UNFCCC Financial Statements 2018

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 2018 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 2018 are correct.

Patricia Espinosa
Executive Secretary
31 March 2019

II. Narrative financial report

Financial report on the 2018 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 operations under the direct authority of the Executive Secretary including the regular budget, extra-budgetary financed activities and activities under the Sustainable Development Mechanisms.

2018 Financial Highlights

2018 Financial Results

Total revenue:

2. Revenue in 2018 totalled USD 99.1 million as follows:

(a) The indicative contributions to the core budget of USD 33.4 million and USD 1.6 million to the budget of the International Transaction Log;

(b) Voluntary contributions from donors totalled USD 46.9 million;

(c) Fees for the CDM and JI mechanisms USD 11.7 million.

3. **Total expenses**: Expenses in 2018 totalled USD 91.2 million mainly consisting:

(a) Personnel expenses amounting to USD 51.6 million;

(b) Travel USD 12.3 million;

(c) Contractual services for USD 15.3 million;

4. Both income on indicative contributions level as well as for fees for the CDM and JI saw an increase in 2018; a significant increase in voluntary contributions has been recorded during the reporting period. This increase relates mostly to voluntary funding received in the trust for supplementary activities (USD 32 million in 2018 compared to USD 18 million in 2017 but also in the trust fund for participation (USD 7.4 million in 2018 compared to USD 1.9 million in 2017). This was partly compensated with the significant decrease of funding received under the special account for conferences and other events which had shown a record high in 2017 due to the COP being held in Bonn for which UNFCCC had a larger share of the overall expenses as for regular COP meetings (decrease from USD 19.1 million in 2017 to USD 4.3 million in 2018).

5. **Operating result**: The surplus of revenue over expenditure in 2018 is USD 7.9 million (compared to a deficit of USD 9.7 million in 2017). The main reasons for this surplus are the significant increases of income recorded under the trust fund for supplementary activities as well as under the trust fund for participation. The deficit under the Sustainable Development Mechanisms was reduced from USD 7.9 million in 2017 to USD 5.5 million in 2018. For 2018, service and interest cost for employee benefits amounted to USD 6.4 million recorded (USD 8.1 million in 2017). The special account for conferences and other

recoverable costs recorded a deficit of USD 4.6 million in 2018 as fund balances from 2017 have been spent during 2018. In addition, unspent funds of USD 4.5 million have been returned to donors. The overall deficit was offset by actuarial gains amounting to USD 5.0 million as a result from the actuarial study.

6. **Assets**: Total assets as of 31 December 2018 increased by USD 6 million to USD 236 million compared to the balance at 31 December 2017 of USD 230 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 2018
(Thousands of United States dollars)

	2018	*2017*
Cash and cash equivalents	20 168	14 194
Investments	185 523	186 121
Indicative contributions receivable	8 679	5 537
Voluntary contributions receivable	10 234	4 984
Other accounts receivable	1 456	1 730
Other assets	8 758	16 104
Property, plant and equipment	256	365
Intangible assets	891	1 355
Total assets	**235 965**	**230 391**

7. The major assets at 31 December 2018 are cash, cash equivalents and investments totalling USD 206 million representing 88 per cent of the total assets and indicative contributions from signatories to the convention receivable of USD 8.7 million, or 3.7 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 as well as investments of USD 206 million are primarily held in the UN Treasury main cash pool. While the overall investments levels remain at the same level as at 31 Dec 2017, the share of short-term investments has increased with a corresponding decrease in long-term investments.

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. Delays in receiving contributions for 2018 during the financial year resulted in an increase of indicative contributions outstanding of USD 3.1 million or 57% when comparing to amounts outstanding as at 31 December 2017.

10. **Other assets** amounting to a total of USD 8.8 million mainly consist of prepayments (USD 1.8 million) and the advances to the CDM loan scheme totalling USD 5.4 million. The main reason for the decrease relates to advances issued for COP23 in Bonn which were cleared during 2018.

11. **Liabilities**: Liabilities as of 31 December 2018, totalled USD 93 million (USD 100 million as at 31 December 2017) as follows:

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

	2018	*2017*
Accounts payable and accruals	4 130	11 115
Advance receipts	10 379	10 500
Employee benefit liabilities	78 350	78 635
Other liabilities	0	8
Total liabilities	**92 859**	**100 258**

12. 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 63.8 million, represent 69 per cent of UNFCCC's total liabilities and are explained in detail in the respective note to the financial statements. The level of overall employee benefit liabilities remained unchanged when comparing to 2017 as the annual and interest service cost were offset by significant actuarial gains on the liabilities as per the actuarial report.

13. 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.

14. Delivery of goods and services at the end of 2018 was at the regular levels as the COP was held in Poland, the corresponding level of accounts payable/accrual decreased considerable compared to 31 December 2017.

15. **Net assets**: The movement in net assets during the year shows an increase of USD 13 million from USD 130 million in 2017 to USD 143 million at the end of 2018 due to the actuarial gains of 5.0 million and an operating surplus of USD 7.9 million. Net assets include the operating reserves which amount to USD 49.1 million at the reporting date.

Core budget

16. The Conference of the Parties approved a Core expenditure budget for the 2018–19 financial period, amounting to EUR 56.9 million. The approved budget for the International Transaction Log for the 2018–19 financial period amounted to EUR 5.2 million.

