Consolidated Statement of Financial Position

(Expressed in thousand US Dollars)

	Reference	31 December 2011	31 December 2010
ASSETS			
Current Assets			
Cash and Cash Equivalents	**Note 3**	104 664	167 574
Short Term Investments	**Note 4.1**	270 577	175 060
Accounts Receivable	**Note 6.1**	266 334	171 363
Inventories	**Note 7**	1 153	841
Total Current Assets		**642 728**	**514 838**
Non-Current Assets			
Long Term Investments	**Note 4.2**	218 309	141 815
Accounts Receivable	**Note 6.2**	98 384	61 606
Property, Plant and Equipment	**Note 8.1**	103 457	105 220
Intangibles Assets	**Note 9**	2 116	
Total Non-Current Assets		**422 266**	**308 641**
TOTAL ASSETS		**1 064 994**	**823 479**
LIABILITIES			
Current Liabilities			
Accrued Liabilities	**Note 10**	33 363	26 551
Accounts Payable	**Note 11.1**	28 245	13 445
Employee Benefits	**Note 12**	10 597	9 321
Deferred Revenue	**Note 13.1**	406 684	283 626
Total Current Liabilities		**478 889**	**332 943**
Non-Current Liabilities			
Accounts Payable	**Note 11.2**	19 563	18 961
Employee Benefits	**Note 12**	172 820	179 324
Deferred Revenue	**Note 13.2**	261 199	169 476
Total Non-Current Liabilities		**453 582**	**367 761**
TOTAL LIABILITIES		**932 471**	**700 704**
NET ASSETS / EQUITY			
Fund Balances and Reserves			
Fund Balances	**Note 14**	60 478	43 613
Reserves	**Note 14**	72 045	79 162
NET FUND BALANCES and RESERVES		**132 523**	**122 775**

Consolidated Statement of Financial Performance

(Expressed in thousand US Dollars)

	Reference	31 December 2011	31 December 2010
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions	**Note 15**	101 351	101 351
Voluntary Contributions	**Note 15**	197 085	199 797
Other Revenue	**Note 15**	77 489	80 066
Revenue from Exchange Transactions			
Procurement of Public Health Supplies	**Note 15**	455 891	541 150
Other Revenue	**Note 15**	5 143	5 029
Miscellaneous Revenue	**Note 15**	1 515	5 184
TOTAL REVENUE		**838 474**	**932 577**
EXPENSES			
Staff and Other Personnel Costs	**Note 16**	162 927	171 359
Supplies, Commodities, Materials	**Note 16**	468 716	571 212
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization	**Note 16**	(423)	859
Contract Services	**Note 16**	106 588	84 142
Travel	**Note 16**	53 398	52 413
Transfers and Grants to Counterparts	**Note 16**	33 230	36 874
General Operating and Other Direct Costs	**Note 16**	11 885	10 404
TOTAL EXPENSES		**836 321**	**927 263**
NET SURPLUS		**2 153**	**5 314**

Consolidated Statement of Changes in Net Assets

(Expressed in thousand US Dollars)

	Reference	31 December 2011	31 December 2010
Net assets at the beginning of the year		122 775	507 192
Change in accounting policy			(404 351)
Restated balance at the beginning of the year		122 775	102 841
Settlement of Employee Benefit Liability	**Note 12.3.10**	10 824	10 150
Gain/(Loss) on Revaluation of Investments	**Note 4.2**	(303)	325
(Recognition) / De-recognition of Liability through Reserves	**Note 25**	(1 637)	4 145
Fixed Assets Revaluation Adjustments	**Note 8.1**	(1 289)	
Total of items (revenue/expenses) recognized		7 595	14 620
Surplus/(deficit) for the Financial Period		2 153	5 314
Total recognized revenue and expense for the year		9 748	19 934
Net assets at the end of the year		**132 523**	**122 775**

Consolidated Cash Flow Statement

(expressed in thousand US dollars)

	31 December 2011	31 December 2010
Cash Flows from Operating Activities:		
Surplus for the period	2 153	5 314
Depreciation and Amortization	1 746	1 541
(Increase) in Accounts Receivable	(131 749)	(3 851)
(Increase) in Inventories	(312)	(52)
Increase / (Decrease) in Accrued Liabilities	6 812	(9 857)
Increase in Accounts Payable	15 402	5 696
Increase in Employee Benefits	5 596	18 405
(Decrease) / Increase in Other Liabilities	(1 637)	4 145
Increase / (Decrease) in Deferred Revenue	214 781	(15 859)
Net Cash Flows from Operating Activities	**112 792**	**5 482**
Cash Flows from Investment and Financing Activities:		
(Increase) / Decrease in Short Term Investments	(95 820)	5 265
(Increase) in Long Term Investments	(76 494)	(18 229)
(Increase) in Property, Plant and Equipment and Intangibles Assets	(3 388)	(682)
Net Cash Flows from Investing Activities	**(175 702)**	**(13 646)**
Net (Decrease) in Cash and Cash Equivalents	**(62 910)**	**(8 164)**
Cash and Cash Equivalents at the beginning of the Year	**167 574**	**175 738**
Cash and Cash Equivalents at the end of the Year	**104 664**	**167 574**

