**Consolidated Statement of Financial Position**

*(Expressed in thousand US Dollars)*

| | Reference | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | **Note 3** | 137 683 | 165 717 |
| Short Term Investments | **Note 4.1** | 268 202 | 125 152 |
| Accounts Receivable | **Note 6.1** | 412 938 | 222 147 |
| Inventories | **Note 7** | 7 868 | 7 906 |
| **Total Current Assets** | | **826 691** | **520 922** |
| **Non-Current Assets** | | | |
| Long Term Investments | **Note 4.2** | 267 753 | 266 546 |
| Accounts Receivable | **Note 6.2** | 52 985 | 36 145 |
| Property, Plant and Equipment | **Note 8.1** | 120 250 | 119 784 |
| Intangible Assets | **Note 9** | 1 728 | 2 433 |
| **Total Non-Current Assets** | | **442 716** | **424 908** |
| **TOTAL ASSETS** | | **1 269 407** | **945 830** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Accrued Liabilities | **Note 10** | 42 681 | 37 243 |
| Accounts Payable | **Note 11.1** | 9 259 | 5 056 |
| Employee Benefits | **Note 12** | 11 616 | 11 329 |
| Deferred Revenue | **Note 13.1** | 600 662 | 346 787 |
| **Total Current Liabilities** | | **664 218** | **400 415** |
| **Non-Current Liabilities** | | | |
| Accounts Payable | **Note 11.2** | 15 089 | 15 089 |
| Employee Benefits | **Note 12** | 199 986 | 191 913 |
| Deferred Revenue | **Note 13.2** | 174 223 | 159 931 |
| **Total Non-Current Liabilities** | | **389 298** | **366 933** |
| **TOTAL LIABILITIES** | | **1 053 516** | **767 348** |
| **NET ASSETS / EQUITY** | | | |
| **Fund Balances and Reserves** | | | |
| Fund Balances | **Note 14** | 84 093 | 72 697 |
| Reserves | **Note 14** | 131 798 | 105 785 |
| **NET FUND BALANCES and RESERVES** | | **215 891** | **178 482** |

**Consolidated Statement of Financial Performance**

*(Expressed in thousand US Dollars)*

| | Reference | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Non-Exchange Transactions** | | | |
| Assessed Contributions | **Note 15** | 105 620 | 106 245 |
| Voluntary Contributions | **Note 15** | 877 773 | 356 906 |
| Other Revenue | **Note 15** | 57 353 | 68 992 |
| **Revenue from Exchange Transactions** | | | |
| Procurement of Public Health Supplies | **Note 15** | 676 374 | 596 967 |
| Other Revenue | **Note 15** | 10 760 | 11 610 |
| Miscellaneous Revenue | **Note 15** | ( 697) | ( 1 264) |
| **TOTAL REVENUE** | | **1 727 183** | **1 139 456** |
| **EXPENSES** | | | |
| Staff and Other Personnel Costs | **Note 16** | 169 653 | 186 293 |
| Supplies, Commodities, Materials | **Note 16** | 672 834 | 600 802 |
| Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization | **Note 16** | ( 426) | 2 150 |
| Contract Services | **Note 16** | 86 368 | 100 056 |
| Travel | **Note 16** | 116 805 | 97 838 |
| Transfers and Grants to Counterparts | **Note 16** | 647 020 | 143 879 |
| General Operating and Other Direct Costs | **Note 16** | 11 201 | 11 098 |
| **TOTAL EXPENSES** | | **1 703 455** | **1 142 116** |
| **NET SURPLUS / (DEFICIT)** | | **23 728** | **( 2 660)** |

**Consolidated Statement of Changes in Net Assets**

*(Expressed in thousand US Dollars)*

| | Reference | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **Net assets at the beginning of the year** | | 178 482 | 175 337 |
| Settlement of Employee Benefit Liability | **Note 12.3.10** | 11 329 | 11 639 |
| Gain/(Loss) on Revaluation of Investments | **Note 4.2** | ( 407 ) | ( 586 ) |
| (Recognition) / De-recognition of Liability through Reserves | **Note 24** | 2 570 | 2 525 |
| Fixed Assets Revaluation Adjustments | **Note 8.1** | 189 | ( 60 ) |
| Intangible Assets Adjustments | **Note 9** | | ( 80 ) |
| Adjustments for closing of CAREC and CFNI | | | (7 633 ) |
| **Total of items (revenue/expenses) recognized** | | 13 681 | 5 805 |
| Surplus/(deficit) for the Financial Period | | 23 728 | (2 660 ) |
| **Total recognized revenue and expenses for the year** | | 37 409 | 3 145 |
| **Net assets at the end of the year** | | **215 891** | **178 482** |

**Consolidated Cash Flow Statement**

*(expressed in thousand US dollars)*

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Surplus (Deficit) for the period | 23 728 | ( 2 660) |
| Depreciation and Amortization | 2 778 | 2 694 |
| (Increase) / Decrease in Accounts Receivable | ( 207 631) | ( 15 211) |
| (Increase) / Decrease in Inventories | 38 | 753 |
| Increase / (Decrease) in Accrued Liabilities | 5 438 | 18 455 |
| Increase / (Decrease) in Accounts Payable | 4 203 | ( 13 112) |
| Increase / (Decrease) in Employee Benefits | 19 689 | 26 931 |
| Increase / (Decrease) in Other Liabilities | 2 570 | 2 525 |
| Increase / (Decrease) in Deferred Revenue | 268 167 | ( 75 410) |
| Transfer of Equity to CARPHA due to closing of CAREC and CFNI | | ( 7 633) |
| **Net Cash Flows from Operating Activities** | **118 980** | **( 62 668)** |
| **Cash Flows from Investment and Financing Activities:** | | |
| (Increase) / Decrease in Short Term Investments | ( 143 457) | 119 906 |
| (Increase) / Decrease in Long Term Investments | ( 1 207) | ( 51 003) |
| (Increase) / Decrease in Property, Plant and Equipment and Intangibles Assets | ( 2 350) | ( 1 435) |
| **Net Cash Flows from Investing Activities** | **( 147 014)** | **67 468** |
| **Net Increase / (Decrease) in Cash and Cash Equivalents** | **( 28 034)** | **4 800** |
| **Cash and Cash Equivalents at the beginning of the Year** | **165 717** | **160 917** |
| **Cash and Cash Equivalents at the end of the Year** | **137 683** | **165 717** |

**Comparison of Budget and Actual Amounts**

*(Expressed in thousand US Dollars)*

## Reconciliation of Total Amounts on a Cash Basis

| Category and Program Area | 2014-2015 Budget Amount | 2014 Disbursements | 2014 Disbursements as % of Budget Amount |
|---|---|---|---|
| ***1. Communicable Diseases*** | | | |
| 1.1 - HIV/AIDS and STIs | 6 061 | 2 561 | 42% |
| 1.2 - Tuberculosis | 1 500 | 302 | 20% |
| 1.3 - Malaria and other Vector-Borne Diseases (including Dengue and Chagas) | 1 500 | 551 | 37% |
| 1.4 - Neglected Tropical and zoonotic diseases | 6 983 | 3 017 | 43% |
| 1.5 - Vaccine-preventable Diseases (including maintenance of Polio Eradication) | 5 100 | 2 304 | 45% |
| ***2. Non Communicable Diseases*** | | | |
| 2.1 - Non Communicable Diseases and Risk Factors | 12 320 | 5 444 | 44% |
| 2.2 - Mental Health and psychoactive substance use disorders | 2 344 | 871 | 37% |
| 2.3 - Violence and Injuries | 1 500 | 458 | 31% |
| 2.4 - Disabilities and Rehabilitation | 1 500 | 467 | 31% |
| 2.5 - Nutrition | 6 200 | 2 277 | 37% |

**Comparison of Budget and Actual Amounts**

*(Expressed in thousand US Dollars)*

## Reconciliation of Total Amounts on a Cash Basis

| Category and Program Area | 2014-2015 Budget Amount | 2014 Disbursements | 2014 Disbursements as % of Budget Amount |
|---|---|---|---|
| ***3. Determinants of Health and Promoting Health throughout the Life Course*** | | | |
| 3.1 - Women, maternal, newborn, child, and adolescent and adult health and sexual and reproductive health | 13 680 | 5 444 | 40% |
| 3.2 - Aging and health | 1 500 | 951 | 63% |
| 3.3 - Gender, equity, human rights and ethnicity | 4 759 | 1 256 | 26% |
| 3.4 - Social determinants of health | 9 352 | 3 817 | 41% |
| 3.5 - Health and the environment | 9 137 | 3 455 | 38% |
| ***4. Health Systems*** | | | |
| 4.1 - Health governance and financing, national health policies, strategies and plans | 7 700 | 3 234 | 42% |
| 4.2 - People-centered integrated health services | 5 711 | 2 453 | 43% |
| 4.3 - Access to medical products and strengthening regulatory capacity | 8 305 | 3 143 | 38% |
| 4.4 - Health systems information and evidence | 17 418 | 7 283 | 42% |
| 4.5 - Human resources for health | 9 900 | 3 081 | 31% |