17. As at 31 Dec 2018, the core budget showed for 2018 an implementation rate of 80 per cent. This is a result of having to finance some of the activities originally planned for under the core budget through supplementary funding received for this specific purpose.

18. 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 2018–19 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 2018

A. Statement I: Statement of Financial Position as at 31 December 2018

(Thousands of United States dollars)

	Note	*2018*	*2017*
ASSETS			
Current Assets			
Cash and cash equivalents	5	20 168	14 194
Short-term investments	5	172 128	141 513
Indicative contributions receivable	6	8 679	5 537
Voluntary contributions receivable	6	5 489	4 014
Other receivables	6	1 456	1 730
Other current assets	7	8 758	16 104
Total current assets		**216 678**	**183 093**
Non-current assets			
Voluntary contributions receivable	6	4 745	970
Long-term investments	5	13 396	44 608
Property, plant and equipment	8	256	365
Intangible assets	9	891	1 355
Total non-current assets		**19 288**	**47 298**
TOTAL ASSETS		**235 965**	**230 391**
LIABILITIES			
Current Liabilities			
Payables and accruals	10	4 130	11 115
Advance receipts	11	10 379	10 500
Employee benefits	12	2 409	2 679
Other current liabilities	14	0	8
Total current liabilities		**16 918**	**24 301**
Non-current liabilities			
Employee benefits	12	75 941	75 957
Total non-current liabilities		**75 941**	**75 957**
TOTAL LIABILITIES		**92 859**	**100 258**
NET ASSETS			
Accumulated surpluses/(deficits)		93 973	81 096
Reserves	17	49 134	49 038
TOTAL NET ASSETS		**143 107**	**130 133**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**235 965**	**230 391**

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 2018

(Thousands of United States dollars)

	Note	*2018*	*2017*
REVENUE	15		
Indicative contributions		34 974	30 522
Voluntary contributions		46 892	40 227
CDM and JI service fees		11 660	8 578
Interest Revenue		4 092	2 715
Gain on foreign exchange*			3 304
Other/miscellaneous revenue		1 433	353
TOTAL REVENUE		**99 051**	**85 698**
EXPENSES	16		
Personnel expenditure		51 588	55 444
Travel		12 297	9 331
Contractual services		15 280	25 623
Operating expenses		1 387	1 869
Other expenses		4 019	2 219
Depreciation of equipment		109	251
Amortization of intangible assets		464	464
Return/transfer of donor funding		5 126	153
Loss on foreign exchange		887	
TOTAL EXPENSES		**91 158**	**95 354**
SURPLUS/(DEFICIT) FOR THE PERIOD		**7 894**	**(9 656)**

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 2018

(Thousands of United States dollars)

	Accumulated Surplus	*Reserves*	*Total Net Assets*
Balance as at 01 January 2018	81 096	49 038	130 133
Surplus/(Deficit) for the current period	7 894		7 894
Adjustment Appendix D reserve		118	118
Actuarial gains (losses) on employee benefits liabilities	4 962		4 962
Adjustment to operating reverses amounts against accumulated surplus	22	(22)	
Balance as at 31 December 2018	**93 973**	**49 134**	**143 107**

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

D. Statement IV: Cash Flow Statement for the year ended 31 December 2018

(Thousands of United States dollars)

	2018	*2017*
Cash flows from operating activities		
Surplus/(deficit) for the period	7 894	(9 656)
Depreciation expense	109	251
Amortization of intangible assets	464	464
(Increase)/decrease in accounts receivable	(8 119)	(1 399)
(Increase)/decrease in other assets	7 345	(6 321)
Increase/(decrease) in payables and accruals	(6 985)	6 850
Increase/(decrease) in advance receipts	(121)	(1 226)
Increase/(decrease) in employee benefit liabilities	4 795	8 838
Increase/(decrease) in other liabilities	(8)	5
Net cash flows from operating activities	**5 376**	**(2 195)**
Cash flows from investing activities		
(Increase)/decrease in equipment		(273)
(Increase)/decrease in intangible assets		
(Increase)/Decrease in short-term investments	(30 615)	(42 532)
(Increase)/Decrease in long-term investments	31 213	3 324
Net cash flows from investing activities	**598**	**(39 481)**
Cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	**5 974**	**(41 675)**
Cash and cash equivalents at the beginning of the year	14 194	55 869
Cash and cash equivalents at the end of the year	20 168	14 194
Overall increase/(decrease)	5 974	(41 675)

