 632**	**32 845**	**28 974**

6.1.2 Accounts Receivable from Voluntary Contributions

	31 December 2012	31 December 2011
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	793	764
Voluntary Contributions	29 804	38 396
Voluntary Contributions - National Voluntary Contributions	95 643	157 475
Trust Funds CFNI	3	138
Total	**126 243**	**196 773**

6.1.3 Accounts Receivable from the Procurement of Public Health Supplies

The Accounts Receivable from Member States in the Procurement of Public Health Supplies is comprised by two funds: Revolving Fund for Vaccine Procurement and Regional Revolving Fund for Strategic Public Health Supplies.

Receivables under the category of Procurement of Public Health Supplies are considered to be current assets as follows:

a. Revolving Fund for Vaccine Procurement

The establishment of the Revolving Fund for Vaccine Procurement was authorized by Resolution CD25 R27 of the 25th Directing Council (1977). The Revolving Fund finances the procurement of vaccines for participating Member States/Institutions unable to deposit funds with the Organization in U.S. currency in advance of procurement.

b. Regional Revolving Fund for Strategic Public Health Supplies

The Regional Revolving Fund for Strategic Public Health Supplies was established in 1999 by the Director under the authority vested in him by Financial Regulation 9.3 (originally 6.7), following the request of the Organization's Member States. The objectives of the Fund include reducing the cost of strategic public health supplies, making these supplies continuously available to the participating Member States, assisting the Member States in improving their planning capabilities to use these supplies, and broadening the scope of the Member States' public health programs. Specific details on the governments and institutions are not disclosed in these financial statements although such information can be found in the additional annexes.

Receivables from the Procurement of Public Health Supplies are as follows:

	31 December 2012	31 December 2011
Procurement of Public Health Supplies		
Revolving Fund for Vaccine Procurement	18 514	13 980
Regional Revolving Fund for Strategic Public Health Supplies	300	1 156
Total	**18 814**	**15 136**

6.2 Accounts Receivable Non-Current

	31 December 2012	31 December 2011
Voluntary Contributions	41 816	92 174
Termination and Repatriation Entitlements (see Note 12.3.2)	6 015	6 210
Total	**47 831**	**98 384**

6.2.1 Accounts Receivable from Voluntary Contributions Non-Current

	31 December 2012	31 December 2011
Voluntary Contributions		
Voluntary Contributions	9 935	18 069
National Voluntary Contributions	31 881	74 105
Total	**41 816**	**92 174**

7. Inventories

	31 December 2012	31 December 2011
PROMESS	**1 164**	**1 153**
Expanded Textbook and Instructional Materials Program	**7 495**	
Ending Balance of inventory	**8 659**	**1 153**

7.1 Inventories PROMESS

The following table shows the movement of the PAHO inventory for medications and medical supplies at the PROMESS warehouse in Port-au-Prince, Haiti, during the financial period. The table shows the reconciliation of the inventory which reflects the pending balance and additions during the period reduced by the value of the goods distributed during the year.

	31 December 2012	31 December 2011
PROMESS		
Beginning inventory	**1 153**	**841**
Additions	1 149	1 017
Distributions	**(1 138)**	**(705)**
Ending Balance of inventory	**1 164**	**1 153**

In addition to the PAHO inventory, the PROMESS warehouse provides warehousing services for essential public health medications and medical supplies to international agencies and non-government organization (NGOs) who are providing assistance to the Haitian government. Furthermore, PROMESS also warehouses the medications and medical supplies provided by donors, partners and stakeholders through the Organization to the Haitian government.

7.2 Inventories Expanded Textbook and Instructional Materials Program

See Note 28.

	31 December 2012	31 December 2011
PALTEX		
Beginning inventory		
Operational Gain	7 632	
Additions	3 446	
Distributions	(2 261)	
Allowance for Obsolete/Damage Inventory	(1 322)	
Ending Balance of inventory	**7 495**	

8. Property, Plant and Equipment

8.1 General Information

The category of property, plant and equipment consists of permanent and temporary buildings, computer, office and audio visual equipment, motor vehicles, and leasehold improvements, as well as land. Net acquisitions (after disposals) for the year totaled $381 334 (2011: $1 020 376).

Additions or reductions in fixed assets are reported in the Statement of Financial Position, while the depreciation expenses for the period are reported in the Statement of Financial Performance.

Buildings, computer, office and audio visual equipment, motor vehicles, and leasehold improvements are capitalized if their cost is greater or equal to the threshold limit set at $20 000. They are depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically. Assets are reviewed annually to determine if there is any impairment in their value.

During 2012 the Organization requested professional appraisals for all lands and buildings. Revaluation adjustments were recorded according to the new appraised amounts. Movements on revaluation are reflected in the Revaluation Surplus Note 14.13

	Land	Permanent Buildings	Computer Equipment	Office Equipment	Motor Vehicles	Audio Visual Equipment	Leasehold Improvements	Total
Cost as of 1 January	48 887	56 338	93		779			106 097
Additions					154	227		381
Impairments								
Adjustments			120	32	23		266	441
Net Revaluations	13 676	5 355						19 031
Cost as of 31 December	**62 563**	**61 693**	**213**	**32**	**956**	**227**	**266**	**125 950**
Depreciation as of 1 January		2 390	54		196			2 640
Charged in current period		1 542	71	11	191	76	89	1 980
Adjustments		482	40	11	9		177	719
Net Revaluations		213						213
Depreciation as of 31 December		4 627	165	22	396	76	266	5 552
Net book value as of 31 December 2012	**62 563**	**57 066**	**48**	**10**	**560**	**151**		**120 398**
Net book value as of 31 December 2011	48 887	53 948	39		583			103 457

8.2 Transferred Assets with Conditions

In accordance with the donation document filed in Public Record, the Government of Brazil, Development Company for the New Capital of Brazil, Successors and Assigns granted PAHO the ownership of the land upon which the PAHO/WHO Representative Office buildings in Brazil are located. The document further stipulates that PAHO may not transfer, rent or lend the donated land under penalty of revocation of the donation. In the event that the land is sold for the same purpose (i.e., establishment of a headquarters facility), PAHO must obtain the written consent of the Government and pay the Government the present value of the land. This does not include the buildings and other immovable property thereon. Because of the restriction on the sale of the land and the requirement to pay the Government of Brazil the present value of the land, the Organization recognized such property in the Statement of Financial Position, as both an asset and as a liability. (Note 11.2)

9. Intangible Assets

The Organization separately discloses Intangible Assets that are: (a) Available for use and subject to amortization; and, (b) Under development and that have not been completed.