**Comparison of Budget and Actual Amounts**

*(Expressed in thousand US Dollars)*

## Reconciliation of Total Amounts on a Cash Basis

| Category and Program Area | 2014-2015 Budget Amount | 2014 Disbursements | 2014 Disbursements as % of Budget Amount |
|---|---|---|---|
| ***5. Preparedness, Surveillance and Response*** | | | |
| 5.1 - Alert and response capacities | 5 520 | 1 376 | 25% |
| 5.2 - Epidemic and pandemic prone diseases | 3 720 | 1 325 | 36% |
| 5.3 - Emergency risk and crisis management | 6 050 | 1 080 | 18% |
| 5.4 - Food safety | 2 680 | 1 169 | 44% |
| ***6. Corporate Services/Enabling Functions*** | | | |
| 6.1 - Leadership and governance | 54 235 | 23 691 | 44% |
| 6.2 - Transparency, accountability, and risk management | 2 790 | 1 253 | 45% |
| 6.3 - Strategic planning, resource coordination, and reporting | 21 960 | 9 431 | 43% |
| 6.4 - Management and administration | 39 602 | 22 065 | 56% |
| 6.5- Strategic communications | 10 073 | 4 664 | 46% |
| **Sub-Total** | **279 100** | **118 423** | **42%** |
| **Other Sources** | **284 000** | **107 492** | **38%** |
| **TOTAL** | **563 100** | **225 915** | **40%** |

The 2014-2015 Budget amounts reflect the funding appropriated by the Governing Bodies for the Organization’s Strategic Plan during the entire 2014-2015 biennium. The Effective Working Budget is comprised of the Pan American Health Organization’s and the World Health Organization’s regular budget only. The 2013 and 2014 disbursed amounts reflect the disbursements made in achieving the Organization’s Strategic Plan during the biennium.

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# Notes to the Financial Statements at 31 December 2014

## 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 certified and approved for issue by the Director of the Organization under the authority vested in her by the Pan American Sanitary Conference as stated in the Resolution CSP28.R7 in September 2012. This issuance approval is dated 09 April 2015. No other authority has the power to amend the Financial Statements after issuance. (Reference: IPSAS 14, paragraph 26).

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 49$^{th}$ meeting on 28 September 2009 and by the 145$^{th}$ 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 2014 represents the FIRST year of the 2014 – 2015 biennium, which is the third biennium when the IPSAS standards were implemented.

The functional and reporting currency of the Organization is the United States Dollar (US$). Disclosed amounts in the Financial Statements and Explanatory Notes are rounded in order to be expressed in thousands. The rounding practice may result in tables that may not sum precisely to the rounded totals.

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.

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<br>• Cash and Cash Equivalents – Note 3 and Note 5.4 | |
| 5 | Borrowing Costs | | Not applicable – The Organization does not borrow funds. |
| 6 | Consolidated and Separate Financial Statements | • Accounting Policy - Note 2.22 | Not applicable – The Organization does not have regional centers to consolidate. Effective January 1, 2013. |
| 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<br>• 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<br>• Accounting Policy - Note 2.7<br>• Inventories – Note 7 | |
| 13 | Leases | • Statement of Financial Position<br>• Accounting Policies – 2.9<br>• 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<br>• 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<br>• Property Plant and Equipment – Note 8 | |
| 18 | Segment Reporting | • Accounting Policy – Note 2.19<br>• 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<br>• Inventories – Note 7<br>• 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<br>• Accounting Policy – Note 2.17<br>• Revenue – Note 15<br>• Segment Reporting – Note 18 | |
| 24 | Presentation of Budget Information in Financial Statements | • Comparison of Budget and Actual Amounts<br>• Accounting Policy – Note 2.20 | |
| 25 | Employee Benefits | • Accounting Policy – Note 2.14<br>• 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 | • Accounting Policy – Notes 2.3, 2.4 and 2.5<br>• Cash and Cash Equivalent – Note 3<br>• Investments – Note 4<br>• Financial Instruments – Note 5 | |
| 29 | Financial Instruments: Recognition and Measurement | • Accounting Policy – Notes 2.3, 2.4 and 2.5<br>• Cash and Cash Equivalent – Note 3<br>• Investments – Note 4<br>• Financial Instruments – Note 5 | |

| | | | |
|---|---|---|---|
| 30 | Financial Instruments: Disclosures | • Accounting Policy – Notes 2.3, 2.4 and 2.5<br>• Cash and Cash Equivalent – Note 3<br>• Investments – Note 4<br>• Financial Instruments – Note 5 | |
| 31 | Intangible Assets | • Statement of Financial Position<br>• Accounting Policy – Note 2.10<br>• Note 9 | |
| 32 | Service Concession Arrangements: Guarantor | | Not applicable - Effective date for this IPSAS is January 1, 2014. |

**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 (2013). |
| 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 | Not applicable – Effective 1 January 2013, the Organization does not have regional centers to consolidate. |
| 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.<br><br>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 | Effective 1 January 2013 the Organization implemented this standard. |
| 29 | Financial Instruments: Recognition and Measurements | Effective 1 January 2013 the Organization implemented this standard. |
| 30 | Financial Instruments: Disclosures | Effective 1 January 2013 the Organization implemented this standard. |
| 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.<br><br>Attending Paragraphs 70 and 129 of IPSAS 31, the Organization will not disclose Intangible Assets which cost was expensed before the adoption of IPSAS.<br><br>The Organization did not apply transitional provisions (IPSAS 31 Paragraphs 128 to 131) to retrospectively recognize its Intangible Assets. |
| 32 | Service Concession Arrangements: Guarantor | Not applicable.- Effective date for this IPSAS is January 1, 2014. |

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. Available for sale investments are accounted for on a purchase date basis. Held to maturity investments are recognized on settlement date.

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. Available for sale assets are actively traded on the market and the valuation of these assets is determined by price quotes on the open market for identical financial instruments. Impairment losses are recognized when the book value of an asset exceeds the fair market value on an other than temporary basis. PAHO monitors the fair market value of its investments monthly and investigates the underlying cause of a decline in value. The investment policy specifies credit rating limitations. If the impairment is a result of a credit downgrade below investment policy guidelines, the investment must be liquidated.

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. The Organization's credit risk is mitigated by Investment Policies which stipulate limits on the amount of credit exposure to any one counterparty, limiting investments on a single non-government issuer to no more than 25%.

In accordance with the Investment Policy requirements, internally managed investments are restricted to A1/P1 and AAA/Aaa rated financial instruments. Fixed Income Notes consist primarily of U.S. Agency Paper which carries the implicit guarantee of the U.S. Government.

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. Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements. In the event a security's rating falls below the minimum requirements for credit quality, the external manager immediately notifies PAHO and initiates actions to liquidate the security.

Maximum maturity for the short-term investment of operating cash is not to exceed one year. Long-term investment of strategic funds is limited to an effective maturity of no more than five years.

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. Non-US dollar accounts are monitored daily to ensure that balances are kept at minimum operating requirements levels.

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.

## 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; and (3) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, which includes financial resources from governments, international organizations, and private and public sector organizations. 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)

  To determine the current portion of the accounts receivable from Voluntary Contributions as of 31 December 2014, the Organization applied the average percentage of cash received in 2012, 2013 and 2014 compared to the 1 January 2012, 2013 and 2014 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.

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.

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. In 2014, during the design of the new Enterprise Resource Planning system, it was determined that, for the depreciation calculation of the acquisition year, the new system will support only half year depreciation instead of the usual full year that had been applied previously. In order to fully leverage the automation capabilities of the new ERP, the decision was made to change the depreciation policy to half year. 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 Vehicle | 5 years |
| Audio Visual Equipment | 3 years |
| Lease-hold Improvements | 3 years |
| Office Fixture and Fittings | 3 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. The Organization does not retain ownership of these items; therefore these items are expensed at the time of purchase. If the items are not consumed within the project period, the final disposition would be determined by the donor.

