UNFCCC Financial Statements 2016

Contents

United Nations

Framework Convention on
Climate Change

I. Certification of the Financial Statements

The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ending 31 December 2016 have been prepared in accordance with financial rule 106.1. They include all trust funds and special accounts operated by UNFCCC.

A summary of significant accounting policies applied in the preparation of these statements is included as a note to the financial statements. The notes to the financial statements provide additional information and clarification on the financial activities undertaken by UNFCCC during the period covered by the statements, for which the Executive Secretary had administrative responsibility.

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change for the year ending 31 December 2016 are correct.

Patricia Espinosa
Executive Secretary
31 March 2017

II. Narrative financial report

Financial report on the 2016 accounts

Introduction

1. The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) are prepared in accordance with International Public Sector Accounting Standards (IPSAS) and are submitted to the Conference of Parties (COP) in accordance with the financial procedures. The financial statements include all of the operations under the direct authority of the Executive Secretary including the regular budget, extra-budgetary financed activities and under the Sustainable Development Mechanisms.

2016 Financial Highlights

2016 Financial Results

Total revenue:

2. Revenue in 2016 totalled USD 73 million as follows:

(a) The indicative contributions to the core budget of USD 29 million and USD 2.8 million to the budget of the International Transaction Log;

(b) Voluntary contributions from donors totalled USD 27 million;

(c) Fees for the CDM and JI mechanisms USD 11 million.

3. **Total expenses**: Expenses in 2016 totalled USD 90 million mainly consisting:

(a) Personnel expenses amounting to USD 54 million;

(b) Travel USD 8 million;

(c) Contractual services for USD 17 million;

(d) Return and transfers of donor funding of USD 6 million

4. The decrease in personnel expense for 2016 compared the previous year is due to one off expenditures for restructuring incurred in 2015 only which also resulted in reduced number of staff. A further reduction in expenses relating to loss on foreign exchange is due the fact that holdings in Euros have been reduced significantly compared to 2015. In addition, the devaluation of the Euro against the US Dollar was less in 2016 compared to 2015. The reduction of travel expenses is mainly due to reduced number of trips and the fact that for COP in 2016, hotel rooms have been provided free of charge. Compared to 2015, the returns/transfer of donor funding have increase due to significant transfers of funding from mayor donors between different trust funds. Increase expenses under contractual services relate mainly to services relate to additional expenses recorded from servicing organizations at headquarters.

5. **Operating result**: The net deficit of expense over revenue in 2016 is USD 17 million. The main reasons for this deficit are the strong decline in activities and related revenues under the Sustainable Development mechanisms of USD 7.0 million, a deficit in the programme support cost account (USD 2.3 million) as well as the increase in the employee benefits liabilities of USD 7 million during 2016.

6. **Assets**: Assets as of 31 December 2016 decreased by USD 10 million to USD 226 million compared to the balance at 31 December 2015 of USD 236 million. The major components of UNFCCC's assets are as follows (thousands of United States dollars):

Table 1
Summary of assets as at 31 December
(Thousands of United States dollars)

	2016	*2015*
Cash and cash equivalents	55 869	34 050
Investments	146 914	178 218
Indicative contributions receivable	6 074	4 755
Other accounts receivable	4 779	4 375
Other assets	9 782	11 811
Property, plant and equipment	342	625
Intangible assets	1 819	1 844
Total assets	**225 579**	**235 740**

7. The major assets at 31 December 2016 are cash, cash equivalents and investments totalling USD 203 million representing 90 per cent of the total assets and indicative contributions from signatories to the convention receivable of USD 6.1 million, or 2.7 per cent. The remaining assets consist of other accounts receivable, other assets (primarily advances), equipment and software.

8. **Cash, cash equivalents and investments**: Cash and cash equivalents of USD 203 million are primarily held in the UN Treasury euro and main cash pool. The amounts for short- and long-term investments reduced by USD 31.3 million which is due to overall deficit incurred mainly in the CDM trust fund and by converting investments into current cash and equivalents.

9. **Accounts receivable**: Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50 per cent for all amounts receivable for three years and 100 per cent for all amounts receivable for four or more years.

10. **Liabilities**: Liabilities as of 31 December 2016 totalled USD 103 million (USD 99 million as at 31 December 2015) as follows:

Table 2
Summary of liabilities as at 31 December
(Thousands of United States dollars)

	2016	*2015*
Accounts payable and accruals	4 264	6 386
Advance receipts	11 726	6 182
Employee benefit liabilities	86 628	83 210
Provisions	0	3 049
Other liabilities	3	268
Total liabilities	**102 621**	**99 094**

11. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for After Service Health Insurance (ASHI). These liabilities total USD 86.6 million, represent 85 per cent of UNFCCC's total liabilities and are explained in detail in the respective note to the financial statements. The increase of USD 3.4 million in employee benefit liabilities is mainly related

to the annual service cost and an adjustment to a gain on the liabilities as per the actuarial report.

12. The other significant liability, advance receipts which covers indicative contributions received in advance of the start of the year to which they are related, voluntary contribution provided by donors that contain conditions requiring the return of funds not spent in accordance with the terms of the agreement as well as fees received but not yet earned. The balance represents the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by UNFCCC by performing the services covered by the agreement.

13. **Net assets**: The movement in net assets during the year reflects a decrease of USD 13.7 million from USD 136.6 million in 2015 to USD 123.0 million at the end of 2016 due to the positive actuarial change of 3.4 million and an operating loss of USD 17.2 million. Net assets include the operating reserves which amount to USD 48.5 million at the reporting date.

Core budget

14. The Conference of the Parties approved a Core expenditure budget for the 2016–17 financial period, amounting to EUR 54.6 million. The approved budget for the International Transaction Log for the 2016–17 financial period amounted to EUR 5.4 million.

15. As at 31 Dec 2016, the core budget showed an ideal expenditure rate of 100 per cent. While some programmes showed minor over- or under-expenditure, the expenses are in line with the overall approved budget.

16. The regular budget as well as the budget for the international transaction log continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the first 12 months of the 2016–17 financial period are summarized in Statement V-A to V-C. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in the respective note to the financial statements.

III. Financial statements for the year 2016

A. Statement I: Statement of Financial Position as at 31 December 2016

(Thousands of United States dollars)

	Note	*2016*	*2015*
ASSETS			
Current Assets			
Cash and cash equivalents	5	55 869	34 050
Short-term investments	5	98 981	105 776
Indicative contributions receivable	6	6 074	4 755
Other receivables	6	3 568	4 375
Other current assets	7	9 782	11 811
Total current assets		**174 274**	**160 766**
Non-current assets			
Other receivables	6	1 211	0
Long-term investments	5	47 933	72 505
Property, plant and equipment	8	342	625
Intangible assets	9	1 819	1 844
Total non-current assets		**51 305**	**74 973**
TOTAL ASSETS		**225 579**	**235 740**
LIABILITIES			
Current Liabilities			
Payables and accruals	10	4 264	6 386
Advance receipts	11	11 726	6 182
Employee benefits	12	2 067	2 837
Provisions		0	3 049
Other current liabilities	14	3	268
Total non-current liabilities		**18 060**	**18 721**
Non-current liabilities			
Employee benefits	12	84 561	80 373
Total non-current liabilities		**84 561**	**80 373**
TOTAL LIABILITIES		**102 621**	**99 094**
NET ASSETS			
Accumulated surpluses/(deficits)		74 483	88 139
Reserves	17	48 475	48 507
TOTAL NET ASSETS		**123 528**	**136 646**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**225 579**	**235 740**