	31 December 2012	31 December 2011
Intangible Assets Available for use		
Cost as of 1 January	875	
Additions	1 312	875
Adjustments	(27)	
Cost as of 31 December	2 160	875
Amortization as of 1 January	157	
Charged in current period	399	157
Adjustments	(5)	
Amortization as of 31 December	551	157
Net book value as of 31 December for Intangible Assets Available for use	**1 609**	718
Intangible Assets under Development *	**1 609**	1 398
Total Intangible Assets	**3 218**	2 116

* During this reporting period the Organization put in service five (5) intangible assets with a book value of $86 656. These items were previously reported as Intangible Assets under Development but none of them reached the capitalization threshold to be considered actual intangible assets. The decrease for the amount indicated is being disclosed in the Consolidated Statement of Changes in Net Assets.

10. Accrued Liabilities

	31 December 2012	31 December 2011
Accrued Liabilities-Regular Budget Fund	1 664	2 392
Accrued Liabilities-Other Sources - PAHO	14 302	28 158
Accrued Liabilities-Other Sources - WHO	2 823	2 813
Total	**18 789**	**33 363**

11. Accounts Payable

11.1 Accounts Payable Current

	31 December 2012	31 December 2011
Assessed Contributions Received in Advance	1 667	732
Voluntary Contributions Expired Agreements	500	7 377
Balance due to the World Health Organization due to inter-office transactions	10 599	19 416
Pan American Health and Education Fund		82
Miscellaneous	5 402	638
Total	**18 168**	**28 245**

11.2 Accounts Payable-Non Current

	31 December 2012	31 December 2011
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2)	15 089	19 563
Total	**15 089**	**19 563**

12. Employee Benefits

Under the Staff Rules of the Pan American Health Organization, the Organization provides employee benefits which can be categorized as short-term liabilities and others which can be categorized as long-term liabilities. The employee benefits which are categorized as short-term liabilities are education grant, education grant travel, and assignment grant. The employee benefits which can be categorized as long-term liabilities include certain terminal payments, such as payment for annual leave, repatriation grant, repatriation travel, or other separation indemnities, as appropriate.

In order to accrue the funds required for these short-term liabilities and long-term liabilities, the Organization has established three funds. The Staff Entitlements Fund, established in January 2008, funds the short-term liabilities of education grant, education grant travel, and assignment grants. The After-Service Health Insurance Fund, established in 2010, reflects the financing and liability of the Organization for the current and prior staff members' health insurance for future years. The Termination and Repatriation Entitlements Fund, established in April 1972, reflects the financing and liability of the Organization for terminal entitlements, including annual leave, repatriation grant, repatriation travel, and household removal.

As of 31 December 2012, the status of the current and non-current employee benefits liabilities is as follows:

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Current liability	8 162	2 285	10 447	10 597
Non-current Liability	177 502		177 502	172 820
Non-current (Asset) (Note 6.2)		(6 015)	(6 015)	(6 210)
Total	**185 664**	**(3 730)**	**181 934**	**177 207**

- The gains and losses (unexpected changes in surplus or deficit) are recognized over time via the Corridor Method.
- The expected rate of return on assets was set based on the e-tool of Aon Hewitt Corporation previously known as Aon Hewitt Associates LLC, (30-year time horizon for ASHI only) and the current portfolio.
- There is no reimbursement right.
- The expected Organization's contributions during 2013 are estimated at $10 062 190 for After-Service Health Insurance and $2 285 209 for Termination and Repatriation Entitlements.

12.1 Actuarial Valuations of Post-Employment and Other Separation-Related Benefits

Post-employment benefits and Other Separation-Related Benefits are defined benefit plans of After-Service Health Insurance and Termination and Repatriation Entitlements. During 2012, the rate of contribution of these two long-term liability funds were 4% of net salaries plus post adjustment being credited to the Termination and Repatriation Fund and 4% of the net salaries credited to the After-Service Health Insurance.

The WHO/PAHO Staff Health Insurance Plan (SHI) allows eligible retirees, beneficiaries, and their eligible family members to participate in the Plan. The Termination and Repatriation Entitlements Fund finances the end-of-service payments for the Organization's staff members upon separation. These benefits which include accrued annual leave, household removal, repatriation grant, repatriation travel, and termination indemnities are payable when staff members leave the Organization's employment.

The assets shown for the After-Service Health Insurance Plan do not include any part of the assets held in the aggregate World Health Organization (WHO) Staff Health Insurance Fund (SHI) managed by the WHO. The staff members of the WHO and its administered entities, including the Organization, contribute to this SHI Fund. However, the Fund's assets have not been irrevocably allocated between WHO, the Organization (i.e. PAHO) and the rest of the WHO and its administered entities. Therefore, under IPSAS 25, no portion of the Fund qualifies as a plan asset for the Organization's After-Service Health Insurance Fund.

The Defined Benefit Obligation as of 31 December 2012, as calculated by Aon Hewitt Corporation, increased to $13 016 844 for terminal entitlements and $305 489 837 for after-service health insurance. The Termination and Repatriation Fund had assets of $10 370 534; therefore the net liability was $2 646 310 as of 31 December 2012. As the Organization's After-Service Health Insurance Fund had assets of $39 308 096, the net liability for the After-Service Health Insurance increased to $266 181 741 as of 31 December 2012.

One of the significant contributory factors in the increases in these two obligations was the decrease in the discount rate utilized to calculate the present value of the future commitments. The discount rate decreased from four and seven-tenths per cent (4.7%) for the 31 December 2011 actuarial valuation to four and two-tenths per cent (4.2%) for the 31 December 2012 actuarial valuation due to the change in the global economic climate by the end of 2012. The liabilities include the costs for 2012, less benefit payments made during the year.

12.2 Other Long-Term Employee Benefits

Other long-term employee benefits consist of home leave travel which is accrued on a monthly basis. Employees entitled to this benefit are meant to earn it and take it every two years.

12.3 Actuarial Assumptions and Methods

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's after-service benefit plans (post-employment benefits and other terminal entitlement benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms.

12.3.1 Actuarial Assumptions

The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for the Organization at 31 December 2012.