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

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

A. Budget to Actual Comparison Core Budget for the year 2018

2018*	Original Budget (EUR)	Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original Budget (USD)	Final Budget (USD)	Actual (USD)	Difference (USD)
Executive Direction and Management	2 353 745	2 606 525	2 508 843	97 682	2 812 121	3 114 128	2 968 291	145 837
Implementation and climate action cluster								
Mitigation, Data and Analysis	7 956 080	7 956 079	6 993 578	962 501	9 505 472	9 505 471	8 248 281	1 257 190
Finance, Technology and Capacity-Building	3 010 180	3 010 180	2 591 783	418 397	3 596 392	3 596 392	3 061 792	534 600
Adaptation	2 677 500	2 677 500	2 677 727	(227)	3 198 925	3 198 925	3 157 261	41 664
Sustainable Development Mechanisms	439 740	439 741	311 034	128 707	525 376	525 378	366 726	158 652
Subtotal implementation and climate action cluster	**14 083 500**	**14 083 500**	**12 574 122**	**1 509 378**	**16 826 165**	**16 826 165**	**14 834 060**	**1 992 105**
Intergovernmental and secretariat operations cluster								
Legal Affairs	1 076 800	1 076 800	743 303	333 497	1 286 499	1 286 499	881 561	404 938
Conference Affairs Services	1 699 035	1 699 035	882 505	816 530	2 029 910	2 029 910	1 053 242	976 668
Communication and Outreach	1 715 660	1 620 660	904 733	715 927	2 049 773	1 936 272	1 085 010	851 262
Information and Communication Technology	2 723 900	2 566 120	1 423 272	1 142 848	3 254 361	3 065 854	1 709 658	1 356 196
Administrative Services	-	-	-	-	-	-	-	-
Secretariat-wide operating costs	1 644 030	1 644 030	1 209 778	434 252	1 964 194	1 964 194	1 404 551	559 643
Subtotal intergovernmental affairs and secretariat operations cluster	**8 859 425**	**8 606 645**	**5 163 591**	**3 443 054**	**10 584 737**	**10 282 730**	**6 134 022**	**4 148 708**
Total appropriation	**25 296 670**	**25 296 670**	**20 246 556**	**5 050 114**	**30 223 023**	**30 223 023**	**23 936 373**	**6 286 650**
Programme support costs (overheads)	3 288 567	3 288 567	2 613 924	674 643	3 928 993	3 928 993	3 078 944	850 049
Adjustment to working capital reserve	103 057	103 057						
Grand TOTAL	**28 688 294**	**28 688 294**	**22 860 480**	**5 724 757**	**34 152 016**	**34 152 016**	**27 015 317**	**7 136 699**
Contribution from the Host Government	766 938	766 938	766 938	-	916 294	916 294	916 294	-
Income from Indicative Contributions	27 921 356	27 921 356	27 921 356	-	33 358 848	33 358 848	33 358 848	-
Net result (budgetary)							7 259 825	

* Further information is contained in notes 19 and 20.

B. Budget to Actual Comparison International Transaction Log Budget for the year 2018

*2018**	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
Staff costs	807 130	722 546	84 584	964 313	853 552	110 761
Consultants	49 833	345	49 488	59 538	394	59 144
Travel of staff	15 000	2 731	12 269	17 921	3 183	14 738
Experts and expert groups						
Training	10 000	12 133	- 2 133	11 947	14 979	- 3 032
General operating expenses	1 303 610	889 407	414 203	1 557 479	1 031 315	526 164
Contributions to common services	120 000	110 609	9 391	143 369	131 747	11 622
TOTAL	**2 305 573**	**1 737 770**	**567 803**	**2 754 568**	**2 035 170**	**719 398**
Programme support costs (overheads)	299 724	220 165	79 560	358 094	262 190	95 904
Adjustment to working capital reserve	(6 078)					
Grant TOTAL	**2 599 219**	**1 957 935**	**647 363**	**3 112 661**	**2 297 360**	**815 301**
Income from Indicative Contributions	1 352 260	1 352 260	-	1 615 603	1 615 603	-
Net result (budgetary)					**(681 757)**	

* Further information is contained in notes 19 and 20.

C. Budget to Actual Comparison Conference Services Contingency Budget for the year 2018

*2018**	*Original and Final Budget (EUR)*	*Actual (EUR)*	*Difference (EUR)*	*Original and Final Budget (USD)*	*Actual (USD)*	*Difference (USD)*
Object of expenditure						
Interpretation	1 175 300		1 175 300	1 404 182		1 404 182
Documentation						
Translation	1 944 800		1 944 800	2 323 536		2 323 536
Reproduction and distribution	668 300		668 300	798 447		798 447
Meetings service support	249 000		249 000	297 491		297 491
Subtotal	**4 037 400**	**0**	**4 037 400**	**4 823 656**	**0**	**4 823 656**
Programme support costs	524 900		524 900	627 121		627 121
Working capital reserve	378 700		378 700	452 449		452 449
Total	**4 941 000**	**0**	**4 941 000**	**5 903 226**	**0**	**5 903 226**

*Further information is contained in notes 20 and 24.

F. Notes to the Financial Statements

Note 1: The Reporting Entity

19. 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, the Kyoto Protocol and the Paris Agreement 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, the Kyoto Protocol and the Paris Agreement;

(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

20. 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, CMP and the CMA 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

21. 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.

22. 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

23. 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 2018–2019, 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.

24. In accordance with IPSAS, the 2018 financial statements are presented on an annual basis covering the period 1 January 2018 to 31 December 2018. These financial statements are certified by the Executive Secretary. The financial statements are submitted to the United Nations Board of Auditors on 31 March 2019. Sequentially, the report of the Board of Auditors together with the audited financial statements are submitted to the Conference of the Parties.

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

26. 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

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

2.2 Foreign Currency Translation

28. 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.

29. 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.

30. For statements V, euro amounts from the approved budgets for the original and final budget are converted to USD using the UNORE as at 1 January 2019 while the euro amounts for the actuals are converted to USD using the applicable monthly UNORE rate at the time of the transaction.

2.3 Materiality and the use of judgement and estimates

31. 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

32. 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

33. 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).

34. 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.

35. 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.

36. 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.

37. 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

38. 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

39. 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.

40. 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

41. 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.

42. 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

43. 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 Payables, advance receipts and accruals

44. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNFCCC and for which the invoices have been received from the suppliers. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNFCCC generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

45. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year and have not been invoiced by suppliers as at the reporting date.