Note: The accompanying notes form an integral part of these financial statements

B. Statement II: Statement of Financial Performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Note	*2016*	*2015*
REVENUE	15		
Indicative contributions		31 884	34 797
Voluntary contributions		27 304	31 094
CDM and JI service fees		10 834	12 370
Interest Revenue		23 42	901
Other/miscellaneous revenue		333	563
TOTAL REVENUE		**72 697**	**79 725**
EXPENSES	16		
Personnel expenditure		54 410	75 048
Travel		7 970	15 972
Contractual services		16 691	10 886
Operating expenses		1 460	7 096
Other expenses		2 024	1 721
Depreciation of equipment		282	336
Amortization of intangible assets		355	137
Return/transfer of donor funding		6 076	2 079
Loss on foreign exchange		630	9 695
TOTAL EXPENSES		**89 897**	**122 971**
SURPLUS/(DEFICIT) FOR THE PERIOD		**(17 200)**	**(43 246)**

Note: The accompanying notes form an integral part of these financial statements.

C. Statement III: Statement of Changes in Net Assets for the year ended 31 December 2016

(Thousands of United States dollars)

	Accumulated Surplus	*Reserves*	*Total Net Assets*
Balance as at 01 January 2016	88 139	48 507	136 646
Surplus/(Deficit) for the current period	(17 200)		(17 200)
Adjustment Appendix D reserve		140	140
Actuarial gains (losses) on employee benefits liabilities	3 373		3 373
Adjustment to operating reverses amounts against accumulated surplus	171	(171)	0
Balance as at 31 December 2016	**74 483**	**48 475**	**122 958**

Note: The accompanying notes form an integral part of these financial statements.

D. Statement IV: Cash Flow Statement for the year ended 31 December 2016

(Thousands of United States dollars)

	2016	*2015*
Cash flows from operating activities		
Surplus/(deficit) for the period	(17 200)	(43 246)
Depreciation expense	282	336
Amortization of intangible assets	355	137
(Increase)/decrease in accounts receivable	(1 723)	(387)
(Increase)/decrease in other assets	2 029	(986)
Increase/(decrease) in payables and accruals	(2 122)	957
Increase/(decrease) in advance receipts	5 544	(2 655)
Increase/(decrease) in employee benefit liabilities	6 930	12 130
Increase/(decrease) in other liabilities	(3 314)	(3 629)
Net cash flows from operating activities	**(9 219)**	**(37 344)**
Cash flows from investing activities		
(Increase)/decrease in equipment	0	(38)
(Increase)/decrease in intangible assets	(330)	(756)
(Increase)/Decrease in short-term investments	6 795	14 874
(Increase)/Decrease in long-term investments	24 572	(4 414)
Net cash flows from investing activities	**31 037**	**9 666**
Cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	**21 819**	**(27 677)**
Cash and cash equivalents at the beginning of the year	34 050	61 728
Cash and cash equivalents at the end of the year	55 869	34 050
Overall increase/(decrease)	21 819	(27 678)

Note: The accompanying notes form an integral part of these financial statements.

E. Statements V: Statements of Comparison of Budgets to Actual Amounts

1. Budget to Actual Comparison Core Budget for the year 2016

2016	*Original and Final Budget (EUR)*	*Actual (EUR)*	*Difference (EUR)*	*Original and Final Budget (USD)*	*Actual (USD)*	*Difference (USD)*
Executive Direction and Management	2 250 862	2 107 696	143 166	2 462 650	2 320 970	141 680
Mitigation, Data and Analysis	7 611 688	7 661 332	(49 644)	8 327 886	8 337 255	(9 369)
Finance, Technology and Capacity-Building	2 732 260	2 487 925	244 335	2 989 344	2 752 703	236 641
Adaptation	2 335 712	2 373 506	(37 794)	2 555 484	2 588 988	(33 504)
Sustainable Development Mechanisms	406 250	405 356	894	444 475	449 438	(4 963)
Legal Affairs	1 304 455	1 127 738	176 717	1 427 194	1 245 995	181 199
Conference Affairs Services	1 691 137	1 467 251	223 886	1 850 259	1 583 944	266 315
Communication and Outreach	1 591 177	1 618 348	(27 171)	1 740 894	1 775 661	(34 767)
Information Technology Services	2 874 780	2 812 833	61 947	3 145 274	3 109 589	35 685
Administrative Services	1 402 358	2 080 867	(678 509)	1 534 309	1 819 739	(285 430)
Total	**24 200 679**	**24 142 852**	**57 827**	**26 477 767**	**25 984 282**	**493 485**
Programme support costs (overheads)	3 146 088				3 426 092	
Adjustment to working capital reserve	(41 609)					
Grand total	**27 305 158**	**24 142 852**	**57 827**	**26 477 767**	**29 410 374**	**493 485**
Income from Indicative Contributions	26 538 220				29 036 392	
Net result (budgetary)					**(373 982)**	

2. Budget to Actual Comparison International Transaction Log Budget for the year 2016

2016	*Original and Final Budget (EUR)*	*Actual (EUR)*	*Difference (EUR)*	*Original and Final Budget (USD)*	*Actual (USD)*	*Difference (USD)*
Staff costs	773 710	739 367	34 343	846 510	820 540	25 970
Temporary assistance and overtime	10 000		10 000	10 941		10 941
Consultants	62 125	50 959	11 166	67 970	56 641	11 329
Contractors	1 347 023	919 538	427 485	1 473 767	1 011 642	462 125
Travel of staff	20 000	3 831	16 169	21 882	4 279	17 603
Experts and expert groups	10 000	4 354	5 646	10 941	4 866	6 075
Training	10 000	58	9 942	10 941	65	10 876
General operating expenses	52 000	449	51 551	56 893	504	56 389
Contributions to common services	83 500	127 654	(44 154)	91 357	141 911	(50 554)
Total	**2 368 358**	**1 846 210**	**522 148**	**2 591 201**	**2 040 448**	**550 753**
Programme support costs (overheads)	308 147				250 269	
Adjustment to working capital reserve	(5 654)					
Grant total	**2 670 851**	**1 846 210**	**522 148**	**2 591 201**	**2 290 717**	**550 753**
Income from Indicative Contributions	2 670 851				2 847 128	
Net result (budgetary)					**556 411**	

3. Budget to Actual Comparison Conference Services Contingency Budget for the year 2016

2016	*Original and Final Budget (EUR)*	*Actual (EUR)*	*Difference (EUR)*	*Original and Final Budget (USD)*	*Actual (USD)*	*Difference (USD)*
Object of expenditure						
Interpretation	1 258 100		1 258 100	1 376 477		1 376 477
Documentation						
Translation	2 104 500		2 104 500	2 302 516		2 302 516
Reproduction and distribution	719 900		719 900	787 637		787 637
Meetings service support	259 200		259 200	283 589		283 589
Subtotal	**4 341 700**	**0**	**4 341 700**	**4 750 219**	**0**	**4 750 219**
Programme support costs	564 400		564 400	617 505		617 505
Working capital reserve	407 200		407 200	445 514		445 514
Total	**5 313 300**	**0**	**5 313 300**	**5 813 239**	**0**	**5 813 239**