Accounting Standard	International Public Sector Accounting Standard 25; first adopted by the Organization at 1 January 2010
Measurement Date	31 December 2012
Discount Rate	4.2% For After-Service Health Insurance and 2.7% for Termination Repatriation Entitlements based on a weighted average of relevant corporate bond rate indices at 31 December 2012. The resulting discount rate is rounded to the nearest 0.1%.
Expected Rate of Return on Assets	3.0%
General Inflation	2.5%
Medical Cost Increases	8.0% in 2013 and 7.5% in 2014, decreasing to 7.0% in 2015, decreasing by 0.5% each year until 5% in 2019 and subsequent years.
Future Contribution Rate Changes	Rates are assumed to increase by 4% per year in 2013 through 2041, and by 1% per year thereafter, compounded geometrically.
Average Retirement Age	Average remaining years of service: 9.22
Life Expectancy	Based on the mortality tables of the UN Joint Staff Pension Fund
Average Medical Costs	$7 919 per person per year in 2012

The following tables provide additional information and analysis on employee benefits liabilities calculated by actuaries.

12.3.2 Reconciliation of Funded Status

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Defined Benefit Obligation (DBO)				
Inactive	177 982		177 982	170 326
Active	127 508	13 017	140 525	122 015
Defined Benefit Obligation including actuarial loss	305 490	13 017	318 507	292 341
Less: Plan Assets	(39 308)	(10 371)	(49 679)	(36 844)
Net Defined Benefit Obligation including actuarial loss	**266 182**	**2 646**	**268 828**	**255 497**
Less: Unrecognized Actuarial Gain/(Loss)	(86 478)	(6 376)	92 854	(85 039)
Unrecognized Prior Service Credit/(Cost)	5 960		5 960	6 749
Net Liability/(Asset) Recognized in the Statement of Financial Position	**185 664**	**(3 730)**	**181 934**	**177 207**
Split between:				
Current Liability	8 162	2 285	10 447	10 597
Non-Current Liability / (Asset)	177 502	(6 015)	171 487	166 610
Net Liability/(Asset) Recognized in the Statement of Financial Position	**185 664**	**(3 730)**	**181 934**	**177 207**

12.3.3 Annual Expense for Calendar Year 2012

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Current Service Cost	7 217	1 522	8 739	7 653
Interest Cost	13 057	437	13 494	14 748
Expected Return on Assets	(925)	(355)	(1 280)	(1 485)
Amortization of (Gain)/Loss	5 548	396	5 944	2 419
Recognition of Prior Service Cost	(789)		(789)	(18 562)
Total Expense Recognized in the Statement of Financial Performance	**24 108**	**2 000**	**26 108**	**4 773**

12.3.4 Reconciliation of Defined Benefit Obligation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Defined Benefit Obligation as of 1 January	**281 803**	**10 538**	**292 341**	**267 963**
Service Cost	7 217	1 522	8 739	7 653
Interest cost	13 057	437	437	14 748
Less: Benefits Paid	(8 915)	(2 045)	11 012	(12 120)
Add: Contributions by Plan Participants	1 449		(8 915)	1 296
Less: Plan Amendments			1 449	(25 311)
Add: Actuarial (Gain) / Loss	10 879	2 565	13 444	38 112
Defined Benefit Obligation including Actuarial Loss as of 31 December	**305 490**	**13 017**	**318 507**	**292 341**
Less: Plan Assets	**(39 308)**	**(10 371)**	**(49 679)**	**(36 844)**
Net Defined Benefit Obligation including Actuarial Loss as of 31 December	**266 182**	**2 646**	**268 828**	**255 497**
Less: Unrecognized Gain/(Loss)				
Unrecognized Net (Loss) at End of Prior Year	(80 939)	(4 100)	(85 039)	(48 386)
(Loss) Arising during Current Year				
Actuarial (Loss) on Defined Benefit Obligation	(10 879)	(2 565)	(13 444)	(38 112)
Actuarial (Loss) on Plan Assets	(207)	(107)	(314)	(961)
Gain Recognized during Current Year	5 547	396	5 943	2 420
Unrecognized Actuarial (Loss) at End of Year	**(86 478)**	**(6 376)**	**(92 854)**	**(85 039)**
Unrecognized Prior Service Credit	**5 960**		**5 960**	**6 749**
Net Liability Recognized in the Statement of Financial Position as of 31 December	**185 664**	**(3 730)**	**181 934**	**177 207**

12.3.5 Reconciliation of Plan Assets

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Plan Assets as of 1 January	26 721	10 123	36 844	34 547
Benefits Paid	(8 915)	(2 045)	(10 960)	(12 120)
Contributions by Plan Participants	1 449		1 449	1 296
Contributions by the Employer	15 212	2 045	17 257	8 181
PAHO/WHO SHI Fund Contribution	4 123		4 123	4 416
Expected Return on Assets	925	355	1 280	1 485
Actuarial Gain / (Loss) - on Plan assets	(207)	(107)	(314)	(961)
Plan Assets as of 31 December	**39 308**	**10 371**	**49 679**	**36 844**
Made up of:				
Long Term Investments - Fixed Income Notes (Note 4.2)	29 084	10 353	39 437	34 727
Cash and Cash Equivalents (Note 3)	10 224	18	10 242	2 117
	39 308	**10 371**	**49 679**	**36 844**

12.3.6 Sources of Change in Past Service Liability Since Prior Valuation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2012	Total 2011
Value as of 31 December Previous Year	281 803	10 538	292 341	267 963
Value as of 31 December Current Year	305 490	13 017	318 507	292 341
Change	23 687	2 479	26 166	24 378
Sources of Change:				
Expected Change	12 203	927	13 130	13 080
Benefit Payments Different Than Expected during Current Year	605		605	(1 503)
Change in Separation Assumption for Short-Term Staff				(967)
Miscellaneous Demographic Experience	(525)	502	23	1 235
Rehires/Transfers in during Year	(233)		(233)	1 099
Loss on Termination Idemnity and NAPs Payments				1 180
Agreement by WHO to pay AMRO Administrative Expenses	(3 199)		(3 199)	
Claims and Administrative Expense Experience	(7 555)		(7 555)	(1 478)
Plan Change-Increase in Participant Contribution Rates				(25 311)
Changes in Salary, Terminantion and Retirement Plans	(818)	(3)	(821)	
Changes in Dependent Coverage Assumptions	(1 121)	(161)	(1 282)	
*Changes in Discount Rates (Prior year over current year)	24 330	1 297	25 627	37 043
Removal of 1% inflation for Household removal Lump Sum		(83)	(83)	
Total Change in Valuation	23 687	2 479	26 212	24 378

*Decrease in discount rate from 4.7% to 4.2% for After Service Health Insurance and 4.7% to 2.7% for Termination and Repatriation Entitlements

12.3.7 After-Service Medical Plan - Sensitivity Analysis

Three of the principal assumptions in the valuation of the After-Service Medical Plan are: 1) the rate at which medical costs are expected to increase in the future; 2) the return on the assets; and 3) the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Because the medical inflation rate and the discount rate have a very significant impact on the determination of the Organization's long-term valuation, it is helpful to conduct sensitivity analysis on them. The sensitivity analysis identifies the impact which the medical inflation rate and the discount rate variables will have on the total valuation. The Aon Hewitt Corporation determined the impact of increasing or decreasing assumptions on the valuation.

