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**Interim financial report and statements for the year ended  
31 December 1998, the first year of the biennium 1998–1999***Summary*

The present document, submitted for information to the Executive Board, contains the financial report on the accounts of UNICEF for the year ended 31 December 1998, the first year of the biennium 1998–1999. The document, comprised of the financial report and 11 statements supported by 1 schedule, summarizes the financial results of transactions made in 1998. In line with General Assembly resolution 50/204 of 23 December 1995, and the formats agreed upon by the Administrative Committee on Coordination, the document is prepared to achieve harmonization of the presentation of the accounts of the agencies in the United Nations system. A summary of significant accounting policies and other information are included in the notes to the financial statements.

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\* E/ICEF/1999/15.

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## Abbreviations

ACC	Administrative Committee on Coordination
AGFUND	Arab Gulf Programme for the United Nations Development Organizations
EPF	Emergency Programme Fund
IFAD	International Fund for Agricultural Development
NGOs	non-governmental organizations
OPEC	Organization of Petroleum Exporting Countries
PROMS	Programme Manager System
PSD	Private Sector Division
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WHO	World Health Organization

## **I. Interim financial report for the year ended 31 December 1998**

### **Introduction**

1. The Executive Director of the United Nations Children's Fund (UNICEF) submits herewith the financial report of UNICEF, accompanied by 11 statements and 1 schedule for the year ended 31 December 1998, the first year of the biennium 1998–1999. Of those, statements I, II, III and VII are now presented in line with the formats agreed upon by the Administrative Committee on Coordination (ACC) as a step towards the harmonization of the accounts of agencies in the United Nations system. The financial report provides the financial results of UNICEF activities in 1998. Highlights are summarized in the following paragraphs.

### **Income**

2. UNICEF income in the year 1998 totalled \$966 million. Virtually all Governments of both industrialized and developing countries contributed to UNICEF in 1998. Income comprised \$571 million for general resources, \$279 million for supplementary funds and \$116 million in emergency contributions. The breakdown of UNICEF income by source is: 62 per cent (\$603 million) from Governments; 33 per cent (\$314 million) from fund-raising campaigns, the sale of greeting cards and individual donations; and 5 per cent (\$44 million) from miscellaneous sources, including interest and exchange rate revaluation of assets and liabilities. The amount of \$5 million was contributed under inter-organizational arrangements.

### **Expenditures**

3. UNICEF expenditures in the year 1998 were \$867 million. This amount consisted of \$409 million for programme cooperation from general resources, \$261 million for programme cooperation from supplementary funds and \$115 million for emergency relief and rehabilitation. The remaining expenditures of \$82 million were for management and administration.

### **Donations-in-kind**

4. Donations-in-kind valued by donors at \$106 million were delivered by UNICEF to projects during 1998. These deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

### **Special accounts**

5. Special accounts not related to programmes approved by the UNICEF Executive Board are not entered in the financial accounts of UNICEF as income and expenditures. These funds are used mainly to cover the cost of goods and services purchased and delivered on a reimbursable basis by UNICEF on behalf of Governments, other agencies in the United Nations system and non-governmental organizations (NGOs). In 1998, UNICEF received \$134 million in cash for these special accounts. Disbursements and obligations totalled \$171

million, and \$17 million were either returned to donors or approved by donors for other services.

### **Cash holdings**

6. UNICEF has total cash of \$467 million (which includes the unspent balances from special accounts in the amount of \$52 million). An amount of \$466 million is held in first-class banks, comprising \$465 million in interest-bearing time deposit accounts and \$10 million in current bank accounts. Cash-on-hand accounts amount to \$1 million. The total cash holdings of UNICEF included \$12 million in currencies restricted for use in donor countries for purchases and other local expenditures.

### **Approved programmes**

7. During 1998, the Executive Board approved the amount of \$1,247 million for new programmes for children in countries with which UNICEF cooperates, as well as for regional and interregional projects. This total includes \$862 million in programmes to be funded from UNICEF general resources and \$266 million for projects that the Board approved as worthy of support and that were financed by pledges of supplementary funds made in 1998. The total also includes \$119 million for projects financed by pledges for emergency relief and rehabilitation.

