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Pan American Health Organization
No. 340

**FINANCIAL
REPORT
OF THE
DIRECTOR**

And

**REPORT OF
THE EXTERNAL
AUDITOR**

1 January 2010 – 31 December 2010

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Director's Comments

In accordance with Financial Regulation 14.9 of the Pan American Health Organization (PAHO), I have the honor to present the Financial Report of the Pan American Health Organization for the financial reporting period 1 January 2010 through 31 December 2010. The Financial Statements, Accounting Policies and Notes to the Financial Statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and PAHO's Financial Regulations and Financial Rules.

The Statements for the 2010 financial reporting period have been prepared in accordance with IPSAS for the first time. Therefore, the reader should carefully review the Notes accompanying these new Statements in order to fully understand the impact of accounting policy changes, as well as financial presentation, on the financial position of the Organization. It is important to note that PAHO has accepted the transition provision under IPSAS and will not be restating prior year figures, with the exception of opening balances in the Statement of Financial Position. Prior year comparative figures for revenue and expense reflect the accounting standards in effect at that time.

Although PAHO has adopted an annual financial reporting period as stipulated in Financial Regulation 2.2, the budgetary period remains a biennium (Financial Regulation 2.1). Therefore, for the purposes of actual vs. budget comparisons in the Director's Comments, the budget figures represent one half of the Biennial Program and Budget as an approximation of annual budgetary figures.

1. Overview

The 2010 year has been very challenging for public health in the Region of the Americas. During 2010, the Organization faced enormous challenges, including the earthquakes that struck Chile and devastated Haiti, as well as the outbreak of cholera in Haiti. Over the years, technical cooperation in disaster preparedness with the Pan American Health Organization (PAHO) has enabled more and more Member States to effectively respond to emergencies and disasters with their own resources. However, the magnitude of these earthquakes required an increase in resource mobilization and was met with PAHO Member States' immense commitment to public health and human security of their citizens. PROMESS, the essential public health supplies warehouse in Haiti, played a crucial role in distributing medicines and medical supplies to where they were needed most in Haiti. PAHO also provided critical leadership in coordinating international, nongovernmental, and other United Nations organizations to work effectively with Haitian government officials, local partners, and the Haitian people.

In addition, PAHO's technical cooperation in the year 2010 supported human security in seven main areas: health economics, food security, environment, personal security, community safety, social protection and disease control. With the continued support of Member States, PAHO is well positioned to promote and facilitate solidarity and horizontal cooperation among countries on health matters, shown to be strong assets in the quest to protect peoples' lives and well-being. The Organization celebrates another year of accomplishing its mission by leading strategic, collaborative efforts proven vital to improving the well-being, health, and security of the people of the Americas.

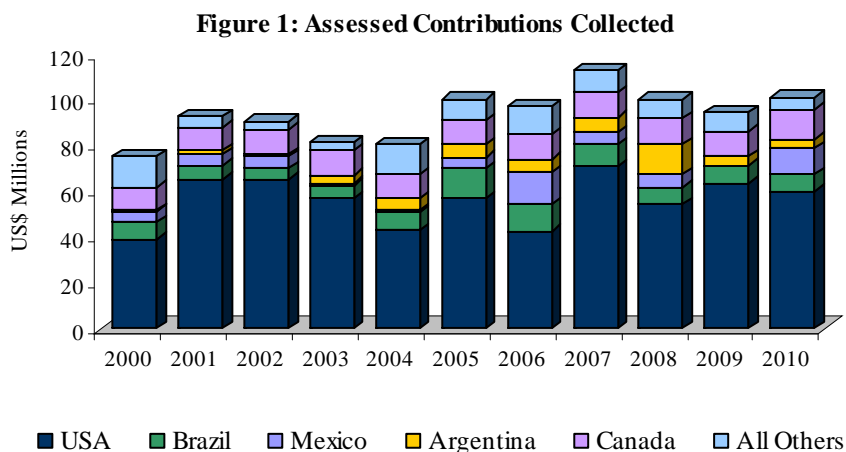
The Organization also maintained its commitment to transparency in the reporting of financial information. On 1 January 2010, PAHO transitioned from the United Nations' System Accounting Standards (UNSAS) to International Public Sector Accounting Standards (IPSAS), which improve comparability and consistency in the reporting of financial information. The changes to recording and reporting financial information are significant, but reflect best practices and are in line with the direction other United Nations and international organizations are taking. Under IPSAS, PAHO recognizes revenue based on the nature of the activity, not when cash is received (UNSAS). For assessed contributions, revenue is recognized when the contribution becomes due and payable. However, for Voluntary Contributions, revenue is based upon actual implementation during the financial reporting period. Expenses are recognized when the services and goods are provided or delivered, not when cash is disbursed.

The Organization's consolidated total revenue in 2010 reached \$932.6 million, \$214.1 million greater than 2008, and the highest level of revenue for the Organization in its history. This increased revenue resulted mainly from (1) the increase in activity for the purchase of essential public health vaccines and supplies on behalf of the Member States, (2) the increase in mobilization and implementation of Voluntary Contributions for public health, and (3) the increased funding from the World Health

Organization for the Region of the Americas. The Organization has continued to increase the rate of receipt of assessed contributions with current 2010 assessed contributions receipts reaching \$71.6 million, not including the Centers, and the payment of arrears reaching \$29.4 million, for a total of \$101.0 million. PAHO's revenue from Voluntary Contributions for public health programs reached \$199.8 million, \$34.9 million higher than the 2008 level. The most striking increase in financial resources occurred in the Organization's procurement activities on behalf of Member States which grew from a cumulative total of \$234.3 million in 2006, to \$370.0 million in 2008, to \$541.1 million in 2010, in part due to the purchase of H1N1 vaccines, and the introduction of Rotavirus and Pediatric Pneumococcal vaccines. The level of resources for the Organization's three Procurement Funds represents 58% of the Organization's total revenue. The World Health Organization funded activities provided total revenue of \$82.4 million, an increase of \$18.8 million over 2008.

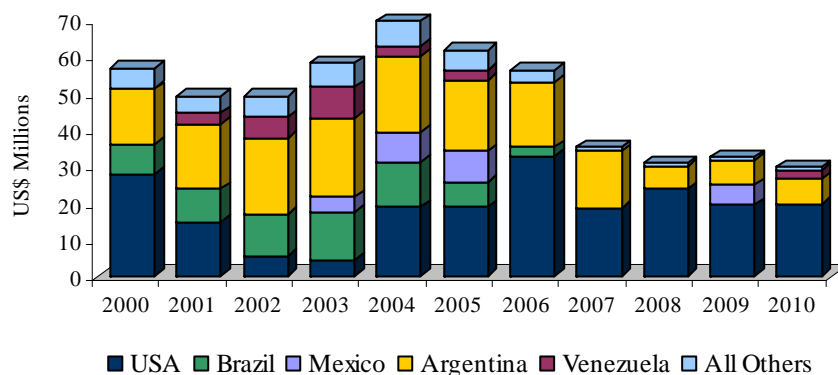
2. PAHO Regular Budget Component: Financing

The PAHO Regular Budget Component is comprised of: (1) the Member States' assessed contributions and (2) miscellaneous revenue. In accordance with Resolution CD49.R9 adopted by the 49th Directing Council of the Pan American Health Organization (PAHO), revenue from assessed contributions totaled \$98.3 million prior to the transfer of \$5.1 million to the Tax Equalization Fund. With the transition to IPSAS, revenue for assessed contributions is recorded in full on the date it became due and payable, or 1 January 2010. However, in order to ensure that resources are available to fund the Regular Budget, the Organization must continue to carefully monitor and report on the cash flows from assessed contributions and other receivables due to the Organization. The cash receipts of current and prior years' assessed contributions in 2010 totaled \$71.6 million and \$29.4 million, respectively, not including the Centers. The rate of collection of current year assessed contributions for 2010 was 73%, compared with 70% for 2008. Twenty-six Member States paid their 2010 assessed contribution in full, seven Member States made partial payments, and six Member States made no payments toward their 2010 assessed contribution.



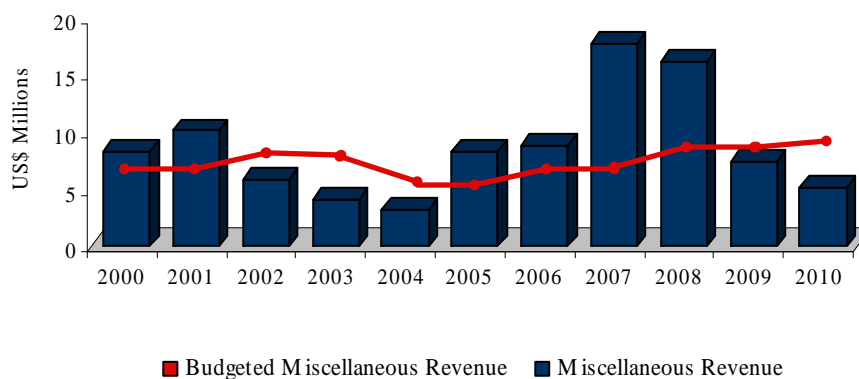
Total unpaid assessed contributions, including amounts due for previous financial periods, decreased from \$31.0 million on 31 December 2008 to \$29.7 million on 31 December 2010 and there are no arrears exceeding two years. Each year the Delegates to the Directing Council or the Pan American Sanitary Conference review at length the financial circumstances of those Member States who are in arrears in their assessed contributions and subject to Article 6.B of the PAHO Constitution. As of 1 January 2011, there were three Member States subject to Article 6.B. The Organization is in continual communication with the respective Member States to assist them in resolving arrears through deferred payment plans and the payment of assessed contributions in local currency.

Figure 2: Assessed Contributions Due



Miscellaneous revenue, which includes the investment revenue earned on the funds administered by the Organization, the gains and losses as a result of currency movements, savings on or cancellation of prior periods' obligations, and other income, is a funding component of the PAHO Regular Budget and supplements the level of the Member States' assessed contributions. Total miscellaneous revenue for 2010 was \$5.2 million and is comprised of \$4.1 million in investment revenue, \$1.2 million in savings on or cancellation of prior period's obligations, a net loss of \$563 589 on currency exchange, the receipt of \$385 113 in other miscellaneous, and \$25 468 in miscellaneous revenue from the Caribbean Epidemiology Center. The difference between the budgeted miscellaneous revenue for 2010 of \$10 million and the actual amount realized is due to the low interest rates available for investments. As interest rates are expected to remain constant for 2011, and assuming the portfolio remains at the current level, miscellaneous revenue is forecasted to reach a total of \$10.0 million for the 2010-2011 biennium. Any significant changes in the level or structure of the portfolio would increase or decrease this figure.

Figure 3: Miscellaneous Revenue



3. PAHO Regular Budget Component: Implementation

The expenses for PAHO Regular Budget activities in support of the promotion of international health programs reached \$94.2 million in 2010 compared to budgeted expense of \$103.2 million, resulting in an overall financial implementation rate of 91%. The Organization ended 2010 with a Net Surplus from Operations of \$4.2 million in the PAHO Regular Budget Component, which is available for implementation in the second year of the biennium.

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Table 1. PAHO Regular Budget Component: Financial Highlights (in millions of United States dollars)

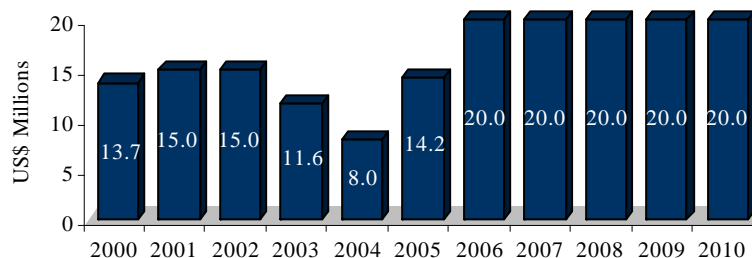
	Actual	Budgeted*
Revenue: 2010 Assessed Contributions	98.3	98.3
<i>Less:</i> Tax Equalization	(5.1)	(5.1)
Miscellaneous Revenue	5.2	10.0
Total Funds Available	98.4	103.2
<i>Less:</i> Actual 2010 Operating Expense	(94.2)	(103.2)
Net Surplus from Operations	4.2	

* For the purposes of actual vs. budget comparisons in this narrative, the budget figures represent one half of the Biennial Program and Budget to approximate annual budgetary figures.

4. Working Capital Fund

At the beginning of the 2010 financial reporting period, the Organization's Working Capital Fund was fully funded at \$20.0 million, its authorized level. The accumulation of \$4.2 million in Net Surplus from Operations in the PAHO Regular Budget during the 2010 financial reporting period provides funding for the second year of the biennium. Thus, as of 31 December 2010, the Working Capital Fund remained fully funded at \$20.0 million.

Figure 4: Working Capital Fund



5. WHO Allocation and Other Sources Funds

During 2010, revenue from the Regular Budget Allocation of the World Health Organization (WHO) reached \$39.5 million and revenue from Other Sources Funds from WHO reached \$42.9 million, for a total of \$82.4 million.

The Pan American Health Organization implemented \$39.5 million from the WHO Regular Budget Allocation in order to implement the international health programs established by the World Health Assembly for the Region of the Americas. In addition, the Organization implemented \$42.9 million in Other Sources Funds from WHO. In comparison, during 2008, the Organization implemented \$36.5 million in WHO Regular Budget Allocation funds and \$27.1 million in Other Sources Funds from WHO. Therefore, the total WHO funding implemented by PAHO/AMRO during 2010 reached \$82.4 million, an increase of \$18.8 million over 2008.

6. PAHO Voluntary Contributions

PAHO Voluntary Contributions are comprised of (1) the Voluntary Contributions Fund, which includes financial resources from governments for external projects, international organizations, and private and public sector organizations; (2) the

new Voluntary Contributions-Government Financing of Internal Projects Fund, which was established on 1 January 2010; (3) the Voluntary Contributions-Emergency Preparedness and Disaster Relief Fund, which includes financial resources from governments, international organizations, and private and public sector organizations; and (4) other funds.

During 2010, PAHO's total revenue from Voluntary Contributions reached \$199.8 million. Revenue is composed of \$69.3 million from governments for external projects, \$8.8 million from international organizations, \$4.7 million from private and public sector organizations, \$106.8 million from governments for internal projects (\$98.5 million for Brazil), \$81 498 from other voluntary contributions, \$9.9 million for programs and activities regarding emergency preparedness and disaster relief, and \$175 719 for the Caribbean Food and Nutrition Institute (CFNI).

In 2010, the largest governmental partners/stakeholders with respect to revenue recognized from projects external to the respective countries were Brazil (\$5.5 million), Canada (\$17.2 million), Norway (\$2.1 million), Spain (\$19.6 million), Sweden (\$2.6 million), and the United States (\$20.4 million). Significant revenue recognized from projects funded by international organizations include the Caribbean Community Secretariat (\$553 346), the European Community (\$3.9 million), the Inter-American Development Bank (\$2.0 million), the International Bank for Reconstruction and Development (\$586 415), the U.N. International Strategy for Disaster Reduction (\$566 104), and the U.N. Trust Fund for Human Security (\$420 979). The largest private and public sectors partners/stakeholders with respect to revenue recognized were the Albert B. Sabin Institute (\$868 158), the Global Alliance for Vaccine and Immunization (\$671 331), and the Pan American Health and Education Foundation (\$1.3 million).

Significant revenue recognized for technical cooperation in emergency preparedness and disaster relief is attributable to the Governments of Canada (\$2.8 million) and Spain (\$4.5 million), and from the European Community (\$2.0 million). The Organization continues to seek new financial resources from outside the Organization to expand public health projects in the Americas.

7. Procurement on Behalf of Member States

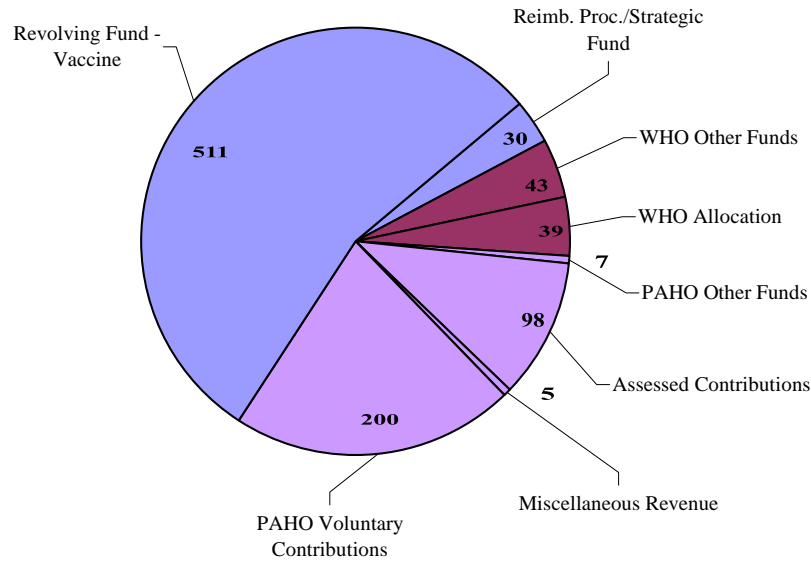
During 2010, the total revenue for procurement services on behalf of Member States increased to \$541.1 million compared with \$370.0 million in 2008. Through extensive international bidding, PAHO is able to purchase vaccines, public health supplies and equipment, and literature on behalf of Member States, government and international institutions at affordable prices. Funding for vaccine and syringe purchases through the Revolving Fund for Vaccine Procurement, which is a purchasing mechanism created to guarantee the quality and timely mobilization of vaccines at an affordable cost, increased from \$321.7 million in 2008 to \$510.6 million in 2010. Through this significant support to Member States' vaccination programs, the Organization contributes to the challenge of ensuring equal access to health services to the most neglected, vulnerable, marginalized, and excluded populations in the Americas.

During the same period, funding for the purchases of medical supplies, medical equipment, and literature, processed through the Reimbursable Procurement on Behalf of Member States Fund was \$8.8 million. Furthermore, revenue for the Regional Revolving Fund for Strategic Public Health Supplies, which was created in 1999 in order to facilitate the procurement of strategic public health supplies at lower, more stable prices, to increase availability of strategic supplies, and to increase planning capacity for procuring and distributing products, reached \$21.7 million. These strategic supplies were focused on combating malaria, tuberculosis, leishmanial disease, dengue, and HIV/AIDS. The largest volumes of procurement purchases placed through the three procurement funds were made by Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

8. Total Regular Budget and Other Sources Funding Implementation

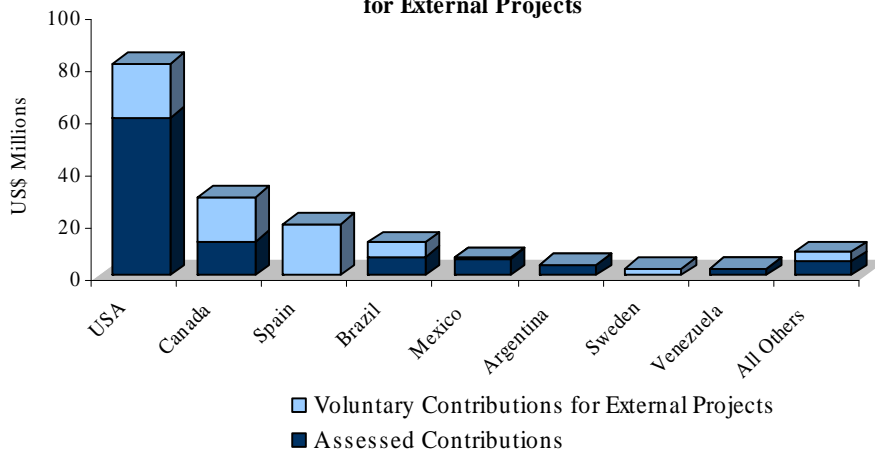
Total revenue in 2010 for all PAHO activities, net of eliminations, reached \$932.6 million, which represents a 30% increase over the \$718.5 million revenue for 2008. The trend of increasing financial resources is welcomed by the Organization in order to contribute to decreasing the disease burden and improving the health of the peoples of the Americas.

Figure 5: PAHO/AMRO Revenue for 2010 Program Activities (US\$ millions)



The total revenue attributable to eight Member States, partners, or stakeholders, including assessed contributions and Voluntary Contributions from governments for external projects, is shown below. This chart indicates that the Organization relies heavily on a relatively small number of Member States and partners/stakeholders as a major source of financing of the Organization's activities.

Figure 6: 2010 Assessed Contributions & Voluntary Contributions for External Projects



9. Expense by Source of Fund

The higher level of financial resources has enabled PAHO/AMRO to achieve significantly increased programmatic activity. PAHO/AMRO's total consolidated expense, reflecting disbursements and accrued liabilities, increased to \$927.3 million in 2010 from \$678.6 million in 2008, an increase of 37%. This increase in expense is in part attributable to an increase of (1) \$174.6 million in the Revolving Fund for Vaccine Procurement, (2) \$57.8 million in Voluntary Contributions, and (3) \$18.8 million in the WHO Regular Budget Allocation and Other Sources Funds.

Figure 7: Expenses by Source of Funds

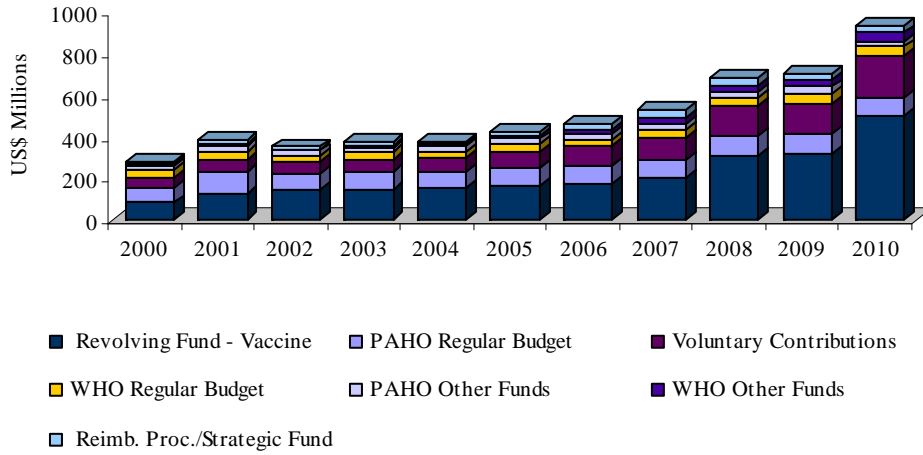
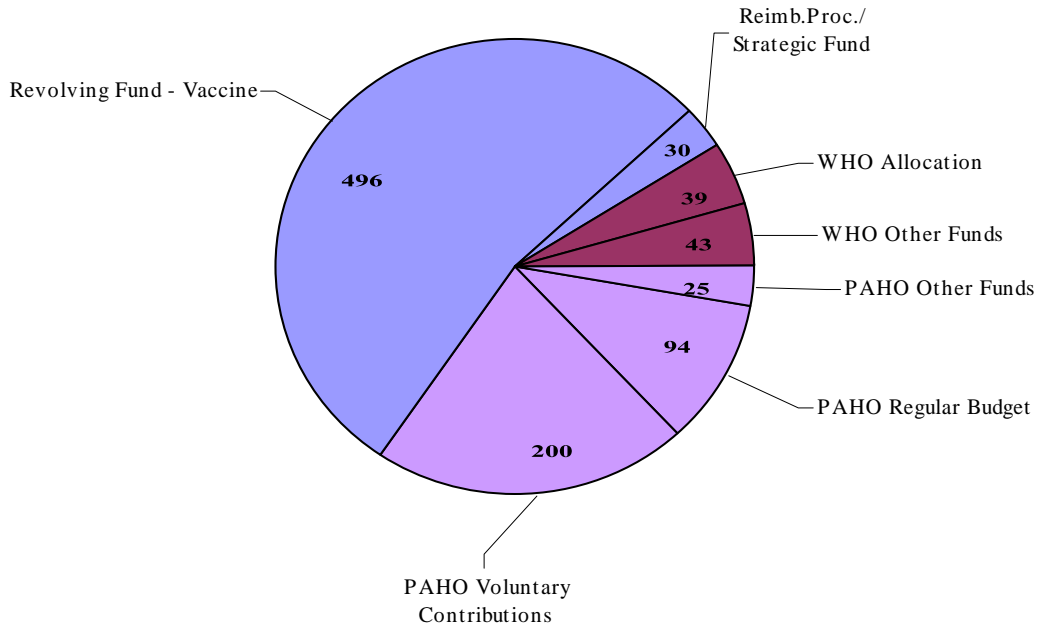


Figure 8: PAHO/AMRO Expenses for 2010 Program Activities (US\$ millions)



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The primary PAHO consolidated expense categories, including Regular Budget activities, Voluntary Contributions, Procurement activities and others, are shown below, in millions of United States dollars:

Table 2. PAHO consolidated expense categories

Staff and Other Personnel Costs	\$171.4
Supplies, Commodities, Materials	571.2
Equipment, Vehicles and Furniture	0.9
Contractual Services	84.1
Travel	52.4
Transfers and Grants to Counterparts	36.9
General Operating and Other Direct Costs	10.4
Total PAHO Expenses	<u>\$927.3</u>

The two most significant expense categories for the implementation of international health programs are (1) Staff and Other Personnel Costs, and (2) Supplies, Commodities, Materials. The Staff and Other Personnel Costs category reflects PAHO's commitment to providing technical cooperation to the Member States in order to strengthen public health in the countries of the Americas. The Supplies, Commodities, Materials category represents the procurement of vaccines and medical supplies for Member States through the Procurement Funds. The other expenses, including a) contractual services (including letters of agreement); b) general operating expenses; and c) travel for PAHO missions, seminars and courses, and technical capacity building, contribute to this commitment as well.

10. Liquidity and Investment Management

The financial stability of the Organization depends not only upon timely receipt of assessed contributions, voluntary contributions, and other revenue, but also on effective management of liquidity and the implementation of appropriate investment policies. The PAHO Investment Committee regularly reviews the portfolio's performance and makes decisions on the strategy to preserve the capital value of resources administered by the Organization, while benefiting from the conditions in the financial markets. During 2010, despite the international financial crisis, the investment portfolio remained stable and earned interest of \$4.1 million. Through a competitive process, PAHO's Investment Committee recently selected two additional external portfolio managers to oversee a portion of the intermediate duration portfolio. The addition of these managers will result in an overall increase in the yield of the portfolio reflecting the more efficient investment of liquid resources currently held in money markets and other short-term instruments. However, there will also be an increase in investment fees as a result of the additional expertise.

In accordance with best practices and IPSAS, beginning in 2010 the Statement of Financial Position will reflect the actual market value of the investment portfolio as of the reporting date. This figure is not a cash item or actual gain or loss, but reflects the change in the market value of individual instruments in the portfolio that are available for sale. Any "unrealized" gain or loss resulting from the market valuation would only be recognized in the Statement of Financial Performance should the instruments be sold.

Total cash and investments for the Organization at 31 December 2010 were \$484.5 million, an increase of \$28.2 million over the cash and investment balance as of 31 December 2008. Furthermore, monthly cash disbursements increased from \$55.5 million to \$75.1 million, representing a 35% increase in activities. The term of the various investments in the portfolio reflect the nature and liquidity needs of the activities of the Organization and, therefore, are primarily short-term in duration (less than 12 months). These short-term investments are held to finance the Biennial Program and Budget activities, the procurement activities on behalf of Member States, the implementation of partner/stakeholder agreements, and other activities for which cash has yet to be disbursed. Long-term investments (from one to five years) represent special funds held in reserve and long-term liabilities of the Organization, including future entitlements of current staff members for termination and repatriation.

11. Performance of the Centers Administered by PAHO

Caribbean Epidemiology Center (CAREC)

Assessed contributions receipts for 2010 reached \$1.9 million or 74% of the 2010 assessed contributions. Receipts on arrears amounted to \$957 525 or 25% of the total assessed contributions arrears as of 1 January 2010. CAREC total revenue and expense was \$3.0 million and \$2.3 million, respectively, resulting in a net surplus of \$668 312.

Caribbean Food and Nutrition Institute (CFNI)

Assessed contributions receipts for 2010 reached \$239 053 or 58% of the 2010 assessed contributions. Receipts on arrears amounted to \$162 871 or 11% of the total assessed contributions arrears as of 1 January 2010. CFNI total revenue and expense was \$602 157 and \$499 384, respectively, resulting in a net surplus of \$102 773. CFNI implemented \$175 719 in voluntary contributions revenue.

12. Financial Statements

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

- *The Statement of Financial Position* (former “Statement of Assets, Liabilities, and Reserves and Fund Balances”) measures the financial strength of PAHO and displays in monetary value the assets and liabilities as of the end of the financial reporting period.
- *The Statement of Financial Performance* (former “Statement of Income and Expenditure and Changes in Fund Balances”) shows how well PAHO used its assets to generate revenue; it is a general measure of PAHO’s financial health over a given period of time (12 months) and can be compared with similar organizations.
- *The Statement of Changes in Net Assets/Equity* (new) shows all the activity in net assets during a financial period, thus reflecting the increase or decrease in PAHO’s net assets during the year.
- *The Cash Flow Statement* (former “Statement of Cash Flow”) explains the changes in the cash position of PAHO by reporting the cash flows classified by operating, investing, and financing activities.
- *A Comparison of Budget and Actual Amounts* (former “Statement of Regular Budget Appropriation”) reflects actual utilization of revenue in comparison with the Biennial Program and Budget Plan approved by the 50th Directing Council in 2009.
- *Notes, comprising a summary of significant accounting policies and other explanatory notes* (former “Explanatory Notes to Financial Statements”).