F. Notes to the Financial Statements

Note 1: The Reporting Entity

1. The permanent secretariat of the United Nations Convention on Climate Change (UNFCCC) was established in January 1996 for the following purposes:

(a) To make arrangements for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention and the Kyoto Protocol and to provide them with services as required;

(b) To compile and transmit reports submitted to it;

(c) To facilitate assistance to Parties particularly developing country Parties on request in the compilation and communication of information required in accordance with the provisions of the Convention and the Kyoto Protocol;

(d) To prepare reports on its activities and present them to the Conference of the Parties;

(e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

(f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;

(g) To perform other secretariat functions specified in the Convention and in any of its protocols; and

(h) To undertake any other functions as may be determined by the Conference of the Parties

2. UNFCCC is governed by the following constituent bodies:

(a) **The Conference of the Parties (COP)** is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

(b) **The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)**: All States that are Parties to the Kyoto Protocol are represented at the CMP, while States that are not Parties participate as observers. The CMP reviews the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation.

(c) **The Subsidiary Body for Implementation (SBI)** is one of two permanent subsidiary bodies to the Convention established by the COP/CMP. It supports the work of the COP and the CMP through the assessment and review of the effective implementation of the Convention and its Kyoto Protocol. A particularly important task in this respect is to examine the information in the national communications and emission inventories submitted by Parties in order to assess the Convention's overall effectiveness. The SBI reviews the financial assistance given to non-Annex I Parties to help them implement their Convention commitments, and provides advice to the COP on guidance to the financial mechanism (operated by the Global Environment Facility - GEF). The SBI also advises the COP on budgetary and administrative matters.

(d) The Conference of the Parties, the supreme body of the Convention, shall serve as **the meeting of the Parties to the Paris Agreement (CMA).** All States that are Parties to the Paris Agreement are represented at the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), while States that are not Parties participate as observers. The CMA oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation.

(e) **The Bureau of the COP and CMP** supports the COP and the CMP through the provision of advice and guidance regarding the on-going work under the Convention and its Kyoto Protocol, the organization of their sessions and the operation of the secretariat, especially at times when the COP and the CMP are not in session. The Bureau is elected from representatives of Parties nominated by each of the five United Nations regional groups and small island developing States. The Bureau is mainly responsible for questions of process management. It assists the President in the performance of his or her duties by providing advice and by helping with various tasks (e.g. members undertake consultations on behalf of the President). The Bureau is responsible for examining the credentials of Parties, reviewing the list of intergovernmental and non-governmental organizations, seeking accreditation and submitting a report thereon to the Conference

3. UNFCCC is financed by indicative contributions paid by Parties to the Convention, fees derived from services provided by the Organization and voluntary contributions from Parties to the Convention and the Kyoto Protocol and other donors.

4. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2: Basis of Preparation

5. The financial statements of the UNFCCC have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis given the approval by the Conference of Parties of the Programme Budget appropriations for the Biennium 2016–2017, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease operation of UNFCCC.

6. In accordance with IPSAS, the 2016 financial statements are presented on an annual basis covering the period 1 January 2016 to 31 December 2016. These financial statements are certified by the Executive Secretary. The financial statements are submitted to the United Nations Board of Auditors on 31 March 2017. Sequentially, the reports of the Board of Auditors together with the audited financial statements are submitted to the Conference of the Parties.

7. The Cash Flow Statement is prepared using the indirect method.

8. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1 Functional and Presentation Currency

9. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNFCCC.

2.2 Foreign Currency Translation

10. Transactions in currencies other than United States dollar are translated into United States dollar at the prevailing United Nations Operations Rates of Exchange (UNORE) which represents the prevailing rate at the time of transaction. Assets and liabilities in currencies other than United States dollar are translated into United States dollar at the UNORE year-end closing rate. Resulting gains and losses are accounted for in the Statements of Financial Performance.

11. The Core budget and the budget for the International Transaction Log are approved and assessed in euros. The contingency budget for conference services of UNFCCC is

approved by the Conference of the Parties (COP). However, funds are not accessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget are presented on both euros and United States dollars.

2.3 Materiality and the use of judgement and estimates

12. Materiality is central to the UNFCCC financial statements. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, equipment depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

Note 3: Significant Accounting Policies

3.1 Cash and Cash Equivalents

13. Cash and Cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

3.2 Financial Instruments

14. Financial instruments are initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method except for indicative and voluntary contributions balances which are recognized at nominal value (proxy to fair value at the time of recognition).

15. Financial instruments are recognized when UNFCCC becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and UNFCCC has transferred substantially all the risks and rewards of ownership.

16. The Main cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed by the UN Treasury. UNFCCC's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position categorized as cash and cash equivalents, short-term and long-term investments.

17. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Main Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.

18. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNFCCC's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment.

3.3 Inventories

19. UNFCCC does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services. Should inventories be recognized in future financial statements, these inventories would be recognized at the lower of cost and net realizable value or at the lower of cost and current replacement cost.

3.4 Property, Plant and Equipment

20. Equipment with a cost above USD 5,000 is stated at historical cost less accumulated depreciation and any impairment losses. UNFCCC is deemed to control equipment if it can

use or otherwise benefit from the asset in the pursuit of its objectives and if UNFCCC can exclude or regulate the access of third parties to the asset.

21. Depreciation is calculated over their estimated useful life of equipment using the straight-line method.

Table 1
The estimated useful life for equipment classes

Class of equipment	*Estimated useful live (in years)*
Computer equipment	5
Communication and audio equipment	5
Furniture and fittings	10
Vehicles	10
Leasehold improvements	10 (or lease term, whichever is shorter)

3.5 Intangible Assets

22. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs exceed the threshold of USD 5,000. Internally developed software is capitalized if its cost exceeded a threshold of USD 100,000 excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

23. Amortization is provided over the estimated useful life using the straight line method.

Table 2
The estimated useful lives for intangible asset classes

Class of intangible assets	*Estimated useful life (in years)*
Software acquired externally	3
Internally developed software	3–5
Copyrights	Set 8 years or period of copyright, whichever is shorter

24. Impairment is assessed at each reporting date for all intangible assets based on indications that an asset may be impaired and any impairment losses are recognized in the Statement of Financial Performance.

3.6 Employee Benefits

25. UNFCCC provides the following employee benefits:

(a) Short Term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (annual and paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes) which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;

(b) Post-Employment benefits including ASHI, repatriation grant, separation related travel and shipping costs and death benefit;

(c) Other Long Term employee benefits including accumulated leave payable on separation; and

(d) Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

26. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high grade corporate bonds with maturity dates approximating those of the individual plans.

27. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

28. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

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

30. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNFCCC and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNFCCC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNFCCC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

3.7 Provisions

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

3.8 Contingent liabilities and contingent assets

32. Contingent liabilities where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNFCCC or where the value cannot be reliably estimated are disclosed in the Notes to the financial statements. Contingent liabilities are assessed continually to determine whether an outflow of resources has become probable. If an outflow becomes probably, a provision is recognized in the financial statements in the period in which probability occurs.

