



UNAIDS/PCB(26)/10.4
15 April 2010

26th Meeting of the UNAIDS Programme Coordinating Board
Geneva, Switzerland
22-24 June 2010

Financial report and audited financial statements
for the financial period
1 January 2008 to 31 December 2009

Additional documents for this item: Interim Financial Management Update for the 2010-2011 biennium for the period 1 January to 31 March 2010, including a section on the working capital.

Action required at this meeting - the Programme Coordinating Board is invited to: Take note of the financial report and audited financial statements for the financial period 1 January 2008 to 31 December 2009, and the report of the external auditor.

Cost implications for decisions: none

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PART I

INTRODUCTION

1. The financial report of the Joint United Nations Programme on HIV/AIDS (UNAIDS) for the biennium 2008–2009 is submitted by the UNAIDS Secretariat to the UNAIDS Programme Coordinating Board (PCB), in accordance with established procedures¹ which require the Programme Coordinating Board to review the financial report of the Programme.
2. The financial report for the biennium 2008-2009 has been prepared in accordance with United Nations System Accounting Standards (UNSAS) and WHO's Financial Regulations and Financial Rules. The statutory components of the financial report have been audited by the WHO external auditor, whose opinion is included in the financial report.
3. In 2008 UNAIDS, along with WHO, modified the structure of the financial statements to improve the presentation of financial information to the readers. These changes are consistent with UNSAS qualitative characteristics of ease of understanding, relevance, reliability, and comparability over time.
4. This is the first biennium in which UNAIDS is presenting a Statement of financial position (Statement II), a Statement of changes in net assets/equity (Statement III) and a Cash flow statement (Statement IV.) Prior to 2008 all assets and liabilities, including accounts receivable and payable, were maintained globally within WHO's books of accounts. WHO performed the exercise to extract the beginning balances of the UNAIDS accounts to facilitate the presentation of the above statements
5. In line with the continuing process of simplification in the presentation of the financial information provided by the Programme, the present report is divided into three parts. Part I presents general information and the main highlights of the report; Part II contains the opinion of the external auditor, the audited financial statements, schedules and the notes to the accounts; and Part III provides additional management information related to the financial period.
6. At its 20th meeting held in Geneva from 25-27 June 2007, the Programme Coordinating Board endorsed the strategies and approaches contained in the 2008–2009 Unified Budget and Workplan. It approved the total budget of US\$ 468.8 million and distribution of these resources as follows: US\$ 134.7 million to be shared among the 10 Cosponsors; US\$ 182.4 million for the Secretariat; US\$ 146.7 million for Interagency activities; and US\$ 5.0 million as a contingency fund linked to the Unified Budget and Workplan. Furthermore, at its 22nd meeting held in Chiang Mai, Thailand from 23–25 April 2008, the Programme Coordinating Board endorsed the Executive Director's proposal for the utilization of part of the available fund balance in the amount of US\$ 16.0 million (US\$ 10.5 million for the Secretariat and US\$ 5.5 million for Interagency activities) to cover priorities and investments that were not included in the 2008-2009 Unified Budget and Workplan, bringing the total of the 2008–2009 Unified Budget and Workplan managed by the UNAIDS Secretariat to US\$ 484.8 million.
7. The 2008-2009 Unified Budget and Workplan is based on the *2007-2010 Strategic Framework*, which outlines the following five strategic directions for the Joint Programme:
 - Guiding the global agenda, increasing involvement and monitoring progress;
 - Technical support and capacity building to “make the money work” for universal access;
 - Human rights, gender and reduced vulnerability of most at-risk populations;
 - Re-emphasizing HIV prevention alongside treatment, care and support; and
 - Strengthening harmonization and alignment to national priorities.

¹ Function 5 (vi) of Programme Coordinating Board modus operandi

8. The Unified Budget and Workplan includes a breakdown of the expected results and resource needs of each Cosponsor, the Secretariat and Interagency activities. The activities of each relate to one or more of the seven principal outcomes². These principal outcomes reflect overarching priorities in the global effort to move towards universal access to HIV prevention, treatment, care and support. The 2008–2009 Unified Budget and Workplan articulates broad activities by each Cosponsor and the Secretariat, as well as joint interagency activities that will support achievement of individual principal outcomes and key outputs. The Unified Budget and Workplan also includes agreed principles and processes that further harmonize the work of Cosponsors and the Secretariat.
9. The total operating revenue for 2008-2009 was US\$ 561.0 million, out of which US\$ 499.5 million was made available for the core resources of the Unified Budget and Workplan for 2008-2009 and US\$ 61.5 million was made available for the extra-budgetary funds. The total operating expenses for the same financial period amounted to US\$ 524.1 million, of which US\$ 454.3 million related to expenses against the Unified Budget and Workplan for 2008-2009 and the remaining US\$ 69.8 million related to expenses against the extra-budgetary funds. Taking into consideration financial revenue of US\$ 16.1 million for 2008-2009 (primarily interest earnings), the total amount (revenue less expenses) carried forward to 2010 was US\$ 53.0 million. In the 2006-2007 biennium, the corresponding figure was US\$ 103.1 million.
10. Despite a financial implementation rate of over 95 per cent each biennium since the establishment of the Joint Programme, UNAIDS has ended each financial period with a positive fund balance, commensurate with the increase in the budget of the Programme and mobilization of resources for the Unified Budget and Workplan. On 31 December 2009, this accumulated fund balance amounted to US\$ 245.8 million³. It should be noted that in addition to the expenditure of US\$454.3 million under the Unified Budget and Workplan, US\$ 27.5 million was encumbered during 2008-2009 (representing firm commitments of goods and services to be delivered in 2010), which together represent a financial implementation rate of 99.4 per cent for the 2008-2009 biennium. Therefore, the net fund balance under the Unified Budget and Workplan available to begin implementation of 2010-2011 Unified Budget and Workplan activities is US\$ 218.3 million.
11. The fund balance available at the start of each biennium is in fact the Joint Programme's working capital as it enables the Joint Programme to operate without interruption. This working capital enabled the Secretariat to earmark and transfer US\$ 103.1 million to Cosponsors at the beginning of 2010 in order to ensure continuity and smooth implementation of their activities. This represents 64.1 per cent of the Cosponsors' share under the 2010-2011 Unified Budget and Workplan.
12. The working capital also enabled the Joint Programme to encumber funds for activities and staff costs falling under the Secretariat and Interagency components of the Unified Budget and Workplan for 2010-2011 in a timely manner, again ensuring continuity and smooth implementation of Unified Budget and Workplan activities. Details of the working capital are included in the Interim Financial Management Update for the 2010-2011 biennium (document number UNAIDS/PCB(26)/10.6) which is before the Programme Coordinating Board.

² The 2008-2009 Unified Budget and Workplan has adopted the nomenclature of the Development Cooperation Directorate of the Organisation for Economic Cooperation and Development, basing the structure of the Unified Budget and Workplan on Outcomes and Outputs.

³ The fund balance under the Unified Budget and Workplan as at 31 December 2009 of US\$ 245.8 million is made up of US\$ 236.5 million accumulated amount, plus US\$ 9.0 million on prior period adjustments plus US\$ 0.3 million transfers between funds.

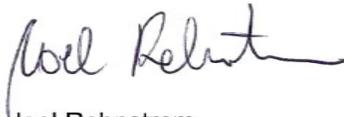
PART II

AUDITED FINANCIAL STATEMENTS, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE YEAR 1 JANUARY 2008 TO 31 DECEMBER 2009

This section of the financial report presents the overall financial position of UNAIDS as of 31 December 2009. The relevant financial statements, accompanying notes and supporting schedules have been prepared in compliance with the requirements of the WHO Financial Regulations, Financial Rules and the United Nations System Accounting Standards (UNSAS). The schedules provide background details and explanations in support of individual funds and accounts administered by UNAIDS, through the WHO financial systems, for the financial period ended 31 December 2009.

Certification of Financial Statements

The financial statements, notes to the statements and supporting schedules are approved.



Joel Rehnstrom
Director, Financial Management
and Accountability



Michel Sidibé
Executive Director
UNAIDS

23 March 2010



भारत के नियंत्रक - महालेखापरीक्षक
COMPTROLLER & AUDITOR GENERAL OF INDIA

VINOD RAI

8 April 2010

LETTER OF TRANSMITTAL

**The Chairperson
26th Meeting of the Programme Coordinating Board
Joint United Nations Programme on HIV/AIDS
20 Avenue Appia
CH - 1211 Geneva 27
SWITZERLAND**

Dear Sir/Madam,

I have the honour to present to the 26th Meeting of the UNAIDS Programme Coordinating Board, a certified copy of the Financial Statements of the Joint United Nations Programme on HIV/AIDS for the financial period 1 January 2008 - 31 December 2009, together with my opinion thereon.