12.3.8 Medical Sensitivity Analysis - After - Service Health Insurance *

	Current Medical Inflation Assumption Minus 1%	Current Medical Inflation Assumption	Current Medical Inflation Assumption Plus 1%
2012 Service Cost plus Interest Cost	16 922	20 274	24 609
Defined Benefit Obligation as of 31 December 2012	261 198	305 490	361 303

12.3.9 Discount Rate Sensitivity Analysis – After - Service Health Insurance *

	Current Discount Rate Assumption Minus 1%: 3.2%	Current Discount Rate Assumption: 4.2%	Current Discount Rate Assumption Plus 1%: 5.2%
Defined Benefit Obligation as of 31 December 2012	364 702	305 490	259 670

*The Sensitivity Analyses above do not address the Termination and Repatriation Entitlements Fund because the benefits from this Fund are distributed upon retirement or shortly thereafter.

12.3.10 Settlement of Employee Benefit Liability

Termination and Repatriation Entitlements Plan	**31 December 2012**		**31 December 2011**	
Settlement of Benefits		2 045		3 390
After- Service Health Insurance				
Administrative Expenses paid by the Organization	(446)		427	
SHI Fund Contribution	4 124		4 416	
Contribution to PAHO's ASHI Fund paid by the Organization	2 897	7 466	2 591	7 434
Total		9 511		10 824

12.4 United Nations Joint Staff Pension Fund

The Organization is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded multi-employer defined benefit plan. As specified by 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.

During 2012, contributions paid to UNJSPF amounted to $17 581 728 (2011: $17 008 983) by the Organization and $8 813 877 (2011: $8 632 202) by the participants, including $23 013 (2011: $127 711) in pension restoration payments.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, or plan assets to participating organizations in the plan. The Organization, as well as other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has accounted for this plan as if it were a defined contribution plan in line with IPSAS 25, Employee Benefits.

The actuarial method adopted for the UNJSPF is the Open Group Aggregate method to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. The actuarial study is carried out at least once every three years. A review of the 2011 annual report of the UNJSPF reveals that an actuarial valuation has been carried out every two years from as early as 1997

The Organization's financial obligation to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, currently at 7.9 per cent for the participants and 15.8 per cent for member organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date. At the time of this report, the United Nations General Assembly had not invoked this provision.

The Consulting Actuary performs an actuarial valuation of the Fund every two years, the most recent valuation being completed as of 31 December 2011.

The Consulting Actuary of the United Nations Joint Staff Pension Fund, Buck Consultants, stated in it's "Statement of the actuarial sufficiency as of 31 December 2011 of the United Nations Joint Staff Pension Fund to meet the liabilities under Article 26 of the Regulations" the following:

> "… the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. **Accordingly, there is no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund**."

The market value of assets as of 31 December 2011 is $40 815 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as of the valuation date."

Furthermore, in Annex IV, "Statement of actuarial position of the United Nations Joint Staff Pension Fund as of 31 December 2011," the Committee of Actuaries stated:

> "At its meetings in June 2012, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 2011, which was carried out by the Consulting Actuary. Based on the results of the Regular Valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the Consulting Actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is sufficient to meet the benefit requirements under the Plan" and would be reviewed at the time of the next valuation as of 31 December 2013.

The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations Joint Staff Pension Board on the audit every two years.

13. Deferred Revenue

13.1 Deferred Revenue – Current

	31 December 2012	31 December 2011
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	727	427
Voluntary Contributions	39 535	62 084
National Voluntary Contributions	126 066	179 023
Trust Funds CFNI		188
Procurement of Public Health Supplies		
Revolving Fund for Vaccine Procurement	172 983	103 789
Regional Revolving Fund for Strategic Public Health Supplies	25 323	41 694
Reimbursable Procurement	15 094	19 479
Total	**379 728**	**406 684**

13.2 Deferred Revenue – Non-Current

	31 December 2012	31 December 2011
Voluntary Contributions		
Voluntary Contributions	48 320	67 257
National Voluntary Contributions	154 081	193 942
Total	**202 401**	**261 199**

14. Fund Balances and Reserves

Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the programs or projects.

Reserves are established by the Governing Bodies as facilities for funding and/or financing the Organization’s programs and projects. They currently are:

- Working Capital Fund
- Holding Account
- Tax Equalization Fund
- Master Capital Investment Fund
- Special Fund for Program Support Costs
- Voluntary Contributions – Emergency Preparedness and Disaster Relief
- Governing Bodies Authorized Fund
- Special Fund for Health Promotion
- Epidemic Emergency Fund
- Food Safety Five – Years Plan Fund
- PMIS Funding PAHO IPSAS Surplus Fund
- IPSAS Surplus Fund

Summary of Fund Balances and Reserves

	Balance as of 31 December 2012		Balance as of 31 December 2011	
Fund Balances:				
Strategic Public Health Supplies-Capitalization	5 287		3 849	
PAHO After-Service Health Insurance	(185 665)		(180 892)	
Voluntary Contributions	48		1 281	
Income from Services	4 084		2 810	
Provision for Staff Entitlements	174		(103)	
Revolving Fund for Vaccine Procurement	110 727		96 851	
PAHO Regular Budget	113 484		123 206	
Provision for Termination and Repatriation Entitlements	(221)		(580)	
PAHO Post Occupancy Charge	7 635		4 521	
Expanded Textbook and Instructional Materials Program	15 476			
CAREC Provident Fund	12		1 270	
CAREC Income from Services	13		14	
CAREC Capital Equipment Fund	31		31	
CAREC Provision for Terminal Entitlements			732	
CAREC Regular Budget	5 952		5 817	
CAREC Building Fund	51		50	
CAREC Trust Fund	3		3	
CFNI	1 872	**78 963**	1 618	**60 478**
Reserves:				
Working Capital Fund	17 189		15 360	
Holding Account	9 142		9 142	
Tax Equalization Fund	(4 002)		(6 786)	
Master Capital Investment Fund	11 074		4 728	
Special Fund for Program Support	38 291		36 594	
Voluntary Contributions - Emergency Preparedness and Disaster Relief	2 666		2 660	
Governing Bodies Authorized Fund	5 601		9 507	
Special Fund for Health Promotion	1 532		840	
Epidemic Emergency Fund	1 000			
Food Safety Five-Years Plan Fund	500			
PMIS Funding PAHO IPSAS Surplus Fund	9 000			
IPSAS Surplus Fund	4 381	**96 374**		**72 045**
Total		**175 337**		**132 523**

14.1 Working Capital Fund

The Working Capital Fund was established for the primary purpose of providing funds as required to finance the Regular Budget pending receipt of contributions from Member and Participating States and Associate Members. The Consolidated Centers' Working Capital Funds are also used to provide funds for the Centers pending receipt of their assessed quota contributions.

