PAN AMERICAN HEALTH ORGANIZATION

Letter of Transmittal

In accordance with the provisions of Regulation XIII of the Financial Regulations, I have the honor to submit the Financial Report of the Pan American Health Organization for the financial period 1 January 2012 to 31 December 2012.

Carissa F. Etienne

Director

Pan American Health Organization

Certification of Financial Statements

The Financial Statements and supporting Notes are approved:

Michael H. Lowen	**Carissa F. Etienne**
Manager	**Director**
Area of Financial Resources Management	**Pan American Health Organization**

05 April 2013

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Statement on Internal Control

Scope of Responsibility

As the Director of the Pan American Health Organization (PAHO), I have responsibility for maintaining a sound system of internal control that supports the achievement of PAHO's mandate and objectives while safeguarding the funds and assets administered by PAHO, for which I am responsible, in accordance with the responsibilities entrusted to me in the PAHO Constitution, by the Governing Bodies and in the Financial Regulations of the Organization.

Accountability is an integral component of PAHO's Results Based Management (RBM) framework and, as such, empowers managers to take the necessary steps to achieve their expected results, while requiring the exercise of due diligence in actions and decisions, and compliance with applicable regulations and rules. Delegation of Authority is a prerequisite for the successful implementation of RBM. Good governance is enabled by the appropriate delegation of authority and, as Director, I have approved a Delegation of Authority framework that delineates clear lines of authority over all available resources, both human and financial, and includes the responsibility and accountability of personnel across the Organization.

Accountability at PAHO carries with it the obligation to report on the discharge of one's delegated responsibilities through established mechanisms, including the annual certification of financial information and the evaluation of the status of implementation of the biennial workplan.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve expected results and strategic objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of the Organization's mandate and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively, and economically. The system of internal control has been in place at PAHO for the financial reporting period 1 January 2012 through 31 December 2012, and up to the date of the approval of the Financial Report of the Director.

The foundation for the system of internal control at PAHO lies in the Constitution of the Pan American Health Organization and the Financial Regulations. From this, the Organization has developed and employed additional tools to further inform and guide the control framework, such as the Country Cooperation Strategy (CCS), Personnel Rules, the E-Manual and the Manual for Country Office Operations, Personnel Performance and Evaluation System (PPES), Performance Monitoring and Assessment (PMA), and the Financial Accountability Framework.

Capacity to Handle Risk

As the Director of PAHO, I have taken note that a system has been created of core and cross-functional teams which have overall responsibility for identifying and assessing risks associated with the implementation of the Program of Work and the overall operations of the Organization. Core teams include the Office of Internal Oversight and Evaluation Services, the Ethics Office, the Office of Legal Counsel, the Country Focus Support Office, the Area of Planning, Budget and Institutional Development, the Area of Human Resources Management, and the Area of Financial Resources Management. These core teams are responsible for establishing the control environment, and providing the discipline and structure for the achievement of the primary objectives of the system of internal control.

Some examples of key cross-functional teams include the Integrity and Conflict Management System (ICMS), the Asset Protection and Loss Prevention Committee (APLPC), the PAHO Infrastructure Investment Projects Committee (PIIC), the Investment Committee, the Disaster Task Force, and the Epidemic Alert and Response Task Force.

Risk and Control Framework

The risk and control framework is developed and implemented by the Governing Bodies and the Pan American Sanitary Bureau (PASB), the Secretariat of the Organization. These organs, as stipulated in Article 3 of the Constitution of PAHO, determine the

Organization's general policies, including financial policy, and review and approve the multi-year strategy and biennial program and budget of the Organization.

The Secretariat provides regular reporting to the Governing Bodies on the financial, program and budgetary status of the Organization, including an annual report by the External Auditors of PAHO. Furthermore, the Office of Internal Oversight and Evaluation (IES) issues an annual report of its activities, with a status of outstanding audit recommendations. The Auditor General also provides the Director with an overall opinion on PAHO's internal control environment. For the financial reporting period 1 January 2012 through 31 December 2012, the Auditor General has concluded the following:

"Based on the findings of its oversight activities in 2012 and in previous years (and also taking into account the findings of other sources of assurance), IES's overall opinion is that PAHO's internal control environment provides reasonable assurance on the accuracy, authorization and timely recording of transactions, assets and liabilities, and on the mitigation of risks to the achievement of the Organization's objectives. Absolute assurance is, of course, impossible, as internal controls have inherent limitations. The degree of compliance with internal controls may deteriorate (or improve) over time, and a range of factors (including error, fraud, and changes to conditions and internal procedures) may render some internal controls inadequate. As a consequence, the dynamism of the Organization's activities and its changing risk profile pose a continuing challenge to the efficiency and effectiveness of internal controls.To strengthen PAHO's internal control environment, and thereby bring it beyond its current adequate status to a more satisfactory level of rigor and transparency, IES draws attention to three inter-related areas for improvement. IES advises management to make internal controls less manual in nature; more clearly to link internal controls to risks; and more explicitly to define and formalize internal controls. "

The Areas of Financial Resources Management (FRM) and Planning, Budget and Institutional Development (PBI) submit monthly reports to Executive Management covering the Organization's current financial position, the likelihood that financial and budgetary plans will be achieved, and the risks attached. These reports are discussed in detail in order that the members of Executive Management have appropriate and comprehensive information necessary to the decision-making process. In addition, a corporate Performance Management Assessment process (PMA) is conducted semi-annually, which involves the Executive Management, Entity Managers, and technical staff to assess progress towards the program of work and the Strategic Plan.

A fully functional Enterprise Risk Management (ERM) system is critical to control the pace and manner of change in the Organization resulting from the adoption of new technology, the expansion of technical cooperation requirements of Member States, the growth in resources under administration, and adapting to UN transformation.

The Director of Administration initiated the deployment of a conceptual framework to implement an Enterprise Risk Management program for PAHO in 2011. PAHO's approach to risk management is an integral and systematic process not represented by a static risk register, but by a process that is continuously identifying, mitigating, monitoring, and communicating top risk events to the Organization. This type of process requires a risk management framework, a risk governance policy, a risk assessment methodology, and Organization-wide training before comprehensive risk assessments can be performed. The completion of the comprehensive risk assessments will then form the foundation of a factual and accurate risk register.

In 2011, PAHO's Executive Management team approved the conceptual framework of the ERM, which is based upon ISO31000. Subsequently, the Office of Administration (AM) conducted risk assessments to test the methodology designed to ensure it was appropriate for the Organization. The Director of Administration approved the methodology to be employed, conducted additional risk assessments at the strategic and operational levels, and published a preliminary risk register in 2012.

AM has also taken action to purchase and implement a Risk Management Information System that will be used to support the overall ERM effort in the Organization. This system was implemented in December 2011 and is fully functional. Furthermore, as part of the governance structure of ERM in PAHO, a senior risk committee has been established, comprised of officials from those Areas with primary risk identification and mitigation responsibilities. The committee convened in November 2012 and finalized recommendations on the Top Corporate Risks to be managed at the headquarters level. This organizational risk register will be presented to the Director in 2013 for final approval.

Review of Effectiveness

As the Director of the Pan American Health Organization, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Office of Internal Oversight and Evaluation, by the senior managers within the Organization who have responsibility for the development and maintenance of the internal control framework, and by the comments made by the External Auditors in their management letters and audit reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Auditor General and the Audit Committee. A plan to address identified weaknesses and ensure continuous improvement of the system is in place.

The Auditor General of the Office of Internal Oversight and Evaluation Services (IES) reports directly to me. IES undertakes independent and objective assurance and advisory activities, which are designed to improve and add value to the Organization's operations. Using a systematic, risk-based approach, IES seeks to assist the Organization to achieve its objectives by auditing and evaluating the effectiveness and efficiency of organizational governance, internal controls, operations, and processes. IES undertakes internal audit and evaluation assignments, for which very precise objectives are established through an assessment of the relevant risks. On the conclusion of an oversight assignment, IES prepares a detailed report addressed to me, and copied to concerned individuals in the Secretariat. The assignment reports include findings and recommendations to help management address risks, maintain or enhance internal controls, and encourage effective governance. IES systematically follows up on all the recommendations it makes.

The PAHO Audit Committee, which was established pursuant to Resolution CD49.R2, serves in an independent expert advisory capacity to assist the Director and PAHO's Member States. It provides independent assessment and advice on the operation of the Organization's financial control and reporting structures, risk management processes, and the adequacy of the Organization's systems of internal and external controls. The Audit Committee meets twice each year, and met in March and October of 2012.

The system of internal control has been in place for the year ending 31 December 2012 and up to the date of the approval of the Financial Report of the Director. However, with the significant growth in the Organization, a number of weaknesses in the system of internal control were identified that have necessitated additional work to be undertaken in order that adequate internal control assurances could be provided.

Significant Internal Control Issues	Actions Taken to Address Issues
1. **Corporate Administrative Systems -** • The implementation of International Public Sector Accounting Standards (IPSAS) has further highlighted the weaknesses in the collection of legacy systems, which required significant modification and manual "work arounds" to meet the requirements of accrual accounting, asset capitalization and depreciation, and annual financial reporting. Furthermore, the systems cannot easily provide the range of integrated management reporting required of a dynamic and growing Organization.	• The PAHO Management Information System (PMIS) team is in the process of selecting the ERP software and systems integrators. We anticipate that final selections will be made by June 2013. The specific implementation of modules will be determined after consultation with the selected system integrator with the aim of deploying the system in 2015.
• The implementation of an Enterprise Resource Planning (ERP) system, which would integrate Program Planning, Budget, Finance and Human Resource administration, will result in more accurate and comprehensive real-time information. However, it will also require an increased level of interaction with the ERP by all staff, providing accurate data and extracting necessary information in a decentralized environment. Given that the current systems are not fully integrated, much of this work is centralized at the Regional Headquarters. Therefore, the required	• The Financial Accountability Framework as implemented by the Area of Financial Resources Management monitors the basic controls in the country offices to ensure compliance with Financial Regulations and financial policies. The risk-based planning approach employed by the Office of Internal Oversight and Evaluation Services also provides feedback regarding the operations of the various offices. Training on specific finance topics (e.g.

competencies to fully realize the effectiveness of an ERP do not exist throughout the Organization.	accrual accounting) is continuously provided for the country office staff. Included in the implementation plan for the ERP will be a Change Management and Communication Plan which will help to identify and communicate the technical updating requirements of the various categories of staff throughout the Organization. A comprehensive Training Plan will be developed that combines training regarding the ERP requirements and capabilities, as well as technical competencies needed to meet the control requirements, whether financial, budgetary or administrative.
2. **Project Implementation** - Effective implementation of the Program and Budget is critical to the reputation and sustained growth of the Organization. The balance of Voluntary Contributions commitments that remain unimplemented, as well as the funds returned to donors, has continued to be a concern. A balance of project acceptance and design, rational business practices, policies and procedures, and absorptive capacity of beneficiaries is required to reach optimal project implementation goals.	• The Organization continues a systematic, coordinated review of Voluntary Contributions proposals, which includes corresponding inputs from country-based colleagues, as well as regional technical and administrative personnel. Processes are underway to implement an ERP which will facilitate improved monitoring of Voluntary Contributions' implementation. During 2011, the Area of Planning, Budget, and Resource Coordination implemented an online tool to identify Voluntary Contributions' coordinators with a view toward increasing accountability and coordination. • In addition, an assessment of the Voluntary Contributions Management Function was conducted in 2012 resulting in key recommendations for improvement, including definition of a policy framework, improvements in organization structure and better definition of roles and responsibilities, development of guidelines for management of Voluntary Contributions, among others. As part of the recommendations, a Resource Coordination Committee was established, with the participation of Senior Managers, including technical areas, AM, External Relations, Resource Mobilization and Partnerships, and PBI. The Resource Coordination Committee meets on a quarterly basis. Through improved clarity on the Voluntary Contributions Management Function and the implementation of the recommendations of the assessment, greater accountability for Voluntary Contributions implementation is anticipated.
3. **Succession Planning** - The imminent retirement of a significant proportion of senior managers has the potential to result in a loss of institutional knowledge.	The Organization is actively engaged in succession planning through the Human Resources Management biennial HR Plan for each PAHO entity, which requires the managers to plan for retirements and other staffing requirements. Furthermore, all senior managers are required to submit an "end of mission" report prior to changing roles, transferring to another United Nations organization, or retiring.
4. **Emergency Response** PAHO, as the preeminent health agency in the Region of the Americas, must take a leadership role in addressing	PAHO has adopted an institutional response and disaster policy with the objective to mobilize the entire organization in case of major disasters. That policy requires the Organization to have

emergencies. The impact and severity of recent emergencies in the Region, including the H1N1 crisis and the disaster in Haiti, have highlighted the need to have a strong, centralized team of specialists to analyze and coordinate response requirements and information.	an Emergency Operations Center (EOC), which centralizes all information, coordinates and controls all PAHO\WHO health-related response operations during emergencies, major epidemics and disasters. In order to meet the longer-term needs of the Organization and the region, an Emergency Operations Center has been established and has been operational since September 2012.
5. **International Economic Environment** - The prolonged challenging global economic environment presents several risks to the Organization's ability to fund the Regular Budget: • Member States have continued to espouse a policy of zero to minimal nominal growth to the Regular Budget as a result of their own fiscal challenges. • The low interest rate environment has reduced the investment income earned and available to supplement the Member States' Assessed Contributions. • Exchange rates in some primary countries have fluctuated significantly during the year, resulting in additional uncertainties regarding the value of the Regular Budget resources locally.	The Organization has a very conservative Investment Policy overseen by the Investment Committee. The Investment Committee meets in person at least twice each year. The Investment Committee regularly invites experts to these meetings to discuss the various risks in the portfolio, as well as their forecast of the economic environment. The Investment Committee has contracted with four investment managers to manage approximately $200 million of the $600 million portfolio, thus taking advantage of expertise, economies of scale and opportunities in the market. The Organization continues to monitor exchange rates in the country offices, and manages the local currency bank balances accordingly. Exchange rate gains and losses are allocated based on the source of the funds. However, as the Regular Budget is denominated in US dollars, fluctuations in local exchange rates will still impact the country office's "buying power". Country Offices work closely with the Area of Planning, Budget and Institutional Development to address these issues.
6. **Funding of Long-Term Employee Liabilities** - With the implementation of IPSAS in 2010, the Organization recognized the assets and liabilities of the Organization, resulting in a more transparent picture of the true financial status of the Organization. The long-term liabilities associated with After-Service Health Insurance (ASHI) and Termination and Repatriation Entitlements Plan (TAREP) were recorded on the Statement of Financial Position in 2010, and irrevocable trusts were established for the financial resources available to fund these liabilities (plan assets). While several initiatives have been implemented to provide some funding on both an annual and ad hoc basis, the Organization does not have a comprehensive plan to fully fund the ASHI liability over a determined period of time.	The Director has approved a payroll surcharge to begin the funding of the significant liability attributable to After-Service Health Insurance benefits for current and future retirees of the Organization. In 2012, this surcharge provided $1.9 million in revenue to the ASHI Trust. Investment income contributed another $0.6 million to the ASHI Trust. The Pan American Sanitary Conference approved the transfer of $10 million from the surplus generated from the implementation of IPSAS. However, in order to fund the liability over the next 30 to 40 years, additional consistent funding sources must be identified. The Organization has contracted with an actuarial firm to provide an analysis of the various options to meet this funding requirement. This comprehensive plan will be presented to the PAHO Governing Bodies for consideration in 2013. Furthermore, the Investment Committee is in the process of requesting proposals for the external management of the ASHI Trust, to maximize the income to the Trust based on the long-term nature of the underlying liability.

Conclusion

I am confident that as a result of the actions taken to address the significant issues noted above, the system of internal control will continue to be strengthened. Therefore, in my opinion, the Organization's system of internal control was effective throughout the financial reporting period 1 January 2012 through 31 December 2012, and remains so on the date I sign this statement.

Carissa F. Etienne

Director

Pan American Health Organization

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Opinion of the External Auditor

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The Pan American Health Organization

Independent Auditor's Opinion and Report to the Directing Council

INDEPENDENT AUDITOR'S OPINION AND REPORT TO THE DIRECTING COUNCIL

I have audited the consolidated financial statements of the Pan American Health Organization for the year ended 31 December 2012. These comprise the Consolidated Statement of Financial Position, Consolidated Statement of Financial Performance, Consolidated Statement of Changes in Net Assets, Consolidated Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts and the related notes. These consolidated financial statements have been prepared under the accounting policies set out within them.

Director's Responsibility for the Consolidated Financial Statements

The Director is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Public Sector Accounting Standards and the requirements of the Financial Regulations as authorized by the Pan American Sanitary Conference or the Directing Council. The Director is also responsible for such internal control as she determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the consolidated financial statements based on my audit in accordance with Article XIV of the Financial Regulations. I conducted my audit in accordance with International Standards on Auditing of the International Federation of Accountants (IFAC), the Audit Standards and Guidelines formulated by the United Nations Board of Auditors and the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require me and my staff to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Pan American Health Organization’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director, as well as the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenditure reported in the consolidated financial statements have been applied to the purposes intended by the Pan American Sanitary Conference or the Directing Council and the financial transactions are in accordance with the Financial Regulations and legislative authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion on financial statements

In my opinion:

- the consolidated financial statements present fairly, in all material respects, the financial position of the Pan American Health Organization as at 31 December 2012 and the results for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Public Sector Accounting Standards and the Financial Regulations which govern them and the stated accounting policies; and
- the accounting policies have been applied on a basis consistent with that of the preceding financial period.

Opinion on Regularity

In my opinion, in all material respects, the revenue and expenditure have been applied to the purposes intended by the Pan American Sanitary Conference or the Directing Council and the financial transactions conform to the Financial Regulations and legislative authorities that govern them.

Matters on which I report by exception

I have nothing to report in respect of the following:

- proper accounting records have not been kept by the Pan American Health Organization;
- I have not received all of the information and explanations I require for my audit;
- the information given in the Director's Comments for the financial year for which the financial statements are prepared is inconsistent with the financial statements;
- The Statement on Internal Control does not fairly reflect the systems of internal control I reviewed for my audit.

External Auditor's Report

In accordance with Article XIV of the Financial Regulations and the Letter of Engagement, I have also issued an External Auditor's Report on my audit of the Pan American Health Organization's consolidated financial statements.

Madrid, April 12, 2013

Ramón Álvarez de Miranda García

President of the Spanish Court of Audit

Consolidated Statement of Financial Position

(Expressed in thousand US Dollars)

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

Consolidated Statement of Financial Performance

(Expressed in thousand US Dollars)

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

Consolidated Statement of Changes in Net Assets

(Expressed in thousand US Dollars)

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

Consolidated Cash Flow Statement

(expressed in thousand US dollars)

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

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

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

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

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

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

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

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

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Notes to the Financial Statements at 31 December 2012

1. Mission of the Pan American Health Organization

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

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

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

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

2. Accounting Policies

2.1 Basis of Preparation

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

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

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

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

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

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

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

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

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

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

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

Transitional Provisions

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

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

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

2.2 Cash and Cash Equivalents

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

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

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

2.3 Investments

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

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

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

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

2.4 Loans and Receivables

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

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

2.5 Risk Management Policies

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

2.6 Accounts Receivable

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

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

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

The main types of receivables are:

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

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

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

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

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

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

- **Procurement of Public Health Supplies (exchange transactions)**

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

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

- **Inter-Organization Funding Activities**

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

- **Regular Advances to Staff**

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

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

2.7 Inventories

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

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

2.8 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Impairment reviews are undertaken for all assets at least annually.

2.9 Leases

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

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

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

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

2.10 Intangible Assets

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

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

2.11 Accounts Payable

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

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

2.12 Accrued Liabilities

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

2.13 Deferred Revenue

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

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

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

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

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

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

2.14 Employee Benefits

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

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

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

2.15 Provisions and Contingent Liabilities

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

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

2.16 Contingent Assets

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

2.17 Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

2.18 Foreign Currency Transactions and Balances

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

2.19 Segment Reporting

A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. The Organization classifies all projects, operations and fund activities into five segments: 1) Core Activities Segment; 2) Partnership Activities Segment; 3) Enterprise Activities Segment; 4) Special Activities Segment; and 5) Consolidated Sub-regional Centers Activities Segments, and the Inter-Party Transactions. The Organization reports on the transactions and balances of each segment during the financial period.

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

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

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

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

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

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

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

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

2.20 Budget Comparison

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

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

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

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

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

2.21 In-Kind Contributions

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

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

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

2.22 Sub-Regional Consolidated Entities

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

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

3. Cash and Cash Equivalents

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

4. Investments

4.1 Short-Term Investments

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

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

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

4.2 Long-Term Investments

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

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

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

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

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

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

5. Financial Instruments

5.1 Nature of Financial Instruments

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

Financial Instruments and Method of Valuation

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

5.2 Interest Rate Risk

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

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

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

Callable Instruments

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

5.3 Credit Risk

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

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

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

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

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

5.4 Exchange Rate Risk

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

6. Accounts Receivable

6.1 Accounts Receivable - Current

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

6.1.1 Accounts Receivable from Assessed Contributions

Statement of Assessed Contributions as of 31 December 2012

(Expressed in thousand US Dollars)

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

6.1.2 Accounts Receivable from Voluntary Contributions

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

6.1.3 Accounts Receivable from the Procurement of Public Health Supplies

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

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

a. Revolving Fund for Vaccine Procurement

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

b. Regional Revolving Fund for Strategic Public Health Supplies

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

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

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

6.2 Accounts Receivable Non-Current

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

6.2.1 Accounts Receivable from Voluntary Contributions Non-Current

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

7. Inventories

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

7.1 Inventories PROMESS

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

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

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

7.2 Inventories Expanded Textbook and Instructional Materials Program

See Note 28.

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

8. Property, Plant and Equipment

8.1 General Information

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

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

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

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

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

8.2 Transferred Assets with Conditions

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

9. Intangible Assets

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

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

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

10. Accrued Liabilities

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

11. Accounts Payable

11.1 Accounts Payable Current

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

11.2 Accounts Payable-Non Current

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

12. Employee Benefits

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

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

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

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

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

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

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

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

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

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

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

12.2 Other Long-Term Employee Benefits

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

12.3 Actuarial Assumptions and Methods

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

12.3.1 Actuarial Assumptions

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

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

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

12.3.2 Reconciliation of Funded Status

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

12.3.3 Annual Expense for Calendar Year 2012

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

12.3.4 Reconciliation of Defined Benefit Obligation

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

12.3.5 Reconciliation of Plan Assets

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

12.3.6 Sources of Change in Past Service Liability Since Prior Valuation

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

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

12.3.7 After-Service Medical Plan - Sensitivity Analysis

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

12.3.8 Medical Sensitivity Analysis - After - Service Health Insurance *

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

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

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

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

12.3.10 Settlement of Employee Benefit Liability

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

12.4 United Nations Joint Staff Pension Fund

The Organization is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded multi-employer defined benefit plan. As specified by Article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

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

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

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

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

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

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

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

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

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

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

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

13. Deferred Revenue

13.1 Deferred Revenue – Current

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

13.2 Deferred Revenue – Non-Current

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

14. Fund Balances and Reserves

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

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

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

Summary of Fund Balances and Reserves

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

14.1 Working Capital Fund

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

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

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

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

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

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

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

14.2 Holding Account

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

14.3 Tax Equalization Fund

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

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

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

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

14.4 Master Capital Investment Fund

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

14.5 Special Fund for Program Support Costs

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

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

14.6 Special Fund for Natural Disaster Relief

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

14.7 Governing Bodies Authorized Fund

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

14.8 Special Fund for Health Promotion

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

14.9 Epidemic Emergency Fund

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

14.10 Food Safety Five-Year Plan Fund

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

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

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

14.12 IPSAS Surplus Fund

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

14.13 Revaluation Surplus

Revaluation Surplus:

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

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

15. Revenue

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

16. Expenses

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

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

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

17. Comparison of Budget and Actual Amounts

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

(Expressed in thousand US Dollars)

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

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

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

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18. Segment Reporting

18.1 Statement of Financial Position by Segments

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

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

Statement of Financial Position by Segments

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

18.2 Statement of Financial Performance by Segments

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

Statement of Financial Performance by Segments

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

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

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

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

20. Cases of Fraud and Presumptive Fraud

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

21. Related Party and Other Senior Management Disclosure

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

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

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

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

21.1 Key Management Personnel

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

22. Events after Reporting Date

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

23. Consolidate Financial Statements for Sub - Regional Centers

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

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

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

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

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

24. Provisions

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

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

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

26. Contingent Liability

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

27. In-Kind Contributions

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

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

28. Expanded Textbook and Instructional Materials Program (PALTEX)

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

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

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Report of the External Auditor

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TRIBUNAL DE CUENTAS
DE ESPAÑA

The Pan American Health Organization

Long Form Report on the 2012 Financial Statements audit

The aim of the audit is to collaborate with the audited organization in order to reach its objectives, while supporting compliance with principles of transparency, legality and sound financial management.

The Spanish Court of Audit (SCA), headed by its President, provides external audit services to international organizations, working independently of its role as the Supreme Audit Institution of Spain. The President and the SCA are independent of the Spanish Government and ensure the proper and efficient spending of public funds and accountability to the Spanish Parliament. The SCA audits the accounts of all public sector bodies as well as political parties, collaborates in works related to its role as an active member of INTOSAI and EUROSAI and takes part in audit works within European Union projects and beyond.

Contents

1. Executive Summary

1.1. Introduction

1 We have provided an unqualified audit opinion on the 2012 consolidated financial statements which present fairly, in all material respects, the financial position and the results of operations and cash flows for the financial period ended 31 December 2012; and we confirm that this audit revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and validity of the consolidated financial statements.

2 The 2012 consolidated financial statements of the Pan American Health Organization (PAHO) represent the third year in which the International Public Sector Accounting Standards (IPSAS) have been used. This unqualified opinion means that IPSAS are embedded within the Organization accounting management and we recognize this achievement.

3 However, the computer system which supports accounting is outdated; it was not designed for an accounting system based on accrual criteria and requires manual adjustments at the end of the period. We think that the implementation Enterprise Resource Planning Project (ERP) will improve the economic and financial management in the Organization and the recording of transactions, reporting and preparation of Consolidated Financial Statements.

1.2. Overall Results of the Audit

4 We have audited the consolidated financial statements of PAHO in accordance with the International Standards on Auditing of the International Federation of Accountants (IFAC), the Audit Standards and Guidelines formulated by the United Nations Board of Auditors and the International Standards of Supreme Audit Institutions (ISSAIs).

5 The audit opinion confirms that these financial statements: present fairly, in all material respects, the financial position as at 31 December 2012 and the results for the year then ended; have been properly prepared in accordance with IPSAS and the stated accounting policies; and, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the Pan American Sanitary Conference or the Directing Council.

6 Our audit procedures are designed primarily for the purpose of forming an audit opinion. They included a review of the internal controls and accounting systems and procedures, only to the extent considered necessary for the effective performance of the audit. The audit work did not involve a detailed review of all aspects of PAHO's budgetary and financial information systems. Our findings therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

7 The main observations and recommendations from our audit are set out below. Our recommendations are summarized in Annex A. Follow up of actions taken by management in response to the recommendations included in our Interim Report (December 2012) are set out at Annex B.

8 The 2012 financial statements correspond to the first year of the Spanish Court of Audit's appointment as the external auditor of PAHO. We have followed the United Nations protocol for hand over arrangements with our predecessors, the National Audit Office of the United Kingdom, and we grateful their cooperation in those arrangements.

9 We would also like to thank PAHO for their professional and constructive approach to the external audit relationship this first year of our engagement. We trust PAHO's management keep consistently engaged with the audit process and seek to improve processes and procedures in response to our audit recommendations.

1.3. Summary of Main Findings

10 In this report we have commented upon the Organization's financial position; governance matters; PALTEX Program and our findings with respect to Country Offices.

11 Regarding Country Offices, we have noted that the internal control environment across the Country Office network as a whole is adequate but we have drawn attention to the importance of achieving a full compliance of the IPSAS accruals basis as well as of procurement and courses and seminars regulations. We have recommended that PAHO continue taking action to reinforce the understanding of IPSAS accrual concepts and to ensure that single source procurements are minimized and the reasons for resorting to such procurement actions are properly documented.

12 We consider that PAHO is still exposed to exchange rate risk in a number of transactions and we think that PAHO should consider the possibility of hedging the exchange rate risk.

13 The situation of the PMIS Project has changed with the approbation of the new Business Case which contains all the parameters needed to understand the PMIS project and entails a great step forward in the PMIS Project. However, PAHO should make an effort to streamline it and, if possible, shorten the timing of implementation of ERP Project and especially, the pre-implementation phase. PAHO should also begin the necessary analysis to determine the steps to take in the future first phase.

14 The Enterprise Risk Management (ERM) Project should be considered as an institutional procedure integrated into organizational processes. ERM should be funded with sufficient resources to allow the complete implementation of the Project.

15 PAHO needs to update the E-Manual in order to provide all PAHO personnel with all information regarding all PAHO's policies and procedures, readily available in one single document and in an adequate format. We have recommended that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.

16 The Pan American Sanitary Conference mandated the consolidation of the overall management and administration of all aspects of the PALTEX Program back to PAHO, including its assets, administration, operations, inventory, procurement and finance.

PAHO should analyze the current functioning of the Program and taking into account the increasing consumption of digital media (eBook, mobile and computer applications, online books, etc.) versus traditional publishing (books on paper), and the growth of social networks where content is shared and where the users interact.

We believe that PAHO should consider making a study on the technical and economic viability in the future of PALTEX Program.

2. Financial review

17 The Director's Comments on the Financial Statements provide a comprehensive analysis of the financial performance of the Organization for 2012. We review the financial analysis provided for consistency with the information contained in the Consolidated Financial Statements and offer some further analysis to aid users.

18 From our audit of the Consolidated Financial Statements we have identified a number of matters that we consider appropriate to highlight in this report:

- In financial year 2012, the first year of the biennium, PAHO had a net surplus of 8.875 USD million.
- During 2012, the total revenue Procurement of Public Health Supplies increased 23%, up to 562.4 USD million compared with 455.9 USD million in 2011. Through extensive international bidding, PAHO is able to purchase vaccines, public health supplies and equipment on behalf of Member States and international institutions at affordable prices. These revenues are the main relevant accounting line item which represents the 57% of the overall balance of revenues. The relative importance of these accounting line items did not have relevant changes between 2011 and 2012.
- Revenues also disclose an important increase in the balance of Miscellaneous Revenue at 31 December 2012 compared to 2011, from 1.5 USD million to 20.1 USD million at the end of 2012. This figure includes the value of PALTEX program, 17.8 USD million, recognized as a gain.
- 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. Nevertheless, as the Miscellaneous Revenue item just represents 2.1% of the whole amount of revenues, it does not have an important impact in the final revenues figures.
- Finally, total revenue had increased from 838.4 USD million in 2011 to 978.5 USD million, which represent a relative variation of 16.7%.
- PAHO's expenses increased by 15.9% from 836.32 USD million in 2011 to 969.7 million as at 31 December 2012.

- Staff and other personnel costs have grew by 14.9%, from 162 USD million in 2011 to 187 USD million in 2012, due to an increase in international and national staff expenditure. The cost of either consultants or temporary staff has no increase undergone.

- Procurement expenses (supplies, materials and commodities), have increased 16.6%, in line with general increase of expenditure in the Organization. However, travel costs have increased in 30%, from 53 USD million in 2011 to 69 USD million in 2012. Transfers and grants to counterparts have increased also 28.8% (from 33 USD million in 2011 to 43 USD million in 2012).

- Contract Services has decreased from 106.6 USD million in 2011 to 93 USD million in 2012 (12.75%).

- PAHO's cash balances have grown by 54% up to 160.9 million in 2012 (recovering 2010 levels). This partially offset a decrease in investments, both short and long term (27.7 million), and a reduction in the balance of Accounts Receivables (121.6 million). The reduction of Account Receivables is explained by a significant decrease in the Voluntary Contributions funds.

- Although PAHO has sufficient resources to meet its financial obligations (175.3 USD million in Fund Balances and Reserves, 32% over the figures of 2011), financial stability of the entity requires a close monitoring of the significant decrease of those assets. If this becomes a tendency, PAHO should take the necessary steps to ensure the continuity of its activities and projects.

- There has been a large increase in the Inventories amount caused by the inclusion of the PALTEX program, as well as a significant revaluation in a specific asset of Property, Plant and Equipment which increased a net figure of 16.9 million between financial years (16%).

- The Long Term Investments balance stands at 215.5 USD million, which should be adequate to meet the PAHO needs disclosed as long term liabilities.

- Employee benefits liabilities have increased in 2.6%. Thus, the 180 USD million shown in 2011 has hiked to a 186 USD million liability. Behind this figure, the value of Plan assets is a 47.1% higher (26 USD million to 39 USD million) as the Organization continues contributing to the Plan. However, the value of the defined benefit obligation has raised 8.5% (281 USD million to 305 USD million).

The increase in liabilities is caused by the rising of medical-costs and expectations of a low return on investments due to the global economic situation.

- For PAHO, facing the future funding of this liability is a financial challenge. However, in a short-term perspective PAHO has enough resources to fund the employee benefits of the staff.

3. Country Offices

3.1. Introduction

19 PAHO is present in more than 30 countries throughout the Region of the Americas. PAHO operations and project implementation at a country level is managed by its network of Country Offices and Centers and it funds its operations using regular budget allocations as well as project funds. The cumulative disbursements by these Offices in 2012 was 214.4 million (2011: 199 USD million) which is a significant component of PAHO's reported activity and we, thus, carry out field visits to obtain assurance on controls over locally managed funds and expenditure.

20 Our selection of Country Offices is determined by a risk assessment which takes into consideration of the level of expenditure, the length of time since our previous visit and discussions with Headquarters staff. We also take into consideration the recent visits and findings from the Office of Internal Oversight and Evaluation Services.

21 During 2012, we visited the Costa Rica and Brazil Country Offices. At the conclusion of each visit, we presented the management of the Country Office with our findings and recommendations. Management has been encouraged to respond and set out a clear action plan to implement or follow up the points that we have raised. This was the third consecutive year that external auditors have visited the Brazil Country Office but we considered this to be necessary because this Office is responsible for the largest proportion of PAHO's expenditure, apart from Headquarters.

22 In addition, in course of the field work of the audit developed in HQ we have reviewed documentation regarding activity of all Country Offices.

23 In 2012, an Agreement was signed between the Caribbean Public Health Agency (CARPHA) and PAHO in execution the PAHO´s 50.14 Directing Council Decision. As a result, in 1 January 2013 the Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI), both administered by PAHO were decommissioned and transferred to the Caribbean Public Health Agency (CARPHA). We have prepared the Letters of Confirmation on the Statements of Financial Position

at 31 December 2012 for the Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI).

Nevertheless, PAHO´s Consolidated Financial Statements include all Financial Statements of these Centers in 2012.

24 We reviewed the recommendations that the former external auditor (National Audit Office) had made after their previous visits to the Brazil Country Office in 2010 and 2011, and we can state that considerable improvements have been achieved, particularly in understanding the accrual process and its correct application.

3.2. Exchange rate risk

25 PAHO financial transactions are conditioned by some economic factors regarding foreign exchange market. For instance, international currencies market, economic situation at a country, regional and global level, national banking rules and currency regulation of each country, could be mentioned.

26 The functional and reporting currency of the organization is the USD. Also, PAHO applies the United Nations Official Exchange Rate (UNORE), periodically updated, for all accounting matters.

27 Management´s answer to this issues result in a variety of actions. We mention, among others:

- Policies to define the treasury management. In general terms Country Offices maintain a maximum 30 days limited amount of cash balances, and every excess of local currency funds are converted to USD.
- A very prudent investment policy to ensure a maximum level of safety, an adequate level of liquidity and returns.
- Preferred relationship with an international wide international bank. This allows PAHO to manage banking transactions in an efficient way.
- Implemented tools to execute payments: Automatic Clearing House (ACH), wire transfers, credit cards, checks, etc.

28 Nevertheless, we consider that PAHO is still exposed to exchange rate risk in, at least, three different types of transactions:

- When selling USD to buy local currency. This type of transactions is made several times a year, depending on disbursement needs of each Country Office.
- When collecting contributions agreed in a non USD currency (as the functional currency of PAHO is USD).
- When selling local currency to buy USD, for example in case of excess of cash balance in local currency accounts.

29 The level of risk depends on the range of the fluctuation of the currencies and the activity of the organization in each country. The fact is that the exchange rate risk for PAHO is especially noted in some Countries (Brazil, Colombia, Venezuela)

30 Moreover, WHO E-manual regulates in its Chapter X.1.2 the management of exchange rate risk. WHO E-Manual suggests the use of some derivatives as hedging tools like collars or forwards to reduce the impact of movements in different exchange rate.

31 Despite the fact that management has studied reports about proposals to address this risk. A decision has not been made yet.

32 In our visit to the Brazil Country Office, we noted some banking operations regarding the selling of excess Brazilian reals (BRL) in order to maintain in the current account only the amount of the local currency needed to satisfy the Brazil Country Office requirements for 30 days. As a result, the PAHO was exposed to exchange rate risk and made the currency exchange transaction in an unfavorable situation.

Recommendation 1: Consequentially, and given the important monetary amount of those operations, we recommend that PAHO consider the possibility of hedging the exchange rate risk. PAHO, as advised by the Investment Committee, might consider, among others, the following options to address the exchange rate risk:

- **The use of financial derivatives (forwards, collars, cap, floor) to hedge exchange rate risk.**
- **Investing locally in case the investments comply with the conservative investing policies of the organization. We encourage keeping a prudent investment policy.**

- **Increasing temporarily the local currency balances, in order to minimize the currency exchange risk.**

3.3. Letters of Agreement

33 The policy for utilizing letters of agreement is very variable and is currently under review.

34 During our visit to the Brazil Country Office, it was not possible to give an opinion as to whether the work performed by letters of agreement fits within the exclusions specified by the E-Manual and we were not able to check if people hired to perform the job were employees of public institutions.

35 We identified that there is a risk that letters of agreement could be used for other purposes than those for which they were created if a clearly defined policy is not approved and that letters of agreement funds might have been used to pay for services rendered by people employed by an institution of the public sector.

Recommendation 2: We recommend that the E-Manual define exclusions for the use of letters of agreement in a clearer way in order to avoid the misuse and the misunderstanding of this valuable cooperation instrument. We suggest to specify what services should be excluded from the use of letters of agreement and to establish control mechanisms to make sure this is observed.

3.4. Courses and Seminars

36 The definition of courses and seminars is not clear in PAHO procedures, and it is neither updated nor completely adapted to the real needs of the Country Offices. Furthermore, since the category of courses and seminars is neither clearly defined nor updated and since there are different ways to record it in the accounting system, there is a risk related to the control and monitoring of this issue.

Recommendation 3: In order to have a better understanding and control of the category of "Courses and seminars", they should be channeled through Letters of Agreements if they

are carried out by external entities or through service contracts if they are carried out by PAHO and for PAHO staff. Therefore, we recommend PAHO to reconsider the current concept and regulation of this important category.

3.5. Contractual Service Agreement

37 In our audit work, we saw that the Country Offices very often used contractual service agreements to obtain technical products, and in some cases there was not enough transparency in the selection process. In addition, we noticed that in HQ the justification to award some service contracts to a sole source is very weak and does not prove that the contractor is "the best to meet PAHO's requirements stated in the request for proposals or invitation to bid at the lowest price" as is required in the E-Manual.

The percentage of service contracts awarded in HQ on a sole source is quite high (236 out of 296) in 2012.

Recommendation 4: We recommend using a more open selection process with, at least three offers, as it is established in the PAHO procurement process. In those cases in which there is only one candidate because of the high specialization required, this should be clearly justified.

3.6. Accounting

38 Under IPSAS, entities are required to recognize expenditure in the Financial Statements on an accrual basis. Although we recognize the improvement of the accrual concepts understanding, there remains a certain level of error in its application. Also we have noted the existence un-identified pre-paids.

Recommendation 5: We recommend that PAHO continue reinforcing the training on IPSAS concepts and keep a close oversight of those units with a higher risk.

4.Governance Matters

39 There are mechanisms on which the Governing Bodies of every international organization rely to supervise the effectiveness of its activity. We have analyzed these mechanisms as part of our audit.

4.1. Pan American Sanitary Bureau (PASB) Management Information System (PMIS)

4.1.1. Background

40 The key dates in the process for modernising the Pan American Sanitary Bureau (PASB) Corporate Management System, have been the following:

- In 2008, the 48th Directing Council authorised to perform analysis for modernising the Pan American Sanitary Bureau (PASB) named Management Information System (PMIS) Modernisation Project.
- In 2010, the 50th Directing Council approved an Enterprise Resource Planning (ERP) System. The project estimated budget was of 20.3 USD million.
- On 8 June 2011 the Director formally announced the launch of the PASB Management Information System (PMIS). The implementation schedule envisaged had two phases: Pre-implementation Phase (June 2011 – mid 2012) and Implementation Phase (mid 2012 – mid 2014).

41 Despite the considerable effort that was put into producing a number of important outputs, some key elements of the pre-implementation phase was not delivered as planned and the project schedule was not met. Furthermore, PAHO had not produced a fully articulated business case supporting the need for an ERP and the related costs and benefits, detailed project plans, clearly defined and designated project resources, including staff resources, and careful monitoring of progress, risks and other issues affecting the project´s timetable and costs.

42 Finally, the estimated costs after selecting a vendor, the provisionally selected systems integration (Tier 1 solution) vendor and other expenses calculated by PAHO, added up approximately 29.4 USD million, an amount much higher than the initially estimated budget (20.3 USD million).

4.1.2. Status of the Enterprise Resource Planning (ERP) System

43 Given the above background and in order to resolve the situation described, in October 2012, PAHO appointed the business case analysis team, whose members, under the guidance of the PMIS Steering Committee, were the major business process owners, which included the Project Manager and Focal Points of the following Areas: Planning, Budget and Institutional Development (PBI), Financial Resources Management (FRM), Human Resources Management (HRM), Procurement and Supply Management (PRO), Information Technology Services (ITS), and Country Offices. The business case analysis team was supported by external advisers.

This implied that most of the work previously done was not useful for PAHO. At that point, the project had spent approximately 1.1 USD million against the estimated ERP´s budget 20.3 USD million.

44 In January 2013, the Business Case document was presented which included the necessary information for the Member States and PAHO´s staff to know the advantages of the resources planning system. This involved the information relating to PAHO´s activity, which implies a business transformation, organizational re-engineering and the consolidation of the software applications and procedures used by the Organization.

45 On 19 February 2013, the Director changed the responsibility and structure of the PMIS project team. The new project structure is the following:

- Executive Sponsor of the project: Director of Administration.
- Project Charter: Will be reviewed and revised by the Steering Committee in accordance with the new structure.

- Project Management: Will be managed going forward by a new team established within the office of the Director of Administration. The Project lead will be the manager of Information Technology Services (ITS)

4.1.3. Key Goals

46 The overall goal of the project is considered to be six fold[1]:

- Enhancing Technical Cooperation program management;
- Reducing process complexity and providing an opportunity to redirect resources to better focus on PAHO´s mission;
- Streamlining the organization´s business processes to reduce cycle times and process steps as well as the burden on process actors;
- Reducing labor in key administrative functions and increasing the efficiency of operations
- Improving access to and quality of information; and
- Decentralizing decision making while increasing accountability for results.

4.1.4. Project Scope

47 The project scope covers all geographic levels of the organization: regional/headquarters; sub-regional; and country, and includes the replacement of existing information systems as well as supporting workflow tools that support the following areas:

- Program, planning and management.
- Budget.
- Finance.

[1] Terms of Reference: Business Case PASB Management Information System (PMIS) Modernization Project. January 28, 2013.

- Procurement.
- Human resources.
- Organizational learning.
- Payroll.
- Travel.
- Data Warehouse capabilities.
- Customer relationship management.
- Talent management.

48 The business case provides the following timetable:

- Pre-implementation phase (March – September 2013). This phase will include: investigate suppliers of mid-tier ERP software; preparing the streamlining of the request for proposal focused at Tier 2; clean the data; expanding communications; and starting the change management process. Additionally, in this phase will begin the data preparation process (including identification of missing data, identification of duplicate data and evaluation of data quality).
- First phase (October 2013 – September 2014). In this phase will take place the replacement of the systems supporting Program Planning and Management, budget, Finance and Procurement.
- Second phase (October 2014 – September 2015). In this phase Human Resources and Payroll System will be replaced.

4.1.5. Source of Funding

49 The PMIS Project budget is 20.3 USD million. This amount was presented to the 2010 Directing Council. The main source of funding is a Holding Account (10 USD million), which contained surplus funds from the 2006-2007 biennium; the remaining 10 USD million come from a combination of a charge against occupied posts and funds resulting from the implementation of International Public Standard Accounts (IPSAS) in 2010-2011. Of this amount, the expense already incurred in external advisor and business case development was approximately 1.1 USD million.

50 PAHO has tried to adapt the project cost to the amount approved by the 2010 Directing Council (20.3 USD million). The new business case document contains a comparative analysis of the estimated cost in the original project (29.3 USD million); adding the annual proposed recurring ERP costs (8.8 USD million), such as changes in staff, software, hardware, services and maintenance, bandwidth, backfill, disaster recovery, implementation, contingency, depreciation and amortization; and the annual operating reductions (5.2 USD million), basically by changes in staff, software and services and maintenance. Therefore, this analysis shows that PMIS will not recover its initial investment.

As a consequence, PAHO has chosen as ERP suppliers those who target the mid-tier or mid-market and are focused on firms with annual sales between 100 USD million and 1 USD billion (Tier 2 solution). This kind of ERP of Tier 2 alternative solution is estimated to meet the needs of the organization and its business.

The cost of implementing ERP Tier 2 rises to around 20 USD million, so it would be in line with the original budget envisaged for the project. PAHO had contacted with five Tier 2 suppliers, and at the time of writing this report had rejected three of them.

4.1.6. Audit Review

51 The situation of the PMIS Project has changed with the approbation of the new Business Case. The previous Project had not correctly defined key aspects such as the identification of costs, including post-maintenance costs, expected benefits to generate, identified risks and the risks mitigation of each identified risk, among others aspects.

After analyzing the current Business Case, in our view it contains all the parameters needed for acquiring a comprehensive knowledge of the PMIS project, with details about the source of funding, the project approach, the key goals, the key changes in practices, the project cost and cost benefit analysis, among others topics.

52 In conclusion, the new business case is a great step forward in the PMIS Project. However, it is basically a document which outlines the preliminary phase of the project. PAHO should begin the necessary works to define the steps to take in the

coming first phase. Furthermore, PAHO should define indicators or targets in order to enable monitoring the progress in ERP´s implementation.

53 From our point of view and based on our experience in auditing public sector organizations with ERP system implemented, executive level support at the beginning and throughout the project, is very important. Also, we consider that the implementation of an ERP Project in an organization as complex as PAHO requires the efforts and commitment of all staff members. Therefore, it is necessary that the staff be informed about the project progress, its advantages, benefits and cost, and also the staff's training be planned well in advance.

54 Regarding the timing of implementation of ERP, we believe that PAHO should make an effort to complete it and, if possible, shorten the time frame. In that sense, the pre-implementation phase is critical. The correct election of Tier 2 supplier, the change management process, the choice of the best fit for the core ERP software and the clean data process should begin as soon as possible. The compliance with the envisaged schedule is very important because some of the current software applications used by the Organization are outdated and unable to support the information and financial statements based on IPSAS, resulting in a complex and difficult process for preparing the financial statements, as well as in manual operations and off system adjustments (depreciation assets, accruals based, capitalization of tangible and intangible assets, etc.). Moreover, 2015 is a year of completion of a biennium, therefore, it would be desirable for the ERP system to be installed and running correctly in the next biennium.

Recommendation 6: We recommend that PAHO focuses its efforts in order to comply with the estimated deadline in the pre-implementation phase as a priority issue. That phase is the most important as it defines the comprehensive change management and the structure of the whole ERP project.

Recommendation 7: We recommend that PAHO increase its communication and information actions through all levels of the Organization. It is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.

Recommendation 8: We recommend beginning the necessary analysis to determine the steps to take in the coming first and second phases. PAHO should define indicators or targets in order to enable monitoring the progress in ERP´s implementation.

4.1.7 Conclusions

55 The situation of the PMIS Project has changed with the approbation of the new Business Case. The previous Project had not correctly defined key aspects such as the identification of costs, including post-maintenance costs, expected benefits to generate, identified risks and the risks mitigation of each identified risk, among others aspects.

56 The current Business Case contains all the parameters needed for acquiring a comprehensive knowledge of the PMIS project, with details over the source of funding, the project approach, key goals, key changes in practices, project cost and cost benefit analysis, among others topics. In conclusion, the new business case is a great step forward in the PMIS Project.

57 However, the business case is basically a document which outlines the preliminary phase of the project. The following elements should be developed to ensure the success of the ERP Project:

- The support of the executive level must continue throughout the project. The efforts and commitment of all staff members are very important. Also, it is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.
- PAHO should make an effort to fill it out and, if possible, shorten the timeframe of the implementation of ERP Project and especially, the pre-implementation phase. The correct election of Tier 2 supplier, the change management process, the choice of the best fit for the core ERP software and the data cleansing process should begin as soon as possible.
- Compliance with the envisaged schedule is very important as some of the current software applications used by the Organization are outdated and unable to support the information and financial statements based on IPSAS, resulting in a complex and difficult process for preparing the financial statements, as well as in manual operations and off system adjustments (depreciation assets, accruals based, capitalization of tangible and intangible assets, etc.). Moreover, 2015 is a year of the completion of a biennium, therefore, it would be desirable that the ERP system would be installed and running correctly in the next biennium.

- PAHO should begin the necessary analysis to determine the steps to take in the future first phase. Furthermore, PAHO should define indicators or targets in order to enable monitoring the progress in ERP´s implementation.

4.2. Enterprise Risk Management

58 The first steps for creating a risk management framework in PAHO were taken in 2010. During 2011 a framework based upon ISO3100 was adopted (a set of internationally recognised standards, which provide principles and guidelines on risk management).

59 A conceptual framework for the risk management strategy was approved and a Senior Risk Management Committee was established in November 2011. The first meeting of the Committee took place in November 2012. In that meeting the following issues were presented to the Committee:

- Background.
- Scope: PAHO Enterprise Risk Management covers all PAHO entities and applies to all staff involved in program and operations activities in HQ and Country Offices.
- Definitions and targets of the risk management framework.
- Risks detected with details of areas affected and setting out of the proposed mitigating action, taking into account existing controls and responsibilities.
- Enterprise Risk Management Information System: software used in the risk management process.
- Training workshops provided to staff.
- The drawing up of a Risk Management Policy document was also communicated.

60 Currently, a key meeting among the PAHO´s Director, the Director of Administration and the person responsible for the project, concerning the next steps of the Enterprise Risk Management is pending. The issues to be discussed are the document called “Top PAHO Corporate Risks” and the Draft of the Enterprise Risk Management Policy that will be included in the E-Manual. That Policy will include, among other

aspects, the scope, the risk management framework, the policy and essential procedures and the primary responsibilities in PAHO.

61 The implementation of the system continues relying upon the efforts of only one key member of staff, who, besides, is close to his retirement age. Currently, around 50% of all PAHO units have been trained and have received the assistance required to properly understand how to manage the organization's risk effectively and to sustain that skill and knowledge, having this training been delivered by this key member.

62 However, we believe that the following issues should be resolved as soon as possible:

- PAHO should define the Risk Management as an institutional procedure integrated in the organizational processes, in order to ensure that the organization sustains a comprehensive understanding of its risks.
- The resources devoted to the implementation of the system may not be sufficient to ensure that the risk management concept is integrated in PAHO´s culture. The above is aggravated by the fact that only one staff member has been working on the project since its beginning, and this person is not far from retirement age.
- It would be useful to establish a timetable for the next steps to take to achieve success in the project

Recommendation 9: We recommend that the PAHO´s Director should define the Risk Management as an institutional process, thus demonstrating the commitment, the support as well as the importance of this project within the whole Organization.

Recommendation 10: We recommend that the Draft Risk Management Policy be adopted as soon as possible.

Recommendation 11: We recommend that PAHO create a Risk Management Unit to develop the management risk functions and review the resources devoted to the implementation and maintenance of the system to ensure success when the system will be fully operational.

4.3. E-Manual

63 PAHO has different regulations: the E-Manual, directives, rules, several policies and numerous guidelines. We have also noticed that some Country Offices have their own procedures and guidelines.

64 The fact that there is not a comprehensive and updated E-Manual makes difficult to perform PAHO's mission in a reliable legal environment.

65 PAHO needs to have all information regarding its policies and procedures readily available in one single document and in a useful format. The E-Manual should be the single and unified source of information on policies and procedures that directs PAHO personnel in the conduct of their responsibilities to achieve the Organization's Strategic Objectives.

66 Policies included in the E-Manual should be consistently reviewed and applied to support an effective management.

Recommendation 12: PAHO needs a comprehensive E-Manual to provide guidance and assistance to all staff in the implementation of the PAHO values of equity, excellence, solidarity, respect and integrity. We recommend that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.

4.4. PALTEX Program

4.4.1. Background

67 The Expanded Textbook & Instructional Materials Program (PALTEX) is a joint Program of the Pan American Health Organization (PAHO) and the Pan American Health and Education Foundation (PAHEF).

68 The Pan American Health and Education Foundation, created by PAHO in 1968, is a U.S.-based nonprofit organization that builds public health expertise leading to innovative development of healthier generations in the Americas by partnering with PAHO, the private sector, and major public health research, policy, and development

groups. As an independent organization, PAHEF supports PAHO's vision of health for all.

69 PALTEX is functioning since 1968 and its main objective is to support and to improve the quality of educational process, through the provision at affordable prices of relevant educational materials (print materials, basic diagnostic instruments, textbooks for professionals and student and other publications) that are pertinent, accessible and updated, to students and health workers throughout Latin America and Caribbean countries, as part of PAHO’s technical cooperation.

70 Currently, PAHO has signed Agreements with 19 Latin American and Caribbean member countries to operate PALTEX; and a Memorandum of Understanding with 570 participating institutions (universities, schools, hospitals, medical associations, etc.).

71 Purchases of books and medical equipment were managed by PAHEF. For distribution, inventory control, relationship with institutions and sale of materials PAHEF used the PAHO´s infrastructure. Expenses, revenues and surplus from the program, were recorded in the financial statements of PAHEF until 31 March 2012.

4.4.2. Status as from April 1, 2012

72 The Pan American Sanitary Conference, by Resolution CSP28.R3 of September 19, 2012, mandated the consolidation of the overall management and administration of all aspects of the PALTEX Program back to PAHO, including its assets, administration, operations, inventory, procurement and finance.

73 Even though the PALTEX Asset Transfer Agreement was signed between PAHEF and PAHO on 5 November 2012, the implementation and management of the PALTEX Program by PAHO took effect on 1 April 2012.

74 The Program funds were transferred to PAHO after the Agreement was signed. Three types of assets were transferred: Cash 9.721 USD million, Inventory 7.633 USD million and Fixed Assets 0.433 USD million. All assets transferred to PAHO for the PALTEX program have been treated as an acquisition and properly recognized as a gain in the income statement, rising to an amount of 17.787 USD million.

75 A physical inventory was made on November 30, 2012 by internal PALTEX staff. The inventory value was of 7.998 USD million.

76 At December 31, 2012, PAHO recorded an allowance for obsolete/damage in the inventory of 1.322 USD million.

4.4.3. Audit Review

77 We have analyzed the information given by PAHEF to PAHO to supporting figures concerning assets to be transferred to PAHO. This information consists of Financial Report for December 31, 2011 audited by McGladrey Company and Statement of Financial Position as of March 31, 2012.

78 We have confirmed the consistency of the figures supplied for both periods, according to the disclosure of the statements and the activity of PAHEF concerning PALTEX program.

79 The necessary documentation to support data shown in Financial Statements has not been available. Therefore it has not been possible to contrast the accuracy of the figures. Nevertheless, Financial Report for 2011 has been audited and found to be in right terms.

80 Regarding figures provided as of March 31, 2012, they have been compared with the previous as of December 31, 2011 and the variations found are not relevant.

The Agreement signed November 5, 2012, between PAHEF and PAHO, accepts the valuation supplied by PAHEF of the assets to be transferred to PAHO.

81 We agree to the way in which the operation has been recorded in the accounting system. In the absence of a current IPSAS dealing with this type of transaction, the subject matter falls within the scope of International Financial Reporting Standards number 3 (Business Combination).

82 In relation to the objectives of PALTEX Program, PAHO should analyze whether the current structure (relationship between Head Quarters, Country Offices participating institutions and editorial companies) is the most appropriate after the transfer of the

program from PAHEF to PAHO. To perform the above analysis, PAHO should consider the increasing consumption of digital media (eBook, mobile and computer applications, online books, etc.) versus traditional publishing (books on paper), and the growth of social networks where content is shared and where the users interact

Recommendation 13: Due to different valuation of the PALTEX Program inventory and the concern that it would contain obsolete, damaged or lost books, we recommend PAHO to carry out a physical inventory control by an independent party.

Recommendation 14: We consider that PAHO should strengthen the control over the books inventory. Currently, all the operations are registered manually by the PALTEX staff by means of software program. We recommend the use of electronic control systems, using bar code reader that provides accurate information about the inventory.

Recommendation 15: We suggest that PAHO perform a study on the technical and economic future viability of PALTEX Program. In addition to analyzing whether the revenues obtained cover expenses for operation, the Organization should analyze the increasing consumption of digital media versus traditional publishing.

5. Follow up of prior year recommendations

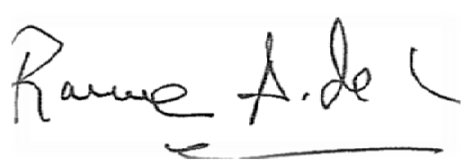
83 The National Audit Office (NAO) report for 2011 contains a number of recommendations about PAHO's management. As part of our work we have followed up the progress that PAHO has made in implementing these. The detailed follow up, including both the response from PAHO and our comments thereon, is set out in Annex B.

84 Overall we are of the opinion that PAHO has responded appropriately to NAO previous recommendations and is taking steps to address the issues raised. We conclude that PAHO has responded positively to recommendations regarding the ERP and IES. Recommendations about strengthening PAHO's internal review procedures and understanding about accruals concept; compliance of procurement procedures in Country Offices and ERM are either partially implemented or in progress.

Acknowledgement

We wish to record our appreciation for the co-operation and assistance provided by the Director and the staff of the Organization during the course of our audit.

Madrid, April 12, 2013



Ramón Álvarez de Miranda García

President of the Spanish Court of Audit

Annex A - Summary of Audit Recommendations

Recommendation 1: Consequentially, and given the important monetary amount of those operations, we recommend that PAHO consider the possibility of hedging the exchange rate risk. PAHO, as advised by the Investment Committee, might consider, among others, the following options to address the exchange rate risk:

The use of financial derivatives (forwards, collars, cap, floor) to hedge exchange rate risk.

Investing locally in case the investments comply with the conservative investing policies of the organization. We encourage keeping a prudent investment policy.

Increasing temporarily the local currency balances, in order to minimize the currency exchange risk.

Recommendation 2: We recommend that the E-Manual define exclusions for the use of letters of agreement in a clearer way in order to avoid the misuse and the misunderstanding of this valuable cooperation instrument. We suggest to specify what services should be excluded from the use of letters of agreement and to establish control mechanisms to make sure this is observed.

Recommendation 3: In order to have a better understanding and control of the category of "Courses and seminars", they should/could be channeled through Letters of Agreements if they are carried out by external entities or through service contracts if they are carried out by PAHO and for PAHO staff. Therefore, we recommend PAHO to reconsider the current concept and regulation of this important category.

Recommendation 4: We recommend using a more open selection process with, at least three offers, as it is established in the PAHO procurement process. In those cases in which there is only one candidate because of the high specialization required, this should be clearly justified.

Recommendation 5: We recommend that PAHO continue reinforcing the training on IPSAS concepts and keep a close oversight of those units with a higher risk.

Recommendation 6: We recommend that PAHO focuses its efforts in order to comply with the estimated deadline in the pre-implementation phase as a priority issue. That phase is the most important as it defines the comprehensive change management and the structure of the whole ERP project.

Recommendation 7: We recommend that PAHO increase its communication and information actions through all levels of the Organization. It is necessary for the staff to be informed about the project progress, its advantages, benefits and cost, and the training to be planned well in advance.

Recommendation 8: We recommend beginning the necessary analysis to determine the steps to take in the coming first and second phases. PAHO should define indicators or targets in order to enable monitoring the progress in ERP´s implementation.

Recommendation 9: We recommend that the PAHO´s Director should define the Risk Management as an institutional process, thus demonstrating the commitment, the support as well as the importance of this project within the whole Organization.

Recommendation 10: We recommend that the Draft Risk Management Policy be adopted as soon as possible.

Recommendation 11: We recommend that PAHO create a Risk Management Unit to develop the management risk functions and review the resources devoted to the implementation and maintenance of the system to ensure success when the system will be fully operational.

Recommendation 12: PAHO needs a comprehensive E-Manual to provide guidance and assistance to all staff in the implementation of the PAHO values of equity, excellence, solidarity, respect and integrity. We recommend that PAHO proceed to update the E-Manual with all policies and procedures involve in PAHO's management.

Recommendation 13: Due to different valuation of the PALTEX Program inventory and the concern that it would contain obsolete, damaged or lost books, we recommend PAHO to carry out a physical inventory control by an independent party.

Recommendation 14: We consider that PAHO should strengthen the control over the books inventory. Currently, all the operations are registered manually by the PALTEX staff by means of software program. We recommend the use of electronic control systems, using bar code reader that provides accurate information about the inventory.

Recommendation 15: We suggest that PAHO perform a study on the technical and economic future viability of PALTEX Program. In addition to analyzing whether the revenues obtained cover expenses for operation, the Organization should analyze the increasing consumption of digital media versus traditional publishing.

Annex B - Implementation of Prior Year Recommendations

We reviewed management's implementation of recommendations made by former external auditor in prior year long form report. We have summarized the response and provided our evaluation, based on the audit work we have undertaken in respect of internal controls.

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
Country Office Visits Identification of Accrued Expenditure	**Recommendation 1:** We recommend that PAHO continues to impress upon key staff across the Organization the importance of understanding the accruals concept and obtain complete and relevant evidence to support the level of accrued expenditure reported at the year end. PAHO should also consider further strengthening their internal review procedures in view of the errors which continue to be made.	PAHO will continue to impress upon key staff across the Organization the importance of understanding the accruals concept and obtain complete and relevant evidence to support the level of accrued expenditure reported at the year end. PAHO will also continue to further strengthen internal review procedures in view of the errors which were identified. FRM will continue to strengthen the training program in both headquarters and the country offices. In addition, the Country Accounting Services Team (FRM/AR/C) will dedicate a portion of their country office visits to accrual review training and the Accounts Team (FRM/AR/P/W) will visit technical units in headquarters to reinforce the accrual concepts.	In conjunction with the response provided in May 2012, the following was completed: • During the month of September, Elluminate sessions were conducted on the expense recognition process emphasizing the concept of accrual accounting, the relevance of technical officers' participation in the identification of accrued expenses, as well as supporting documentation requirements. FRM conducted a live test on expense recognition in October 2012. The • Country Accounting Services Team (FRM/AR/C) issued several documents to be used by the country offices and centers in the analysis of obligations for the expense • recognition requireme nts. • PAHO provided on-site training on expense recognition during the CAS country offices visits in 2012. The	Although we recognize the improvement of the accrual concepts understanding, it remains a level of error in its accounting. **Partially implemented**

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
			country offices visited were Argentina, Chile, Mexico, Colombia, Haiti, El Salvador, and Ecuador. • FRM/AR/C provided assistance via telephone on the completion of the expense recognition process in December 2012. • Supporting documentation was reviewed for 25% of the highest value accrued obligations in each country office. • Allottees were requested to re-certify the accuracy of the reported accrued expe nses during the 2012 exercise (completed 7 January 2013).	
Country Office Visits **Internal Controls**	**Recommendation 2:** We recommend that PAHO puts measures in place to ensure that staff throughout the Organization comply with laid down procurement procedures. This will ensure that PAHO makes the most effective use of its resources and receives value for money from its purchases. Particular emphasis should be placed on ensuring Letters of Agreement are used appropriately and on the prevention of single source tendering. Where single source procurement is used the reasons for such action should be clearly documented.	With a view toward ensuring effective awareness, the Area Planning, Budget and Resource Coordination (PBR) undertakes regular training (at least twice per year) regarding the use of Letters of Agreement. PBR will collaborate with corresponding entities (for example, the Office of Country Focus Support (CFS), Office of Legal Counsel (LEG), Office of Internal Oversight and Evaluation Services (IES), Office of Administration (AM), the Areas of Financial Resources Management (FRM), Procurement and Supply Management (PRO)) to address accountability and compliance issues. Training is ongoing at six monthly intervals. Internal	During 2012, the Area of Planning, Budget and Institutional Development (PBI), the Area of Information, Technology Services (ITS) and the IT team in the PWR Brazil Office collaborated in the deployment in all PAHO offices (countries and HQ) of a workflow for the preparation, approval and execution of Letters of Agreement (LOA). The LOA workflow, developed in alignment to the Letters of Agreement Policy of PAHO-WHO (January 2010), integrates all operational requirements and standards of the policy in an automated system used by all regional, country and center offices of PAHO/WHO. The workflow facilitates the use of this contractual instrument – all data entry is performed in a single system allowing electronic filing of all supporting documentation, including beneficiary eligibility	Although the workflow is an important step to improve the tracking of LOAs, risks remains, and also we consider that the accountability of the activity developed through LOAs should be improved. **Partially implemented LOAs**

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
		audits undertaken on a scheduled basis. Compliance and accountability recommendations will be provided to Executive Management by December 2012.	documents. It also ensures compliance with the requirements of the policy, facilitates monitoring of the LOAs, and increases accountability. During 2012, PBI completed two-day training sessions to all organizational entities (5 via Blackboard and 4 face to face, in Brazil, Haiti and HQ) to train users in the system prior to deployment. Currently, all PAHO offices using LOAs to implement technical cooperation do so through the workflow. In keeping with good management practices, PBI will continue to provide regular training and support to all entities during 2013.	
Governance Matters Enterprise Risk Management	**Recommendation 3:** PAHO's investment in developing a risk management framework is welcomed and we recommend that progress be reviewed against the project target dates to ensure that it is embedded within procedures and the culture of PAHO as soon as possible.	Training on Risk Management is being provided to Entity Risk Focal Points. Also, participants in risk assessment workshops are being trained during the exercise. The expected results are that entities will start implementing risk management in all processes of the organization, including the Work Biannual Plans, Projects and Operations. Some of the entities already assessed had expressed their commitment to use the risk management methodology for all their future planning and operations evaluations.	Training is still in progress and it is expected that training for focal points in country offices will conclude by the Spring of 2013. The Organization has purchased a Risk Management Information System that was implemented in December 2011 and will support all ERM activities. The Organizational Risk Register will be presented to the Director in 2013 for final approval.	**Ongoing**
Governance Matters Enterprise Risk Management	**Recommendation 4:** We further recommend that PAHO review the resources devoted to the implementation of the system to ensure that they are adequate to cope with the future roll out, and that the successful	Training on Risk Management is being provided to Entity Risk Focal Points. This training will ensure that participants obtain the knowledge and skills to perform risk assessments and to work with the risk management information system.	The Entity Risk Focal Points will be able to perform risk assessments and use the system in their own entities as required once they are trained. In addition, system administrators from some country offices have been trained on the system. They will be able to provide support to their country	**Partially Implemented**

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
	implementation and maintenance of the new system is not over-reliant on the efforts of one key member of staff.	The Entity Risk Focal Points will be able to perform risk assessments in their own entities as required. At this point there are at least 15 staff members with the access to the system that have the knowledge to perform all the system functions required to manage PAHO's risks. Therefore, the use of the system is not being over-reliant on the efforts of only one staff member.	offices and the sub-region in which they are located. Nevertheless, it is expected that by the end of 2013, all system administrators will be trained on the use of the system in order to make them competent to provide support to their country office.	
Office of Internal Oversight and Evaluation Services	**Recommendation 5:** While such expertise can be contracted in for specific assignments we recommend that IES review its staffing profile and consider whether it requires further specialist information systems audit resources. Such skills may be of particular added value in future as PAHO begin the implementation of a new ERP system.	The Auditor General has reviewed the staffing needs of the Office of Internal Oversight and Evaluation Services (IES) and has concluded that it would not be cost-effective to request funding for a fixed-term post for IT auditing. More generalist internal auditing skills are, in the Auditor General's opinion, more valuable to IES. IES intends to hire in IT auditing expertise as needed in the future.	Completed	**Completed**
Office of Internal Oversight and Evaluation Services	**Recommendation 6:** We recommend that IES develops performance indicators to measure how well they perform against their annual audit plans and over time. Examples of such measures include: the proportion of audit recommendations accepted by management; the number of recommendations implemented within a given timescale; financial savings generated as a result of audit recommendations; the costs of reports delivered compared to planned	The Auditor General has considered suitable performance measures for IES. In addition to the existing measurement of the number of reports delivered compared to those planned (which is the core measure used for Results Based Management purposes), IES shall also adopt two significant measurements – the % of IES recommendations accepted by the Director of PAHO (target: 95%) and the cumulative % of IES recommendations implemented at any point in time (target: 75%). IES shall continue to review the	Completed	**Completed**

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
	costs; and the number of reports delivered compared to those planned. IES need to develop measures which are specific to their and PAHO's circumstances.	appropriateness of potential further performance measures.		
Office of Internal Oversight and Evaluation Services	**Recommendation 7:** We recommend that management take action to improve the implementation rate of IES recommendations as a matter of priority so that IES can "add-value" in the timeliest manner.	Over the past year a number of IES recommendations were acknowledged as legitimate recommendations, but rather than address these recommendations with additional funds being spent on antiquated legacy system, it was decided that it was more efficient and economical to implement these recommendations in the new PMIS system or new travel system that will be coming on-line in the future. Both the travel system and the PMIS are in development stages right now and we did not feel that it was reasonable for them to be considered delinquent. IES has since subsequently adjusted the pending items accordingly.	Response remains the same.	**No comments**
Development of an Enterprise Resource Planning (ERP) System **Clarity of Goals and Objectives**	**Recommendation 8:** We recommend that a fully articulated and detailed business case in support of the ERP project is formulated as soon as possible. The business case should state clearly the business need for the project together with the costs and benefits it is expected to generate.	The PMIS Project will convene a task force to develop a business case over the coming months. This team will be coached by an outside expert and will focus on both quantitative measures and qualitative aspects. The business case will contain a clear statement of goals and objectives, a discussion of business capabilities and processes, a comprehensive budget, and clear success criteria.	A cross –organizational task force of 8 persons from across PAHO (and led by two independent consultants) prepared the Business Case identified here. It was accepted by management at the end of January 2013. The PMIS team is in the process of selecting the ERP software and systems integrators.	**Implemented**
Development of an Enterprise Resource	**Recommendation 9:** We consider that significant uncertainty is	As part of developing the Business Case defined in Recommendation 8, the	Based on the Business Case, a comprehensive budget was prepared as a separate Note for	**Implemented**

Subject	Audit Recommendation	Management Response (May 2012)	Update as of 2 April 2013	External Audit Comments
Planning (ERP) System **Clarity of Goals and Objectives**	attached to the current project budget and recommend that it be re-examined in more detail. The full estimated costs of implementing the ERP solution in PAHO should be calculated including the costs of elements currently excluded from the approved project budget. In the future, project budget and forecasts should be regularly updated and reported to management on a periodic, preferably monthly, basis.	PMIS project will develop a more comprehensive budget.	the Record. As the project moves forward, this budget may be revised.	
Development of an Enterprise Resource Planning (ERP) System **Change Management**	**Recommendation 10:** We recommend that comprehensive change management and communication plans are drafted as a matter of priority. Similarly, work needs to be completed on the definition of new and refined modern business processes to be implemented as part of the ERP solution.	The PMIS Project team will develop and implement a first iteration of both change management and communications plans as soon as possible and no later than Q3 2012. However, a full assessment of business processes, how they will change as a result of the ERP initiative, their impact on the Organization, and what specific change management efforts will be required to address those changes will be part of the Business Case that will be developed in response to Recommendation 8.	The first iteration of Change Management and Communication plans were prepared.	**Ongoing**
Development of an Enterprise Resource Planning (ERP) System **Risk Management**	**Recommendation 11:** We recommend that a comprehensive risk management approach is introduced for the ERP project. A register of all risks affecting the project should be compiled and submitted to the Project Steering committee on a regular basis.	The PMIS Project team will work with the PAHO Risk Management Officer and conduct a formal risk assessment, incorporating that into the Enterprise Risk Management Framework.	A draft Risk Management plan has been produced, with critical risks identified and catalogued. This will be incorporated into the Enterprise Risk Management Framework upon the completion of the formal risk assessment.	**Implemented**

Unaudited Informational Annex

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Segmented Information on the Statement of Financial Performance

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Core Activities Segment

	PAHO Regular Budget	AMRO Regular Budget	PAHO Governing Bodies Projects	**Total 2012**	Total 2011
REVENUE					
Revenue from Non-Exchange Transactions					
Assessed Contributions	96 200 000			96 200 000	93 200 000
Voluntary Contributions					
Other Revenue		37 792 522		37 792 522	40 753 500
Revenue from Exchange Transactions					
Procurement of Public Health Supplies					
Other Revenue	337 380			337 380	615 747
Miscellaneous Revenue	3 263 871			3 263 871	4 305 927
TOTAL REVENUE	**99 801 251**	**37 792 522**		**137 593 773**	138 875 174
EXPENSES					
Staff and Other Personnel Costs	80 219 278	28 780 600	446 370	109 446 248	109 963 576
Supplies, Commodities, Materials	923 549	1 078 899	697 103	2 699 551	6 205 137
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization	1 242 765		(223 263)	1 019 502	(212 950)
Contractual Services	8 404 450	2 580 825	2 747 674	13 732 949	18 355 201
Travel	2 262 142	4 385 729	192 471	6 840 342	10 226 784
Transfers and Grants to Counterparts	1 144 717	369 749	38 469	1 552 935	2 044 680
General Operating and Other Direct Costs	4 041 861	596 720	7 197	4 645 778	5 697 943
Indirect Support Costs					
TOTAL EXPENSES	**98 238 762**	**37 792 522**	**3 906 021**	**139 937 305**	152 280 371
NET SURPLUS (DEFICIT)	**1 562 489**		**(3 906 021)**	**(2 343 532)**	(13 405 197)

* See Note 14.1 Working Capital Fund

Partnership Activities Segment

	PAHO Voluntary Contributions	PAHO National Voluntary Contributions	AMRO Voluntary Funds for Health Promotion
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed Contributions			
Voluntary Contributions	79 464 655	136 028 080	
Other Revenue			19 078 172
Revenue from Exchange Transactions			
Procurement of Public Health Supplies			
Other Revenue	279		
Miscellaneous Revenue			
TOTAL REVENUE	**79 464 934**	**136 028 080**	**19 078 172**
EXPENSES			
Staff and Other Personnel Costs	21 246 119	4 228 028	7 062 020
Supplies, Commodities, Materials	7 496 400	1 697 153	2 476 032
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization			
Contractual Services	15 533 801	52 424 707	3 388 176
Travel	11 741 918	43 788 087	5 157 196
Transfers and Grants to Counterparts	13 905 461	26 427 216	666 365
General Operating and Other Direct Costs	2 107 321	818 681	328 383
Indirect Support Cost	7 436 634	6 644 208	
TOTAL EXPENSES	**79 467 654**	**136 028 080**	**19 078 172**
NET SURPLUS (DEFICIT)	**(2 720)**		

Partnership Activities Segment

AMRO Sasakawa Health Trust Fund	PAHO Emergency Preparedness & Disaster Relief	Total 2012	Total 2011
	792 315	216 285 050	196 819 349
263 075		19 341 247	29 105 371
		279	297
263 075	**792 315**	**235 626 576**	225 925 017
73 034	158 387	32 767 588	34 653 372
1 088	241 251	11 911 924	19 839 422
40 222	224 634	71 611 540	81 955 489
148 731	15 059	60 850 991	42 130 619
	95 615	41 094 657	31 159 053
	297	3 254 682	2 923 838
	51 247	14 132 089	12 706 709
263 075	**786 490**	**235 623 471**	225 368 502
	5 825	**3 105**	556 515

Enterprise Activities Segment

	Revolving Fund for Vaccine Procurement	Reimbursable Procurement on Behalf of Member States	Regional Revolving Fund for Strategic Public Health Supplies	Income From Services
REVENUE				
Revenue from Non-Exchange Transactions				
Assessed Contributions				
Voluntary Contributions				
Other Revenue				
Revenue from Exchange Transactions				
Procurement of Public Health Supplies	481 964 702	27 756 319	52 715 345	
Other Revenue				4 395 967
Miscellaneous Revenue				
TOTAL REVENUE	**481 964 702**	**27 756 319**	**52 715 345**	**4 395 967**
EXPENSES				
Staff and Other Personnel Costs				285 975
Supplies, Commodities, Materials	468 088 981	27 756 319	51 277 363	1 638 411
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization				
Contractual Services				1 267 003
Travel				418 192
Transfers and Grants to Counterparts				
General Operating and Other Direct Costs				742 082
Indirect Support Costs				
TOTAL EXPENSES	**468 088 981**	**27 756 319**	**51 277 363**	**4 351 663**
NET SURPLUS (DEFICIT)	**13 875 721**		**1 437 982**	**44 304**

Enterprise Activities Segment

Program Support Costs	Expanded Textbook and Instructional Materials Program	AMRO Special Account for Servicing Costs	**Total 2012**	Total 2011
14 146 068			14 146 068	12 817 303
		3 344 397	3 344 397	6 721 394
3 382 560			565 818 926	458 167 405
264 424	3 614 924		8 275 315	3 540 599
(929 619)	17 781 512		16 851 893	(2 809 834)
16 863 433	**21 396 436**	**3 344 397**	**608 436 599**	478 436 867
14 787 428	695 366	561 867	16 330 636	11 183 882
21 510	3 685 335	115 936	552 583 855	444 377 951
	85 714		85 714	
222 558	435 198	1 292 561	3 217 320	3 735 706
58 356	307 367	179 809	963 724	454 207
				11 731
76 501	711 466	1 194 224	2 724 273	2 223 970
15 166 353	**5 920 446**	**3 344 397**	**575 905 522**	461 987 447
1 697 080	**15 475 990**		**32 531 077**	16 449 420

Special Activities Segment

	PAHO Health Promotion	PAHO Provision for Termination & Repatriation Entitlements	PAHO Provision for Staff Entitlements	PAHO Post Occupancy Charge	PAHO After Service Health Insurance	PAHO Tax Equalization Fund
REVENUE						
Revenue from Non-Exchange Transactions						
Assessed Contributions						10 045 000
Voluntary Contributions						
Other Revenue						
Revenue from Exchange Transactions						
Procurement of Public Health Supplies						
Other Revenue	7 017	2 358 396	4 610 729	4 567 701	1 868 448	
Miscellaneous Revenue						
TOTAL REVENUE	**7 017**	**2 358 396**	**4 610 729**	**4 567 701**	**1 868 448**	**10 045 000**
EXPENSES						
Staff and Other Personnel Costs	15 181	4 044 274	4 333 365		24 107 463	7 260 975
Supplies, Commodities, Materials	48 964			42 004		
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization						
Contractual Services	75 942			1 107 998		
Travel	56 112			43 725		
Transfers and Grants to Counterparts	112 000					
General Operating and Other Direct Costs	6 723			260 364		
Indirect Support Costs						
TOTAL EXPENSES	**314 922**	**4 044 274**	**4 333 365**	**1 454 091**	**24 107 463**	**7 260 975**
NET SURPLUS (DEFICIT)	**(307 905)**	**(1 685 878)**	**277 364**	**3 113 610**	**(22 239 015)**	**2 784 025**

Special Activities Segment

PAHO Master Capital Investment Fund	AMRO Terminal Payments Account	AMRO Non- Payroll Statutory Entitlements	AMRO Staff Development and Learning Fund	AMRO Post Occupancy Charges Fund	Total 2012	Total 2011
					10 045 000	5 125 000
			112 703	1 018 478	1 131 181	2 488 356
1 108 584	411 191	1 726 530			16 658 596	16 630 411
1 108 584	**411 191**	**1 726 530**	**112 703**	**1 018 478**	**27 834 777**	24 243 767
	411 191	1 726 530			41 898 979	22 666 612
487 400			625		578 993	584 724
37 386					37 386	(210 135)
1 324 178			16 243	477 634	3 001 995	1 971 876
			93 219		193 056	353 256
					112 000	14 511
914 484			2 616	540 844	1 725 031	862 438
2 763 448	**411 191**	**1 726 530**	**112 703**	**1 018 478**	**47 547 440**	26 243 282
(1 654 864)					**(19 712 663)**	(1 999 515)

Sub-Regional Consolidated Centers Activities Segment/Intra-party Segment

	Caribbean Epidemiology Center	Caribbean Food and Nutrition Institute	Total Sub-Regional Consolidated Centers Activity Segment	Intra-Party Segment	Total 2012	Total 2011
REVENUE						
Revenue from Non-Exchange Transactions						
Assessed Contributions	2 613 855	412 269	3 026 124		109 271 124	101 351 124
Voluntary Contributions	12 498	121 242	133 740	(14 146 037)	216 418 821	197 084 650
Other Revenue		41 513	41 513	(1 018 478)	60 632 382	77 488 654
Revenue from Exchange Transactions						
Procurement of Public Health Supplies				(3 382 559)	562 436 367	455 891 060
Other Revenue	441 172	9 440	450 612	(16 019 543)	9 702 639	5 143 481
Miscellaneous Revenue	11 806		11 806		20 127 570	1 515 138
TOTAL REVENUE	**3 079 331**	**584 464**	**3 663 795**	**(34 566 617)**	**978 588 903**	838 474 107
EXPENSES						
Staff and Other Personnel Costs	2 676 658	168 478	2 845 136	(16 019 543)	187 269 044	162 926 677
Supplies, Commodities, Materials	152 675	43 517	196 192	(3 382 559)	564 587 956	468 716 050
Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization					1 142 602	
Contractual Services	1 738 876	105 173	1 844 049	(477 634)	92 930 219	(423 085)
Travel	183 102		183 102		69 031 215	106 588 548
Transfers and Grants to Counterparts					42 759 592	53 398 190
General Operating and Other Direct Costs	184 108		184 108	(540 844)	11 993 028	33 229 975
Indirect Support Costs		13 948	13 948	(14 146 037)		11 884 841
TOTAL EXPENSES	**4 935 419**	**331 116**	**5 266 535**	**(34 566 617)**	**969 713 656**	836 321 196
NET SURPLUS (DEFICIT)	**(1 856 088)**	**253 348**	**(1 602 740)**		**8 875 247**	2 152 911

Assessed Contributions

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Pan American Health Organization *Annex*
Assessed Contributions and Payments Received

(expressed in US dollars)

Member State	Beginning Balance 1 January 2012	Assessed Contributions	Payments Received	Ending Balance 31 December 2012
Antigua and Barbuda	20 504	21 164	41 668	
Aruba [1\]				
Argentina	3 562 132	2 316 496	5 878 628	
Bahamas		59 644	59 644	
Barbados		43 290	43 290	
Belize		21 164	21 164	
Bolivia		47 138	47 138	
Brazil		9 563 242	6 458 447	3 104 795
Canada		11 562 064	11 562 064	
Chile		1 143 818	1 143 818	
Colombia		1 009 138	1 009 138	
Costa Rica	8 114	212 602	220 716	
Cuba		176 046	176 046	
Curacao [1\]				
Dominica	20 504	21 164	41 668	
Dominican Republic		247 234	247 234	
Ecuador		248 196	248 196	
El Salvador		109 668		109 668
France	19 293	210 678	228 456	1 515
Grenada	68 018	21 164	47 514	41 668
Guatemala	174 963	161 616	336 579	
Guyana	2 349	21 164	18 489	5 024
Haiti	41 940	32 708	74 648	
Honduras		49 062	49 062	
Jamaica		89 466	89 466	
Mexico		7 966 322	7 966 322	
Netherlands		65 416	65 416	
Nicaragua		32 708	32 708	
Panama		151 996	151 996	
Paraguay		89 466	89 466	
Peru		661 856	661 856	
Puerto Rico	103 452	80 808	103 452	80 808
Saint Kitts and Nevis		21 164	21 164	
Saint Lucia	42 872	21 164	64 036	
Saint Vincent and the Grenadines		21 164		21 164
Sint Maarten [1\]				
Suriname		32 708	32 708	
Trinidad and Tobago		173 160	173 160	
United Kingdom	120 628	44 252	55 684	109 196
United States	19 659 816	67 186 090	64 390 253	22 455 653
Uruguay	168 692	205 868	374 560	
Venezuela		2 102 932		2 102 932
TOTAL - PAHO	**24 013 277**	**106 245 000**	**102 225 854**	**28 032 423**

[1\] In accordance with Resolution CSP28.R1, dated 17 Setpetmber 2012, Aruba, Curacao and Sint Maarten were admitted as Associate Members of PAHO. Their assessments, along with the Netherlands, have been established at 0.017% of the approved budget for 2012-2013. Neteherlands paid the entire assessment for 2012 on behalf of the new Member States.

Caribbean Epidemiology Center *Annex*
Administered by the Pan American Health Organization
Assessed Contributions and Payments Received

(expressed in US dollars)

Member State	Beginning Balance 1 January 2012	Assessed Contributions	Payments Received	Ending Balance 31 December 2012
Anguilla		7 841	7 841	
Antigua and Barbuda		17 774	17 774	
Aruba	35 026	35 026	70 052	
Bahamas		122 852	122 852	
Barbados		155 001	155 001	
Belize		27 968	27 968	
Bermuda	39 207	39 207	78 414	
British Virgin Islands		7 841		7 841
Cayman Islands		17 512	17 512	
Dominica	143 786	17 774		161 560
Grenada	33 848	17 774		51 622
Guyana	87 794	89 395	171 060	6 129
Jamaica	2 935 529	342 677	342 677	2 935 529
Montserrat	11 761	7 841		19 602
Netherlands Antilles		87 303	8 335	78 968
Saint Kitts and Nevis		17 774	17 774	
Saint Lucia	62 119	17 774		79 893
Saint Vincent and the Grenadines		17 774	17 774	
Suriname		120 237	120 237	
Trinidad and Tobago		1 438 669	1 438 669	
Turks and Caicos Islands		7 841		7 841
TOTAL - CAREC	**3 349 070**	**2 613 855**	**2 613 940**	**3 348 985**

Caribbean Food and Nutrition Institute *Annex*
Administered by the Pan American Health Organization
Assessed Contributions and Payments Received

(expressed in US dollars)

Member State	Beginning Balance 1 January 2012	Assessed Contributions	Payments Received	Ending Balance 31 December 2012
Anguilla		1 262	1 262	
Antigua and Barbuda		3 771	3 771	
Bahamas		19 379	19 379	
Barbados		39 637	39 637	
Belize		3 771	3 771	
British Virgin Islands		781	781	
Cayman Islands		781	781	
Dominica	15 042	3 771		18 813
Grenada	7 542	3 771		11 313
Guyana	2 355	52 285	48 741	5 899
Jamaica	1 572 250	156 034	312 068	1 416 216
Montserrat	1 262	1 262	2 524	
Saint Kitts and Nevis		3 771	3 771	
Saint Lucia	10 981	3 771	10 981	3 771
Saint Vincent and the Grenadines		3 771		3 771
Trinidad and Tobago	1 532	113 795	112 732	2 595
Turks and Caicos Islands	656	656		1 312
TOTAL - CFNI	**1 611 620**	**412 269**	**560 199**	**1 463 690**

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Procurement Funds

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Statement of Reimbursable Procurement on Behalf of Member States

Annex

(expressed in US dollars)

This Statement of Reimbursable Procurement on Behalf of Member States, formerly known as Advances from Government and Institutions for Procurement, represents funds deposited with the Organization by governments and institutions/agencies under the jurisdiction of the minister of health for the purchase, on behalf of the ministry, of supplies, equipment, and literature which otherwise would be either unobtainable or subject to procurement difficulties in the countries concerned in 2012. A 3.5% service charge was applied to the net cost of the items purchased. In accordance with Resolution CD 50.R1 of the 50th Directing Council an increase of 0.5% to the previously established 3% was approved. In 2012 the service charges amounted to $880 283, in accordance with Resolution CD28.R36 of the 28th Directing Council, this amount was included in the Special Account for Program Support Costs and has been used to defray part of the staff costs related to these procurement functions.

Source of Funds	Accounts Receivable	Deferred Revenue	Revenue/ Expense[1/]
Argentina	-	396 060	54 519
Bahamas	-	16 610	3 962
Barbados	-	367	
Belize	-	13 468	620
Bolivia	-	87 013	667 616
Brazil	-	11 282 436	19 620 865
Chile	-	29 936	
Colombia	-		807 544
Costa Rica	-	3 946	18 736
Cuba	-	123 569	2 315 701
Dominican Republic	-	4 119	218 307
Ecuador	-	178 125	662 817
El Salvador	-	8 950	52 356
Grenada	-	583	6 106
Guatemala	-	1 362 241	2 908 513
Guyana	-	63 147	113 773
Haiti	-	13 091	
Honduras	-	2 161	
Jamaica	-	409	
Nicaragua	-	14 042	139 476
Panama	-	50 223	25 806
Paraguay	-	1 918	
Peru	-	7 558	
Trinidad and Tobago		12 198	104 512
Uruguay	-	17 980	2 889
Venezuela	-	1 405 054	87 313
Sub-Total Reimbursable Procurement on Behalf of Member States	-	**15 095 204**	**27 811 431**
Accrued Liability	-	**(1 518)**	**(55 112)**
Total Reimbursable Procurement on Behalf of Member States	-	**15 093 686**	**27 756 319**

[1/] In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities committed during the Financial Period. Revenue and Expense for the Financial Period are recognized based on the cost of the goods and services being delivered or performed during the Financial Period. Furthermore, an accrued liability of $1 518 has been recognized for goods delivered at the end of 2012 and paid in 2013.

Annex

Status of the Revolving Fund for Vaccine Procurement

(expressed in US dollars)

The establishment of the Revolving Fund for Vaccine Procurement, formerly known as the Revolving Fund for the Expanded Program on Immunization, was authorized by Resolution CD25.R27 of the 25th Directing Council (1977). The Revolving Fund finances the procurement of vaccines and syringes for Member States / Institutions unable to deposit funds with the Organization in U.S. currency in advance of procurement.

In accordance with the provisions of the Revolving Fund, the Director is authorized to transfer funds over and above a minimun Reserve Account Balance of $100 000 to the Revolving Fund as additional capital for the Capitalization Account. In 2012, the Capitalization and Reserve Account reached $110 726 632, including the 3% service charge earned $13 802 017, the accrual of $217 026, a $23 710 charge for valuation losses, a $314 440 surplus for pricing variance, the $100 000 Reserve Balance, and the $10 000 000 transfered from PAHO in previous biennia. In accordance with Resolution CD 50.R1 of the 50th Directing Council an increase of 0.5% to a previously established 3% was approved. In 2012 the 0.5% amounted $2 300 337 and was included in the Special Account for Program Support Costs.

	Revenue	Expense	Net
Country Summary Totals	489 673 680	475 871 663	13 802 017
Adjustment for Accrued Liability	(7 685 268)	(7 685 268)	
Adjustment for Accrued Capitalization		217 026	(217 026)
Pricing Variance		(314 440)	314 440
Valuation Gain And Losses	(23 710)		(23 710)
Total	**481 964 702**	**468 088 981**	**13 875 721**

	Balance 31 December 2011	Activity	Balance 31 December 2012
Reserve Account Balance	100 000		100 000
Accounts Receivable	(10 469 673)	(7 495 502)	(17 965 175)
Accrued Accounts Receivable	(3 509 815)	2 984 887	(524 928)
Deferred Revenue	111 059 318	64 275 966 [1/]	175 335 284
Accrued Deferred Revenue	(7 269 991)	4 917 407	(2 352 584)
Capitalization of the Revolving Fund	86 750 911	13 875 721	100 626 632
Transfer from PAHO	10 000 000		10 000 000
Closing Fund Balance	**186 660 750**	**78 558 479**	**265 219 229**
<u>Funds Available for Future Revolving Fund Purchases</u>			
Revolving Fund Balance as of 31 December 2012 (per above)			**265 219 229**
Plus: Amount due to Fund from Member States/Institutions (Gross)		**18 490 103**	
Less: Funds received in Advance from Member States/Institutions (Gross)		**(172 982 700)**	**(154 492 597)**
Balance of Capitalization Account			**110 726 632**

[1/] The initial Deferred Revenue amount of $66 730 456 minus the refunds to Governments of $2 454 490 results in a Net Deferred Revenue figure of $64 275 966.

Annex

Statement of the Revolving Fund for Vaccine Procurement

(expressed in US dollars)

Source of Funds	Accounts Receivable	Deferred Revenue	Revenue[1/]	Expense[1/]
Anguilla	5 034		11 175	10 981
Antigua and Barbuda	10 045		20 730	20 312
Argentina		26 924 970	57 571 187	55 944 841
Aruba	38 713		197 821	192 381
Bahamas	85 498		772 776	751 261
Barbados	102 917		292 430	284 378
Belize		232 213	266 836	259 881
Bermuda	60 785		172 701	167 984
Bolivia	1 360 074	9 482 678	7 995 515	7 783 248
Brazil		44 924 644	43 235 660	42 013 047
British Virgin Islands	28 458		47 264	46 304
Cayman Islands	42 642		151 633	147 535
Chile			3 751 164	3 644 965
Colombia		52 190 257	143 224 655	139 154 698
Costa Rica	1 415 820		9 666 913	9 398 838
Cuba		8 795		
Dominica	28 881		52 642	51 416
Dominican Republic	3 431 812	485	5 740 323	5 581 922
Ecuador		11 349 615	40 237 039	39 098 728
El Salvador	3 543 008		10 186 010	9 897 329
Grenada	90 521		66 560	65 005
Guatemala	1 636 148	10	18 950 919	18 428 283
Guyana	183 518	447 535	667 528	650 884
Haiti	863 527	35 820	2 977 708	2 893 748
Honduras		1 889 933	9 304 698	9 051 060
Jamaica	169 556		880 101	856 304
Montserrat	2 494		2 494	2 466
Netherlands Antilles	50 363		152 021	147 951
Nicaragua	371 680	2 195 114	5 392 440	5 245 335
Panama		267 718	15 351 497	14 914 472
Paraguay		10 294 105	19 360 102	18 818 231
Peru		14 375 894	51 356 324	49 908 125
Saint Kitts and Nevis	1 929		23 895	23 344
Saint Lucia	16 822		77 507	75 751
Saint Vincent and The Grenadines	1 712		30 606	30 048
Saint Maarten			36 651	35 693
Suriname	40 109		103 605	101 090
Trinidad and Tobago	378 045		2 156 716	2 095 419
Turks and Caicos Islands	1 379		29 263	28 756
Uruguay	957 264		7 114 921	6 913 274
Venezuela	3 046 421	715 498	32 043 650	31 136 375
Total Revolving Fund for Vaccine Procurement	**17 965 175**	**175 335 284**	**489 673 680**	**475 871 663**

[1] In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities performed during the Financial Period. Revenue and Expense for the Financial Period are recognized based on the cost of the goods being delivered or performed during the Financial Period. Furthermore, an accrued liability of $2 802 697 has been recognized for goods delivered at the end of 2012 and paid in 2013.

Annex

Statement of the Regional Revolving Fund for Strategic Public Health Supplies

The Fund 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 PAHO Member States. The objectives of the Fund include reducing the cost of strategic public health supplies, making these supplies continuously available to the 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. The Director approved the use of the 3% administrative service charge for the capitalization of the Fund effective 1 August 2005. This capitalization amounted to $1 437 982 during the 2012 financial reporting period and reached a total amount of $5 287 200 at the end of 2012. In accordance with Resolution CD 50.R1 of the 50th Directing Council an increase of 0.5% to the previously established 3% was appoved. In 2012 the 0.5% amounted $273 049 and was included in the Special Account for Program Support Costs. As of 31 December 2012, twenty-four Member States had indicated their commitment to participate in the Fund through an exchange of letters.

Source of Funds	Accounts Receivable	Deferred Revenue	Revenue[1/]	Expense[1/]
Argentina		407 578	28 990	28 150
Belize		7 891	33 409	32 520
Bolivia		1 751 225	1 007 176	980 841
Brazil	40 165	7 104 501	11 231 884	10 925 977
Chile		23 721	7 513	7 329
Colombia		3 655 636	7 643 293	7 432 791
Dominican Republic		695 663	4 855 145	4 723 381
Ecuador		6 740 283	4 476 387	4 354 684
El Salvador		828 216	1 855 764	1 806 866
Guatemala	95	100 430	5 066 248	4 924 743
Honduras	88 611	225 636	3 294 439	3 201 617
Nicaragua	61 797	65 463	187 610	182 994
Panama	23 640	34 692		
Paraguay		1 062 847	1 436 978	1 398 714
Peru		718	1 707 277	1 662 248
Suriname		99		
Trinidad and Tobago		7 997	42 879	41 757
Uruguay		2 714	7 811	7 626
Venezuela	5 819	5 533 236	17 201 848	16 729 756
Sub-Total Regional Revolving Fund for Strategic Public Health Supplies	**220 127**	**28 248 546**	**60 084 651**	**58 441 994**
Accrued Liability	**80 357**	**(2 925 093)**	**(7 369 306)**	**(7 164 631)**
Total Regional Revolving Fund for Strategic Public Health Supplies	**300 484**	**25 323 453**	**52 715 345**	**51 277 363**

[1/] In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities received during the Financial Period. Revenue and Expense for the Financial Period is recognized based on the cost of the goods and services being delivered or performed during the Financial Period. The Fund's Expense of the $1 437 982 in administrative service charge, was excluded from the $50 868 013. Furthermore, an accrued liability of $2 925 093 has been recognized for goods delivered at the end of 2012 and paid in 2013.

Voluntary Contributions

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Annex

Summary of Voluntary Contributions

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses 1/
I. Government Financing					
Brazil					
Contribution of the Government to PANAFTOSA	063001	248 572		1 593 294	2 545 778
Contribution of the Government to BIREME	063004		2 070		1 871 921
Development of Animal Health Programs	063193				75 679
SCIELO Books \ E-Publication Books of Academic Presses	063197	18 086		18 088	9 743
Implementation Portal BUS/CEFOR - SMS	063203			15 777	14 329
Contribution of the Government to BIREME - 2012 Maintenance Quota	063220				39 408
Project of the Portal of the Network of Information and Knowledge of SES	063221				84 005
Development of Methodology System E-Publication Books of Academic Presses	165001	180 854		180 854	
Subtotal		447 512	2 070	1 808 013	4 640 863
Canada					
Prevention and Control of Communicable Diseases in South America	026120				(1 261)
Support to PAHO Health Program	026126				(5 051)
Support to Bolivia for the Purchase of Vaccines and Syringes	026127			72	9 979
Free Obstetric Care for Poor Pregnant Women	026128			25 176	16 097
Support to a Vaccination Expansion Program in Haiti (PAPEV) PAHO/UNICEF	026129	1 097 676		2 331 134	607 578
Disaster Risk Reduction in the Health Sector of CARICOM Member States	026136			192 596	578 268
Support to PAHO Regional Routine Immunization Program	026144			516 825	3 340 274
PAHO Programme for Emergency Preparedness and Disaster Relief	026147		583		1 175 113
Increased Access to Health Services through Performance-Based Contracting for Women, Children and those Displaced by the January12, 2010 Earthquake Living in Camps	026148			10 597 434	8 990 532

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Improved Health and Increased Protection from Communicable Diseases (IHIPCD) for Women, Children and Excluded Populations in Situations of Vulnerability in Latin America and the Caribbean	026149	4 028 197		9 309 873	7 642 612
PAHO Haiti Consolidated Appeal	026150		9 413		(35 280)
Caribbean Eco-Health Programme: Public and Environmental Health Interactions in Food and Water-born Illnesses	109035		3 709		65 735
Public Health Innovation and Equity in Latin America and the Caribbean	109036	60 423		345 200	290 690
Improvement of Reproductive Health in Haiti	278008	430 292		3 118 438	1 938 629
Developing Legislation for Tobacco Control	281042				92 227
Strengthening Mental Health and Substance Abuse National Capacities in the Americas	281043				91 439
Support of the Activities of the Pan American Health Organization's Regional Forum on Indigenous Health Human Resources	281044				28 996
First Meeting on the Pan American Network on Alcohol and Public Health (PANNAPH)	281045	6 000			6 000
Global Health Challenge, 21st Century/Multi Stakeholder Approach	435006				34 342
Counter - Terrorism Capacity Building Program	452003			9 663	21 335
Caribbean One Health Workshop to be held in Port of Spain	462003	10 070		10 070	
Subtotal		5 632 658	13 705	26 456 481	24 888 254
Dominican Republic					
Support for the National Tuberculosis Program	068007	56 500		112 985	
Subtotal		56 500		112 985	
Honduras					
Initiative for Strengthening Health Services in the Framework of the Alliance GAVI (FSS/GAVI)	074013			61 860	189 536
Strengthening the Tuberculosis (TAES) Strategy in Honduras	074014			568 781	
Subtotal				630 641	189 536

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses 1/
France					
Technical Training Officers, Ministry of Health - Bolivia	062042			18 499	37 663
Subtotal				18 499	37 663
Guyana					
Survey of Iron, Iodine and Vitamin A Status and Antibody Levels in Guyana	330010	26 462		64 141	
Subtotal		26 462		64 141	
Italy					
Functional Improvement of the Hospital of Chalchuapa and Development of the Integrated Network of Health Services of El Salvador	261027				27 111
Support to National Health System (PROSEPU II)	261028	1 134 842		1 351 841	
Subtotal		1 134 842		1 351 841	27 111
Luxemburg					
Development Objectives of the Millennium in the Departments of New Segovia, Chontales, Autonomous Region of the South Atlantic in Nicaragua	191110	2 387 037		2 387 037	
Subtotal		2 387 037		2 387 037	
Mexico					
Health Promotion and Disease - Risk Prevention in North Mexican Border	076019		2 860		1 237 574
Subtotal			2 860		1 237 574
Netherlands					
PAHO Institutional Strengthening of MINSA - Nicaragua	077089				728 442
Subtotal					728 442
Norway					
HIV Prevention in Young People using a Human Rights Framework in Central America and the Caribbean	251035	1 985 804		2 720 024	632 766
Subtotal		1 985 804		2 720 024	632 766

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Panama					
Strengthen the National and Regional Mechanisms of Tobacco Product Control	079013			306 060	193 940
Support Workforce Development in Latin America	465001				(2 241)
Purchase of Required Laboratory Kits	465002				3 580
Subtotal				306 060	195 279
Peru					
Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS)	081001			287 877	276 070
Regional Task Force on Water and Sanitation based in Peru - ETRAS	081040			208 537	164 368
Subtotal				496 414	440 438
Spain (Including Provincial Governments)					
Spain Holding Account	230001			6 040 503	
Mobil Health Care Assistance - Bolivia	230099			459 972	
Spanish Fund Development 2007 Primary Health Care in Bolivia	230105			210 885	
Fight Against the Prevalent and Forgotten Diseases (including HIV, Malaria and Tuberculosis)	230122				(358)
Contribute and Support the Access to Essential Drugs in Haiti	230125				44 231
Spanish Fund Coordination - 2008	230127				(169)
Safe Health Institute Hospital "Heroes de Baire" Cuba	230129				17 638
Implementation and Dissemination of Brief Interventions for At-Risk Drinking, Drug Health Services in Latin America	230130				57 598
Regional Program Dengue	230135				38 883
Improvement of Basic Health Services	230137				(19 082)
Improvement of the Access to Essential Medicines and Other Products	230138				(21 850)
Strengthening of Human Resources and Health Systems	230139				22 032
Improving Sexual Health and Reproductive Rigths	230140				(33 732)
Child Health Improvement	230141				(4 196)

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Institutional Strengthening - Public Health Systems	230142				51 999
Strengthening of Investigation and Development in Health	230143				(3 286)
Hospital "Heroes de Baire" Reconstruction Project - Cuba	230144				70 806
Support for PROMESS - HAITI	230145				31 277
Finance Experts	230146				289 886
Evaluation of the Cooperation of Spain	230147			70 160	124 624
Initiative for Safe Motherhood in Latin America and the Caribbean	230150				(6 571)
Provision for Remaining Funds of Joint Activities of the Spanish Fund	230151			533	6 200
BIOETHICS Program	230152				33 486
Initiative for Safe Motherhood	230153				85 451
World Health Day Devoted to Older Adults	230154			777 318	610 095
Vaccination Week of the Americas 2012, Programmed for the week of 21 to 28 April	230155			1 248 612	1 476 230
Experts in Promotion of Health Services Forms	230156			43 852	504 563
Support in the Knowledge Management and Research	230157			127 410	335 060
Guarantee the Access to the Reproductive Health Services and Promote the Reproductive Sexual Rights with Special Emphasis on the most Vulnerable Populations	230158			678 821	523 603
Promote Child Health through `Integrated Management of Childhood Illness`	230159			601 202	597 796
Expert: International Health Regulations	230160			15 083	80 837
Meeting of the Andean and the Southern Cone Sub-regions on HIV Testing to take place in Colombia	230161			414 533	597 141
Expert: HIV and Pediatric AIDS	230162				197 134
Health Program Quality	230163			178 758	54 812
Management of the Fund, Coordination and Monitoring of the Program External Relations	230164			17 119	21 330
Expert: Management and Coordination of the Fund	230165				208 201
Project of Reconstruction of the Hospital "Heroes of Baire" in Cuba	230166			1 191 703	7 586
Reprogramming Resources	230167			4 882	91 118
Intercultural Policies Program Inclusiveness & Create Opportunities (MDGF-1829)	191070				1 080

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Integration of Climate Change Adaptation and Mitigation Measures (MDGF-1747)	191071				10 167
Gender Equality and Empowerment of Women through Participation and Gender Practices in Public Budgets (MDGF-1725)	191072				16 647
Local Environmental Management for Natural Resources Management and Provision of Environmental SER in Bosawas (NSGF-1751)	191073				14 705
Economic Governance of Water and Sanitation Honduras (MDGF-1782)	191075				18 815
Access to Safe Drinking Water and Sanitation (MDGF - 1920)	191076			285 932	1 557 767
Manage Environmental Resources and Climatic Risks Peru (MDGF-1691)	191077				66 050
Strengthen Effective Management of Water & Sanitation (MDGF-1816)	191080				17 823
Strengthening the Ability to Define and Apply Drinking Water and Sanitation Policies	191081			24 644	84 571
National Capacity Building: Economic, Water and Sanitation	191082			486 268	423 085
Strengthening Peace in Guatemala through Violence Prevention and Management of Conflict	191083			121 451	130 679
Improving Nutrition and Food Security for the Peruvian Child: A Capacity Building Approach	191087			99 470	552 028
Promoting Food Security and Nutrition for Indigenous Children in Brazil	191088			566 851	495 063
Protecting Children: Towards a Coordinated Food Security and Nutritional Programme for El Salvador	191089			729 676	450 170
Governance of the Water and Sanitation Sector in Ecuador within the Framework of the Millennium Development Goals	191090			3 804	7 449
Promote Nutrition and Food Security of the Indigenous Communities and Afro-Colombians of CHOCO	191091			178 972	345 676
National Capacity Building: Intercultural Conflict Prevention and Management	191092				283
Reducing Violence and Building Social Capital in El Salvador	191093			155 161	291 463
Local Response Capacity: Inter-Sectorial Implementation PMD-C	191094			97 019	194 714

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Improving the Situation of Children, Food Safety, and Nutrition in Guatemala	191095		11 984		457 007
Supporting the Fight Against Anemia Vulnerable Groups - Cuba	191096			451 329	191 586
Strengthening Banana Value Chain/Growth Inclusive Markets - Dominican Republic	191097			2 405	166 810
Childhood Nutrition and Food Safety	191099			57 893	11 023
Strengthening Knowledge Management in Programmes and Projects to Fight Malnutrition in Latin America	191106			204 653	94 007
Alcohol Consumption, Partners and Response	457001				(8 980)
Subtotal			11 984	15 546 874	11 680 061
Sweden					
Reduce the Impact of Food Crisis and Food Insecurity on the Health and Nutrition Status of Vulnerable Population from Departments of the Dry Corridor of Guatemala	163140				(54)
Implementation of Strategic Territorial Health Plans in Alta Verapaz, Huehuetenango, Ixil, Ixcan and Quiche	163141	1 078 915		1 332 525	446 786
Reduction of Vulnerabilities to Contribute to Rural Development in Five Municipalities of the Basins of the Coatan and High Suchiate Rivers in the Department of San Marcos in Guatemala	191103	305 864		963 444	588 072
Subtotal		1 384 779		2 295 969	1 034 804
United Kingdom					
Communicable Disease Control Project	140033		924		(925)
Caribbean Regional Cholera Preparedness and Prevention Programme	140062				(1 227)
Smart Health Care Facilities in the Caribbean	140065	555 331		1 234 871	232 453
Leadership and Health Workforce Development	218001			355	32 271
Strengthen the Development of Public Health Workforce	218002				82 168
Subtotal		555 331	924	1 235 226	344 740
United States of America					
Expansion of Directly Observed Treatment Short-course Strategy for Tuberculosis	002116	115 511		117 678	888 610

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Strengthen Health Systems and Services in Context of Primary Health Care	002122				548
Avian and Pandemic Influenza Preparedness in the Caribbean	002126				(1 067)
Support the Amazon Malaria Initiative (AMI) and the South America Infectious Diseases Initiative (SAIDI) over a 3 year period	002129		44		722 160
A Secure and Disaster Resilient Health Sector in the Americas	002131	545 000		518 032	1 223 750
Violence and Injury Prevention	002134	412 000		387 391	914 724
HIV Health Systems Strengthening Project	002138	29 001			333 612
Health System Strengthening Program with PAHO (*Fortalecimiento en Salud*)	002139	3 048 321		3 026 389	1 320 015
Improved Health Outcomes/Tuberculosis, Maternal, Neonatal Health in Latin America	002140	3 947 539		3 914 836	1 597 540
Amazon Malaria Initiative (AMI) and South American Infectious Diseases Initiatives (SAIDI) Components of the South America Regional Infectious Diseases Program (SARI)	002141	886 000		858 339	507 661
Environmental Health in Latin America and the Caribbean - Year 5	028051				(4 390)
Influenza Preparedness in the Americas Region - Year 5	028073				(27 743)
Building Capacity and Networks to Address Emerging Infectious Diseases in the Americas - Year 3	028079				(1 355)
Building Capacity and Networks to Address Emerging Infectious Diseases in the Americas - Year 4	028080				740 576
Building Capacity and Networks to Address Emerging Infectious Diseases in the Americas - Year 5	028081	772 902		769 509	43 498
Strengthening Immunization Programs in the Americas - Year 2	028086				(5 512)
Strengthening Immunization Programs in the Americas - Year 3	028087	10 733			4 821 842
Strengthening Immunization Programs in The Americas - Year 4	028088	5 577 006		5 484 336	3 416 706
Non-Communicable Disease Prevention and Health Promotion in the Region - Year 1	028090				(2 003)
Non-Communicable Disease Prevention and Health Promotion in the Region - Year 2	028091				256 401
Non-Communicable Disease Prevention and Health Promotion in the Region - Year 3	028092	207 496		207 496	