Yours sincerely

**Vinod Rai
Comptroller and Auditor General of India
External Auditor**

Opinion of the External Auditor

INDEPENDENT AUDITOR'S REPORT

To

**The Programme Coordinating Board for the Joint United Nations
Programme on HIV/AIDS**

Report on the Financial Statements

We have audited the accompanying financial statements of the Joint United Nations Programme on HIV/AIDS (UNAIDS), which comprise the statement of financial position as at 31 December 2009, and the statement of financial performance, statement of changes in net assets/equity, cash flow statement, notes to the accounts, schedules 1 to 5 for the financial period ended 31 December 2009, and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with United Nations System Accounting Standards (UNSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the

International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

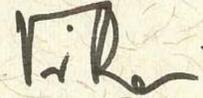
In our opinion, these financial statements present fairly, in all material respects, the financial position of UNAIDS as at 31 December 2009, and its financial performance and of its cash flows for the financial period 1 January 2008-31 December 2009 in accordance with UNSAS.

Report on Other Legal and Regulatory Requirements.

Further, in our opinion, the transactions of UNAIDS that have come to our notice or which we have tested as part of our audit have, in all

significant respects, been in accordance with the WHO Financial Regulations and Financial Rules.

We have no further observations to report as a result of our audit.



Vinod Rai
Comptroller and Auditor General of India
External Auditor

New Delhi, India
8 April 2010

Statement I

Statement of financial performance

All sources of funds for the financial period ended 31 December 2009

(in US dollars)

| | Notes | 2008-2009 | 2006-2007 |
|---|-------|--------------------|--------------------|
| Operating revenue | | | |
| <i>Voluntary contributions</i> | 3.2 | | |
| Governments | | 530 986 361 | 494 656 825 |
| Cosponsoring organizations | | 12 605 462 | 8 882 397 |
| Other operating revenue | | 17 420 142 | 17 360 709 |
| Total operating revenue | | 561 011 965 | 520 899 931 |
| Operating expenses | | | |
| | 2.7 | | |
| Direct financial cooperation | | 189 858 248 | 146 064 477 |
| Staff costs | | 186 772 084 | 144 184 850 |
| Contractual services, general | | 62 853 144 | 57 850 128 |
| General operating costs | | 42 282 819 | 51 103 680 |
| Travel | | 28 591 783 | 23 860 683 |
| Medical, research services | | 5 200 496 | 4 786 544 |
| Equipment, vehicles and furniture | | 4 261 827 | 8 031 539 |
| Training | | 2 395 629 | 1 063 192 |
| Telecommunications | | 1 657 979 | 1 206 745 |
| Medical supplies and literature | | 247 238 | 655 226 |
| Total operating expenses | | 524 121 247 | 438 807 063 |
| Surplus from operations | | 36 890 718 | 82 092 868 |
| Financial revenue and expense, net | 3.3 | 16 143 025 | 21 034 020 |
| Total surplus for the financial period | | 53 033 743 | 103 126 888 |

The accompanying notes form an integral part of the financial statements.

Statement II
Statement of financial position
All sources of funds as of 31 December 2009
(in US dollars)

| | Notes | 2008-2009 | 2006-2007 |
|--|---------------|--------------------|--------------------|
| ASSETS | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | 4.1 | 272 157 980 | 327 609 561 |
| Accounts receivable | 4.2 | 55 515 241 | 13 365 671 |
| Advances to UNDP | 4.3 | 11 077 234 | 6 139 677 |
| Other receivables | 4.4 | 566 163 | - |
| Prepayments | 4.5 | 38 830 708 | 2,084,901 |
| | | <u>378 147 326</u> | <u>349 199 810</u> |
| <i>Non-current assets</i> | | | |
| Building | 4.9 | 25 613 444 | 25 613 444 |
| TOTAL ASSETS | | <u>403 760 770</u> | <u>374 813 254</u> |
| LIABILITIES | | | |
| <i>Current liabilities</i> | | | |
| Accounts payable | 4.7 | 11 483 441 | 36 826 972 |
| Other current liabilities | 4.8 | 401 989 | - |
| | | <u>11 885 430</u> | <u>36 826 972</u> |
| <i>Non-current liabilities</i> | | | |
| Long-term borrowings | 4.9 | 22 498 769 | 24 208 558 |
| Accrued staff benefits | 4.10 | 5 718 703 | 4 871 327 |
| | | <u>28 217 472</u> | <u>29 079 885</u> |
| TOTAL LIABILITIES | | <u>40 102 902</u> | <u>65 906 857</u> |
| NET ASSETS/EQUITY | | | |
| Net assets/reserves | | | |
| Operating reserve fund | 2.17 | 35 000 000 | 35 000 000 |
| Equity in capital assets | 5.1 | 3 122 614 | 1 404 886 |
| Accumulated surpluses | | | |
| | 4.14 | | |
| Non-restricted | | 245 764 017 | 188 928 958 |
| Restricted | | 79 771 237 | 83 572 553 |
| TOTAL NET ASSETS/EQUITY | Statement III | <u>363 657 868</u> | <u>308 906 397</u> |
| TOTAL LIABILITIES AND NET ASSETS/EQUITY | | <u>403 760 770</u> | <u>374 813 254</u> |

The accompanying notes form an integral part of the financial statements

Statement III

Statement of changes in net assets/equity

All sources of funds for the financial period ended 31 December 2009

(in US dollars)

| | Notes | 1 January 2008 | Movements in 2008-2009 | 31 December 2009 |
|--|-------|--------------------|---------------------------|---------------------|
| Net assets/reserves | | | | |
| Operating reserve fund | 2.17 | 35 000 000 | - | 35 000 000 |
| Equity in capital assets | 5.1 | 1 404 886 | 1 717 728 | 3 122 614 |
| Total net assets/reserves | | 36 404 886 | 1 717 728 | 38 122 614 |
| Accumulated surplus | | | | |
| | 4.14 | | | |
| Unified Budget and Workplan - non-restricted | | 188 928 958 | 56 835 059 | 245 764 017 |
| Extra-budgetary funds - restricted | | 83 572 553 | (3 801 316) | 79 771 237 |
| Total accumulated surplus | | 272 501 511 | 53 033 743 | 325 535 254 |
| Net assets/equity | | 308 906 397 | 54 751 471 | 363 657 868 |

The accompanying notes form an integral part of the financial statements

Statement IV

Cash flow statement

All sources of funds for the financial period ended 31 December 2009

(in US dollars)

| | <u>2008-2009</u> |
|---|---------------------|
| Cash flows from operating activities | |
| Surplus/(deficit) for the period | 53 033 743 |
| (Increase)/decrease in contributions receivables | (42 149 570) |
| (Increase)/decrease in other receivables | (566 163) |
| (Increase)/decrease in prepayments | (36 745 807) |
| (Increase)/decrease in advances to UNDP | (4 937 557) |
| Increase/(decrease) in accounts payable | (25 343 531) |
| Increase/(decrease) in other liabilities | 401 989 |
| Less: Interest income | (16 143 025) |
| <i>Net cash flow from operating activities</i> | <u>(72 449 921)</u> |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | 1 717 728 |
| Plus: Interest income | 16 143 025 |
| <i>Net cash flow from investing activities</i> | <u>17 860 753</u> |
| Cash flows from financing activities | |
| Increase/(decrease) in long term liabilities | 847 376 |
| Repayment of borrowings | (1 709 789) |
| <i>Net cash flow from financing activities</i> | <u>(862 413)</u> |
| Net Increase/(decrease) in cash and cash equivalents | <u>(55 451 581)</u> |
| Cash and cash equivalents at beginning of period | <u>327 609 561</u> |
| Cash and cash equivalents at end of period | <u>272 157 980</u> |

The accompanying notes form an integral part of the financial statements

Notes to the accounts

1. Statement of objectives

The objective of the Joint United Nations Programme on HIV/AIDS (UNAIDS), as contained in the Memorandum of Understanding among Cosponsors establishing UNAIDS and in the Economic and Social Council of the United Nations (ECOSOC) resolutions 1994/24 and 1995/2, is the coordination of the United Nations system's response to the HIV/AIDS epidemic.

This objective was further refined and updated as a result of the five-year evaluation carried out in 2001 and 2002, which resulted in Programme Coordinating Board decisions 2.4 and 2.5 (UNAIDS/PCB(13)/02.6), enumerating the five core cross-cutting functions of UNAIDS, as follows:

- **leadership and advocacy** for effective action on the epidemic;
- **strategic information** required to guide the efforts of partners;
- **tracking, monitoring and evaluation** of the epidemic and responses to it;
- **civil society engagement and partnership development**; and
- financial, technical and political **resource mobilization**.