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

	Budget			Disbursements			
Description of Appropriation Sections	**Original**	**Transfers**	**Revised**	**2010**	**2011**	**Total**	**Total as % of Budget Amount**
Section I - To reduce the health, social and economic burden of communicable diseases	23 302	568	23 870	14 438	9 311	23 749	99%
Section II - To combat HIV/AIDS, tuberculosis and malaria	6 324	499	6 823	2 903	3 878	6 781	99%
Section III - To prevent and reduce disease, disability and premature death from chronic non-communicable conditions, mental disorders, violence and injuries	11 426	(466)	10 960	5 120	5 225	10 345	94%
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	11 694	1 296	12 990	3 780	9 180	12 960	100%
Section V - To reduce the health consequences of emergencies, disasters, crises and conflicts, and minimize their social and economic impact	3 893	120	4 013	2 062	1 919	3 981	99%
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	7 611	(321)	7 290	2 636	4 321	6 957	95%

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

	Budget			Disbursements			
Description of Appropriation Sections	**Original**	**Transfers**	**Revised**	**2010**	**2011**	**Total**	**Total 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	8 068	(98)	7 970	3 240	4 208	7 448	93%
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	13 399	(1 102)	12 297	5 037	7 186	12 223	99%
Section IX - To improve nutrition, food safety and food security throughout the life-course, and in support of public health and sustainable development	12 009	837	12 846	6 210	6 562	12 772	99%
Section X - To improve the organization, management and delivery of health services	8 111	(207)	7 904	3 200	4 255	7 455	94%
Section XI - To strengthen leadership, governance and the evidence base of health systems	32 026	(1 799)	30 227	12 769	16 256	29 025	96%
Section XII - To ensure improved access, quality and use of medical products and technologies	7 565	(411)	7 154	1 975	5 039	7 014	98%

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

	Budget			Disbursements			
Description of Appropriation Sections	**Original**	**Transfers**	**Revised**	**2010**	**2011**	**Total**	**Total as % of Budget Amount**
Section XIII - To ensure an available, competent, responsive and productive health workforce to improve health outcomes	9 305	(473)	8 832	3 633	5 045	8 678	98%
Section XIV - To extend social protection through fair, adequate and sustainable financing	5 207	(211)	4 996	1 781	2 974	4 755	95%
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	65 885	(330)	65 555	27 405	34 776	62 181	95%
Section XVI - To develop and sustain PAHO/WHO as a flexible, learning organization, enabling it to carry out its mandate more efficiently and effectively	61 275	2 098	63 373	35 722	26 598	62 320	98%
Section XVII - Staff Assessment (Transfer to Tax Equalization Fund)							
Effective Working Budget (parts I - XVII) ***Subtotal***	287 100		287 100	131 911	146 733	278 644	97%
Other Sources	355 851		355 851	208 850	33 450	242 300	68%
Total (Note 16)	642 951		642 951	340 761	180 183	520 944	81%

The 2010-2011 Budget amounts reflect the funding appropriated by the Governing Bodies for the Organization’s Strategic Plan during the entire 2010-2011 biennium. The Effective Working Budget is comprised of the Pan American Health Organization’s and the World Health Organization’s regular budget only. The 2011 Disbursements amount reflects the disbursements made in achieving the Organization’s Strategic Plan in 2011, the second year of the 2010-2011 biennium.

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Notes to the Financial Statements at 31 December 2011

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 13 April 2012, 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		The effective date of this standard is 1 January 2013
29	Financial Instruments: Recognition and Measurement		The effective date of this standard is 1 January 2013
30	Financial Instruments: Disclosures		The effective date of this standard is 1 January 2013
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 2011 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 2011 Financial Statements.
30	Financial Instruments: Disclosures	This standard is effective as of 1 January 2013; therefore it does not apply to the Organization's 2011 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 2011, 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. 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 2011	31 December 2010
Cash on Hand, US$	46 204	41 374
Cash on Hand, Other Currencies	7 350	3 214
Money Market Funds	53 227	122 986
Less: Plan Assets	(2 117)	
Total	**104 664**	**167 574**

4. Investments

4.1 Short-Term Investments

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

	31 December 2011	31 December 2010
Certificates of Deposit	**270 577**	**175 060**

Accrued interest of $ 516 907 (2010: $ 312 686) is included in the balance of short-term investments in the Consolidated Statement of Financial Position

4.2 Long-Term Investments

Long-term investments are those that mature beyond one year. Managed Portfolios are treated as a single investment. No transfer of funds takes place between the Organization and these Portfolios on a regular basis. Although these Portfolios are treated as long-term, they may, at any point, contain a small percentage of both short-term items and cash funds, which are considered timing differences in a long-term portfolio.

	31 December 2011	31 December 2010
Net Increase in Long-term Investments		
Increase in Long-term Investments	76 494	20 736
Unrealized Net (Gains)/Losses	303	(325)
Net Increase in Long-term Investments	76 797	20 411
Cash Flows from Long-term Investments		
Interest Revenue	2 553	3 017
Realized Net Gains	556	596
Total	**3 109**	**3 613**

Valuation of Long-term Investments	**31 December 2011**		**31 December 2010**	
	Cost	**Market**	**Cost**	**Market**
Fixed Income Notes	44 650	44 744	45 004	44 868
Managed Portfolios	207 564	208 289	130 264	131 358
Total	**252 214**	**253 033**	**175 268**	**176 226**

Reconciliation of Long-term Investments	**31 December 2011**	**31 December 2010**
Fixed Income Notes (Cost)	10 020	45 004
Fixed Income Notes (Market)	34 727	
Less: Plan Assets (see note 12.3.5)	(34 727)	(30 000)
Managed Portfolio (Market)	208 289	131 358
Less: Plan Assets (see note 12.3.5)	-	(4 547)
Total for Long-term Investments	**218 309**	**141 815**

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.