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Surveillance and Response to Seasonal and Pandemic Influenza in Region of the Americas - Year 1	028095	2 288			1 211 283
Surveillance and Response to Seasonal and Pandemic Influenza in Region of the Americas - Year 2	028096	1 186 529		1 177 449	59 080
Promoting Cross-National Research on Aging for Policy Formulation	040027				3 293
Reduction of Health Disparities in HIV Prevention and Care in Central America and the Caribbean	040037	2 127 000		2 127 960	424 040
Strengthening National Immunization Project Latin America and the Caribbean	040038	44 558			1 409 558
Environmental Health in Latin America and the Caribbean	046007				(1 793)
Project to Provide Data on Medical Products and Regulatory Processes - Year 1	240001				121 000
Project to Provide Data on Medical Products and Regulatory Processes - Year 2	240002				773 095
Cooperative Agreement with the Pan American Health Organization	240003	934 000		922 240	231 759
Public Health Response in the Border Area between the Dominican Republic and Haiti, and Selected Areas of Haiti for the Population Affected by the Earthquake	374010				(1 891)
Improved Health for Internally Displaced Population (IDPs) in Colombia and Refugees in Neighboring Countries	374011		55		(56)
Improved Access to Health Services for Internally Displaced and Vulnerable Populations in Priority Departments in Colombia and Refugees in Border Areas with Panama and Ecuador	374012		880		422 267
Improved Access to Health Services for Refugees in Panama	374013	60 000		83 329	16 671
Subtotal		19 905 884	979	19 594 984	21 413 879
Total - Government Financing		33 516 809	32 522	75 025 189	67 491 410
II. International Organizations					
European Community					
Strengthening the Integration of the British & Dutch OCTs in the Regional Response within the PANCAP Framework	049068	2 003 625		2 185 763	1 431 118

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Safer Hospitals and Urban Risk: Safer Cities in Central America with a Health System Ready to Respond to Disasters: Nicaragua, Honduras, El Salvador and Guatemala	049082	138 036			36 546
Building Resilient Communities by Making Health Networks Safe from Disasters in South America ("The Action")	049087	165 239			661 975
Creating Safer Communities in the Caribbean by Strengthening the Health Network, Dominican Republic, Dominica, Saint Vincent and the Grenadines, Saint Kitts and Nevis ("The Action")	049089	209 549		91 599	958 575
Improved Health Response to Internally Displaced and Confined Populations in Colombia (*"The Action"*)	049090	79 522			328 789
Implementation of the program: Strong Families with Adolescent Children of 10 to 14 years: Love and Limits (the "Action")	049091	25 862		44 004	198 494
Improve Access to Healthcare for Displaced and Confined Communities in Colombia During Emergencies	049092	285 146		561 485	87 965
Alert and Response Operations for Cholera and other Health Hazards in the Dominican Republic	049093	114 095		556 882	
Preparation for the Response and Early Recovery in Selected Coastal Areas	191105	29 122			145 609
Subtotal		3 050 196		3 439 733	3 849 071
Food and Agriculture Organization (FAO)					
PAHO - FAO Antigua & Barbuda: Zero Hunger Challenge.	051017	195 000		195 000	
Subtotal		195 000		195 000	
International Bank for Reconstruction and Development (World Bank)					
Support to Health Sector Response to Earthquake Affected Population	199030		690		85 813
Reducing Disaster Risk in Haiti's Health Infrastructure	199031	67 945		60 691	420 343
Subtotal		67 945	690	60 691	506 156

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Joint United Nations Program on AIDS (UNAIDS)					
Barbados Strengthening HIV/STI Prevention and UN Theme Group Joint Team (PAF/UNAIDS)	191085				(1 064)
Economic Governance in the Water and Sanitation Sector in the RAAN and RAAS - Nicaragua	191086				155 220
Strengthening the National M&E and Surveillance System Across the "Three Ones" Principles in Bolivia	332075				15 307
Subtotal					169 463
United Nations Children's Fund (UNICEF)					
Joint Activities on Water Sanitation and Hygiene in Emergencies in Latin America and the Caribbean	187090				
Health and Nutrition within the Life Course Approach	187092		10 905		57 225
Design of the Strategy for the Elimination of the Maternal to Child Transmission of HIV and of Congenital Syphilis and Prevention of HIV in Adolescents in Nicaragua	187093			15 710	70 845
Ministerial Dialogue on Water and Sanitation	187094				27 306
Joint Programme to Assert the Rights of Indigenous Adolescent Girls in Guatemala	187095			77 979	3 487
Process for the Promotion of Child Feeding (ProPan): Updating and Capacity-Building to Improve Infant and Young Child Nutrition Programming (The "Project")	187096			27 000	
Subtotal			10 905	120 689	158 863
United Nations Development Fund for Women (UNIFEM)					
Alliance for a Life Without Violence in Panama	191101				88 688
Subtotal					88 688
Unites Nations Development Program (UNDP)					
Technical Cooperation for the Care of Survivors and Relatives of Victims of the Fire at the Penal Farm of Comayagua, Republic of Honduras	191107			3 623	81 377
Subtotal				3 623	81 377

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
United Nations International Strategy for Disaster Reduction (ISDR)					
Global Facility for Disaster Reduction and Recovery	368005		822		101 147
Subtotal			822		101 147
United Nations Office for the Coordination of Humanitarian Affairs (OCHA)					
Strengthening Intersectoral Community-Based and National Pandemic Influenza A (H1N1) Preparedness in Jamaica	401003		13 623		16 551
Strengthening Epidemiological Surveillance at all Levels of the Health System	401004		213		198 807
Subtotal			13 836		215 358
United Nations Office for Project Services (UNOPS)					
South-South Global Assets and Technology Exchange (SS-GATE) System Track 5	333006		534		82 113
Subtotal			534		82 113
United Nations Trust Fund for Human Security (UNTFHS)					
Sustained Improvement of Human Security in the City of Sao Paulo thorough Humanization Actions in Public School, Health Services and Communities	399002				87 808
Improvement of Human Security Conditions for Vulnerable Groups in Soacha, Colombia through the Development of Participatory, Integrated and Sustainable Social Protection Solutions	399004			31 349	553 264
Subtotal				31 349	641 072
World Health Organization, WHO					
Cancer Registry Course in Cali, Colombia	198018				25 000
Subtotal					25 000
Total - International Organizations		3 313 141	26 787	3 851 085	5 918 308

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
III. Private and Public Sector					
Albert B. Sabin Institute					
Surveillance of Human Papilloma Virus (HPV) Related Disease in Jamaica	397006			335 893	49 814
Regional Trust Fund for Neglected Infectious Diseases and Actions to Combat Neglected Tropical Diseases and other Infectious Diseases	397010			39 850	242 173
Assessment of Pneumococcal Conjugate Vaccine (PCV) Impact and Effectiveness Against Invasive Pneumococcal Disease and Bacterial Pneumonia and Morbidity and Mortality in Children in Colombia and Peru	397011	391 667		550 000	
Dengue Epidemiological Surveillance Model to Define Vaccination Strategies in Latin America and the Caribbean	397012	525 000		800 000	
Subtotal		916 667		1 725 743	291 987
Bill Gates Foundation					
Project Proposal to Transfer Tools, Methods and Lessons Learned from PAHO Pro-Vac Initiative in the Americas to other WHO Regions for the Promotion of Evidence-Based Policy Decisions Regarding new Vaccine Introduction in Low and Middle-Income Countries	365002			1 373 079	1 288 500
Cost Effectiveness Analysis of HPV Vaccine in Latin American Countries	365003			86 250	
Development and Dissemination of Data Collection Methodologies for Economic Evaluations	365004			392 150	
Subtotal				1 851 479	1 288 500
Canada Society International Health, (CSHI)					
Financial Support for Regional Meeting on Viral Hepatitis in Bogota, Colombia	473001				21 685
Subtotal					21 685
CDC Foundation					
Bloomberg Initiative to Reduce Tobacco Use (GATS)	460001	189 840		314 808	467 532
The Global Adult Tobacco Survey (GATS) Pretest and Implementation	460002				161

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Subtotal		189 840		314 808	467 693
Colgate Palmolive Company					
Community-Based Oral Health Interventions in Colombia and Ecuador	466001			13 271	126 688
Subtotal				13 271	126 688
Conselho Nacional Pecuario (CNPC)					
Development of Activities Related to the Strengthening of the Laboratory of Reference for Vesicular Disease	467001	72 248		381 145	394 823
Subtotal		72 248		381 145	394 823
Global Alliance for Improved Nutrition (GAIN)					
ProPAN: Process for the Promotion of Child Feeding: Updating and Capacity-Building to Improve Infant and Young Child Nutrition Programming	422002	19 888			108 371
Subtotal		19 888			108 371
Global Alliance V. I. (GAVI)					
Injection Safety Project - Bolivia	387004			243 580	218 000
Support the Immunization Services (ISS) of Bolivia 2007-2009	387009			140 047	40 459
Immunization Services Support Guyana 06-07	387010			5 500	
New Vaccine Support for Introduction of Pneumococcal and Rotavirus Vaccines in Guyana	387011		1 635		8 314
New Vaccines for Immunization Services Support in Bolivia	387012		19 729		
New Vaccine Support for Introduction of Pneumococcal and Rotavirus Vaccines in Honduras	387013		146		18 368
Contribution to Support the Introduction of New Vaccines and for Immunization Services Support in Nicaragua	387014			132	(132)
Health Systems Strengthening in Honduras	387015			505 840	508 605
Subtotal			21 510	895 099	793 614

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
International Diabetes Federation					
Support of the Study of the Cost of Diabetes in Latin America	345004				19 659
Subtotal					19 659
Japan Center for International Exchange "JCIE"					
Implementation of a Regional Meeting on Human Health and Security	478001	2 875		48 332	49 543
Subtotal		2 875		48 332	49 543
Lions Club International (LCIF)					
Strengthening the Routine Immunization Program in Haiti through the National Measles, Rubella, and Polio Campaign	475002			4 176	161 824
Subtotal				4 176	161 824
M.A.C. Aids Fund					
Elimination of Mother-to-Child Transmission of HIV and Congenital Syphilis in the Caribbean	472001			25 301	124 699
Elimination Initiative Targets for Mother-to-Child Transmission of HIV with a focus on Barbados and the Eastern Caribbean	472002			75 000	
Subtotal				100 301	124 699
Micronutrient Initiative					
Iron Deficiency Anemia Control in Children under 2 Years of Age	436001				(1 681)
Subtotal					(1 681)
Open Society Institute (OSI)					
Strengthening Capacity in Primary Prevention of Violence Against Women and Children in Latin America and the Caribbean Region	470001			181 369	58 191
Subtotal				181 369	58 191

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Pan American Health and Education Foundation (PAHEF)					
Pro-Vac Initiative: Multiyear Project Proposal for the Promotion of Evidence-Based Policy Decisions Regarding New Vaccine Introduction in Latin America and the Caribbean	144028	604 806		1 120 480	801 189
Improving Surveillance and Characterization of Meningococcal Disease in the Latin American Region	144029			318 495	398 218
A Center of Excellence to Counter Chronic Disease on the U.S. - Mexico Border	144031				
Healthy Kids, Healthy Communities: Supporting Community Action to Prevent Childhood Obesity	144034	82 663		108 422	58 543
Annual World Blood Donor Day - Haiti	144039				5 882
Pan American Forum for Action on Chronic Diseases	144041			3 132	44 368
International Women's Day Activities	144042				7 413
Support the PAHO/WHO Office of Family and Community Health (FCH) for the 2012 World Health Day Activities	144043				10 329
Subtotal		687 469		1 550 529	1 325 942
Program for Appropriate Technology in Health (PATH)					
Effectiveness of a Monovalent Rotavirus Vaccine Against Severe Rotavirus Diarrhea in Bolivia	375007				
Against Severe Rotavirus Diarrhea in Bolivia - 2012 Extension	375009	74 495		149 495	
Subtotal		74 495		149 495	
RAD-AID International					
Improve the Availability and Quality of Radiological Health Services in Latin America and the Caribbean	477001	9 165		18 329	18 331
Subtotal		9 165		18 329	18 331
Rockefeller Foundation					
Eight Global Conferences on Health Promotion and Ultimately the Post-Millennial Development Goals Process	156019			124 300	
Subtotal				124 300	

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Royal Commonwealth Society for the Blind					
Regional Program for the Prevention of Blindness 2009 - 2011	203009				(3 903)
Execution of a Regional Program for the Prevention of Blindness	203010	17 500		28 193	18 852
Subtotal		17 500		28 193	14 949
Task Force For Global Health					
Strengthen Capacities to Increase STH Deworming Coverage in School Age Children in Bolivia and Nicaragua	471001			40 363	92 059
Joining Forces to Control Soil-Transmitted Helminthes in the Americas	471002			73 641	
Subtotal				114 004	92 059
Texas Children's Hospital					
Production of VI TAG Meeting Report	459002				161
Production of VII TAG Meeting Report	459004				
Production of VIII Tag Meeting Report	459006		153		3 743
Language and Medical Content Editing for the WHO ETAT/CETEP Manuals (Participant	459007		3 000		
Subtotal			3 153		3 904
The Global Fund (GFATM)					
Bolivia Free of Malaria	191104				59 747
Bolivia Free of Malaria (Phase II)	191108		1 509		60 395
Therapy (DOTS) AIDS Strategy in Haiti	191109	83 378		83 378	
Strengthening Systems to Improve Access to HIV/AIDS Antiretroviral and Reduce Stock-outs in Target Countries within Latin America	439001		971		132 343
Use of the Epidemiological Intelligence with Social Participation, in Order to Strengthen the Management of the Program, Improve the Access to Diagnosis and Treatment, and to Carryout Effective Interventions for the Prevention and Control of Malaria	468002		6 423		59 364
Subtotal		83 378	8 903	83 378	311 849

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Various Grantors (Undesignated Contributions)					
PAHO Award for Immunization [1/]	215017				3 000
Support to the Bioethics Program	215025			1 268	
Multi-Activities Financed by Small Contributions to PAHO during 2012 - 2013 Biennium	215057	9 979		24 651	15 568
Assisting Haiti Population Affected by the Cholera Epidemic	215059			292	
Subtotal		9 979		26 211	18 568
World Diabetes Foundation					
Integrated Chronic Disease Management Model	418002				5 044
Diabetes E-learning for Health Professionals: Increasing Capacity of the Americas	418004				11 066
E-Access to Diabetes Education and Information (EADEI)	418005				9 956
Guiding and Supporting National Quality Improvement Initiatives for Diabetes in Less Well Served Parts of the World: A Proof of Concept Project in the Caribbean	418006	35 000		35 227	80 308
Promoting Improved Primary Care and Prevention of Diabetes in two Northern Mexican Communities (Tijuana and Ciudad Juarez)	418007	37 000		69 540	37 795
Addressing the Burdens of Diabetes and Tuberculosis in the Americas with a View to Facilitating Screening for Tuberculosis Among People with Diabetes	418008	180 000		244 317	18 172
PAHO Consultation Forum for CARMEN Network, Brasilia, Brazil	418010				74 998
Fighting Against Diabetes in Honduras	418011	392 493		504 510	37 983
Subtotal		644 493		853 594	275 322
Total - Private and Public Sector		2 727 997	33 566	8 463 756	5 966 520

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
IV. Other Voluntary Contributions					
Trust Fund PAHO Regional Strategy and Plan of Action for an Integrated Approach to the Prevention and Control of Chronic Diseases, Including Diet, Physical Activity and Health	474001	50 000		304 819	70 181
Trust Fund Consolidation of the Hemispheric Plan for Foot-and-Mouth Disease Eradication (PHEFA)	476001	131 000		209 765	21 235
Total - Other Voluntary Contributions		181 000		514 584	91 416
Total		39 738 947	92 875	87 854 614	79 467 654

Notes:

[1/] In accordance with IPSAS, beginning 1 January 2010, PAHO will recognize as Deferred Revenue the full commitment amount upon signature of Voluntary Contribution agreements. Revenue for the Financial Period is recognized based on the Expense reported during the Financial Period. There are certain special agreements for which Deferred Revenue is not recognized. Below is a reconciliation between Expense and Revenue:

Voluntary Contributions Expenses 2012	79 467 654
Project ID 215017 - Revenue of $ 280 is based on cash	(2 720)
Voluntary Contributions Revenue 2012	79 464 934

Annex

Summary of Voluntary Contributions-National Voluntary Contributions

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Government Financing					
Argentina					
Managerial Support for National Health Development	059001			115 877	116 199
Support Ministry of Health in Development & Implementation of Management System	059034		252		
Action Plan for the Strengthening of the Public Health in the Province "Entre Ríos"	059035	82 117		153 551	31 660
Intensified Surveillance ETI-IRAG in Argentina	059039			82 606	1 831
Improved Monitoring of Clinical and Epidemiological Viral Factors in the Immune Response to the Infection by New Influenza A H1N1	059040			2 266	70 429
Implementation of Five Priority Objectives of Strategy of Technical Cooperation of PAHO/WHO in Argentina - 2009 - 2011	059041	4 789 043		6 013 587	630 810
Implementation Diagnoses Tool WHO-AIMS in Argentina	059042			1 879	
Information System and Statistics	059043			592	70 461
Subtotal		4 871 160	252	6 370 358	921 390
Brazil					
Improve Activities of the National Health Council	063134				4 196
Development of Pharmaceutical Assistance	063137				(50 047)
National Program Control of Tuberculosis	063151			1 677 676	3 240 920
Epidemiological and Environmental Surveillance	063166			5 459 760	8 903 287
Decentralized Management Qualification "United Health System"	063168	8 463 225		10 486 069	3 264 661
Program Qualification of Supplemental Health	063172	3 264		944 350	200 424
Development and Organization of Health Systems and Services	063173	62 237 648		92 638 783	16 203 715
Support of the Implementation of the Policy of Strategic and Participatory Management of the United Health System	063174	2 649 781		6 747 115	6 579 375
Development of Human Resources in Health	063177			5 983 277	7 087 406

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Development of Management System of Technology in Health	063178	3 409 644		8 839 978	6 436 173
Family Health - Food and Nutrition	063180			4 628 502	6 086 362
Environmental Health / Institutional Strengthening and Training Human Resources for FUNASA	063182			734 848	2 587 896
Quality Program "United Health System"	063183	2 823 088		9 693 743	4 021 942
Implementation of National Policies on Blood	063184	213 478		991 326	604 398
Strengthening of Objectives and Directives United Health System in Sao Paulo	063187	577 204		2 203 741	846 812
CANCER Network	063190			3 111 038	2 492 903
Health Surveillance, Promotion and Prevention	063191	1 461 276		4 391 868	2 840 241
Strengthening of Objectives and Directives United Health System in Bahia State	063192			826 996	341 916
Management of Work and Health Education	063194	16 561 130		39 775 292	13 929 587
Institutional Strengthening and Advisory Services of International Affairs of the Ministry of Health - AISA	063195	1 315 149		6 285 241	2 312 979
Economic - Industrial Complex of Health	063198			2 959 843	4 097 108
Support for the National Council of State Secretaries of Health Municipals "CONASS"	063199			1 275 527	2 586 763
Support for the National Council of State Secretaries of Health Municipals "CONASEMS"	063200			1 024 074	2 522 340
Prevention and Control of Dengue in the Context of Integrated Management	063201	2 435 460		3 194 402	1 634 509
Support for the Municipal Management of the Health System of Bello Horizonte	063202	792 742		792 742	
Strengthening of Actions and Health Surveillance	063205	1 781 808		7 962 320	1 387 637
Actions of Implementation of the Public Policies of Control of STD/HIV/AIDS and Viral Hepatitis Strengthened in the Context of Principals and Directives of the United Health System	063207	1 451 534		2 086 856	3 861 111
Protection and Promotion of the Indigenous Populations	063208	14 612 762		19 096 946	3 072 278
Decentralized Technical Cooperation Secretariat of Health of the State of PERNAMBUCO	063209	291 395		977 210	204 757
Institutional Strengthening of the National Health Council	063210			407 239	1 009 925
Development and Qualification of the Pharmaceutical Assistance	063212			1 828 151	2 373 129