At its 20th meeting held in Geneva from 25-27 June 2007, the Programme Coordinating Board endorsed the strategies and approaches contained in the 2008–2009 Unified Budget and Workplan which includes a breakdown of the expected results and resource needs of each Cosponsor, the Secretariat and Interagency activities. The activities of each relate to one or more of the seven principal outcomes⁴. These principal outcomes reflect overarching priorities in the global effort to move towards universal access to HIV prevention, treatment, care and support.

2. Statement of accounting policies

2.1 *Basis of preparation*

The accounts of UNAIDS are maintained in accordance with the Financial Regulations and Financial Rules of WHO, which provides administration in support of UNAIDS as per ECOSOC resolution 1994/24, and Article XI of the Memorandum of Understanding among Cosponsors establishing UNAIDS. The accounting policies and financial reporting practices applied by UNAIDS are therefore based upon the WHO Financial Regulations and Financial Rules. Where the Financial Regulations and Financial Rules of WHO do not provide explicit provisions, the requirements of the United Nations System Accounting Standards (UNSAS) apply. The financial statements, accompanying notes and schedules are in accordance with UNSAS. In 2008 WHO and UNAIDS partially modified the structure of the financial statements to help improve the presentation of financial information. These changes are consistent with the UNSAS qualitative characteristics of understandability, relevance, reliability (accuracy, neutrality and completeness), and comparability over time.

These financial statements have been prepared on the going concern basis, conforming to the historical cost convention using the accrual method of accounting.

⁴ The 2008-2009 Unified Budget and Workplan has adopted the nomenclature of the Development Cooperation Directorate of the Organisation for Economic Cooperation and Development, basing the structure of the Unified Budget and Workplan on outcomes and outputs.

2.2 Presentation of financial statements

The financial statements, notes and schedules are presented in US dollars. This is the first biennium in which UNAIDS is presenting a Statement of financial position (Statement II), a Statement of changes in net assets/equity (Statement III) and a Cash flow statement (Statement IV.) Prior to 2008 all assets and liabilities, including accounts receivable and payable, were maintained globally within WHO's books of accounts. WHO performed the exercise to extract the beginning balances of the UNAIDS accounts to facilitate the presentation of the above statements.

2.3 Foreign currency translation

Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations accounting rate of exchange, as applicable at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing on the first day of the month for purposes of reporting. Realized/unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the statement of financial performance.

2.4 Voluntary contributions

Voluntary contributions are recorded on an accrual basis. Formal funding agreements signed by both parties are required in order to recognize an asset before the receipt of cash. When the entire funding is payable up front, revenue equal to the funding set out in the agreement is recognized when the agreement is signed. If the receipt of funds is conditional on a certain future date, revenue will only be recognized in that future period.

Contributions of goods or services in-kind received by UNAIDS are recorded in the period in which the contribution was received. They are treated both as revenue and expense in the UNAIDS Trust Fund for extra-budgetary activities at the best estimate of fair value.

2.5 Interest income

UNAIDS funds are managed centrally on a pooled basis by WHO. The interest earned on these funds is allocated based on proportional share of capital in the central accounts. The interest income is recorded on an accrual basis.

Interest earned and apportioned during the financial period to specific WHO/UNAIDS accounts is retained for use within those accounts and funds.

2.6 Tax equalization fund

UNAIDS staff who are nationals of Member States that levy income tax on emoluments received from the organization are included in the WHO Tax Equalization Fund.

2.7 Expense recognition (expenditure)

Expense recognition occurs at the time of delivery of goods or services. The implementation of an Enterprise Resource Planning (ERP) system (Oracle) effective 1 July 2008 has enabled UNAIDS to better manage expenditures in accordance with this principle through systematic reporting of delivery dates. It should be noted that prior to the implementation of the ERP in July 2008, the legacy accounting systems used by the Programme recognized expenditure based on creation of an obligation. During the course of the biennium all unliquidated obligations from the legacy systems have been fully liquidated.

2.8 Programme support costs (PSC)

In 2008, UNAIDS began recognizing the full amount of support costs based on revenue recorded instead of expenditure which had been the existing practice. This policy change has resulted in a one time "catch-up" which increased the level of fees earned.

2.9 Cash and cash equivalents

Imprest account balances reflect financial information recorded up to 30 November 2009, in order to ensure a consistent cut-off throughout WHO/UNAIDS. Disbursements that have not been accounted for in the financial year will be accounted for against the liquidation of the relevant encumbrances and bank balances in 2010.

2.10 Accounts and other receivables

Accounts and other receivables are recorded at their estimated realizable value. There is no provision for collection of doubtful accounts.

2.11 Prepayments

These represent payments to suppliers in advance of receipt of goods or services and guarantee deposits. It is common practice for technical service contractors to request funds in advance of a project to support work during a project. When goods or services are delivered, prepayments are applied to settlement and the appropriate expenditure account is charged.

2.12 Property and equipment

Property is recorded at cost and is not depreciated. Equipment is fully expensed at cost value in the financial year in which it is acquired. An inventory of equipment with a cost value of US\$ 2 500 and above per item is maintained and the value disclosed in these notes.

2.13 Accounts payable

This represents the total amount outstanding to suppliers of goods and services at the end of 2009.

2.14 Employee benefits

Employee benefits are recognized as expense on an accrual basis. Similarly, terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation, are expensed on an accrual basis.

2.15 United Nations Joint Staff Pension Fund

UNAIDS participates in the United Nations Joint Staff Pension Fund (UNJSPF) through WHO, which is a member organization participating in the UNJSPF. The UNJSPF was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The pension fund is a funded defined-benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, 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. At the time of this report, the United Nations General Assembly has not invoked this provision.

2.16 Eliminations

The accounts of UNAIDS incorporate programme activities under the Unified Budget and Workplan and extra-budgetary activities. In order to preserve fund integrity and for transparency, revenue and expense are recorded separately for each individual fund. Any transfers between funds that would result in duplication of revenue and/or expense (including Programme Support Costs) are eliminated during consolidation.

2.17 Operating reserve fund

Pending receipt of core contributions, implementation of the Unified Budget and Workplan may be financed from the Operating Reserve Fund (ORF), which was established by the Programme Coordinating Board in June 1996. The rules and procedures guiding the use of the ORF by the Executive Director were decided by the Programme Coordinating Board at the sixth meeting held in Geneva in May 1998.

2.18 Financial risks

UNAIDS is exposed to certain financial risks including foreign currency exchange risk and credit risk. WHO holds UNAIDS cash and, in accordance with Financial Regulation 11.1, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the WHO Director-General. These policies are regularly reviewed by the Advisory Investment Committee, which includes external investment specialists. The Committee makes regular recommendations to the Director-General. The range of investment types are:

- **Short-term fixed income in US dollars** - These are invested in cash and high quality, short dated, government, agency, and corporate bonds as defined in the approved investment policy;
- **Long-term fixed income in US dollars** - These are invested in high quality, medium and long dated, government, agency, and corporate bonds. They represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account as defined in the approved investment policy; and
- **Equity investments in US dollars** - In accordance with approved investment policy, this portfolio represents funds managed for the Staff Health Insurance Fund.

Foreign currency exchange risk - UNAIDS receives voluntary contributions and makes payments in currencies other than US dollars. It is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the corresponding funds and accounts.

Credit risk - The credit risk associated with contributions from donors and on other accounts receivables is considered above in the note on accounts receivable. UNAIDS is not subject to significant liquidity or price risk.

3. Supporting information to the Statement of financial performance

3.1 Statement overview

The Statement of financial performance consolidates revenue and expenses for all activities throughout the Programme. The statement segregates operating activities from those arising from financing operations. Further details by fund, geographic region and principal outcome are presented in Schedules 1, 2, 3, 4 and 5.

3.2 Voluntary contributions

Voluntary contributions to the Programme totalled US\$ 543.6 (US\$ 531.0 million from Governments and US\$12.6 million from UNAIDS Cosponsors). In addition to the above amount a total of US\$ 17.4 million was received and reflected under other operating revenue. Out of this amount, US\$ 6.5 million was received from intergovernmental organizations, institutions, other United Nations Organizations, as well as the private sector. The remaining balance of US\$ 10.9 million represents savings due to cancellation of prior period obligations. In previous years these savings were reported as credits against the respective funds.

Voluntary contributions are accepted provided they are consistent with the policies and objectives of the Programme.

3.3 *Financial revenue and expense, net*

| | 2008-2009 (in US dollars) |
|---------------------------|--------------------------------------|
| Interest | 12 976 931 |
| Realized gains/(losses) | 2 273 715 |
| Unrealized gains/(losses) | <u>892 379</u> |
| Total | <u>16 143 025</u> |

4. Supporting information to the Statement of financial position

4.1 *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits in transit, cash in bank, other short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less. These balances are held centrally by WHO and invested on behalf of UNAIDS in accordance with WHO's rules and practices.