3.9 Leases

33. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments, made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

3.10 Non-exchange revenue and receivables

34. **Indicative contributions** to the Core budget and to the Trust Fund for the International Transaction Log from Parties to the Convention are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the General Assembly as adopted by the Conference of the Parties.

35. **Voluntary contributions** are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the Notes to the financial statements if receipt is considered probable.

36. Multi-year voluntary conditional **contributions** due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

37. **Goods in kind** are recognised at their fair value, measured as of the date the donated assets are acquired.

38. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts.

3.11 Exchange revenue

39. Revenue from the fees charged in connection with the Clean Development Mechanism (CDM) and the Joint Implementation Determination (JI) is recognized upon completion of the underlying service for which the fee has been charged. A liability is established covering the estimated amount of fees reimbursable to the applicant. Interest income is recognized on a time proportion basis as it accrues, taking into account the effective yield.

3.12 Expenses

40. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNFCCC. Service are considered received on the date when the service is certified as rendered. For some service contracts this process may occur in stages.

3.13 Segment reporting

41. UNFCCC is a single purpose entity with a mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention and Kyoto Protocol, supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNFCCC funds. A fund is a self -balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

42. UNFCCC classifies all projects, operations and fund activities into ten funds and special accounts:

(a) Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general purpose contributions from donors);

(b) Trust fund for Supplementary Activities;

(c) Trust fund for the Participation in the UNFCCC process financed from voluntary contributions;

(d) Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects and issuance of certificates;

(e) Trust fund for the International Transactions Log financed from indicative contributions (or general purpose contributions from donors);

(f) Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located;

(g) Special account for Programme Support Costs financed from charges made to the activities financed from indicative and voluntary contributions as well as fee financed activities;

(h) Special account for conferences and other recoverable costs financed from voluntary contributions; and

(i) Cost recovery fund;

(j) End of service and post employee benefits fund not currently funded.

43. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.

44. UNFCCC reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

3.14 Budget comparison

45. UNFCCC's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

46. Statements V-A to V-C, Comparison of budget and Actual amounts, compare the final budget to actual amounts calculated on the same basis as the corresponding approved budget.

47. As the basis used to prepare the budget and financial statements differ, Note 20 provides reconciliation between the actual amounts presented in statement V-A to V-C and the actual amounts presented on the Statement of Financial Performance.

48. The COP approves the biennial Core budget and the contingent budget for Conference Services. The CMP approves the budget for the International Transaction Log. Budgets may be subsequently amended by the COP or CMP, as applicable, or through the exercise of delegated authority.

Note 4: Financial Risks

4.1 Financial risk factors

49. UNFCCC’s operations may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

4.2 Market risk

Foreign exchange risk

50. UNFCCC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from operating revenue and expenses and recognized assets and liabilities. Management requires that the Organization manage its currency risk against its functional currency by structuring contributions from its owner organizations and its technical cooperation project donors to correspond to the foreign currency needed for operational purposes.

51. As of 31 December 2016, if the US dollar had weakened/strengthened by 5 per cent against the euro with all other variables held constant, the impact on net assets would have been USD 0.5 million higher/lower due to the change in the asset value of receivables denominated in euro.

Price risk

52. The Organization may be exposed to price risk because of investments held in the Main cash pool which are classified in the Statement of Financial Position at fair value through surplus or deficit. The share of any realized loss or gain on the Organization's holdings in the Main cash pool is recognized in surplus or deficit.

4.3 Credit risk

53. Credit risk refers to the risk that counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to the Institute. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. The Organization does not hold any collateral as security.

Other credit risk disclosure

54. Voluntary contributions from governments representing the member countries of the Organization comprise the majority of the Organization's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities.

4.4 Liquidity risk

55. Cash flow forecasting is performed by the Organization in conjunction with the United Nations Office at Geneva (UNOG) which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. There are no restrictions on the amount that UNFCCC may withdraw at any time after providing the UN Treasury with several days' notice.

4.5 Cash Pools

56. In addition to directly held cash and cash equivalents and investments, the United Nations Framework Convention on Climate Change ("UNFCCC") participates in the United Nations Treasury main pool. The main pool comprises of operational bank account balances in a number of currencies and investments in United States dollars.

57. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

58. As at 31 December 2016, UNFCCC participated in the main pool that held total assets of $9,033.6 million (2015: $7,827.4 million), of which $203.7 million was due to the Organization (2015: $215.6 million), and its share of revenue from the main pool was $1.6 million (2015: negative $4.9 million).

Table 3
Summary of assets and liabilities of the Cash Pools as at 31 December 2016
(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through the surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to UNFCCC	203 699
Payable to other cash pool participants	8 829 928
Total liabilities	**9 033 627**
Net assets	**–**

Table 4
Summary of net income and expenses of the Cash Pools for the year ended 31 December 2016
(Thousands of United States dollars)

	Main pool
Investment revenue	73 903
Unrealized gains/(losses)	(13 474)
Investment revenue from main pool	**60 429**
Foreign exchange gains/(losses)	(5 105)
Bank fees	(646)
Net income from cash pools	**54 678**

Table 5
Summary of assets and liabilities of the Cash Pools as at 31 December 2015
(Thousands of United States dollars)

	Main Pool	*Euro Pool*	*Total*
Fair value through the surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through the surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment income	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**

	Main Pool	Euro Pool	Total
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash Pool liabilities			
Payable to UNFCCC	215 603	1	215 604
Payable to other cash pool participants	7 568 265	43 580	7 611 845
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	–	–	–

Table 6

Summary of net income and expenses of the Cash Pools for the year ended 31 December 2015

(Thousands of United States dollars)

	Main Pool	Euro Pool	Total
Investment revenue	51 944	48	51 992
Foreign exchange gains/(losses)	(11 720)	(15 300)	(27 020)
Unrealized gains/(losses)	(10 824)	(4)	(10 828)
Bank fees	(525)	–	(525)
Net income from cash pools	**28 875**	**(15 256)**	**13 619**

Financial risk management

59. The United Nations Treasury is responsible for investment and risk management for the Cash Pools, including conducting investment activities in accordance with the Guidelines.

60. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

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

Financial risk management: credit risk

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

63. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

64. The credit ratings used for the Cash Pools are those determined by major credit-rating agencies; Standard & Poor’s and Moody’s and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Table 7
Credit ratings

Investments of the cash pool by credit ratings as at 31 December 2016

Main pool	*Ratings as at 31 December 2016*					*Ratings as at 31 December 2015*		
Bonds (Long term ratings)								
	AAA	**AA+/AA/AA-**	**BBB**	**NR**		**AAA**	**AA+/AA/AA-**	**NR**
S&P	33.6%	55.1%	5.6%	5.7%	S&P	37.7%	54.2%	8.1%
Fitch	62.4%	28.3%		9.3%	Fitch	61.9%	26.5%	11.6%
	Aaa	**Aa1/Aa2/Aa3**				**Aaa**	**Aa1/Aa2/Aa3**	
Moody's	50.3%	49.7%			Moody's	65.8%	34.2%	
Commercial papers (Short term ratings)								
	A-1					**A-1+/A-1**		
S&P	100.0%				S&P	100.0%		
	F1					**F1+**		
Fitch	100.0%				Fitch	100.0%		
	P-1					**P-1**		
Moody's	100.0%				Moody's	100.0%		
Reverse repurchase agreement (Short term ratings)								
	A-1+					**A-1+**		
S&P	100.0%				**S&P**	100.0%		
	F1+					**F1+**		
Fitch	100.0%				**Fitch**	100.0%		
	P-1					**P-1**		
Moody's	100.0%				**Moody's**	100.0%		
Term deposits (Fitch viability ratings)								
	aaa	**aa/aa-**	**a+/a**			**aaa**	**aa/aa-**	**a+/a**
Fitch	-	48.1%	51.9%		Fitch	-	53.6%	46.4%

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

Financial risk management: liquidity risk

66. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

67. The main pool comprises the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2015: five years). The average duration of the main pool was 0.71 years (2015: 0.86 years), which is considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

68. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. The investments, being accounted for at fair value through surplus or deficit, the change

in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

69. During 2016, UNFCCC has moved its holdings from the Euro pool into the main pool. At the end of 2016, all UNFCCC investments are managed in the main pool.