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. All improvements, renovations, etc. made to the buildings since the prior appraisal will be expensed in the year they occur and will be included in the future revaluation. 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 –** The Organization does not have regional centers to consolidate. Effective Janauary 1, 2013.

**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.

## 3. Cash and Cash Equivalents

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Cash on Hand, US$ | 56 703 | 62 105 |
| Cash on Hand, Other Currencies | 19 223 | 65 661 |
| Money Market Funds | 65 583 | 38 769 |
| Less: Plan Assets | ( 3 826) | ( 818) |
| **Total** | **137 683** | **165 717** |

## 4. Investments

### 4.1 Short-Term Investments

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Certificates of Deposit | **268 202** | **125 152** |

Accrued interest of $ 568 347 (2013: $ 92 238) 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 2014 | 31 December 2013 |
|---|---|---|
| **Net Increase in Long-term Investments** | | |
| Increase (decrease) in Long-term Investments | 1 207 | 51 003 |
| Unrealized Net (Gains)/Losses | 407 | 586 |
| **Net Increase in Long-term Investments** | 1 614 | 51 589 |
| **Cash Flows from Long-term Investments** | | |
| Interest Revenue | 2 026 | 2 026 |
| Realized Net Gains/(Losses) | 143 | ( 37) |
| **Total** | **2 169** | **1 989** |

| **Valuation of Long-term Investments** | **31 December 2014** | | 31 December 2013 | |
|---|---|---|---|---|
| | **Cost** | **Market** | **Cost** | **Market** |
| Fixed Income Notes | 51 395 | 50 549 | 51 348 | 47 040 |
| Managed Portfolios | 267 345 | 267 288 | 265 771 | 266 122 |
| **Total** | **318 740** | **317 837** | 317 119 | 313 162 |

| **Reconciliation of Long-term Investments** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Fixed Income Notes (Market) | 50 862 | 47 358 |
| Less: Plan Assets (see note 12.3.5) | ( 50 862) | ( 47 358) |
| Managed Portfolio (Market) | 267 753 | 266 546 |
| **Total for Long-term Investments** | **267 753** | **266 546** |

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 $313 520 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 $464 856 (2013: $424 734) and recognized on the Statement of Financial Performance as Miscellaneous Revenue.

Total gains (losses) on managed portfolios are comprised of the cumulative gain or loss previously recognized in the Statement of Changes in Net Assets and the incremental change in value at the point of sale or maturity. Total gains (losses) are recognized in the surplus or deficit for the period. In accordance with IPSAS accounting principles, a cumulative gain of $223 731 recognized in the Statement of Changes in Net Assets was recognized during 2014.

## 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**

| | 2014 Amortized Cost | 2014 Fair Market Value | 2013 Amortized Cost | 2013 Fair Market Value |
|---|---|---|---|---|
| **Cash and Cash Equivalents** | 141 509 | | 166 535 | |
| **Short-term Investments** | | | | |
| Certificates of Deposit (held to maturity) | 268 202 | | 125 152 | |
| **Long-term Investments** | | | | |
| Fixed Income Notes (held to maturity) | | | | |
| Fixed Income Notes (Plan Assets) | | 50 862 | | 47 358 |
| Managed Portfolios (available for sale) | | 267 753 | | 266 546 |
| **Total** | **409 711** | **318 615** | **291 687** | **313 904** |

### 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 | 0.05% | | 79 440 | 62 069 |
| **Short-term Investment** | | | | | |
| Certificates of Deposit | 44 days | 3.77% | 268 202 | | |
| **Long-term Investments** | | | | | |
| Plan Assets | 8.12 years | 2.41% | 50 862 | | |
| Managed Portfolios | 1.56 years | 0.94% | 267 753 | | |
| **Total** | | | **586 817** | **79 440** | **62 069** |

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% | 5-Jul-22 | Next call date 23 Jan 2015 |
| Federal Home Loan Mortgage Corporation | 5 000 000 | 2.10% | 23-Aug-22 | Next call date 23 Feb 2015 |
| Federal Home Loan Bank | 4 200 000 | 2.14% | 5-Dec-22 | Next call date 23 Jan 2015 |
| Federal Farm Credit Bank | 10 800 000 | 2.39% | 6-Mar-23 | Next call date 23 Mar 2015 |
| Federal National Mortgage Associaton | 10 000 000 | 2.50% | 27-Mar-23 | Next call date 27 Mar 2015 |
| Federal Home Loan Mortgage Corporation | 6 340 000 | 2.50% | 17-Apr-23 | Next call date 17 Apr 2015 |
| Federal Farm Credit Bank | 5 200 000 | 2.33% | 1-May-23 | Next call date 5 Jan 2015 |
| Federal Home Loan Corporation | 5 200 000 | 2.63% | 13-Jun-23 | Next call date 13 Mar 2015 |
| Total | 51 740 000 | | | |

Changes in market interest rate impact the fair value and future cash flows of investment instruments. This impact is irrelevant for held to maturity investments, but would affect the Statement of Financial Position for available for sale fixed rate investments and the Statement of Financial Performance for floating rate available for sale investments. The portion of PAHO's available for sale portfolio comprised of floating rate instruments is insignificant and rate fluctuations would not have a material effect. However, a market rate shift for fixed rate available for sale investments could materially impact the Statement of Financial Position.

A fluctuation of market interest rates of 100 basis points would have the following impact on the fair market value of fixed rate available for sale investments:

| Fair Market Value of fixed rate investments at 12-31-14 | Increase of 100 basis points | Change in Fair Market Value | Decrease of 100 basis points | Change in Fair Market Value |
|---|---|---|---|---|
| **267 965** | **263 351** | **(4 614)** | **270 375** | **2 410** |

## 5.3 Credit Risk

The maximum credit risk represents the carrying amount of loans and receivables. PAHO's investment guidelines stipulate limits on the amount of credit exposure to any one counterparty. 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 55% of the total cash, short-term and long-term investments.

The minimum credit quality requirements for all investments, as defined by the Investment Policy, falls within the investment grade range. 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.

PAHO's long-term investments and managed portfolios are held as follows:

| Investment Type | 2014 | 2013 |
|---|---|---|
| Money Market Funds | 8 878 | 3 280 |
| Government & US Agency Issues | 240 623 | 253 308 |
| Mortgage- and Asset-backed Securities | 18 961 | 6 497 |
| Corporate Notes | 51 451 | 47 899 |
| Municipal Government Bonds | 1 795 | 2 248 |
| **Total Long Term Investments** | **321 709** | **313 231** |

## 5.4 Exchange Rate Risk

The Statement of Financial Position does not reflect significant exposure to exchange rate risk as foreign currency deposits at any given time are either immaterial or are designated for foreign currency expenditures. During the course of the year, a considerable portion of expenditures (48%) 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.

Contributions may be received in foreign currency, provided the amount can be absorbed by country offices within a thirty day window. The majority of funds held in Brazilian accounts are committed to specific programs that stipulate disbursements in local currency within six months. An exception to the Cash Management Guidelines, which limit the balance of local currency maintained locally, has been approved by the Investment Committee for the Brazilian program to eliminate the need to enter the market to buy or sell local currency. It is, therefore, not anticipated that Brazilian deposits would be subject to exchange rate risk.