However, in order to provide the reader of PAHO’s Financial Statements with more detailed information to fully understand the breadth of the activities of the Organization and the consolidated Centers, an unaudited informational annex has been provided after the Report of the External Auditor. This annex includes summaries for the individual segments, Assessed Contributions, Procurement Funds, and the Voluntary Contributions Funds. These summaries were previously included in the Financial Report of the Director.

13. Accounting Policies and Basis of Preparation

The Financial Statements of the Pan American Health Organization (the Organization) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS), using the fair value


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valuation convention. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

The Organization previously prepared its financial reports on the modified cash basis under the United Nations' System Accounting Standards (UNSAS). Based on the decision to change to accrual accounting under IPSAS, amendments to the Financial Regulations and Financial Rules were made and adopted by the Directing Council at its 49th meeting on 28 September 2009 and by the 145th Executive Committee on 2 October 2009, to become effective 1 January 2010. The financial reporting period is 1 January through 31 December annually with an approved Biennial Program and Budget Plan.

These Financial Statements were prepared under the assumption that the Organization is a going concern and will continue in operation and will meet its mandate for the foreseeable future (IPSAS 1). The Governing Bodies of the Organization have not communicated through any means that there is an intention to terminate the Organization or to cease its operations. Furthermore, at the time of the preparation of these Financial Statements and in accordance with IPSAS 14, Paragraph 18, the Executive Management of the Organization was not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the ability of the Organization to continue as a going concern.

The Financial Statements of the Organization were authorized for issue by the Director of the Organization under the authority vested in her by the Pan American Sanitary Conference as stated in the Resolution CSP26.R6 in September 2002. This issuance approval is dated 15 April 2011. No other authority has the power to amend the Financial Statements after issuance. (Reference: IPSAS 14, paragraph 26).


8-11-2011
Mirta Roses Periago
Director
Pan American Health Organization



PAN AMERICAN HEALTH ORGANIZATION

Letter of Transmittal


In accordance with the provisions of Regulation XIII of the Financial Regulations, I have the honor to submit the Financial Report of the Pan American Health Organization for the financial period 1 January 2010 to 31 December 2010.



Mirta Roses Periago
Director
Pan American Health Organization

Certification of Financial Statements

The Financial Statements and supporting Notes are approved:



Sharon G. Frahler

Manager

Area of Financial Resources Management



Mirta Roses Periago

Director

Pan American Health Organization

8 April 2011

Statement on Internal Control

Scope of Responsibility

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

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

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve expected results and strategic objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of the Organization's mandate and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively, and economically. The system of internal control has been in place at PAHO for the financial reporting period 1 January 2010 through 31 December 2010, and up to the date of the approval of the Financial Report of the Director.

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

Capacity to Handle Risk

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

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

Risk and Control Framework

The risk and control framework is developed and implemented by the Governing Bodies and the Pan American Sanitary Bureau (PASB), the Secretariat of the Organization. These organs, as stipulated in Article 3 of the Constitution of PAHO, determine the Organization's general policies, including financial policy, and review and approve the multi-year strategy and biennial program and budget of the Organization.

The Secretariat provides regular reporting to the Governing Bodies on the financial and budgetary status of the Organization, including an annual report by the External Auditors of PAHO. Furthermore, the Office of Internal Oversight and Evaluation issues an annual report of its activities, with a status of outstanding audit recommendations. The Auditor General also provides the Director with an overall opinion on PAHO's internal control environment.

The Areas of Financial Resources Management and Planning, Budget and Resource Coordination submit monthly reports to Executive Management covering the Organization's current financial position, the likelihood that financial and budgetary plans will be achieved, and the risks attached. These reports are discussed in detail in order that the members of Executive Management have appropriate and comprehensive information necessary to the decision-making process.

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

The Director of Administration has initiated the development of a conceptual framework to implement an Enterprise Risk Management program for PAHO. While this framework is still in development, it is based upon the ISO 31000, *Risk Management Principles and Guidelines*. The objective of the framework is not simply the completion of a Risk Register, but to be able to apply the principles of risk management throughout the Organization, and to a wide range of activities, including strategies and decisions, operations, processes, functions, projects, products, services and assets.

Review of Effectiveness

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

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

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As Regional Office of the Americas for the World Health Organization (WHO), PAHO is also subject to audit and evaluation by the WHO's Office of Internal Oversight Services (WHO-IOS). The IOS develops its annual plan based on a risk assessment of the projects and programs administered by PAHO. The IOS employs an integrated audit approach which reviews the totality of the entity, whether country office, technical unit, or program, including financial and human resource management, program planning and budgeting, and collaboration with external partners and stakeholders. WHO IOS also relies significantly on the audit and evaluation work of PAHO's Office of Internal Oversight and Evaluation Services.

The PAHO Audit Committee, which was established pursuant to Resolution CD49.R2, serves in an independent expert advisory capacity to assist the Director and PAHO's Member States. It provides independent assessment and advice on the operation of the Organization's financial control and reporting structures, risk management processes, and the adequacy of the Organization's systems of internal and external controls. The Audit Committee meets twice each year, and met for the first time in November 2010.

The system of internal control has been in place for the year ending 31 December 2010 and up to the date of the approval of the Financial Report of the Director. However, with the significant growth in the Organization, a number of weaknesses in the system of internal control were identified that have necessitated additional work to be undertaken in order that adequate internal control assurances could be provided.

Significant Internal Control Issues	Action Taken to Address Issue
<p>1. Corporate Financial Systems - The implementation of International Public Sector Accounting Standards (IPSAS) has further highlighted the weaknesses in the collection of legacy systems, which required significant modification and manual "work arounds" to meet the requirements of accrual accounting, asset capitalization and depreciation, and annual financial reporting. Furthermore, the systems cannot easily provide the range of management reporting required of a dynamic and growing Organization.</p>	<p>The PAHO Management Information System (PMIS) team is in the process of completing the final evaluation of ERP solutions. The Organization anticipates rolling out the first modules in 2014.</p>
<p>2. Project Implementation - Effective implementation of the Program Budget is critical to the reputation and sustained growth of the Organization. The balance of Voluntary Contributions commitments that remain unimplemented, as well as the funds returned to donors, has continued to be a concern. A balance of project acceptance and design, rational business practices, policies and procedures, and absorptive capacity of beneficiaries is required to reach optimal project implementation goals.</p>	<p>Above and beyond the systematic, coordinated review of project proposals, the Area of Planning, Budget and Resource Coordination collaborates with implementing entities to improve project planning development and implementation. In addition, the Organization strengthened existing tools for collaboration, with a view toward improving project outcomes and reaching outside the Organization to expand capacity for technical cooperation. The Area of Financial Resources Management issues the Project Implementation Review report periodically which illustrates the financial implementation status for those agreements that will be expiring in the short-term. This provides the project managers with the opportunity to negotiate with the donors should an extension or reprogramming be required.</p>

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<p>3. Succession Planning - The imminent retirement of a significant proportion of senior managers has the potential to result in a loss of institutional knowledge.</p>	<p>The Organization is actively engaged in succession planning through the Human Resources Management biennial HR Plan for each PAHO entity, which requires the managers to plan for retirements and other staffing requirements. Furthermore, all senior managers are required to submit an “end of mission” report prior to changing roles, transferring to another United Nations organization, or retiring.</p>
<p>4. Emergency Response PAHO, as the preeminent health agency in the Region of the Americas, must take a leadership role in addressing emergencies. The impact and severity of recent emergencies in the Region, including the H1N1 crisis and the disaster in Haiti, have highlighted the need to have a strong, centralized team of specialists to analyze and coordinate response requirements and information.</p>	<p>PAHO instituted the Emergency Operations Center (EOC), which functions as a centralized location through which organizational coordination and control of health-related response activities by PAHO’s Disaster Task Force and the Epidemic Alert and Response Task Force (EARTF) during emergencies and disasters in the Region can be accomplished. In order to meet the longer-term needs of the EOC, plans have been made to establish a permanent state-of-the-art “situation room” that will have the technology required to address the dynamic situations faced by the EOC.</p>
<p>5. Technical Competencies of Staff - The introduction of best practices in financial accounting and reporting has emphasized the need for strengthening the technical competencies of staff both at headquarters and the country offices to ensure the accurate recording of financial transactions in a decentralized environment.</p>	<p>The Financial Accountability Framework as implemented by the Area of Financial Resources Management monitors the basic controls in the country offices to ensure compliance with Financial Regulations and financial policies. The risk-based planning approach employed by the Office of Internal Oversight and Evaluation Services also provides feedback regarding the operations of the various offices. The Area of Financial Resources Management compiles a list of all audit findings and recommendations, external and internal, to assist the country offices in improving their operations. Training in IPSAS and other financial accounting and reporting topics have been provided to all staff in the Organization, including an IPSAS-specific exam which was completed by 1,200 staff members. Additional topic-specific training (e.g. accrual accounting) is planned for the country office staff in 2012.</p>



8-11-2011
Mirta Roses Periago

Director

Pan American Health Organization

Opinion of the External Auditor

INDEPENDENT AUDITOR'S OPINION AND REPORT TO THE DIRECTING COUNCIL

I have audited the consolidated financial statements of the Pan American Health Organization for the year ended 31 December 2010. These comprise the Consolidated Statement of Financial Position, Consolidated Statement of Financial Performance, Consolidated Statement of Changes in Net Assets, Consolidated Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts and the related notes. These consolidated financial statements have been prepared under the accounting policies set out within them.

Director's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the consolidated financial statements based on my audit in accordance with Article XIV of the Financial Regulations. I conducted my audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require me and my staff to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Opinion on financial statements

In my opinion:

- the consolidated financial statements present fairly, in all material respects, the financial position of the Pan American Health Organization as at 31 December 2010 and the results for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Public Sector Accounting Standards and the Financial Regulations which govern them and the stated accounting policies; and
- the accounting policies have been applied on a basis consistent with that of the preceding financial period except where disclosed in the financial statements.

Opinion on Regularity

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

Matters on which I report by exception

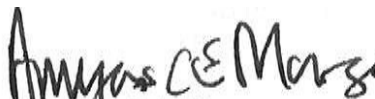
I have nothing to report in respect of the following:

Under the letter of engagement, I am required to report to you if, in my opinion:

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

External Auditor's Report

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



Amyas C E Morse

Comptroller and Auditor General, United Kingdom
External Auditor

National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP

14th April 2011

PAN AMERICAN HEALTH ORGANIZATION
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Consolidated Statement of Financial Position

(Expressed in thousand US Dollars)

	Reference	31 December 2010	Opening Balance Restated 01 January 2010
ASSETS			
Current Assets			
Cash and Cash Equivalents	Note 3	167 574	175 738
Short Term Investments	Note 4.1	175 060	180 000
Accounts Receivable	Note 6.1	171 363	165 096
Inventories	Note 7	841	789
Total Current Assets		514 838	521 623
Non-Current Assets			
Long Term Investments	Note 4.2	141 815	123 586
Accounts Receivable	Note 6.2	61 606	64 022
Property, Plant and Equipment	Note 8.1	105 220	106 079
Total Non-Current Assets		308 641	293 687
TOTAL ASSETS		823 479	815 310
LIABILITIES			
Current Liabilities			
Accrued Liabilities	Note 9	26 551	36 408
Accounts Payable	Note 10.1	13 445	7 749
Employee Benefits	Note 11	9 321	
Deferred Revenue	Note 12.1	283 626	289 682
Total Current Liabilities		332 943	333 839
Non-current Liabilities			
Accounts Payable	Note 10.2	18 961	18 961
Employee Benefits	Note 11	179 324	180 390
Deferred Revenue	Note 12.2	169 476	179 279
Total Non-Current Liabilities		367 761	378 630
TOTAL LIABILITIES		700 704	712 469
NET ASSETS / EQUITY			
Fund Balances and Reserves			
Fund Balances	Note 13	43 613	26 517
Reserves	Note 13	79 162	76 324
NET RESERVES & FUND BALANCES		122 775	102 841

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Consolidated Statement of Financial Performance

(Expressed in thousand US Dollars)

	Reference	31 December 2010
REVENUE		
Revenue from Non-Exchange Transactions		
Assessed Contributions	Note 14	101 351
Voluntary Contributions	Note 14	199 797
Other Revenue	Note 14	80 066
Revenue from Exchange Transactions		
Procurement of Public Health Supplies	Note 14	541 150
Other Revenue	Note 14	5 029
Miscellaneous Revenue	Note 14	5 184
TOTAL REVENUE		932 577
EXPENSES		
Staff and Other Personnel Costs	Note 15	171 359
Supplies, Commodities, Materials	Note 15	571 212
Equipment, Vehicles, Furniture and Depreciation	Note 15	859
Contract Services	Note 15	84 142
Travel	Note 15	52 413
Transfers and Grants to Counterparts	Note 15	36 874
General Operating and Other Direct Costs	Note 15	10 404
TOTAL EXPENSES		927 263
NET SURPLUS		5 314

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Consolidated Statement of Changes in Net Assets

(Expressed in thousand US Dollars)

	<u>Reference</u>	<u>31 December 2010</u>
Net assets at the beginning of the year		507 192
Change in accounting policy	Note 24	<u>(404 351)</u>
Restated balance at the beginning of the year		<u>102 841</u>
Settlement of Employee Benefit Liability	Note 11.3.10	10 150
Gain/Loss on Revaluation of Investments	Note 4.2	325
Derecognition of Liability to Reserve	Note 23	<u>4 145</u>
Total of items (revenue/expenses) recognized		<u>14 620</u>
Surplus/(deficit) for the Financial Period		<u>5 314</u>
Total recognized revenue and expense for the year		<u>19 934</u>
Net assets at the end of the year		<u><u>122 775</u></u>

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Consolidated Cash Flow Statement

(expressed in thousand US dollars)

	31 December 2010
Cash Flows from Operating Activities:	
Surplus for the period	5 314
Depreciation	1 541
(Increase) in Accounts Receivable	(3 851)
(Increase) in Inventories	(52)
(Decrease) in Accrued Liabilities	(9 857)
Increase in Accounts Payable	5 696
Increase in Employee Benefits	18 405
Increase in Other Liabilities	4 145
(Decrease) in Deferred Revenue	(15 859)
Net Cash Flows from Operating Activities	5 482
Cash Flows from Investment and Financing Activities:	
Decrease in Short Term Investments	5 265
(Increase) in Long Term Investments	(18 229)
(Increase) in Property, Plant and Equipment	(682)
Net Cash Flows from Investing Activities	(13 646)
Net (Decrease) in Cash and Cash Equivalents	(8 164)
Cash and Cash Equivalents at the beginning of the Year	175 738
Cash and Cash Equivalents at the end of the Year	167 574

Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

<u>Description of Appropriation Sections</u>	<u>2010-2011 Budget</u>	<u>2010 Disbursements</u>	<u>Disbursements as % of Budget Amount</u>
Section I - To reduce the health, social and economic burden of communicable diseases	23 302	14 438	62%
Section II - To combat HIV/AIDS, tuberculosis and malaria	6 324	2 903	46%
Section III - To prevent and reduce disease, disability and premature death from chronic non-communicable conditions, mental disorders, violence and injuries	11 426	5 120	45%
Section IV - To reduce morbidity and mortality and improve health during key stages of life, including pregnancy, childbirth, the neonatal period, childhood and adolescence, and improve sexual and reproductive health and promote active and healthy ageing for all individuals	11 694	3 780	32%
Section V - To reduce the health consequences of emergencies, disasters, crises and conflicts, and minimize their social and economic impact	3 893	2 062	53%
Section VI - To promote health and development, and prevent or reduce risk factors for health conditions associated with use of tobacco, alcohol, drugs and other psychoactive substances, unhealthy diets, physical inactivity, and unsafe sex, which affect health conditions	7 611	2 636	35%

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Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

<u>Description of Appropriation Sections</u>	<u>2010-2011 Budget</u>	<u>2010 Disbursements</u>	<u>Disbursements as % of Budget Amount</u>
Section VII - To address the underlying social and economic determinants of health through policies and programs that enhance health equity and integrate pro-poor, gender-responsive, and human rights-based approaches	8 068	3 240	40%
Section VIII- To promote a healthier environment, intensify primary prevention and influence public policies in all sectors so as to address the root causes of environmental threats to health	13 399	5 037	38%
Section IX- To improve nutrition, food safety and food security throughout the life-course, and in support of public health and sustainable development	12 009	6 210	52%
Section X- To improve the organization, management and delivery of health services	8 111	3 200	39%
Section XI- To strengthen leadership, governance and the evidence base of health systems	32 026	12 769	40%
Section XII - To ensure improved access, quality and use of medical products and technologies	7 565	1 975	26%

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Comparison of Budget and Actual Amounts

(Expressed in thousand US Dollars)

Reconciliation of Total Amounts on a Cash Basis

<u>Description of Appropriation Sections</u>	<u>2010-2011 Budget</u>	<u>2010 Disbursements</u>	<u>Disbursements as % of Budget Amount</u>
Section XIII - To ensure an available, competent, responsive and productive health workforce to improve health outcomes	9 305	3 633	39%
Section XIV - To extend social protection through fair, adequate and sustainable financing	5 207	1 781	34%
Section XV - To provide leadership, strengthen governance and foster partnership and collaboration with Member States, the United Nations system and other stakeholders to fulfill the mandate of PAHO/WHO in advancing the global health agenda, as set out in WHO's Eleven General Programme of Work, and the Health Agenda for the Americas	65 885	27 405	42%
Section XVI - To develop and sustain PAHO/WHO as a flexible, learning organization, enabling it to carry out its mandate more efficiently and effectively	61 275	35 722	58%
Section XVII - Staff Assessment (Transfer to Tax Equalization Fund)			
<i>Effective Working Budget (parts I-XVII)</i>			
Subtotal	287 100	131 911	46%
Other Sources	355 851	208 850	59%
Total (Note 16)	<u>642 951</u>	<u>340 761</u>	<u>53%</u>

The 2010-2011 Budget amount reflects the funding appropriated by the Governing Bodies for the Organization's Strategic Plan during the entire 2010-2011 biennium. The 2010 Disbursements amount reflects the disbursements made in achieving the Organization's Strategic Plan in 2010, the first year of the 2010-2011 biennium.

Notes to the Financial Statements at 31 December 2010

1. Mission of the Pan American Health Organization

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

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

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

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

2. Accounting Policies

2.1 Basis of Preparation

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

The financial statements of the Organization were authorized for issue by the Director of the Organization on 15 April 2011, under the authority vested in her by the Pan American Sanitary Conference as stated in the Resolution CSP26.R6 in September 2002. No other authority has the power to amend the financial statements after issuance.

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

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

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

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

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

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

IPSAS		Financial Statement or Note Where the Standard was Implemented	Reason for not being implemented
No.	Title		
1	Presentation of Financial Statements	<ul style="list-style-type: none"> All financial statements and Notes to the Financial Statements 	
2	Cash Flow Statements	<ul style="list-style-type: none"> Cash Flow Statement 	
3	Accounting Policies, Changes in Accounting Estimates and Errors	<ul style="list-style-type: none"> Accounting Policies – Note 2 	
4	The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> Accounting Policy – Note 2.18 Cash and Cash Equivalents – Note 3 	
5	Borrowing Costs		Not applicable – The Organization does not borrow funds.
6	Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> Accounting Policy - Note 2.22 Consolidated Entities – Note 22 	
7	Investments in Associates		Not applicable – The Organization does not have any Associates
8	Interests in Joint Ventures		Not applicable – The Organization does not have Joint Ventures
9	Revenue from Exchange Transactions	<ul style="list-style-type: none"> Statement of Financial Performance Accounting Policy – Note 2.17 	
10	Financial Reporting in Hyperinflationary Economies		Not applicable according to the current economic circumstances of the Organization
11	Construction Contracts		Not applicable – The Organization does not implement construction contracts
12	Inventories	<ul style="list-style-type: none"> Statement of Financial Position Accounting Policy - Note 2.7 Inventories – Note 7 	
13	Leases	<ul style="list-style-type: none"> Statement of Financial Position Accounting Policies – 2.9 Expenses – Note 15 	
14	Events After the Reporting Date	<ul style="list-style-type: none"> Events After the Reporting Date – Note 21 	
15	Financial Instruments: Disclosure and Presentation	<ul style="list-style-type: none"> Accounting Policy - Note 2.3 Financial Instruments – Note 5 (interpreted in conjunction with IAS 39) 	
16	Investment Property		Not applicable – The Organization does not have investment property to report

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1 January 2010 – 31 December 2010**

IPSAS		Financial statement or Note where the Standard was Implemented	Reason for not being implemented
No.	Title		
17	Property, Plant and Equipment	<ul style="list-style-type: none"> • Accounting Policy – Note 2.8 • Property Plant and Equipment – Note 8 	
18	Segment Reporting	<ul style="list-style-type: none"> • Accounting Policy – Note 2.19 • Segment Reporting – Note 17 	
19	Provisions, Contingent Liabilities and Contingent Assets	<ul style="list-style-type: none"> • Accounting Policy - Note 2.15 and Note 2.16 	
20	Related Party Disclosures	<ul style="list-style-type: none"> • Related Parties - Note 20 	
21	Impairment of Non-Cash Generating Assets	<ul style="list-style-type: none"> • Accounts Receivable – Note 6 • Inventories – Note 7 • Property, Plant and Equipment – Note 8 	
22	Disclosure Information about the General Government Sector		Not applicable – The Organization is an international organization
23	Revenue from Non-Exchange Transactions	<ul style="list-style-type: none"> • Statement of Financial Performance • Accounting Policy – Note 2.17 • Revenue – Note 14 • Segment Reporting – Note 17 	
24	Presentation of Budget Information in Financial Statements	<ul style="list-style-type: none"> • Comparison of Budget and Actual Amounts • Accounting Policy – Note 2.20 	
25	Employee Benefits	<ul style="list-style-type: none"> • Accounting Policy – Note 2.14 • Employee Benefits – Note 11 	
26	Impairment of Cash-Generating Assets		Not applicable – The Organization does not have any cash generating assets
27	Agriculture		Not applicable - The Organization is not currently involved in agricultural activities
28	Financial Instruments: Presentation		The effective date of this standard is 1 January 2013
29	Financial Instruments: Recognition and Measurement		The effective date of this standard is 1 January 2013
30	Financial Instruments: Disclosures		The effective date of this standard is 1 January 2013
31	Intangible Assets	<ul style="list-style-type: none"> • Accounting Policy – Note 2.10 	

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Transitional Provisions

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

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

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

2.2 Cash and Cash Equivalents

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

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

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

2.3 Investments

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

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

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

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

2.4 Loans and Receivables

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

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

2.5 Risk Management Policies

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

2.6 Accounts Receivable

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

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

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

The main types of receivables are:

- **Assessed Quota Contributions (non-exchange transactions)**

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

- **Tax Equalization Fund (non-exchange transactions)**

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

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

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

- **Voluntary Contributions (non-exchange transactions)**

The Organization enters into Voluntary Contribution agreements with entities such as governments, international organizations, and private and public institutions. Upon signature by both parties and approval by the Organization's Office of Legal Counsel of the agreements, the full value of the agreement is recognized as a receivable and as deferred revenue (Note 2.13)

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

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

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

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

- **Inter-Organization Funding Activities**

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

- **Regular Advances to Staff**

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

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

2.7 Inventories

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

Inventories, procured with Voluntary Contributions on behalf of a project, do not form part of the Organization's inventory. The cost formula, due to the specific circumstances in Haiti, is "First to expire First out" for the inventories of pharmaceutical drugs and medications.

The Organization is simply the implementing agent and is only responsible for the disposition of the items within the terms of the agreement. If the items are not consumed within the project period, the final disposition would be determined by the donor. At no time does the Organization retain control of these items; therefore, the correct accounting treatment is to expense these items at the time of purchase.

2.8 Property, Plant and Equipment

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

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

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

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

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

Transitional provisions have been applied in the initial recognition of Property, Plant, and Equipment (PP&E) which were purchased or donated before 1 January 2010. Except for land and buildings, assets acquired prior to 1 January 2010 were expensed at the date of purchase and have not been recognized as assets in 2010. The Organization will revalue its land and buildings on a periodic basis, including leased property. External experts will be utilized to determine updated market value.

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

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

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

Impairment reviews are undertaken for all assets at least annually.

2.9 Leases

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

The Organization is the lessee for the first two floors of the same building mentioned above. The Organization also leases various office premises for the Representation Offices throughout the Americas. These are all cancelable agreements. Total annual lease payments have been disclosed in Note 15 on Expenses.

2.10 Intangible Assets

Intangible assets, which are above the pre-established thresholds of \$100 000 for intangible assets purchased externally and \$30 000 for intangible assets developed in-house, are stated at historical cost less accumulated amortization and any impairment losses. Amortization is determined for intangible assets over their estimated useful life using the straight line method. The estimated useful lives for intangible assets classes are as follows:

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

The Organization had no intangible assets placed into production in 2010.

2.11 Accounts Payable

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

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

2.12 Accrued Liabilities

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

2.13 Deferred Revenue

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

Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties—i.e., the Organization and the donors, partners, or stakeholders, and (2) the funds are conditional, due to the understanding that any unimplemented funds will be returned to the donors, partners, and stakeholders based on inability to perform the services in accordance with the agreement. Revenue is recognized in the Statement of Financial Performance based on the amount implemented during the financial period.

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

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

2.14 Employee Benefits

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

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

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

2.15 Provisions and Contingent Liabilities

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

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

2.16 Contingent Assets

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

2.17 Revenue

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

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

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

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

- **Revenue from Assessed Contributions (non-exchange transactions)**
Revenue from assessed contributions is recognized as of 1 January of each year when the Member States’ assessed contribution commitment to the Organization is incurred.
- **Revenue from Voluntary Contributions (non-exchange transactions)**
Voluntary contributions, confirmed in writing by both parties, are recognized as receivables and deferred revenue (liabilities) because these funding agreements are conditional. As the voluntary contribution projects are implemented, the deferred revenue is then recognized as revenue.
- **Revenue from the Procurement of Public Health Supplies (exchange transactions)**
Revenue is recognized in respect of the procurement of public health supplies because the Organization bears the risks and rewards of the purchased goods. Revenue on these transactions is recognized once the delivery and quality assurance testing have been successfully completed. The Procurement of Public Health Supplies is comprised by three funds: Revolving Fund for Vaccine Procurement; Reimbursable Procurement; and the Regional Revolving Fund for Strategic Public Health Supplies. (See Note 2.6 Accounts Receivables, in respect of the Revolving Funds, and Note 2.13 Deferred Revenue, in respect of Reimbursable Procurement).
- **Other Revenue (non-exchange transactions)**
As the Regional Office of the Americas (AMRO) of the World Health Organization, the Organization receives funding allocations from WHO for the implementation of technical cooperation activities.

Funds received by the Organization from WHO include the following allocations:
 - Allocations of WHO regular budget
 - Allocations of WHO voluntary contributions
 - Allocations of other WHO internal funds
- **Other Revenue (exchange transactions)**
The Organization, under its different specific mandates, carries out other technical cooperation activities for which revenue is separately disclosed. These activities include the following: Sales of services and program support costs.

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

- **Miscellaneous Revenue (exchange transactions)**
Miscellaneous revenue includes foreign currency revaluations, exchange rate gains and losses, interest earned, realized gains and losses, and gains and losses from the sale of property, plant, and equipment.
- **Special Activities Segment**
Activities approved by the Organization's Governing Bodies for specific objectives and entitlements. (i.e. Staff entitlements, terminal entitlements, after-service health insurance.) Therefore, all employee benefits liabilities have been included in this segment.

2.18 Foreign Currency Transactions and Balances

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

Following the IPSAS 4, paragraph 67, Transitional Provisions, the financial statements of the Organization do not disclose the cumulative translation differences that existed at the date of first adoption of IPSAS. In regards to paragraphs 68 and 69, of the same Transitional Provisions, possible translation differences are not considered material due to the fact that the funds of the Organization are mainly kept in US Dollars.

2.19 Segment Reporting

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

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

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

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

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

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

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

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

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

2.20 Budget Comparison

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

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

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

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

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

2.21 In-Kind Contributions

In-kind contributions of services that support approved operations and activities, including use of premises, utilities, personnel, transportation services, etc., are identified by categories of services under the respective Member State providing the in-kind contribution during 2010. These are not recognized in the financial statements because the fair value of the services or assets cannot be reliably measured.

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

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

2.22 Sub-Regional Consolidated Entities

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

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

3. Cash and Cash Equivalents

	<u>31 December 2010</u>
Cash on Hand, US\$	41 374
Cash on Hand, Other Currencies	3 214
Money Market Funds	<u>122 986</u>
Total	<u><u>167 574</u></u>

4. Investments

4.1 Short-Term Investments

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

	<u>31 December 2010</u>
Certificates of Deposit	<u><u>175 060</u></u>

An additional amount of accrued interest of \$ 312 686 has been included in the Consolidated Statement of Financial Position as a receivable.