Table 8
Cash Pools interest rate risk sensitivity analysis as at 31 December 2016

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)**:**									
Main pool total	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Table 9
Cash Pools interest rate risk sensitivity analysis as at 31 December 2015

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Main pool total	128.99	96.74	64.48	32.24	–	(32.23)	(64.46)	(96.69)	(128.91)
Euro pool total	0.04	0.03	0.02	0.01	–	(0.01)	(0.02)	(0.03)	(0.04)
Total	**129.03**	**96.77**	**64.50**	**32.25**	–	**(32.24)**	**(64.48)**	**(96.72)**	**(128.95)**

Other market price risk

70. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value – Cash Pool

71. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

72. The levels are defined as:

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

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

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

73. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

74. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data.

If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

75. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Table 10
Fair value hierarchy as at 31 December: Cash Pools
(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds - Corporates	697 676	-	697 676	149 682	-	149 682
Bonds - Non-United States agencies	1 903 557	-	1 903 557	2 190 965	-	2 190 965
Bonds - Non-United States sovereigns	124 854	-	124 854	124 612	-	124 612
Bonds - Supranational	213 224	-	213 224	139 828	-	139 828
Bonds - United States treasuries	586 739	-	586 739	1 092 139	-	1 092 139
Main pool - Commercial papers	149 285	-	149 284	949 112	-	949 112
Main pool - Term deposits	–	2 840 000	2 840 000	–	1 860 000	1 860 000
Main pool total	**3 675 334**	**2 840 000**	**6 515 334**	**4 646 338**	**1 860 000**	**6 506 338**

Table 11
Summary Financial Instruments
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Cash and cash equivalents	55 869	34 050
Short-term investments	98 981	105 776
Long-term investments	47 933	72 505
Accounts receivable	10 853	9 130
Accounts payable	(1 463)	(3 276)
Total financial instruments	**212 173**	**218 185**

Table 12
Carrying amounts of the contributions receivable
(Thousands of United States dollars)

	Indicative Contributions	*Voluntary Contributions*
EUR/NZD	6 845	3 124
USD	225	716
Total contributions receivable as at 31 December 2016	**7 070**	**3 840**

Table 13
Indicative contributions past due as at 31 December 2016
(Thousands of United States dollars)

Indicative contributions past due	*Indicative Contributions*
Up to 1 year	3 727

1 to 2 year	1 709
2 to 3 years	517
Above 3 years	1 117
Total indicative contributions past due as at 31 December 2016	**7 070**

Table 14
Indicative provisions for impaired receivables as at 31 December 2016
(Thousands of United States dollars)

Provision for impaired receivables	*Indicative Contributions*
As at 1 Jan 2016	746
Less receivables written off during the year	0
Decrease in provision during 2016	250
Total as at 31 December 2016	**996**

Note 5: Cash and cash equivalents, short-term and long-term investments

Table 15
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Cash held in cash pools	55 869	34 050
Total cash and cash equivalents	**55 869**	**34 050**

Table 16
Breakdown of short-term and long-term investments
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Short-term investments (cash pool)	98 981	105 776
Long-term investments (cash pool)	47 933	72 505
Total investments	**146 914**	**178 281**

76. UNFCCC cash forms part of a cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNFCCC's participating share of cash and term deposits, short term and long term investments and accrual of investment income, all of which are managed in the pool.

Note 6: Accounts receivable

Table 17
Accounts receivable
(Thousands of United States dollars)

Accounts receivable	*31 December 2016*	*31 December 2015*
Indicative contributions due from Parties to the Convention, the Kyoto Protocol and the International Transaction Log		
Current	7 070	5 501
Less provision for doubtful debts	(996)	(746)
Subtotal for indicative contributions	**6 074**	**4 755**
Voluntary contributions		

Current	2 629	2 960
Non-current	1 211	0
Subtotal voluntary contributions	**3 840**	**2 960**
Other receivables (current)	939	1 415
Total accounts receivable	**10 853**	**9 130**

77. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget, contingent budget for Conferences and the International Transactions log in accordance with the Financial Procedures adopted by the COP. Current voluntary contributions receivable are for confirmed contributions that are due within twelve months from the reporting date. Other receivables represent amounts invoiced to member governments, other UN agencies and individuals for services provided. Provisions have been established covering indicative contributions receivables and other receivables equal to 50 per cent of amounts outstanding for more than three but less than four years and 100 per cent of amounts outstanding for more than four years.

Note 7: Other current assets

78. Other current assets consist of the following:

Table 18
Other current assets
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Prepayments	1 645	2 680
CDM Loan Scheme Advance	6 519	7 281
Project Clearing	227	497
Travel Advances	354	242
Education Grant Advances	1 037	1 111
Total	**9 782**	**11 811**

79. The UNFCCC loan scheme for CDM is administered by the UN Office for Project Services and the United Nations Environment Programme. The advances provided are covering the requirements for loans to be handed out to participants of the scheme as well as to cover related administrative expenses.

Note 8: Property, plant and equipment

Table 19
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communication and IT equipment*	*Furniture and machinery*	*Total*
Cost				
At 1 January 2016	75	2 806	45	2 927
Additions				
Disposal	(26)			(26)
Translation				
At 31 December 2016	**49**	**2 806**	**45**	**2900**
Accumulated depreciation				
At 1 January 2016	34	2 233	36	2 303

	Vehicles	Communication and IT equipment	Furniture and machinery	Total
Depreciation during the year	5	275	2	283
Disposal	(26)			
Translation				
At 31 December 2016	**13**	**2 507**	**38**	**2 558**
Net Book Value				
At 31 December 2016	**36**	**298**	**6**	**342**
At 31 December 2015	41	574	10	625

80. Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. During 2016 there was no indication for any equipment being impaired.

Note 9: Intangibles

Table 20
Intangibles
(Thousands of United States dollars)

	Internally developed software
Opening balance 1 Jan 2016	1 989
Additions	330
Disposal	
Total as at 31 Dec 2016	**2 319**
Accumulated Amortization 1 Jan 2016	145
Amortization during the year	355
Disposal	
Total as at 31 Dec 2016	**500**
Net book Value 31 Dec 2016	1 819
Net book Value 01 Jan 2016	1 844

81. UNFCCC has utilized the transition provision in IPSAS 31 and the value of intangibles assets has been recognized prospectively beginning with costs incurred on or after 1 January 2014.