*(Signed)* Carol **Bellamy**  
Executive Director  
United Nations Children's Fund



**II. Financial statements for the year ended 31 December 1998**

## **Notes to the financial statements**

### **Note 1. Statement of the objectives and activities of UNICEF**

1. UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The organization mobilizes political will and material resources to help countries, particularly developing countries, to ensure a "first call for children" and to build their capacity to form appropriate policies and deliver services for children and their families.

### **Note 2. Summary of significant accounting policies**

2. Until 31 December 1987, UNICEF accounts were maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the nature of the work of UNICEF. By its decision 1987/13 (E/ICEF/1987/11), the Executive Board adopted the UNICEF Financial Regulations and Rules in accordance with Economic and Social Council decision 1986/1981 of 31 July 1986, as approved by the General Assembly in its decision 41/461 of 11 December 1986.

3. In line with the goal of achieving harmonization of the presentation of the accounts by the agencies in the United Nations system, statements I, II, III and VII are now shown in line with the formats agreed upon by ACC.

#### **Accounting period**

4. By its decision 1987/2, the Executive Board decided that, effective 1 January 1988, UNICEF would commence its financial reporting on a biennial basis. Since 1 January 1988, the accounts have been maintained on a biennial basis in accordance with the UNICEF Financial Regulations and Rules.

#### **Unit of account**

5. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange.

#### **Translation of currencies**

6. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are completed are accounted for as gains or losses on exchange transactions.

7. Periodically, assets and liabilities in currencies other than United States dollars are revalued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure. In accordance with UNICEF Executive Board decision 1990/28 (E/ICEF/1990/13), differences resulting from the payment of contributions pledged in currencies other than United States dollars are recorded against the contributions.



**Income**

8. Income consists of general resources, supplementary funds and emergency relief and rehabilitation. General resources include funds from the voluntary annual contributions of Governments, intergovernmental organizations, NGOs, the net income from PSD, unearmarked funds contributed by the public and other income. Supplementary funds are those contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board. Emergency relief and rehabilitation funds include those contributed for emergency operations.

9. Income is recorded on the basis of funds or pledges received for the current year. Pledges received for future years for purposes specified by donors are considered deferred income and recorded as "pledged and received in advance".

10. Contributions income received from National Committees for UNICEF and NGOs is accounted for on a cash basis of accounting, with the exception of contributions for supplementary funds and for emergency relief and rehabilitation, which may be recorded on the basis of a valid pledge from a National Committee. The validity of the pledge is determined by the existence of funds raised and a statement from the National Committee that it is committing funds to UNICEF in the form of a pledge.

11. All other income received by UNICEF is classified as miscellaneous income and is credited as general resources.

12. The statement of income and expenditure does not include funds received and expenditures made from special accounts. Those transactions that do not require commitments by the Executive Board are maintained as special accounts.

13. Donations-in-kind, which are recorded as memorandum entries in the books of accounts, are not part of UNICEF income.

**Expenditure**

14. All expenditure of UNICEF is accounted for on an accrual basis, except for that relating to staff entitlements, which is accounted for on the basis of cash disbursements only.

15. Deferred charges comprise expenditure items that are not properly chargeable in the current financial period and will be charged as expenditure in a subsequent financial period.

16. No provision is made for staff entitlements for repatriation, etc., that will take place in the future or to meet contingencies under appendix D of the United Nations Staff Rules, as funds are provided in the budget appropriations as required.

**Assets**

17. All funds received are deposited into UNICEF bank accounts, including those under special account arrangements, and reflected as cash holdings.

18. All outstanding pledges for contributions are recorded as receivables (see paragraph 9 above).

19. Prior to 1989, certain buildings purchased by UNICEF and considered as capital assets were valued at cost less accumulated depreciation. In 1989, the unamortized value of UNICEF capital assets was expended against the 1988–1989 budget, resulting in a fully depreciated UNICEF capital asset account as of 31 December 1989. Future acquisitions of UNICEF capital assets will be included in the capital asset fund (see paragraph 24 below).

20. The stock of programme supplies at the UNICEF Supply Division warehouse at Copenhagen is shown at average cost. Goods in transit to the warehouse are valued at actual cost. Freight paid for supplies to the warehouse is considered part of the cost of supplies.