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Strengthening of the Monitoring in Environmental Health and Health of the Employees of the United Health System	063213	1 461 276		3 192 835	274 008
Development of the Activities to Improve and Strengthen the Public Policies in Health Surveillance, Malaria Prevention and Control, Surveillance and Prevention of Hansen's Disease and other Diseases in Elimination, advocated by the United Health System	063214			1 383 672	737 152
Strengthening of the National Surveillance System in Health, Improving the Capacity for Management of the National System of Health Surveillance, Improving the Capacity for Management of the United Health System for the Reduction of the Morbidity and Mortality of the Zoonoses, Diseases of Vector-borne Transmission, Hydric to Food	063215			1 123 663	576 199
Strengthening of the Processes of Health Surveillance at the Federal Level in Contributing to the Reduction of the Morbidity and Mortality by Diseases in the Area of United Health System	063216			2 395 710	1 216 219
Strengthening of the National Laboratory System of Public Health and of the National Network of Alert and Response to Emergencies	063217			7 032 348	1 404 046
Strengthening of the Management of the National Surveillance System in Health	063218			5 774 146	891 980
Strengthening of Innovated Regulations in Health, with Emphasis on Ethics and Health Research	063219			4 412 374	2 445 295
Subtotal		122 541 864		272 339 661	118 229 602
Chile					
Promotion of Bioethics	064004			215	
Subtotal		0.00	0.00	215.00	0.00
Colombia					
San Andrés Healthy Phase II	066061	20 018			
Public Comprehensive Health Management, Chronic and Transmittable Diseases, Environmental Health, and Public Health Surveillance	066068		338 732		14 793 167

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Improvement of the Conditions of Water and Sanitation in Indigenous Communities of the Departments of Vichada and Vaupes	066069		21 013		43 800
Safety Plan to Improve the Conditions of the Water Quality for Human Consumption in the Rural Water Supply Systems of CORPOCALDAS	066070				11 829
Response of the United Nations System to the Phenomenon of La Niña 2010-2011	066071		153		698 226
Subtotal		20 018	359 898		15 547 022
Ecuador					
Control of Tuberculosis in Ecuador	069021			489 187	507 442
Subtotal				489 187	507 442
Guatemala					
Integrated Development Division Regulator, Surveillance and Health Control - Phase II	072017		44 356		676
Subtotal			44 356		676
Mexico					
Sanitary Risks Human / Animal Ecosystem	076024			156 165	
Implementation of the Healthy Housing Strategy - CHIAPAS	076025			30 542	194 642
Sustainability of Universal Coverage in Health: Share Experiences and Promote Progress	076026	90 590		173 630	156 070
Subtotal		90 590		360 337	350 712
Peru					
Managerial Support for National Health Development	081003			586 792	450 818
Subtotal				586 792	450 818

Annex

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
Suriname					
Reducing the Spread and Impact of HIV/AIDS in Suriname through Expansion of Prevention and Support Programs - Paramaribo	082007		122		1 033
Reducing the Spread and Impact of HIV/AIDS in Suriname through Expansion of Prevention and Support Programs - Population Living in the Interior	082008		1 699		19 385
Subtotal			1 821		20 418
Total		127 523 632	406 327	280 146 550	136 028 080

Notes:

[1/] In accordance with IPSAS, beginning 1 January 2010, PAHO will recognize as Deferred Revenue the full commitment amount upon signature of Voluntary Contribution agreements. Revenue for the Financial Period is recognized based on the Expenses reported during the Financial Period.

Annex

Summary of Voluntary Contributions - Emergency Preparedness and Disaster Relief

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
I. Government Financing					
Brazil					
Humanitarian Emergency Operations in Nicaragua as a Consequence of the Tropical Depression	063211				31 375
Subtotal					31 375
Canada					
Response to Immediate Emergency Health Needs - Haiti Cholera Outbreak	026145				(9 606)
El Salvador Floods - 2011	026151				133 253
Emergency Health Response in Haiti - 2012	026152		67		249 876
Subtotal			67		373 523
Spain					
Emergency Response Fund for the Americas (AECID)	230112				107 715
Subtotal					107 715
United Kingdom					
Hurricane SANDY Response in Haiti	140066	732 924		727 151	5 773
Subtotal		732 924		727 151	5 773
Total - Government Financing		732 924	67	727 151	518 386
II. International Organizations					
European Community					
Response to Cholera Outbreak in Haiti	049085	59 920			(5 237)
Response to the Cholera Epidemic in the Dominican Republic	049088				(13)
Subtotal		59 920			(5 250)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expenses [1/]
United Nations Office for the Coordination of Humanitarian Affairs (OCHA)					
Improve Safe Drinking Water and Sanitation Conditions Following the Flood in El Salvador	401005		118		164 592
Subtotal			118		164 592
Total - International Organizations		59 920	118		159 342
III. Private and Public Sector					
America Solidaria					
Cholera Prevention and Treatment in the Area of "Croix Des Bouquets, Puerto Prinicipe, Haiti"	469001		22		108 762
Subtotal			22		108 762
Total - Private and Public Sector			22		108 762
Special Fund for Natural Disaster Relief [1/]	463000				
Total - Special Fund					
Total		792 844	207	727 151	786 490

Notes:

[1/] In accordance with IPSAS, beginning 1 January 2010, PAHO will recognize as Deferred Revenue the full commitment amount upon signature of Voluntary Contribution agreements. Revenue for the Financial Period is recognized based on the Expenses reported during the Financial Period. There are certain special agreements for which Referred Revenue is not recognized. Below is a reconciliation between Expenses and Revenue:

Voluntary Contributions Expense 2012	786 490
Project ID 463000 - Revenue is based on cash	5 825
Voluntary Contributions Revenue 2012	792 315

Regional Office of the Americas (AMRO)
World Health Organization

Regional Office of The Americas for the World Health Organization Statement of Financial Performance by Segment

(expressed by US dollars)

	AMRO Regular Budget	AMRO Special Account for Servicing Costs	AMRO Staff Development and Learning Fund
REVENUE			
Revenue from Non-Exchange Transactions			
Assessed contributions			
Voluntary Contributions			
Other Revenue	37 792 522	3 344 397	112 703
Revenue from Exchange Transactions			
Procurement of Public Health Supplies			
Other Revenue			
Miscellaneous Revenue			
TOTAL REVENUE	**37 792 522**	**3 344 397**	**112 703**
EXPENSES			
Staff and Other Personnel Costs	28 780 600	561 867	
Supplies, Commodities, Materials	1 078 899	115 936	625
Equipment, Vehicles, Furniture and Depreciation			
Contract Services	2 580 825	1 292 561	16 243
Travel	4 385 729	179 809	93 219
Transfers and Grants to Counterparts	369 749		
General Operating and Other Direct Costs	596 720	1 194 224	2 616
Indirect Support Costs			
TOTAL EXPENSES	**37 792 522**	**3 344 397**	**112 703**
NET SURPLUS (DEFICIT)			

Regional Office of The Americas for the World Health Organization
Statement of Financial Performance by Segment

Annex

(expressed by US dollars)

AMRO Post Occupancy Charges Fund	AMRO Sasakawa Health Trust Fund	AMRO Voluntary Funds for Health Promotion	Total/[1] 2012	Total/[1] 2011
1 018 478	263 075	19 078 172	61 609 347	79 068 621
1 018 478	**263 075**	**19 078 172**	**61 609 347**	**79 068 621**
	73 034	7 062 020	36 477 521	44 111 234
	1 088	2 476 032	3 672 580	6 490 409
477 634	40 222	3 388 176	7 795 661	11 786 203
	148 731	5 157 196	9 964 684	9 478 590
		666 365	1 036 114	3 326 184
540 844		328 383	2 662 787	3 876 001
1 018 478	**263 075**	**19 078 172**	**61 609 347**	**79 068 621**

[1/]Note - No eliminations are provided.

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Caribbean Epidemiology Center

Annex

Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Financial Position

(expressed in US dollars)

	31 December 2012	**31 December 2011**
ASSETS		
Current Assets		
Cash and Cash Equivalents	32 073	30 783
Accounts Receivable	6 050 689	7 945 591
Total Current Assets	**6 082 762**	**7 976 374**
TOTAL ASSETS	**6 082 762**	**7 976 374**
LIABILITIES		
Current Liabilities		
Accounts Payable	7 458	15 793
Accrued Liabilities	13 465	42 654
Total Current Liabilities	**20 923**	**58 447**
TOTAL LIABILITIES	**20 923**	**58 447**
NET ASSETS / EQUITY		
Fund Balances and Reserves		
Fund Balances	6 061 839	7 917 927
NET RESERVES & FUND BALANCES	**6 061 839**	**7 917 927**

Annex

Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Financial Performance

(expressed in US dollars)

	31 December 2012	31 December 2011
REVENUE		
Revenue from Non-Exchange Transactions		
Assessed Contributions	2 613 855	2 613 855
Voluntary Contributions	12 498	
Other Revenue		
Revenue from Exchange Transactions		
Procurement of Public Health Supplies		
Other Revenue	441 172	458 086
Miscellaneous Revenue	11 806	19 045
TOTAL REVENUE	**3 079 331**	**3 090 986**
EXPENSES		
Staff and Other Personnel Costs	2 676 658	295 379
Supplies, Commodities, Materials	152 675	145 667
Equipment, Vehicles, Furniture and Depreciation		
Contract Services	1 738 876	1 825 787
Travel	183 102	207 686
Transfers and Grants to Counterparts		
General Operating and Other Direct Costs	184 108	225 706
Indirect Support Costs		
TOTAL EXPENSES	**4 935 419**	**2 700 225**
NET SURPLUS (DEFICIT)	**(1 856 088)**	**390 761**

Annex

Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Changes in Net Assets

(expressed in US dollars)

	31 December 2012	31 December 2011
Net Assets at the beginning of the year	**7 917 927**	7 527 166
Total of items (revenue/expenses) recognized directly in Net Assets	**7 917 927**	**7 527 166**
Surplus/(deficit) for the Financial Period	**(1 856 088)**	**390 761**
Net assets at the end of the year	**6 061 839**	**7 917 927**

Annex

Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Cash Flow

(expressed in US dollars)

	31 December 2012	31 December 2011
Cash Flows from Operating Activities		
Surplus for the period	(1 856 088)	390 761
Decrease / (Increase) in Receivables	1 894 902	(353 926)
(Decrease) in Assessed Contributions Received in Advance	(8 335)	(15 275)
(Decrease) in Accrued Liabilities	(29 189)	(18 655)
Net Cash Flows from Operating Activities	**1 290**	**2 905**
Net Increase in Cash and Cash Equivalents	**1 290**	**2 905**
Cash and Cash Equivalents at beginning of financial period	**30 783**	**27 878**
Cash and Cash Equivalents, end of financial period	**32 073**	**30 783**

Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Financial Performance by Segment

(expressed in US dollars)

Category	Regular Budget and Working Capital Fund	Voluntary Contributions	Building Fund	Capital Equipment Fund	Income from Services Fund
REVENUE					
Revenue from Non-Exchange Transactions					
Assessed Contributions	2 613 855				
Voluntary Contributions		12 498			
Other Revenue					
Revenue from Exchange Transactions					
Procurement of Public Health Supplies					
Other Revenue	5 575				
Miscellaneous Revenue			281		
TOTAL REVENUE	**2 619 430**	**12 498**	**281**		
EXPENSES					
Staff and Other Personnel Costs	103 218				
Supplies, Commodities, Materials	140 177	12 498			
Equipment, Vehicles, Furniture and Depreciation					
Contract Services	1 738 876				
Travel	182 458				644
Transfers and Grants to Counterparts					
General Operating and Other Direct Costs	184 108				
Indirect Support Costs					
TOTAL EXPENSES	**2 348 837**	**12 498**			**644**
NET SURPLUS (DEFICIT)	**270 593**		**281**		**(644)**

Annex

	Program Support Cost Fund	**Terminal Entitlements Fund**	**Staff Provident Fund**	**Total/[1] 2012**	Total/[1] 2011
				2 613 855	2 613 855
				12 498	
		280 677	154 920	441 172	458 086
			11 525	11 806	19 045
		280 677	**166 445**	**3 079 331**	3 090 986
		1 130 108	1 443 332	2 676 658	295 379
				152 675	145 667
				1 738 876	1 825 787
				183 102	207 686
				184 108	225 706
		1 130 108	**1 443 332**	**4 935 419**	2 700 225
		(849 431)	**1 276 887**	**(1 856 088)**	390 761

[1/]Note - No eliminations are provided.

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Caribbean Food and Nutrition Institute

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Statement of Financial Position

(Expressed in US Dollars)

	31 December 2012	31 December 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	15 657	4 162
Accounts Receivable	1 855 853	1 834 873
Total Current Assets	**1 871 510**	**1 839 035**
TOTAL ASSETS	**1 871 510**	**1 839 035**
LIABILITIES		
Current Liabilities		
Accounts Payable		32 745
Deferred Revenue		188 128
Total Current Liabilities		**220 873**
TOTAL LIABILITIES		**220 873**
NET ASSETS / EQUITY		
Fund Balances and Reserves		
Fund Balances	1 871 510	1 618 162
FUND BALANCES	**1 871 510**	**1 618 162**

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Statement of Financial Performance

(Expressed in US Dollars)

	31 December 2012	31 December 2011
REVENUE		
Revenue from Non-Exchange Transactions		
Assessed Contributions	412 269	412 269
Voluntary Contributions	121 242	173 393
Other Revenue	41 513	
Revenue from Exchange Transactions		
Procurement of Public Health Supplies		
Other Revenue	9 440	12 070
Miscellaneous Revenue		
TOTAL REVENUE	**584 464**	**597 732**
EXPENSES		
Staff and Other Personnel Costs	168 478	277 585
Supplies, Commodities, Materials	43 517	17 436
Equipment, Vehicles, Furniture and Depreciation		
Contract Services	105 173	86 457
Travel		25 638
Transfers and Grants to Counterparts		
General Operating and Other Direct Costs		11 003
Indirect Support Costs	13 948	18 686
TOTAL EXPENSES	**331 116**	**436 805**
NET SURPLUS	**253 348**	**160 927**

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Statement of Changes in Net Assets

(Expressed in US Dollars)

	31 December 2012	31 December 2011
Net assets at the beginning of the year	1 618 162	1 457 235
Total of items (revenue/expenses) recognized directly in Net Assets	**1 618 162**	**1 457 235**
Surplus for the Financial Period	**253 348**	**160 927**
Net assets at the end of the year	**1 871 510**	**1 618 162**

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Statement of Cash Flow (Indirect Method)

(Expressed in US Dollars)

Cash Flows from Operating Activities	**31 December 2012**	**31 December 2011**
Surplus for the period	253 348	160 927
(Increase) / Decrease in Accounts Receivables	(20 980)	70 813
(Decrease) in Assessed Contributions Received in Advance	(32 745)	(58 148)
Increase in Accounts Payable		3 687
(Decrease) in Deferred Revenue	(188 128)	(188 238)
Net Cash Flows from Operating Activities	**11 495**	**(10 959)**
Cash Flows from Investment and Financing Activities		
Net Increase (decrease) in Cash and Cash Equivalents	**11 495**	**(10 959)**
Cash and Cash Equivalents at beginning of financial period	4 162	15 121
Cash and Cash Equivalents, end of financial period	**15 657**	**4 162**

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Statement of Financial Performance by Segment

(Expressed in US Dollars)

	Regular Budget and Working Capital Fund	Voluntary Contributions	Special Fund	Total 2012	Total 2011
REVENUE					
Revenue from Non-Exchange Transactions					
Assessed Contributions	412 269			412 269	412 269
Voluntary Contributions		121 242		121 242	173 393
Other Revenue	41 513			41 513	
Revenue from Exchange Transactions					
Procurement of Public Health Supplies					
Other Revenue			9 440	9 440	12 070
Miscellaneous Revenue					
TOTAL REVENUE	**453 782**	**121 242**	**9 440**	**584 464**	**597 732**
EXPENSES					
Staff and Other Personnel Costs	151 643	12 219	4 616	168 478	277 585
Supplies, Commodities, Materials	966	40 699	1 852	43 517	17 436
Equipment, Vehicles, Furniture and Depreciation					
Contract Services	50 797	54 376		105 173	86 457
Travel					25 638
Transfers and Grants to Counterparts					
General Operating and Other Direct Costs					11 003
Indirect Support Costs		13 948		13 948	18 686
TOTAL EXPENSES	**203 406**	**121 242**	**6 468**	**331 116**	**436 805**
NET SURPLUS (DEFICIT)	**250 376**		**2 972**	**253 348**	**160 927**

Annex

Caribbean Food and Nutrition Institute
Administered by the Pan American Health Organization
Summary of Voluntary Contributions

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense
GOVERNMENT FINANCING					
Guyana					
Survey of Iron Iodine and Vitamin A status	330009				121 242
Total - Government Financing					121 242
PRIVATE AND PUBLIC SECTOR					
World Diabetes Foundation					
Preventing Diabetes & Other Chronic Diseases through a School-Based Behavioral Intervention in Four Caribbean Countries	418003	2 901			
Total - Private and Public Sector		2 901			
Total		2 901			121 242

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Other Centers

1. Latin American and Caribbean Center on Health Sciencies Information – (BIREME)

(Expressed in US Dollars)

	31 December 2012	31 December 2011
Deferred Revenue available as of 31 December	732 206	348 189
Revenue Activity	572 496	882 662
Expenditure Activity	170 465	911 882

Other disbursements include $3 593 623 under trust fund arrangements; $514 816 from PAHO Regular Budget; and $25 052 from WHO funds. (No accruals are included).

Revenue was received from sale of publications and other services.

2. Latin America Center for Perinatology and Human Development – (CLAP)

(Expressed in US Dollars)

	31 December 2012	31 December 2011
Deferred Revenue available as of 31 December	622 066	606 084
Revenue Activity	28 635	271 542
Expenditure Activity	12 654	69 824

Other disbursements include $894 970 under trust fund arrangements; $519 284 from PAHO Regular Budget; and $616 439 from WHO funds. (No accruals are included).

Revenue was received from sundry sales and other services.

3. Pan American Foot-and-Mouth Disease Center – (PANAFTOSA)

(Expressed in US Dollars)

	31 December 2012	31 December 2011
Deferred Revenue available as of 31 December	384 760	998 508
Revenue Activity	1 491 480	1 715 319
Expenditure Activity	2 121 952	1 479 092

Other disbursements include $3 792 441 under trust fund arrangements; $9 000 from Special Fund for Health Promotion $2 787 676 from PAHO Regular Budget; and $921 798 from WHO funds. (No accruals are included).

Revenue was received from sale of laboratory services.

The End