Note 10: Payables and Accruals

Table 21
Payables and Accruals
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Vendor payables	1 376	1 777
Other payables	167	1 499
Accruals for goods and services	2 319	2 935
Repatriation grant payable	402	175
Total payables and accruals	**4 264**	**6 386**

82. Payables to vendors relate to amounts due for goods received and services rendered for which payment has not yet been made.

83. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year which have not yet been invoiced by suppliers.

Note 11: Advance receipts and deferred revenue

Table 22
Advance receipts and deferred revenue
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Conditional voluntary contributions	905	2 634
Indicative contributions received in advance	9 114	2 029
CDM fees received in advance	1 707	1 519
Subtotal current advance receipts	**11 726**	**6 182**
Total	**11 726**	**6 182**

84. UNFCCC recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions, and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNFCCC satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

85. Voluntary contributions received in advance include amounts received before an agreement is reached on the allocation of the contribution.

86. Indicative contributions received in advance include amounts received before the actual due date established by the Financial Procedures.

87. CDM and JI fees unearned represent fees received for which UNFCCC has not completed the delivery of all of the services for which the fee has been charged.

Note 12: Employee Benefits

88. The employee benefits liabilities outstanding at the reporting date are as follows:

Table 23
Employee benefit liabilities
(Thousands of United States dollars)

	31 Dec 2016	*31 Dec 2015*
Current employee benefit liabilities		
After service health insurance	226	186
Repatriation grant	732	1 017
Annual leave	465	678
Death benefit	13	14
Home leave travel	609	493
US tax reimbursement	22	449
Total current employee benefit liabilities	**2 067**	**2 837**
After service health insurance	69 716	67 523
Repatriation grant	8 520	7 017
Annual leave	6 092	5 602

Death benefit	166	153
Home leave travel	67	78
Total non-current employee benefit liabilities	**84 561**	**80 373**
Total employee benefit liabilities	**86 628**	**83 210**

89. The methodology for estimating the amounts of each liability is as follows:

90. **Education grant**: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. In case of education grants advances, 40 per cent of the advance is expensed in the current year while the balance of 60 per cent is recorded as staff advances under other current assets.

91. **Home leave**: Non-locally recruited UNFCCC staff is entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months relates to the value of home leave entitlements that have been earned by officials since their last entitlement but not taken at the reporting date.

92. **US taxes**: American citizens that are officials of UNFCCC are reimbursed for the amount of income taxes payable on the compensation they earn from the organization.

93. **Annual leave**: In accordance with UN Staff Rules and Staff Regulations, UNFCCC staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

94. **Repatriation grant and travel**: In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNFCCC staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed at least one year of service outside their home country. In addition, non-locally recruited UNFCCC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

95. **After Service Health Insurance (ASHI)**: Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNFCCC's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff.

96. An actuarial valuation at 31 December 2016 carried out in 2017 has been utilized to determine the UNFCCC's estimated liability and expenses recognized on the Statements of Financial Performance and Financial Position for repatriation grants and travel, death benefit, accumulated leave and after-service health insurance at the reporting date. For 2016, the actuarial study was conducted as a roll-forward of the actuarial valuation of the End-of-Service schemes as of 31 December 2015.

97. Each year, the UNFCCC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the UNFCCC's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest 1/2 basis point.

98. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNFCCC at 31 December 2016.

Table 24
Key financial assumptions

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*	*Death Benefit*
Discount rate at beginning of period	0.55%	3.86%	3.91%	3.52%
Discount rate at end of period	0.77%	3.72%	3.75%	3.40%
General inflation rate at beginning of period		2.25%		
General inflation rate at end of period		2.25%		
Salary increase rate at beginning and end of period	Based on the age of staff member calculated separately for professional and general service staff			
Healthcare cost trend rate at beginning of period	4.00%			
Healthcare cost trend rate at end of period	4.00%			

99. The effect of a one per cent change in the health trend rate on UNFCCC's defined benefit obligation for ASHI is as follows.

Table 25
Impact of change in medical trend rate
(Thousands of United States dollars)

	Change	*After service health insurance*
On total defined benefit obligation	1%	25 452
	(1)%	(17 803)
On current service cost and interest cost component of liability	1%	3 298
	(1)%	2 164

100. The liabilities established for defined benefit obligations and the net service costs for 2016 are as follows:

Table 26
Liabilities established for defined benefit obligations and the net service costs for 2016
(Thousands of United States dollars)

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*	*Death Benefit*
Reconciliation of defined benefit obligation				
Defined benefit obligation, beginning of year	67 709	9 198	6 439	167
Current service cost	6 995	632	479	18
Interest cost	372	335	238	6
Benefits paid (net of participant contribution)	(187)	(1 056)	(705)	(14)
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	(4 947)	143	106	2
Total liability recognized on Statement of Financial Position	**69 942**	**9 252**	**6 557**	**179**
Annual expense for calendar year				
Current service cost	6 995	632	479	18

Interest cost	372	335	238	6
Benefits paid (net of participant contribution)	(187)	(1 056)	(705)	(14)
Total charge/(credit) recognized on statement of financial performance	**7 180**	**(89)**	**12**	**10**
Estimated benefit payments net of participant contributions payable in 2017	226	732	465	13
Cumulative amount of actuarial (gain)/loss recognized in net assets				
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	(4 947)	143	106	2
Total portion of cumulative liability recognized in net assets at end of year	**(4 947)**	**143**	**106**	**2**

101. Under IPSAS 25, the liabilities for ASHI, repatriation grant and travel, death benefit and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNFCCC.

102. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

103. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNFCCC. For non-accumulating compensating absences an expense is recognized when the absence occurs.

United Nations Joint Staff Pension Fund (UNJSPF)

104. The 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.

105. UNFCCC’s financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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 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.

106. The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16 per cent (a deficit of 0.72 per cent in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as of 31 December 2017.

107. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 100.9 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

108. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, 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.

109. During 2016, UNFCCC's contributions paid to UNJSPF amounted to 7.8 million (2015 7.6 million). Expected contributions due in 2017 are 7.4 million.

110. 7. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Note 13: Provisions

Table 27
Provisions
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Provision for restructuring	0	3 049
Total	**0**	**3 049**

111. At year end, UNFCCC had three pending cases with the United Nations Administrative Tribunal. Due to the uncertainty of the outcomes, no reliable estimates of potential losses could be made.