The total of US\$ 272 157 980 comprises the following:

| | (in US dollars) |
|--|------------------------|
| Cash in hand and in bank/in-transit – Imprest Accounts | 797 292 |
| Current account (with WHO) | <u>271 360 688</u> |
| Total | 272 157 980 |

4.2 *Accounts receivable*

At 31 December 2009, US\$ 55.5 million in contributions receivable was outstanding (US\$ 13.4 million in 2007). The majority of this receivable is due to letters of credit outstanding with the Government of the United States of America.

4.3 *Advances to UNDP*

Under the "Working Arrangement between the United Nations Development Programme (UNDP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) covering the provision of administrative support services by UNDP" signed in April 1996 and updated in June 2008, UNDP provides administrative support services to UNAIDS country and regional offices. Such an arrangement requires UNAIDS to periodically advance funds to UNDP to cover payments made by UNDP on behalf of UNAIDS.

4.4 *Other receivables*

At 31 December 2009, US\$ 0.6 million in other receivables corresponds to various staff-related advances such as salary and rent.

4.5 *Prepayments*

The amount of US\$ 38.8 million in prepayments relates primarily to advances paid to the UNAIDS Cosponsors. In December 2009, UNAIDS advanced funds to Cosponsors towards the Cosponsors' share under the 2010-2011 Unified Budget and Workplan to ensure continuity and smooth implementation of their activities. It will be charged to expense in 2010.

4.6 *Non-expendable equipment*

The total value at cost at 31 December 2009 amounted to US\$ 12.5 million. In accordance with established accounting policy, non-expendable equipment (including furniture, computers and

other office equipment and motor vehicles) is charged to expenditure at cost. An inventory of non-expendable equipment is maintained and the value disclosed in these notes.

For reporting purposes, only those items with a cost value of US\$ 2 500 and above are included.

| | Headquarters (in 000's of US \$) | Fields and Regions (in 000's of US \$) | 31 December 2009 (in 000's of US \$) | 31 December 2007 (in 000's of US \$) |
|-----------------------|-------------------------------------|---|---|---|
| Beginning balance | 3 895 | 6 106 | 10 001 | 8 265 |
| Acquisitions | 1 045 | 2 408 | 3 453 | 1 975 |
| Disposals | 71 | 921 | 992 | 239 |
| Ending balance | 4 869 | 7 593 | 12 462 | 10 001 |

4.7 **Accounts payable**

The total accounts payable for UNAIDS programme activities at 31 December 2009 was US\$ 11.5 million (detailed below). The total figure at 31 December 2007 for UNAIDS programme activities was US\$ 36.8 million representing unliquidated obligations. The reduction in the accounts payable balance by US\$ 25.3 million reflects the new expense recognition policy whereby expense and corresponding liability (accounts payable) is only recorded when the goods and services are received.

| | 31 December 2009 (in US \$) | 31 December 2007 (in US \$) |
|------------------|--------------------------------|--------------------------------|
| Accounts Payable | 11 483 441 | 36 826 972 |
| Total | 11 483 441 | 36 826 972 |

4.8 **Other liabilities**

Other liabilities of US\$ 0.4 million at 31 December 2009 are primarily payroll-related.

4.9 **Building and long-term borrowings**

At its 12th meeting in May 2004, the Programme Coordinating Board endorsed UNAIDS' negotiation of a direct loan with the Swiss Confederation for the construction of a new building in Geneva for the UNAIDS Secretariat and WHO at an estimated cost of CHF66.0 million, of which UNAIDS' share was estimated at CHF33.0 million. In December 2003, the Swiss Confederation agreed to provide an interest-free loan of CHF59.8 million, of which UNAIDS' share is CHF29.9 million. The repayment over a 50-year period of UNAIDS' share of the interest-free loan provided by the Swiss Confederation is made through the reallocation of funds otherwise expended on the rental of office space with effect from the first year of the completion of the building.

The building was completed in November 2006. The amount under Buildings includes US\$ 25.6 million which represents the 50 per cent share of UNAIDS' expense incurred on the building up to 31 December 2007.

The loan repayable of US\$ 22.5 million at 31 December 2009 represents the balance of UNAIDS' share of the loan received from the Swiss Confederation.

4.10 **Accrued staff benefits**

This represents:

- (i) *Terminal payments account*: This account was established to provide for financing the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation

travel and removal on repatriation. It is funded by a budgetary provision set for the 2008-2009 biennium at 2.5 per cent of salary and post adjustment. It should be noted that the account does not reflect the Programme's full long term liability for terminal payments. The latest actuarial study estimated the full liability to be US\$18.1 million at 31 December 2009. This calculation did not include costs for end of service grant, separation by mutual agreement on abolishment of posts.

- (ii) *Non-payroll staff entitlements account:* This account provides for non-payroll staff entitlements. These consist of education grant, education grant travel, home leave, recruitment and assignment travel, assignment grant and transportation of personal effects.

| | 31 December 2009 (in US \$) |
|--------------------------------|--|
| Terminal payments | 6 357 869 |
| Non-payroll staff entitlements | (639 166) |
| Total | 5 718 703 |

4.11 Staff Health Insurance

UNAIDS staff are covered by WHO's Staff Health Insurance. Revenue to the WHO Staff Health Insurance Fund consists of contributions received for both active and retired staff (of which one-third is paid by the participants and two-thirds by the organization), as well as interest earned on investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25 per cent) of active staff contributions is set aside each year. The remaining 75 per cent of contributions is required to meet current claims from active staff.

4.12 Administrative waivers, amounts written off, extra-gratia payments and fraud

During the 2008-2009 biennium, there were no administrative waivers or amounts written off. There was one extra-gratia payment for a total of US\$ 30 000 to the family of the UNAIDS staff member who was killed during an attack to the UN compound on 11 December 2007 in Algiers. Furthermore, no cases of fraud were reported during the 2008-2009 biennium.

4.13 Contingent liabilities

At 31 December 2009, there were four outstanding personnel matters before the ILO Administrative Tribunal which are currently being contested by the Programme. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Programme with any degree of certainty. In addition, there was one claim pending concerning a dispute in connection with leasing of premises in a building. This claim is not deemed to be of material significance

4.14 Changes in net assets/equity

This statement is broken down into various categories, namely, non-restricted and restricted. Non-restricted equity refers to UNAIDS funds. Restricted equity refers to the fund balances which are contractually obligated to be spent on specified activities and/or geographic areas. These funds may be required to be returned to the donor if not spent within the terms, or time frame, of the agreement.

5. Supporting information to the Statement of changes in net assets/equity

5.1 Equity in capital assets

During the financial period, capital assets are expensed as purchased, thus reducing the respective fund balances appropriated. At the end of each financial period, expensed assets are credited to equity in capital. At the end of 2009, equity in capital assets was US\$ 3.1 million for UNAIDS' share of the Headquarters building in Geneva.

Schedule 1

**Statement of financial performance by major fund
for the financial period ended 31 December 2009**
(in US dollars)

| | Notes | Unified Budget and Workplan | Extra-budgetary funds | Totals | |
|---|-------|--------------------------------|-----------------------|--------------------------|--------------------|
| | | 2008-2009 (a) | 2008-2009 (b) | 2008-2009 (c) = (a+b) | 2006-2007 |
| Operating revenue | | | | | |
| <i>Voluntary contributions</i> | 3.2 | | | | |
| Governments | | 481 945 560 | 49 040 801 | 530 986 361 | 494 656 825 |
| Cosponsoring organizations | | 8 000 000 | 4 605 462 | 12 605 462 | 8 882 397 |
| Other operating revenue | | 9 567 410 | 7 852 732 | 17 420 142 | 17 360 709 |
| Total operating revenue | | 499 512 970 | 61 498 995 | 561 011 965 | 520 899 931 |
| Operating expenses | | | | | |
| Direct financial cooperation | 2.7 | 177 502 341 | 12 355 907 | 189 858 248 | 146 064 477 |
| Staff costs | | 169 111 254 | 17 660 830 | 186 772 084 | 144 184 850 |
| Contractual services, general | | 41 316 135 | 21 537 009 | 62 853 144 | 57 850 128 |
| General operating costs | | 33 933 613 | 8 349 206 | 42 282 819 | 51 103 680 |
| Travel | | 22 812 404 | 5 779 379 | 28 591 783 | 23 860 683 |
| Medical, research services | | 3 215 471 | 1 985 025 | 5 200 496 | 4 786 544 |
| Equipment, vehicles and furniture | | 3 640 069 | 621 758 | 4 261 827 | 8 031 539 |
| Training | | 1 527 111 | 868 518 | 2 395 629 | 1 063 192 |
| Telecommunications | | 1 181 001 | 476 978 | 1 657 979 | 1 206 745 |
| Medical supplies and literature | | 43 585 | 203 653 | 247 238 | 655 226 |
| Total operating expenses | | 454 282 984 | 69 838 263 | 524 121 247 | 438 807 063 |
| Surplus from operations | | 45 229 986 | (8 339 268) | 36 890 718 | 82 092 868 |
| Financial revenue and expense, net | 3.3 | 11 605 073 | 4 537 952 | 16 143 025 | 21 034 020 |
| Total surplus for the financial period | | 56 835 059 | (3 801 316) | 53 033 743 | 103 126 888 |