4.2 Long-Term Investments

Long-term investments are those that mature beyond one year. Managed Portfolios are treated as a single investment; no transfer of funds takes place between the Organization and these Portfolios on a regular basis. Although these Portfolios are treated as long-term, they may, at any point, contain a small percentage of both short-term items and cash funds, which are considered timing differences in a long-term portfolio.

	31 December 2010
Net Increase in Long -term Investments	
Increase in Long-term Investments	20 736
Unrealized Net Gains	(325)
Net Increase in Long-term Investments	20 411
Cash Flows from Long-term Investments	
Interest Revenue	3 017
Realized Net Gains	596
Total	3 613

	31 December 2010	
	Cost	Market
Fixed Income Notes	45 004	44 868
Managed Portfolios	130 264	131 358
Total	175 268	176 226

	31 December 2010
Reconciliation of Long-term Investments	
Fixed Income Notes (Cost)	45 004
Less: Plan Assets (see note 11.3.5)	(30 000)
Managed Portfolio (Market)	131 358
Less: Plan Assets (see note 11.3.5)	(4 547)
Total for Long-term Investments	141 815

Long-term fixed income notes are held to maturity and stated at amortized cost using the effective interest method. As long-term fixed income instruments held are issued by U.S. Government agencies and backed by the full faith and credit of the U.S. Government, there is no evidence to suggest that the borrower will default on these obligations. An additional amount of accrued interest of \$211 489 has been disclosed in the Consolidated Statement of Financial Position as a receivable.

Managed Portfolios are classified as available for sale and stated at fair value with value changes recognized in the fund balance. The market value above does not include accrued interest of \$500 512, which is included in the Statement of Financial Position as a receivable and recognized on the Statement of Financial Performance as Miscellaneous Revenue.

5. Financial Instruments

5.1 Nature of Financial Instruments

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

Financial Instruments and Method of Valuation

	<u>Amortized Cost</u>	<u>Fair Market Value</u>
Cash and Cash Equivalents	167 574	
Short-term Investments		
Certificates of Deposit (held to maturity)	175 060	
Long-term Investments		
Fixed Income Notes (held to maturity)	45 004	
Managed Portfolios (available for sale)		131 358
Total	<u><u>387 638</u></u>	<u><u>131 358</u></u>

5.2 Interest Rate Risk

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

	<u>Effective Maturity</u>	<u>Effective Interest Rate</u>	<u>Fixed Interest</u>	<u>Floating Interest</u>	<u>Non-Interest Bearing</u>
Total Cash and Cash Equivalents	<90 days	0.11%		122 986	44 588
Short-term Investment					
Certificates of Deposit	112 days	0.44%	175 060		
Long-term Investments					
Fixed Income Notes	3.64 years	1.36%	45 004		
Managed Portfolios	1.60 years	1.52%	131 358		
Total			<u><u>351 422</u></u>	<u><u>122 986</u></u>	<u><u>44 588</u></u>

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

Callable Instruments

Issuer	Principal	Rate	Maturity	Call Dates
Federal Farm Credit Bank	5 000	1.17%	5-Aug-13	5-Aug-11
Federal National Mortgage Association	5 000	1.10%	28-Apr-16	28-Apr-11
Federal National Mortgage Association	5 000	2.00%	5-Aug-15	5-Aug-11
Federal Home Loan Mortgage Association	5 000	2.00%	30-Sep-15	30-Mar-11
Federal National Mortgage Association	5 000	0.75%	24-Aug-12	24-Aug-11
Federal Home Loan Mortgage Association	5 000	0.50%	4-Nov-13	4-May-11
Federal Home Loan Bank	5 000	0.75%	24-Nov-14	24-May-11
Federal National Mortgage Association	<u>10 000</u>	2.00%	15-Jul-14	15-Jul-11
Total	<u><u>45 000</u></u>			

5.3 Credit Risk

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

In accordance with the Investment Policy requirements, internally managed investments are restricted to A1/P1 (\$175 060 000 in certificates of deposit) and AAA/Aaa (\$45 004 334 in Fixed Income Notes) rated financial instruments. Fixed Income Notes consist primarily of U.S. Agency Paper which carries the implicit guarantee of the U.S. government.

Funds placed with external investment managers are restricted to instruments rated A1/P1 or A- or A3 credit quality or higher in accordance with their mandates (\$131 357 429 in Managed Portfolios). Mechanisms are in place to divest the portfolio of an investment that falls below the minimum requirements.

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

The maximum credit risk represents the carrying amount of loans and receivables. The PAHO Investment Committee approves financial instruments, as well as partner financial institutions, in accordance with the Investment Policy guidelines noted above in order to mitigate credit risk. However, there may be some counterparty risk associated with the concentration of financial instruments and cash deposits in the banking sector. These significant concentrations in the banking sector equal 42% of the total cash, short-term and long-term investments.

5.4 Exchange Rate Risk

The Statement of Financial Position does not reflect significant exposure to exchange rate risk. However, 34.4% of the expense is disbursed in currencies other than the United States dollar. These disbursements are not hedged, but are met by local currency receipts and the purchase of local currency as needed in the market at the time of disbursement.

6. Accounts Receivable

6.1 Accounts Receivable - Current

	31 December 2010
Assessed Contributions	34 787
Voluntary Contributions	80 064
Procurement Funds	31 855
Balance due from WHO for Interorganizational Funding Activities	15 584
Regular advances to staff	5 059
Miscellaneous receivables	4 014
Total	171 363

6.1.1 Accounts Receivable from Assessed Contributions

Statement of Assessed Contributions as of 31 December 2010
(Expressed in thousand US Dollars)

	Arrears	2010	Total
PAHO			
Argentina	2 901	3 991	6 892
Costa Rica		19	19
Cuba		274	274
Dominica	20	16	36
Grenada	54	20	74
Guatemala		1	1
Mexico		5	5
Peru		86	86
Saint Lucia		22	22
United Kingdom	58	56	114
United States		19 660	19 660
Venezuela		2 560	2 560
Total	3 033	26 710	29 743
CAREC Member States	2 877	682	3 559
CFNI Member States	1 311	174	1 485
Total	7 221	27 566	34 787

6.1.2 Accounts Receivable from Voluntary Contributions

	31 December 2010
Voluntary Contributions	
Natural Disaster Fund	2 982
Trust Funds	34 298
Trust Funds Governments Financing of Internal Projects	42 575
Trust Funds CFNI	209
Total	80 064

6.1.3 Accounts Receivable from the Procurement of Public Health Supplies

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

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

a. Revolving Fund for Vaccine Procurement

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

b. Regional Revolving Fund for Strategic Public Health Supplies

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

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

	31 December 2010
Procurement of Public Health Supplies	
Revolving Fund for Vaccine Procurement	31 835
Regional Revolving Fund for Strategic Public Health Supplies	20
Total	31 855

6.2 Accounts Receivable Non-Current

	31 December 2010
Voluntary Contributions	57 992
Termination and Repatriation Entitlements (see Note 11.3.2)	3 614
Total	61 606

6.2.1 Accounts Receivable from Voluntary Contributions (Non-current)

	31 December 2010
Voluntary Contributions	
Trust Funds	25 874
Trust Funds (Governments)	32 118
Total	57 992

7. Inventories

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

	31 December 2010
PROMESS	
Beginning inventory at 1 January 2010	789
Additions	1 916
Distributions	(1 864)
Ending Balance of inventory at 31 December 2010	841

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

8. Property, Plant and Equipment

8.1 General Information

During 2010, additions to property, plant and equipment consisted of permanent and temporary buildings, computer and office equipment, motor vehicles, leasehold improvements, as well as land. Net acquisitions (after disposals) for the year totaled \$681 482. The main reason for the increase was the full application of the accounting policy on property, plant and equipment.

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

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

	<u>Land</u>	<u>Permanent Buildings</u>	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost as of 1 January	47 985	58 094				106 079
Additions	300		70	21	290	681
Cost as of 31 December	48 285	58 094	70	21	290	106 760
Depreciation as of 1 January						
Charged in current period		1 452	23	7	58	1 540
Depreciation as of 31 December		1 452	23	7	58	1 540
Net book value as of 31 December	48 285	56 642	47	14	232	105 220

8.2 Land and Permanent Buildings Revaluation

	<u>Value as of 31 December 2009</u>	<u>Increase in Valuation</u>	<u>Value as of 1 January 2010</u>
Argentina	116	663	779
Barbados	1 719	613	2 332
Brazil	804	37 449	38 253
CFNI		1 721	1 721
Guatemala	96	443	539
Haiti	531	903	1 434
Washington, DC	10 336	43 664	54 000
Paraguay	271	85	356
Peru	126	3 517	3 643
Venezuela	209	2 813	3 022
Total	14 208	91 871	106 079

The land and buildings in Brazil have been valued by Lucio Prates Consultoria Imobiliaria Ltda. They are estate agents with relevant Brazilian qualifications enabling them to provide a reliable valuation. The valuations are based on recent market prices of similar land and office space in the particular sector of Brasilia, adjusted to reflect the restrictions placed on PAHO by the Brazilian government on its transfer or disposal.

The land and buildings in Washington, D.C. have been valued by John C. Donnelly, MAI, Member of the Appraisal Institute of Real Estate Appraisers, General Accredited Appraiser, and National Association of Realtors. The valuation of the land and

building is consistent with provisions of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, and the Appraisal Foundation.

All other land and buildings were valued by either local estate agents or civil engineers, with relevant qualifications and experience, to provide fair values for these assets as of 1 January 2010.

8.3 Transferred Assets with Conditions

In accordance with the donation document filed in Public Record, the Government of Brazil, Development Company for the New Capital of Brazil, Successors and Assigns granted PAHO the ownership of the land upon which the PAHO/WHO Representative Office buildings in Brazil are located. The document further stipulates that PAHO may not transfer, rent or lend the donated land under penalty of revocation of the donation. In the event that the land is sold for the same purpose (i.e., establishment of a headquarters facility), PAHO must obtain the written consent of the Government and pay the Government the present value of the land. This does not include the buildings and other immovable property thereon. Because of the restriction on the sale of the land and the requirement to pay the Government of Brazil the present value of the land, the Organization recognized such property in the Statement of Financial Position, as both an asset and as a liability. (Note 10.2)

In regards to the building located in Port-au-Prince, Haiti, which was damaged by the January 2010 earthquake, no decision has been made to quantify the level of impairment of the building. The Organization has focused its efforts on assisting the Haitian people due to the earthquake cited above and the cholera outbreak. The Organization will make a final decision in 2011 regarding the repair of its building.

9. Accrued Liabilities

	31 December 2010
Accrued liabilities-Regular Budget Fund	1 608
Accrued liabilities-Other Sources - PAHO	20 669
Accrued liabilities-Other Sources - WHO	4 274
Total	26 551

10. Accounts Payable

10.1 Accounts Payable Current

	31 December 2010
Assessed Contributions Received in Advance	176
Voluntary Contributions Expired Agreements	6 535
Balance due to the World Health Organization due to inter-office transactions	2 389
Pan American Health and Education Fund	301
Miscellaneous	4 044
Total	13 445

10.2 Accounts Payable-Non Current

	31 December 2010
Liability Restricted Assets-Land in Brasilia, Brazil (Note 8.3)	18 961
Total	18 961

11. Employee Benefits

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

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

As of 31 December 2010, the status of the current and non-current employee benefits liabilities is as follows:

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Current liability	7 192	2 129	9 321
Non-current Liability	179 324		179 324
Non-current (Asset) (Note 6.2)		(3 615)	(3 615)
Total	186 516	(1 486)	185 030

- The gains and losses (unexpected changes in surplus or deficit) are recognized over time via the Corridor Method.
- The expected rate of return on assets was set based on the e-tool of Aon Hewitt Corporation previously known as Aon Hewitt Associates LLC, (30-year time horizon for ASHI only) and the current portfolio.
- There is no reimbursement right.
- The expected Organization contributions during 2011 are estimated at \$8 848 498 for After-Service Health Insurance and \$2 128 433 for Termination and Repatriation Entitlements.

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

Post-employment benefits and Other Separation-Related Benefits are defined benefit plans consisting of After-Service Health Insurance and Termination and Repatriation Entitlements. During 2010, the rate of contribution to these two long-term liability funds was 6% of net salaries with 2% being credited to the Termination and Repatriation Entitlements Fund and 4% credited to the After-Service Health Insurance Fund.

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

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

The Defined Benefit Obligations (DBOs) as of 31 December 2009 were determined by Aon Hewitt Corporation, professional actuaries, based on personnel data and past payment experience provided by the Organization. At 31 December 2009 the Defined Benefit Liabilities amounted to \$9 880 637 for terminal entitlements and \$202 550 043 for after-service health insurance. The Termination and Repatriation Fund had assets of \$9 880 637; therefore, the net liability decreased to zero as of 1 January 2010. As the Organization's After-Service Health Insurance Fund had assets of \$22 159 621, the net liability for the After-Service Health Insurance decreased to \$180 390 422 as of 1 January 2010.

The Defined Benefit Obligation as of 31 December 2010, as calculated by Aon Hewitt Corporation, increased to \$10 212 635 for terminal entitlements and \$257 749 662 for after-service health insurance. The Termination and Repatriation Fund had assets of \$9 977 000; therefore the net liability was \$235 635 as of 31 December 2010. As the Organization's After-Service Health Insurance Fund had assets of \$24 569 878, the net liability for the After-Service Health Insurance decreased to \$233 179 784 as of 31 December 2010.

One of the significant contributory factors in the increases in these two obligations was the decrease in the discount rate utilized to calculate the present value of the future commitments. The discount rate decreased from six per cent (6%) for the 31 December 2009 actuarial valuation to five and six-tenths per cent (5.6 %) for the 31 December 2010 actuarial valuation due to the change in the global economic climate by the end of 2010. The liabilities include the costs for 2010, less benefit payments made during the year.

11.2 Other Long-Term Employee Benefits

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

11.3 Actuarial Assumptions and Methods

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

11.3.1 Actuarial Assumptions

The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for the Organization at 31 December 2010.

Accounting Standard	International Public Sector Accounting Standard 25; first adopted by the Organization at 1 January 2010.
Measurement Date	31 December 2010
Discount Rate	5.6%. Based on a weighted average of relevant corporate bond rate indices at 31 December 2010. The resulting discount rate is rounded to the nearest 0.1%.
Expected Rate of Return on Assets	4.2%.
General Inflation	2.5%.
Medical Cost Increases	8.5% in 2011 and 2012, decreasing to 8% in 2013, decreasing by 0.5% each year until 5% in 2019 and subsequent years.
Future Contribution Rate Changes	Rates are assumed to increase by 2% of the current rates in 2010 and a further 2% in 2011, as the Organization has committed to these increases. No subsequent rate changes are assumed.
Average Retirement Age	Average remaining years of service: 8.97
Life Expectancy	Based on the mortality tables of the UN Joint Staff Pension Fund
Average Medical Costs	\$7 230 per person per year

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

11.3.2 Reconciliation of Funded Status

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Defined Benefit Obligation (DBO)			
Inactive	151 167		151 167
Active	106 583	10 213	116 796
Defined Benefit Obligation including actuarial loss	257 750	10 213	267 963
Less: Plan Assets	(24 570)	(9 977)	(34 547)
Net Defined Benefit Obligation including actuarial loss	233 180	236	233 416
Less: Unrecognized Actuarial Gain/(Loss)	(46 664)	(1 722)	(48 386)
Net Liability/(Asset) Recognized in the Statement of Financial Position	186 516	(1 486)	185 030
Split between:			
Current Liability	7 192	2 129	9 321
Non-Current Liability / (Asset)	179 324	(3 615)	175 709
	186 516	(1 486)	185 030

11.3.3 Annual Expense for Calendar Year 2010

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Current Service Cost for 2010	4 555	1 022	5 577
Interest Cost for 2010	11 964	537	12 501
Expected Return on Assets	(728)	(329)	(1 057)
Total Expense Recognized in the Statement of Financial Performance	15 791	1 230	17 021

11.3.4 Reconciliation of Defined Benefit Obligation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Defined Benefit Obligation as of 1 January 2010	202 550	9 881	212 431
Current Service Cost for 2010	4 555	1 022	5 577
Interest cost for 2010	11 964	537	12 501
Less: Benefits paid	(8 744)	(2 716)	(11 460)
Add: Contributions by plan participants	1 309		1 309
Add: Actuarial (Gain) / Loss	46 116	1 489	47 605
Define Benefit Obligation as of 31 December 2010 including actuarial loss	257 750	10 213	267 963
Less: Actuarial (Gain) / Loss - not recognized:			
Actuarial (Gain) / Loss - on DBO	46 116	1 488	47 604
Actuarial (Gain) / Loss - on Plan assets	548	234	782
	46 664	1 722	48 386
Define Benefit Obligation as of 31 December 2010 excluding actuarial loss	211 086	8 491	219 577
Less: Plan Assets	(24 570)	(9 977)	(34 547)
Net Defined Benefit Obligation as of 31 December 2010	186 516	(1 486)	185 030

11.3.5 Reconciliation of Plan Assets

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Plan Assets as of 1 January 2010	22 160	9 881	32 041
Benefits Paid	(8 744)	(2 716)	(11 460)
Contributions by plan participants	1 309		1 309
Contributions by the employer	5 256	2 716	7 972
PAHO/WHO SHI Fund Contribution	4 409		4 409
Expected Return on Assets	728	329	1 057
Actuarial Gain / (Loss) - on Plan assets	(548)	(233)	(781)
Plan Assets as of 31 December 2010	24 570	9 977	34 547
Made up of:			
Long Term Investments - Fixed Income Notes (Note 4.2)	21 336	8 664	30 000
Long Term Investments - Enhanced Cash Portfolio (Note 4.2)	3 234	1 313	4 547
	24 570	9 977	34 547

11.3.6 Sources of Change in Past Service Liability Since Prior Valuation

	After-Service Health Insurance Fund	Termination and Repatriation Entitlements Fund	Total
Value as of 31 December 2009	202 550	9 881	212 431
Value as of 31 December 2010	257 750	10 213	267 963
Change	55 200	332	55 532
Sources of Change:			
Expected Change	9 084	(1 156)	7 928
Benefit Payments Different Than Expected during 2010	1 031	869	1 900
New Hires during 2009 and 2010	584	410	994
Rehires/Transfers in during 2009 and 2010	4 185	626	4 811
Pay Changes Different Than Expected in 2009 and 2010		(17)	(17)
Miscellaneous Demographic Experience	2 094	(583)	1 511
Claims and Administrative Expenses Experience	(2 525)		(2 525)
Inclusion of Future AMRO Expenses in PAHO DBO	4 201		4 201
Increase in Assumed Medical Trend Rates	20 212		20 212
Change in Discount Rate from 6.0% to 5.6%	15 432	183	15 615
Inclusion of Short Term Staff	902		902
Total	55 200	332	55 532
Liability (Gain)/Loss during 2010	46 116	1 488	47 604

11.3.7 After-Service Medical Plan - Sensitivity Analysis

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

11.3.8 Medical Sensitivity Analysis - After - Service Health Insurance *

	Current Medical Inflation Assumption Minus 1%	Current Medical Inflation Assumption	Current Medical Inflation Assumption Plus 1%
2010 Service Cost plus Interest Cost	13 730	16 518	20 034
Defined Benefit Obligation as of 31 December 2010	222 474	257 750	301 547

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

	Current Discount Rate Assumption Minus 1%	Current Discount Rate Assumption	Current Discount Rate Assumption Plus 1%
Defined Benefit Obligation as of 31 December 2010	303 812	257 750	221 455

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

11.3.10 Settlement of Employee Benefit Liability

Termination and Repatriation Entitlements Plan		
Settlement of Benefits	2 716	2 716
After- Service Health Insurance		
Administrative Expenses paid by the Organization	407	
SHI Fund Contribution	4 409	
Contribution to PAHO's ASHI Fund paid by the Organization	2 618	7 434
Total		10 150

11.4 United Nations Joint Staff Pension Fund

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

During 2010, contributions paid to UNJSPF amounted to \$16 310 211 by the Organization and \$8 306 859 by the participants, including \$151 754 in pension restoration payments.

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

The actuarial method adopted for the UNJSPF is the Open Group Aggregate method to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. The actuarial study is carried out at least once every three years. A review of the 2008 annual report of the UNJSPF reveals that an actuarial valuation has been carried out every two years from as early as 1997. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations Joint Staff Pension Board on the audit every two years. The most recent actuarial valuation at the time of preparing these

accounts was the one carried out at 31 December 2009.

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

The Consulting Actuary of the United Nations Joint Staff Pension Fund, Buck Consultants, stated in paragraph 6 of Annex III, “Statement of the actuarial sufficiency as of 31 December 2009 of the United Nations Joint Staff Pension Fund to meet the liabilities under Article 26 of the Regulations” the following:

“... the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. **Accordingly, there is no requirement, as of 31 December 2009, for deficiency payments under Article 26 of the Regulations of the Fund.** The market value of assets as of 31 December 2009 is \$37 659 6 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as of the valuation date.”

Furthermore, in Annex IV, “Statement of actuarial position of the United Nations Joint Staff Pension Fund as of 31 December 2009,” the Committee of Actuaries stated:

“At its meetings in June 2010, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 2009, which was carried out by the Consulting Actuary. Based on the results of the Regular Valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the Consulting Actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is sufficient to meet the benefit requirements under the Plan.”

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

12. Deferred Revenue

12.1 Deferred Revenue – Current

	31 December 2010
Voluntary Contributions	
Natural Disaster Fund	6 200
Trust Funds	47 925
Trust Funds Governments Financing of Internal Projects	90 737
Trust Funds CFNI	376
Procurement of Public Health Supplies	
Revolving Fund for Vaccine Procurement	99 962
Regional Revolving Fund for Strategic Public Health Supplies	29 424
Reimbursable Procurement	9 002
Total	283 626

12.2 Deferred Revenue – Non-Current

	<u>31 December 2010</u>
Voluntary Contributions	
Trust Funds	58 575
Trust Funds Governments Financing of Internal Projects	<u>110 901</u>
Total	<u><u>169 476</u></u>

13. Fund Balances and Reserves

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

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

- Working Capital Fund
- Holding Account
- Tax Equalization Fund
- Master Capital Investment Fund
- Special Fund for Program Support Costs
- Special Fund for Natural Disaster Relief
- Governing Bodies Authorized Fund
- Special Fund for Health Promotion.

Summary of Fund Balances and Reserves

		Balance as of 31 December 2010
Fund Balances:		
Strategic Public Health Supplies	2 534	
PAHO After-Service Health Insurance	(186 516)	
Trust Funds (external)	722	
Income from Services	2 476	
Provision for Staff Entitlements	531	
Revolving Funds for Vaccine Procurement	85 836	
PAHO Regular Budget	131 095	
Provision for Terminal Entitlements	(2 001)	
CAREC Provident Fund	1 217	
CAREC Income from Services	38	
CAREC Capital Equipment Fund	31	
CAREC Provision for Terminal Entitlements	462	
CAREC Regular Budget	5 716	
CAREC Building Fund	63	
CFNI	1 409	43 613
Reserves:		
Working Capital Fund	20 000	
Holding Account	19 142	
Tax Equalization Fund	(4 973)	
Master Capital Investment Fund	5 049	
Special Fund for Program Support	32 856	
Special Fund for Natural Disaster Relief	2 662	
Governing Bodies Authorized Fund	3 612	
Special Fund for Health Promotion	814	79 162
Total		122 775

13.1 Working Capital Fund

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

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

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

The Directing Council noting that the Working Capital Fund served as a guarantee for the loan from the IDB, approved the allocation from the Working Capital Fund of a reserve amount equal to the outstanding loan balance, which would be reduced as the loan is paid. The unencumbered level of the Working Capital Fund would increase accordingly. The amount of the loan outstanding as of 31 December 2010 is \$1 416 667.

	Unencumbered Balance	Allocated for Guarantee of Loan	Total
Balance as of 1 January 2010	18 410	1 590	20 000
Reduction for guarantee of loan as of 31 December 2010	173	(173)	
Balance as of 31 December 2010	18 583	1 417	20 000

13.2 Holding Account

In accordance with Financial Regulations 4.4 and 4.6, any balance of the Regular Budget appropriation not committed by the end of the budgetary period shall be used to replenish the Working Capital Fund to its authorized level. Any excess shall be considered a Revenue Surplus and shall be available for use in subsequent periods to cover the unfunded portion of the Strategic Plan, as determined by the Director and with the concurrence of the Subcommittee on Program, Budget, and Administration. Because 2010 was the first year of the 2010-2011 biennial budget period, no replenishments or transfers were performed.

13.3 Tax Equalization Fund

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

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

Member States	Balance 1 January 2010	Credits from the Tax Equalization Fund	Tax Apportionment to Member States	Available to Cover Tax Reimbursements to Staff	Taxes Reimbursed to Staff	Balance 31 December 2010
Canada	14	3 630	(3 605)	25	(38)	1
Colombia	17	213	(213)			17
United States	(3 969)	15 679	(10 579)	5 100	(6 135)	(5 004)
Venezuela	15	724	(724)		(2)	13
Other		6 130	(6 130)			
Total	(3 923)	26 376	(21 251)	5 125	(6 175)	(4 973)

There are no outstanding accounts receivable for the Tax Equalization Fund because the liabilities for the income taxes are included in the quota assessments.