21. The PSD inventory of raw materials, products in process and finished goods are valued at standard cost.

22. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

#### **Liabilities and reserves**

23. The liabilities of UNICEF include contributions received in advance, special accounts, unliquidated obligations, other accounts payable, credit balances in asset accounts and accrued expenses.

24. By its decision 1990/26, the Executive Board approved the establishment of a capital asset reserve fund to better control the future purchase of UNICEF capital assets, mainly buildings to be purchased for office accommodations and staff housing in the field. At such time as may be necessary, additional authorized appropriations will be made to replenish the capital asset reserve.

#### **Consolidation of Private Sector Division accounts**

25. The financial report and accounts reflect UNICEF income, expenditure, assets and liabilities, including the net operating income, assets and liabilities of PSD. The principles of consolidation reflect the accounting policies outlined below:

(a) Effective 1997, the reporting period and accounts of PSD will be maintained on a calendar year basis. For consolidation purposes, the UNICEF financial statements include the PSD accounts as at 31 December;

(b) The financial effect of consolidating the PSD accounts on a calendar basis is reflected, most notably, in the receivables and earnings of PSD. Inter-office transactions between UNICEF and PSD are eliminated for consolidation purposes.

#### **Note 3. Income**

26. Total income from contributions for the year ended 31 December 1998 was \$741,458,000, an increase of \$20,191,000 compared to the year ended 31 December 1997. Contributions for the year ended 31 December 1998 consisted of \$345,618,000 for general resources, \$280,120,000 for supplementary funds and \$115,720,000 for emergency relief and rehabilitation.

27. Net income from PSD for the year ended 31 December 1998 was \$180,072,000 as follows:

<i>(In thousands of United States dollars)</i>	
Income:	
Gross proceeds from sales	137 873
Private sector fund-raising	138 804
Other income	5 886
<b>Total</b>	<b>282 563</b>
Expenditures	102 491
<b>Net income</b>	<b>180 072</b>

28. Income from miscellaneous sources for the year ended 31 December 1998 was \$45,403,000. The major items are \$26,421,000 in interest on funds held in interest-bearing deposits and in current accounts with banks, and \$9,581,000 in adjustments of payables related to the prior period's budgets.

29. Changes in the value of the United States dollar (the accounting unit) in relation to other currencies in which assets and liabilities were held resulted in a net decrease of \$1,420,000 in the accounting value of these assets and liabilities during the year ended 31 December 1998, composed, for the most part, of the following:

<i>(In thousands of United States dollars)</i>	
Decrease on revaluation of contributions receivables	1 413
Increase on revaluation of the call and investment accounts	(834)
Decrease on revaluation of current accounts, cash on hand and other accounts	841
<b>Net decrease</b>	<b>1 420</b>

#### **Note 4. Donations-in-kind**

30. Donations-in-kind valued by donors and accepted by the Executive Director at \$106,293,000 were delivered by UNICEF to projects during the year 1998. They are recorded as memorandum entries in the books of accounts and are not part of UNICEF income.

#### **Note 5. Expenditures**

31. Total expenditures for the year 1998 amounted to \$867,210,000, which is \$46,238,000 lower than the total expenditures of the preceding year. Expenditures for programme cooperation during the present year totalled \$785,463,000, or \$36,823,000 lower than that for the year 1997.

32. Expenditures for management and administration in 1998 were \$81,747,000. In 1997, the comparative amount was \$91,162,000.

#### **Note 6. Write-offs**

33. The amount of \$14,836,000 shown in statement I includes the write-off and adjustment of pledges for the year ended 31 December 1998 totalling \$12,467,000. Adjustments for write-offs of other assets and losses amounted to \$2,369,000. The write-off and adjustment of pledges consist of the following:

	<i>General resources</i>	<i>Supplementary funds</i>	<i>Emergency relief and rehabilitation</i>	<i>Total</i>
	<i>(In thousands of United States dollars)</i>			
Supplementary funds cancelled by donors	—	98	799	897
Supplementary funds cancelled on completion of projects	—	2 702	1 577	4 279
Unpaid pledges	1 729	2 379	3 183	7 291
<b>Total write-off and adjustments</b>	<b>1 729</b>	<b>5 179</b>	<b>5 559</b>	<b>12 467</b>

### Note 7. Provision for uncollectible contributions receivable

34. In line with the recommendation of the external auditors (A/51/5/Add.2, chapter II, paragraph 35), a \$5 million provision for potentially uncollectible contributions receivable was set up with a transfer from the general resources fund balance in 1997. This balance was maintained in 1998.

### Note 8. Assets

35. At 31 December 1998, cash totalled \$466,915,000 (statement II). Included in this amount are \$51,588,000 held on behalf of donors, mainly for the procurement of goods and services on a reimbursable basis. The amount also includes restricted currencies of \$11,729,000, consisting of the following currencies with large amounts: \$1,418,152 in Ugandan shillings; \$1,108,930 in Indian rupees; \$1,103,647 in Bangladesh takas; and \$1,076,102 in Philippine pesos.

36. Contributions receivable for current and prior years totalled \$137,453,000 as of 31 December 1998. Included in the contributions receivable are \$90,274,000 for supplementary funds and \$43,801,000 for emergency relief and rehabilitation, payment of which is normally related to the progress in implementing specific projects and occurs in accordance with payment schedules agreed upon with donors.

37. The aggregate of other accounts receivable, advances and deposits as at 31 December 1998 totalled \$228,696,000, including the accounts of PSD, which total \$142,677,000.

38. The aggregate value of inventory as at 31 December 1998 totalled \$20,941,000, consisting mainly of programme supplies in stock at the UNICEF Supply Division warehouse at Copenhagen and PSD stock.

39. Capital assets reflected in the financial statements of 31 December 1998 consist of office buildings and staff housing presented at their acquisition cost of \$12,065,000, as well as PSD machinery and equipment that is depreciated over the estimated useful life of these assets. The depreciated value of the PSD capital assets is \$822,000. Details of UNICEF capital assets, except PSD, are given in statement VIII.

40. The cost of non-expendable property as at 31 December 1998 totalled \$53,854,000. Computer equipment acquired in 1998 has been charged against the administrative budget, a procedure applied consistently since 1986, and is not reflected in the statements.

41. As at 31 December 1998, the organization's call accounts and time deposits were valued at \$465,349,000. The application of the United Nations rates of exchange as of 1 January 1999 will result in a foreign exchange gain of \$767,000 and increase the value of the call accounts and time deposits to \$457,116,000.

### Note 9. Reserves

42. In 1950, the Executive Board authorized the establishment of a reserve for insurance of \$200,000 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. Up to 1992, the reserve was restored to its authorized limit by a transfer from income. There were no movements in the reserve for the year 1998:

<i>(In United States dollars)</i>	
Balance, 1 January 1998	104 010
Charges against the reserve in 1998	(—)
<b>Balance, 31 December 1998</b>	<b>104 010</b>

43. In 1987, UNICEF established a reserve of \$100,000 to self-insure for property losses. This reserve was funded equally from the biennium 1987–1988 and the biennium 1988–1989. Up to 1992, the reserve was restored to its original amount by a transfer from income. There were no movements in the reserve for the year 1998:

<i>(In United States dollars)</i>	
Balance, 1 January 1998	26 399
Charges against the reserve in 1998	(—)
<b>Balance, 31 December 1998</b>	<b>26 399</b>

#### **Note 10. Contingent liability**

44. The net contingent liability for staff benefits as at 31 December 1998 is estimated at \$52,741,000 consisting of the following:

<i>(In thousands of United States dollars)</i>	
Accumulated leave	24 078
Repatriation grant	28 663
<b>Total</b>	<b>52 741</b>

45. There is no provision in the accounts for this amount. The expenditures will be charged against the budget appropriations of the periods when actual payments are made.

46. An outstanding amount of \$2,575,120 was billed to UNICEF by the United Nations Development Programme (UNDP) for construction costs of the common premises project pre-refinanced by UNDP. UNICEF has recorded \$186,391 in the amounts as a confirmed liability, and the difference of \$2,388,729 is in dispute.