Note 14: Other current liabilities:

Table 28
Other current liabilities
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Unapplied Cash	0	145
Cash Payments Rejected by Bank	3	74
Other Liabilities	0	48
Total	**3**	**268**

Note 15: Revenue

112. Indicative contributions are contributions received from Parties to the Convention toward funding the Core Budget the International Transaction Log under the Financial Procedure, based on the United Nations scale of assessment. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Table 29
Indicative contributions
(Thousands of United States dollars)

	2016	2015
Core budget to the convention	29 036	31 454
International transaction log	2 847	3 343
Total	**31 884**	**34 797**

113. Voluntary contributions are recognized as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.

Table 30
Voluntary contributions
(Thousands of United States dollars)

	2016	2015
Voluntary contribution to the core budget	839	848
Participation trust fund	2 093	5 190
Trust fund for supplementary activities	18 075	16 011
Clean Development Mechanism	0	28
Special annual contribution from the host country	2 018	2 029
Special account for activities for conferences	4 279	6 987
Total	**27 304**	**31 094**

114. Fee income includes charges for the Clean Development Mechanism (CDM) and Joint Implementation (JI).

Table 31
Fee Income
(Thousands of United States dollars)

	2016	2015
CDM fees	10 834	12 370
Total	**10 834**	**12 370**

115. Income from the Clean Development Mechanism and Joint Implementation includes fee-based income to finance CDM activities consisting of:

(a) Accreditation and related fees from commercial bodies to become designated operational entities to validate CDM project activities. The fee is calculated on the basis of the estimated average cost per application. Entities from non-Annex I Parties may have the possibility of paying 50 per cent of the non-reimbursable fee when they apply for accreditation, provided that they state their inability to pay the full fee at application. The remaining 50 per cent of the fee should be paid at a later stage once and if the applicant entity is accredited and designated and starts operation. The non-reimbursable application fee is USD 15,000 per application. In addition, fees are received to cover the costs for the work provided by CDM accreditation team (daily fee of USD 400);

(b) Registration fees charged for the formal acceptance by the CDM Executive Board of a validated project as CDM project activity. It is based on the expected average annual Certified Emission Reductions for the proposed project activity over its crediting period. No registration fee shall be payable for activities and programmes of activities hosted in least developed countries. No registration fee shall be payable until after the date of the first issuance of CERs in countries with fewer than 10 registered CDM project activities. The registration fee is a) USD 0.10 per CER issued for the first 15,000 tonnes of CO_2 of the expected annual CERs; b) USD 0.20 per CER issued for any amount in excess of 15,000 tonnes of CO_2 equivalent of the expected annual CERs. The maximum registration fee is USD 350,000;

(c) Share of proceeds to cover administrative expenses is:

(i) USD 0.10 per CER issued for the first 15,000 tonnes of CO_2 equivalent for which issuance is requested in a given year;

(ii) USD 0.20 per CER issued for any amount in excess of 15,000 tonnes of CO_2 equivalent for which issuance is requested in a given year;

(iii) No share of proceeds shall be due for project activities and PoAs hosted in least developed countries. The registration fee shall be deducted from the share of proceeds due for the issuance of CERs. In effect, the registration fee is an advance payment of the share of proceeds due for the issuance of CERs likely to be achieved during the first year.

(d) Methodology fees for the proposal of a new methodology to the Executive Board for consideration and approval. The non-reimbursable methodology fee is USD 1,000. The fees also include accreditation fees and fees for processing verification reports to cover administrative costs relating to the activities of the Joint Implementation Supervisory Committee (JISC). The fee charge has been discontinued from May 2016 onwards.

116. Programme Support Revenue is charged in line with the UN financial procedures where UNFCCC charges a standard programme support cost rate of 13 per cent on expenditures incurred. For associate experts and EC funded projects, the rate varies from 7 per cent to 13 per cent.

Table 32
Interest revenue

	31 December 2016	*31 December 2015*
Investment income – Interest earned	2 342	901
TOTAL	**2 342**	**901**

117. Services in kind are not recognised in the face of the financial statements.

118. Exchange revaluation differences represent gains realized on transactions occurring in currencies other than United States dollars and unrealized losses resulting from revaluation of monetary assets.

Note 16: Expenses

Table 33
Expenses
(Thousands of United States dollars)

	2016	*2015*
Personnel expenditure	54 410	75 048
Travel	7 970	15 972
Contractual services	16 691	10 886
Operating expenses	1 460	7 096
Other expenses	2 024	1 721
Depreciation of equipment	282	336
Amortization of intangible assets	355	137
Return/transfer of donor funding	6 076	2 079
Loss on foreign exchange	630	9 695

Total		**89 897**	**122 971**

119. Employee salaries, allowances and benefits are for all International and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries.

120. Non-employee compensation and allowances cover the cost of contracting with individual experts and consultants, including insurances and travel expenses.

121. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.

122. Contractual services include cost of acquiring goods and services from commercial providers, mainly for IT related and consultancy services for different service periods.

123. Operating expenses include cost of maintenance, rent, communications, joint activities and other operating expenses.

Note 17: Reserves

124. A reserve is established for the Core Budget and the Budget of the International Transaction log as part of the adoption of the budget by the COP. For the CDM trust fund, a reserve of USD 45 million has been established. The total reserves at the reporting date amount to USD 48.5 million. The Appendix D to the Staff Rules covers staff members for work related death, injury or illness attributable to the performance of official duties on behalf of the United Nations for which UNFCCC maintains a corresponding reserve.

Table 34
Reserves as at 31 December 2016
(Thousands of United States dollars)

Reserves for Core Budget and ITL	2 607
CDM trust fund reserve	45 000
Reserve for Appendix D	868
Total reserves	**48 475**

Note 18: Fund Accounting and Segment Reporting

125. The UNFCCC is a single purpose entity established by the Parties to the Convention and the United Nations as the joint technical cooperation agency for business aspects of trade development. The UNFCCC has one major mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. It, therefore, does not have segments as defined under IPSAS.

126. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNFCCC as follows:

(a) Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat;

(b) Trust fund for the Participation in the UNFCCC process financed from voluntary contributions supports participation of representatives from eligible developing country Parties and Parties with economies in transition in the sessions of the Conference of the Parties and its subsidiary bodies;

(c) Trust fund for Supplementary activities financed from voluntary contributions including both bilateral funds involving the UNFCCC, a donor and often a recipient government and programmes to which multiple donors make voluntary contributions supports mandated activities for which provisions are not made under the Core budget;

(d) Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects support the administration of the clean development mechanism enabling parties to meet their emission limitation and reduction commitments by using certified emission reductions (CERs) generated from CDM projects;

(e) Trust fund for the International transactions log (ITL) financed from indicative contributions (or general purpose contributions from donors). The ITL to verify the validity of transactions undertaken by national registries of Parties of Annex B of the Convention and CDM registry. The ITL takes a central role between registries and is an essential component of the settlement infrastructure for emissions trading under the Kyoto Protocol;

(f) Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located. Funds are used to finance the logistical arrangements of events taking place in Germany including workshops and sessions of the subsidiary bodies;

(g) Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services;

(h) Special account for conferences and other recoverable costs financed from voluntary contributions used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country;

(i) Cost recovery fund

(j) End of service and post employee benefits fund not currently financed.