13.4 Master Capital Investment Fund

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

13.5 Special Fund for Program Support Costs

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

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

13.6 Special Fund for Natural Disaster Relief

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

13.7 Governing Bodies Authorized Fund

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

13.8 Special Fund for Health Promotion

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

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14. Revenue

	<u>Gross Revenue</u>	<u>Eliminations</u>	<u>Net Revenue</u>
Revenue from Non-Exchange Transactions			
Assessed Contributions			
PAHO Regular Budget	93 200		
Caribbean Epidemiology Center	2 614		
Caribbean Food and Nutrition Center	412		
Tax Equalization Fund	5 125		
Subtotal	101 351		101 351
Voluntary Contributions			
Trust Funds	82 946		
Trust Funds Governments Financing of Internal Projects	106 767		
Trust Funds-Natural Disaster Fund	9 911		
Program Support Costs	12 754		
Caribbean Food and Nutrition Center	176		
Subtotal	212 554	(12 757)	199 797
Other Revenue			
WHO Regular Budget	39 543		
WHO Voluntary Contributions	32 799		
Sasakawa Health Trust Fund	131		
AMRO Special Fund for Servicing Costs	6 419		
AMRO Special Program Research & Training	582		
AMRO Information Technology Fund	592		
AMRO Post Occupancy Charges	2 371		
Subtotal	82 437	(2 371)	80 066
Revenue from Exchange Transactions			
Procurement of Public Health Supplies			
Revolving Fund for Vaccine Procurement	510 640		
Reimbursable Procurement	8 837		
Regional Revolving Fund for Strategic Public Health Supplies	21 673		
Program Support Costs	241		
Subtotal	541 391	(241)	541 150
Other Revenue			
Income for Services	3 647		
Program Support Costs	401		
Health Promotion	13		
Provision for Termination and Repatriation Entitlements	1 235		
Provisions for Staff Entitlements	4 284		
After Service Health Insurance	2 231		
Master Capital Investment Fund	908		
AMRO Terminal Payment Account	595		
AMRO Payroll Statutory Entitlements	1 420		
Caribbean Epidemiology Center	358		
Caribbean Food and Nutrition Center	14		
Subtotal	15 106	(10 077)	5 029
Miscellaneous Revenue			
PAHO Regular Budget			
Interest Earned	4 083		
Savings on or Cancellation of prior periods' Commitments	1 254		
Valuation Gains and Losses	(563)		
Other Miscellaneous	385		
Caribbean Epidemiology Center	25		
Subtotal	5 184		5 184
TOTAL REVENUE	958 023	(25 446)	932 577

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15. Expenses

	<u>Gross Expenses</u>	<u>Eliminations</u>	<u>Net Expenses</u>
Staff and Other Personnel Costs			
International and National Staff	164 950		
Consultants	8 022		
Temporary Staff	8 465		
Subtotal	181 437	(10 078)	171 359
Supplies, Commodities, Materials			
Vaccines / Syringes / Cold Chain	496 275		
Medications and Medical Supplies	29 915		
Other Goods and Supplies	45 361		
Subtotal	571 551	(339)	571 212
Equipment, Vehicles, Furniture and Depreciation			
Equipment, Vehicle, Furniture	(681)		
Depreciation	1 540		
Subtotal	859		859
Contractual Services			
Contracts	86 217		
Subtotal	86 217	(2 075)	84 142
Travel			
Duty Travel	9 494		
Courses and Seminars	42 919		
Subtotal	52 413		52 413
Transfers and Grants to Counterparts			
Letters of Agreements	36 874		
Subtotal	36 874		36 874
General Operating and Other Direct Costs¹			
Maintenance, Security and Insurance	10 601		
Subtotal	10 601	(197)	10 404
Indirect Support Costs			
Program Support Costs	12 757		
Subtotal	12 757	(12 757)	
Total Expenses	952 709	(25 446)	927 263

Note/¹ General Operating Expense and Other Direct Costs Include lease payments for \$2 137 457

16. Comparison of Budget and Actual Amounts

Reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the year ended 31 December 2010 is presented below:

	31 December 2010		Total
	Operating	Investing and Financing	
Actual Amount on Comparable Basis (Statement V)	(340 761)		(340 761)
Basis Differences			
Timing Differences			
Presentation Differences	945 704	(13 646)	932 058
Entity Differences	(599 461)		(599 461)
Actual amount in the Statement of Cash Flow (Statement III)	5 482	(13 646)	(8 164)

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

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

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17. Segmental Information

17.1 Statement of Financial Position by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Total Consolidated Sub-Regional Centers Activity Segment	Intra-Party Transactions	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	167 531				43		167 574
Short Term Investments	175 060						175 060
Owed From Other Segments *		197 945	239 445	(727)	4 222	(440 885)	
Accounts Receivable	52 835	79 853	32 598	824	5 253		171 363
Inventories	841						841
Total Current Assets	396 267	277 798	272 043	97	9 518	(440 885)	514 838
Non-Current Assets							
LongTerm Investments	141 815						141 815
Accounts Receivable		57 992		3 614			61 606
Net Fixed Assets	105 220						105 220
Total Current Assets	247 035	57 992		3 614			308 641
TOTAL ASSETS	643 302	335 790	272 043	3 711	9 518	(440 885)	823 479
LIABILITIES							
Current Liabilities							
Accruals	3 639	11 520	9 998	1 333	61		26 551
Owed To Other Segments *	440 885					(440 885)	
Accounts Payable	5 968	6 547	4	830	96		13 445
Employee Benefits				9 321			9 321
Deferred Revenue		144 863	138 387		376		283 626
Total Current Liabilities	450 492	162 930	148 389	11 484	533	(440 885)	332 943
Non-Current Liabilities							
Accounts Payable	18 961						18 961
Employee Benefits				179 324			179 324
Deferred Revenue		169 476					169 476
Total Non-Current Liabilities	18 961	169 476		179 324			367 761
TOTAL LIABILITIES	469 453	332 406	148 389	190 808	533	(440 885)	700 704
NET ASSETS / EQUITY							
Fund Balances and Reserves							
Fund Balances	131 095	722	90 798	(187 986)	8 984		43 613
Reserves	42 754	2 662	32 856	890			79 162
NET RESERVES							
& FUND BALANCES	173 849	3 384	123 654	(187 096)	8 984		122 775

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

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17.2 Statement of Financial Performance by Segments

	Total Core Activities Segment	Total Partnership Activities Segment	Total Enterprise Activities Segment	Total Special Activities Segment	Total Consolidated Sub-Regional Centers Activity Segment	Inter-Party Transactions	Total
REVENUE							
Revenue from Non-Exchange Transactions							
Assessed Contributions	93 200			5 125	3 026		101 351
Voluntary Contributions		199 625	12 753		176	(12 757)	199 797
Other Revenue	39 543	32 930	6 420	3 544		(2 371)	80 066
Revenue from Exchange Transactions							
Procurement of Public Health Supplies			541 391			(241)	541 150
Other Revenue			4 048	10 686	373	(10 078)	5 029
Miscellaneous Revenue	5 159				25		5 184
TOTAL REVENUE	137 902	232 555	564 612	19 355	3 600	(25 447)	932 577
EXPENSES							
Staff and Other Personnel Costs	103 713	32 472	10 225	34 552	475	(10 078)	171 359
Supplies, Commodities, Materials	3 137	39 662	526 789	1 793	171	(340)	571 212
Equipment, Vehicles, Furniture and Depreciation	859						859
Contractual Services	12 537	66 180	2 260	3 448	1 792	(2 075)	84 142
Travel	8 391	43 590	(82)	344	170		52 413
Transfers and Grants to Counterparts	2 033	34 653	74	114			36 874
General Operating and Other Direct Costs	4 765	3 125	1 444	1 066	201	(197)	10 404
Indirect Support Costs		12 737			20	(12 757)	
TOTAL EXPENSES	135 435	232 419	540 710	41 317	2 829	(25 447)	927 263
NET SURPLUS/ (DEFICIT)	2 467	136	23 902	(21 962)	771		5 314

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

In accordance with Financial Regulation 13.5, the Director has the authority to make such ex-gratia payments that he/she deems necessary in the interest of the Organization. These payments amounted to \$24 000 during 2010.

As of 31 December 2010, a total of \$74 084 was recorded as administrative waivers reflecting seminars and courses given by the governments.

There were no write-offs to be reported.

19. Cases of Fraud and Presumptive Fraud

In 2010, the Organization experienced one case of financial fraud and 19 cases of theft of property for a total of \$61 544. Of this total, an amount of \$1 679 was recovered as of the end of the year. In addition, three cases of credit card fraud and one case of check fraud were committed by people outside the Organization. In all four of these cases, the misappropriated funds amounting to \$14 168 were recovered from the financial institutions concerned.

20. Related Party and Other Senior Management Disclosure

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

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

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

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

20.1 Key Management Personnel

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances against Entitlements
Key Management Personnel in 2010	4	718	235	224	1 177	22

During the reporting period, the position of Director of Administration was covered by two different staff members; although, at the end of the period the total computation accounts only for one full-time staff member.

21. Events after Reporting Date

The Organization's reporting date is 15 April of each year. On the date of signing of these accounts by the External Auditor, there have been no material events, favorable or unfavorable, incurred between the date of the Statement of Financial Position and the date when the financial statements have been authorized for issue that would have impacted these statements.

22. Consolidate Financial Statements for Sub - Regional Centers

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

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

Category	Total Revenue in 2010	Total Expenses in 2010	Net Assets as of 31 December 2010
Caribbean Epidemiology Center	2 998	2 329	7 527
Caribbean Food and Nutrition Institute	602	499	1 457

23. De-recognition of Liability

The de-recognition of the Staff Health Insurance liability to Reserves, is due to the increase in the Staff Health Insurance contribution rates in 2010.

24. Reconciliation of Opening Balance Adjustments

Opening balances represent the 2009 audited Statement of Assets, Liabilities, and Reserves and Fund Balances which have been restated to incorporate adjustments made due to changes in accounting policies and other adjustments made at 1 January 2010.

These adjustments pertain to the inclusion of Caribbean Epidemiology Center (CAREC) and the Caribbean Food and Nutrition Institute (CFNI); recognition of assessed contribution revenue and accounts receivables; recognition of accrued interest related to investments; revaluation of land and buildings; the recognition of inventories; recognition of revenue, deferred revenue, accounts receivables related to voluntary contributions and the procurement of vaccines and public health supplies; and recognition of liabilities related to employee benefits liabilities.

Net assets of the Organization changed as of 1 January 2010 due to changes in accounting policy with the adoption of IPSAS. The changes totaled \$404 351 896. This amount is included in the Statement of Changes in Net Assets.

	31 December 2009	Change in	Opening Balance
	Audited	Accounting	1 January 2010
		Policy	Restated
ASSETS			
Current Assets			
Cash and Cash Equivalents	351 419	(175 681)	175 738
Short Term Investments	154 858	25 142	180 000
Accounts Receivable	11 972	153 124	165 096
Inventories		789	789
Total Current Assets	518 249	3 374	521 623
Non-Current Assets			
Long Term Investments		123 586	123 586
Accounts Receivable		64 022	64 022
Property, Plant and Equipment	14 208	91 871	106 079
Total Non-Current Assets	14 208	279 479	293 687
TOTAL ASSETS	532 457	282 853	815 310
LIABILITIES			
Current Liabilities			
Accrued Liabilities	13 460	22 948	36 408
Accounts Payable	11 805	(4 056)	7 749
Employee Benefits			
Deferred Revenue		289 682	289 682
Total Current Liabilities	25 265	308 574	333 839
Non-current Liabilities			
Accounts Payable		18 961	18 961
Employee Benefits		180 390	180 390
Deferred Revenue		179 279	179 279
Total Non-Current Liabilities		378 630	378 630
TOTAL LIABILITIES	25 265	687 204	712 469
NET ASSETS / EQUITY			
Fund Balances and Reserves			
Fund Balances	429 266	(402 749)	26 517
Reserves	77 926	(1 602)	76 324
NET RESERVES & FUND BALANCES	507 192	(404 351)	102 841

25. Contingent Asset/Liability

The Organization has a possible contingent asset/liability related to the WHO/PAHO Staff Health Insurance Plan. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization. And, a contingent liability is a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability and will not be material in the context of the financial statements. WHO and PAHO must analyze the historical financial activity of the WHO/PAHO Staff Health Insurance Plan in order to measure the PAHO share of the possible asset or liability of the Plan with sufficient reliability. Therefore, because PAHO's share of the Staff Health Insurance Plan is unknown at this time, the Organization is disclosing the current status of PAHO's share of the Plan as a contingent asset/liability.

26. Provisions

As at 31 December 2010, the Organization had not recognized any provisions.

27. In-Kind Contributions

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

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

Report of the External Auditor

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National Audit Office

REPORT TO THOSE
CHARGED WITH GOVERNANCE
April 2011

Pan American Health Organization

Long Form Report on the 2010 financial statement audit

The aim of the audit is to provide independent assurance to Member States; to add value to the organization's financial management and governance; and to support the objectives of the organization's work through the external audit process.

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, Amyas Morse, provides an external audit service to the Pan American Health Organization. The External Auditor has been appointed by the Member States in accordance with the Financial Regulations. In addition to certifying the consolidated financial statements of the Pan American Health Organization, he has authority under the mandate to report to the Member States on the economy, efficiency and effectiveness with which the organization has used its resources

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Executive Summary

Introduction

- 1 We have provided an **unqualified audit opinion** on the 2010 consolidated financial statements which present fairly, in all material respects, the financial position and the results of operations and cash flows; and we confirm that our audit revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and validity of the consolidated financial statements.
- 2 The 2010 consolidated financial statements of the Pan American Health Organization (PAHO) are the first to be prepared using the International Public Sector Accounting Standards (IPSAS) and an unqualified opinion represents the successful culmination of a significant level of effort and commitment from all the staff at the Organization.
- 3 The efforts of PAHO in successfully moving to an internationally recognized accounting framework will provide the Member States and management with better financial information to use in managing the business of the Organization. The benefits that IPSAS can now bring should be utilised to ensure that the efforts made contribute towards more efficient and effective use of resources as a result of the improved management information.
- 4 PAHO now needs to capitalise on the achievement of implementing IPSAS to use the momentum they have gained to effect additional changes to the current work practices to fully embed IPSAS within the Organization.

Overall Results of the audit

- 5 We have audited the consolidated financial statements of PAHO in accordance with the Financial Regulations and International Standards on Auditing.
- 6 The audit opinion confirms that these financial statements: present fairly, in all material respects, the financial position as at 31 December 2010 and the results for the year then ended; have been properly prepared in accordance with IPSAS and the stated accounting policies; and, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the Pan American Sanitary Conference or the Directing Council.
- 7 Our audit procedures are designed primarily for the purpose of forming an audit opinion. They included a review of the internal controls and accounting systems and procedures, only to the extent considered necessary for the effective performance of the audit. The audit work did not involve a detailed review of all aspects of PAHO's budgetary and financial information systems. Our findings therefore

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should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated

8 The main observations and recommendations from our audit are set out below. Our recommendations are summarized in Annex A. Action taken by management in response to our 2008-2009 recommendations is set out at Annex B.

Financial Overview

Overall Summary of Results

9 These are the first audited consolidated financial statements prepared using International Public Sector Accounting Standards (IPSAS) and as such, they provide Member States with transparent good quality and reliable financial information as to the activity and state of affairs of PAHO at the 31 December 2010. This is the first year under a new annual reporting cycle. Previously PAHO published audited financial statements each biennium.

10 The Director's Report on the Financial Statements provides a comprehensive analysis of the financial performance of the Organization for 2010. The analysis includes comments on revenue and expenses as well as the assets and liabilities of the Organization. We review the financial analysis provided for consistency with the consolidated financial statements.

11 From our audit of the consolidated financial statements we have identified a number of issues that we feel it is appropriate to highlight in this report as follows:

- The results showed a small surplus of revenue over expenditure, an excess of assets over liabilities and a small cash outflow for the period.
- As at 31 December 2010, there are sufficient funds available to meet reported current liabilities as they fall due. There are wider issues around the ability to meet long term employee benefit liabilities which have been discussed further in paragraphs 20 to 25.
- PAHO continues its rapid growth in overall activity, a trend also seen in the recent biennia. One of the key drivers of this growth continues to be the increasing amounts of money which are given to PAHO to purchase vaccinations and equipment on behalf of Member States. Revenue recognized for the procurement of public health supplies amounted to \$541 million and makes up approximately 58 percent of total revenue.
- The growth of PAHO activity in Brazil has continued. Voluntary contributions received from Brazil for projects to be implemented in Brazil amounted to US\$106 million for the year (compared to US\$165 million in the previous biennium).

Key areas of focus

12 There are 3 areas we have set out in more detail below because we believe them to be areas of interest to PAHO and its Member States:

- **Voluntary contributions** – where there are significant changes in the accounting under IPSAS;

- **Employee benefits liabilities**– where there are significant changes in the accounting under IPSAS; and
- **Government financing for internal activities** – where the activities have continued to expand.

Voluntary Contributions

13 PAHO receives a significant proportion of funding in the form of voluntary contributions earmarked for specific projects, referred to as trust funds. The Financial Regulations allow for PAHO to engage in these types of projects providing any conditions which may be attached to them are consistent with the objectives and policies of the Organization. A trust fund agreement is set up to outline what the monies are to be spent on and what activities are required throughout the lifecycle of the project.

14 There has been a significant change in the way that voluntary contributions have been accounted for as a result of the introduction of IPSAS and this has impacted on the way these are presented in the financial statements.

15 In previous biennia, the recognition point for this type of revenue was when cash had been received by PAHO from a specific donor. This is no longer the case. PAHO has a claim to these funds where there is a written agreement signed by both PAHO and the donor; this is now the point at which PAHO recognises the revenue or deferred revenue.

16 Some written agreements for voluntary contributions cover periods of several years. Where there are conditions attached to the revenue (PAHO must spend the money according to specific criteria, and returns the money if this is not done) the revenue is recognised in the consolidated financial statements only when the conditions have been met.

17 PAHO's projects are typically between one and three years long, although some have expiry dates as far as 2016. As a result, the revenue pertaining to future year's activities is deferred and is reflected as an asset in PAHO's statement of financial position, rather than being recognised as revenue in the current year. There was no corresponding asset in the 2008-2009 published financial statements. This has given rise to an overall receivable of \$138 million, of which \$80 million is projected to be received in 2011 and \$58 million relates to future years. This is disclosed in Note 6 of the consolidated financial statements. The receivable does not equal the deferred revenue balance, because some donors provide funding in advance. This gives a more accurate picture of the future funding arrangements that PAHO has secured and ensures that the revenue is recognised when conditions are met, as the project is delivered.

18 In the event, that PAHO is unable to use the money as set out in the agreement within the project timeframes, it is refunded to the donor and \$1.4 million of unused funds were returned in 2010. Pledges and funds received are recognised as a liability, known as deferred revenue, in the financial statements until PAHO has met the conditions required to recognise the revenue. PAHO is reporting deferred revenue of \$314 million disclosed in Note 12 of the consolidated financial statements. There was no corresponding liability in the previous biennium.

19 As explained above, voluntary contributions received are only recognised as revenue as the underlying project is implemented in accordance with the conditions set out in the agreement. The amount of revenue from voluntary contributions for trust funds recognised in the Statement of Financial Performance was \$200 million, which makes up approximately 21 percent of total revenue in 2010.

Employee Benefit Liabilities

20 The liability for post employment benefits of staff and other separation benefits are recognised by PAHO in the consolidated financial statements. The total value of these liabilities was estimated as at 31 December 2010 as \$268 million, which represented an increase in the year of \$56 million compared to the liability of \$212 million at 31 December 2009. The main elements of the liability have been estimated by the consulting actuaries employed by PAHO (Aon Hewitt Associates) and are based on a series of assumptions. These are disclosed in note 11 to the consolidated financial statements. The main cause of the growth in the reported liability is an increase in the estimate of annual medical costs for each current and former staff member, and a further reduction in the discount rate used to calculate the liability, reflecting the continued low interest rate environment.

21 A smaller amount of \$220 million has actually been included in the consolidated financial statements as a liability of PAHO. This is less than the total potential liability calculated by the actuaries because PAHO has opted to defer the recognition of US \$48 million share of the liability that arises from actuarial losses¹. The actuarial loss will be recognized on a systematic basis over a period of time as permitted by IPSAS 25.

22 2010 is the first time that these liabilities have been reported in the financial statements, and this has a significant impact on the overall presentation of PAHO's financial position compared to the 2008-09 biennium. PAHO has a mechanism for funding the current liability internally and have set aside money in an irrevocable trust to meet future liabilities. As at 31 December 2010 the amount of funds available was \$35 million leaving a significant long term liability relating to employee benefits that will eventually have to be funded by its Member States.

23 It is important to understand that this actuarial valuation is an estimate of the long term liabilities and does not represent a payment that needs to be made in the immediate future. It has been calculated after taking into consideration assumptions regarding future medical expenses and other separation benefits that may be incurred by existing and former staff members who have already qualified for these benefits. Changes in these assumptions and the rate of inflation could significantly change the estimate of the liability. The actual cash payments to meet these medical expenses and other separation benefits will occur over several decades.

24 PAHO has detailed information to model and monitor the future cash flows and should agree with its Member States a long term plan to meet these liabilities.

¹ IPSAS 25 states that actuarial gains and losses comprise "experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and the effects of changes in actuarial assumptions". Paragraphs 105 to 107 of this standard provide guidance on how actuarial gains and losses may be recognised.

25 Recommendation 1: PAHO should consider how it can best use the information on employee liabilities that is required under IPSAS, to ensure it plans to have funds available to meet these liabilities as they become due.

Government Financing for Internal Projects

26 There has been a continued increase of governments providing financing for internal projects. Out of the total \$129 million government financing for internal projects for the year ended 31 December 2010, amounts received from Brazil amounted to \$106 million.

27 We reviewed two activities during our work in Brazil we considered to be atypical of PAHO's usual programme activity. We set out more details of the two activities below, as, in our view the continued expansion of PAHO's implementation of large scale procurement for internally financed government contributions can increase the level of risk PAHO is exposed to, and is required to manage.

Procurement of computer equipment

28 PAHO entered into a contract with a total value of \$8.8 million to be executed in 2010 for the purchase and delivery of IT equipment to universities in a number of different states in Brazil for the "Telehealth" Project. PAHO told us that this was part of their technical cooperation role. The strategic objective of this project is to encourage participant universities to adopt common standards for Telehealth and Open University projects. These projects are designed to improve local and regional access to health through an improved telecommunication network. PAHO told us that their role was to assist the universities to implement universal standards promoted by PAHO, and help with the necessary equipment and connectivity for the Telehealth project, by reinforcing regional interoperability.

29 A total of \$8.2 million was spent in 2010, representing 93 per cent contract completion. PAHO has disputed with the supplier the remaining 7 per cent of the contract; PAHO informed us that the supplier has stated that all the equipment has been delivered, but PAHO does not have a record of receipt of the equipment and has not paid the remaining 7 percent of the contract value.

Procurement of management consultancy services

30 In 2008 PAHO entered into a contract with a total value of \$6 million to provide consultancy services relating to the re-organization of the Brazilian Ministry of Health. To date there have been three phases of this project, and each phase has been an extension of the original contract. PAHO has told us that phase three, which was entered into in April 2010, is the final extension. However, we understand that phases 1 and 2 were approved on the basis that there would be no extensions. The deliverables of the project included diagnostics, analyses of the structural organizational processes presently in use by the Ministry of Health and proposals for a new structure based on the studies realised. PAHO told us that based on this suite of products the Ministry of Health in Brazil can thoroughly evaluate their options and make an informed decision.

31 PAHO told us that their involvement was part of their technical cooperation role because PAHO has a mandate to strengthen the governance of National Health Authorities throughout the region. PAHO told us that their prior experience and expertise in developing strategies to modernize government institutions was one of the key factors behind the Brazilian Ministry of Health seeking PAHO's involvement.

32 The contract for these consultancy services was not competitively tendered. PAHO told us that they carried out research to identify suppliers with the qualifications and experience with public institutions, and identified that there were very few suitable suppliers. PAHO's research identified that most of the potential suppliers who had experience with the public sector performed their work using very rigid methodologies, which was not suitable for their work.

33 Both of the contracts above were considered by PAHO's Contract Review Committee and approved by the then Director of Administration. The Financial Regulations allow PAHO to accept voluntary contributions provided that "any conditions which may be attached to them are consistent with the objectives and policies of the Organization". The objectives of the Organization are set by the Directing Council as part of the Strategic Plan. These include Strategic Objective XII – "to ensure improved access, quality and use of medical products and technologies" and Strategic Objective X – "to improve the organization, management and delivery of health services." We recognise that the projects outlined above contribute to those objectives.

34 However, in our view increasing the levels and types of procurement for internally financed voluntary contributions that PAHO engages in could increase the risk the Organization is exposed to; detract from its own core purposes at an American regional level; and impact on the capacity of PAHO's staff to manage its activities.

35 Recommendation 2: we recommend that PAHO carry out a formal risk assessment for high value procurement contracts or contracts that are in new areas of activity. PAHO's mitigation of risks associated with single source procurement should be fully documented.

Implementation of International Public Sector Accounting Standards

Introduction

36 The financial statements for the year ended 31 December 2010 are the first to be prepared using International Public Sector Accounting Standards (IPSAS). We propose an unqualified audit opinion on these consolidated financial statements which represents a major achievement for the Pan American Health Organization as one of the first international organizations to adopt IPSAS. The successful transition represents a significant achievement and is the result of considerable management time and effort.

37 The IPSAS framework is more prescriptive than the previous reporting framework under United Nations Systems Accounting Standards (UNSAS) and this has led to significant changes in the presentation, format, terminology and accounting treatments of certain transactions. The implementation of IPSAS has strengthened the overall quality of financial reporting, providing more comprehensive information and greater transparency over the use of resources. Improved financial information will help the Organization better assess its financial health and help longer-term financial planning and decision making.

Format of the Financial Statements

38 Under IPSAS, the consolidated financial statements now provide a complete statement of assets and liabilities, which are under the control of the Organization, on an accrual basis and reflect the full consumption of resources in 2010. This has led to a number of changes in the way the financial statements are presented. The following sections of the report detail the key changes, and some of their consequences.

39 There are now five primary statements supported by notes to provide further explanations on the policies adopted and to explain the composition of key balances. These are the:

- Consolidated Statement of Financial Position as at 31 December 2010, which shows all the assets and liabilities of the Organization;
- Consolidated Statement of Financial Performance for the year ended 31 December 2010. This statement shows all the revenue and expenditure recognised during the year;
- Consolidated Statement of Changes in Net Assets for the year ended 31 December 2010, summarising the residual interest in the assets of the Organization, after deducting all liabilities;

- Consolidated Statement of Cash Flow to provide details of how cash resources have been utilised during the year; and
- Statement of Comparison of Budget and Actual Amounts, showing expenditure against budget appropriations on the basis on which the budget was approved.

40 We issue an audit opinion on the consolidated financial statements which covers the primary statements and the supporting notes, but excludes the unaudited informational annex. Our audit opinion does not cover any other information. We do, however, read the other information, which comprises the Director's Comments, and consider whether it is inconsistent with the financial statements.

Consolidated Statements

41 IPSAS 6, 'Consolidated and Separate Financial Statements' requires the consolidation of funds over which an organization has control. PAHO has an important role in managing the following Sub-Regional Centers:

- The Caribbean Epidemiology Center (CAREC); and
- The Caribbean Food and Nutrition Institute (CFNI).

42 A review was carried out by PAHO to determine whether PAHO did in fact exercise control of these organizations despite these organizations having their own governing bodies. PAHO concluded, and we agreed, that there was sufficient evidence of PAHO's control of these entities, as PAHO appoints key management personnel and reviews annual work plans, and that therefore they should be fully consolidated into PAHO's financial statements.

43 PAHO also has a role in managing in the Latin American and Caribbean Center on Health Sciences Information (BIREME) and other Centers such as PANAFTOSA, CEPIS and CLAP. These do not have their own governing body structures and are not considered separate entities. They are fully reported within PAHO's core activities segment.

44 The consolidated financial statements therefore report the assets, liabilities and financial performance for the group as a whole. These Centers have not prepared or submitted separate financial statements for audit and we have not provided an opinion on these individual entities. Financial information regarding CAREC and CFNI has been included in the Unaudited Informational Annex.

Restatement of the opening balances (Statement of financial position)

45 Under UNSAS, PAHO prepared a balance sheet, but UNSAS did not require the full reporting of assets and liabilities that would enable a reader to understand the value of the net assets and liabilities of an organisation. Such a statement is required under IPSAS – the Statement of Financial Position – and

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this enables a reader to consider the financial position of an organisation, whether it has net assets or net liabilities, and changes in the position over time.

46 The production of “opening balances” for the Statement of Financial Position was a major challenge for PAHO. Some assets and liabilities previously reported in the UNSAS balance sheet had to be revalued to comply with IPSAS, and some assets and liabilities had to be included for the first time. This exercise required a significant investment of time and effort by PAHO staff.

47 IPSAS required some significant changes to accounting treatments resulting in large movements in the opening balances at 1 January 2010 to bring the previous balances in line with the requirements of the new framework. The adjustments are disclosed in note 24 of the financial statements demonstrating the movements between the UNSAS closing balance and the IPSAS opening balance.

48 The key movements comprise:

- The classification of assets and liabilities between current and non-current dependant on whether they expect to be realised within the next 12 months or in more than 12 months;
- The consolidation of the Sub-Regional Centers referred to above;
- The recognition of property, plant and equipment as non-current assets in the Statement of Financial Position which was previously reported as non-expendable equipment in a disclosure note to the account;
- The valuation of property in Washington DC headquarters and the Country Offices at current market value increasing the previously reported value by \$92 million, reflecting an increase in the value of these properties since their construction or acquisition;
- The recognition of the employee benefits liability for After-Service Health Insurance and Termination and Repatriation Entitlements of \$212 million split between the current and non-current elements;
- The recognition of amounts paid into the revolving procurement funds by Member States in advance of need as a deferred revenue liability rather than a reserve; and
- The adjustment to the Voluntary Contributions Receivable to recognise an asset from voluntary contributions at the point at which a signed, binding agreement is entered into rather than when the cash is received. A deferred revenue liability was created to reflect amounts received and committed, which have conditions attached that were not yet discharged.

49 Overall, the restatement of opening balances has reduced the balance on the reserves account by \$404 million to the reserves balance as at 31 December 2010 of \$102 million. This decrease is primarily the result of the first time recognition of long term liabilities which PAHO will be required to meet. The positive balance of reserves demonstrates that PAHO continues to have sufficient resources to meet its obligations.

Changes in Accounting Treatment (Statement of Financial Position and Statement of Financial Performance)

50 Paragraphs 40 to 49 above set out the requirements for producing a *statement of financial position*, and the degree of challenge involved. However, the *statement of financial performance* also required significant work, as PAHO needed to recognise all its revenues and expenditure on an accruals basis. The accruals basis means that recognition of the revenue or expenditure is required when the underlying activity takes place, rather than when the cash flows occur. This means that revenue and expenditure under IPSAS represents the true cost of an organisation's activities, enabling a reader of the accounts to review performance (and the net position of revenues and expenditures – surplus or deficit) over time.

51 The paragraphs below set out the key changes to the accounting policies as a result of IPSAS implementation and the accruals basis of accounting that affect both PAHO's statement of financial position and statement of financial performance. The significant changes to accounting treatment are:

- Expenditure is now recognised on the delivery principle, showing how the assets and resources of the Organization are being consumed, and not just how much cash has been paid. Note 15 outlines in more detail how PAHO has been spending the funds provided, setting out amounts applied to staff costs, supplies, commodities and materials, and other items;
- Revenue and expenditure in relation to the revolving procurement funds, which are used to purchase vaccines for participating countries, are fully reported in the Statement of Financial Performance as exchange transactions, once delivery of the vaccines is confirmed. This is because PAHO takes responsibility for these vaccines and assumes the risks and rewards of ownership during the procurement process;
- A new revenue recognition policy in respect of voluntary contributions received for projects managed by way of a trust fund agreement, so that revenue is now only realised as the project is implemented. The accounting treatment for these agreements has already been discussed in detail in paragraphs 13 to 19;
- The inclusion of land and buildings owned at a current market value gives the users of the consolidated financial statements the most up to date information on the value of these assets, as the original purchase price is no longer a fair reflection of their true worth. PAHO has decided to use independent valuers to determine current market value, and is aiming to carry out this exercise every three to five years. Where an asset has been donated to the Organization but the restrictions on this are such that PAHO does not have free use of it, a corresponding liability has been established;
- The full recognition of the employee benefits liability for After-Service Health Insurance and Other Employee Benefits in the consolidated financial statements of \$220 million split between the current and non-current elements;
- Under IPSAS, the reserves and fund balances of \$123 million reported in the Statement of Financial Position only include the share of the overall net assets of the Organization that are within the control

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of its Member States. Reserves are established where the use of funds has been restricted by either a specific resolution by the governing bodies or the Financial Regulations. Fund balances are the unexpended balance of contributions that are set aside for future purposes, and include money that PAHO has set aside to finance the revolving procurement activity of \$88 million;

- The consolidated financial statements now include much more disclosure of PAHO's cash and investments, which is a significant balance. The Statement of Financial Position now reports \$485 million of cash; cash equivalents; short and long term investments. (There is an additional ring fenced amount of cash and investments of \$35 million held in an irrevocable trust to meet future employee liabilities). While this makes the Organization look in a healthy financial position, not all of this is at the free disposal of PAHO. Approximately \$180 million of these funds are earmarked for specific projects, with another \$150 million representing advances paid by Member States into the revolving procurement funds; and
- The Comparison of Budget and Actual Amounts no longer aligns directly with expenditure reported in the Statement of Financial Performance, with the budget prepared on a cash basis and not including the full activities of PAHO. Until the budgeting process is developed to align with the more objective and comprehensive accounting standards, PAHO will need to identify and explain the differences to its Member States.