Schedule 2

**Unified Budget and Workplan - details of revenue
for the financial period ended 31 December 2009**
(in US dollars)

| Voluntary contributions | Funds made available towards the 2008-2009 Unified Budget and Workplan |
|-------------------------------------|--|
| Governments | |
| Andorra | 74 252 |
| Austria | 140 449 |
| Australia | 4 071 497 |
| Belgium | 11 293 761 |
| Brazil | 99 853 |
| Bulgaria | 4 539 |
| Canada | 9 490 683 |
| China | 200 000 |
| Denmark | 17 916 325 |
| Finland | 24 234 544 |
| Flemish Government | 1 317 524 |
| France | 2 926 043 |
| Germany | 7 865 602 |
| Greece | 1 415 094 |
| Ireland | 12 986 837 |
| Israel | 5 000 |
| Japan | 5 029 725 |
| Liechtenstein | 46 986 |
| Luxembourg | 7 411 124 |
| Monaco | 299 406 |
| Netherlands | 95 761 616 |
| New Zealand | 3 857 577 |
| Norway | 50 167 540 |
| Poland | 145 650 |
| Portugal | 301 294 |
| Russian Federation | 1 000 034 |
| Spain | 11 853 112 |
| Sweden | 72 957 831 |
| Switzerland | 8 526 041 |
| Thailand | 49 973 |
| Turkey | 1 200 000 |
| United Kingdom | 32 304 148 |
| United States of America | 96 991 500 |
| Sub-total | 481 945 560 |
| Cosponsoring organizations | |
| World Bank | 8 000 000 |
| Sub-total | 8 000 000 |
| Other | |
| United Nations Federal Credit Union | 51 226 |
| Miscellaneous | 545 510 |
| Others | 8 970 674 |
| Sub-total | 9 567 410 |
| Other revenue | |
| Interest | 11 605 073 |
| Sub-total | 11 605 073 |
| TOTAL | 511 118 043 |

Schedule 3

**Non-unified budget and workplan funds - details of revenue
for the financial period ended 31 December 2009**
(US dollars)

| Voluntary contributions | Funds made available towards Extra-budgetary funds 2008-2009 |
|--|--|
| Governments | |
| Australia | 8 486 042 ^{a/} |
| Austria | 1 089 169 |
| Belgium | 715 308 |
| Canada | 83 415 |
| Denmark | 2 296 451 |
| Flemish Government | 871 866 |
| France | 1 668 268 |
| Germany | 306 234 |
| Greece | 157 233 |
| Ireland | 2 884 256 |
| Italy | 89 941 |
| Japan | 602 534 |
| Luxembourg | 497 321 ^{b/} |
| Mozambique | 199 185 |
| Netherlands | 569 899 |
| New Zealand | 194 665 |
| Norway | 185 413 ^{c/} |
| Russian Federation | 1 200 000 |
| Spain | 1 767 027 |
| Sweden | 9 231 351 |
| United Kingdom of Great Britain and Northern Ireland | 4 724 801 |
| United States of America (CDC) | 1 050 100 |
| United States of America (USAID) | 10 170 322 |
| Sub-total | 49 040 801 |
| Cosponsoring Organizations | |
| UNHCR | 223 000 |
| UNICEF | 86 751 |
| UNDP | 3 711 624 |
| UNFPA | 0 |
| UNODC | 0 |
| ILO | 0 |
| WHO | 584 087 |
| Sub-total | 4 605 462 |
| Other | |
| AWARE | 30 009 |
| Bill and Melinda Gates Foundation | 3 318 180 |
| BM Creative Management LTD | 9 994 |
| CARICOM | 50 000 |
| Constella Futures | 10 700 |
| Ford Foundation | 650 000 |
| Geneva Global Inc. | 26 549 |
| Germany, GTZ | 1 374 334 |
| Global Fund | 313 532 |
| Imperial College London | 13 808 |
| Organization of Petroleum Exporting Countries | 200 000 |
| OSIWA | 3 850 |
| UNCERF | 38 253 |
| United Nations Development Fund for Women | 86 645 |
| UNEP | 25 000 |
| United Nations Foundation | 37 852 |
| UNOPS | 474 553 |
| Miscellaneous | 7 703 |
| Refund to donors | (692 943) |
| Others | 1 874 713 |
| Sub-total | 7 852 732 |
| Other income | |
| Interest | 4 537 952 |
| Sub-total | 4 537 952 |
| TOTAL | 66 036 947 |

a/ Represents net of income for 2008-2009 of US\$ 13 379 692 less pass through funds of US\$ 4 893 650

b/ Represents net of income for 2008-2009 of US\$ 5 631 947 less pass through funds of US\$ 5 134 626

c/ Represents net of income for 2008-2009 of US\$ 545 838 less pass through of US\$ 360 425

Schedule 4

Unified Budget and Workplan
Budget, expense and encumbrance summary by Principle Outcomes
for the financial period ended 31 December 2009
(in US dollars)

| Principal Outcomes | 2008-2009 Approved allocations | Expense | Encumbrance ^{af} | Total | Balance | Percentage implementation |
|---|--------------------------------------|--------------------|---------------------------|--------------------|------------------|------------------------------|
| | (a) | (b) | (c) | (d) = (b + c) | (e) = (a - d) | (f) = (d / a) |
| 1 Leadership and resource mobilization | 218 309 674 | 206 918 769 | 11 206 680 | 218 125 449 | 184 225 | 99.9% |
| 2 Planning, financing, technical assistance & coordination | 114 311 487 | 103 245 159 | 10 668 523 | 113 913 682 | 397 805 | 99.7% |
| 3 Strengthened evidence base and accountability | 30 520 600 | 27 714 303 | 2 762 168 | 30 476 472 | 44 128 | 99.9% |
| 4 Human resources and systems capacities | 47 615 495 | 47 318 636 | - | 47 318 636 | 296 860 | 99.4% |
| 5 Human rights, gender, stigma and discrimination | 28 255 935 | 26 651 017 | 708 267 | 27 359 284 | 896 651 | 96.8% |
| 6 Most at-risk populations | 15 490 000 | 14 058 720 | 1 017 049 | 15 075 768 | 414 232 | 97.3% |
| 7 Women & girls, young people, children and populations of humanitarian concern | 30 317 109 | 28 376 380 | 1 181 640 | 29 558 020 | 759 089 | 97.5% |
| Total | 484 820 300 | 454 282 984 | 27 544 327 | 481 827 312 | 2 992 988 | 99.4% |

^{af} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Schedule 5

Extra-budgetary funds
Funds available, expense and encumbrance summary by source of income
for the financial period ended on 31 December 2009
(in US dollars)