The 37th Directing Council (1993), noting that since 1978-1979 the budget of the Organization had grown from $64 849 990 to $159 457 717 in 1994-1995, authorized the Director to increase gradually the level of the Working Capital Fund from $11 000 000 to an authorized level not to exceed $15 000 000. The 44th Directing Council (2003) increased the authorized level of the Working Capital Fund from $15 000 000 to $20 000 000.

In February 1979 the Director, under the authority vested in him by Resolution CE81.R1 of the 81st Session of the Executive Committee, signed a contract with the Inter-American Development Bank (IDB) to guarantee a new loan of $5 000 000 to Pan American Health and Education Foundation (PAHEF) for the Textbook and Instructional Materials Program. Under this Organization/IDB contract, the Organization agreed that during the 30-year period of the amortization of the loan, its Working Capital Fund would be maintained at a level not less than the balance owed on the loan plus interest. PAHEF commenced repayment of the loan in August 1989.

The Directing Council, noting that the Working Capital Fund served as a guarantee for the loan from the IDB, approved the allocation from the Working Capital Fund of a reserve amount equal to the outstanding loan balance, which would be reduced as the loan is paid. The unencumbered level of the Working Capital Fund would increase accordingly. This loan has been fully paid.

In accordance with Financial Regulation 4.5, any deficit of revenue over expenses of the Regular Budget appropriation at the end of the current budgetary period shall be funded first by the Working Capital Fund to the extent possible, and then by borrowing or by other authorized means. Non-budgetary items such as depreciation, amortization and contributions in-kind do not constitute part of the Regular Budget and, therefore, are excluded from revenue and expense for the purposes of calculating the Regular Budget Appropriation surplus or deficit.

	Unencumbered Balance as of 31 December 2012	**Allocated for Guarantee of Loan as of 31 December 2012**	**Total as of 31 December 2012**	**Total as of 31 December 2011**
Balance as of 1 January	14 110	1 250	15 360	20 000
Surplus / (Deficit) from 2010				4 131
Surplus / (Deficit) from 2011				(9 300)
Surplus / (Deficit) from 2012	1 562		1 562	
Non Budgetary Items for 2012	906 *		906 *	529
Regular Budget Appropriation Surplus/(Deficit) from 2012	2 468		2 468	(4 640)
Prior year Adjustments	(364)		(364)	
WHO De-recognition of prior year Expenses	(275)		(275)	
Reduction for Guarantee of Loan as of 31 December 2012	1 250	(1 250)		
Balance as of 31 December	**17 189**		**17 189**	**15 360**

* Non-Budgetary Items are comprised, of but not limited to, depreciation, amortization and contributions in-kind.

14.2 Holding Account

In accordance with Financial Regulations 4.4 and 4.6, any balance of the Regular Budget appropriation not committed by the end of the budgetary period shall be used to replenish the Working Capital Fund to its authorized level. Any excess shall be considered a Revenue Surplus and shall be available for use in subsequent periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration.

14.3 Tax Equalization Fund

The Tax Equalization Fund, as established by Resolution CD18.R7 of the 18th Directing Council (1968), is credited with the revenue derived from the staff assessment plan. The credits to the Fund are recorded in the name of each Member State in proportion to its assessment for the financial period concerned, and reduced by the amount needed to reimburse income taxes levied by the Member State on the Organization staff. Adjustments are made in the next financial period to take account of the actual charges in respect of amounts reimbursed to staff members who are subject to national taxes.

As stated in the accounting policy provided previously, Member States participating in the Tax Equalization Fund had the following balances at the end of the reporting period.

Member States	Balance 1 January 2012	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2012
Canada	9	1 529	(1 484)	45	(70)	(16)
Colombia	17	134	(134)			17
United States	(6 823)	7 591	2 409	10 000	(7 176)	(3 999)
Venezuela	11	279	(279)		(15)	(4)
Other		3 237	(3 237)			
Total	**(6 786)**	**12 770**	**(2 725)**	**10 045**	**(7 261)**	**(4 002)**

There are no outstanding accounts receivable for the Tax Equalization Fund because the liabilities for the reimbursement of income taxes are included in the accounts receivable for assessed contributions due from the relevant Member States.

14.4 Master Capital Investment Fund

The Organization’s Master Capital Investment Fund (MCIF) was established by Resolution CSP27. R19 of the 27th Pan American Sanitary Conference, 59th Session of the Regional Committee, in October 2007. This fund was created with two sub-funds, Real Estate and Equipment, and Information Technology, in lieu of the Organization’s Building Fund and the Capital Equipment Fund, effective 1 January 2008. The purpose of the Fund is financing the repairs of the Organization’s office buildings and the systematic replacement of computer and telecommunications equipment software and systems to support the information technology infrastructure of the Organization.

14.5 Special Fund for Program Support Costs

The Special Fund for Program Support Costs was established in 1976 by the Director under the authority of Financial Regulation 9.3 (originally 6.7) and subsequently reaffirmed by Resolution CSP20.R32 of the 20th Pan American Sanitary Conference (1978).

Trust Fund projects are charged a program support cost on a percentage of the direct project cost incurred, and this income is credited to the Fund. Other activities include sales of publications, support to fellowships and others. The Fund is used to provide support for indirect costs associated with non-regular budget activities or projects. Reimbursable Procurement is charged a service charge based on the value of procurement, and this income is also credited to this Fund.

14.6 Special Fund for Natural Disaster Relief

In accordance with Resolution CD24.R10 of the 24th Directing Council (1976), the Special Fund for Natural Disaster Relief was created to provide funds which can be used promptly by the Organization's Emergency Preparedness and Disaster Relief team.