Comparative Information

52 International Public Sector Accounting Standards (IPSAS) are an objective and comprehensive set of reporting standards. These Standards recognise the difficulties that many organizations will face in developing systems to produce the additional financial information now required. However, in order to encourage organizations to make the change, they have included specific provisions to make the transition smoother. They do not ask for historical financial data to be presented on a comparable basis; allowing the option of not presenting any comparative figures for the previous period in the first year of adoption of the new standards.

53 This is a once only transitional provision which PAHO has chosen to apply. Going forward, the financial information will be presented annually and contain direct comparative figures for all of the financial information. This will help Member States to quickly identify any changing trends in the activities performed and ask the relevant questions of the Organization.

External Auditor Comments on First Year Implementation

54 The IPSAS project was an extremely challenging undertaking for all the staff involved at PAHO, and for the auditors. The initial timetable endorsed by the 27th Pan American Health Conference in October 2007 for full implementation by 2010 has been met. This is a positive reflection of the hard work and commitment of PAHO staff.

55 Overall, we have been very impressed with the level of enthusiasm and energy with which PAHO has tackled the implementation project. We consider that the Organization and its staff should rightly be proud of its achievement. We have outlined some of the key points we think PAHO has done particularly well:

- Clear project planning, with working groups established to address individual key themes and consider the necessary process changes that would be required; this meant that the finance staff took full ownership of the project throughout;
- The project was not just restricted to key finance staff. Instead, IPSAS and its fundamental principles were communicated to all staff across the Organization. This meant it was not simply seen as an isolated finance project, but viewed as part of a much bigger move towards openness, transparency and improved financial reporting;
- Open engagement with the External Auditors, consulting on matters of accounting principle throughout the project lifecycle, which helped avoid disagreements during the year end final audit process; and
- The preparation and delivery of proforma consolidated financial statements through the year, giving the External Auditors the opportunity to provide early critical challenge and positive input into their format.

56 We also identified some areas where we think the Organization can learn lessons from the experience and represent scope for future improvements. These should be addressed in subsequent financial periods:

- There is scope for better management and supervision of the role of Country Offices in the implementation process. Failure to comply with central instructions at country level, can have significant consequences on the timeframes of year end closure and can threaten PAHO's ability to meet its reporting deadlines;
- Country Offices need to comply with instructions and provide robust accounts information. Our audit visit to the Brazil Country Office in January 2011 identified material errors in the reported expenditure for the year as this office had not properly implemented year end cut-off;
- The amount of financial resources and staffing requirements of the project were not fully understood at the outset. In our view, this led to finance staff being overstretched through the implementation period, and the project became dependent on key individuals. The final delivery was put at risk from the possibility of staff leaving or suffering from illness; and put significant additional pressure on the external audit team; and
- There is the need to challenge and fully understand the information that is provided by experts prior to its inclusion, to ensure it is free from error and accurately represents the state of affairs of PAHO. Management will have a much greater understanding of PAHO's operations and are well placed to review and check the validity of the data; however the project plan should provide sufficient time to allow this process to be carried out.

57 Recommendation 3: We recommend that PAHO staff carry out a full diagnosis of its experiences of implementing IPSAS and identify those areas where there is further scope for improvement. A clear action plan should be developed to address these weaknesses.

Developing the Benefits of IPSAS

Introduction

58 The transition from cash accounting to full accruals based accounting under an internationally recognized comprehensive framework is a complex and resource consuming exercise. It is not just a change in the presentation of the consolidated financial statements, or simply a project implemented and managed by finance staff, but a much wider shift to a way of working that will permeate all areas of PAHO's operations. It will influence the cultural behaviours of staff, it will develop financial and management information systems, and it will bring about greater clarity over processes and operating procedures.

Cultural Changes

59 The cultural shift will manifest itself in the way staff plan and record activities throughout the Organization, with project and other information being updated on a regular basis, and accurately recorded. This includes the use of experts to provide guidance on the valuation of complex assets and liabilities, making sure these are accurately reported to Member States. Better financial discipline and better training in the basic principles of accounting concepts should produce more qualified staff, with greater financial competencies developing in technical units and Country Offices.

Management Information

60 Underlying financial and information systems need to be more robust, to accurately present the actual progress in implementing projects and understand the resource consumption at any point in the year. Improved financial and inventory systems, populated with good quality data, improves management reporting and provides senior management with reliable and up to date information with which to plan the use of resources and oversee activities across the Organization. The benefits are not just restricted to senior management. Area managers and Country Office Representatives will also welcome the introduction of more timely and accurate information, allowing them to make informed business decisions and manage the risks of the projects and operations over which they have responsibility.

Policies and Procedures

61 Operating policies and processes could be strengthened to ensure that major transactions and arrangements are accounted for correctly. Our work has highlighted areas where this can be improved. For example, when we reviewed the treatment of the revolving procurement funds, there was no clear definitive policy on when PAHO should pay suppliers for the purchase and delivery of vaccines and other supplies.

Specific areas for development

62 PAHO will need to look at some of the specific problems which arose during the implementation process if it is to maximise the benefits from the implementation of IPSAS. These problems often highlighted areas where underlying systems, management and project information could be significantly improved. In particular, they often resulted from gaps in management information, and areas where operating policy needed to be clarified.

63 These should however be seen as an opportunity for the Organization to develop and PAHO should look to address these structural issues, and take this into consideration as it starts to overhaul its corporate information systems. We have highlighted below in paras 64 to 83 some of the more significant areas where we think PAHO could benefit from taking further action.

PAHO's Financial System

64 In our previous long form reports, we have raised our concerns about the dated finance system and we continue to re-iterate this. It is very important that the basic underlying accounting system has the capacity to capture information about how resources are actually being used, and has the ability to provide the necessary financial reports that meet both the requirements of IPSAS and the needs of management.

65 The year end preparation and auditing of the consolidated financial statements was a difficult process, with many areas of these statements being put together as part of an "off the system" one off exercise (identifying outstanding expenditures at the year end) or after specific "add on" IT programs were run to identify necessary adjustments (such as calculating depreciation on fixed assets).

66 Many of these changes were then made to the financial data in the system before it was suitable for financial reporting purposes. Consequently the year end financial reporting process is currently very dependent on key finance staff and manual calculations and adjustments being performed. This is an inherently risky situation with the reporting timetables susceptible to errors being made due to the significant level of manual intervention required.

67 The current financial database does not contain the full suite of reports expected from modern accounting systems. It cannot quickly produce reports on key balance sheet items. The Organization should be able to run, at any time, a full list of all outstanding amounts that are due to be paid (payables) where the goods and services have been received. Equally, the system should have the capability to generate a report that gives a snapshot of what amounts are due (receivables) to the Organization, when they are due and how overdue they are. These details not only mean that the information within the statements can be verified, but also that management are able to identify the likely cash inflows and outflows.

68 A fully functioning accruals based system should provide both a faster and automated closing of the financial statements (and a quicker audit) with minimal manual workarounds. This will in turn help build capacity among finance and administration teams and ensure that resources are not diverted from on-going finance and control activities

98 Developing the Benefits of IPSAS

69 This would help the Organization to produce fully audited financial statements to an earlier timetable, which may align better with the meeting dates of key governing body committees, such as the Audit Committee and the Sub-Committee on Program, Budget and Administration.

70 We note that at the 50th Directing Council, the Member States approved the acquisition, development and implementation of an Enterprise Resource Planning system. We understand the project will provide opportunities for the Organization to address its address the business processes associated with financial systems and the corresponding business and reporting needs.

71 Recommendation 4: We continue to recommend that the Organization makes the upgrading or replacement of the financial and management accounting system a strategic priority.

Expenditure Recognition

72 IPSAS requires that expenditures are reported only for goods and services that have actually been received in the year. This in turn involves an organization being able to identify, at any given point in time, the status of its ongoing activities and projects. These are often monitored on a monthly basis as part of the preparation of monthly management accounts.

73 However, PAHO does not yet have the systems or the management reporting processes in place to carry this out on a regular basis; the accounting system does not have the ability to record accruals for work that has been done but not yet paid for. Instead, the process of identifying what goods and services had actually been received in 2010 was carried out at the year end as a manual exercise carried out by staff.

74 Year end work undertaken by the external audit team identified examples of where projects had been cancelled or finished early, but the system did not reflect this. This led to further work which had to be done before the information was suitable for inclusion within the consolidated financial statements.

75 Recommendation 5: We recommend that PAHO consider how, both Headquarters and Country Office, staff should review and amend information in the system on a more frequent basis to ensure that the status of projects and expenditures is correctly reflected, and that management information is up to date.

76 Recommendation 6: We recommend improved monitoring and independent cross checking of the work carried out by both financial and non-financial staff who are responsible for updating the system to reflect the status of projects and contracts.

Employee Benefits

77 IPSAS requires the full recognition of liabilities that will fall due to the Organization because of the employee benefit arrangements that it offers its staff. To determine the value of the liability, the Organization appointed an independent qualified actuary to calculate the amount that is due.

78 This new information should be taken into consideration by PAHO and its Member States as part of PAHO's management of its human resources. It can be used as a basis to review the existing policies and processes by which staff are contracted and related benefits. Objective financial analysis provided by the actuary firm provides a good platform on which to make an informed judgement on staffing and resource strategies.

79 Recommendation 7: We recommend that PAHO and its Member States consider how to use the information it now has regarding its employee benefit liabilities in its management of human resources.

Intangible Assets

80 The year end closure process involved considerable discussion about what was the most suitable accounting policy for PAHO to adopt regarding intangible assets. Intangible assets are commonly assets such as software, licenses, or information databases that have value to the Organization and are used up over a period of time, which may be purchased or internally generated. Given that PAHO's Directing Council has authorized PAHO to proceed with modernizing its management information systems, effective management of intangible assets will become increasingly important. The majority of the costs of these assets will be external consultants and purchased software. These projects will consume a large proportion of permanent staff time, especially in the departments of Information Technology Services, Knowledge Management and Communication and Procurement where staff may be assigned to work exclusively or partially on these projects.

81 One of the key advantages of capitalising and reporting on these assets separately, is that the costs are fully transparent throughout their lifecycle, and subject to query by PAHO's oversight bodies. This is particularly important in complex IT projects during the development and design stage, where a significant risk is that costs of software and consultants time may increase beyond the original plan. It is important these project costs be managed carefully.

82 PAHO will need to make sure that it has a sufficiently robust project management framework in place including models which are able to identify staff time spent on specific pieces of work and to clearly attribute those costs that relate to them. This is not just to comply with the financial reporting framework, but will be necessary for senior management to effectively manage the implementation and understand the cost of high value and high risk projects.

83 Recommendation 8: We recommend that PAHO establish a clear project management framework to ensure that project costs can be clearly identified and accurately reported. This will assist senior management to oversee the roll out of PAHO's major software and IT development plans which commence from 2011.

Country Office Visits

Introduction

84 PAHO operates throughout the Americas and project implementation at a country level is managed by its network of Country Offices and Centers. This network is responsible for the direct administration of \$210 million of disbursed funds in 2010. This is a significant component of PAHO's reported activity and we carry out field visits to obtain assurance on controls over locally managed funds and expenditure.

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

86 During 2010, we visited the following Country Offices: Haiti, Dominican Republic, Brazil and Nicaragua. At the conclusion of each visit we have presented the management of the Country Office with our feedback, outlining any specific findings and recommendations. Management has been encouraged to respond accordingly and set out a clear action plan to implement or follow up on the points that we have raised.

Response to Disaster Scenarios

87 We visited the Haiti Office in September 2010. This was nine months after the earthquake on 12 January 2010 which destroyed a large component of the infrastructure in Port-au-Prince, the capital of Haiti. The damage was extensive and included PAHO's Country Office. PAHO immediately relocated and is now still operating out of the PROMESS warehouse site in temporary mobile offices.

88 The total expenditure of Haiti for 2010 was in the region of \$22 million of disbursed funds managed directly by the Office, with additional central emergency funds and funds at the Dominican Republic also being used to help the Organization respond to the crisis.

89 These allotted funds are significant in the context of PAHO's country operations, and were used to aid in the reconstruction of the country's healthcare systems. In the initial few months, PAHO's Country Office played a significant role in purchasing and distributing medical supplies and equipment to the local population and health care providers. This work was carried out in difficult circumstances, with limited financial systems, IT networks and poor communication links to Headquarters in Washington DC. The temporary office operated under emergency control procedures, with the PAHO Country Representative exercising a delegation of authority of \$100,000.

90 We recognise that the Country Office has operated in extraordinarily difficult circumstances during 2010 and that this has placed an exceptional pressure upon its administrative procedures and its staff.

Our work in Haiti therefore, involved testing internal systems and controls over procurement, payroll, banking and asset management. We selected a sample of individual transactions to verify that internal controls were operating effectively. In instances where we found control weaknesses, we increased the number of transactions tested so as to compensate for the increased level of risk.

91 Overall we concluded that the results of this visit were satisfactory and there were no matters of concern that would have a material impact on our audit opinion on the financial statements of PAHO. This is a positive outcome given the scale of the emergency, and the challenging situation that PAHO staff were operating in.

92 We provided detailed observations to the Country Office about areas where the financial systems could be strengthened. These covered the need to improve controls around the inventory managed by PROMESS staff, and those financed by voluntary contributions and donations, and to ensure policies and procurement procedures continued to be followed.

93 During the initial period following the earthquake, communication systems were poor and it was not easy to communicate between the Country Office and the Emergency Operations Center set up in Washington DC to help oversee the situation. This resulted in some contradictions between the Country Office and PAHO Headquarters as how best to address the situation on the ground.

94 There was an initial influx of consultants and health professionals being re-assigned to Haiti. While the additional technical expertise was welcome, this placed undue pressure on administrative and finance systems which did not have the capacity to absorb this extra volume of work. The Country Office was also needed to accommodate the extra staff and provide security arrangements. In particular, a number of staff who arrived did not have sufficient training or knowledge of the procurement process established by the Office. While this was unavoidable given the speed with which PAHO needed to respond, the overall response should be critically evaluated to determine both positive achievements and areas that could have been done better. This should be fed back to relevant staff, and emergency response plans developed accordingly.

95 Recommendation 9: The Organization should fully analyze the response with the key individuals involved, to fully understand the situation and produce a paper to clearly highlight the lessons learned.

Decentralization of Control

96 The Brazil Country Office is responsible for large and diverse geographical regions, and during our audit visit, we observed a tendency to devolve internal controls away from the center. In these situations, responsibility for procurement, administration and budget management has been devolved to individual areas of programme activity, supported by a central team who provide oversight and guidance. Although the de-centralization of this expertise has the advantage in allowing teams to respond quickly to circumstances and situations on the ground, this also gives rise to particular risks which need to be managed carefully.

102 Country Office Visits

97 This risk materialized during the year end closure process by which the Country Offices were asked to help implement the new expenditure recognition policy under IPSAS. One key step of this new policy was that Country Office finance staff were asked to review all open obligations and disbursements during the year, and determine which amounts related to goods and services received in 2010 and which were to be delivered in 2011. This information was sent back to the central Finance team in Headquarters and used as the basis of annual expenditure and accrual balances in the consolidated financial statements for the year ending 31st December.

98 During our visit, we performed a detailed check on this exercise, and found a number of discrepancies between what is required by IPSAS and what was submitted as part of the year end closure. Despite considerable training and instruction provided, it was not clear that staff fully understood the accounting principles behind the exercise they were asked to carry out and a number of errors were made that needed to be subsequently adjusted.

99 In these cases much of the responsibility to carry out the work had been passed on to wider teams working in the Country Office, and this may be why many did not fully understand the nature of the exercise. However, it is important that where responsibility for key financial activities is devolved, an effective system of checks and balances are put in place to mitigate against the risk that this is not carried out correctly. These checks and balances should be underpinned by clearly documented processes and procedures which are available to all staff, and which are aligned with central procurement guidance produced.

100 Recommendation 10: We recommend that PAHO assess the Country Office structures in Brazil where some financial controls were devolved to technical units and put in place a process of checks independent of the Office to ensure controls are operating effectively. These can be on a sample basis and focus on areas of the operation deemed to be of greater risk.

Corporate Governance

Introduction

101 Effective governance arrangements are essential for Member States to obtain the necessary oversight of any international organization. The Executive Committee is given the responsibility to provide this oversight and there are a number of mechanisms on which they rely to obtain this assurance. PAHO has demonstrated a very positive approach to strengthening the corporate governance of the Organization.

102 As part of our audit we have considered these arrangements and have considered their development. Where necessary we made a number of observations on how these governance mechanisms can be enhanced.

Statement of Internal Control

103 International organizations are increasingly adopting best practice by providing a Statement on Internal Control (SIC) within their annual financial statements. A SIC is an accountability document that describes the Director's assessment of the effectiveness of internal controls and the assurances on which the assessment has been based. The adoption of a SIC enhances accountability and transparency of the management and control over resources.

104 In our prior year report, we recommended that PAHO should produce such a Statement to be published alongside the 2010 consolidated financial statements. We are pleased that the Organization has taken this recommendation forward and produced one this year. In particular, we would like to draw the attention of Member States to the significant control issues identified and what actions are being taken to address these issues.

105 It is important that these issues form the basis of grounds to oversee the ongoing risk management of the Organization for the relevant governing bodies and committees to encourage a degree of constructive challenge as to the adequacy of PAHO's responses to the significant issues identified.

106 Although we are not required to produce a specific opinion on the SIC, we would usually report any material inconsistency between the Statement and our own assessment of the internal control environment. We can confirm that during the course of our audit, we did not identify any other significant control weakness that we think should have been included in this Statement.

The Audit Committee

107 PAHO has continued to make good progress on our earlier recommendations around the establishment of an Audit Committee with three fully independent members appointed through an external recruitment process. The first meeting was held on 5 November 2010 where the Committee elected its Chair and was given a full briefing on the background and activities of PAHO and some of the aspects of the Organization that are considered significant to senior management.

108 The Audit Committee met in March 2011 to consider a range of topics, such as the planning processes, the financial information for 2010 and the internal and external audit functions. We were invited to participate as observers when the consolidated financial statements were presented, and we were able to make comment if we wished and respond to any questions.

109 Consideration of the financial statements and a draft audit report is not included in the Audit Committee's Terms of Reference. Our view is that the Audit Committee could usefully have a role in considering the financial statements, the audit completion report, and the draft audit report. However, this would require a change to the terms of reference and may be something PAHO and its Member States wish to consider for the future. However, we should stress that the current timetable does not allow for this, and would need to be considered in any changes made, in conjunction with the external auditors.

110 Recommendation 11: We recommend that PAHO and the Audit Committee continue their work in embedding the Committee, and periodically consider the effectiveness of the Committee and its Terms of Reference.

Office of Internal Oversight and Evaluation Services

111 The Office of Internal Oversight and Evaluation Services Office (IES) represents a key element of internal assurance and good governance. It ensures that an effective control environment is maintained; and provides advice to management on how it can be strengthened. This work supports the assertions made by the Director in the Statement on Internal Control. It also informs our audit approach and assists us in identifying key risk areas, so as to concentrate our efforts.

112 In our previous report we noted that PAHO has been making progress in resourcing the Office, finding a permanent Auditor General, and supporting the IES through the use of short term consultants and temporary staff. The Office has strengthened its staff resources, and now has filled the majority of its posts with fixed term staff, with one vacancy for which recruitment is in progress. This is a positive development and will ensure that knowledge of the Organization and its processes remains internalised and is not lost as staff move off the assignment.

113 The work plan of IES is based on a documented risk assessment of the Organization. IES completed 14 out of 15 planned assignments for 2010. We used this work to inform the direction of our own audit, helping us to identify areas of concern for our audit opinion that may need to be followed up. We continue to work with the IES to identify areas where we can rely on their work to avoid duplication of effort.

114 IES produces a formal annual report each year which is presented to the Executive Committee and the Director. The Audit Committee is also provided with a draft of this report and asked to provide any comments that it may have. The IES function is a key component of effective governance of the Organization. It is important that the risks and concerns identified in the annual report are noted by the Organization and steps are taken to address these.

Enterprise Risk Management

115 In previous External Auditor's reports, we have emphasised the importance of effective risk management and that an internal control system should include a risk register which: identifies the risks; the areas affected; and sets out the proposed mitigating action, taking into account existing controls and responsibilities. We highlighted the need for the risk register to be underpinned by robust procedures which ensure that all staff and key stakeholders, including the Audit Committee, are fully engaged in the process.

116 PAHO has made progress with this and have acknowledged the value of Enterprise Risk Management (ERM) to the Organization. An Enterprise Risk Management Framework document has been prepared and PAHO is taking forward the development of a system of ERM.

117 Recommendation 12: We welcome PAHO's developments in this area and recommend that PAHO continues its development of Enterprise Risk Management.


Follow up to previous audit recommendations

118 In our report for 2008-2009, we made a number of recommendations on financial matters in relation to the implementation of IPSAS, the need to put in place new financial accounting systems, better business continuity planning and risk management, and recommendations around the internal control environment, and governance arrangements over the Staff Health Insurance Fund. As part of our work we have followed up the progress that PAHO has made in implementing these. The detailed follow up, including both the response from PAHO and our comments thereon, is set out in Annex B.

119 Overall we are of the opinion that PAHO has responded appropriately to our previous recommendations and are taking steps to address the issues raised. We concluded that PAHO has responded positively to our recommendations regarding the IPSAS and improvements to internal controls and the accountability framework, such as the publication of a Statement on Internal Control. A number of these responses have only been partially implemented to date as they are currently in progress. A number of these issues still, in our view, need to be addressed as a matter of priority. Where these continue to be of significant importance, for example the dated financial accounting system and the need to have clear project risk assessments at the outset, we have repeated these in this year's report.

Acknowledgement

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



Amyas C E Morse

Comptroller and Auditor General, United Kingdom

External Auditor

14th April 2011

Annex A - Summary of Audit Recommendations

Recommendation 1: PAHO should consider how it can best use the information on employee liabilities that is required under IPSAS, to ensure it plans to have funds available to meet these liabilities as they become due.

Recommendation 2: we recommend that PAHO carry out a formal risk assessment for high value procurement contracts or contracts that are in new areas of activity. PAHO's mitigation of risks associated with single source procurement should be fully documented.

Recommendation 3: We recommend that PAHO staff carry out a full diagnosis of its experiences of implementing IPSAS and identify those areas where there is further scope for improvement. A clear action plan should be developed to address these weaknesses

Recommendation 4: We continue to recommend that the Organization makes the upgrading or replacement of the financial and management accounting system a strategic priority.

Recommendation 5: We recommend that PAHO consider how, both Headquarters and Country Office, staff should review and amend information in the system on a more frequent basis to ensure that the status of projects and expenditures is correctly reflected, and that management information is up to date.

Recommendation 6: We recommend improved monitoring and independent cross checking of the work carried out by both financial and non-financial staff who are responsible for updating the system to reflect the status of projects and contracts.

Recommendation 7: We recommend that PAHO and its Member States consider how to use the information it now has regarding its employee benefit liabilities in its management of human resources.

Recommendation 8: We recommend that PAHO establish a clear project management framework to ensure that project costs can be clearly identified and accurately reported. This will assist senior management to oversee the roll out of PAHO's major software and IT development plans which commence from 2011.

Recommendation 9: The Organization should fully analyze the response with the key individuals involved, to fully understand the situation and produce a paper to clearly highlight the lessons learned.

Recommendation 10: We recommend that PAHO assess the Country Office structures in Brazil where some financial controls were devolved to technical units in the and put in place a process of checks independent of the Office to ensure controls are operating effectively. These can be on a sample basis and focus on areas of the operation deemed to be of greater risk.

Recommendation 11: We recommend that PAHO and the Audit Committee continue their work in embedding the Committee, and periodically consider the effectiveness of the Committee and its Terms of Reference.

Recommendation 12: We welcome PAHO's developments in this area and recommend that PAHO continues its development of Enterprise Risk Management.

Annex B - Implementation of Prior Year Recommendations

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

Follow up on Prior Year Recommendations

Recommendation	Management Response	External Auditor's Comment
<p>Recommendation 1: We recommend that PAHO produces a full set of IPSAS compliant financial statements as at 30 September 2010, populated with appropriate disclosures and present these to External Audit for an initial assessment during our November interim audit. These proforma statements should include the adjustments that are to be made to opening balances as at 1 January 2010.</p>	<p>The Area of Financial Resources Management (FRM) issued a set of IPSAS compliant financial statements as of 30 June 2010 and as of 30 September 2010. These statements were reviewed by the NAO Auditors who provided comments on the structure and disclosures.</p>	<p>Financial Statements were provided at the agreed dates during the year. Although they did not include a full set of disclosures, this proved a useful exercise to provide early feedback.</p> <p>Implemented</p>
<p>Recommendation 2: We recommend that PAHO continues to engage Member States in highlighting the potential changes to the financial statements and the significant changes to presentation resulting from the adoption of IPSAS.</p>	<p>Member States have been informed of the changes to the financial statements during the 146th Session of the Executive Committee (Agenda Item 7.8). However, FRM will provide a detailed presentation of the new statements during the 2011 Governing Body meetings.</p>	<p>PAHO have been proactive in educating Member States in how IPSAS will affect the financial statements</p> <p>Implemented</p>
<p>Recommendation 3: We recommend that PAHO critically appraise the content and format of the new IPSAS compliant financial statements and exclude any information which is not specifically required by IPSAS. This should include consideration of the detailed fund analysis, which in our opinion should be provided in a supplementary reporting document.</p>	<p>FRM worked closely with the NAO to ensure that the financial information contained in the Report of the Director for 2010 complies with IPSAS requirements, yet continues to provide the requisite information for the primary readers of the Report, including Member States, partners, donors and other stakeholders.</p>	<p>PAHO have been positive in identifying information which is not required by IPSAS. This has now been included alongside the financial statements in a clearly marked unaudited informational annex.</p> <p>Implemented</p>

Recommendation 4: We recommend that when preparing for the next budget cycle PAHO considers using an annual accruals and IPSAS basis of preparation of the budget to ensure alignment with financial reporting.

In accordance with the Financial Regulations and Rules the Program Budget cycle is based on a two year period. However, due to IPSAS implementation this audit recommendation is under consideration, although no change in the budgetary period or the accounting basis is anticipated at this time.

There have been no changes to the budgeting process. We continue to be of the opinion that the budgeting processes should be aligned with the financial reporting framework.

Not Implemented

Recommendation 5: We recommend that PAHO review all its Centers, Sub-Regional Centers and similar arrangements to determine whether they are under the control of PAHO and whether they should be included within its financial statements prepared under IPSAS.

A comprehensive report on the status of all Centers was being presented to the 146th Executive Committee held 21-25 June 2010. The Office of Legal Counsel (LEG) analyzed the IPSAS requirements regarding the determination of "control" of the Centers exerted by PAHO.

This exercise was completed satisfactorily as part of the IPSAS implementation project.

Implemented

Recommendation 6: We recommend that where the activities of Centers currently included in the annual financial statements of PAHO are not consolidated within the IPSAS account that PAHO considers the requirement for any financial information to be subject to external audit.

All Centers, Sub-Regional Centers, and similar arrangements have been determined to be under the control of PAHO and will be consolidated in the financial statements for 2010. Therefore, they will be subject to audit as part of the overall PAHO audit.

All information has been audited as part of the overall PAHO audit and our audit opinion is provided on the overall consolidated financial statements. Separate financial statements for the Centers have not been prepared or audited.

Implemented

Recommendation 7: We recommend that PAHO addresses IT risks within its financial systems and establishes a timetable and allocates resources to implement a new IT solution to ensure that essential business and reporting needs are met.

In September 2010, PAHO's Directing Council authorized PAHO to proceed with modernizing its management information systems using commercially available software without adopting WHO's Global Management System (GSM). The new PMIS Modernization Project will extend from early 2011 through mid 2014.

Although a decision has been taken to proceed with systems change, no change to the financial accounting system has been effected in the current year. This continues to be a significant risk to PAHO which we have referred to again in this current report.

Not Implemented

Recommendation 8: We recommend that the audit committee begins its work promptly after appointment of the independent members in June 2010 to become fully engaged with the implementation of IPSAS, and to provide guidance and observations to support management and give confidence to Member States in line with the internal/external audit cycle of assurances.