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 2011, there is no evidence to suggest that the borrower will default on these obligations. Accrued interest of $180 760 has been included in the balance of long-term investments and recognized on the Statement of Financial Performance as Miscellaneous Revenue.

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 $423 860 (2010: $500 512) 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

	2011 Amortized Cost	2011 Fair Market Value	2010 Amortized Cost	2010 Fair Market Value
Cash and Cash Equivalents	106 780		167 574	
Short-term Investments				
Certificates of Deposit (held to maturity)	270 577		175 060	
Long-term Investments				
Fixed Income Notes (held to maturity)	10 020		45 004	
Fixed Income Notes (Plan Assets)		34 727		
Managed Portfolios (available for sale)		208 289		131 358
Total	**387 377**	**243 016**	**387 638**	**131 358**

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	0.09%		62 124	44 656
Short-term Investment					
Certificates of Deposit	157 days	0.37%	270 577		
Long-term Investments					
Fixed Income Notes	4.86 years	1.18%	10 020		
Plan Assets	7.91 years	2.36%	34 727		
Managed Portfolios	1.63 years	1.00%	208 289		
Total			**523 613**	**62 124**	**44 656**

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 Mortgage Association	5 000 000	2.00%	29-Dec-21	Next call date 29 Jun 12
Federal Home Loan Bank	5 000 000	2.00%	14-Sep-21	Next call date 14 Mar 12
Federal Farm Credit Bank	5 000 000	2.24%	6-Sep-18	Next call date 6 Sep 13
Federal National Mortgage Association	5 000 000	1.35%	16-Sep-16	Next call date 16 Sep 13
Federal Home Loan Bank	5 000 000	2.00%	13-Dec-19	Next call date 13 Mar 12
Federal Home Loan Bank	4 500 000	4.18%	15-Mar-21	Next call date 15 Mar 12
Federal Home Loan Mortgage Association	5 000 000	1.00%	28-Dec-16	Next call date 28 Dec 12
Federal Home Loan Bank	10 000 000	2.15%	14-Dec-17	Callable at any time
Total	**44 500 000**			

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 ($270 576 907 in certificates of deposit) and AAA/Aaa ($44 747 215 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 2011, 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 ($208 289 176 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 51% 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, 36.3% 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 2011	31 December 2010
Assessed Contributions	28 974	34 787
Voluntary Contributions	196 773	80 064
Procurement Funds	15 136	31 855
Balance due from WHO for Interorganizational Funding Activities		15 584
Regular Advances to Staff	4 384	5 059
Prepaid Expenses	18 950	
Miscellaneous Receivables	2 117	4 014
Total	**266 334**	**171 363**

6.1.1 Accounts Receivable from Assessed Contributions

Statement of Assessed Contributions as of 31 December 2011

(Expressed in thousand US Dollars)

	Arrears	2011	Total 2011	Total 2010
PAHO				
Antigua and Barbuda		21	21	
Argentina	569	2 993	3 562	6 892
Costa Rica		8	8	19
Cuba				274
Dominica		21	21	36
France		19	19	
Grenada	48	20	68	74
Guatemala	1	174	175	1
Guyana		2	2	
Haiti		42	42	
Mexico				5
Peru				86
Puerto Rico		103	103	
Saint Lucia	22	21	43	22
United Kingdom	65	56	121	114
United States		19 660	19 660	19 660
Uruguay		168	168	
Venezuela				2 560
Total	**705**	**23 308**	**24 013**	**29 743**
CAREC Member States	2 783	566	3 349	3 559
CFNI Member States	1 439	173	1 612	1 485
Total	**4 927**	**24 047**	**28 974**	**34 787**

6.1.2 Accounts Receivable from Voluntary Contributions

	31 December 2011	31 December 2010
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	764	2 982
Voluntary Contributions	38 396	34 298
Voluntary Contributions - National Voluntary Contributions	157 475	42 575
Trust Funds CFNI	138	209
Total	**196 773**	**80 064**

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 2011	31 December 2010
Procurement of Public Health Supplies		
Revolving Fund for Vaccine Procurement	13 980	31 835
Regional Revolving Fund for Strategic Public Health Supplies	1 156	20
Total	**15 136**	**31 855**

6.2 Accounts Receivable Non-Current

	31 December 2011	31 December 2010
Voluntary Contributions	92 174	57 992
Termination and Repatriation Entitlements (see Note 12.3.2)	6 210	3 614
Total	**98 384**	**61 606**

6.2.1 Accounts Receivable from Voluntary Contributions Non-Current

	31 December 2011	31 December 2010
Voluntary Contributions		
Voluntary Contributions	18 069	25 874
National Voluntary Contributions	74 105	32 118
Total	**92 174**	**57 992**

7. Inventories

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 2011	31 December 2010
PROMESS		
Beginning inventory	**841**	789
Additions	1 017	1 916
Distributions	(705)	(1 864)
Ending Balance of inventory	**1 153**	**841**

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.

8. Property, Plant and Equipment

8.1 General Information

The category of property, plant and equipment consists of permanent and temporary buildings, computer and office equipment, motor vehicles, leasehold improvements, as well as land. Net acquisitions (after disposals) for the year totaled $1 020 376 (2010: $681 482)

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 equipment, office equipment, and motor vehicles 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.