46. Advance receipts are prepayments from customers, parties or donors for subsequent periods.

3.7 Employee Benefits

47. 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 annual leave payable on separation; and

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

48. 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.

49. 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.

50. 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.

51. UNFCCC is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits 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.

52. 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 39. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

3.8 Provisions

53. 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.

3.9 Contingent liabilities and contingent assets

54. 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 probable, a provision is recognized in the financial statements in the period in which probability occurs.

3.10 Leases

55. 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.

3.11 Non-exchange revenue and receivables

56. **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.

57. **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.

58. 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.

59. **Goods in kind** are recognised at their fair value, measured as of the date the donated assets are acquired. **Services in kind** are not recognized on the face of the statements but as note disclosure describing the services received

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

3.12 Exchange revenue

61. 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.

3.13 Expenses

62. 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.

3.14 Segment reporting

63. 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.

64. 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 financed from voluntary contributions;

(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 financed from charges made to the activities financed from indicative and voluntary contributions;

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

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

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

3.15 Budget comparison

67. UNFCCC's budget is prepared on a modified accrual basis based on the applicable financial regulations and rules while the financial statements are prepared on a full accrual basis. Under the modified accrual basis, expense is recognized on the obligation principle, i.e. when the organization enters into a financial commitment to obtain goods or services. Costs of equipment acquisition are expensed when the equipment has been delivered and expense does not include costs related to changes in provisions for employee benefits liabilities or changes related to additions to or consumption of inventories. Income is recognized as per para 56 ff. also for statement V.

68. 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.

69. 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.

70. As the basis used to prepare the budget and financial statements differ, Note 19 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.

71. 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.

3.16 IPSAS 39 introduction for the financial year 2018

72. The IPSAS Board issued IPSAS 39 *Employee Benefits* in 2016 effective 1 January 2018. The replacement of IPSAS 25 by IPSAS 39 does not affect the presentation of the employee benefits since the “corridor method” on actuarial gains or losses, which has been eliminated, has never been applied by UNFCCC. The organization does not have any plan assets; therefore, there is no impact from application of the net interest approach described by the standard.

Note 4: Financial Risks

4.1 Financial risk factors

73. 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

74. 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.

75. As of 31 December 2018, 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 0.8 million higher/lower due to the change in the asset value of receivables denominated in euro.

Price risk

76. 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.

Interest rate risk

77. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of UNFCCC's programme and budget is not directly dependent on interest earnings.

4.3 Credit risk

78. 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

79. 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

80. 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

81. 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.

82. 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.

83. As at 31 December 2018, UNFCCC participated in the main pool that held total assets of $7,504.8 million (2017: $8,086.5 million), of which $206.5 million was due to the Organization (2017: $202.7 million), and its share of revenue from the main pool was $4.1 million (2017: $2.6 million).

Table 3
Summary of assets and liabilities of the Cash Pools as at 31 December 2018
(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 255 379
Long-term investments	486 813
Total fair value through the surplus or deficit investments	**6 742 192**
Loans and receivables	
Cash and cash equivalents	732 926
Accrued investment revenue	29 696
Total loans and receivables	**762 622**
Total carrying amount of financial assets	**7 504 814**
Cash pool liabilities	
Payable to UNFCCC	206 508
Payable to other cash pool participants	7 298 306
Total liabilities	**7 504 814**
Net assets	–

Table 4
Summary of net income and expenses of the Cash Pools for the year ended 31 December 2018
(Thousands of United States dollars)

	Main pool
Investment revenue	152 805
Unrealized gains/(losses)	3 852
Investment revenue from main pool	**156 657**
Foreign exchange gains/(losses)	854
Bank fees	(805)
Operating gains / losses from main pool	**49**
Net income from cash pools	**156 706**

Table 5
Summary of assets and liabilities of the Cash Pools as at 31 December 2017
(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 645 952
Long-term investments	1 779 739
Total fair value through the surplus or deficit investments	**7 425 691**

	Main pool
Loans and receivables	
Cash and cash equivalents	636 711
Accrued investment revenue	24 098
Total loans and receivables	**660 809**
Total carrying amount of financial assets	**8 086 500**
Cash pool liabilities	
Payable to UNFCCC	202 684
Payable to other cash pool participants	7 883 816
Total liabilities	**8 086 500**
Net assets	–

Table 6
Summary of net income and expenses of the Cash Pools for the year ended 31 December 2017
(Thousands of United States dollars)

	Main pool
Investment revenue	104 576
Unrealized gains/(losses)	874
Investment revenue from main pool	**105 450**
Foreign exchange gains/(losses)	7 824
Bank fees	(853)
Operating expenses from main pool	**6 971**
Net income from cash pools	**112 421**

Financial risk management

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

85. 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.

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

Financial risk management: credit risk

87. 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.

88. 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.

89. 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 2018

Main pool	*Ratings as at 31 December 2018*				*Ratings as at 31 December 2017*				
Bonds (Long term ratings)									
	AAA	**AA+/AA/AA-**	**A+**	**NR**		**AAA**	**AA+/AA/AA-**	**A+**	**NR**
S&P	15.4%	79.0%	5.6%	-	S&P	30.4%	65.5%	4.0%	-
Fitch	55.1%	39.3%		5.6%	Fitch	61.3%	30.6%		8.1%
	Aaa	**Aa1/Aa2/Aa3**				**Aaa**	**Aa1/Aa2/Aa3**		
Moody's	49.7%	50.0%	0.3%		Moody's	55.3%	44.7%		
Commercial papers (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%			
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	-	53.5%	46.5%		Fitch	-	44.2%	55.8%	

90. 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

91. 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

92. 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 three years (2017: four years).