14.7 Governing Bodies Authorized Fund

The 48th Directing Council, noting the revised document on proposed uses of program budget income exceeding the authorized effective working Regular Budget for the financial period 2006-2007 (Document CD48/22), resolved to establish the Governing Bodies Authorized Fund to fund proposed initiatives that will strengthen the Organization, that minimize added re-current costs, and are sustainable within normal operations and for which other funding resources are scarce or unavailable.

14.8 Special Fund for Health Promotion

The Directing Council at its 13th Meeting in 1961 established the Special Fund for Health Promotion with the objective of strengthening the health program of the Americas.

14.9 Epidemic Emergency Fund

The Epidemic Emergency Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. This fund is used as a revolving fund to advance monies to affected countries in the advent of an epidemic outbreak or public health emergency. Advanced funds would be recovered from appeals and other forms of voluntary contributions received in response to the emergency.

14.10 Food Safety Five-Year Plan Fund

The Food Safety Five-Year Plan Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. This fund supports food safety initiatives.

14.11 Pan American Sanitary Bureau Management Information System (PMIS) Fund

The Pan American Sanitary Bureau Management Information System (PMIS) Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. The PMIS fund was established for the implementation of an enterprise resource planning (ERP) software for the Organization.

14.12 IPSAS Surplus Fund

The IPSAS Surplus Fund was established by Resolution CSP28.R16 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee. This fund will be used to meet future unforeseen strategic and/or administrative initiatives. Future proposals for the use of this reserve may also include increases of any other existing funds.

14.13 Revaluation Surplus

Revaluation Surplus:

	31 December 2012			31 December 2011		
	Land	Buildings	Total	Land	Buildings	Total
Initial balance (1 January)	48 587	53 948	102 535	47 985	56 642	104 627
Annual depreciation		(2 237)	(2 237)		(938)	(938)
Adjustments/Revaluations	15 000	4 031	19 031	602	(1 368)	(766)
Impairments					(388)	(388)
Disposals						
Closing Balance	**63 587**	**55 742**	**119 329**	**48 587**	**53 948**	**102 535**

Closing balances on land and on buildings are equal to the gross revaluation surplus. There are no revaluation deficits. The Revaluation Surplus is included within the PAHO Regular Budget Fund Balance.

15. Revenue

	Gross Revenue	Eliminations	2012 Net Revenue	2011 Net Revenue
Revenue from Non-Exchange Transactions				
Assessed Contributions				
PAHO Regular Budget	96 200			
Caribbean Epidemiology Center	2 614			
Caribbean Food and Nutrition Institute	412			
Tax Equalization Fund	10 045			
Subtotal	**109 271**		**109 271**	**101 351**
Voluntary Contributions				
Voluntary Contributions	79 465			
Voluntary Contributions - National Voluntary Contributions	136 029			
Voluntary Contributions - Emergency Preparedness and Disaster Relief	792			
Program Support Costs	14 146			
Caribbean Epidemiology Center	12			
Caribbean Food and Nutrition Institute	121			
Subtotal	**230 565**	**(14 146)**	**216 419**	**197 085**
Other Revenue				
WHO Regular Budget	37 792			
WHO Voluntary Contributions	19 078			
Sasakawa Health Trust Fund	263			
AMRO Special Account for Servicing Costs	3 344			
AMRO Special Program Research & Training				
Staff Development and Learning Fund	113			
AMRO Post Occupancy Charges	1 018			
Caribbean Food and Nutrition Institute	42			
Subtotal	**61 650**	**(1 018)**	**60 632**	**77 489**
Revenue from Exchange Transactions				
Procurement of Public Health Supplies				
Revolving Fund for Vaccine Procurement	481 965			
Reimbursable Procurement	27 756			
Regional Revolving Fund for Strategic Public Health Supplies	52 715			
Program Support Costs	3 383			
Subtotal	**565 819**	**(3 383)**	**562 436**	**455 891**
Other Revenue				
PAHO Regular Budget	338			
Income for Services	4 396			
Program Support Costs	264			
Expanded Textbook and Instructional Materials Program	3 615			
Health Promotion	7			
Provision for Termination and Repatriation Entitlements	2 358			
Provisons for Staff Entitlements	4 610			
PAHO Post Occupancy Charge	4 568			
After Service Health Insurance	1 869			
Master Capital Investment Fund	1 109			
AMRO Terminal Payments Account	411			
AMRO Non-Payroll Statutory Entitlements	1 727			
Caribbean Epidemiology Center	441			
Caribbean Food and Nutrition Institute	9			
Subtotal	**25 722**	**(16 020)**	**9 702**	**5 143**
Miscellaneous Revenue				
PAHO Regular Budget				
Interest Earned	3 762			
Saving on or cancellation of prior periods' obligations	219			
Valuation Gains and Losses	(538)			
Investment Management Fees	(375)			
Other Miscellaneous	197			
Program Support Costs	(930)			
Expanded Textbook and Instructional Materials Program	17 781			
Caribbean Epidemiology Center	12			
Subtotal	**20 128**		**20 128**	**1 515**
TOTAL REVENUE	**1 013 155**	**(34 567)**	**978 588**	**838 474**

16. Expenses

		2012 Gross Expenses	Eliminations	2012 Net Expenses	2011 Net Expenses
Staff and Other Personnel Costs					
International and National Staff		181 560			
Consultants		17 372			
Temporary Staff		4 357			
	Subtotal	**203 289**	**(16 020)**	**187 269**	162 927
Supplies, Commodities, Materials					
Vaccines / Syringes / Cold Chain		530 863			
Medications and Medical Supplies		17 826			
Other Goods and Supplies		19 282			
	Subtotal	**567 971**	**(3 383)**	**564 588**	468 716
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization					
Equipment, Vehicles, Furniture [/2]		(359)			
Intangible Assets [/2]		(877)			
Depreciation / Amortization		2 378			
	Subtotal	**1 142**		**1 142**	(423)
Contractual Services					
Contracts		93 408			
	Subtotal	**93 408**	**(477)**	**92 931**	106 588
Travel					
Duty Travel		8 189			
Courses and Seminars		60 842			
	Subtotal	**69 031**		**69 031**	53 398
Transfers and Grants to Counterparts					
Letters of Agreements		42 760			
	Subtotal	**42 760**		**42 760**	33 230
General Operating and Other Direct Costs/[1]					
Maintenance, Security and Insurance		12 533			
	Subtotal	**12 533**	**(541)**	**11 992**	11 885
Indirect Support Costs					
Program Support Costs		14 146			
	Subtotal	**14 146**	**(14 146)**		
Total Expenses		**1 004 280**	**(34 567)**	**969 713**	836 321

Note/[1] General Operating Expense and Other Direct Costs Include Lease Payments for $2 122 451 (2011: $1 999 350).