	Land	Permanent Buildings	Computer Equipment	Office Equipment	Motor Vehicles	Total
Cost as of 1 January	48 285	58 094	70	21	290	106 760
Additions		530	23		489	1 042
Impairments		(388)				(388)
Adjustments				(21)		(21)
Revaluations	602	(1 898)				(1 296)
Cost as of 31 December	**48 887**	**56 338**	**93**		**779**	**106 097**
Depreciation as of 1 January		1 452	23	7	58	1 540
Charged in current period		1 420	31		138	1 589
Adjustments				(7)		(7)
Revaluations		(482)				(482)
Depreciation as of 31 December		**2 390**	**54**		**196**	**2 640**
Net book value as of 31 December 2011	**48 887**	**53 948**	**39**		**583**	**103 457**
Net book value as of 31 December 2010	48 285	56 642	47	14	232	105 220

The land and buildings in Brazil were revalued in 2011 by Renato Tempesta, Civil Engineer/Appraiser. All other land and buildings were valued by either local estate agents or civil engineers, with relevant qualifications and experience, to provide fair values for these assets as of 1 January 2010.

The building in which the Guyana PAHO/WHO Representative Office is located has been provided to PAHO on a 999 year lease and as such has been recognized as a Finance Lease in accordance with IPSAS 13 and is the only asset held under a finance lease. The appraisal performed in 2011 on this property provided a valuation of $529 851. The net book value at the reporting date is $516 604.

In regards to the building located in Port-au-Prince, Haiti, which was damaged by the January 2010 earthquake, the Organization recognized an impairment of the old PAHO\WHO Representation office building in the amount of $ 388 670.

Movements on revaluation are reflected in the Revaluation Surplus Note 14.9.

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. The Intangible Assets Additions include $615 747 from non-PAHO Regular Funds. No intangible assets were recognized in the prior year (2010).

	31 December 2011
Intangible Assets Available for use	
Cost as of 1 January	
Additions	875
Cost as of 31 December	875
Amortization as of 1 January	
Charged in current period	157
Amortization as of 31 December	157
Net book value as of 31 December for Intangible Assets Available for use	**718**
Intangible Assets under Development	**1 398**
Total Intangible Assets	**2 116**

10. Accrued Liabilities

	31 December 2011	31 December 2010
Accrued liabilities-Regular Budget Fund	2 392	1 608
Accrued liabilities-Other Sources - PAHO	28 158	20 669
Accrued liabilities-Other Sources - WHO	2 813	4 274
Total	**33 363**	**26 551**

11. Accounts Payable

11.1 Accounts Payable Current

	31 December 2011	31 December 2010
Assessed Contributions Received in Advance	732	176
Voluntary Contributions Expired Agreements	7 377	6 535
Balance due to the World Health Organization due to inter-office segment	19 416	2 389
Pan American Health and Education Fund	82	301
Miscellaneous	638	4 044
Total	28 245	13 445

11.2 Accounts Payable-Non Current

	31 December 2011	31 December 2010
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.3)	19 563	18 961
Total	**19 563**	**18 961**

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 2011, 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 2011	Total 2010
Current liability	8 072	2 525	10 597	9 321
Non-current Liability	172 820		172 820	179 324
Non-current (Asset) (Note 6.2)		(6 210)	(6 210)	(3 615)
Total	**180 892**	**(3 685)**	**177 207**	**185 030**

- 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 2012 are estimated at $7 494 000 for After-Service Health Insurance and $2 524 676 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 consisting of After-Service Health Insurance and Termination and Repatriation Entitlements. During 2011, the rate of contribution to these two long-term liability funds was 6% of net salaries with 2% being credited to the Termination and Repatriation Entitlements Fund and 4% credited to the After-Service Health Insurance Fund.

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 2011, as calculated by Aon Hewitt Corporation, increased to $10 537 864 for terminal entitlements and $281 802 720 for after-service health insurance. The Termination and Repatriation Fund had assets of $10 122 799; therefore the net liability was $415 065 as of 31 December 2011. As the Organization's After-Service Health Insurance Fund had assets of $26 720 899, the net liability for the After-Service Health Insurance increased to $255 080 821 as of 31 December 2011.

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 five and six-tenths per cent (5.6%) for the 31 December 2010 actuarial valuation to four and seven-tenths per cent (4.7%) for the 31 December 2011 actuarial valuation due to the change in the global economic climate by the end of 2011. The liabilities include the costs for 2011, 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 2011.

Accounting Standard	International Public Sector Accounting Standard 25; first adopted by the Organization at 1 January 2010
Measurement Date	31 December 2011
Discount Rate	4.7% Based on a weighted average of relevant corporate bond rate indices at 31 December 2011. The resulting discount rate is rounded to the nearest 0.1%.
Expected Rate of Return on Assets	3.5%
General Inflation	2.5%
Medical Cost Increases	8.5% in 2012 and 8.0% in 2013, decreasing to 7.5% in 2014, decreasing by 0.5% each year until 5% in 2019 and subsequent years.
Future Contribution Rate Changes	Rates are assumed to increase by 10% in 2012 and by 4% per year in 2013 through 2041, and by 1% per year thereafter, compounded geometrically.
Average Retirement Age	Average remaining years of service: 9.51
Life Expectancy	Based on the mortality tables of the UN Joint Staff Pension Fund
Average Medical Costs	$7 488 per person per year in 2011