The average duration of the main pool was 0.33 years (2017: 0.61 years), which is considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

93. 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.

Table 8
Cash Pools interest rate risk sensitivity analysis as at 31 December 2018

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	48.46	36.34	24.23	12.11	-	(14.89)	(24.22)	(36.33)	(48.44)

Table 9
Cash Pools interest rate risk sensitivity analysis as at 31 December 2017

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	95.47	71.60	47.73	23.86	–	(23.86)	(47.72)	(71.57)	(95.42)

Other market price risk

94. 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

95. 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.

96. 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).

97. 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.

98. 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.

99. 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 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds - Corporates	205 566	–	205 566	355 262	–	355 262
Bonds - Non-United States agencies	791 922	–	791 922	1 190 050	–	1 190 050
Bonds - Non-United States sovereigns	–	–	-	124 892	–	124 892
Bonds - Supranational	174 592	–	174 592	173 275	–	173 275
Bonds - United States treasuries	610 746	–	610 746	610 267	–	610 267
Main pool - Commercial papers	219 366	–	219 366	671 945	–	671 945
Main pool - Term deposits	–	4 740 000	4 740 000	–	4 300 000	4 300 000
Main pool total	**2 002 192**	**4 740 000**	**6 742 192**	**3 125 691**	**4 300 000**	**7 425 691**

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

	31 December 2018	*31 December 2017*
Cash and cash equivalents	20 168	14 194
Short-term investments	172 128	141 513
Long-term investments	13 396	44 608
Accounts receivable	20 369	12 251
Accounts payable	(1 927)	(2 862)
Total financial instruments	**224 134**	**209 704**

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

	Indicative Contributions	*Voluntary Contributions*
EUR and other currencies	10 026	9 978
USD	184	256
Total contributions receivable as at 31 December 2018	**10 209**	**10 234**

Table 13

Indicative contributions past due as at 31 December 2018

(Thousands of United States dollars)

Indicative contributions past due	*Indicative Contributions*
Up to 1 year	6 605
1 to 2 year	1 445
2 to 3 years	418
Above 3 years	1 741
Total indicative contributions past due as at 31 December 2018	**10 209**

Table 14

Provision for impaired indicative receivables as at 31 December 2018

(Thousands of United States dollars)

Provision for impaired receivables	*Indicative Contributions*
As at 1 Jan 2018	1 261
Less receivables written off during the year	1
Increase in provision during 2018	270
Total as at 31 December 2018	**1 530**

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 2018	*31 December 2017*
Cash held in cash pools	20 168	14 194
Total cash and cash equivalents	**20 168**	**14 194**

Table 16

Breakdown of short-term and long-term investments

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Short-term investments (cash pool)	172 128	141 513
Long-term investments (cash pool)	13 396	44 608
Total investments	**185 523**	**186 121**

100. 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 2018*	*31 December 2017*
Indicative contributions due from Parties to the Convention, the Kyoto Protocol and the International Transaction Log		
Current	10 209	6 799
Less provision for doubtful debts	(1 530)	(1 261)
Subtotal for indicative contributions	**8 679**	**5 537**
Voluntary contributions		
Current	5 489	4 014
Non-current	4 745	970
Subtotal voluntary contributions	**10 234**	**4 984**
Other receivables (current)	1 456	1 730
Total accounts receivable	**20 369**	**12 251**

101. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget 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

102. Other current assets consist of the following:

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

	31 December 2018	*31 December 2017*
Prepayments	1 820	7 679
CDM Loan Scheme Advance	5 375	6 191
Project Clearing	138	921
Travel Advances	281	219
Education Grant Advances	1 145	1 092
Total	**8 758**	**16 104**

103. Prepayments include advances to vendors and other UN agencies.

104. 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.

105. The project clearing accounts is the current account balance with the United Nations Development Programme.

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 2018	49	3 080	45	3 173
Additions				
Disposal				
At 31 December 2018	**49**	**3 080**	**45**	**3 173**
Accumulated depreciation				
At 1 January 2018	18	2 751	40	2 809
Depreciation during the year	5	103	2	109
Disposal				
At 31 December 2018	**22**	**2 854**	**42**	**2 918**
Net Book Value				
At 31 December 2018	**26**	**226**	**4**	**256**
At 31 December 2017	31	329	5	365

106. Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. During 2018 there was no indication for any equipment being impaired.

Note 9: Intangible assets

Table 20
Intangible assets
(Thousands of United States dollars)

	Internally developed software
Opening balance 1 Jan 2018	2 319
Additions	-
Disposal	-
Total as at 31 Dec 2018	**2 319**
Accumulated Amortization 1 Jan 2018	963
Amortization during the year	465
Disposal	
Total as at 31 Dec 2018	**1 427**
Net book Value 31 Dec 2018	891
Net book Value 31 Dec 2017	1 355

107. 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 2018	*31 December 2017*
Vendor payables	1 617	2 527
Other payables	310	333
Accruals for goods and services	2 203	8 255
Total payables and accruals	**4 130**	**11 115**

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

109. 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

Table 22
Advance receipts
(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Conditional voluntary contributions	3 121	3 624
Indicative contributions received in advance	5 620	5 179
CDM fees received in advance	1 637	1 697
Total	**10 379**	**10 500**

110. 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.