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

## 6. Accounts Receivable

## 6.1 Accounts Receivable - Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Assessed Contributions | 38 106 | 38 712 |
| Voluntary Contributions | 295 367 | 114 913 |
| Procurement Funds | 62 076 | 50 447 |
| Balance due from the World Health Organization due to inter-office transactions | 1 362 | 1 473 |
| Balance due from the PAHO Foundation | 561 | 530 |
| Expanded Textbook and Instructional Materials | 50 | 48 |
| Regular Advances to Staff | 5 760 | 5 069 |
| Prepaid Expenses | 6 989 | 8 824 |
| Miscellaneous Receivables | 2 667 | 2 131 |
| **Total** | **412 938** | **222 147** |

### 6.1.1 Accounts Receivable from Assessed Contributions

**Statement of Assessed Contributions as of 31 December 2014**

*(Expressed in thousand US Dollars)*

| | Arrears | 2014 | Total 2014 | Total 2013 |
|---|---|---|---|---|
| **PAHO** | | | | |
| Antigua and Barbuda | | | | |
| Argentina | | 1 282 | 1 282 | |
| Aruba | | | | 16 |
| Brazil | | 9 563 | 9 563 | 1 447 |
| Colombia | | 1 | 1 | |
| Costa Rica | | 9 | 9 | |
| Curacao | | | | 17 |
| Dominica | | | | |
| El Salvador | 110 | 109 | 219 | 110 |
| France | | 19 | 19 | 2 |
| Grenada | | | | 63 |
| Guatemala | | | | 1 |
| Guyana | | 1 | 1 | 3 |
| Haiti | | | | |
| Mexico | | | | 7 966 |
| Panama | | | | 137 |
| Peru | | 36 | 36 | 662 |
| Puerto Rico | | 81 | 81 | 81 |
| Saint Lucia | | | | |
| Saint Vincent and The Grenadines | | | | 42 |
| United Kingdom | | 6 | 6 | 3 |
| United States | | 24 756 | 24 756 | 23 956 |
| Uruguay | | | | |
| Venezuela | | 2 133 | 2 133 | 4 206 |
| **TOTAL** | **110** | **37 996** | **38 106** | **38 712** |

### 6.1.2 Accounts Receivable from Voluntary Contributions

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Voluntary Contributions** | | |
| Voluntary Contributions - Emergency Preparedness and Disaster Relief | 481 | 979 |
| Voluntary Contributions | 18 247 | 14 290 |
| Voluntary Contributions - National Voluntary Contributions | 276 639 | 99 644 |
| **Total** | **295 367** | **114 913** |

### 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 2014 | 31 December 2013 |
|---|---|---|
| **Procurement of Public Health Supplies** | | |
| Revolving Fund for Vaccine Procurement | 60 303 | 47 740 |
| Regional Revolving Fund for Strategic Public Health Supplies | 1 773 | 2 707 |
| **Total** | **62 076** | **50 447** |

### 6.2 Accounts Receivable Non-Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Voluntary Contributions | 45 635 | 28 679 |
| Termination and Repatriation Entitlements (see Note 12.3.2) | 7 350 | 7 466 |
| **Total** | **52 985** | **36 145** |

### 6.2.1 Accounts Receivable from Voluntary Contributions Non-Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Voluntary Contributions** | | |
| Voluntary Contributions | 7 095 | 5 021 |
| National Voluntary Contributions | 38 540 | 23 658 |
| **Total** | **45 635** | **28 679** |

## 7. Inventories

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| PROMESS | 788 | 1 116 |
| Expanded Textbook and Instructional Materials Program | 7 080 | 6 790 |
| **Ending Balance of inventory** | **7 868** | **7 906** |

### 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 2014 | 31 December 2013 |
|---|---|---|
| **PROMESS** | | |
| Beginning inventory | 1 116 | 1 164 |
| Additions | 968 | 1 045 |
| Distributions | (1 296 ) | (1 093 ) |
| **Ending Balance of inventory** | **788** | **1 116** |

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| PALTEX | | |
| Beginning inventory | 6 791 | 7 495 |
| Additions | 2 842 | 3 347 |
| Distributions | ( 3 235) | ( 4 162) |
| Write-Offs | ( 144) | ( 14) |
| Allowance for Obsolete/Damage Inventory | 826 | 124 |
| **Ending Balance of inventory** | **7 080** | **6 791** |

## 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, leasehold improvements, office fixture and fittings and mobile buildings as well as land. Net acquisitions (after disposals) for the year totaled $2 332 237 (2013: $522 722).

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. As indicated in note 2.8, the depreciation for assets acquired during 2014 was calculated using half year instead of full year. This policy change was made in order to fully leverage the automation capabilities of the new ERP system that is being implemented by the Organization.

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

| | **Land** | **Permanent Buildings** | **Computer Equipment** | **Office Equipment** | **Motor Vehicles** | **Audio Visual Equipment** | **Leasehold Improvements** | **Office Fixture and Fittings** | **Mobile Buildings** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost as of 1 January | 62 563 | 62 543 | 380 | 32 | 1 211 | 227 | 266 | 79 | | 127 301 |
| Additions | | 1 862 | 277 | | 99 | 90 | | | 27 | 2 355 |
| Disposals | | | | | ( 23) | | | | | ( 23) |
| Impairments | | | | | | | | | | |
| Adjustments | | | | | 41 | | | ( 79) | | ( 38) |
| Net Revaluations | | | | | | | | | | |
| **Cost as of 31 December** | **62 563** | **64 405** | **657** | **32** | **1 328** | **317** | **266** | | **27** | **129 595** |
| Depreciation as of 1 January | | 6 169 | 268 | 32 | 614 | 152 | 266 | 16 | | 7 517 |
| Charged in current period | | 1 592 | 126 | 5 | 258 | 90 | | | 2 | 2 073 |
| Disposals | | | | | ( 18) | | | | | ( 18) |
| Adjustments | | | ( 51) | ( 5) | ( 117) | ( 38) | | ( 16) | | ( 227) |
| Net Revaluations | | | | | | | | | | |
| Depreciation as of 31 December | | 7 761 | 343 | 32 | 737 | 204 | 266 | | 2 | 9 345 |
| **Net book value as of 31 December 2014** | **62 563** | **56 644** | **314** | | **591** | **113** | | | **25** | **120 250** |
| Net book value as of 31 December 2013 | 62 563 | 56 374 | 112 | | 597 | 75 | | 63 | | 119 784 |

## 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 2014 | 31 December 2013 |
|---|---|---|
| **Intangible Assets Available for use** | | |
| Cost as of 1 January | 3 689 | 2 160 |
| Additions | | 1 529 |
| Adjustments | | |
| Cost as of 31 December | 3 689 | 3 689 |
| Amortization as of 1 January | 1 256 | 551 |
| Charged in current period | 705 | 705 |
| Adjustments | | |
| Amortization as of 31 December | 1 961 | 1 256 |
| **Net book value as of 31 December for Intangible Assets Available for use** | **1 728** | **2 433** |
| **Intangible Assets under Development** | | |
| **Total Intangible Assets** | **1 728** | **2 433** |

## 10. Accrued Liabilities

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Accrued Liabilities-Regular Budget Fund | 4 086 | 2 544 |
| Accrued Liabilities-Other Sources - PAHO | 35 000 | 30 651 |
| Accrued Liabilities-Other Sources - WHO | 3 595 | 4 048 |
| **Total** | **42 681** | **37 243** |

## 11. Accounts Payable

### 11.1 Accounts Payable Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Assessed Contributions Received in Advance | 196 | 1 |
| Voluntary Contributions Expired Agreements | 1 676 | 818 |
| Voluntary Contributions Pending Signature of Agreement | 1 077 | |
| Miscellaneous | 6 310 | 4 237 |
| **Total** | **9 259** | **5 056** |

### 11.2 Accounts Payable-Non Current

| | | |
|---|---|---|
| Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.2) | 15 089 | 15 089 |
| **Total** | **15 089** | **15 089** |

## 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 2014, 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 2014 | Total 2013 |
|---|---|---|---|---|
| Current liability | 9 611 | 2 005 | 11 616 | 11 329 |
| Non-current Liability | 199 986 | | 199 986 | 191 913 |
| Non-current (Asset) (Note 6.2) | | ( 7 350) | ( 7 350) | ( 7 466) |
| **Total** | **209 597** | **( 5 345)** | **204 252** | **195 776** |

- 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 2015 are estimated at $11 411 056 for After-Service Health Insurance and $2 004 864 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 2013, 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 2014, as calculated by Aon Hewitt Corporation, increased to $13 308 393 for terminal entitlements and $318 823 083 for after-service health insurance. The Termination and Repatriation Fund had assets of $10 649 984; therefore the net liability was $2 658 409 as of 31 December 2014. As the Organization's After-Service Health Insurance Fund had assets of $44 038 517, the net liability for the After-Service Health Insurance increased to $274 784 566 as of 31 December 2013.