The Audit Committee was established in 2009 by the 49th Directing Council. In 2010 the Executive Committee of PAHO appointed three highly qualified individuals to serve as members of the PAHO Audit Committee. The Committee held its inaugural session on 4-5 November 2010 and its second session from 31 March to 1 April 2011.

Implemented

112 Annex B - Implementation of Prior Year Recommendations

Recommendation 9: We recommend that PAHO establish an overall risk register to identify and manage the most significant risks facing the organization. This preliminary risk register should be owned and discussed by senior management and made available to the audit committee for their consideration.

The Office of the Director of Administration (AM) is in the process of developing a formal, proactive, and structured risk management framework for PAHO. The risk management framework establishes the implementation of an organization-wide, phased and systematic approach to risk management which is integrated with PAHO's Results Based Management (RBM) framework to ensure that it will support and enhance the RBM process and achieve objectives and expected results by proactively identifying, assessing, evaluating, prioritizing and controlling risk across the Organization.

We note the progress that PAHO has made towards implementing this recommendation. However, a risk register has not yet been prepared and we continue to recommend this in the current year's report.

Partially Implemented.

Recommendation 10: We recommend that once suitable oversight arrangements have been established that the Auditor General prepare an Annual Report to the Director and Member States. This should provide details of audit coverage, a statement in respect of compliance with international standards and an assessment and opinion on the framework of internal controls.

IES has prepared its annual summary report for 2010 for submission to the Executive Committee and the Audit Committee. It includes details of internal audit coverage; states IES' adherence to the "International Professional Practices Framework" of the Institute of Internal Auditors; and includes Auditor-General's opinion of the internal control environment in PAHO.

Agreed. We have reviewed a draft of the report which has been submitted to the Audit Committee's second session in March 2011.

Implemented

Recommendation 11: We recommend that PAHO should produce a Statement on Internal Control (SIC) alongside the 2010 financial statement, after seeking sufficient assurances from senior management and the Office of Internal Oversight and Evaluation Services that internal controls are operating effectively. We encourage PAHO to support the SIC with appropriate evidence on the operational effectiveness of internal controls.

The Office of the Director of Administration (AM) prepared the Statement of Internal Control to be included with the 2010 Financial Report of the Director.

We welcome the steps that PAHO have taken to prepare a SIC and have provided our comments on this.

Implemented

Recommendation 12: We recommend that PAHO establish a timetable for developing business continuity plans for the remaining Country Office on a risk basis.

PAHO has prepared the first PAHO Continuity of Operations Policy which has been published. This requires each separate PAHO premise (including HQ, all PWRs and Centers) to have Business Continuity Plans (BCPs). By making this a Policy, clearly assigning the responsibility for the development and maintenance of BCPs and requiring the identification of resources and personnel, accountability for up-to-date BCPs has been established and this should facilitate completion and maintenance of BCPs.

We note the progress that PAHO has made in approving the policy, and development of a timetable.

Partially Implemented (ongoing)

Recommendation 13: We recommend that the headquarters business continuity plan is updated and rolled out across the headquarters divisions so that all staff are fully apprised of the agreed business continuity arrangements and that this is tested and reviewed periodically. Testing should include an assessment of the ability to recover and retain the functionality of all key systems in the event that the main buildings are inaccessible.

The response to this recommendation will be addressed, in the implementation of the PAHO Continuity of Operations Policy, as stated above in the intended action of recommendation 12.

We note the progress that PAHO has made in approving the policy, and development of a timetable.

Partially Implemented (ongoing)

Recommendation 14: We recommend that PAHO open discussions with WHO about the governance of the WHO Staff Health Insurance (SHI). This should include ensuring that reference to PAHO and its discreet interest in the SHI are reflected in the Fund's rules and regulations. These regulations should also provide for an effective mechanism for the presentation of annual financial statements and an independent audit opinion.

There is a working group established who have responsibility for formulating proposals to change the SHI arrangements. A significant proposal concerning the change in the governance of the SHI Fund has been presented and will again be reviewed at a meeting, which is scheduled to take place in June 2011. The proposal will eliminate the Joint Meeting as the policymaking body and will shift responsibility to a Global Management Committee. Changes to the governance proposal are expected to be submitted for the next meeting by the Association of Former Staff Members and the AMRO/PAHO Regional Surveillance Committee. A specific reference to PAHO in the proposal has yet to be included, but will be submitted for the next working group.

We note that discussions are progressing. However, there has not yet been any specific action that affects PAHO.

Not Implemented

Recommendation 15: We recommend that PAHO obtains confirmation of its share of underlying assets as well as liabilities from the WHO SHI, and explore the potential savings available by booking the administrative costs directly to the SHI, to reflect the treatment adopted by WHO.

An analysis of the contribution of PAHO to the underlying assets of the SHI Fund was prepared by the Coordinator of Staff Insurances at WHO. The analysis, which was preliminary in nature, was intended to demonstrate that PAHO could not substantiate a claim to the assets based primarily upon the contribution deficit imposed by PAHO retired staff. Discussions on this matter are ongoing, but it appears unlikely that PAHO will be able to obtain a share of a portion of the underlying assets of the SHI Fund. Suggestions concerning the possibility of booking administrative costs to the SHI Fund have not been well received to date.

We note the ongoing discussions and we continue to recommend that PAHO obtain a clear agreement on how jointly controlled assets are to be identified and attributed between PAHO and WHO.

Partially Implemented (Ongoing)

114 Annex B - Implementation of Prior Year Recommendations

Recommendation 16: We recommend that Country Offices develop a risk register which is reviewed and updated by senior management on a regular basis. We encourage Country Offices to escalate key strategic risks to headquarters for inclusion in the Organization wide risk register.

Ref to Recommendation No. 9.
Expected completion date is early 2012.

We note the progress that PAHO has made towards implementing this recommendation. However, Country Offices' risk registers have not yet been prepared and we continue to recommend this in the current year's report.

Partially Implemented.

Recommendation 17: We recommend that PAHO obtains a clear commitment from project beneficiaries to receive and utilise equipment or supplies for the purposes intended; and that project agreements provide for the right of inspection. Additionally, we would recommend that before accepting a project PAHO undertakes an assessment of operational and reputational risk.

The proposal for Review and Approval of Voluntary Contributions has been distributed among the entities in PAHO for their comments.

We welcome developments in this area but have continued to identify projects undertaken in 2010 which present significant risks to the organization (and have commented on these in the body of this report).

Not Implemented

Unaudited Informational Annex

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Segmented Information on the Statement of Financial Performance

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PAN AMERICAN HEALTH ORGANIZATION
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Core Activities Segment

	PAHO Regular Budget	WHO / AMRO Regular Budget	PAHO Working Capital Fund	PAHO Regular Budget Surplus	PAHO Revenue Surplus	PAHO Governing Bodies Projects	PAHO Holding Account	Total
REVENUE								
Revenue from Non-Exchange Transactions								
Assessed Contributions	93 200 000							93 200 000
Voluntary Contributions								
Other Revenue		39 543 000						39 543 000
Revenue from Exchange Transactions								
Procurement of Public Health Supplies								
Other Revenue								
Miscellaneous Revenue	5 158 848							5 158 848
TOTAL REVENUE	98 358 848	39 543 000						137 901 848
EXPENSES								
Staff and Other Personnel Costs	78 533 025	24 727 592				452 671		103 713 288
Supplies, Commodities, Materials	1 391 541	1 360 703				384 994		3 137 238
Equipment, Vehicles, Furniture and Depreciation	859 288							859 288
Contractual Services	6 923 917	4 979 671				633 425		12 537 013
Travel	3 558 347	4 701 453				131 073		8 390 873
Transfers and Grants to Counterparts	1 515 233	456 164				61 719		2 033 116
General Operating and Other Direct Costs	1 446 384	3 317 417						4 763 801
Indirect <input type="checkbox"/> Support Costs								
TOTAL EXPENSES	94 227 735	39 543 000				1 663 882		135 434 617
NET SURPLUS (DEFICIT)	4 131 113					(1 663 882)		2 467 231

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Partnership Activities Segment

	PAHO Voluntary Contributions	PAHO Voluntary Contributions from Governments Internal	AMRO Voluntary Funds for Health Promotion	AMRO Trust Funds for Human Reproductive Program	AMRO Sasakawa Health Trust Fund	PAHO Emergency Preparedness & Disaster Relief	AMRO Voluntary Contributions	AMRO Professional Officers	Total Voluntary Funds Segment
REVENUE									
Revenue from Non-Exchange Transactions									
Assessed Contributions									
Voluntary Contributions	82 946 048	106 767 260				9 911 133			199 624 441
Other Revenue			32 799 326		131 160				32 930 486
Revenue from Exchange Transactions									
Procurement of Public Health Supplies									
Other Revenue Miscellaneous Revenue	390								390
TOTAL REVENUE	82 946 438	106 767 260	32 799 326		131 160	9 911 133			232 555 317
EXPENSES									
Staff and Other Personnel Costs	19 726 184	2 934 337	7 866 463		18 658	1 926 248			32 471 890
Supplies, Commodities, Materials	10 947 010	11 086 011	13 142 917			4 485 663			39 661 601
Equipment, Vehicles, Furniture and Depreciation									
Contractual Services	19 048 521	43 121 678	2 871 898		5 143	1 132 254			66 179 494
Travel	15 864 453	22 742 421	3 842 008		105 551	1 035 692			43 590 125
Transfers and Grants to Counterparts	8 224 146	21 563 973	4 479 673			384 934			34 652 726
General Operating and Other Direct Costs	1 953 998	128 491	596 367		1 808	445 701			3 126 365
Indirect Support Costs	6 999 082	5 190 349				547 855			12 737 286
TOTAL EXPENSES	82 763 394	106 767 260	32 799 326		131 160	9 958 347			232 419 487
NET SURPLUS (DEFICIT)	183 044					(47 214)			135 830

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Enterprise Activities Segment

	Revolving Fund for Vaccine Procurement	Reimbursable Procurement	Regional Revolving Fund for Strategic Public Health Supplies	Income From Services	Program Support Costs	AMRO Special Fund for Servicing Costs	Total
REVENUE							
Revenue from Non-Exchange Transactions							
Assessed Contributions							
Voluntary Contributions					12 753 877		12 753 877
Other Revenue						6 419 251	6 419 251
Revenue from Exchange Transactions							
Procurement of Public Health Supplies	510 640 283	8 836 773	21 672 922		241 124		541 391 102
Other Revenue				3 646 536	400 775		4 047 311
Miscellaneous Revenue							
TOTAL REVENUE	510 640 283	8 836 773	21 672 922	3 646 536	13 395 776	6 419 251	564 611 541
EXPENSES							
Staff and Other Personnel Costs				(1 923)	4 619 043	5 608 235	10 225 355
Supplies, Commodities, Materials	496 274 503	8 836 773	21 078 588	236 001	53 726	309 409	526 789 000
Equipment, Vehicles, Furniture and Depreciation							
Contractual Services				1 817 030	315 131	127 122	2 259 283
Travel				291 456	38 361	(412 097)	(82 280)
Transfers and Grants to Counterparts					74 269		74 269
General Operating and Other Direct Costs				518 770	138 486	786 582	1 443 838
Indirect Support Costs							
TOTAL EXPENSES	496 274 503	8 836 773	21 078 588	2 861 334	5 239 016	6 419 251	540 709 465
NET SURPLUS (DEFICIT)	14 365 780		594 334	785 202	8 156 760		23 902 076

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Special Activities Segment

	PAHO Health Promotion	PAHO Provision for Termination & Repatriation Entitlements	PAHO Provision for Staff Entitlements	PAHO After Service Health Insurance	PAHO Tax Equalization Fund	PAHO Master Capital Investment Fund
REVENUE						
Revenue from Non-Exchange Transactions						
Assessed Contributions					5 125 000	
Voluntary Contributions						
Other Revenue						
Revenue from Exchange Transactions						
Procurement of Public Health Supplies						
Other Revenue	12 836	1 234 911	4 283 470	2 231 076		908 224
Miscellaneous Revenue						
TOTAL REVENUE	12 836	1 234 911	4 283 470	2 231 076	5 125 000	908 224
EXPENSES						
Staff and Other Personnel Costs	43 708	5 970 938	4 343 614	15 790 644	6 175 518	
Supplies, Commodities, Materials	22 210					1 467 881
Equipment, Vehicles, Furniture and Depreciation						
Contractual Services	98 060					826 613
Travel	116 146					(117)
Transfers and Grants to Counterparts	73 342					
General Operating and Other Direct Costs						829 361
Indirect Support Costs						
TOTAL EXPENSES	353 466	5 970 938	4 343 614	15 790 644	6 175 518	3 123 738
NET SURPLUS (DEFICIT)	(340 630)	(4 736 027)	(60 144)	(13 559 568)	(1 050 518)	(2 215 514)

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Special Activities Segment

AMRO Real Estate Fund	AMRO Terminal Payments Account	AMRO Non- Payroll Statutory Entitlements	AMRO Special Fund for Research & Training	AMRO Information Technology Fund	AMRO Post Occupancy Charges Fund	Total
						5 125 000
			581 653	591 705	2 370 972	3 544 330
	595 083	1 419 808				10 685 408
	595 083	1 419 808	581 653	591 705	2 370 972	19 354 738
	595 083	1 419 808	154 427	58 331		34 552 071
			2 058	202 154	98 497	1 792 800
			145 736	302 913	2 075 024	3 448 346
			217 578	10 330		343 937
			40 425			113 767
			21 429	17 977	197 451	1 066 218
	595 083	1 419 808	581 653	591 705	2 370 972	41 317 139
						(21 962 401)

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Sub-Regional Consolidated Centers Activities Segment /Interparty Segment

	Caribbean Epidemiology Center	Caribbean Food and Nutrition Institute	Total Associates Segment	Inter-Party Transactions	Total 2010
REVENUE					
Revenue from Non-Exchange Transactions					
Assessed Contributions	2 613 855	412 269	3 026 124		101 351 124
Voluntary Contributions	210	175 719	175 929	(12 756 910)	199 797 337
Other Revenue				(2 370 971)	80 066 096
Revenue from Exchange Transactions					
Procurement of Public Health Supplies				(241 124)	541 149 978
Other Revenue	358 263	14 169	372 432	(10 077 515)	5 028 026
Miscellaneous Revenue	25 467		25 467		5 184 315
TOTAL REVENUE	2 997 795	602 157	3 599 952	(25 446 520)	932 576 876
EXPENSES					
Staff and Other Personnel Costs	162 259	312 564	474 823	(10 077 514)	171 359 913
Supplies, Commodities, Materials	142 311	28 786	171 097	(339 622)	571 212 114
Equipment, Vehicles, Furniture and Depreciation					859 288
Contractual Services	1 660 450	131 975	1 792 425	(2 075 023)	84 141 538
Travel	165 367	4 637	170 004		52 412 659
Transfers and Grants to Counterparts					36 873 878
General Operating and Other Direct Costs	199 081	1 813	200 894	(197 451)	10 403 665
Indirect Support Costs	15	19 609	19 624	(12 756 910)	
TOTAL EXPENSES	2 329 483	499 384	2 828 867	(25 446 520)	927 263 055
NET SURPLUS (DEFICIT)	668 312	102 773	771 085		5 313 821

Assessed Contributions

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Pan American Health Organization
Assessed Contributions and Payments Received

Annex

(expressed in US dollars)

Member State	Beginning Balance 1 January 2010	Assessed Contributions	Payments Received	Ending Balance 31 December 2010
Antigua and Barbuda		22 368	22 368	
Argentina	6 891 563	3 990 824	3 990 824	6 891 563
Bahamas		78 288	78 288	
Barbados		74 560	74 560	
Belize		24 232	24 232	
Bolivia		55 920	55 920	
Brazil		7 107 432	7 107 432	
Canada		12 850 252	12 850 252	
Chile		1 036 384	1 036 384	
Colombia		752 124	752 124	
Costa Rica	28 466	139 800	148 920	19 346
Cuba	253 806	462 272	442 000	274 078
Dominica	35 841	15 844	15 844	35 841
Dominican Republic		153 780	153 682	98
Ecuador		153 780	153 780	
El Salvador	31 511	78 288	109 799	
France		269 348	269 348	
Grenada	54 020	20 504		74 524
Guatemala	127	139 800	139 248	679
Guyana	88	20 504	20 592	
Haiti		55 920	55 920	
Honduras	63 023	55 920	118 943	
Jamaica		151 916	151 916	
Mexico	5 471 305	6 070 116	11 536 410	5 011
Netherlands		83 880	83 880	
Nicaragua		55 920	55 920	
Panama		121 160	121 160	
Paraguay		153 780	153 780	
Peru	195 555	412 876	522 624	85 807
Puerto Rico		103 452	103 452	
Saint Kitts and Nevis		20 504	20 504	
Saint Lucia		22 368		22 368
Saint Vincent and the Grenadines		20 504	20 504	
Suriname		55 920	55 920	
Trinidad and Tobago		167 760	167 760	
United Kingdom	61 268	55 920	3 606	113 582
United States	19 314 160	60 502 740	60 157 084	19 659 816
Uruguay		207 836	207 836	
Venezuela		2 560 204		2 560 204
TOTAL-PAHO	32 400 733	98 325 000	100 982 816	29 742 917

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Annex

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

(expressed in US dollars)

Member State	Beginning Balance 1 January 2010	Assessed Contributions	Payments Received	Ending Balance 31 December 2010
Anguilla		7 841	7 841	
Antigua and Barbuda		17 774	17 774	
Aruba	32 643	35 026	32 643	35 026
Bahamas		122 852	122 852	
Barbados		155 001	155 001	
Belize	1 178	27 968	27 245	1 901
Bermuda		39 207		39 207
British Virgin Islands	21 576	7 841	29 417	
Cayman Islands		17 512	17 512	
Dominica	128 653	17 774	20 415	126 012
Grenada		17 774	1 700	16 074
Guyana		89 395	89 395	
Jamaica	2 744 058	342 677	319 363	2 767 372
Montserrat		7 841	3 921	3 920
Netherlands Antilles	317 933	87 303	45	405 191
Saint Kitts and Nevis		17 774	17 774	
Saint Lucia	44 345	17 774	17 774	44 345
Saint Vincent and the Grenadines		17 774	17 774	
Suriname	544 531	120 237	544 531	120 237
Trinidad and Tobago		1 438 669	1 438 669	
Turks and Caicos Islands		7 841	7 841	
TOTAL-CAREC	3 834 917	2 613 855	2 889 487	3 559 285

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Annex

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

(expressed in US dollars)

Member State	Beginning Balance 1 January 2010	Assessed Contributions	Payments Received	Ending Balance 31 December 2010
Anguilla		1 262		1 262
Antigua and Barbuda		3 771		3 771
Bahamas		19 379	19 379	
Barbados		39 637	39 637	
Belize		3 771	3 591	180
British Virgin Islands		781	781	
Cayman Islands		781	781	
Dominica	13 691	3 771	6 191	11 271
Grenada		3 771		3 771
Guyana		52 285	52 285	
Jamaica	1 449 507	156 034	148 604	1 456 937
Montserrat	1 202	1 262	2 464	
Saint Kitts and Nevis		3 771	3 771	
Saint Lucia	10 313	3 771	6 874	7 210
Saint Vincent and the Grenadines		3 771	3 771	
Trinidad and Tobago		113 795	113 795	
Turks and Caicos Islands		656		656
TOTAL CFNI	1 474 713	412 269	401 924	1 485 058

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Procurement Funds

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PAN AMERICAN HEALTH ORGANIZATION
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Annex

Statement of Reimbursable Procurement on Behalf of Member States

(expressed in US dollars)

This Statement of Reimbursable Procurement on Behalf of Member States, formerly known as Advances from Government and Institutions for Procurement, represents funds deposited with the Organization by governments and institutions/agencies under the jurisdiction of the minister of health for the purchase, on behalf of the ministry, of supplies, equipment, and literature which otherwise would be either unobtainable or subject to procurement difficulties in the countries concerned in 2010. A 3% service charge was applied to the net cost of the items purchased. In 2010 the service charges amounted to \$241 124. In accordance with Resolution CD28.R36 of the 28th Directing Council, this amount was included in the Special Account for Program Support Costs and has been used to defray part of the staff costs related to these procurement functions.

Source of Funds	Accounts Receivable	Deferred Revenue	Revenue/ Expense^{1/}
Argentina	-	440 126	2 600 425
Bahamas	-	591	911
Barbados	-	367	
Belize	-	13 700	127 368
Bolivia	-	499 071	423 993
Brazil	-	3 970 339	2 718 438
Chile	-	500	
Colombia	-	1 079 597	184 620
Costa Rica	-	6 591	8 544
Cuba	-	798 303	334 896
Dominican Republic	-	3 034	
Ecuador	-	1 003 923	805 803
El Salvador	-	2 200	6 709
Grenada	-		6 110
Guatemala	-	118 564	1 250 656
Guyana	-	164 385	185 492
Haiti	-	13 331	
Honduras	-	11 541	10 585
Jamaica	-	418	1 963
Mexico	-	403	
Nicaragua	-	759 494	482 634
Panama	-	60 196	28 596
Paraguay	-	21 957	
Peru	-	7 558	
Suriname	-	1 211	16 264
Trinidad and Tobago	-	4 088	24 408
Uruguay	-	15 818	3 558
Venezuela	-	7 701	-
Sub-Total Reimbursable Procurement on Behalf of Member States	-	9 005 007	9 221 973
Accrued Liability	-	(3 285)	(385 200)
Total Reimbursable Procurement on Behalf of Member States	-	9 001 722	8 836 773

¹ In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities committed during the Financial Period. Revenue and Expense for the Financial Period is recognized based on the cost of the goods and services being delivered or performed during the Financial Period. Furthermore, an accrued liability of (\$3 285) has been recognized for goods delivered at the end of 2010 and paid in 2011

PAN AMERICAN HEALTH ORGANIZATION
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Annex

Status of the Revolving Fund for Vaccine Procurement

(expressed in US dollars)

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

In accordance with the provisions of the Revolving Fund, the Director is authorized to transfer funds over and above a minimum Reserve Account Balance of \$100 000 to the Revolving Fund as additional capital. In 2010, the Capitalization Account included the 3% service charge earned of \$14 467 991, a \$30 contribution, and a \$48 291 charge for valuation losses. The expenditure of \$510 688 544 allocated to the countries is based on standard agreed-upon pricing of vaccines. The total difference between the standard and actual pricing in 2010 was \$53 950 which was charged to the capitalization of the Revolving Fund.

	Balance 01 January 2010	Expense	Revenue	Balance 31 December 2010
Country Summary Totals	98 177 729	516 845 616	516 845 616	98 177 729
Adjustment for Accrued Liability	4 736 720	(6 157 072)	(6 157 072)	4 736 720
Transfer to Capitalization Account		(14 634 798)		14 634 798
Adjustment for Accrual of Capitalization		166 807		(166 807)
Pricing Variance		53 950		(53 950)
Valuation Gain And Losses			(48 291)	(48 291)
Contributions			30	30
Sub-total	102 914 449	496 274 503	510 640 283	117 280 229
Reserve Account Balance	100 000			100 000
Refunds to Governments			(5 627 722)	(5 627 722)
Accrued Liabilities/Revenue	(4 736 720)	9 450 987		(14 187 707)
Payments in Process			(68 387)	(68 387)
Capitalization of the Revolving Fund	60 934 639		(14 467 991)	46 466 648
Accrual of Capitalization of the Revolving Fund	435 607		(435 607)	
Transfer from PAHO	10 000 000			10 000 000
Closing Fund Balance	169 647 975	505 725 490	490 040 576	153 963 061
<u>Funds Available for Future Revolving Fund Purchases</u>				
Revolving Fund Balance as of 31 December 2010 (per above)				153 963 061
Plus: Amount due to Fund from Member States/Institutions (Gross)			31 834 731	
Less: Funds received in Advance from Member States/Institutions (Gross)			(99 961 766)	(68 127 035)
Balance of Capitalization Account				85 836 026

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Annex

Statement of the Revolving Fund for Vaccine Procurement

(expressed in US dollars)

Source of Funds	Accounts Receivable	Deferred Revenue	Revenue/ Expense^{1/}
Anguilla	2 060		31 551
Antigua and Barbuda	104 455		116 860
Argentina		4 208 438	52 073 202
Aruba	72 736		226 414
Bahamas	41 117		471 560
Barbados	195 208		410 962
Belize		259 395	240 853
Bermuda		4 331	143 279
Bolivia	2 109 467	5 485 527	12 110 431
Brazil		9 926 635	89 662 399
British Virgin Islands	20 487		55 146
Cayman Islands	33 991		254 227
Chile	1 014 813		24 144 381
Colombia		47 365 482	63 171 096
Costa Rica	4 869 533	28	16 128 000
Cuba		8 795	
Dominica		4 075	28 706
Dominican Republic	1 258 192	485	3 668 314
Ecuador	541 055	16 892 156	43 862 459
El Salvador	3 107 714	2 781	12 777 011
Grenada	21 161	561	74 532
Guatemala	3 826 251	10	7 250 668
Guyana	45 182	509 519	508 257
Honduras		8 222 725	12 156 873
Jamaica	76 214	42 596	957 561
Montserrat	2 340		20 200
Netherlands Antilles	9 272	33 283	90 108
Nicaragua	1 128 643	1 321 584	6 901 082
Panama	4 314 694		22 902 730
Paraguay		2 222 569	9 512 523
Peru	3 732 607	9 517 211	106 402 249
Saint Kitts and Nevis	14 280		27 392
Saint Lucia	24 338	412	123 354
Saint Vincent and The Grenadines		11 124	48 917
Saint Maarten	6 649		40 920
Suriname	95 654	133	229 262
Trinidad and Tobago	38 123		1 223 457
Turks and Caicos Islands	25 822		90 948
Uruguay	3 419 068	450 802	6 107 731
Venezuela		1 507 291	22 600 001
Total Revolving Fund for Vaccine Procurement	30 151 126	107 997 948	516 845 616

^{1/} In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities performed during the Financial Period. Revenue and Expense for the Financial Period is recognized based on the cost of the goods being delivered or performed during the Financial Period. Furthermore, an accrued liability of \$6 157 072 has been recognized for goods delivered at the end of 2010 and paid in 2011.

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Annex

Statement of the Regional Revolving Fund for Strategic Public Health Supplies

(expressed in US dollars)

The Fund was established in 1999 by the Director under the authority vested in him by Financial Regulation 9.3 (originally 6.7), following the request of the PAHO Member States. The objectives of the Fund include reducing the cost of strategic public health supplies, making these supplies continuously available to the Member States, assisting the Member States in improving their planning capabilities to use these supplies, and broadening the scope of the Member States' public health programs. The Director approved the use of the 3% administrative service charge for the capitalization of the Fund effective 1 August 2005. This capitalization amounted to \$594 334 during the 2010 financial reporting period and reached a total amount of \$2 465 945 at the end of 2010. As of 31 December 2010, twenty-one Member States had indicated their commitment to participate in the Fund through an exchange of letters.

Source of Funds	Accounts Receivables	Deferred Revenue	Revenue Expense^{1/}
Argentina	-	407 210	1 399 599
Belize	-	32 442	164 955
Bolivia	-	292 661	142 984
Brazil	-	10 640 008	7 623 667
Colombia	-	3 557 901	3 490 660
Dominican Republic	-	2 356 875	5 609 994
Ecuador	-	3 820 179	2 442 969
El Salvador	-	1 069 142	1 630 582
Guatemala	-	966 958	769 867
Haiti	-	57 407	
Honduras	-	1 204 962	160 234
Nicaragua	-	3 665 201	34 780
Panama	-	236 175	1 249
Paraguay	-	1 127 740	205 413
Peru	-	502 209	1 326
Uruguay	-	517	
Venezuela	5 819		
Sub-Total Regional Revolving Fund for Strategic Public Health Supplies	5 819	29 937 587	23 678 279
Accrued Liability	14 566	(513 983)	(2 005 357)
Total Regional Revolving Fund for Strategic Public Health Supplies	20 385	29 423 604	21 672 922

^{1/} In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the contributions for procurement activities performed during the Financial Period. Revenue and Expense for the Financial Period is recognized based on the cost of the goods and services being delivered or performed during the Financial Period. The Fund's "Expense" net of the \$594 334 in administrative service charge, was \$21 078 588. Furthermore, an accrued liability of \$513 982 has been recognized for goods delivered at the end of 2010 and paid in 2011.

Voluntary Contributions

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Annex

Summary of Voluntary Contributions

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
I. Government Financing					
<i>Argentina</i>					
Contribution of the Government to INPPAZ ^{2/}	059018	219 715			
<i>Subtotal</i>		219 715			
<i>Brazil</i>					
Contribution of the Government to PANAFTOSA	063001			1 786 506	2 059 669
Contribution of the Government to BIREME Library for Adolescent Health and Public Health	063004 063122				1 259 849 1 202 881
Development of Animal Health Programs	063181				129 391
Development of Animal Health Programs	063193			454 843	635 013
SCIELO Books \ E-Publication Books of Academic Presses	063197	54 926		56 405	157 203
Implementation Portal BUS/CEFOR - SMS	063203	85 207		143 059	
Contribution of the Government to BIREME Development of Methodology System E- Publication Books of Academic Presses	063204 165001				47 058
<i>Subtotal</i>		219 701		219 701	
<i>Subtotal</i>		359 834		2 660 514	5 491 064
<i>Canada</i>					
Canadian International Immunization Initiative/CIII-Phase II	026109		154 249		640 497
Prevention and Control of Communicable Diseases in South America	026120			403 169	1 362 378
Consultant Trust Fund for Human Resources Mobilization	026122		1 579		32 709
Programme for Emergency Preparedness and Disaster Relief	026125		572		(572)
Support to PAHO Health Program	026126			1 725 238	4 906 649
Support to Bolivia for the Purchase of Vaccines and Syringes	026127			17 649	(16 970)

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(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Free Obstetric Care for Poor Pregnant Women	026128		29 166		1 851 564
Support to a Vaccination Expansion Program in Haiti (PAPEV) PAHO/UNICEF	026129	3 026 330		3 583 456	969 289
Disaster Risk Reduction in the Health Sector of CARICOM Member States	026136	1 000 000		1 326 727	680 909
Improved Health for Internally Displaced Persons (IDPs) in Colombia and Refugees 2009	026138				219 166
Immediate Response to H1N1 Influenza Pandemic	026140			299 314	1 637 732
Emergency Preparedness and Disaster Relief Program 2010	026141		29 033		912 675
Responding to Post-Disaster Health Needs after the Earthquake in Chile	026143			49 523	440 049
Support to PAHO Regional Routine Immunization Program	026144	477 000		7 127 127	830 235
Caribbean Eco-Health Programme: Public and Environmental Health Interactions in Food and Water-born Illnesses	109035	93 250		139 497	78 791
Improvement of Reproductive Health in Haiti	278008	6 745 165		7 823 352	1 802 752
"Tobacco and Public Health: From Theory to Practice" Adaptation of the Online Course	281039				29 644
Support Cost of ICDRA Meeting in Geneva, September 2008	281040			254	(252)
Strengthening Policy and Partnership Process for Prevention and Control of Chronic Diseases in Central and South America	435004				356 703
Preventing Cervical Cancer in Latin America	435005			142 592	142 653
Counter - Terrorism Capacity Building in Support to the "Cricket World Cup" (CWC)	452001			453	1 651
Counter - Terrorism Capacity Building Program	452003		29 069		265 654
F & M Veta Version Modeling Workshop in Brazil, March 2010	462002	21 805			21 805
<i>Subtotal</i>		11 363 550	243 668	22 638 351	17 165 711
Colombia					
Letter of Understanding no. 11 between Instituto Colombiano Agropecuario (ICA) and PANAFOTSA	066065			3 544	44 227
<i>Subtotal</i>				3 544	44 227

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(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
<i>Honduras</i>					
Initiative for Strengthening Health Services in the Framework of the Alliance GAVI (FSS/GAVI)	074013			94 570	
<i>Subtotal</i>				94 570	
<i>France</i>					
Personnel Support for the HIV/AIDS Program	247025		34		(34)
Technical Training Officers, Ministry of Health - Bolivia	062042	64 841		64 842	
<i>Subtotal</i>		64 841	34	64 842	(34)
<i>Italy</i>					
Functional Improvement of the Hospital of Chalchuapa and Development of the Integrated Network of Health Services of El Salvador	261027			217 673	100 193
Support to National Health System (PROSEPU II)	261028	1 124 403		1 343 105	174 387
Network Collaboration between Europe and Latin American/Caribbean (LAC) Countries to spread know-how in Scientific Writing and Provide the Best Tools to Exploit Open Access Information for the Safeguarding of Public Health (NECOBELAC)	261029	82 786		85 926	108 479
<i>Subtotal</i>		1 207 189		1 646 704	383 059
<i>Mexico</i>					
Health Promotion and Disease - Risk Prevention in North Mexican Border	076019			256 310	513 817
<i>Subtotal</i>				256 310	513 817
<i>Netherlands</i>					
PAHO Institutional Strengthening of MINSAs - Nicaragua	077089	1 140 120		2 187 439	812 561
<i>Subtotal</i>		1 140 120		2 187 439	812 561

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Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Norway					
Promotion of Gender Equity for the Eradication of Violence Against Women in Nicaragua	251034			186 461	1 033 124
HIV Prevention in Young People using a Human Rights Framework in Central America and the Caribbean	251035	3 727 334		3 997 316	1 062 213
<i>Subtotal</i>		3 727 334		4 183 777	2 095 337
Panama					
Support Workforce Development in Latin America	465001	635 040		722 956	28 720
<i>Subtotal</i>		635 040		722 956	28 720
Peru					
Pan American Center for Sanitary Engineering and Environmental Sciences (CEPIS)	081001			831 788	163 683
Regional Task Force on Water and Sanitation based in Peru - ETRAS	081040	154 377		154 377	
<i>Subtotal</i>		154 377		986 165	163 683
Spain (Including Provincial Governments)					
Spain Holding Account	230001			415 017	
Health in Ibero-America/Communicable Diseases and HIV/AIDS	230087			10 263	(332)
Health in Ibero-America/Family and Community Health	230088			608	
Health in Ibero-America/Technologies in Health	230089			3 635	(2 673)
Health in Ibero-America/Strengthening Public Health Systems	230090			5 742	(164)
Health in Ibero-America/Communicable Diseases and HIV/AIDS - Years 2 & 3	230093			13 106	(116)
Health in Ibero-America/Family and Community Health - Years 2 & 3	230094			3 138	(2 176)
Health in Ibero-America/Technologies in Health - Years 2 & 3	230095			2 365	210 858
Health in Ibero-America/Strengthening Public Health Systems - Years 2 & 3	230096			84 141	(13 275)

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Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Mobil Health Care Assistance - Bolivia	230099			459 629	
Spanish Fund 2007 Contribution - Haiti	230100			31 310	(22 886)
Support to the Masters in Tropical Medicine - 2008 Edition	230101			4 649	
Promotion of Access to Essential Medicines in Haiti	230102			1 413	(92)
"Spanish Fund Development 2007" Human Resources Health in Haiti	230103			263 553	286 765
"Spanish Fund Development 2007" Gender Equity and Health from an Ethic-Racial Perspective	230104			809	925
"Spanish Fund Development 2007" Primary Health Care in Bolivia	230105			236 689	
"Spanish Fund Development 2007" Special Strategies and Control of Chagas in Andean Region	230106			3 203	34 970
"Spanish Fund Development 2007" Regional Program of Dengue Control	230107			5 968	13 864
Elaboration of Health Agenda Dominican Republic and Central America, Spanish Funds 2007	230108				1 081
Strengthening of Access to Essential Medications Dominican Republic and Central America, Spanish Funds 2007	230109			96	34 001
Reconstruction Project after Earthquake - Peru	230110			14 958	239 555
"Spanish Fund Development 2007" Primary Health Care Program/ Affected POP Hurricane Felix - Nicaragua	230111				9 278
Strengthening of the Response Capacity of the Health Sector to Disasters in Central America, Dominican Republic and Haiti	230113		97		365 235
Improvement of the Sanitary Conditions and Access to Health for Populations Displaced and Vulnerable in the Departments of CHOCO, NARINO and VALLE CAUCA	230114		119		(254)
Recovery of Operating Capacity and Reduction of Vulnerability to Disasters in the Health Sector in Dominican Republic	230115			5 225	128 102
Institutional Strengthening of Public Health Systems	230116			90 667	837 681
Improvement of the Basic Health Services	230117			123 883	2 145 735

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Improvement to the Access to Essential Drugs and other Health Products	230118			25 490	708 831
Strengthening of Human Resources in the Health System	230119			5 294	173 584
Improvement of Health and Sexual and Reproductive Rights	230120			9 573	950 452
Child Health Improvement	230121			1 070	311 377
Fight Against the Prevalent and Forgotten Diseases (including HIV, Malaria and Tuberculosis)	230122			223 195	4 060 998
Strengthening of Research and Development in Health	230123			4 110	317 203
Guarantee the Model of Health Care in Accordance with the Multicultural and Multi-ethnic Needs in the Municipalities of WASPAN and SAHSA of the Autonomous Region of the North Atlantic (RANN) Nicaragua	230124			72 904	408 078
Contribute and Support the Access to Essential Drugs in Haiti	230125			44 689	(34 771)
Maintain Haiti Polio-free, Measles and Rubella, in addition Dispense Vitamin A to Children from 1 to 5 years	230126			73 331	788 913
Spanish Fund Coordination - 2008	230127			30 937	120 843
Safe Health Institute Hospital "Heroes de Baire" Cuba	230129			236 193	1 275 547
Implementation and Dissemination of Brief Interventions for At-Risk Drinking, Drug Health Services in Latin America	230130			81 729	58 607
Response to Emergency Health Needs, Internally Displaced Population (IDP) in Colombia	230133			268 900	266 460
Recovery Operation Capacity, Reduction and Vulnerability Disaster, Dominican Republic	230134			290 163	426 687
Regional Program Dengue	230135			3 970 948	283 322
Improvement of Basic Health Services	230137			1 951 492	163 108
Improvement of the Access to Essential Medicines and Other Products	230138			582 856	29 724
Strengthening of Human Resources and Health Systems	230139			247 571	4 219
Sexual and Reproductive Improvement of Health and Rights	230140			1 464 513	36 417
Child Health Improvement	230141			345 285	72 185
Institutional Strengthening - Public Health Systems	230142			970 422	98 868
Strengthening of Investigation and Development in Health	230143			517 058	49 742
Hospital "Heroe de Baire" Reconstruction Project - Cuba	230144			545 000	

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Support for PROMESS - HAITI	230145			218 000	
Finance Experts	230146			1 378 874	147 126
Evaluation of the Cooperation of Spain	230147			381 500	
Advocacy and Human Rights for Persons Living with HIV/AIDS and Engagement of Sex Workers and Men who have Sex with Men	191065		3 311		(3 310)
Integration of Ecosystems Adaptable to Climate Change in the Colombian Massif	191066			27 738	68 572
Intercultural Policies Program Inclusiveness & Create Opportunities (MDGF-1829)	191070			135 884	63 028
Integration of Climate Change Adaptation and Mitigation Measures (MDGF-1747)	191071			229 058	225 245
Gender Equality and Empowerment of Women through Participation and Gender Practices in Public Budgets (MDGF- 1725)	191072	268 039		331 445	298 027
Local Environmental Management for Natural Resources Management and Provision of Environmental SER in Bosawas (NSGF-1751)	191073	186 715		207 353	93 672
Economic Governance of Water and Sanitation Honduras (MDGF-1782)	191075			146 955	249 593
Access to Safe Drinking Water and Sanitation (MDGF - 1920)	191076	987 020		3 326 001	366 427
Manage Environmental Resources and Climatic Risks Peru (MDGF-1691)	191077	175 861		441 367	104 714
Strengthen Effective Management of Water & Sanitation (MDGF-1816)	191080	52 000		157 016	198 541
Strengthening the Ability to Define and Apply Drinking Water and Sanitation Policies	191081	128 186		261 892	155 765
National Capacity Building: Economic, Water and Sanitation	191082	874 832		1 111 753	248 110
Strengthening Peace in Guatemala through Violence Prevention and Management of Conflict	191083	359 520		384 102	64 228
Strengthen Women's Institutions in Guatemala	191084			151 458	249 112
Improving Nutrition and Food Security for the Peruvian Child: A Capacity Building Approach	191087	1 095 185		1 324 806	210 871
Promoting Food Security and Nutrition for Indigenous Children in Brazil	191088	1 287 755		1 768 662	411 608
Protecting Children: Towards a Coordinated Food Security and Nutritional Programme for El Salvador	191089	1 319 730		1 507 673	337 189

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Program Governance of the Water and Sanitation Sector in Ecuador within the Framework of the Millennium Development Goals	191090	63 130		92 439	132 261
The Indigenous Communities and Afro-Colombians of CHOCO Promote Nutrition and Food Security	191091	1 010 594		1 201 539	69 440
National Capacity Building: Intercultural Conflict Prevention and Management	191092			43 102	12 623
Building Social Capital to Reduce Violence in El Salvador	191093	239 680		730 556	77 490
Local Response Capacity: Inter-Sectorial Implementation PMD-C	191094	249 762		554 014	314 652
Improving the Situation of Children, Food Safety, and Nutrition in Guatemala	191095	790 944		900 714	279 710
Supporting the Fight Against Anemia Vulnerable Groups - Cuba	191096	659 655		947 102	69 398
Strengthening Banana Value Chain/Growth Inclusive Markets - Dominican Republic	191097	217 381		258 438	112 178
Childhood Nutrition and Food Safety	191099	82 379		149 618	
Alcohol Consumption, Partners and Response	457001			203 020	215 976
<i>Subtotal</i>		10 048 368	3 527	32 314 869	19 608 722
Sweden					
Integral Model of Health Development with Social Participation	163117			548 806	1 805 875
Family and Community Health	163124		148		(148)
Support to SIDA-PAHO Strategic Partnership on the Regional Health Programme in Central America 2008-2010 - Social Protection in Health	163135		3 343		295 187
Support to SIDA-PAHO Strategic Partnership on the Regional Health Programme in Central America 2008-2010 - Family and Adolescent Health	163136		2 655		429 953
Support to SIDA-PAHO Strategic Partnership on the Regional Health Programme in Central America 2008-2010 - Gender Equality in Health	163137				68 398

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Reduce the Impact of Food Crisis and Food Insecurity on the Health and Nutrition Status of Vulnerable Population from Departments of the Dry Corridor of Guatemala	163140			786 438	
Reduction of Vulnerabilities to Contribute to Rural Development in Five Municipalities of the Basins of the Coatan and High Suchiate Rivers in the Department of San Marcos in Guatemala	191103	1 600 127		1 840 347	
<i>Subtotal</i>		1 600 127	6 146	3 175 591	2 599 265
United Kingdom					
Caribbean Regional Cholera Preparedness and Prevention Programme	140062	1 180 548		1 180 548	
Leadership and Health Workforce Development	218001			32 626	(88)
Strengthen the Development of Public Health Workforce	218002			191 029	20 822
<i>Subtotal</i>		1 180 548		1 404 203	20 734
United States of America					
Program in Infectious Diseases Maternal/Neonatal and Health Systems	002108		141		(141)
Expansion of Directly Observed Treatment Short-course Strategy for Tuberculosis	002116	1 070 511		1 036 599	1 767 774
The Development of Hurricane Hazard Maps for the Caribbean Basin	002121		226		(226)
Strengthen Health Systems and Services in Context of Primary Health Care	002122	1 041 038		931 378	1 807 162
Avian and Pandemic Influenza Preparedness in the Caribbean	002126	580 000		583 105	499 572
Health Support for Displaced and Vulnerable Populations in Priority Departments in Colombia: Huila, Putamayo Norte de Santander and Cauca	002127		208		141 343
Support the Amazon Malaria Initiative (AMI) and the South America Infectious Diseases Initiative (SAIDI) over a 3 year period	002129	990 000		904 226	1 646 444

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Capacity Development & System Strengthening Support, and Institutional Strengthening in the Technical Areas of ARV Services, TB Services and Strategic Information to the Ministry of Health 2008 - Guyana	002130		10 152		396 706
A Secure and Disaster Resilient Health Sector in the Americas	002131	537 000		497 007	1 167 785
Violence and Injury Prevention Support for Leptospirosis Outbreak in Nicaragua	002134 002135	1 640 000 34 000		1 517 853 34 000	482 147
Elimination of Measles, Rubella and Congenital Rubella Syndrome (CRS) in the Americas - Year 5	028050				(107 425)
Health Promotion and Non-Communicable Disease and Injury Prevention Initiatives in Latin America and the Caribbean	028059				246 383
Coordination of Comprehensive Emerging Infectious Disease Plans	028061				(5 207)
Influenza Preparedness in the Americas Region - Year 3	028071				23 438
Influenza Preparedness in the Americas Region - Year 4	028072	17 186			2 021 012
Influenza Preparedness in the Americas Region - Year 5	028073	2 590 700		2 555 986	161 214
Phase II: U.S. Mexico Border Diabetes Prevention and Control Project	028076				619 054
Building Capacity and Networks to Address Emerging Infectious Diseases in the Americas - Year 2	028078	1 166			514 284
Building Capacity and Networks to Address Emerging Infectious Diseases in the Americas - Year 3	028079	665 547		631 313	359 234
Improving Capacity to Monitor the HIV/AIDS Epidemic in the Caribbean - Year 2	028083				851 163
Improving Capacity to Monitor the HIV/AIDS Epidemic in the Caribbean - Year 3	028084	351 000		343 927	156 073
Strengthening Immunization Programs in the Americas - Year 1	028085				1 319 789
Strengthening Immunization Programs in the Americas - Year 2	028086	2 633 910		1 931 006	4 263 632
Non-Communicable Disease Prevention and Health Promotion in the Region	028090	236 549		225 553	22 996
Promoting Cross-National Research on Aging for Policy Formulation	040027			3 542	423

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Cardiovascular Disease Prevention and Control in the Americas	137016		184		36 507
Center for Reproduction and Conservation of Primates (PPP/CRPC)	137017				713
Support the Administration of GIEFA	190007		13 587		16 663
Publication of Materials that the International Working Group on the Hemispheric Eradication of Foot and Mouth Disease (GIEFA) Produced for Fiscal Year 2010	190008	30 250		30 250	
Project to Provide Data on Medical Products and Regulatory Processes	240001	904 000		901 771	2 229
Health for Internally Displaced Population in Colombia and Refugees in Neighboring Countries	374007				(271)
Improved Health for Internally Displaced Population (IDPs) in Colombia and Refugees in Neighboring Countries	374008	211			(1 626)
Improved Health for Internally Displaced Population (IDPs) in Colombia and Refugees in Neighboring Countries	374009		15 558		444 101
Public Health Response in the Border Area between the Dominican Republic and Haiti, and Selected Areas of Haiti for the Population Affected by the Earthquake	374010	2 537 000		1 962 890	1 437 109
Improved Health for Internally Displaced Population (IDPs) in Colombia and Refugees in Neighboring Countries	374011	850 331		781 920	88 411
<i>Subtotal</i>		16 710 399	40 056	14 872 326	20 378 465
Total - Government Financing		48 411 442	293 431	87 212 161	69 305 331
II. International Organizations					
<i>Caribbean Community (CARICOM)</i>					
<i>Secretariat</i>					
Public Health Program Support Cricket World Cup - 2007	018013		352		26 418
The Pan Caribbean Partnership Against HIV/AIDS Project	018015				526 928
<i>Subtotal</i>			352		553 346

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<i>European Community</i>					
Strengthening Communities through Safer Health Facilities in the Caribbean	049063		1 224		(1 224)
Strengthening the Integration of the British & Dutch OCT's in the Regional Response within the PANCAP Framework	049068	4 137 113		4 603 398	1 940 174
Strengthening of Communities through Safe Health Facilities in Central America: A Safe Hospital Programme with Local Perspective	049069	105 149			179 798
Preparedness for Emerging and Re-Emerging Infectious Diseases Outbreaks in Priority Countries of Latin America and the Caribbean (LAC)	049072	31 801			(41 957)
Strengthening Health Response for Communities Affected by Acute Displacement in Four Departments of Colombia	049073	52 284			193 438
Safe Hospitals: Strengthening Disaster Preparedness at the Local Level, Argentina, Colombia, Bolivia, Ecuador, Paraguay and Uruguay	049074	210 179			999 495
Response to Diphtheria Outbreak in Port-au-Prince, Haiti	049076				25 670
Reduce the Impact of Food Crisis and Food Insecurity on the Health and Nutrition Status of Vulnerable Population from Departments of the Dry Corridor of Guatemala	049079	69 171			530 650
Strengthening Health Response for Communities Affected by Acute Displacement in Three Departments of Colombia	049081	57 820		273 309	26 916
Safer Hospitals and Urban Risk: Safer Cities in Central America with a Health System Ready to Respond to Disasters: Nicaragua, Honduras, El Salvador and Guatemala	049082	139 295		692 197	16 280
<i>Subtotal</i>		4 802 812	1 224	5 568 904	3 869 240
<i>Inter-American Development Bank</i>					
Prevention and Control of A H1N1 and Other Infectious Diseases in Latin America and the Caribbean	091028	997 376		993 614	2 002 595
<i>Subtotal</i>		997 376		993 614	2 002 595

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<i>International Bank for Reconstruction and Development (World Bank)</i>					
Improving Health Surveillance in Haiti	199029	279 638		372 850	
Support to Health Sector Response to Earthquake Affected Population	199030	100 000		413 585	586 415
<i>Subtotal</i>		379 638		786 435	586 415
<i>Joint United Nations Program on AIDS (UNAIDS)</i>					
Strengthen Communication Techniques for People Living with HIV/AIDS	191063			817	
OECS Global Funds Activities in Eastern Caribbean Countries (PAF/UNAIDS)	191067			28 986	62 865
HIV Epidemiology Surveillance (PAF/UNAIDS Funds 2007 - 2008)	191074				47 531
Barbados Strengthening HIV/STI Prevention and UN Theme Group Joint Team (PAF/UNAIDS)	191085			20 347	25 598
Economic Governance in the Water and Sanitation Sector in the RAAN and RAAS - Nicaragua	191086	107 000		197 855	100 115
Programme Acceleration Funds (PAF funds)	191098			426	(425)
Support for Completion for 2010 UNGASS Report	191102			828	10 072
Strengthening Comprehensive Sexuality Education and its Role in HIV Prevention in Latin America and the Caribbean	332074				21 853
Strengthening the National M&E and Surveillance System Across the "Three Ones" Principles in Bolivia	332075			26 044	13 956
Development of Studies; Strengthening the Response of the Education Sector, and Strengthening Local Capacities for Planning and Development Public Policies in Chile	332076			29 883	10 066
Study of HIV and Other Sexually Transmitted Infections Prevalence and Related Behaviors among MSM in the City of Guayaquil, Ecuador	332077			45 525	4 475

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Strengthening of the National and Departmental Response with regard to Promotion, Protection, and Defense of the Human Rights of the People who live with HIV and Groups at Higher Risk of the Epidemic in Guatemala	332078			75 000	
<i>Subtotal</i>		107 000		425 711	296 106
United Nations Children's Fund (UNICEF)					
Reimbursable Loan of Mrs. Maggie Schmeitz from PAHO/WHO and the United Nations Children's Fund (UNICEF)	187080			11 173	39 958
Health of Women and Men in the Americas, Profile 2009	187084				12 628
Social Campaign for Introduction of H1N1 Vaccine in Nicaragua	187085				25 198
Elimination of the Maternal and Child Transmission of HIV and Syphilis in Ecuador	187086			10 000	
<i>Subtotal</i>				21 173	77 784
United Nations Development Fund for Women (UNIFEM)					
Gender, Health and Development in Americas: Basis Indicators 2009	421006		549		16 951
Alliance for a Life Without Violence in Panama	191101			193 851	59 987
<i>Subtotal</i>			549	193 851	76 938
United Nations Development Program (UNDP)					
Joint Program for the Support of Human Security in Honduras	191058				(1 073)
Joint Programs: Gender, Environment and Climate Change, Economic Governance and Childhood, Food and Nutrition Security	191100				13 788
<i>Subtotal</i>					12 715

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<i>United Nations Environment Program (UNEP)</i>					
Regional Alternatives to DDT for Malaria Vector Control	195002			11 038	268 933
<i>Subtotal</i>				11 038	268 933
<i>United Nations International Strategy for Disaster Reduction (ISDR)</i>					
Global Facility for Disaster Reduction and Recovery	368005			92 986	500 967
Global Facility for Disaster Reduction and Recovery	368006		43 612		65 137
<i>Subtotal</i>			43 612	92 986	566 104
<i>United Nations Office for the Coordination of Humanitarian Affairs (OCHA)</i>					
Strengthening Intersectoral Community-Based and National Pandemic Influenza A (H1N1) Preparedness in Jamaica	401003			291 499	58 501
<i>Subtotal</i>				291 499	58 501
<i>United Nations Office for Project Services (UNOPS)</i>					
South-South Global Assets and Technology Exchange (SS-GATE) System Track 5	333006	146 900		146 900	
<i>Subtotal</i>		146 900		146 900	
<i>United Nations Population Fund (UNFPA)</i>					
Gender and Health Profile in the Americas	278010				2 322
Virtual Library Intercultural Indigenous People, Traditional Medicine and Indigenous People	278011		1 000		6 200
<i>Subtotal</i>			1 000		8 522

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United Nations Trust Fund for Human Security (UNTFHS)					
Strengthen Human Security in Three Municipalities - El Salvador	191078			188 582	96 307
Sustained Improvement of Human Security in the City of Sao Paulo thorough Humanization Actions in Public School, Health Services and Communities	399002	241 144		410 284	188 751
Human Security for the Adolescent: Empowerment and Protection against Violence, Early Pregnancy, Maternal Mortality and HIV/AIDS	399003		30 624		135 921
<i>Subtotal</i>		241 144	30 624	598 866	420 979
Total - International Organizations		6 674 870	77 361	9 130 977	8 798 178
III. Private and Public Sector					
Albert B. Sabin Institute					
Elimination of Rubella and Congenital Rubella Syndrome in the Americas	397002		218		(218)
Introduction of the Rotavirus Vaccine in the Americas	397005				(10)
Surveillance of Human Papilloma Virus (HPV) Related Disease in Jamaica	397006	147 750		412 261	38 001
The Final Stage of Rubella and Congenital Rubella Syndrome Elimination in the Americas	397007		924		3 372
Introduction of the Rotavirus Vaccine in the Americas	397008				170 656
Elimination of Neglected Diseases and other Poverty-Related Infections	397009		3 633		656 357
<i>Subtotal</i>		147 750	4 775	412 261	868 158
CDC Foundation					
Bloomberg Initiative to Reduce Tobacco Use (GATS)	460001			365 740	123 978
The Global Adult Tobacco Survey (GATS) Pretest and Implementation	460002			165	2 026
<i>Subtotal</i>				365 905	126 004

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<i>Colgate Palmolive Company</i>					
Community-Based Oral Health Interventions in Colombia and Ecuador	466001	112 080		221 721	21 359
<i>Subtotal</i>		112 080		221 721	21 359
<i>Conselho Nacional Pecuario (CNPC)</i>					
Development of Activities Related to the Strengthening of the Laboratory of Reference for Vesicular Disease	467001	21 302		147 274	
<i>Subtotal</i>		21 302		147 274	
<i>Global Alliance for Improved Nutrition (GAIN)</i>					
ProPAN: Process for the Promotion of Child Feeding: Updating and Capacity-Building to Improve Infant and Young Child Nutrition Programming	422002	79 552		191 027	7 853
<i>Subtotal</i>		79 552		191 027	7 853
<i>Global Alliance V. I. (GAVI)</i>					
Injection Safety Project - Bolivia	387004			461 580	
Injection Safety Project - Cuba	387005		131		210 091
Injection Safety Project - Nicaragua	387006			510	85 356
Strengthening of the Immunization Systems (ISS)	387007				(7)
Improvement of Cold Chain Transport Training, and Waste Disposal Units for Injection Safety	387008			689	11 111
Support the Immunization Services (ISS) of Bolivia 2007-2009	387009			213 596	
Immunization Services Support Guyana 06- 07	387010				30 352
New Vaccine Support for Introduction of Pneumococcal and Rotavirus Vaccines in Guyana	387011			35 938	20 915
New Vaccines for Immunization Services Support in Bolivia	387012			19 729	2 906
New Vaccine Support for Introduction of Pneumococcal and Rotavirus Vaccines in Honduras	387013			89 840	37 750

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Contribution to Support the Introduction of New Vaccines and for Immunization Services Support in Nicaragua	387014	55 500		188 161	18 474
Health Systems Strengthening in Honduras	387015	923 500		1 738 793	254 383
<i>Subtotal</i>		979 000	131	2 748 836	671 331
Global Forum Health Research					
2008 Global Ministerial Forum on Research for Health	461001		3 104		(2 499)
<i>Subtotal</i>			3 104		(2 499)
Income from Project Services					
PROMESS: Sale of Vaccines and Essential Drugs	099020				920 968
<i>Subtotal</i>					920 968
International Diabetes Federation					
Support of the Study of the Cost of Diabetes in Latin America	345004	33 333		52 994	
<i>Subtotal</i>		33 333		52 994	
Johns Hopkins School of Public Health					
Surveillance of Vaccine Preventable Bacterial Diseases, Invasive Diseases in the Region of the Americas: SIREVA II	366004				(12)
<i>Subtotal</i>					(12)
Pan American Health and Education Foundation (PAHEF)					
Expansion of Central American Diabetes Initiative to Belize & Panama	144010		938		2 580
Specialization Program on Managing Health Programs and Services for Older Adults	144025				4 539

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Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Annex Revenue/ Expense ^{1/}
Pro-Vac Initiative: Multiyear Project Proposal for the Promotion of Evidence-Based Policy Decisions Regarding New Vaccine Introduction in Latin America and the Caribbean	144028	2 452 282		3 830 670	996 407
Improving Surveillance and Characterization of Meningococcal Disease in the Latin American Region	144029	512 925		1 014 014	167 938
Technical Cooperation Project-School Takove Katu	144030				603
A Center of Excellence to Counter Chronic Disease on the U.S. Mexico Border	144031			113 837	76 060
International Women's Day Activities	144032				9 979
CARPHA Meeting - June 2010	144033			174	2 826
Healthy Kids, Healthy Communities: Supporting Community Action to Prevent Childhood Obesity	144034	254 368		297 418	46 206
Purchase of Portable Dental Health Units for Haiti	144035				23 080
<i>Subtotal</i>		3 219 575	938	5 256 113	1 330 218
<i>Program for Appropriate Technology in Health (PATH)</i>					
Post Marketing Safety Monitoring for Oral Rotavirus Vaccines in Brazil	375005				114 285
Monitoring of the Impact of a National Introduction of Rotavirus Vaccine to Reducing Severe Rotavirus Diarrhea Among Children in Nicaragua	375006	14 175		54 939	86 799
Effectiveness of a Monovalent Rotavirus Vaccine Against Severe Rotavirus Diarrhea in Bolivia	375007	62 000		123 411	85 613
Latin America Meeting on Introduction of New Technologies for Primary and Secondary Prevention of Cervical Cancer	375008	14 999			99 999
<i>Subtotal</i>		91 174		178 350	386 696
<i>Royal Commonwealth Society for the Blind</i>					
Regional Program for the Prevention of Blindness 2009 - 2011	203009	24 608		45 434	5 368
<i>Subtotal</i>		24 608		45 434	5 368

**PAN AMERICAN HEALTH ORGANIZATION
FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
1 January 2010 – 31 December 2010**

(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
<i>Texas Children's Hospital</i>					
Production of VI TAG Meeting Report	459002		6 567		8 434
Seventh Meeting (VII) of the Technical Advisory Group on " Integrated Management of Child Illnesses Strategy" IMCI	459003				1 827
Production of VII TAG Meeting Report	459004			12 408	2 592
Production of Evidence Based Interventions for Neonatal Health Publication	459005			15 000	
<i>Subtotal</i>			6 567	27 408	12 853
<i>The Global Fund (GFATM)</i>					
Scaling up the Regional Response to HIV/AIDS through the Pan Caribbean Partnership (PANCAP) Against HIV/AIDS in the Caribbean	018014				(9 285)
<i>Subtotal</i>					(9 285)
<i>Various Grantors (Undesignated Contributions)</i>					
Support to the Bioethics Program	215025			11 341	20 198
Multiactivities Financed by Small Contributions to PAHO during 2010 - 2011	215054	2 500		31 309	42 594
Promoting Evidenced-Based Practice in the US - Mexico Border Region	215055	11 987		3 627	8 360
<i>Subtotal</i>		14 487		46 277	71 152
<i>World Diabetes Foundation</i>					
Integrated Chronic Disease Management Model	418002			8 490	(4 835)
Diabetes E-learning for Health Professionals: Increasing Capacity of the Americas	418004	186 000		223 083	27 246
E-Access to Diabetes Education and Information (EADEI)	418005	2 414			47 273

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Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Guiding and Supporting National Quality Improvement Initiatives for Diabetes in Less Well Served Parts of the World: A Proof of Concept Project in the Caribbean	418006	175 000		221 183	98 539
<i>Subtotal</i>		363 414		452 756	168 223
Total - Private and Public Sector		5 086 275	15 515	10 146 356	4 578 387
IV. Voluntary Contributions					
Voluntary Contributions Priority Programs - Member States: Cayman Islands, Guatemala, Saint Kitts & Nevis and Trinidad & Tobago	444001			3 307	32 817
Bequest to PAHO from the Lydia Behm Trust	454001			7 720	48 681
Total - Voluntary Contributions				11 027	81 498
Total		60 172 587	386 307	106 500 521	82 763 394

Notes:

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

Expense: 2010	82 763 394
Project ID 099020 - Revenue is based on cash	185 309
Project ID 215017 - Revenue is based on cash	390
Project ID 144035 - Program Support Costs Adjustment in 2011	(2 655)
Voluntary Contributions Revenue	<u>82 946 438</u>

^{2/} The Accounts Receivable as of 31 December 2010 does not include \$512,148 due from the Government of Argentina to PAHO for costs incurred by PAHO and charged to the Regular Budget on the Government's behalf in respect to INPPAZ. The full amount was collected in February 2011.