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

112. 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

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

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

	31 Dec 2018	*31 Dec 2017*
Current employee benefit liabilities		
After service health insurance	308	245
Repatriation grant	1 229	1 431
Annual leave	235	276
Death benefit	11	11
Home leave travel	496	673
US tax reimbursement	131	43
Total current employee benefit liabilities	**2 409**	**2 679**
After service health insurance	63 464	62 637
Repatriation grant	9 181	9 886
Annual leave	3 129	3 253
Death benefit	118	121
Home leave travel	49	59
Total non-current employee benefit liabilities	**75 941**	**75 957**
Total employee benefit liabilities	**78 350**	**78 636**

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

115. **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.

116. **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.

117. After-service health insurance for retired staff members and their survivors and dependents of UNFCCC is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly consisting of its members which includes, in addition to UNFCCC, UNOG (UNCTAD, OCHA, ECE and OHCHR) as well as ICT, UNHCR, UNDP, UNICEF, WMO, UNV, UNCCD, UNSCC and UNCC. The General Assembly approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

118. In accordance with Article 11 of the Statute, persons insured by UNSMIS shall pay monthly contributions, the amount of which shall be fixed by its Internal Rules. The UNFCCC, or other UNSMIS affiliated organizations, shall contribute to the UNSMIS funds through the payment of a subsidy, the proportion of which in relation to staff member contributions shall be fixed by the Director-General of the United Nations Office at Geneva within the limits of the relevant credited voted by the General Assembly of the United Nations. The ASHI liability calculation also include staff members who contribute to other United Nations insurance plans and accrue eligibility for after-service health insurance.

119. **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.

120. **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.

121. **Death benefit** includes lump-sum benefits to be paid in the event of the death in service of an official with a long-term contract who left a dependent spouse or child.

122. **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.

123. **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.

124. An actuarial valuation as of 31 December 2018 carried out in 2019 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 annual leave and after-service health insurance at the reporting date. For 2018, the actuarial study was conducted as a roll-forward of the actuarial valuation of the End-of-Service schemes as of 31 December 2017.

125. 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.

126. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNFCCC at 31 December 2018.

Table 24
Key financial assumptions

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*	*Death Benefit*
Discount rate at beginning of period	0.81%	3.55%	3.58%	3.42%
Discount rate at end of period	1.02%	4.24%	4.27%	4.12%

General inflation rate at beginning of period	2.20%
General inflation rate at end of period	2.20%
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% decreasing to 3.65% in five years
Healthcare cost trend rate at end of period	3.91% decreasing to 3.65% in four years

127. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2018:

128. **ASHI scheme**: full eligibility is achieved once the staff member's period of service reaches 10 years in duration (5 years if hired before 01.07.2007) and once he/she reaches 55 years old.

129. **Repatriation benefits**: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member's period of service reaches 12 years.

130. **Annual leave**: historically, for disclosure purpose it has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated.

131. **Death benefits:** full eligibility is achieved once the staff member's period of service reaches 9 years in duration.

132. The principal financial assumptions in the valuation of the defined benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend rates and discount rate. The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position. Should the discount rate or the medical cost trend assumption vary by 1 per cent, this would affect the measurement of the defined-benefit obligations as follows:

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

	Change	*After service health insurance*
On total defined benefit obligation	1%	22 297
	(1)%	(15 858)
On current service cost and interest cost component of liability	1%	2 198
	(1)%	(1 507)

133. The liabilities established for defined benefit obligations and the net service costs for 2018 are as follows:

Table 26
Liabilities established for defined benefit obligations and the net service costs for 2018
(Thousands of United States dollars)

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*	*Death Benefit*
Reconciliation of defined benefit obligation				
Defined benefit obligation, beginning of year	62 882	10 807	3 529	132
Current service cost	4 630	509	246	11
Interest cost	509	367	121	4
Benefits paid (net of participant contribution)	(247)	(954)	(286)	(11)
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	(4 020)	(689)	(246)	(7)
Total liability recognized on Statement of Financial Position	**63 754**	**10 040**	**3 364**	**129**
Annual expense for calendar year				
Current service cost	4 630	509	246	11
Interest cost	509	367	121	4
Benefits paid (net of participant contribution)	(247)	(954)	(286)	(11)
Total charge/(credit) recognized on statement of financial performance	**4 892**	**(78)**	**81**	**4**
Estimated benefit payments net of participant contributions payable in 2018	293	890	243	11
Cumulative amount of actuarial (gain)/loss recognized in net assets				
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	(4 020)	(689)	(246)	(7)
Total portion of cumulative liability recognized in net assets at end of year	**(4 020)**	**(689)**	**(246)**	**(7)**

134. Effective 1 January 2017, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extra budgetary activities. For this purposes, an accrual rate of 3% is applied on the sum of gross salary and post adjustment.

135. Under IPSAS 39, the liabilities for ASHI, repatriation grant and travel, death benefit and accumulated annual 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.

136. 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 annual leave are recognized on the statement of financial performance as a component of personnel expenditure. 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.

137. 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.

138. During 2018, UNFCCC accrued USD 1 million for repatriation grant and travel and USD 1.3 million for ASHI from all funds except the core budget and the international transaction. These amounts are collected in the fund for employee benefits and will be used to (partially) fund future payment for ASHI and repatriation grants relating to the funds participating in the accrual. Based on the total liability for ASHI of USD 63.7 million and USD 10.4 million for repatriation grant, the current funding ratio amounts to 2% for the ASHI and 10% for repatriation grant liability.