One of the significant contributory factors in the increases in these two obligations was the decrease in the discount rate utilized to calculate the present value of the future commitments. The discount rate decreased from five and one-tenth per cent (5.1%) for the 31 December 2013 actuarial valuation to four and two-tenths per cent (4.2%) for the 31 December 2014 actuarial valuation due to the change in the global economic climate by the end of 2014. The liabilities include the costs for 2014, 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 2014.

| Assumption | After Service Health Insurance Fund | Termination and Repatriation Entitlements Fund |
|---|---|---|
| Accounting Standard | International Public Sector Accounting Standard 25; first adopted by the Organization at 1 January 2010 | |
| Measurement Date | 31 December 2014 | |
| Discount Rate | 4.2 % | 3.2 % |
| Expected Rate of Return on Assets | 3.3 % | 3.3 % |
| General Inflation | 2.5 % | 2.5 % |
| Medical Costs Increases | 7.2% in 2015, decreasing to 6.9% in 2016, decreasing by 0.3% each year until 4.5% in 2024 and subsequent years. | Not Applicable |
| Future Contribution Rate Changes | Rates are assumed to increase by 4% per year in 2015 through 2041, and by 1% per year thereafter, compounded geometrically. | Not Applicable |
| Average Retirement Age | Average remaining years of service: 9.58 | Average remaining years of service: 8.44 |
| Life Expectancy | Based on the mortality tables of the UN Joint Staff Pension Fund. | Not Applicable |
| Average Medical Costs | $9 092 per person per year in 2014 | Not Applicable |

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 2014 | Total 2013 |
|---|---|---|---|---|
| Defined Benefit Obligation (DBO) | | | | |
| Inactive | 199 050 | | 199 050 | 173 134 |
| Active | 119 773 | 13 308 | 133 081 | 113 360 |
| Defined Benefit Obligation including actuarial loss | **318 823** | **13 308** | **332 131** | **286 494** |
| Less: Plan Assets | ( 44 038) | ( 10 650) | ( 54 688) | ( 48 176) |
| Net Defined Benefit Obligation including actuarial loss | **274 785** | **2 658** | **277 443** | **238 318** |
| Less: Unrecognized Actuarial Gain/(Loss) | ( 69 569) | ( 8 003) | ( 77 572) | ( 47 712) |
| Unrecognized Prior Service Credit/(Cost) | 4 381 | | 4 381 | 5 170 |
| **Net Liability/(Asset) Recognized in the Statement of Financial Position** | **209 597** | **( 5 345)** | **204 252** | **195 776** |
| **Split between:** | | | | |
| Current Liability | 9 611 | 2 005 | 11 616 | 11 329 |
| Non-Current Liability / (Asset) | 199 986 | ( 7 350) | 192 636 | 184 447 |
| **Net Liability/(Asset) Recognized in the Statement of Financial Position** | **209 597** | **( 5 345)** | **204 252** | **195 776** |

### 12.3.3 Annual Expense for Calendar Year 2014

| | After-Service Health Insurance Fund | Termination and Repatriation Entitlements Fund | Total 2014 | Total 2013 |
|---|---|---|---|---|
| Current Service Cost | 6 617 | 1 479 | 8 096 | 9 929 |
| Interest Cost | 13 816 | 360 | 14 176 | 12 982 |
| Expected Return on Assets | ( 1 654) | ( 407) | ( 2 061) | ( 1 519) |
| Amortization of (Gain)/Loss | 1 457 | 688 | 2 145 | 6 695 |
| Recognition of Prior Service Cost | ( 790) | | ( 790) | ( 789) |
| **Total Expense Recognized in the Statement of Financial Performance** | **19 446** | **2 121** | **21 566** | **27 298** |

### 12.3.4 Reconciliation of Defined Benefit Obligation

| | After-Service Health Insurance Fund | Termination and Repatriation Entitlements Fund | Total 2014 | Total 2013 |
|---|---|---|---|---|
| **Defined Benefit Obligation as of 1 January** | 275 399 | 11 096 | **286 495** | **318 507** |
| Service Cost | 6 617 | 1 479 | 8 096 | 9 929 |
| Interest cost | 13 816 | 360 | 14 176 | 12 982 |
| Less: Benefits Paid | ( 10 760) | ( 2 210) | ( 12 970) | ( 12 982) |
| Add: Contributions by Plan Participants | ( 224) | | ( 224) | ( 215) |
| Less: Plan Amendments | 1 864 | | 1 864 | 1 557 |
| Add: Actuarial (Gain) / Loss | 32 111 | 2 583 | 34 694 | ( 43 283) |
| **Defined Benefit Obligation including Actuarial Loss as of 31 December** | **318 823** | **13 308** | **332 131** | **286 495** |
| Less: Plan Assets | **( 44 038)** | **( 10 650)** | **( 54 688)** | **( 48 176)** |
| **Net Defined Benefit Obligation including Actuarial Loss as of 31 December** | **274 785** | **2 658** | **277 443** | **238 319** |
| **Less: Unrecognized Gain/(Loss)** | | | | |
| Unrecognized Net (Loss) at End of Prior Year | ( 41 043) | ( 6 670) | ( 47 713) | ( 92 854) |
| (Loss) Arising during Current Year | | | | |
| Actuarial (Loss) on Defined Benefit Obligation | ( 32 111) | ( 2 583) | ( 34 694) | 43 283 |
| Actuarial (Loss) on Plan Assets | 2 128 | 562 | 2 690 | ( 4 837) |
| Gain Recognized during Current Year | 1 457 | 688 | 2 145 | 6 695 |
| **Unrecognized Actuarial (Loss) at End of Year** | **( 69 569)** | **( 8 003)** | **( 77 572)** | **( 47 713)** |
| **Unrecognized Prior Service Credit** | **4 381** | | **4 381** | **5 170** |
| **Net Liability Recognized in the Statement of Financial Position as of 31 December** | **209 597** | **( 5 345)** | **204 252** | **195 776** |

## 12.3.5 Reconciliation of Plan Assets

| | After-Service Health Insurance Fund | Termination and Repatriation Entitlements Fund | Total 2014 | Total 2013 |
|---|---|---|---|---|
| Plan Assets as of 1 January | 38 495 | 9 681 | 48 176 | 49 679 |
| Benefits Paid | ( 10 984) | ( 2 210) | ( 13 194) | ( 13 197) |
| Contributions by Plan Participants | 1 864 | | 1 864 | 1 557 |
| Contributions by the Employer | 5 713 | 2 210 | 7 923 | 8 635 |
| PAHO/WHO SHI Fund Contribution | 5 168 | | 5 168 | 4 820 |
| Expected Return on Assets | 1 654 | 407 | 2 061 | 1 519 |
| Actuarial Gain / (Loss) - on Plan assets | 2 128 | 562 | 2 690 | ( 4 837) |
| **Plan Assets as of 31 December** | **44 038** | **10 650** | **54 688** | **48 176** |
| Made up of: | | | | |
| Long Term Investments - Fixed Income Notes (Note 4.2) | 40 957 | 9 905 | 50 862 | 47 358 |
| Cash and Cash Equivalents (Note 3) | 3 081 | 745 | 3 826 | 818 |
| | **44 038** | **10 650** | **54 688** | **48 176** |

## 12.3.6 Sources of Change in Past Service Liability Since Prior Valuation

| | After-Service Health Insurance Fund | Termination and Repatriation Entitlements Fund | Total 2014 | Total 2013 |
|---|---|---|---|---|
| Value as of 31 December Previous Year | 275 398 | 11 096 | 286 494 | 318 507 |
| Value as of 31 December Current Year | 318 823 | 13 309 | 332 132 | 286 495 |
| Change | 43 425 | 2 213 | 45 638 | ( 32 012) |
| **Sources of Change:** | | | | |
| Expected Change | 11 314 | ( 370) | 10 944 | 11 271 |
| Benefit Payments Different Than Expected during Current Year | | | | 14 |
| Change in Separation Assumption for Short-Term Staff | | | | |
| Miscellaneous Demographic Experience | 114 | 359 | 473 | 103 |
| Rehires/Transfers in during Year | 312 | 133 | 445 | 606 |
| Loss on Termination Idemnity and NAPs Payments | | | | 243 |
| Agreement by WHO to pay AMRO Administrative Expenses | | | | 132 |
| Claims and Administrative Expense Experience | ( 13 130) | | ( 13 130) | |
| Plan Change-Increase in Participant Contribution Rates | | | | |
| Movement in Exchange Rate | | | | 1 183 |
| Change in Medical Trend | | | | ( 3 476) |
| *Changes in Discount Rates (Prior year over current year) | 41 672 | 302 | 41 974 | ( 42 088) |
| Removal of 1% inflation for Household removal Lump Sum | | | | |
| Change in TAREP Assumptions | | 1 903 | 1 903 | |
| Change in UNJSPF Assumptions | 3 143 | ( 114) | 3 029 | |
| Total Change in Valuation | 43 425 | 2 213 | 45 638 | ( 32 012) |

*Decrease in discount rate from 5.1% to 4.2% for After Service Health Insurance and 3.6% to 3.2% 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% |
|---|---|---|---|
| 2014 Service Cost plus Interest Cost | 17 122 | 20 433 | 24 687 |
| Defined Benefit Obligation as of 31 December 2014 | 274 519 | 318 823 | 374 259 |

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

| | Discount Rate Assumption Minus 1%: 4.1% | Current Discount Rate Assumption: 5.1% | Discount Rate Assumption Plus 1%: 6.1% |
|---|---|---|---|
| Defined Benefit Obligation as of 31 December 2014 | 377 494 | 318 823 | 273 049 |

*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 2014** | | **31 December 2013** | |
|---|---|---|---|---|
| Settlement of Benefits | | 2 210 | | 3 490 |
| **After- Service Health Insurance** | | | | |
| Administrative Expenses paid by the Organization | 223 | | 215 | |
| SHI Fund Contribution | 5 168 | | 4 820 | |
| Contribution to PAHO's ASHI Fund paid by the Organization | 3 728 | 9 119 | 3 114 | 8 149 |
| **Total** | | 11 329 | | 11 639 |

### 12.4 United Nations Joint Staff Pension Fund

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

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% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the 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.