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 2011	Total 2010
Defined Benefit Obligation (DBO)				
Inactive	170 326		170 326	151 167
Active	111 477	10 538	122 015	116 796
Defined Benefit Obligation including actuarial loss	281 803	10 538	292 341	267 963
Less: Plan Assets	(26 721)	(10 123)	(36 844)	(34 547)
Net Defined Benefit Obligation including actuarial loss	**255 082**	**415**	**255 497**	**233 416**
Less: Unrecognized Actuarial Gain/(Loss)	(80 939)	(4 100)	(85 039)	(48 386)
Unrecognized Prior Service Credit/(Cost)	6 749		6 749	
Net Liability/(Asset) Recognized in the Statement of Financial Position	**180 892**	**(3 685)**	**177 207**	**185 030**
Split between:				
Current Liability	8 072	2 525	10 597	9 321
Non-Current Liability / (Asset)	172 820	(6 210)	166 610	175 709
Net Liability/(Asset) Recognized in the Statement of Financial Position	**180 892**	**(3 685)**	**177 207**	**185 030**

12.3.3 Annual Expense for Calendar Year 2011

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2011	Total 2010
Current Service Cost	6 647	1 006	7 653	5 577
Interest Cost	14 235	513	14 748	12 501
Expected Return on Assets	(1 066)	(419)	(1 485)	(1 057)
Amortization of (Gain)/Loss	2 328	91	2 419	
Recognition of Prior Service Cost	(18 562)		(18 562)	
Total Expense Recognized in the Statement of Financial Performance	**3 582**	**1 191**	**4 773**	**17 021**

12.3.4 Reconciliation of Defined Benefit Obligation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2011	Total 2010
Defined Benefit Obligation as of 1 January	**257 750**	**10 213**	**267 963**	**212 431**
Service Cost for 2011	6 647	1 006	7 653	5 577
Interest cost	14 235	513	14 748	12 501
Less: Benefits Paid	(8 730)	(3 390)	(12 120)	(11 460)
Add: Contributions by Plan Participants	1 296		1 296	1 309
Less: Plan Amendments	(25 311)		(25 311)	
Add: Actuarial (Gain) / Loss	35 916	2 196	38 112	47 605
Defined Benefit Obligation including Actuarial Loss as of 31 December	**281 803**	**10 538**	**292 341**	**267 963**
Less: Plan Assets	**(26 721)**	**(10 123)**	**(36 844)**	**(34 547)**
Net Defined Benefit Obligation including Actuarial Loss as of 31 December	**255 082**	**415**	**255 497**	**233 416**
Less: Unrecognized Gain/(Loss)				
Unrecognized Net (Loss) at End of Prior Year	(46 664)	(1 722)	(48 386)	
(Loss) Arising during Current Year				
Actuarial (Loss) on Defined Benefit Obligation	(35 916)	(2 196)	(38 112)	(47 604)
Actuarial (Loss) on Plan Assets	(688)	(273)	(961)	(782)
Gain Recognized during Current Year	2 329	91	2 420	
Unrecognized Actuarial (Loss) at End of Year	**(80 939)**	**(4 100)**	**(85 039)**	**(48 386)**
Unrecognized Prior Service Credit	**6 749**		**6 749**	
Net Liability Recognized in the Statement of Financial Position as of 31 December	**180 892**	**(3 685)**	**177 207**	**185 030**

12.3.5 Reconciliation of Plan Assets

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2011	Total 2010
Plan Assets as of 1 January	24 570	9 977	34 547	32 041
Benefits Paid	(8 730)	(3 390)	(12 120)	(11 460)
Contributions by Plan Participants	1 296		1 296	1 309
Contributions by the Employer	4 791	3 390	8 181	7 972
PAHO/WHO SHI Fund Contribution	4 416		4 416	4 409
Expected Return on Assets	1 066	419	1 485	1 057
Actuarial Gain / (Loss) - on Plan assets	(688)	(273)	(961)	(781)
Plan Assets as of 31 December	**26 721**	**10 123**	**36 844**	**34 547**
Made up of:				
Long Term Investments - Fixed Income Notes (Note 4.2)	24 700	10 027	34 727	30 000
Cash and Cash Equivalents (Note 3)	2 021	96	2 117	4 547
	26 721	**10 123**	**36 844**	**34 547**

12.3.6 Sources of Change in Past Service Liability Since Prior Valuation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total 2011	Total 2010
Value as of 31 December Previous Year	257 750	10 213	267 963	212 431
Value as of 31 December Current Year	281 803	10 538	292 341	267 963
Change	24 053	325	24 378	55 532
Sources of Change:				
Expected Change	13 689	(609)	13 080	7 928
Benefit Payments Different Than Expected during Current Year	(241)	(1 262)	(1 503)	1 900
New Hires during Current and Previous Year				994
Change in Separation Assumption for Short-Term Staff	(967)		(967)	
Claims and Administrative Expenses Experience	(1 478)		(1 478)	(2 525)
Plan Change-Increase in Participant Contribution Rates	(25 311)		(25 311)	
Change in Discount Rate from 5.6% to 4.7%	36 626	417	37 043	15 615
Rehires/Transfers in during Year	580	519	1 099	4 811
Pay Changes Different Than Expected in Current Year				(17)
Loss on Termination Idemnity and NAPs Payments		1 180	1 180	
Miscellaneous Demographic Experience	1 155	80	1 235	1 511
Inclusion of Future AMRO Expenses in PAHO DBO				4 201
Increase in Assumed Medical Trend Rates				20 212
Inclusion of Short Term Staff				902
Total Change in Valuation	24 053	325	24 378	55 532