| Source of income | Funds received | | Total Funds | Expense | Encumbrance ^{b/} | Total | Percentage Implementation |
|--|----------------------|----------------------------|--------------------|---------------------------|---------------------------|-------------------|---------------------------|
| | 2006-2007 Carry-over | in 2008-2009 ^{a/} | | | | | |
| | (a) | (b) | (c) = (a+b) | (d) | (e) | (f) = (d + e) | (g) = (f / c) |
| Voluntary contributions and other income | | | | | | | |
| Andorra | 10 978 | - | 10 978 | 10 773 | - | 10 773 | 98% |
| Australia | 3 148 091 | 8 676 209 | 11 824 300 | 7 438 964 | 744 653 | 8 183 617 | 69% |
| Austria | 153 000 | 1 323 332 | 1 476 332 | 752 013 | 266 758 | 1 018 771 | 69% |
| Belgium | 1 298 435 | 732 582 | 2 031 017 | 1 852 649 | - | 1 852 649 | 91% |
| Canada | 84 530 | 83 415 | 167 945 | 166 159 | - | 166 159 | 99% |
| Denmark | 783 773 | 2 332 922 | 3 116 695 | 2 896 424 | 220 189 | 3 116 613 | 100% |
| Finland | 1 936 251 | - | 1 936 251 | 593 157 | 862 | 594 019 | 31% |
| France | 1 359 760 | 1 751 886 | 3 111 646 | 1 435 236 | 7 158 | 1 442 394 | 46% |
| Germany including GTZ | 867 182 | 1 771 064 | 2 638 246 | 1 495 144 | 78 402 | 1 573 546 | 60% |
| Greece | - | 157 233 | 157 233 | 151 620 | - | 151 620 | 96% |
| Ireland | 2 753 864 | 2 930 339 | 5 684 203 | 1 862 624 | 1 115 883 | 2 978 507 | 52% |
| Italy | 9 537 | 89 941 | 99 478 | 69 505 | - | 69 505 | 70% |
| Japan | 876 241 | 644 506 | 1 520 747 | 990 153 | 31 490 | 1 021 643 | 67% |
| Luxembourg | 10 341 926 | 587 552 | 10 929 478 | 3 039 866 | 1 098 295 | 4 138 161 | 38% |
| Ministry of the Flemish Community, Belgium | 916 577 | 939 557 | 1 856 134 | 691 799 | 459 530 | 1 151 329 | 62% |
| Mozambique | - | 199 185 | 199 185 | 130 891 | 68 294 | 199 185 | 100% |
| Netherlands | 386 780 | 569 899 | 956 679 | 662 280 | 280 150 | 942 430 | 99% |
| New Zealand | 224 437 | 198 549 | 422 986 | 264 314 | 71 247 | 335 561 | 79% |
| Norway | 1 990 675 | 203 776 | 2 194 451 | 1 244 702 | 86 569 | 1 331 271 | 61% |
| Russian Federation | 338 697 | 1 200 000 | 1 538 697 | 1 530 790 | 0 | 1 530 790 | 99% |
| Saudi Arabia | - | 45 088 | 45 088 | 32 323 | 12 757 | 45 080 | 100% |
| Spain | 1 151 725 | 1 870 486 | 3 022 211 | 1 676 042 | 324 743 | 2 000 785 | 66% |
| Sweden | 5 960 816 | 9 228 309 | 15 189 125 | 8 530 522 | 1 090 092 | 9 620 614 | 63% |
| United Kingdom of Great Britain & Northern Ireland | 6 735 361 | 5 385 085 | 12 120 446 | 10 618 339 | 294 274 | 10 912 613 | 90% |
| United States of America (CDC) | 2 172 629 | 1 050 100 | 3 222 729 | 995 890 | - | 995 890 | 31% |
| United States of America (NIH) | 16 807 | - | 16 807 | - | - | - | - |
| United States of America (USAID) | 294 619 | 10 170 900 | 10 465 519 | 5 698 506 | 199 845 | 5 898 351 | 56% |
| AWARE | - | 30 009 | 30 009 | - | - | - | - |
| Bill & Melinda Gates Foundation | 2 496 867 | 3 338 809 | 5 835 676 | 4 577 416 | 101 752 | 4 679 168 | 80% |
| BM Creative Management LTD | - | 9 994 | 9 994 | 9 346 | - | 9 346 | 94% |
| CARICOM | 65 564 | 50 000 | 115 564 | 6 541 | 744 | 7 285 | 6% |
| Commission of the European Communities | 75 134 | - | 75 134 | 17 552 | - | 17 552 | 23% |
| Constella Futures | - | 10 700 | 10 700 | 10 043 | - | 10 043 | 94% |
| Ford Foundation | 426 294 | 685 702 | 1 111 996 | 145 317 | 102 669 | 247 986 | 22% |
| Geneva Global Inc. | - | 26 549 | 26 549 | - | - | - | - |
| Global Fund | 47 374 | 313 532 | 360 906 | 211 026 | 1 081 | 212 107 | 59% |
| Imperial College London | - | 13 808 | 13 808 | - | - | - | - |
| International Labour Organization | 15 000 | - | 15 000 | 5 981 | 9 000 | 14 981 | 100% |
| John Hopkins Univeristy | 6 156 | - | 6 156 | 370 | - | 370 | 6% |
| Johnson & Johnson Products Inc. | 12 282 | - | 12 282 | 7 408 | - | 7 408 | 60% |
| Merck & Company Inc. | 296 000 | - | 296 000 | 106 880 | - | 106 880 | 36% |
| National Agency for AIDS Research | 23 009 | - | 23 009 | 9 887 | - | 9 887 | 43% |
| Organization of Petroleum Exporting Countries | 1 064 378 | 200 000 | 1 264 378 | 242 520 | 47 078 | 289 598 | 23% |
| OSIWA | - | 3 850 | 3 850 | - | - | - | - |
| Rupert Everett | 25 000 | - | 25 000 | 24 999 | - | 24 999 | 100% |
| Southern African Development Community | 43 555 | - | 43 555 | - | - | - | - |
| Stanford Univeristy | 10 000 | - | 10 000 | - | - | - | - |
| UNCERF | 0 | 38 253 | 38 253 | 38 253 | - | 38 253 | 100% |
| UNDP | 96 321 | 3 711 624 | 3 807 945 | 1 602 713 | 715 216 | 2 317 929 | 61% |
| UNEP | 0 | 25 000 | 25 000 | 25 000 | - | 25 000 | 100% |
| UNESCO | 116 000 | - | 116 000 | - | - | - | - |
| UNFIP | 229 920 | - | 229 920 | - | - | - | - |
| UNFPA | 10 000 | - | 10 000 | 10 000 | - | 10 000 | 100% |
| UNHCR | 13 000 | 223 000 | 236 000 | 152 438 | - | 152 438 | 65% |
| UNICEF | 26 221 | 86 751 | 112 972 | 76 205 | 2 964 | 79 169 | 70% |
| UNIFEM | - | 86 645 | 86 645 | 64 500 | - | 64 500 | 74% |
| United Nations | 20 000 | - | 20 000 | - | - | - | - |
| United Nations Foundation | - | 37 852 | 37 852 | 33 184 | 4 161 | 37 345 | 99% |
| UNODC | 14 806 | - | 14 806 | 981 | - | 981 | 7% |
| UNOPS | 108 337 | 511 701 | 620 038 | 513 734 | 79 775 | 593 509 | 96% |
| WFP | 15 000 | - | 15 000 | 981 | 12 000 | 12 981 | 87% |
| WHO | 147 840 | 584 087 | 731 927 | 633 498 | 92 036 | 725 534 | 99% |
| World Bank | 41 148 | 7,274 | 48 422 | 41 147 | - | 41 147 | 85% |
| Special PCB allocations | 29 349 000 | - | 29 349 000 | 10 990 913 | 770 715 | 11 761 628 | 40% |
| Miscellaneous | 25 820 | 7 703 | 33 523 | 885 | - | 885 | 3% |
| Interest and other | 4 939 836 | 4 585 132 | 9 524 968 | 1 395 886 | 24 197 | 1 420 083 | 15% |
| Refund to donors | - | (692 943) | (692 943) | - | - | (692 943) | - |
| Programme support costs (PSC) | - | - | - | (5 948 026) ^{c/} | - | (5 948 026) | - |
| Total | 83 572 553 | 66 036 947 | 149 609 500 | 69 838 263 | 8 414 579 | 77 559 899 | 52% |

a/ Includes revenue, refunds to donors and savings on prior period unliquidated obligations.

b/ Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

c/ Please refer to note 2.16 on page 18

PART III

MANAGEMENT INFORMATION

I. Funds made available for the 2008-2009 biennium

During the financial period under review, operating revenue of US\$ 499.5 million was made available for the core resources of the Unified Budget and Workplan for 2008-2009. Thirty three governments contributed 95.6 per cent of this amount, and the World Bank contributed 1.6 per cent of this amount. The remaining 2.8 per cent is made up of miscellaneous income, including funds received from public institutions and private contributors other than governments, miscellaneous donations and honoraria received and savings on prior years cancelled obligations. In addition to this amount, financial revenue (primarily interest earnings) of US\$ 11.6 million was also received and apportioned during the reporting period bringing the total revenue available to the Unified Budget and Workplan for 2008-2009 to US\$ 511.1 million. Schedule 2 on page 24 provides the details of this revenue.

Furthermore, extra-budgetary resources amounting to US\$ 61.5 million were made available to UNAIDS to provide support to a number of global, regional and country activities and a number of interagency-managed activities that are not included in the Unified Budget and Workplan and do not specifically fall under any Cosponsor's mandate. In addition to this amount, financial revenue (primarily interest earnings) of US\$ 4.5 million was also received and apportioned during the reporting period bringing the total extra-budgetary revenue available to US\$ 66.0 million. Details on the sources of these funds are detailed in Schedule 3 on page 25.

II. Funds expended for the financial period ended 31 December 2009

The total operating expense for the financial period ended 31 December 2009 amounted to US\$ 524.1 million, as shown in Schedule 1 (column c) on page 23. Out of this total amount, US\$ 454.3 million represents expense under the 2008-2009 Unified Budget and Workplan and the remaining amount of US\$ 69.8 million represents expense under the extra-budgetary funds.

Unified Budget and Workplan expenses of US\$ 454.3 million for the implementation of AIDS activities contained in the Unified Budget and Workplan were distributed as follows:

- (a) US\$ 134.7 million was expended to Cosponsors;
- (b) US\$ 144.4 million was expended for Interagency; and
- (c) US\$ 175.2 million was expended for Secretariat.

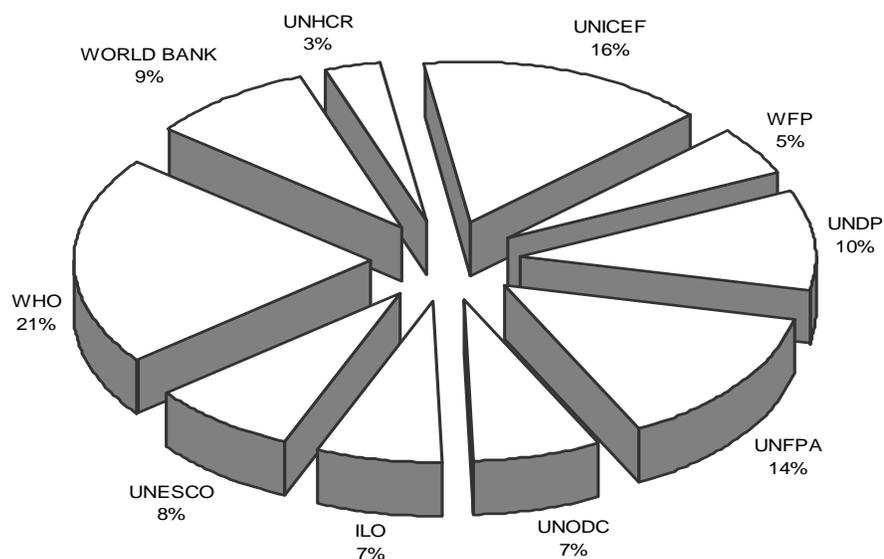
In addition to the above expended amount under the Unified Budget and Workplan, US\$ 27.5 million was encumbered during the same year which together represents a financial implementation rate of 99.4 per cent (summarized in Schedule 4 on page 26). Encumbered amounts represent firm commitments for goods and services which have not yet been delivered.

A. Unified budget and workplan

i) Funds transferred to Cosponsors

As at 31 December 2009, financial transfers made to Cosponsors amounted to US\$ 134.7 million. These transfers represent 100 per cent of the Cosponsors' share under the Unified Budget and Workplan for 2008-2009. Information on the proportion of transfers made to individual Cosponsors versus total transfers, together with amounts transferred against each of the agreed principal outcomes, is provided in Figure 1.

Figure 1: Funds and proportions transferred to Cosponsors for the financial period ended 31 December 2009



| Principal Outcomes | Approved allocations (a) | Funds transferred (b) | Percentage implementation (c) = (b / a) |
|---|-----------------------------|--------------------------|--|
| 1 Leadership and resource mobilization | 8 100 | 8 100 | 100% |
| 2 Planning, financing, technical assistance and coordination | 26 181 | 25 071 | 100% |
| 3 Strengthened evidence base and accountability | 16 091 | 17 251 | 100% |
| 4 Human resources and systems capacities | 45 189 | 45 036 | 100% |
| 5 Human rights, gender, stigma and discrimination | 11 450 | 11 470 | 100% |
| 6 Most at-risk populations | 8 550 | 8 550 | 100% |
| 7 Women & girls, young people, children and populations of humanitarian concern | 19 109 | 19 192 | 100% |
| Total | 134 670 | 134 670 | 100% |

ii) Expense incurred against Interagency resources

The Interagency activities include joint initiatives by more than one member of the UNAIDS Cosponsors and/or the Secretariat. These activities typically focus on cross-cutting activities that help strengthen the multi-sectoral AIDS response. During the year under review, a total amount of US\$ 144.4 million was expended and US\$ 11.1 million was encumbered for interagency activities out of a biennium budget allocation of US\$ 157.2 million⁵ which together represents a financial implementation rate of 98.9 per cent. Further details on the funds expended and encumbered under the interagency activities are shown by principal outcomes in Table 1:

Table 1: Interagency resources approved allocations, expense, and encumbrance for the financial period ended 31 December 2009 (in thousands of US dollars)

| Principal Outcomes | Approved allocations | Expense | Encumbrance ^{a/} | Total | Balance | Percentage implementation |
|---|----------------------|----------------|---------------------------|----------------|---------------|---------------------------|
| | (a) | (b) | (c) | (d) = (b + c) | (e) = (a - d) | (f) = (d / a) |
| 1 Leadership and resource mobilization | 85 776 | 82 542 | 3 133 | 85 675 | 101 | 99.9% |
| 2 Planning, financing, technical assistance and coordination | 58 230 | 50 618 | 7 177 | 57 795 | 435 | 99.3% |
| 4 Human resources and systems capacities | 2 426 | 2 130 | | 2 130 | 296 | 87.8% |
| 5 Human rights, gender, stigma and discrimination | 9 530 | 8 581 | 198 | 8 779 | 751 | 92.1% |
| 7 Women & girls, young people, children and populations of humanitarian concern | 1 288 | 492 | 617 | 1 109 | 179 | 86.1% |
| Total | 157 250 | 144 363 | 11 125 | 155 488 | 1 762 | 98.9% |

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

iii) Expense incurred against the Secretariat budget

UNAIDS Secretariat expense amounted to US\$ 175.2 million during the financial period ended 31 December 2009. This includes US\$ 94.2 million spent on activities and US\$ 81.0 million on fixed term core staff costs. In addition to the above expenditure a total of US\$ 16.4 million had been encumbered during the year which together represents a financial implementation rate of 99.4 per cent. Further details on the funds expended and encumbered by the Secretariat are shown by principal outcomes in Table 2.

⁵ The Interagency budget includes a provision of US\$ 100 million for the salaries of the country staff (UNAIDS Country Coordinators and advisers on monitoring and evaluation, partnership development and social mobilization) and operational costs for 83 UNAIDS country offices and related investment in IT field connectivity.

Table 2: Secretariat approved allocations, expense, and encumbrance for the financial period ended 31 December 2009 (in thousands of US dollars)

| Principal Outcomes | Approved allocations | Expense | Encumbrance ^{a/} | Total | Balance | Percentage implementation |
|---|----------------------|----------------|---------------------------|----------------|---------------|---------------------------|
| | (a) | (b) | (c) | (d) = (b + c) | (e) = (a - d) | (f) = (d / a) |
| 1 Leadership and resource mobilization | 124 434 | 116 285 | 8 074 | 124 359 | 75 | 99.9% |
| 2 Planning, financing, technical assistance & coordination | 29 900 | 26 385 | 3 491 | 29 876 | 24 | 99.9% |
| 3 Strengthened evidence base and accountability | 14 430 | 11 624 | 2 762 | 14 386 | 44 | 99.7% |
| 5 Human rights, gender, stigma and discrimination | 7 276 | 6 608 | 510 | 7 118 | 158 | 97.8% |
| 6 Most at-risk populations | 6 940 | 5 509 | 1 017 | 6 526 | 414 | 94.0% |
| 7 Women & girls, young people, children and populations of humanitarian concern | 9 920 | 8 839 | 564 | 9 403 | 517 | 94.8% |
| Total | 192 900 | 175 250 | 16 418 | 191 668 | 1 232 | 99.4% |

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

B. Expense incurred against the extra-budgetary funds

As indicated in Schedule 5, on page 27, the expense incurred under the extra-budgetary resources amounted to US\$ 69.8 million during the financial period ended 31 December 2009.

Schedule 5 also presents: (i) an overview of the total extra-budgetary resources (column c), including funds carried over from 2007 which have been made available to programme activities under this component; and (ii) the amount of funds expended and encumbered during the financial period ended 31 December 2009.

C. Country and regional expense against all sources of funds

As recommended by the Programme Coordinating Board at its 22nd Meeting held in Chiang Mai, Thailand 23-25 April 2008, this report in Table 3 on pages 32 to 34, presents a breakdown of expense and encumbrances by country and region for both the Unified Budget and Workplan and extra-budgetary funds. Country and regional expense amounted to US\$ 164.7 million for the financial period ended 31 December 2009. In addition to the above expenditure, a total of US\$ 15.7 million was encumbered during the same period which together totalled US\$ 180.4 million for the financial period ended 31 December 2009.

III. Net Assets/Equity

The net assets/equity as of 31 December 2009 are a result of a combination of the fund balances as of 31 December 2007 plus 2008-2009 activities detailed as follows: accumulated amount (i.e., 2008-2009 revenue less 2008-2009 expenses); equity in capital assets and prior period adjustments. Thus, the ending fund balance as of 31 December 2009 was US\$ 245.8 million for the Unified Budget and Workplan, US\$ 79.8 million for extra-budgetary funds, US\$ 35.0 million for the Operating Reserve Fund and US\$ 3.1 million equity in the UNAIDS Headquarters building.

It should be noted that in addition to the expenditure of US\$454.3 million under the Unified Budget and Workplan, US\$ 27.5 million was encumbered during 2008-2009 (representing firm commitments of goods and services to be delivered in 2010), as reflected in schedule 4. Therefore, the net fund balance under the Unified Budget and Workplan available to cover 2010-2011 Unified Budget and Workplan activities is US\$ 218.3 million. (i.e., US\$ 245.8 million less US\$ 27.5 million reserved for 2008-2009 encumbrances equals US\$ 218.3 million).

Table 3

Country and Regional expense and encumbrance against all sources of funds
for the year ended 31 December 2009
(in thousands of US dollar)

| Region | Countries | Expense | Encumbrance ^{a/} | Total |
|------------------------------------|--|---------------|---------------------------|---------------|
| Asia and Pacific | Regional Support Team, Asia and Pacific | 14 011 | 2 041 | 16 052 |
| | Bangladesh | 877 | 7 | 883 |
| | Cambodia | 1 646 | 17 | 1 663 |
| | China | 4 008 | 260 | 4 268 |
| | East Timor | 166 | - | 166 |
| | Fiji | 1 032 | 39 | 1 072 |
| | India | 2 903 | 477 | 3 380 |
| | Indonesia | 1 880 | 63 | 1 944 |
| | Lao People's Democratic Republic | 688 | 46 | 735 |
| | Mongolia | 305 | - | 305 |
| | Myanmar | 2 086 | 109 | 2 195 |
| | Nepal | 1 143 | 31 | 1 173 |
| | Pakistan | 1 734 | 64 | 1 798 |
| | Papua New Guinea | 1 274 | 35 | 1 309 |
| | Philippines | 1 046 | 84 | 1 130 |
| | Sri Lanka | 777 | 78 | 855 |
| Thailand | 1 781 | 70 | 1 851 | |
| Viet Nam | 2 329 | 48 | 2 376 | |
| Total Asia and Pacific | | 39 686 | 3 469 | 43 155 |
| Caribbean | Regional Support Team, Caribbean | 4 148 | 450 | 4 598 |
| | Barbados | 884 | 45 | 929 |
| | Cuba | 100 | - | 100 |
| | Dominican Republic | 667 | 30 | 697 |
| | Guyana | 1 063 | 56 | 1 119 |
| | Haiti | 1 369 | 35 | 1 404 |
| | Jamaica | 790 | 101 | 891 |
| | Trinidad and Tobago | 684 | 79 | 763 |
| Total Caribbean | | 9 705 | 797 | 10 502 |
| East and South Africa | Regional Support Team, East and South Africa | 12 072 | 1 481 | 13 552 |
| | Angola | 1 260 | - | 1 260 |
| | Botswana | 1 275 | 22 | 1 298 |
| | Comores | 47 | - | 47 |
| | Eritrea | 641 | 145 | 785 |
| | Ethiopia | 4 241 | 267 | 4 508 |
| | Indian Ocean Initiative | 256 | - | 256 |
| | Kenya | 2 741 | 421 | 3 162 |
| | Lesotho | 1 522 | 38 | 1 559 |
| | Madagascar | 1 155 | 50 | 1 205 |
| | Malawi | 1 999 | 451 | 2 450 |
| | Mozambique | 2 690 | 583 | 3 273 |
| | Namibia | 1 314 | 107 | 1 422 |
| | Rwanda | 1 325 | 20 | 1 345 |
| | South Africa | 1 613 | 650 | 2 262 |
| | Swaziland | 1 615 | 138 | 1 754 |
| | Tanzania, United Republic of | 1 420 | 27 | 1 447 |
| | Uganda | 1 886 | 30 | 1 916 |
| Zambia | 2 287 | 36 | 2 323 | |
| Zimbabwe | 2 064 | 40 | 2 104 | |
| Total East and South Africa | | 43 423 | 4 506 | 47 929 |

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Table 3 (continued)

| Region | Countries | Expense | Encumbrance ^{a/} | Total |
|---------------------------------------|---|---------------|---------------------------|---------------|
| Europe | Regional Support Team, Europe | 4 837 | 368 | 5 205 |
| | Albania | 56 | - | 56 |
| | Armenia | 497 | 128 | 625 |
| | Azerbaijan | 180 | 30 | 210 |
| | Belarus | 501 | 29 | 531 |
| | Bosnia and Herzegovina | 87 | - | 87 |
| | Bulgaria | 87 | 10 | 97 |
| | Croatia | 178 | 1 | 180 |
| | Georgia | 7 | 8 | 15 |
| | Kazakhstan | 965 | 47 | 1 012 |
| | Kosovo | 87 | - | 87 |
| | Kyrgyzstan | 113 | - | 113 |
| | Lithuania | 87 | - | 87 |
| | Macedonia, the former Yugoslav Republic of | 87 | - | 87 |
| | Moldova, Republic of | 1 128 | 53 | 1 182 |
| | Romania | 321 | 33 | 354 |
| | Russian Federation | 2 990 | 242 | 3 232 |
| | Serbia | 177 | 1 | 178 |
| | Montenegro | 62 | 1 | 63 |
| | Tajikistan | 416 | 36 | 452 |
| | Turkey | 97 | - | 97 |
| Turkministan | 283 | - | 283 | |
| Ukraine | 1 465 | 83 | 1 548 | |
| Uzbekistan | 544 | 44 | 588 | |
| Total Europe | | 15 250 | 1 114 | 16 364 |
| Latin America | Regional Support Team, Latin America | 4 108 | 1 246 | 5 354 |
| | Argentina | 1 203 | 84 | 1 287 |
| | Bolivia | 63 | - | 63 |
| | Brazil | 784 | 47 | 831 |
| | Chile | 577 | 40 | 617 |
| | Colombia | 557 | 34 | 592 |
| | Costa Rica | 224 | - | 224 |
| | Ecuador | 69 | - | 69 |
| | El Salvador | 316 | 40 | 355 |
| | Guatemala | 1 833 | 228 | 2 061 |
| | Honduras | 1 391 | 72 | 1 463 |
| | Mexico | 95 | - | 95 |
| | Nicaragua | 129 | - | 129 |
| | Panama | 746 | 51 | 797 |
| | Paraguay | 63 | - | 63 |
| | Peru | 957 | 114 | 1 071 |
| | Uruguay | 95 | - | 95 |
| | Venezuela, Bolivian Republic of | 611 | 34 | 645 |
| Total Latin America | | 13 821 | 1 991 | 15 811 |
| Middle East & North Africa | Regional Support Team, Middle East & North Africa | 3 314 | 565 | 3 879 |
| | Algeria | 175 | 53 | 228 |
| | Djibouti | 95 | 108 | 202 |
| | Egypt | 878 | 167 | 1 045 |
| | Iran | 515 | 154 | 669 |
| | Iraq | 86 | - | 86 |
| | Jordan | | 10 | 10 |
| | Lebanon | 86 | - | 86 |
| | Libyan Arab Jamahiriya | 77 | - | 77 |
| | Morocco | 608 | 47 | 654 |
| | Saudi Arabia | 86 | - | 86 |
| | Somalia | 1 010 | 124 | 1 133 |
| | Sudan | 2 422 | 237 | 2 659 |
| | Tunisia | 69 | 33 | 102 |
| | United Arab Emirates | 68 | - | 68 |
| | Yemen | 235 | 63 | 298 |
| | Total Middle East and North Africa | | 9 723 | 1 560 |

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Table 3 (continued)

| Region | Countries | Expense | Encumbrance ^{a/} | Total |
|--|--|----------------|---------------------------|----------------|
| West and Central Africa | Regional Support Team, West and Central Africa | 10 088 | 1 024 | 11 112 |
| | Benin | 1 165 | - | 1 165 |
| | Burkina Faso | 878 | 98 | 977 |
| | Burundi | 1 088 | 24 | 1 111 |
| | Cameroon | 1 276 | 25 | 1 301 |
| | Central African Republic | 1 201 | 31 | 1 232 |
| | Chad | 636 | 27 | 663 |
| | Congo | 1 075 | 14 | 1 090 |
| | Democratic Republic of Congo | 1 690 | 26 | 1 716 |
| | Côte d'Ivoire | 1 608 | 54 | 1 661 |
| | Gabon | 1 136 | 16 | 1 152 |
| | Gambia | 425 | 80 | 505 |
| | Ghana | 1 285 | 78 | 1 363 |
| | Guinea | 1 355 | 20 | 1 375 |
| | Guinea-Bissau | 176 | - | 176 |
| | Liberia | 133 | 13 | 145 |
| | Mali | 1 369 | 46 | 1 415 |
| | Mauritania | 625 | 12 | 637 |
| | Niger | 671 | 31 | 703 |
| Nigeria | 2 196 | 65 | 2 261 | |
| Senegal | 245 | - | 245 | |
| Sierra Leone | 1 941 | 566 | 2 507 | |
| Togo | 812 | 23 | 836 | |
| Total West & Central Africa | | 33 074 | 2 273 | 35 347 |
| Grand Total | | 164 681 | 15 710 | 180 391 |

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.