The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% ((compared to a deficit of 1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2015.

At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130.0% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

During 2014, contributions paid to UNJSPF amounted to $16 332 644 (2013: $17 323 250) by the Organization and $8 169 166 (2013: $8 664 067) by the participants, including $2 843 (2013: $2 442) in pension restoration payments.

## 13. Deferred Revenue

### 13.1 Deferred Revenue – Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Voluntary Contributions | | |
| Voluntary Contributions - Emergency Preparedness and Disaster Relief | 611 | 1 546 |
| Voluntary Contributions | 19 302 | 20 464 |
| National Voluntary Contributions | 369 666 | 174 925 |
| Procurement of Public Health Supplies | | |
| Revolving Fund for Vaccine Procurement | 158 411 | 97 997 |
| Regional Revolving Fund for Strategic Public Health Supplies | 44 374 | 45 754 |
| Reimbursable Procurement | 8 298 | 6 101 |
| **Total** | **600 662** | **346 787** |

### 13.2 Deferred Revenue – Non-Current

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Voluntary Contributions | | |
| Voluntary Contributions | 24 566 | 26 046 |
| National Voluntary Contributions | 149 657 | 133 885 |
| **Total** | **174 223** | **159 931** |

## 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
- Budgetary Surplus Fund
- Epidemic Emergency Fund
- Food Safety Five – Years Plan Fund
- PMIS Funding PAHO IPSAS Surplus Fund
- Revenue Surplus Fund
- IPSAS Surplus Fund

### Summary of Fund Balances and Reserves

| | Balance as of 31 December 2014 | | Balance as of 31 December 2013 | |
|---|---|---|---|---|
| **Fund Balances:** | | | | |
| Strategic Public Health Supplies-Capitalization | 7 581 | | 5 926 | |
| PAHO After-Service Health Insurance | (209 597 ) | | (201 032 ) | |
| Voluntary Contributions | 49 | | 48 | |
| Income from Services | 4 290 | | 3 727 | |
| Provision for Staff Entitlements | 532 | | 555 | |
| Revolving Fund for Vaccine Procurement | 131 963 | | 126 028 | |
| PAHO Regular Budget | 125 341 | | 113 265 | |
| Provision for Termination and Repatriation Entitlements | 1 963 | | 1 662 | |
| PAHO Post Occupancy Charge | 6 533 | | 7 464 | |
| Expanded Textbook and Instructional Materials Program | 15 438 | **84 093** | 15 054 | **72 697** |
| **Reserves:** | | | | |
| Working Capital Fund | 19 174 | | 15 864 | |
| Holding Account | 132 | | 9 142 | |
| Tax Equalization Fund | 1 554 | | ( 968 ) | |
| Master Capital Investment Fund | 8 551 | | 9 483 | |
| Special Fund for Program Support | 70 862 | | 48 853 | |
| Voluntary Contributions - Emergency Preparedness and Disaster Relief | 2 709 | | 2 684 | |
| Governing Bodies Authorized Fund | 9 152 | | 4 601 | |
| Special Fund for Health Promotion | 1 189 | | 1 340 | |
| Budgetary Surplus Fund | 773 | | | |
| Epidemic Emergency Fund | 465 | | 1 000 | |
| Food Safety Five-Years Plan Fund | 326 | | 405 | |
| PMIS Funding PAHO IPSAS Surplus Fund | 9 539 | | 9 000 | |
| Revenue Surplus Fund | 5 090 | | | |
| IPSAS Surplus Fund | 2 282 | **131 798** | 4 381 | **105 785** |
| **Total** | | **215 891** | | **178 482** |

### 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 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. The 53rd Directing Council, per Resolution CD53.R10 dated 2 October 2014, approved an increase in the authorized level from $20 000 000 to $25 000 000.

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

| | **Total as of 31 December 2014** | **Total as of 31 December Biennium 2012-2013** |
|---|---|---|
| Balance as of 1 January - Biennium | 15 864 | 15 360 |
| Surplus / (Deficit) | | (2 090 ) |
| Non Budgetary Items * | | 2 931 |
| Regular Budget Appropriation Surplus/(Deficit) | | 841 |
| Prior year Adjustments | | ( 364 ) |
| WHO De-recognition of prior year Expenses | | ( 275 ) |
| Transfers of Fund Balances from CEC and CFNI | | 300 |
| Transfers of Fund Balances from Income from Services Subfunds | | 2 |
| Loan to the Master Capital Investment Fund | ( 826 ) | |
| Repayment of the Loan from the Revolving Fund for Vaccine Procurement | 4 136 | |
| **Balance as of 31 December** | **19 174** | **15 864** |

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

## 14.2 Holding Account

The balance of this account was recorded in accordance with Financial Regulations in effect until the adoption of IPSAS in 2010, when the Regulations were revised. This balance will be utilized in future financial periods subject to decision by the Governing Bodies.

## 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 2014 | Credits from the Tax Equalization Fund | Apportionment to Member States | Available to Cover Tax Reimbursements to Staff | Taxes Reimbursed to Staff | Balance 31 December 2014 |
|---|---|---|---|---|---|---|
| Canada | ( 11) | 1 092 | 1 002 | 90 | 32 | 47 |
| Colombia | 17 | 96 | 96 | | 1 | 16 |
| United States | ( 952) | 5 421 | ( 3 879) | 9 300 | 6 841 | 1 507 |
| Venezuela | ( 22) | 199 | 169 | 30 | 24 | ( 16) |
| Other | | 2 312 | 2 312 | | | |
| **Total** | **( 968)** | **9 120** | **( 300)** | **9 420** | **6 898** | **1 554** |

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 initially 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.

In 2012, according to Resolution CSP28.R17 of the 28th Pan American Sanitary Conference, 64th Session of the Regional Committee of WHO for the Americas, three additional sub-funds were authorized to be established: Real State Maintenance and Improvement, Revolving Strategic Real State, and Vehicle Replacement.

### 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 Budgetary Surplus

Financial Regulations approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulates that "Any balance of the Regular Budget appropriation not committed by the end of the current budgetary period, shall be used to replenish the Working Capital Fund to its authorized level, after which any balance will be available for subsequent use in accordance with the resolutions adopted by the Conference or Directing Council."

## 14.14 Revenue Surplus

Financial Regulations approved by Resolution CD49.R1 of the 49th Directing Council, 61st Session of the Regional Committee, stipulates that "Any excess of revenue over the Regular Budget appropriation at the end of a budgetary period 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."

## 14.15 Revaluation Surplus

**Revaluation Surplus:**

| | **31 December 2014** | | | **31 December 2013*** | | |
|---|---|---|---|---|---|---|
| | Land | Buildings | Total | Land | Buildings | Total |
| **Balance as of 1 January** | 58 834 | 50 914 | 109 748 | 63 587 | 55 742 | 119 329 |
| Depreciation | | | | | | |
| Adjustment to Valuation | | | | | | |
| Impairments | | | | | | |
| Disposals | | | | | | |
| Reclassifications | | | | ( 4 753) | ( 4 828) | ( 9 581) |
| **Balance as of 31 December** | **58 834** | **50 914** | **109 748** | **58 834** | **50 914** | **109 748** |

* Restated

There was no requirement for appraisals of land and buildings in 2014.