United Nations Joint Staff Pension Fund (UNJSPF)

139. 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.

140. 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.

141. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements.

142. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2% (150.1% in the 2016 roll forward). The funded ratio was 102.7 (101.4% in the 2016 roll forward) when the current system of pension adjustments was taken into account.

143. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, 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 plan. 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.

144. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to USD 6,931.39 million, of which 0.3% was contributed by UNFCCC.

145. During 2018, UNFCCC's contributions paid to UNJSPF amounted to 7.4 million (2017 7.4 million). Expected contributions due in 2019 are 7.4 million.

146. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former

member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount

147. 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 2018	*31 December 2017*
Provision for legal cases	0	0
Total	**0**	**0**

148. At year end, UNFCCC had no pending cases with the United Nations Administrative Tribunal.

Note 14: Other current liabilities:

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

	31 December 2018	*31 December 2017*
Cash Payments Rejected by Bank	0	0
Other Liabilities	0	8
Total	**0**	**8**

Note 15: Revenue

149. Indicative contributions are contributions received from Parties to the Convention toward funding the Core Budget and the International Transaction Log under the Financial Procedures, based on the United Nations scale of assessment adjusted for differences in membership. The contributions are based on a biennium budget 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)

	2018	*2017*
Core budget to the convention	33 359	27 800
International transaction log	1 615	2 722
Total	**34 974**	**30 522**

150. 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)

	2018	*2017*
Voluntary contribution to the core budget	916	802
Participation trust fund	7 373	2 184
Trust fund for supplementary activities	32 182	16 252
Special annual contribution from the host country	2 138	1 872
Special account for activities for conferences	4 283	19 117
Total	**46 892**	**40 227**

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

Table 31
Fee Income
(Thousands of United States dollars)

	2018	*2017*
CDM fees	11 656	8 578
Total	**11 656**	**8 578**

152. 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 CO2 of the expected annual CERs; b) USD 0.20 per CER issued for any amount in excess of 15,000 tonnes of CO2 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 CO2 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 CO2 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.

Table 32
Interest revenue

	31 December 2018	*31 December 2017*
Investment income – Interest earned	4 092	2 715
TOTAL	**4 092**	**2 715**

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

154. Gain on foreign exchange 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)

	2018	*2017*
Personnel expenditure	51 588	55 444
Travel	12 297	9 331
Contractual services	15 280	25 574
Operating expenses	1 387	1 869
Other expenses	4 019	2 219
Depreciation of equipment	109	251
Amortization of intangible assets	464	464
Return/transfer of donor funding	5 126	153
Loss on foreign exchange	887	0
Total	**91 158**	**95 305**

155. Personnel expenditure includes 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. Pension and insurance benefits also include the service and interest cost as per the actuarial valuation.

Table 34
Salaries allowances and benefits

	31 December 2018	*31 December 2017*
Salary and wages	34 294	33 734
Pension and insurance benefits	14 075	17 363
Other benefits	3 949	4 347
TOTAL	**51 588**	**55 444**

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

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

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

159. Other expenses include allowances for doubtful debts, cost for inter-agency and meeting related expenses as well as write-offs.

160. Pursuant to rule 106.7(a) of the financial Regulations of the United Nations, write-off cases totaling USD 421,797 were approved for the year 2018. Of this total, USD 418,333 relate to write-off cases for unrecoverable amounts under the CDM loan scheme.

161. Returns of donor funding includes the amounts of unspent funds returned to donors upon completion of voluntary funded projects in accordance with the respective donor agreement.

Note 17: Reserves

162. 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 49.1 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 35
Reserves as at 31 December 2018
(Thousands of United States dollars)

Reserves for Core Budget and ITL	2 955
CDM trust fund reserve	45 000
Reserve for Appendix D	1 179
Total reserves	**49 134**

Note 18: Fund Accounting and Segment Reporting

163. 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.

164. 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 financed from charges made to the activities financed from indicative and voluntary contributions;

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

165. 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

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

Table 36
Statement of financial position by fund

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	12 738	1 234	327	40	3 290	853	174	1 084	204	222	20 168
Short-term investments	108 717	10 533	2 788	343	28 082	7 282	1 487	9 256	1 745	1 894	172 128
Indicative contributions receivable		8 679									8 679
Voluntary contributions receivable			1 044		3 904		540				5 489
Other receivables	953	125	13	16	176	38	33	49	43	9	1 456
Other current assets	6 312	957	4	4	777	65	127	185	326		8 758
Total current Assets	128 719	21 529	4 177	404	36 230	8 239	2 362	10 575	2 319	2 125	216 678
Non-current assets											
Other receivables					4 745						4 745
Long-term investments	8 461	820	217	27	2 185	567	116	720	136	147	13 396
Propery, plant and equipment		59			18		173	5			256
Intangible assets	80	163			649						891
Total non-current assets	8 541	1 042	217	27	7 597	567	289	725	136	147	19 288
TOTAL ASSETS	**137 260**	**22 571**	**4 394**	**430**	**43 827**	**8 805**	**2 651**	**11 300**	**2 455**	**2 273**	**235 965**
LIABILITIES											
Current Liabilities											
Payables and accruals	1 308	624	91	75	1 094	120	446	24	348		4 130
Advance receipts	1 637	5 181	38		3 083	439					10 379
Employee benefits	244	495		5	106	16	5	44	99	1 395	2 409
Provisions											0
Other current liabilities											0
Total non-current liabilities	3 189	6 299	130	80	4 284	575	451	68	447	1 395	16 918
Non-current liabilities											
Employee benefits	18	21			4	1		4	2	75 892	75 941
Advance receipts											
Total non-current liabilities	18	21			4	1		4	2	75 892	75 941
TOTAL LIABILITIES	**3 207**	**6 320**	**130**	**80**	**4 288**	**576**	**451**	**71**	**449**	**77 287**	**92 859**
NET ASSETS											
Accumulated surpluses/(deficits)	89 053	12 363	4 264	351	39 539	7 983	2 200	11 229	2 005	(75 014)	93 973
Reserves	45 000	3 887				247					49 134
TOTAL NET ASSETS	134 053	16 250	4 264	351	39 539	8 230	2 200	11 229	2 005	(75 014)	143 107
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**137 260**	**22 571**	**4 394**	**430**	**43 827**	**8 805**	**2 651**	**11 300**	**2 455**	**2 273**	**235 965**