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%
2011 Service Cost plus Interest Cost	17 436	20 882	25 314
Defined Benefit Obligation as of 31 December 2011	243 686	281 803	329 371

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

	Current Discount Rate Assumption Minus 1%: 3.7%	Current Discount Rate Assumption: 4.7%	Current Discount Rate Assumption Plus 1%: 5.7%
Defined Benefit Obligation as of 31 December 2011	333 298	281 803	241 482

*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	**2011**	**2011**	**2010**	**2010**
Settlement of Benefits	3 390	3 390	2 716	2 716
After- Service Health Insurance				
Administrative Expenses paid by the Organization	427		407	
SHI Fund Contribution	4 416		4 409	
Contribution to PAHO's ASHI Fund paid by the Organization	2 591	7 434	2 618	7 434
Total		10 824		10 150

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 2011, contributions paid to UNJSPF amounted to $17 008 983 (2010: $16 310 211) by the Organization and $8 632 202 (2010: $8 306 859) by the participants, including $127 711 (2010: $151 754) 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 2008 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 2009.

The Consulting Actuary of the United Nations Joint Staff Pension Fund, Buck Consultants, stated in paragraph 6 of Annex III, "Statement of the actuarial sufficiency as of 31 December 2009 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 2009, for deficiency payments under Article 26 of the Regulations of the Fund**. The market value of assets as of 31 December 2009 is $37 659 6 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 2009," the Committee of Actuaries stated:

> "At its meetings in June 2010, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 2009, 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."

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 2011	31 December 2010
Voluntary Contributions		
Voluntary Contributions - Emergency Preparedness and Disaster Relief	427	6 200
Voluntary Contributions	62 084	47 925
National Voluntary Contributions	179 023	90 737
Trust Funds CFNI	188	376
Procurement of Public Health Supplies		
Revolving Fund for Vaccine Procurement	103 789	99 962
Regional Revolving Fund for Strategic Public Health Supplies	41 694	29 424
Reimbursable Procurement	19 479	9 002
Total	**406 684**	**283 626**

13.2 Deferred Revenue – Non-Current

	31 December 2011	31 December 2010
Voluntary Contributions		
Voluntary Contributions	67 257	58 575
National Voluntary Contributions	193 942	110 901
Total	**261 199**	**169 476**

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

Summary of Fund Balances and Reserves

	Balance as of 31 December 2011		Balance as of 31 December 2010	
Fund Balances:				
Strategic Public Health Supplies-Capitalization	3 849		2 534	
PAHO After-Service Health Insurance	(180 892)		(186 516)	
Voluntary Contributions	1 281		722	
Income from Services	2 810		2 476	
Provision for Staff Entitlements	(103)		531	
Revolving Fund for Vaccine Procurement	96 851		85 836	
PAHO Regular Budget	123 206		131 095	
Provision for Termination and Repatriation Entitlements	(580)		(2 001)	
PAHO Post Occupancy Charge	4 521			
CAREC Provident Fund	1 270		1 217	
CAREC Income from Services	14		38	
CAREC Capital Equipment Fund	31		31	
CAREC Provision for Terminal Entitlements	732		462	
CAREC Regular Budget	5 817		5 716	
CAREC Building Fund	50		63	
CAREC Trust Fund	3			
CFNI	1 618	**60 478**	1 409	**43 613**
Reserves:				
Working Capital Fund	15 360		20 000	
Holding Account	9 142		19 142	
Tax Equalization Fund	(6 786)		(4 973)	
Master Capital Investment Fund	4 728		5 049	
Special Fund for Program Support	36 594		32 856	
Voluntary Contributions - Emergency Preparedness and Disaster Relief	2 660		2 662	
Governing Bodies Authorized Fund	9 507		3 612	
Special Fund for Health Promotion	840	**72 045**	814	**79 162**
Total		**132 523**		**122 775**

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. The amount of the loan outstanding as of 31 December 2011 is $1 250 000.

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 2011	**Allocated for Guarantee of Loan as of 31 December 2011**	**Total as of 31 December 2011**	**Total as of 31 December 2010**
Balance as of 1 January	18 583	1 417	20 000	20 000
Surplus / (Deficit) from 2010	4 131		4 131	
Surplus / (Deficit) from 2011	(9 300)		(9 300)	
Non Budgetary Items for 2010-2011 biennium	529 *		529 *	
Regular Budget Appropriation Surplus/(Deficit) from 2010-2011 biennium	(4 640)		(4 640)	
Reduction for Guarantee of Loan as of 31 December 2011	167	(167)		
Balance as of 31 December	**14 110**	**1 250**	**15 360**	**20 000**

* 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 2011	Credits from the Tax Equalization Fund	Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2011
Canada	1	3 630	(3 605)	25	(17)	9
Colombia	17	221	(221)			17
United States	(5 004)	15 679	(10 579)	5 100	(6 919)	(6 823)
Venezuela	13	543	(543)		(2)	11
Other		6 303	(6 303)			
Total	**(4 973)**	**26 376**	**(21 251)**	**5 125**	**(6 938)**	**(6 786)**

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 Revaluation Surplus:

	31 December 2011			31 December 2010		
	Land	Buildings	Total	Land	Buildings	Total
Initial balance (1 January)	47 985	56 642	104 627	47 985	58 094	106 079
Annual depreciation		(938)	(938)		(1 452)	(1 452)
Adjustments/Revaluations	602	(1 368)	(766)			
Impairments		(388)	(388)			
Disposals						
Closing Balance	**48 587**	**53 948**	**102 535**	**47 985**	**56 642**	**104 627**

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.

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15. Revenue

		Gross Revenue	Eliminations	2011 Net Revenue	2010 Net Revenue
Revenue from Non-Exchange Transactions					
Assessed Contributions					
PAHO Regular Budget		93 200			
Caribbean Epidemiology Center		2 614			
Caribbean Food and Nutrition Institute		412			
Tax Equalization Fund		5 125			
	Subtotal	**101 351**		**101 351**	101 351
Voluntary Contributions					
Voluntary Contributions		86 041			
Voluntary Contributions - National Voluntary Contributions		100 438			
Voluntary Contributions - Emergency Preparedness and Disaster Relief		10 341			
Program Support Costs		12 817			
Caribbean Food and Nutrition Institute		173			
	Subtotal	**209 810**	**(12 725)**	**197 085**	199 797
Other Revenue					
WHO Regular Budget		40 754			
WHO Voluntary Contributions		28 797			
Sasakawa Health Trust Fund		308			
AMRO Special Fund for Servicing Costs		6 721			
AMRO Special Program Research & Training		451			
Staff Development and Learning Fund		458			
AMRO Post Occupancy Charges		1 580			
	Subtotal	**79 069**	**(1 580)**	**77 489**	80 066
Revenue from Exchange Transactions					
Procurement of Public Health Supplies					
Revolving Fund for Vaccine Procurement		394 035			
Reimbursable Procurement		13 241			
Regional Revolving Fund for Strategic Public Health Supplies		48 615			
Program Support Costs		2 276			
	Subtotal	**458 167**	**(2 276)**	**455 891**	541 150
Other Revenue					
PAHO Regular Budget		616			
Income for Services		3 123			
Program Support Costs		418			
Health Promotion		10			
Provision for Termination and Repatriation Entitlements		2 612			
Provisons for Staff Entitlements		4 463			
PAHO Post Occupancy Charge		4 521			
After Service Health Insurance		1 772			
Master Capital Investment Fund		964			
AMRO Terminal Payments Account		737			
AMRO Non-Payroll Statutory Entitlements		1 551			
Caribbean Epidemiology Center		458			
Caribbean Food and Nutrition Institute		12			
	Subtotal	**21 257**	**(16 114)**	**5 143**	5 029
Miscellaneous Revenue					
PAHO Regular Budget					
Interest Earned		3 679			
Valuation Gains and Losses		(870)			
Other Miscellaneous		1 497			
Program Support Costs		(2 810)			
Caribbean Epidemiology Center		19			
	Subtotal	**1 515**		**1 515**	5 184
TOTAL REVENUE		**871 169**	**(32 695)**	**838 474**	932 577

16. Expenses

		2011 Gross Expenses	Eliminations	2011 Net Expenses	2010 Net Expenses
Staff and Other Personnel Costs					
International and National Staff		154 955			
Consultants		17 987			
Temporary Staff		6 099			
	Subtotal	**179 041**	**(16 114)**	**162 927**	171 359
Supplies, Commodities, Materials					
Vaccines / Syringes / Cold Chain		383 021			
Medications and Medical Supplies		60 540			
Other Goods and Supplies		27 609			
	Subtotal	**471 170**	**(2 454)**	**468 716**	571 212
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization					
Equipment, Vehicles, Furniture /2		(511)			
Intangibles Assets /2		(1 658)			
Depreciation / Amortization		1 746			
	Subtotal	**(423)**		**(423)**	859
Contractual Services					
Contracts		107 930			
	Subtotal	**107 930**	**(1 342)**	**106 588**	84 142
Travel					
Duty Travel		8 903			
Courses and Seminars		44 495			
	Subtotal	**53 398**		**53 398**	52 413
Transfers and Grants to Counterparts					
Letters of Agreements		33 230			
	Subtotal	**33 230**		**33 230**	36 874
General Operating and Other Direct Costs/1					
Maintenance, Security and Insurance		11 945			
	Subtotal	**11 945**	**(60)**	**11 885**	10 404
Indirect Support Costs					
Program Support Costs		12 725			
	Subtotal	**12 725**	**(12 725)**		
Total Expenses		**869 016**	**(32 695)**	**836 321**	927 263

Note/1 General Operating Expense and Other Direct Costs Include Lease Payments for $1 999 350 (2010: $2 137 457).

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

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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 2011 is presented below:

(Expressed in thousand US Dollars)

	31 December 2011			31 December 2010		
	Operating	Investing and Financing	Total	Operating	Investing and Financing	Total
Actual Amount on Comparable Basis	(180 183)		(180 183)	(340 761)		(340 761)
Basis Differences						
Timing Differences						
Presentation Differences	982 782	(175 702)	807 080	945 704	(13 646)	932 058
Entity Differences	(689 807)		(689 807)	(599 461)		(599 461)
Actual amount in the Statement of Cash Flow	**112 792**	**(175 702)**	**(62 910)**	**5 482**	**(13 646)**	**(8 164)**

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.

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	104 629			
Short Term Investments	270 577			
Owed From Other Segments *		232 873	298 100	35 714
Accounts Receivable	67 006	196 583	28 045	(35 081)
Inventories	1 153			
Total Current Assets	443 365	429 456	326 145	633
Non-Current Assets				
LongTerm Investments	218 309			
Accounts Receivable		92 174		6 210
Net Fixed Assets	103 457			
Intangible Assets	1 906			210
Total Current Assets	323 672	92 174		6 420
TOTAL ASSETS	767 037	521 630	326 145	7 053
LIABILITIES				
Current Liabilities				
Accruals	2 788	7 580	21 067	1 885
Owed To Other Segments *	566 687			
Accounts Payable	20 784	7 376	14	22
Employee Benefits				10 597
Deferred Revenue		241 534	164 962	
Total Current Liabilities	590 259	256 490	186 043	12 504
Non-Current Liabilities				
Accounts Payable	19 563			
Employee Benefits				172 820
Deferred Revenue		261 199		
Total Non-Current Liabilities	19 563	261 199		172 820
TOTAL LIABILITIES	609 822	517 689	186 043	185 324
NET ASSETS / EQUITY				
Fund Balances and Reserves				
Fund Balances	123 206	1 281	103 508	(177 053)
Reserves	34 009	2 660	36 594	(1 218)
NET RESERVES & FUND BALANCES	157 215	3 941	140 102	(178 271)

* 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 2011	Total 2010
35		104 664	167 574
		270 577	175 060
	(566 687)		
9 781		266 334	171 363
		1 153	841
9 816	(566 687)	642 728	514 838
		218 309	141 815
		98 384	61 606
		103 457	105 220
		2 116	
		422 266	308 641
9 816	(566 687)	1 064 994	823 479
43		33 363	26 551
	(566 687)		
49		28 245	13 445
		10 597	9 321
188		406 684	283 626
280	(566 687)	478 889	332 943
		19 563	18 961
		172 820	179 324
		261 199	169 476
		453 582	367 761
280	(566 687)	932 471	700 704
9 536		60 478	43 613
		72 045	79 162
9 536		132 523	122 775

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	93 200			5 125
Voluntary Contributions		196 820	12 817	
Other Revenue	40 754	29 105	6 722	2 488
Revenue from Exchange Transactions				
Procurement of Public Health Supplies			458 167	
Other Revenue	615		3 541	16 631
Miscellaneous Revenue	4 306		(2 810)	
TOTAL REVENUE	**138 875**	**225 925**	**478 437**	**24 244**
EXPENSES				
Staff and Other Personnel Costs	109 963	34 654	11 184	22 667
Supplies, Commodities, Materials	6 205	19 839	444 378	585
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization	(213)			(210)
Contractual Services	18 355	81 955	3 736	1 972
Travel	10 227	42 131	454	353
Transfers and Grants to Counterparts	2 045	31 159	11	15
General Operating and Other Direct Costs	5 698	2 924	2 224	862
Indirect Support Costs		12 706		
TOTAL EXPENSES	**152 280**	**225 368**	**461 987**	**26 244**
NET SURPLUS/ (DEFICIT)	**(13 405)**	**557**	**16 450**	**(2 000)**

Statement of Financial Performance by Segments

Total Consolidated Sub-Regional Centers Activity Segment	**Intra-Party Segment**	**Total 2011**	Total 2010
3 026		101 351	101 351
173	(12 725)	197 085	199 797
	(1 580)	77 489	80 066
	(2 276)	455 891	541 150
470	(16 114)	5 143	5 029
19		1 515	5 184
3 688	**(32 695)**	**838 474**	932 577
573	(16 114)	162 927	171 359
163	(2 454)	468 716	571 212
		(423)	859
1 912	(1 342)	106 588	84 142
233		53 398	52 413
		33 230	36 874
237	(60)	11 885	10 404
19	(12 725)		
3 137	**(32 695)**	**836 321**	927 263
551		**2 153**	5 314

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

As of 31 December 2011, a total of $405 026 was recorded as administrative waivers reflecting seminars and courses given by the governments. (2010: $ 74 084)

There were no write-offs or Ex-Gratia Payments to be reported. (2010: Ex-Gratia only $24 000)

20. Cases of Fraud and Presumptive Fraud

In 2011, the Organization experienced one case of financial fraud amounting to $13 733 and 11 cases of thefts and losses of property for a total of $15 101. In addition, one case of attempted check fraud and four cases involving the misuse of PAHO purchasing or travel credit cards were committed by people outside the Organization. In three of the four credit card cases, the fraudulent charges amounting to $1 964, were recovered from the financial institutions concerned. In the fourth case, $401 was fraudulently charged to a purchasing card and recovery is pending.

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	**2011**	2010
Number of Individuals	4	4
Compensation and Post Adjustment	740	718
Entitlements	177	235
Pension and Health Plans	234	224
Total Remuneration	**1 151**	1 177
Outstanding Advances against Entitlements	**33**	22

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 in its financial statements the respective information 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, net assets, revenue, and expenses.

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

Category	Total Revenue in 2011	Total Expenses in 2011	Net Assets as of 31 December 2011
Caribbean Epidemiology Center	3 091	2 700	7 918
Caribbean Food and Nutrition Institute	598	437	1 618

24. Provisions

As at 31 December 2011, the Organization had not recognized any provisions.

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

The recognition of the Staff Health Insurance liability to WHO from Reserves, is due to the increase in the Staff Health Insurance claims expense. In the prior year, the de-recognition of the Staff Health Insurance liability to Reserves, was due to the increase in the Staff Health Insurance contribution rates in 2010.

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, 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		
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	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					