Note[/2] The balance includes the capitalization of assets in the Statement of Financial Position.

17. Comparison of Budget and Actual Amounts

Reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the year ended 31 December 2012 is presented below:

(Expressed in thousand US Dollars)

	31 December 2012			31 December 2011		
	Operating	Investing and Financing	Total	Operating	Investing and Financing	Total
Actual Amount on Comparable Basis	(216 020)		(216 020)	(180 183)		(180 183)
Basis Differences						
Timing Differences						
Presentation Differences	1 056 472	25 919	1 082 391	982 782	(175 702)	807 080
Entity Differences	(810 118)		(810 118)	(689 807)		(689 807)
Actual amount in the Statement of Cash Flow	**30 334**	**25 919**	**56 253**	**112 792**	**(175 702)**	**(62 910)**

The budget and financial statements are prepared using a different accounting basis. The financial statements are prepared on an accrual basis and the Comparison of Budget and Actual Amounts is prepared on a cash basis. The chart above illustrates the actual amount of cash disbursements based on the budget, reconciled to the actual cash change in the Statement of Cash Flow.

Basis differences occur when comparing two different bases. There are no basis differences for the reconciliation of a cash budget position to a cash flow position. The Comparison of Budget and Actual Amounts reflects disbursements in comparison with the budget and does not include cash receipts, therefore, the cash receipts are reflected as a presentation difference. Entity differences are activities included in the financial statements and omitted from the budget.

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18. Segment Reporting

18.1 Statement of Financial Position by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment
ASSETS				
Current Assets				
Cash and Cash Equivalents	160 870			
Short Term Investments	245 645			
Owed From Other Segments *		212 718	384 700	84 216
Accounts Receivable	106 836	126 242	14 245	(59 980)
Inventories	1 164		7 495	
Total Current Assets	514 515	338 960	406 440	24 236
Non-Current Assets				
LongTerm Investments	215 543			
Accounts Receivable		41 816		6 015
Net Fixed Assets	120 398			
Intangible Assets	2 702		343	173
Total Current Assets	338 643	41 816	343	6 188
TOTAL ASSETS	853 158	380 776	406 783	30 424
LIABILITIES				
Current Liabilities				
Accrued Liabilities	1 988	7 840	6 518	2 429
Owed To Other Segments *	681 634			
Accounts Payable	4 648	493	13 000	20
Employee Benefits				10 447
Deferred Revenue		166 328	213 400	
Total Current Liabilities	688 270	174 661	232 918	12 896
Non-Current Liabilities				
Accounts Payable	15 089			
Employee Benefits				177 502
Deferred Revenue		202 401		
Total Non-Current Liabilities	15 089	202 401		177 502
TOTAL LIABILITIES	703 359	377 062	232 918	190 398
NET ASSETS / EQUITY				
Fund Balances and Reserves				
Fund Balances	113 485	48	135 574	(178 077)
Reserves	36 314	3 666	38 291	18 103
NET RESERVES & FUND BALANCES	149 799	3 714	173 865	(159 974)

* Owed to/from Other Segments is due to PAHO holding pooled cash on behalf of other segments.This cannot be allocated directly to a cash segment. These are eliminated on consolidation.

Statement of Financial Position by Segments

Total Consolidated Sub-Regional Centers Activity	Intra-Party Segment	Total 2012	Total 2011
47		160 917	104 664
		245 645	270 577
	(681 634)		
7 907		195 250	266 334
		8 659	1 153
7 954	(681 634)	610 471	642 728
		215 543	218 309
		47 831	98 384
		120 398	103 457
		3 218	2 116
		386 990	422 266
7 954	(681 634)	997 461	1 064 994
14		18 789	33 363
	(681 634)		
7		18 168	28 245
		10 447	10 597
		379 728	406 684
21	(681 634)	427 132	478 889
		15 089	19 563
		177 502	172 820
		202 401	261 199
		394 992	453 582
21	(681 634)	822 124	932 471
7 933		78 963	60 478
		96 374	72 045
7 933		175 337	132 523

18.2 Statement of Financial Performance by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment
REVENUE				
Revenue from Non-Exchange Transactions				
Assessed Contributions	96 200			10 045
Voluntary Contributions		216 286	14 146	
Other Revenue	37 792	19 341	3 344	1 131
Revenue from Exchange Transactions				
Procurement of Public Health Supplies			565 819	
Other Revenue	338		8 275	16 659
Miscellaneous Revenue	3 264		16 852	
TOTAL REVENUE	**137 594**	**235 627**	**608 436**	**27 835**
EXPENSES				
Staff and Other Personnel Costs	109 447	32 768	16 330	41 899
Supplies, Commodities, Materials	2 700	11 912	552 584	579
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization	1 019		86	37
Contractual Services	13 733	71 612	3 217	3 002
Travel	6 840	60 851	964	193
Transfers and Grants to Counterparts	1 553	41 095		112
General Operating and Other Direct Costs	4 646	3 254	2 724	1 725
Indirect Support Costs		14 132		
TOTAL EXPENSES	**139 938**	**235 624**	**575 905**	**47 547**
NET SURPLUS/ (DEFICIT)	**(2 344)**	**3**	**32 531**	**(19 712)**

Statement of Financial Performance by Segments

Total Consolidated Sub-Regional Centers Activity Segment	**Intra-Party Segment**	**Total 2012**	Total 2011
3 026		109 271	101 351
133	(14 146)	216 419	197 085
42	(1 018)	60 632	77 489
	(3 383)	562 436	455 891
450	(16 020)	9 702	5 143
12		20 128	1 515
3 663	**(34 567)**	**978 588**	**838 474**
2 845	(16 020)	187 269	162 927
196	(3 383)	564 588	468 716
		1 142	(423)
1 844	(477)	92 931	106 588
183		69 031	53 398
		42 760	33 230
184	(541)	11 992	11 885
14	(14 146)		
5 266	**(34 567)**	**969 713**	**836 321**
(1 603)		**8 875**	**2 153**

19. Losses, Ex-Gratia Payments and Write-Offs

As of 31 December 2012, a total of $228 711 was recorded as administrative waivers reflecting seminars and courses given by the governments. (2011: $405 026)

There were no write-offs or Ex-Gratia Payments to be reported. (2011: None)

20. Cases of Fraud and Presumptive Fraud

In 2012, a total of 17 cases of theft and loss of property were reported. In one case, $182 in cash was stolen from a safe following a break-in apparently committed by someone outside the Organization. The other 16 cases involved the loss or theft of property belonging to the Organization for a total of $10 786. In addition, one case of attempted check fraud and three cases involving the misuse of PAHO purchasing or travel credit cards were committed by people outside the Organization. In the three credit card cases, the fraudulent charges, amounting to $5 542 were recovered from the financial institutions concerned.

21. Related Party and Other Senior Management Disclosure

Key management personnel are the Director, Deputy Director, Assistant Director, and Director of Administration as they have the authority and responsibility for planning, directing and controlling the activities of the Organization.

The aggregate remuneration paid to key management personnel, as established by the United Nations International Civil Service Commission (ICSC), includes: gross salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effects shipment costs, income tax reimbursement, and employer pension and current health insurance contributions. These remunerations are provided in conformity with the standards established by the ICSC and are applicable to all United Nations personnel.

Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).

21.1 Key Management Personnel

Key Management Personnel	**2012**	2011
Number of Individuals	4	4
Compensation and Post Adjustment	762	740
Entitlements	52	177
Pension and Health Plans	244	234
Total Remuneration	**1 058**	**1 151**
Outstanding Advances against Entitlements	**24**	**33**

22. Events after Reporting Date

The Organization's reporting date is 31 December of each year. On the date of signing of these accounts by the External Auditor, there have been no material events, favorable or unfavorable, incurred between the date of the Statement of Financial Position and the date when the financial statements have been authorized for issue that would have impacted these statements.

23. Consolidate Financial Statements for Sub - Regional Centers

The Organization has consolidated into its Financial Statements the financial activities of two specialized sub-regional centers: (1) the Caribbean Epidemiology Center and (2) the Caribbean Food and Nutrition Institute. The reason for the consolidation of the financial information into the Organization's consolidated financial statements is the control exercised by the Organization over those two centers and the respective benefit factor. The basis for consolidation is the use of similar categories of assets, liabilities, and net assets, revenues, and expenses.

The primary financial information from the centers that were consolidated is as follows:

Category	Total Revenue in 2012	Total Expenses in 2012	Net Assets as of 31 December 2012
Caribbean Epidemiology Center	3 079	4 935	6 062
Caribbean Food and Nutrition Institute	584	331	1 872

The Twenty-Eighth Conference of Heads of Government of the Caribbean Community ("CARICOM") held 1-4 July 2007, approved the integration for five Caribbean Regional Health Institutions (hereinafter "RHI") into a single Caribbean Public Health Agency. The five RHI include: the Caribbean Epidemiology Center (CAREC), the Caribbean Environmental Health Institute (CEHI), the Caribbean Regional Drug Testing Laboratory, (CRDTL), the Caribbean Health Research Council (CHRC), and the Caribbean Food and Nutrition Institute (CFNI).

Effective 31 December 2012, CAREC and CFNI were closed and their existing rights, obligations, assets and liabilities were transferred to the Caribbean Public Health Agency, (CARPHA) in accordance with the instructions of PAHO's Directing Council Resolution CD50.14 and pursuant to a PAHO-CARPHA Transfer Agreement.

24. Provisions

As at 31 December 2012, the Organization had not recognized any provisions.

25. (Recognition)/De-recognition of Liability through Reserves

The de-recognition of the Staff Health Insurance (SHI) liability to Reserves was the result of a 10% increase in first-tier rates of contribution to the SHI Fund, resulting in a reduction in the regional deficit for active staff. The regional deficit is covered by second-tier contributions from active staff, in accordance with paragraph 395 of the WHO Staff Health Insurance Rules. The excess of second-tier contributions over the amount required to fund the regional deficit reflects in the increase of the SHI reserve balance.

26. Contingent Liability

In 2011 a class action lawsuit was filed against the Government of the United States and PAHO in the Federal District Court for the District of Columbia in relation to medical research experiments sponsored by the U.S Public Health Service and conducted in Guatemala between 1946 and 1948. The United States Government and PAHO are currently responding to this action, and it is therefore not appropriate at this time to disclose further information

27. In-Kind Contributions

Host governments and cooperating partners at the country level provide different in-kind contributions which are utilized by the Organization's Country Offices for their general and daily operations. These contributions are not recognized in the Organization's financial statements due to the complexity of standardizing a fair value throughout all the Organization's Country Offices. In-kind contributions received by the Organization include personnel, office premises, office services, use of office equipment and vehicles.

Country Office or Center	Services Received In-Kind				
	Personnel	Office Premises	Office Services	Office Equipment	Vehicles
Argentina	X				
Bahamas	X	X	X		
Barbados	X	X	X		
Belize	X		X		
Bolivia	X	X			
Brazil					
Chile	X	X			
Colombia					
Costa Rica	X	X	X		
Cuba	X	X	X		
Dominican Republic	X	X			
Ecuador	X				
El Salvador	X				
Guatemala	X				
Guyana	X	X	X		
Haiti	X				
Honduras	X				
Jamaica	X	X	X		
México					
Nicaragua	X	X	X		
Panamá	X	X	X		
Paraguay	X				
Perú					
Suriname	X	X	X		
Trinidad and Tobago	X	X	X		
Uruguay	X		X		
Venezuela					
PANAFTOSA	X	X	X	X	X
BIREME	X	X	X		
CAREC		X	X		
CEPIS					
CFNI					
CLAP	X	X	X		
El Paso					

28. Expanded Textbook and Instructional Materials Program (PALTEX)

The Expanded Textbook and Instructional Materials Program (PALTEX) was established by the Pan American Health Organization (PAHO) in the mid 1960's as a technical cooperation program aimed at improving the quality of health science educational processes in Latin America. PALTEX is a publishing program that acquires, produces, and distributes quality textbooks and instructional materials in Spanish and Portuguese at affordable prices.

Since 1968, the Pan American Health and Education Foundation (PAHEF) has had control over the PALTEX assets. A Transfer Agreement was signed between PAHO and PAHEF transferring back to PAHO with effect from 1 April 2012 the overall management and assets of the PALTEX program including administration, cash, inventory, fixed assets, procurement and finances. The fair value of the assets acquired at 1 April 2012 equaled $ 17 781 512. This amount was recognized as a gain (Other Revenue) on the PAHO Consolidated Statement of Financial Performance for 2012. The value of the PALTEX program has been recognized as a gain as this transaction is not intended to be a commercial transaction but to allow the PALTEX program to operate more efficiently and effectively.