Table 37
Statement of financial performance by fund

REVENUE	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Trust fund for the Special Annual Contribution from the Government of Germany	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		33 359				1 616						34 974
Voluntary contributions		916	7 373	2 138	32 182		4 283					46 892
CDM and JI service fees	11 656											11 656
Interest Revenue	2 629	255	51	26	626	187	100	168	49			4 092
Gain on foreign exchange												
Other/miscellaneous revenue	87	10	15	4	372		(140)	123	5 827	2 280	(7 143)	1 435
Programme support income								9 150			(9 149)	2
TOTAL REVENUE	**14 372**	**34 541**	**7 440**	**2 169**	**33 180**	**1 802**	**4 243**	**9 441**	**5 876**	**2 280**	**(16 292)**	**99 051**
EXPENSES												
Personnel expenditure	10 266	18 587		595	7 307	859	484	6 967	3 042	4 899	(1 418)	51 588
Travel	1 570	1 393	3 664	74	4 289	3	1 278	28	(2)			12 297
Contractual services	2 460	2 989	91	841	5 475	1 505	1 013	221	2 278		(1 593)	15 280
Operating expenses	289	653		11	277	5	55	1	96			1 387
Other expenses	3 086	287	0	351	1 654	132	637	1 794	210		(4 132)	4 019
Depreciation of equipment		18			29		56	7				109
Amortization of intangible assets	69	108			287							464
Return/transfer of donor funding				75	551		4 500					5 126
Loss on foreign exchange	(70)	267	(54)	(9)	691	(19)	84	(12)	1	7		887
Programme support	2 176	3 079	406	245	2 236	262	745				(9 149)	
TOTAL EXPENSES	**19 846**	**27 382**	**4 107**	**2 182**	**22 796**	**2 748**	**8 851**	**9 006**	**5 626**	**4 906**	**(16 292)**	**91 157**
TOTAL SURPLUS/(DEFICIT)	**(5 474)**	**7 159**	**3 333**	**(13)**	**10 384**	**(946)**	**(4 608)**	**436**	**249**	**(2 626)**		**7 894**

Note 19: Budget Comparison and Reconciliation

167. UNFCCC's budget is prepared on a modified accrual 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.

168. 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.

169. Basis differences capture the differences resulting from preparing the budget on a modified accrual 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.

170. 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.

171. 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.

172. 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 38
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	7 260
Statement V-B International Transaction Log	(682)
Statement V-C Contingent budget of conference services	
Actual net result on budgetary basis	**6 578**
Basis differences	
Additional income components under IPSAS	452
Exchange gains/losses	(246)
Conversion of unliquidated obligations to delivery principle	(172)
Capitalization of equipment & intangible assets	(127)
Changes in provision for doubtful debts	(270)
Sub-total basis differences	**(365)**
Entity differences on IPSAS Basis	
Participation in UNFCCC process	3 333
Supplementary activities	10 384

Reconciliation of net result on budgetary and IPSAS basis	
Clean development mechanism	(5 474)
Special contribution from Germany	(13)
Special account for conferences	(4 608)
Programme support costs	435
Cost Recovery	249
End of service and post-employment benefits	(2 626)
Sub-total entity differences	**1 680**
Actual net result on the Statement of Financial Performance	**7 894**

Note 20: Budget to Actual variance analysis

173. Explanations of material differences between the original budget and final budget and the actual amounts are presented in the financial report from the Executive Secretary accompanying these statements. See paragraph 16 for further details.

Note 21: Related Parties

174. 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.

175. 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.

176. The charges paid to the United Nations (UN Office at Geneva – UNOG) of USD 0.4 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 4.9 million in 2018.

177. 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 39
Summary of senior management and related compensation

Number of individuals	*Aggregate remuneration (in thousands of USD)*	*Outstanding advances at 31 Dec 2017 (in thousands of USD)*
13	2,991	150

178. During 2018, two individuals of senior management left the organization.

179. The senior 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.

180. 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

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

182. 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

183. UNFCCC's reporting date is 31 December 2018. The financial statements were authorized for issue on 31 March 2018, 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

184. 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. In addition, UNFCCC receives conference services (interpretation and document preparation) as in-kind contribution for the UN secretariat for meeting of the COP and the subsidiary bodies.