# 15. Revenue

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Gross Revenue | Net Revenue | Gross Revenue | Net Revenue |
| **Revenue from Non-Exchange Transactions** | | | | |
| **Assessed Contributions** | | | | |
| PAHO Regular Budget | 96 200 | 96 200 | 96 200 | 96 200 |
| Tax Equalization Fund | 9 420 | 9 420 | 10 045 | 10 045 |
| **Subtotal** | **105 620** | **105 620** | **106 245** | **106 245** |
| **Voluntary Contributions** | | | | |
| Voluntary Contributions | 41 510 | 37 860 | 69 136 | 61 775 |
| Voluntary Contributions - National Voluntary Contributions | 833 086 | 793 311 | 286 594 | 272 925 |
| Voluntary Contributions - Emergency Preparedness and Disaster Relief | 3 177 | 2 972 | 2 039 | 1 911 |
| Special Fund for Program Support | 43 630 | 43 630 | 20 295 | 20 295 |
| **Subtotal** | **921 403** | **877 773** | **378 064** | **356 906** |
| **Other Revenue** | | | | |
| AMRO Regular Budget | 30 629 | 30 629 | 42 464 | 42 464 |
| AMRO Voluntary Funds for Health Promotion | 22 416 | 22 416 | 21 649 | 21 649 |
| Sasakawa Health Trust Fund | | | 334 | 334 |
| AMRO Special Account for Servicing Costs | 3 722 | 3 722 | 4 279 | 4 279 |
| AMRO Contribution for Renovation of Assets | 500 | 500 | 850 | |
| Staff Development and Learning Fund | 86 | 86 | 266 | 266 |
| AMRO Post Occupancy Charges | 413 | | 2 052 | |
| **Subtotal** | **57 766** | **57 353** | **71 894** | **68 992** |
| **Revenue from Exchange Transactions** | | | | |
| **Procurement of Public Health Supplies** | | | | |
| Revolving Fund for Vaccine Procurement | 602 844 | 596 214 | 550 648 | 548 060 |
| Reimbursable Procurement on Behalf of Member States | 12 391 | 11 968 | 22 903 | 22 221 |
| Regional Revolving Fund for Strategic Public Health Supplies | 61 139 | 60 618 | 23 416 | 23 310 |
| Special Fund for Program Support | 7 574 | 7 574 | 3 376 | 3 376 |
| **Subtotal** | **683 948** | **676 374** | **600 343** | **596 967** |
| **Other Revenue** | | | | |
| PAHO Regular Budget | 668 | ( 332) | ( 20) | ( 20) |
| Voluntary Contributions | 1 | 1 | | |
| Income for Services | 4 549 | 4 264 | 3 353 | 2 851 |
| Special Fund for Program Support | 45 | 45 | 74 | 74 |
| Expanded Textbook and Instructional Materials Program | 5 729 | 5 729 | 6 506 | 6 506 |
| Health Promotion | 15 | 15 | 7 | **7** |
| Provision for Termination and Repatriation Entitlements | 2 686 | | 3 848 | |
| Provisons for Staff Entitlements | 4 240 | | 4 388 | |
| PAHO Post Occupancy Charge | 4 086 | | 4 413 | |
| After Service Health Insurance | 1 762 | | 1 816 | |
| Master Capital Investment Fund | 1 066 | 1 038 | 2 277 | 2 192 |
| AMRO Terminal Payments Account | 421 | | 573 | |
| AMRO Non-Payroll Statutory Entitlements | 1 050 | | 1 417 | |
| **Subtotal** | **26 318** | **10 760** | **28 652** | **11 610** |
| **Miscellaneous Revenue** | | | | |
| PAHO Regular Budget | | | | |
| Interest Earned | 7 536 | 7 536 | 2 792 | 2 792 |
| Saving on or cancellation of prior periods' obligations | 281 | 281 | | |
| Valuation Gains and Losses | ( 751) | ( 751) | | |
| Investment Management Fees | ( 521) | ( 521) | ( 594) | ( 594) |
| Other Miscellaneous | 177 | 177 | ( 431) | ( 431) |
| Special Fund for Program Support | ( 7 489) | ( 7 489) | 131 | 131 |
| Expanded Textbook and Instructional Materials Program | 70 | 70 | ( 3 162) | ( 3 162) |
| **Subtotal** | **( 697)** | **( 697)** | **( 1 264)** | **( 1 264)** |
| **TOTAL REVENUE** | **1 794 358** | **1 727 183** | **1 183 934** | **1 139 456** |

## 16. Expenses

| | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | | Gross Expenses | Net Expenses | Gross Expenses | Net Expenses |
| **Staff and Other Personnel Costs** | | | | | |
| International and National Staff | | 163 614 | 149 369 | 181 471 | 165 016 |
| Consultants | | 16 117 | 16 117 | 16 011 | 16 011 |
| Temporary Staff | | 4 167 | 4 167 | 5 266 | 5 266 |
| | **Subtotal** | **183 898** | **169 653** | **202 748** | **186 293** |
| **Supplies, Commodities, Materials** | | | | | |
| Vaccines / Syringes / Cold Chain | | 635 834 | 629 204 | 562 836 | 559 385 |
| Medications and Medical Supplies | | 24 654 | 24 231 | 18 900 | 17 988 |
| Other Goods and Supplies | | 19 920 | 19 399 | 23 535 | 23 429 |
| | **Subtotal** | **680 408** | **672 834** | **605 271** | **600 802** |
| **Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization** | | | | | |
| Equipment, Vehicles, Furniture /2 | | ( 2 176) | ( 3 204) | ( 459) | ( 545) |
| Intangible Assets /2 | | | | | |
| Depreciation / Amortization | | 2 778 | 2 778 | 2 695 | 2 695 |
| | **Subtotal** | **602** | **( 426)** | **2 236** | **2 150** |
| **Contract Services** | | | | | |
| Contracts | | 86 879 | 86 368 | 102 098 | 100 056 |
| | **Subtotal** | **86 879** | **86 368** | **102 098** | **100 056** |
| **Travel** | | | | | |
| Duty Travel | | 7 064 | 6 877 | 7 382 | 7 179 |
| Courses and Seminars | | 109 928 | 109 928 | 90 659 | 90 659 |
| | **Subtotal** | **116 992** | **116 805** | **98 041** | **97 838** |
| **Transfers and Grants to Counterparts** | | | | | |
| Letters of Agreements | | 647 020 | 647 020 | 143 879 | 143 879 |
| | **Subtotal** | **647 020** | **647 020** | **143 879** | **143 879** |
| **General Operating and Other Direct Costs/1** | | | | | |
| Maintenance, Security and Insurance | | 11 201 | 11 201 | 12 027 | 11 098 |
| | **Subtotal** | **11 201** | **11 201** | **12 027** | **11 098** |
| **Indirect Support Costs** | | | | | |
| Program Support Costs | | 43 630 | | 20 294 | |
| | **Subtotal** | **43 630** | | **20 294** | |
| **Total Expenses** | | **1 770 630** | **1 703 455** | **1 186 594** | **1 142 116** |

Note/1 General Operating Expense and Other Direct Costs Include Lease Payments for $2 208 645. (2013: $2 114 260).

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

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## 17. Comparison of Budget and Actual Amounts

Reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the year ended 31 December 2014 is presented below:

*(Expressed in thousand US Dollars)*

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | Operating | Investing and Financing | Total | Operating | Investing and Financing | Total |
| **Actual amount on comparable basis (Statement V)** | ( 225 914) | | ( 225 914) | ( 498 149) | | ( 498 149) |
| Basis Differences | | | | | | |
| Timing Differences | | | | | | |
| Presentation Differences | 1 901 777 | ( 147 014) | 1 754 763 | 1 120 365 | 68 318 | 1 188 683 |
| Entity Differences | (1 556 883) | | (1 556 883) | ( 685 734) | | ( 685 734) |
| **Actual amount in the Statement of Cash Flow** | **118 980** | **( 147 014)** | **( 28 034)** | **( 63 518)** | **68 318** | **4 800** |

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

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

# 18. Segment Reporting

## 18.1 Statement of Financial Position by Segments

| | Total Core Activities Segment | Total Partnership Activities Segment | Total Enterprise Activities Segment | Total Special Activities Segment |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and Cash Equivalents | 137 683 | | | |
| Short Term Investments | 268 202 | | | |
| Owed From Other Segments * | | 236 100 | 397 611 | 79 283 |
| Accounts Receivable | 103 703 | 295 400 | 65 886 | ( 52 051) |
| Inventories | 788 | | 7 080 | |
| **Total Current Assets** | 510 376 | 531 500 | 470 577 | 27 232 |
| **Non-Current Assets** | | | | |
| LongTerm Investments | 267 753 | | | |
| Accounts Receivable | | 45 635 | | 7 350 |
| Net Fixed Assets | 118 401 | | | 1 849 |
| Intangible Assets | 1 459 | | 171 | 98 |
| **Total Non-Current Assets** | 387 613 | 45 635 | 171 | 9 297 |
| **TOTAL ASSETS** | **897 989** | **577 135** | **470 748** | **36 529** |
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Accrued Liabilities | 4 456 | 8 434 | 26 679 | 3 112 |
| Owed To Other Segments * | 712 994 | | | |
| Accounts Payable | 3 506 | 1 676 | 2 852 | 1 225 |
| Employee Benefits | | | | 11 616 |
| Deferred Revenue | | 389 579 | 211 083 | |
| **Total Current Liabilities** | 720 956 | 399 689 | 240 614 | 15 953 |
| **Non-Current Liabilities** | | | | |
| Accounts Payable | 15 089 | | | |
| Employee Benefits | | | | 199 986 |
| Deferred Revenue | | 174 223 | | |
| **Total Non-Current Liabilities** | 15 089 | 174 223 | | 199 986 |
| **TOTAL LIABILITIES** | **736 045** | **573 912** | **240 614** | **215 939** |
| **NET ASSETS / EQUITY** | | | | |
| **Fund Balances and Reserves** | | | | |
| Fund Balances | 125 341 | 49 | 159 272 | ( 200 569) |
| Reserves | 36 603 | 3 174 | 70 862 | 21 159 |
| **NET FUND BALANCES and RESERVES** | **161 944** | **3 223** | **230 134** | **( 179 410)** |

* 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

| Intra-Party Segment | Total 2014 | Total 2013 |
|---|---|---|
| | 137 683 | 165 717 |
| | 268 202 | 125 152 |
| ( 712 994) | | |
| | 412 938 | 222 147 |
| | 7 868 | 7 906 |
| ( 712 994) | 826 691 | 520 922 |
| | 267 753 | 266 546 |
| | 52 985 | 36 145 |
| | 120 250 | 119 784 |
| | 1 728 | 2 433 |
| | 442 716 | 424 908 |
| **( 712 994)** | **1 269 407** | 945 830 |
| | 42 681 | 37 243 |
| ( 712 994) | | |
| | 9 259 | 5 056 |
| | 11 616 | 11 329 |
| | 600 662 | 346 787 |
| ( 712 994) | 664 218 | 400 415 |
| | 15 089 | 15 089 |
| | 199 986 | 191 913 |
| | 174 223 | 159 931 |
| | 389 298 | 366 933 |
| **( 712 994)** | **1 053 516** | 767 348 |
| | 84 093 | 72 697 |
| | 131 798 | 105 785 |
| | **215 891** | 178 482 |

## 18.2 Statement of Financial Performance by Segments

| | Total Core Activities Segment | Total Partnership Activities Segment | Total Enterprise Activities Segment |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Non-Exchange Transactions** | | | |
| Assessed Contributions | 96 200 | | |
| Voluntary Contributions | | 877 773 | 43 630 |
| Other Revenue | 30 629 | 22 416 * | 3 722 |
| **Revenue from Exchange Transactions** | | | |
| Procurement of Public Health Supplies | | | 683 948 |
| Other Revenue | 668 | 1 | 10 323 |
| Miscellaneous Revenue | 6 722 | | ( 7 419) |
| **TOTAL REVENUE** | **134 219** | **900 190** | **734 204** |
| **EXPENSES** | | | |
| Staff and Other Personnel Costs | 103 007 | 28 920 | 14 906 |
| Supplies, Commodities, Materials | 1 287 | 13 232 | 663 053 |
| Equipment, Vehicles, Furniture, Intangible Assets, Depreciation and Amortization | 2 132 | | 86 |
| Contract Services | 13 166 | 57 102 | 8 560 |
| Travel | 3 950 | 110 774 | 2 002 |
| Transfers and Grants to Counterparts | 1 652 | 645 344 | 24 |
| General Operating and Other Direct Costs | 3 641 | 1 698 | 5 027 |
| Indirect Support Costs | | 43 630 | |
| **TOTAL EXPENSES** | **128 835** | **900 700** | **693 658** |
| **NET SURPLUS/ (DEFICIT)** | **5 384** | **( 510)** | **40 546** |

***This amount represents the Voluntary Contributions received from WHO for implementation in the AMRO region**

## Statement of Financial Performance by Segments

| | **Total Special Activities Segment** | **Intra-Party Segment** | **Total 2014** | Total 2013 |
|---|---|---|---|---|
| | 9 420 | | 105 620 | 106 245 |
| | | ( 43 630) | 877 773 | 356 906 |
| | 999 | ( 413) | 57 353 | 68 992 |
| | | ( 7 574) | 676 374 | 596 967 |
| | 15 326 | ( 15 558) | 10 760 | 11 610 |
| | | | ( 697) | ( 1 264) |
| | **25 745** | **( 67 175)** | **1 727 183** | 1 139 456 |
| | 37 065 | ( 14 245) | 169 653 | 186 293 |
| | 2 836 | ( 7 574) | 672 834 | 600 802 |
| | ( 1 616) | ( 1 028) | ( 426) | 2 150 |
| | 8 051 | ( 511) | 86 368 | 100 056 |
| | 266 | ( 187) | 116 805 | 97 838 |
| | | | 647 020 | 143 879 |
| | 835 | | 11 201 | 11 098 |
| | | ( 43 630) | | |
| | **47 437** | **( 67 175)** | **1 703 455** | 1 142 116 |
| | **( 21 692)** | | **23 728** | ( 2 660) |

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

In 2014, a total of $2 600 was recorded as Losses/Damage of the PALTEX program as a result of physical inventory counts during annual visit to the points of distributions.

As of 31 December 2014, a total of $59 554 was recorded as administrative waivers for courses and seminars implemented by the governments for which supporting documentation was not provided. (2013: $8 974)

There were no write-offs or Ex-Gratia Payments to be reported. (2013: None)

## 20. Cases of Fraud and Presumptive Fraud

In 2014, a total of 24 cases of fraud, theft and loss of property were reported. The PALTEX program had three cases involving the loss or theft of textbooks totaling $21 032. This amount was recovered in full from the point of sales locations in question. Moreover, there were 18 cases involving the loss or theft of PAHO property from PAHO personnel in the country offices and Headquarters. The total cost of this lost or stolen property was $10 800.

There was also one attempt to pass a fraudulent check in PAHO's name amounting to $82 000, but this check did not go through. In addition, there were two cases involving the misuse of PAHO purchasing or travel credit cards numbers committed by people outside the Organization. In these two cases, the financial institutions concerned reimbursed the fraudulent charges, amounting to $444.

## 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 | 2014 | 2013 |
|---|---|---|
| Number of Positions | 4 | 4 |
| | | |
| Compensation and Post Adjustment | 756 | 708 |
| Entitlements | 444 | 421 |
| Pension and Health Plans | 271 | 116 |
| **Total Remuneration** | **1 471** | **1 245** |
| **Outstanding Advances against Entitlements** | | **120** |

## 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. Provisions

As at 31 December 2014, the Organization had not recognized any provisions.

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

The de-recognition of the Staff Health Insurance (SHI) liability to Reserves was the result of a 4% increase in first-tier rates of contribution to the SHI Fund during 2014, resulting in a reduction in the regional deficit for active staff. The regional deficit is covered by second-tier contributions (30% of the first tier rate) 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 is reflected in the increase of the SHI reserve balance. The total de-recognition for 2014 was $2 570 199 reflected in the Consolidated Statement of Changes in Net Assets.

## 25. 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 | | | | |
| Dominican Republic | X | X | | | |
| Ecuador | X | | | | |
| El Salvador | X | | | | |
| Guatemala | X | | | | |
| Guyana | X | X | X | | |
| Haiti | X | | | | |
| Honduras | X | | | | |
| Jamaica | X | X | X | | |
| Mexico | X | | | | |
| Nicaragua | X | X | X | | |
| Panama | X | X | X | | |
| Paraguay | X | | | | |
| Peru | | | | | |
| Suriname | X | X | X | | |
| Trinidad and Tobago | X | X | X | | |
| Uruguay | X | | X | | |
| Venezuela | X | | | | |
| PANAFTOSA | X | X | X | X | |
| BIREME | X | X | X | | |
| CEPIS | | | | | |
| CLAP | X | X | X | | |
| El Paso | | | | | |