PAN AMERICAN HEALTH ORGANIZATION
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Annex

Summary of Voluntary Contributions-Government Financing of Internal Projects

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Government Financing					
<i>Argentina</i>					
Managerial Support for National Health Development	059001			215 525	21 470
Communication Plan to Support Rubella Vaccination Campaign - 2006	059031			913	
Strengthen Management Capacity of Human Resources in Health - Chubut	059033				11 429
Support Ministry of Health in Development & Implementation of Management System	059034			83 165	23 765
Action Plan for the Strengthening of the Public Health in the Province "Entre Ríos"	059035	101 817		243 483	100 505
Improvement of Health Population of Cuenca Matanza Riachuelo	059036			91 807	392 714
Virtual Service Development (NACI) First World Fair of Healthy Municipals - 2009	059037 059038				(554)
Intensified Surveillance ETI-IRAG in Argentina	059039			155 571	1 019 480
Improved Monitoring of Clinical and Epidemiological Viral Factors in the Immune Response to the Infection by New Influenza A H1N1	059040			86 335	
Implementation of Five Priority Objectives of Strategy of Technical Cooperation of PAHO/WHO in Argentina - 2009 - 2011	059041	324 121		509 385	770 391
Implementation Diagnoses Tool WHO-AIMS in Argentina	059042			18 211	4 855
Information System and Statistics	059043			200 239	39 647
<i>Subtotal</i>		425 938		1 604 634	2 383 702
<i>Brazil</i>					
Integrated Network for Health Information	063084		879 798	20 737	877 250

PAN AMERICAN HEALTH ORGANIZATION
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(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Strategic Restructuring of Management in Ministry of Health	063103	2 071 006		4 449 618	926 847
Eradication of <i>Aedes aegypti</i>	063109		680 073		1 361 398
Municipal Organization for One Health System	063124		3 246 633	3 245 348	14 127 180
Improve Activities of the National Health Council	063134	1 553 254		1 909 057	638 999
Development of Pharmaceutical Assistance	063137	5 899 408		9 862 578	3 060 160
National Program Control of Tuberculosis	063151			2 130 837	2 578 127
Epidemiological and Environmental Surveillance	063166			11 827 499	9 360 592
Decentralized Management Qualification/"SUS"	063168			1 520 108	404 906
Reorganization of National System Sanitary Surveillance	063171		710 886	40 297	1 328 039
Program Qualification of Supplemental Health	063172	950 710		1 513 570	184 046
Development and Organization of Health Systems and Services	063173	1 775 148		8 608 995	8 820 142
Support of the Implementation of the Policy of Strategic and Participatory Management of "SUS"	063174			4 364 461	4 839 636
Economy of Health	063175		598 939		808 724
Development of Human Resources in Health	063177			17 148 195	2 726 763
Development of Management System of Technology in Health	063178	7 464 941		13 505 535	4 904 554
National Coordination of the Health in the Mercosur	063179				23 010
Family Health - Food and Nutrition	063180	8 648 986		18 172 627	8 478 228
Environmental Health / Institutional Strengthening and Training Human Resources for FUNASA	063182	1 609 874		6 343 258	4 082 567
Quality Program "Sistema Unico de Saude (SUS)"	063183	3 410 651		8 961 998	3 071 737
Implementation of National Policies on Blood	063184	1 678 254		2 432 976	97 531
Strengthening of Objectives and Directives SUS in Sao Paulo	063187	201 183		892 016	520 771
CANCER Network	063190	3 782 880		8 324 558	1 520 488
Health Surveillance, Promotion and Prevention	063191			2 055 520	2 002 981
Strengthening of Objectives and Directives of SUS in Bahia State	063192	256 213		1 227 433	829 029
Management of Work and Health Education	063194			21 782 676	17 064 106

PAN AMERICAN HEALTH ORGANIZATION
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(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Annex Revenue/ Expense ^{1/}
Institutional Strengthening and Advisory Services of International affairs of the Ministry of Health - AISA	063195	6 581 315		8 129 898	1 305 052
Economic - Industrial Complex of Health Support for the National Council of State Secretaries of Health Municipals "CONASS"	063198	4 799 858		11 234 359	1 843 592
	063199	4 423 077		5 863 865	721
Support for the National Council of State Secretaries of Health Municipals "CONASEMS"	063200	5 162 722		5 783 654	85 282
Prevention and Control of Dengue in the Context of Integrated Management	063201			3 828 128	624 979
Support for the Municipal Management of the Health System of Bello Horizonte	063202	963 018		963 018	
<i>Subtotal</i>		61 232 498	6 116 329	186 142 819	98 497 437
Chile					
Promotion of Bioethics	064004			5 095	113 454
<i>Subtotal</i>				5 095	113 454
Colombia					
San Andrés Healthy Phase II Development, Implementation and Evaluation of Actions and Strategies of the Components of the National Plan of Public Health of the Ministry	066061	4 224			569 262
Integrated Management Strategies of Public Health	066066		1 610		(1 610)
Public Comprehensive Health Management, Chronic and Transmittable Diseases, Environmental Health, and Public Health Surveillance	066067		2 196		4 822 023
Improvement of the Conditions of Water and Sanitation in Indigenous Communities of the Departments of Vichada and Vaupes	066068	12 947 224		12 947 224	
	066069	72 392		147 359	
<i>Subtotal</i>		13 023 840	3 806	13 094 583	5 389 675

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(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
<i>Ecuador</i>					
Develop Social Communication Program for Improved Access to Health Services	069020				36 339
<i>Subtotal</i>					36 339
<i>Guatemala</i>					
Integrated Development Division Regulator, Surveillance and Health Control - Phase II	072017			77 428	1 134
<i>Subtotal</i>					77 428 1 134
<i>Peru</i>					
Managerial Support for National Health Development	081003			629 559	319 165
Worldwide Survey on Mental Health	081039				
<i>Subtotal</i>					629 559 319 165
<i>Suriname</i>					
Reducing the Spread and Impact of HIV/AIDS in Suriname through Expansion of Prevention and Support Programs	082007	5 000		43 647	26 354
Reducing the Spread and Impact of HIV/AIDS in Suriname through Expansion of Prevention and Support Programs	082008	5 000		40 000	
<i>Subtotal</i>					10 000 83 647 26 354
Total		74 692 276	6 120 135	201 637 765	106 767 260

Notes:

^{1/} In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the full commitment amount upon signature of Voluntary Contribution agreements. Revenue for the Financial Period is recognized based on the Expense reported during the Financial Period.

PAN AMERICAN HEALTH ORGANIZATION
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Annex

Summary of Voluntary Contributions - Emergency Preparedness and Disaster Relief

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
I. Government Financing					
<i>Canada</i>					
Haiti Flash Appeal, Health Sector Response 2008	026137				(735)
El Salvador Floods and Landslides, PAHO Emergency Health Sector Response, UN Flash Appeal 2009	026139				169 280
Response to Haiti Earthquake, PAHO Emergency Health Sector Response, UN Flash Appeal 2010	026142		9 733		1 415 716
Response to Immediate Emergency Health Needs - Haiti Cholera Outbreak	026145			1 175 419	1 226 597
<i>Subtotal</i>			9 733	1 175 419	2 810 858
<i>Chile</i>					
Hurricane IDA Flooding in El Salvador - November - 2009	064016		1 017		98 983
<i>Subtotal</i>			1 017		98 983
<i>Spain</i>					
Emergency Response Fund for the Americas (AECID)	230112			416 141	216 194
Response to the Swine Influenza A (H1N1) in Latin American and the Caribbean	230128			165 004	336 647
Humanitarian Assistance in Health Problems after the Earthquake in Haiti	230131			11 748	3 333 963
Humanitarian Assistance in Health Problems after the Earthquake in Haiti	230132			438	578 452
Emergency Response Fund for the Americas (AECID Supplemental Funds H1N1)	230136			188 535	
<i>Subtotal</i>				781 866	4 465 256

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
 1 January 2010 – 31 December 2010

(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
<i>Sweden</i>					
Earthquake in Peru August 2007 - Health Projects	163131		11 552		(11 552)
Support to UN Flash Appeal Haiti 2008	163138				(6 592)
<i>Subtotal</i>			11 552		(18 144)
<i>United Kingdom</i>					
Haiti Outbreak Prevention and Control, Epidemiological Surveillance	140061				446 762
<i>Subtotal</i>					446 762
<i>United States of America</i>					
Response to the Swine Influenza A (H1N1)	002132	3 862			92 042
<i>Subtotal</i>		3 862			92 042
Total - Government Financing		3 862	22 302	1 957 285	7 895 757
II. International Organizations					
<i>European Community</i>					
Dengue Outbreak Control in Guatemala Responding to Post-Disaster Health Needs after the Earthquake in Chile	049075	32 756			(68)
Health Response to Earthquake in Haiti	049077	130 111			664 734
Emergency Response in the Health Sector to Flooding Caused by Tropical Storm Agatha in Guatemala, Honduras and El Salvador	049078	106 723			641 458
Restoring Health and WASH Standards from the Effects of Hurricane Tomas in Eastern Caribbean, Saint Lucia, Saint Vincent and the Grenadines	049080	102 675			600 057
Health Response to Cholera Outbreak in Haiti	049083	52 864		189 788	74 532
Response to Cholera Outbreak in Haiti	049084	1 905 445		1 905 445	
	049085	647 851		647 851	
<i>Subtotal</i>		2 978 425		2 743 084	1 980 713
Total - International Organizations		2 978 425		2 743 084	1 980 713

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
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(expressed in US dollars)

Annex

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
III. Private and Public Sector					
Procurement, Shipment, Warehousing and Distribution of IV Fluids and Other Essential Medicine in Response to the Cholera Outbreak in Haiti	248003			1 500 200	
<i>Income from Project Services</i>					
Haiti: Sale of Fuel	099000				51 877
<i>Subtotal</i>				1 500 200	51 877
<i>Various Grantors</i>					
Responding to Post-Disaster Health Needs after the Earthquake in Chile	215056				30 000
<i>Subtotal</i>					30 000
Total - Private and Public Sector				1 500 200	81 877
<i>Special Fund for Natural Disaster Relief</i>	463000 ²				
Total - Special Fund					
Total		2 982 287	22 302	6 200 569	9 958 347

Notes:

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

Expense: 2010	9 958 347
Project ID 463000 - Revenue is based on cash	4 663
Project ID 099000 - Revenue is based on cash	(51 877)
Voluntary Contributions Revenue	9 911 133

² PAHO Project ID changed from 215000 to 463000 with effect from 1 January 2010.

**Regional Office of The Americas (AMRO)
World Health Organization**

PAN AMERICAN HEALTH ORGANIZATION
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**Regional Office of The Americas for the
 World Health Organization
 Statement of Financial Performance by Segment**

(expressed by US dollars)

	WHO Regular Budget	WHO Special Account for Servicing Costs	Special Program for Research & Training	Staff Development and Learning Fund
REVENUE				
Revenue from Non-Exchange Transactions				
Assessed contributions				
Voluntary Contributions				
Other Revenue	39 543 000	6 419 251	581 653	591 705
Revenue from Exchange Transactions				
Procurement of Public Health Supplies				
Other Revenue				
Miscellaneous Revenue				
TOTAL REVENUE	39 543 000	6 419 251	581 653	591 705
EXPENSES				
Staff and Other Personnel Costs	24 727 592	5 608 235	154 427	58 331
Supplies, Commodities, Materials	1 360 703	309 409	2 058	202 154
Equipment, Vehicles, Furniture and Depreciation				
Contract Services	4 979 671	127 122	145 736	302 913
Travel	4 701 453	(412 097)	217 578	10 330
Transfers and Grants to Counterparts	456 164		40 425	
General Operating and Other Direct Costs	3 317 417	786 582	21 429	17 977
Indirect Support Costs				
TOTAL EXPENSES	39 543 000	6 419 251	581 653	591 705
NET SURPLUS (DEFICIT)				

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
 1 January 2010 – 31 December 2010

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

Annex

(expressed by US dollars)

Post Occupancy Charges AMRO	Sasakawa Health Trust Fund	WHO Voluntary Funds for Health Promotion	Total¹
2 370 972	131 160	32 799 326	82 437 067
<hr/>			
2 370 972	131 160	32 799 326	82 437 067
<hr/>			
	18 658	7 866 463	38 433 706
98 497		13 142 917	15 115 738
2 075 024	5 143	2 871 898	10 507 507
	105 551	3 842 008	8 464 823
		4 479 673	4 976 261
197 451	1 808	596 367	4 939 032
<hr/>			
2 370 972	131 160	32 799 326	82 437 067
<hr/>			

¹Note - No eliminations are provided.

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Caribbean Epidemiology Center

PAN AMERICAN HEALTH ORGANIZATION
FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
1 January 2010 – 31 December 2010

Annex

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

(expressed in US dollars)

	<u>31 December 2010</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	27 878
Accounts Receivable	7 591 665
Total Current Assets	<u>7 619 543</u>
TOTAL ASSETS	<u>7 619 543</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	31 068
Accrued Liabilities	61 309
Total Current Liabilities	<u>92 377</u>
TOTAL LIABILITIES	<u>92 377</u>
NET ASSETS / EQUITY	
Fund Balances and Reserves	
Fund Balances	7 527 166
NET RESERVES & FUND BALANCES	<u>7 527 166</u>

Annex

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

(expressed in US dollars)

	<u>31 December 2010</u>
REVENUE	
Revenue from Non-Exchange Transactions	
Assessed contributions	2 613 855
Voluntary Contributions	210
Other Revenue	
Revenue from Exchange Transactions	
Procurement of Public Health Supplies	
Other Revenue	358 263
Miscellaneous Revenue	25 467
TOTAL REVENUE	<u>2 997 795</u>
EXPENSES	
Staff and Other Personnel Costs	162 259
Supplies, Commodities, Materials	142 311
Equipment, Vehicles, Furniture and Depreciation	
Contract Services	1 660 450
Travel	165 367
Transfers and Grants to Counterparts	
General Operating and Other Direct Costs	199 081
Indirect Support Costs	15
TOTAL EXPENSES	<u>2 329 483</u>
NET SURPLUS (DEFICIT)	<u>668 312</u>

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

(expressed in US dollars)

	<u>31 December 2010</u>
Cash flows from operating activities	
Surplus for the period	668 312
(Increase) in receivables	(559 828)
(Increase) in Quota Received in Advance	(82 541)
(Increase) in Accrued Liabilities	(3 865)
Net cash flows from operating activities	<u>22 078</u>
Net increase in cash and cash equivalents	22 078
Cash and term deposits at beginning of financial period	<u>5 800</u>
Cash and cash equivalents, end of financial period	<u><u>27 878</u></u>

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

(expressed in US dollars)

	31 December 2010
Net assets at the beginning of the year	3 012 559
Change in accounting policy	3 846 295
Restated balance at the beginning of the year:	6 858 854
PSC Capitalization	
Transfers from/to reserves	
Actuarial gains and losses on	
After Service Health Insurance	
Gain/Loss on Revaluation of Fixed Assets	
(Revaluation reserve)	
Gain/Loss on Revaluation of Investments	
Total of items (revenue/expenses) recognized directly in Net Assets	6 858 854
Surplus/(deficit) for the Financial Period	668 312
Net assets at the end of the year	7 527 166

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
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Caribbean Epidemiology Center
Administered by the Pan American Health Organization
Statement of Financial Performance by Segment

(expressed in US dollars)

Category	Regular Budget and Working <u>Capital Fund</u>	Trust <u>Funds</u>	Building <u>Fund</u>	Capital Equipment <u>Fund</u>	Income from Services <u>Fund</u>
REVENUE					
Revenue from Non-Exchange Transactions					
Assessed contributions	2 613 855				
Voluntary Contributions					
Other Revenue					
Revenue from Exchange Transactions					
Procurement of Public Health Supplies					
Other Revenue	61 136	134			
Miscellaneous Revenue	864		759		
TOTAL REVENUE	2 675 855	134	759		
EXPENSES					
Staff and Other Personnel Costs	5 627				
Supplies, Commodities, Materials	132 258	306	1 112		8 635
Equipment, Vehicles, Furniture and Depreciation					
Contract Services	1 638 910		35 948		(14 408)
Travel	162 544	(812)	2 614		736
Transfers and Grants to Counterparts					
General Operating and Other Direct Costs	189 737	625	7 956		763
Indirect Support Costs		15			
TOTAL EXPENSES	2 129 076	134	47 630		(4 274)
NET SURPLUS (DEFICIT)	546 779		(46 871)		4 274

PAN AMERICAN HEALTH ORGANIZATION
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 1 January 2010 – 31 December 2010

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Program Support Cost <u>Fund</u>	Terminal Entitlement: <u>Fund</u>	Staff Provident <u>Fund</u>	<u>Total</u> ^{1/}
			2 613 855
210			210
	143 974	153 019	358 263
		23 844	25 467
210	143 974	176 863	2 997 795
	8 380	148 252	162 259
			142 311
285			1 660 450
			165 367
			199 081
			15
285	8 380	148 252	2 329 483
(75)	135 594	28 611	668 312

^{1/}Note - No eliminations are provided.

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
 1 January 2010 – 31 December 2010

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**Caribbean Epidemiology Center
 Administered by the Pan American Health Organization
 Summary of Trust Funds**

(expressed in US dollars)

Source of Funds	PAHO Project ID	Accounts Receivable	Accounts Payable	Deferred Revenue	Revenue/ Expense ^{1/}
Private and Public Sector					
<i>University of Maryland</i>					
Training in Public Health Capacity Building	405001				134
<i>Subtotal</i>					134
Total - Private and Public Sector					134
Total					134

Note:

¹ In accordance with IPSAS, beginning 1 January 2010, PAHO has recognized as Deferred Revenue the full commitment amount upon signature of Voluntary Contribution agreements. Revenue for the Financial Period is recognized based on the Expense

Caribbean Food and Nutrition Institute

PAN AMERICAN HEALTH ORGANIZATION
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1 January 2010 – 31 December 2010

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**Caribbean Food and Nutrition Institute
Statement of Financial Position**

(Expressed in US Dollars)

	<u>31 December 2010</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	15 121
Accounts Receivable	<u>1 905 686</u>
Total Current Assets	<u>1 920 807</u>
TOTAL ASSETS	<u>1 920 807</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	87 206
Deferred Revenue	<u>376 366</u>
Total Current Liabilities	<u>463 572</u>
TOTAL LIABILITIES	<u>463 572</u>
NET ASSETS / EQUITY	
Fund Balances and Reserves	
Fund Balances	<u>1 457 235</u>
FUND BALANCES	<u><u>1 457 235</u></u>

Annex

**Caribbean Food and Nutrition Institute
Statement of Financial Performance**

(Expressed in US Dollars)

	<u>31 December 2010</u>
REVENUE	
Revenue from Non-Exchange Transactions	
Assessed contributions	412 269
Voluntary Contributions	175 719
Other Revenue	
Revenue from Exchange Transactions	
Procurement of Public Health Supplies	
Other Revenue	14 169
Miscellaneous Revenue	
TOTAL REVENUE	<u>602 157</u>
EXPENSES	
Staff and Other Personnel Costs	312 564
Supplies, Commodities, Materials	28 786
Equipment, Vehicles, Furniture and Depreciation	
Contract Services	131 975
Travel	4 637
Transfers and Grants to Counterparts	
General Operating and Other Direct Costs	1 813
Indirect Support Costs	19 609
TOTAL EXPENSES	<u>499 384</u>
NET SURPLUS	<u><u>102 773</u></u>

**Caribbean Food and Nutrition Institute
 Statement of Cash Flow (Indirect Method)**

(Expressed in US Dollars)

	31 December 2010
Cash flows from operating activities	
Surplus for the period	102 773
(Increase) in receivables	(231 146)
Decrease in advance receipts	138 696
(Increase) in Accruals	(1 942)
	8 381
Net cash flows from operating activities	
 Cash Flows from Investment and Financing Activities	
 Net increase (decrease) in cash and cash equivalents	 8 381
 Cash and term deposits at beginning of financial period	 6 740
 Cash and cash equivalents, end of financial period	 15 121

**Caribbean Food and Nutrition Institute
Statement of Changes in Net Assets**

(Expressed in US Dollars)

	<u>31 December 2010</u>
Net assets at the beginning of the year	95 846
Change in accounting policy	<u>1 258 616</u>
Restated balance at the beginning of the year	1 354 462
PSC Capitalization	
Transfers from/to reserves	
Actuarial gains and losses on After Service Health Insurance	
Gain/Loss on Revaluation of Fixed Assets (Revaluation reserve)	
Gain/Loss on Revaluation of Investments	
Total of items (revenue/expenses) recognized directly in Net Assets	<u>1 354 462</u>
Surplus for the Financial Period	<u>102 773</u>
Net assets at the end of the year	<u><u>1 457 235</u></u>

PAN AMERICAN HEALTH ORGANIZATION
 FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
 1 January 2010 – 31 December 2010

Annex

**Caribbean Food and Nutrition Institute
 Statement of Financial Performance by Segment**

(Expressed in US Dollars)

	Regular Budget and Working Capital Fund	Trust Funds	Special Fund	TOTAL
Revenue from Non-Exchange Transactions				
Assessed contributions	412 269			412 269
Voluntary Contributions		175 719		175 719
Other Revenue				
Revenue from Exchange Transactions				
Procurement of Public Health Supplies				
Other Revenue				
Miscellaneous Revenue			14 169	14 169
TOTAL REVENUE	412 269	175 719	14 169	602 157
EXPENSES				
Staff and Other Personnel Costs	257 923	54 641		312 564
Supplies, Commodities, Materials	108	16 133	12 545	28 786
Equipment, Vehicles, Furniture and Depreciation				
Contract Services				
Travel	5 703	91 448	34 824	131 975
Transfers and Grants to Counterparts	10 749	(6 112)		4 637
General Operating and Other Direct Costs				
Indirect Support Costs	1 813			1 813
		19 609		19 609
TOTAL EXPENSES	276 296	175 719	47 369	499 384
NET SURPLUS (DEFICIT)	135 973		(33 200)	102 773

PAN AMERICAN HEALTH ORGANIZATION
FINANCIAL REPORT OF THE DIRECTOR and REPORT OF THE EXTERNAL AUDITOR
1 January 2010 – 31 December 2010

Annex

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

(expressed in US dollars)

<u>Source of Funds</u>	<u>PAHO Project ID</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Deferred Revenue</u>	<u>Revenue/ Expense</u>
<u>GOVERNMENT FINANCING</u>					
<i>Guyana</i>					
Nutrition Training Components, Basic Nutrition Program	330008		6 310		(4 813)
Survey of Iron Iodine and Vitamin A status	330009	179 122		253 164	9 629
<i>Jamaica</i>					
Review of the Poverty Food Basket	075015	7 899		7 929	5 270
<i>Trinidad and Tobago</i>					
Evaluation School Meals Option	085010			1 948	(1 242)
Total - Government Financing		187 021	6 310	263 041	8 844
<u>INTERNATIONAL ORGANIZATIONS</u>					
<i>World Food Programme</i>					
Integrating Nutrition Therapy into Medical Management	202002			91 420	102 060
Total - International Organizations				91 420	102 060
<u>PRIVATE AND PUBLIC SECTOR</u>					
<i>World Diabetes Foundation</i>					
Preventing Diabetes & Other Chronic Diseases through a School-Based Behavioural Intervention in Four Caribbean Countries	418003	21 500		21 905	64 815
Total - Private and Public Sector		21 500		21 905	64 815
Total		208 521	6 310	376 366	175 719

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Other Centers

PAN AMERICAN HEALTH ORGANIZATION
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1. Latin American and Caribbean Center on Health Sciences Information - (BIREME)

Deferred Revenue (available as of <u>31 December 2010</u>)	Activity during 2010	
	<u>Revenue</u>	<u>Expenditure</u>
\$377 409	\$1 490 886	\$1 559 857

Other disbursements include \$3 276 455 under trust fund arrangements; \$601 645 from PAHO Regular Budget; and \$243 063 from WHO funds. (No accruals are included).

Revenue consists of: \$1 064 581 from sale of publications and other services; \$267 from sale of PAHO/WHO publications; and \$426 038 from sales of CD-Rom system services.

2. Latin American Center for Perinatology and Human Development - (CLAP)

Deferred Revenue (available as of <u>31 December 2010</u>)	Activity during 2010	
	<u>Revenue</u>	<u>Expenditure</u>
\$404 366	\$178 112	\$7 851

Other disbursements include \$1 195 296 under trust fund arrangements; \$455 634 from PAHO Regular Budget; and \$489 975 from WHO funds. (No accruals are included).

Revenue was received from sundry sales and other services.

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

Deferred Revenue (available as of <u>31 December 2010</u>)	Activity during 2010	
	<u>Revenue</u>	<u>Expenditure</u>
\$772 830	\$1 728 403	\$1 087 164

Other disbursements include \$3 382 926 under trust fund arrangements; \$3 554 214 from PAHO Regular Budget; and \$934 101 from WHO funds. (No accruals are included).

Revenue was received from sale of laboratory services.

The End