127. All funds elimination includes revenue and expense arising from transfers between funds which are accounted for at cost and are eliminated on consolidation

ASSETS	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Special Annual Contribution from the Government of	Trust fund for Supplementary Activities	Trust fund for the International Transaction Log	conferences and other recoverable costs	UNFCCC programme support costss	Cost Recovery	UNFCCC Employee liabilities fund	TOTAL
Current Assets											
Cash and cash equivalents	39 352	2 582	549	131	6 692	2 658	559	2 833	514		55 869
Short-term investments	69 141	4 523	1 569	222	11 792	4 652	986	5 192	904		98 981
Indicative contributions receivable		6 074									6 074
Other receivables	458	96	251	36	2 102	29	495	47	54		3 568
Other current assets	7 576	1 130	(4)	(299)	260	9	(88)	1 018	181		9 782
Total current Assets	116 526	14 404	2 364	90	20 845	7 349	1 953	9 091	1 652		174 274
Non-current assets											
Other receivables	0				1 211						1 211
Long-term investements	33 482	2 190	760	107	5 710	2 253	478	2 514	438		47 933
Propery, plant and equipment	27	46			138		114	18			342
Intangible assets	217	498			1 102	2					1 819
Total non-current assets	33 726	2 734	760	107	8 160	2 255	591	2 532	438		51 305
TOTAL ASSETS	**150 252**	**17 139**	**3 124**	**197**	**29 006**	**9 604**	**2 545**	**11 623**	**2 090**		**225 579**
LIABILITIES											
Current Liabilities											
Payables and accruals	974	910	64	22	864	210	243	177	801		4 264
Advance receipts	1 707	8 580			905	535					11 726
Employee benefits	152	269			76	14	7	60	53	1 436	2 067
Provisions											
Other current liabilities	2		1								3
Total non-current liabilities	2 835	9 758	65	22	1 845	759	249	236	854	1 436	18 060
Non-current liabilities											
Employee benefits	26	31			4	2		2	2	84 494	84 561
Advance receipts											
Total non-current liabilities	26	31			4	2		2	2	84 494	84 561
TOTAL LIABILITIES	2 861	9 790	65	22	1 849	761	249	239	856	85 930	102 621
NET ASSETS											
Accumulated surpluses/(deficits)	102 391	4 106	3 060	175	27 157	8 610	2 296	11 384	1 234	(85 930)	74 483
Reserves	45 000	3 243				233					48 475
TOTAL NET ASSETS	147 391	7 349	3 060	175	27 157	8 843	2 296	11 384	1 234	(85 930)	122 958
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**150 251**	**17 139**	**3 124**	**197**	**29 006**	**9 604**	**2 545**	**11 623**	**2 090**		**225 579**

REVENUE	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	the Special Annual Contribution from the Government of	Trust fund for Supplementary Activities	Trust fund for the International Transaction Log	Special account for conferences and other recoverable costs	Special account for UNFCCC programme support costss	Cost Recovery	UNFCCC Employee liabilities fund	Elimination	TOTAL
Indicative contributions		29 036				2 847						31 884
Voluntary contributions		839	2 093	2 018	18 075		4 279					27 304
CDM and JI service fees	10 834								4 511		(4 511)	10 834
Interest Revenue	1 651	79	56	8	281	101	35	118	12			2 342
Gain on foreign exchange												
Other/miscellaneous revenue*	7	62	406	21	(211)			20	2 412		(2 383)	333
Programme support income								8 123			(8 123)	
Cost allocation income												
TOTAL REVENUE	**12 492**	**30 017**	**2 554**	**2 046**	**18 146**	**2 948**	**4 314**	**8 261**	**6 935**		**(15 017)**	**72 697**
EXPENSES												
Personnel expenditure	9 061	20 485		513	5 091	821	528	7 464	3 334	7 113		54 410
Travel	1 502	1 352	2 792	37	2 027	9	144	104	2			7 970
Contractual services	3 441	4 299	95	935	5 356	1 096	1 022	703	2 125		(2 383)	16 691
Operating expenses	754	559			(260)		(126)	499	34			1 460
Other expenses	2 125	305	15	188	1 067	140	700	1 801	194		(4 511)	2 024
Depreciation of equipment	29	15			108		124	7				282
Amortization of intangible assets	69	124			162	0						355
Return/transfer of donor funding	11				4 047		2 018					6 076
Loss on foreign exchange**	462	(71)	9	(70)	211	(18)	74	22	11			630
Programme support	2 030	3 426	268	222	1 545	250	382		0		(8 123)	(0)
TOTAL EXPENSES	**19 484**	**30 494**	**3 179**	**1 825**	**19 353**	**2 299**	**4 866**	**10 600**	**5 701**	**7 113**	**(15 017)**	**89 897**
TOTAL SURPLUS/(DEFICIT)	**(6 992)**	**(477)**	**(625)**	**222**	**(1 208)**	**649**	**(552)**	**(2 339)**	**1 234**	**(7 113)**	**0**	**(17 200)**

* negative amounts relate to a transfer of funding between different trust funds

**amounts for specific funds are presented following the overall net position (loss) regardless of result of the specific fund.

Note 19: Budget Comparison and Reconciliation

128. UNFCCC's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. Statements V-A, V-B-V-C. The budgets are adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP and CMP.

129. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis, entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

130. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.

131. Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts.

132. Entity differences represent funds other than Core budget, International Transactions Log and Contingent budget for conference services that are reported in the Statement of Financial Performance.

133. The reconciliation between the actual amounts presented in statements V-A, V-B and V-C and the actual amounts presented on the Statement of Financial Performance is as follows:

Table 35
Reconciliation of net result on budgetary and IPSAS basis

Reconciliation of net result on budgetary and IPSAS basis	
Actual net result on the Statement of budgets to actual comparison	
Statement V-A Core Budget	(374)
Statement V-B International Transaction Log	556
Statement V-C Contingent budget of conference services	
Actual net result on budgetary basis	**182**
Presentation differences	
Additional income components under IPSAS	1 081
Exchange gains/losses	89
Conversion of unliquidated obligations to delivery principle	(1 041)
Capitalization of equipment & intangible assets	(135)
Changes in provision for doubtful debts	(253)
Changes in employee benefit provisions	252
Sub-total presentation differences	**(6)**
Entity differences on IPSAS Basis	
Participation in UNFCCC process	(625)
Supplementary activities	(1 208)

Reconciliation of net result on budgetary and IPSAS basis

Clean development mechanism	(6 992)
Special contribution from Germany	222
Special account for converences	(552)
Programme support costs	(2 339)
Cost Recovery	1 234
End of service and post-employment benefits	(7 113)
Sub-total entity differences	**(17 372)**
Actual net result on the Statement of Financial Performance	**(17 200)**

Note 20: Budget to Actual variance analysis

134. Explanations of material differences between the original budget and final budget and, final budget and the actual amounts are presented in the financial report from the Executive Secretary accompanying these statements.

Note 21: Related Parties

135. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

136. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

137. The charges paid to the United Nations (UN Office at Geneva – UNOG) of USD 0.5 million for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization from its Regular Budget at a value of EUR 5.3 million in 2016.

138. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention on Climate Change. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

Table 36
Summary of senior management and related compensation

Number of individuals	*Aggregate remuneration (in thousands of USD)*	*Outstanding advances at 31 Dec 2016 (in thousands of USD)*
13	2,536	190

139. During 2016, two individuals of key management left the organization while one individual joined the organization during 2016.

140. The key management personnel of UNFCCC are the Executive Secretary, Deputy Executive Secretary and Directors of programmes, who have the authority and responsibility for planning, directing and controlling the activities of UNFCCC and influencing its strategic direction.

141. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

Note 22: Leases, commitments and contingencies

142. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNFCCC.

143. There are no contingent assets of which relate to official pledges made by donors to UNFCCC for future contributions at the reporting date.

Note 23: Events after the reporting date

144. UNFCCC's reporting date is 31 December 2016. The financial statements were authorized for issue on 31 March 2017, the date at which they were submitted to the External Auditor by the Executive Secretary. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issue that would have impacted these statements.

Note 24: In-kind contributions of services

145. The UNFCCC receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNFCCC without charge. The agreement under which the facilities are provided does not entail formal cancellation policies or timelines. UNFCCC does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements.