

STATEMENT OF THE SECRETARY-GENERAL'S RESPONSIBILITIES

AND

PRESENTATION OF THE FINANCIAL STATEMENTS

The Secretary-General's Responsibilities

The Secretary-General is required by the Financial Regulations to maintain such accounts as are necessary and to prepare financial statements for each period showing: the income and expenditure of all funds; the status of appropriations; statements of the Organization's assets and liabilities at the close of the period. He is also required to give such other information as may be necessary to indicate the Organization's current financial position.

To lay the foundations for the financial statements, the Secretary-General is responsible for establishing detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; and the effective custody of the Organization's physical assets. The Secretary-General is also required to maintain an internal financial control which shall provide an effective examination of financial transactions to ensure: the regularity of the receipt, custody and disbursement of all funds; and the conformity of commitments or obligations with the appropriations or other financial provisions voted by the Executive Council, or with the purposes, rules or provisions relating to the Fund concerned.

Presentation of the Financial Statements for the year 2012

The following appended financial statements, comprising Statements I, II, III, IV and V, and Notes to the Financial Statements were properly prepared in accordance with the Financial Regulations and the International Public Sector Accounting Standards, and are hereby certified correct.

(Signed)
(J.W. Müller)
Director

Resource Management Department

Date: 15 April 2013

(Signed)
(M. Jarraud)
Secretary-General

Date: 15 April 2013

SECRETARY-GENERAL'S STATEMENT

INTRODUCTION

1. In accordance with Article 14 of the Financial Regulations, I have the honour to submit to the Executive Council (hereinafter "the Council"), for approval, the financial statements of the World Meteorological Organization (WMO) for the year ended 31 December 2012. The External Auditor has given his opinion and report on the 2012 financial statements, both of which are also submitted to the Council, as required by Financial Regulation 15.10 and the Annex to the Financial Regulations.

FINANCIAL AND BUDGET ANALYSIS

Summary

2. WMO has serviced its membership in 2012 on the basis of its dedicated staff. By the end of 2012, the total number of fixed-term and permanent staff employed by the WMO Secretariat was 264 as compared to 258 a year ago. A staff survey conducted in September 2012 indicated an improvement in staff satisfaction as compared to a previous survey in 2008. This increase is most notable in areas related to overall management of WMO and the level of preparedness of the Secretariat for the future. The technical infrastructure of WMO has been upgraded in 2012. This includes the replacement and redesign of the obsolete and unsupported components of the Local Area Network (LAN) in accordance with industry standards, providing high quality and secure network architecture. A state-of-the-art video conferencing facility and conference services systems were installed in 2012. Oracle e-Business suite was upgraded resulting in enhanced business processes and improved financial reporting capability. Fellowship management, a legacy application developed in 2004, has been successfully re-designed and integrated into the secured Oracle applications environment. The newly implemented solution provides enhanced internal control and better monitoring of the fellowship process, including improved outreach to partners as well as to current and past fellows. Web-based solutions were successfully implemented to enable WMO meetings to operate in a paperless environment, reducing the Organization's carbon footprint and resulting in cost reductions.

3. The year 2012 started and concluded on a solid financial basis. WMO operates in accordance with IPSAS under which revenues are recognized in the period to which they relate, and expenses in the period in which the goods or services are delivered. Consequently, expenses in any one-year period may be higher or lower than the revenue in that year. Based on recent financial results, as highlighted in Table 1 below, the focus will continue to be on maintaining the liquidity of the General Fund.

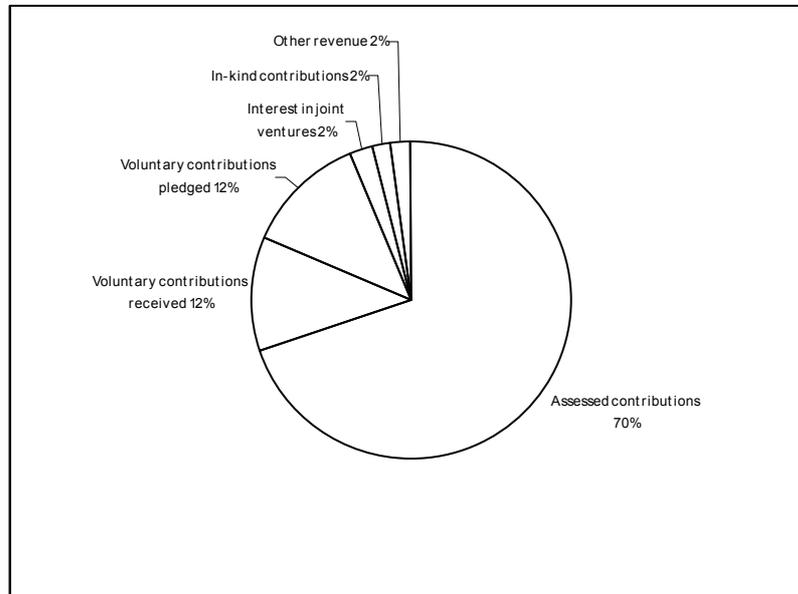
	2011	2012
1. Total revenue	100,120	93,627
2. Total expenses	91,505	84,467
3. Surplus/(deficit)	8,615	9,160
4. Net assets	86,425	90,354
5. Assessed contributions receivable	22,236	11,399
6. General Fund surplus (deficit)	(10,521)	84
7. General Fund cash	10,068	25,080

¹ For Figures 1 and 2 see Statement II; for Figure 3 see Statement II; for Figure 4 see Statement I; for Figure 5 see Note 3.2; for Figure 6 see Note 8.2; for Figure 7 see Note 8.1.

Financial Performance

4. The financial performance is disclosed in Statement II “Statement of Financial Performance”. Total revenue in 2012 was CHF 93.6 million, a decrease of CHF 6.5 million – 6.5 percent – from CHF 100.1 million in 2011. Total revenue in 2012 includes the components presented in Figure 1 below.

Figure 1. Revenue Sources 2012



5. Total revenue is comprised of assessed contributions of CHF 65.3 million, voluntary contributions received of CHF 10.9 million, voluntary contributions pledged of CHF 11.6 million, interest in joint ventures of CHF 2.0 million, in-kind contributions of CHF 1.8 million and other revenue of CHF 2.0 million. The decrease of total revenue mostly reflects a decrease in voluntary contributions pledged by CHF 8.4 million – 42 percent. This compares with the exceptional year 2011 when an increase of CHF 17.6 million was recorded.

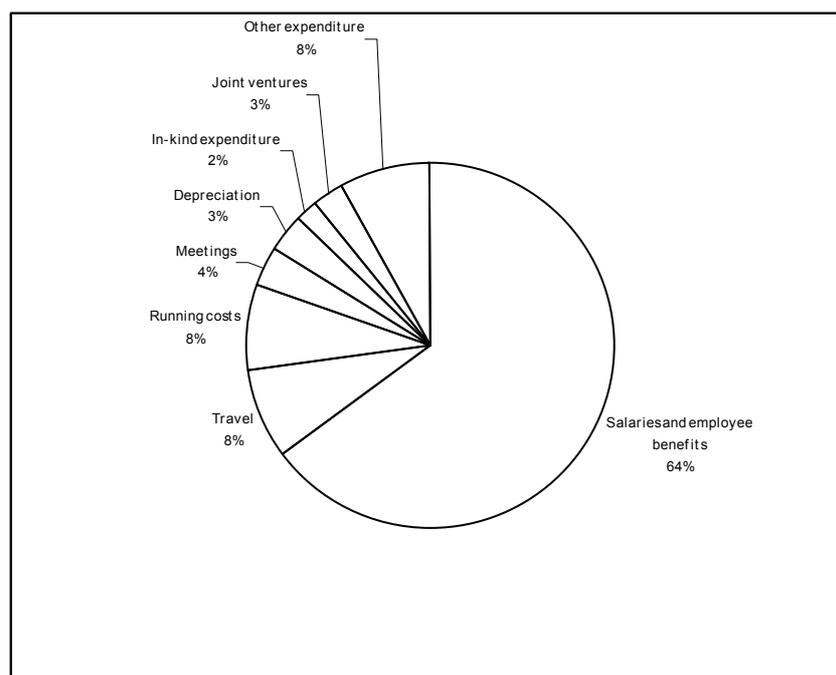
6. During 2012, in-kind contributions have been recognized in respect of land and an interest-free loan provided by the Swiss authorities. WMO also receives services in-kind from Members related to the support provided for WMO meetings held in their countries and support from Members to the Regional WMO Offices.

7. In 2012, WMO spent CHF 84.5 million, a decrease of CHF 7.0 million – 7.6 percent – from 2011. Total expenses in 2012 include the components presented in Figure 2 below.

8. Total expenses include salaries and employee benefits of CHF 54.6 million, travel of CHF 6.8 million, running costs of CHF 6.4 million, meetings of CHF 3.1 million, depreciation of CHF 2.7 million, in-kind expenditure of CHF 1.8 million, interest in joint ventures of CHF 2.2 million, and other expenditure of CHF 6.9 million.

9. The overall surplus of revenue over expenditure in 2011 increased to CHF 9.2 million from CHF 8.6 million in 2011.

Figure 2. Expenses 2012



10. All of the amounts recorded as revenues may not ultimately be received. For this reason, WMO recognizes adequate and appropriate provisions for doubtful accounts and provision for refunds to donors² in accordance with IPSAS 19 - Provisions, Contingent Liabilities and Contingent Assets.

11. IPSAS has also created a focus on entities over which WMO does or does not exercise full operational and financial control. While the entities are administered by WMO, two entities are included as Joint Ventures and six are not included in WMO's financial statements. More details are provided in Note 3.13.

12. Table 2 presents financial highlights by segments, representing distinguishable activities for which financial information is reported separately. Further details can be found in Note 8.

Table 2. Financial Highlights by Segment
(Swiss Francs thousands)

	General Fund	Technical Cooperation Programme	Normative Funds	Inter-segment Eliminations	Total
Revenue	71,125	2,812	21,010	(1,320)	93,627
Expenses	71,041	8,672	6,074	(1,320)	84,467
Surplus(Deficit) 2012	84	(5,860)	14,936	-	9,160
Surplus(Deficit) 2011	(10,521)	17,753	1,383	-	8,615

Financial Position

13. The financial position is disclosed in Statement I "Statement of Financial Position". At 31 December 2012, WMO had CHF 90.4 million in total fund balances and reserves, of which CHF 29.5 million relates to the General Fund. The Technical Cooperation Programme had a balance of CHF 32.9 million and Normative Funds had a balance of CHF 27.9 million.

² Provision for contributions to donors is shown in Statement I and Provision for delayed collection of assessed contribution from Members is shown in Note 3.2.

14. Total 2012 assessed contributions receivable were CHF 11.4 million, a decrease of CHF 10.8 million – 48.6 percent – from the balance of CHF 22.2 million in 2011. The amount of CHF 11.4 million represents the lowest level of arrears of contributions in over twenty years. The average collection period in 2012 was 7.6 months. Receivables due beyond one year have decreased slightly by CHF 0.2 million, as a result of contributions received in compliance with repayment agreements. During 2012, 92 percent of the current year receivables were collected, as well as 72 percent of prior year arrears.

15. WMO’s employee benefits liabilities, the value of which was established on the basis of a professional actuarial valuation undertaken by independent actuaries, totalled CHF 52.9 million at 31 December 2012 up from CHF 46.1 million at 31 December 2011. The increase of the liability is mainly due to an actuarial loss on the after-service health insurance benefits. The sources of this loss are: reduction of the discount and salary increase rates, and increase in active membership and reduction of retirees. The employee benefits liabilities are funded against the accumulated surplus and accounted for as liabilities of the General Fund. Further information is provided in Note 3.8.

Net Assets/Equity

16. The changes in net assets and equity are disclosed in Financial Statement III “Statement of changes in Net Assets/Equity”. The movement in net assets during the year is shown below in Table 3.

Table 3. Movement in Net Assets
(Swiss Francs thousands)

Net Assets at 31 December 2011	86,425
Change in liability for employee benefits	(5,489)
Surplus for 2012	9,162
Other changes	256
Net Assets at 31 December 2012	<u>90,354</u>

17. At this level, the Organization’s assets of CHF 219.8 million covered its liabilities of CHF 129.5 million (see Statement I) at 31 December 2012 nearly two times.

Cash Flow

18. The cash flow is disclosed in Financial Statement IV “Statement of Cash Flow”. Overall the cash balance held to support WMO’s requirements increased by CHF 19.9 million – 33.0 percent – from CHF 60.1 million in 2011 to CHF 80.0 million in 2012. The increase arose primarily from payments of assessed contributions: CHF 76.0 million received in 2012, compared to CHF 57.0 million in 2011. The WMO cash balance of CHF 80.0 million includes CHF 18.4 million held in trust for other entities.

19. With regard to cash balance by segment, the Technical Cooperation Programme and Normative Funds maintain strong cash balances due to the budgetary policy in respect to voluntary funded projects. Expenditure cannot commence until respective pledged contributions have been received and a withholding of five percent of the amount is made to cover any fluctuations that may arise in respect to obligations and commitments. Cash balances relating to voluntary funded contributions increased by CHF 5.6 million to CHF 36.5 million in 2012 from CHF 30.9 million in 2011. This increase is consistent with the increased level of voluntary funded operations.

20. With regard to the General Fund, the cash position amounts to CHF 25.1 million at the end of 2012 as indicated in Note 8.1 (Cash minus Funds held in trust). This reflects an increase of CHF 15.0 million as compared to 2011 and covers 3 months of operational activity. The cash position as described in Financial Regulation 9.1 reflects a balance of CHF 8.9 million after taking

into account assessed contributions received in advance for 2013 of CHF 9.6 million shown in Statement I and a working capital fund of CHF 6.6 million shown in Note 3.14. The General Fund cash balance is mainly subject to fluctuation as it is dependent on the timing of payment of assessed contributions by Members. By the end of March 2013, payments of arrears of assessed contributions amounting to CHF 3.0 million, relating to 2012 and prior years, were received, improving the cash position considerably.

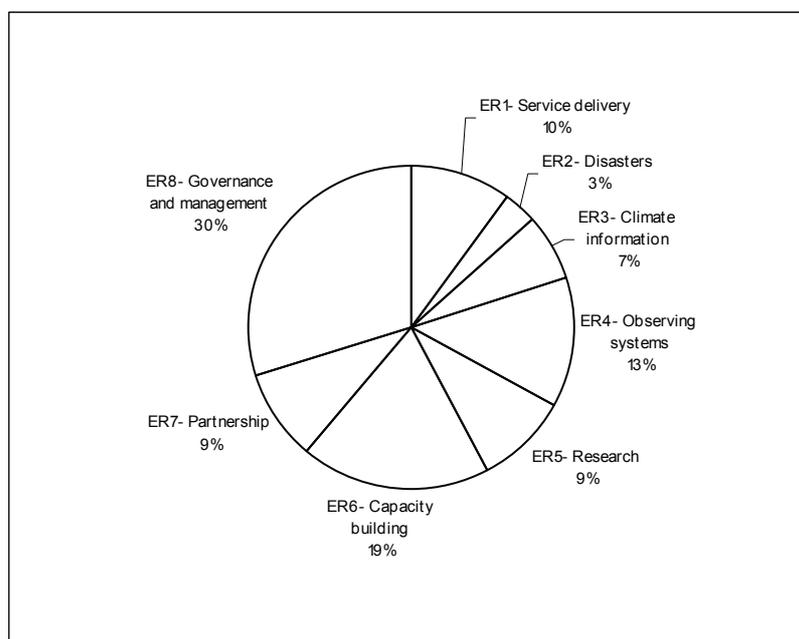
Budgetary Analysis

21. The budget figures for the General Fund are disclosed in Financial Statement V “Statement of Comparison of Budget and Actual Amounts” for the annual budget 2012 (Statement V).

22. The 2012 annual budget has been prepared on the modified accrual basis. Under the modified accrual basis and as shown in Statement V, expenditure is recognized on a commitment basis whereas under IPSAS and as shown in Statement II, expenditure is recognized in the period in which the goods or services are delivered. In order to facilitate comparison between expenditure in Statements II and V, a Statement of Comparison is shown in Note 7 which reconciles the UNSAS expenditure to the IPSAS basis expenditure.

23. WMO implemented CHF 64.4 million or 93.4 percent in 2012 as evidenced in Statement V. This implementation rate varied across Expected Results and range from 69 percent for Expected Result 3 to 108 percent for Expected Result 1. The budget balance of CHF 4.6 million is carried forward to 2013. The share of expenditure by Expected Results in 2012 is presented in Figure 3 below.

Figure 3. Expenditure by Expected Results - 2012



ENHANCING TRANSPARENCY AND ACCOUNTABILITY

24. For the third year, WMO has prepared the financial statements in accordance with IPSAS. WMO recognizes revenue from assessed contributions as well as pledges of voluntary contributions confirmed in writing. Expenses are recognized when goods and services are received. By adopting and implementing IPSAS in 2010 and consolidating its implementation in 2011 and 2012, WMO enhanced its ability to produce relevant and useful financial information, thereby improving the transparency and accountability with which it manages its resources.

25. Continued compliance with IPSAS remains a priority. The scope of IPSAS is constantly updated to reflect best practice. WMO also continues to apply all applicable IPSAS standards and does not make use of available exemptions from compliance with some standards during the initial years of adoption.

26. During 2012, WMO maintained a number of measures to enhance transparency and accountability described below:

- On a quarterly basis, the Financial and Human Resources Review Committee is briefed and discusses, among others, the main financial and budgetary issues in order to identify possible improvements in the management of WMO's resources;
- On a monthly basis, WMO senior management receive a financial and budgetary briefing reflecting WMO's financial performance and financial position during the regular meeting of the Comité de Direction. This ensures that senior management focus on identified financial risks;
- Online budget and finance information is provided through the WMO Portal to managers and staff by departments/offices and Expected Results. The presentation of data through the Portal has been improved during 2012.

27. In accordance with Financial Regulation 14.6, the statement on the total expenditures made in the financial period 2008-2011 will be presented in the context of the audited annual financial statement for the year 2012. The statement shows that the Organization fully complied with the flexibility to transfer appropriations between Expected Results provided for by Financial Regulation 4.2.

28. WMO has a well-established framework of internal controls that includes the Internal Oversight Office, dealing with internal audit, inspections and investigations; the WMO Audit Committee and the External Auditor. I issue a Statement on Internal Control in the context of the presentation of the annual financial statements. Within the UN system organizations WMO is among the first to issue this statement. System internal controls are designed to maximize the effective and efficient use of resources and to safeguard its assets.

RISK MANAGEMENT

29. WMO manages risk proactively. A risk profile and register have been constructed for the Organization to identify any major risks affecting its strategy and mandate. The profile presents the potential impact and likelihood of risks on WMO. The risk register also allows WMO to identify appropriate mitigation actions and assign responsibility for managing and mitigating risks.

30. WMO's activities expose it to a variety of financial risks. Financial risk management is carried out by a central treasury function using guidelines set out by the WMO Investment Committee. WMO's financial risk management policies seek to minimize, where feasible, potential adverse effects on the financial performance of WMO. Established policies cover areas of risk such as foreign exchange, interest rate and the investing of funds. The objectives of the investment policy are the preservation of capital, to provide liquidity and to increase income through rates of return. The major emphasis of this policy is the preservation of the value of cash resources.

31. WMO's treasury policy on liquidity ensures the maintenance of sufficient cash to meet WMO's commitments as and when they fall due. As at 31 December 2012 all cash balances were available within one day's notice to provide maximum liquidity and enable WMO to react quickly to any signs of a financial crisis.

32. WMO's credit risk is minimized by ensuring that cash is placed with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency. Contributions receivable comprise primarily amounts due from sovereign nations. WMO's market risk is very low since the implementation of WMO's plan and budget is not dependent on or impacted by interest earnings. Currency risks are mitigated through implementation of the foreign

currency management policy. Balances are received and held primarily in Swiss Francs which is the predominant currency of payment and the official currency of WMO.

SUSTAINABILITY

33. WMO continues to evaluate the consequences of any potential reduction in contributions, and whether it would lead to a consequential reduction in the scale of operations and number of beneficiaries assisted. Having considered WMO's projected activities and the corresponding risks, I continue to be confident that WMO has adequate resources to continue to operate in the medium term. For this reason we will continue to report on the "going concern" basis in preparing WMO's financial statements.

34. This assertion is supported by: (i) the increase in approved maximum expenditures for 2012-2015; (ii) the net assets held at the end of the period and contributions received in 2012; (iii) the projected contributions levels for the year 2013; and (iv) the trend in donor support that has been sustaining WMO's mandate since its inception in 1950.

ADMINISTRATIVE MATTERS

35. WMO's principal place of business as well as the names and addresses of its Legal Counsel, actuaries, principal bankers and External Auditor are indicated in Annex A of this document.

RESPONSIBILITY

36. As required under Article 14 of the Financial Regulations, I am pleased to submit the following financial statements which have been prepared under IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WMO at 31 December 2012:

- Statement I - Statement of Financial Position at 31 December 2012
- Statement II - Statement of Financial Performance for the Year Ended 31 December 2012
- Statement III - Statement of Changes in Net Assets for the Year Ended 31 December 2012
- Statement IV - Statement of Cash Flow for the Year Ended 31 December 2012
- Statement V- Statement of Comparison of Budget and Actual Amounts for the Year Ended 31 December 2012

Notes to the Financial Statements

(Signed)
M. Jarraud
Secretary-General
Geneva, 15 April 2013

STATEMENT ON INTERNAL CONTROL FOR 2012

1. Scope of responsibility

As Secretary-General of the World Meteorological Organization (WMO), I am accountable, in accordance with the responsibility assigned to me, in particular, in Article 22 (a) of the Convention, Regulation 200 (1) of the General Regulations and Article 13 of the Financial Regulations, for maintaining a sound system of internal control that supports the achievement of the Organization's policies, aims and objectives, as set by the WMO Members.

2. Purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's objectives. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The WMO Secretariat is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of WMO in a manner that provides the governing bodies with reasonable assurance that:

- The Organization's plan, programmes, goals, and objectives are achieved;
- Resources are acquired economically and employed profitably;
- The Secretariat's resources (including its people, systems, data/information) are adequately protected;
- The actions of Directors, officers, and employees are in compliance with the Organization's policies, standards, plans and procedures, and all relevant laws and regulations;
- Data and information published either internally or externally is accurate, reliable, and timely.

Risk management and the management of internal controls are functions of management and are an integral part of the overall process of managing operations. As such, it is the responsibility of WMO Secretariat at all levels to:

- Identify and evaluate the exposures to possible risks that relate to their particular sphere of operations;
- Specify and propose policies, plans, operating standards, procedures, and systems to be used to minimize, and/or mitigate the risks associated with the exposures identified;
- Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that helps achieve the control objectives outlined in the preceding paragraph;
- Maintain the effectiveness of the controlling processes that have been established and foster continuous improvement to these processes.

Though this is not yet a widely spread practice for United Nations system agencies, I have committed to issue a Statement on Internal Controls (SIC) on a voluntary basis complying with best practice.

3. Capacity to handle risk

The WMO Secretariat has continued to implement an Enterprise Risk Management process as an integral part of its system of internal control, which was launched in early 2006. Departments continue to identify and monitor the main risks for the Secretariat through the

Corporate Risk Register. A Risk Management Committee, established in August 2010, monitors and advises on further steps on the implementation of risk management by the Secretariat. The Committee keeps under review the top risks for the Organization and guides the processes in managing risks by the Secretariat. In 2011 the Committee developed a WMO-wide Risk Management Policy, which was approved by the Executive Council through Resolution 12 (EC-63). A Risk Management Framework guiding the implementation of the Policy has been finalized following the guidance of the Audit Committee. In 2012 a Business Continuity Plan has been developed to ensure minimum interruption of critical operations of the Secretariat. Risk management training has been scheduled for 2013. As a result, the risk management approach is increasingly used by the Secretariat and has started being used by governing bodies in consideration of implementation of priorities to achieve the Expected Results set in the WMO Strategic Plan. Moreover, a Project Management Mechanism comprising a Project Management Board was established in August 2012 to ensure successful implementation and proactive management of risks of complex and major projects in WMO priority areas funded through voluntary contributions.

The WMO Operating Plan provides a single source for budget and departmental allotments as well as for Monitoring and Evaluation (M&E). A M&E System and Guide have been developed and implementation started in 2012. The first impact assessment report has been generated out of the first Members' evaluation survey. Two training sessions on M&E for programme managers, M&E focal points and other staff have been conducted in 2011 and 2012. Key performance indicators have been revised and improved, continuous efforts are being made to improve mechanisms to collect monitoring data by the Secretariat and constituent bodies, as well as through Members' surveys.

The Investment Committee, established in 2009, developed a WMO Investment Policy and regularly monitors the investments of WMO to ensure they are consistent with the policy; it reports to me any variations from the policy, the reasons and remedial actions. The WMO cash position during 2012 remained sound.

The Procurement and Contracts Committee has continued to review relevant procurement cases and advises me on appropriate procurement actions.

The Publications Board advises me on the production schedule and associated risks. In 2012 the Board introduced a number of measures to address weaknesses and strengthen control over timeliness and quality of publications and efficient use of resources. The Board completed a full review of Standing Instructions Chapter 3.1 – Publications and developed a new policy on authorship, scientific editorship and contribution of WMO staff to external publications. The Board introduced measures to enforce the deadlines for delivery of manuscripts, strengthen the responsibility and accountability for substantive quality of manuscripts. This streamlined and duly documented publishing process has been gradually introduced in 2012 and is fully applied from 2013.

4. Review of effectiveness

My review of the effectiveness of the system of internal controls is informed by the work of programme managers within the WMO Secretariat, who have responsibility for the identification and maintenance of the internal control framework in their areas of responsibility. I derive assurance from statements on internal control signed by key WMO managers/officers which statement includes their actions taken on the WMO Corporate Risk Register, as well as their actions taken on IOO, JIU and External Audit recommendations.

The WMO Secretariat is subject to internal audit by IOO. The work of the IOO is informed by an assessment of the risks to which the Secretariat is exposed, and annual internal audit plans are noted by the WMO Audit Committee and approved by me. The Director of IOO (Officer-in-Charge in later part of 2012) provides me with an annual accountability report, which also includes an opinion on adequacy of governance, risk management and internal controls. The

Audit Committee and the External Auditor of WMO review this report. The opinion of the Officer-in-Charge of IOO is also based on the results of assurance engagements performed in 2012 (see Annex). The Officer-in-Charge of IOO has concluded that the system of internal controls was adequate to meet management's control objectives for the majority of areas reviewed in the year. He has also drawn attention to a few areas where some improvements could still be achieved.

I am further advised by the Audit Committee, which, amongst others is responsible for systematic appraisal of my actions to maintain and operate appropriate and effective internal controls. The Committee is also responsible for determining that all major issues reported by IOO, the External Auditor and other outside advisors have been satisfactorily addressed. Finally, the Committee is responsible for reporting to the Executive Council on important matters pertaining to the Organization's controlling processes.

5. Significant internal control matters arising during the year

The internal feedback process and internal and external audit identified some areas, such as procurement, travel, IT, management of trust funds and budget monitoring, that require attention. All recommendations of the IOO and the External Auditor have been accepted by management and are being addressed. Generally, I consider that the areas that are not yet fully addressed do not impair my capacity to issue the Statement on Internal Controls.

6. Statement

Even effective internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention, and therefore can provide only reasonable assurance. Further, because of changes of conditions, the effectiveness of internal control may vary over time. I am committed to addressing weaknesses in internal controls noted during the year and ensure that continuous improvement of the system of internal control is in place. I am also encouraged by the continuing progress on implementation of oversight recommendations during the past year. Based on the above, I conclude that the WMO Secretariat had an adequate system of internal control for the year ended 31 December 2012, and up to the date of the approval of the financial statements.

(Signed)
(M. Jarraud)
Secretary-General
15 April 2013

Annex

INTERNAL ASSURANCE REPORTS ISSUED IN 2012

1. Provision of IT services
 2. End of the period Accounting and Budget Management
 3. Procurement – Internal controls over financial reporting
 4. Regional Offices – Samoa
 5. Regional Offices – Costa Rica and Paraguay
 6. Travel – Internal controls over financial reporting
 7. Payroll – Internal controls over financial reporting
 8. Trust Funds – Internal controls over financial reporting
 9. Publications
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EXTERNAL AUDITOR'S AUDIT OPINION

I have audited the financial statements of the World Meteorological Organization (WMO) for the year ended 31 December 2012. These comprise the Statement of Financial Position (financial statement I), the Statement of Financial Performance (financial statement II), the Statement of Changes in Net Assets/Equity (financial statement III), the Statement of Cash Flow (financial statement IV), and the Statement of Comparison of Budget and Actual Amounts (financial statement V), as well as a summary of the main accounting methods and other explanatory notes.

Secretary-General's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and WMO's Financial Regulations. The Secretary-General is also responsible for introducing internal controls that he determines are necessary to enable the preparation of 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 WMO's financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing (ISA). These 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to WMO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, rather than expressing an opinion on the effective functioning of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting procedures used and the reasonableness of the accounting estimates made by the Secretary-General, as well as the overall presentation of the financial statements. 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 financial statements present fairly, in all material aspects, the financial position of the World Meteorological Organization as at 31 December 2012, as well as its financial performance and cash flow for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and the Organization's Financial Regulations.

In accordance with the Additional Mandate for the External Auditing of the Accounts, which is attached to WMO's Financial Regulations, I have also prepared a detailed report on my audit of the financial statements, dated 15 April 2013.

Berne, 15 April 2013

K. Grüter
Director of the
Swiss Federal Audit Office³
(External Auditor)

³Mailing address: Monbijoustrasse 45, CH-3003 Berne.



**World
Meteorological
Organization**

Weather • Climate • Water

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2012**

**(Signed)
Michel Jarraud
Secretary-General
15 April 2013**

STATEMENT I

WORLD METEOROLOGICAL ORGANIZATION

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

(in thousands of Swiss Francs)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current assets			
Cash and cash equivalents	3.1	79,981	60,144
Contributions receivable	3.2	20,235	27,000
Inventories	3.3	83	100
Other receivables	3.4	3,069	2,602
Interest in joint ventures	3.13	1,786	1,463
		105,154	91,309
Non-current assets			
Contributions receivable	3.2	10,330	12,387
Property, plant and equipment	3.5	104,052	103,901
Intangible assets	3.6	297	535
Interest in joint ventures	3.13	12	
		114,691	116,823
		219,845	208,132
LIABILITIES			
Current liabilities			
Payables and accruals	3.7	4,093	3,874
Employee benefits	3.8	2,994	3,040
Contributions received in advance	3.9	9,576	8,125
Borrowings	3.10	1,477	1,477
Contributions refundable to donors	3.11	538	512
Funds held in trust	3.12	18,392	19,145
Interest in joint ventures	3.13	67	44
		37,137	36,217
Non-current liabilities			
Employee benefits	3.8	49,952	43,080
Borrowings	3.10	42,370	42,401
Interest in joint ventures	3.13	32	9
		92,354	85,490
		129,491	121,707
		90,354	86,425
FUND BALANCES AND RESERVES			
Capital fund	3.14	7,017	6,996
Accumulated surplus	Stat.III	58,369	49,228
Employee benefits reserves	3.15	16,782	22,015
Property revaluation surplus	3.5	8,186	8,186
		90,354	86,425

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

STATEMENT II

WORLD METEOROLOGICAL ORGANIZATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2012 *(in thousands of Swiss Francs)*

	Note	2012	2011
REVENUE			
Monetary contributions	5.1	75,791	73,373
Unsettled voluntary contributions	3.2	11,620	19,986
Interest in joint ventures	3.13	2,037	2,015
Other revenue	5.2	2,342	2,975
In-kind contributions(services)	5.3	1,837	1,771
TOTAL REVENUE		93,627	100,120
EXPENDITURE			
Salaries and employee benefits	6.1	54,617	56,981
Other expenditures	6.4	6,104	10,246
Travel		6,753	7,875
Supplies, consumables and other running costs	6.2	6,435	6,096
Meetings		3,061	2,925
Depreciation and amortization	3.5/3.6	2,704	2,426
Interest in joint ventures	3.13	2,181	1,867
In-kind expenditures(services)	6.3	1,837	1,771
Fellowships		1,207	1,088
Movement in share of Net Assets/Equity of Joint Ventures	3.13	(432)	230
TOTAL EXPENDITURE		84,467	91,505
SURPLUS/(DEFICIT) FOR THE PERIOD		9,160	8,615

The accompanying notes form an integral part of these financial statements

STATEMENT III

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Swiss Francs)

	Working Capital Fund	Accumulated Surplus	Employee Benefits Reserves	Property Revaluation Surplus	Total Net Assets
Net assets at 31 December 2011	6,996	49,228	22,015	8,186	86,425
Movements in fund balances and reserves in 2012					
Increase in liability for employee benefits			(2,679)		(2,679)
Payments of employee benefits against reserves			2,935		2,935
Service charge for employee benefits					
Loss arising from actuarial valuation of liability for employee benefits at 31 December 2012			(5,489)		(5,489)
Surplus for the period	21	9,141			9,162
Total movements in 2012	21	9,141	(5,233)	-	3,929
NET ASSETS at 31 DECEMBER 2012	7,017	58,369	16,782	8,186	90,354

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

STATEMENT IV

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Swiss Francs)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus (deficit) for the period	9,160	8,615
Unrealized exchange (gains) losses	821	(242)
Net unrealized (gain) loss on discounting long-term loan	1,274	5,458
Depreciation and amortization	2,704	2,426
Service charge and interest cost for employee benefits	3,948	5,924
Increase (decrease) in provision for delayed payment of contributions	2,433	(108)
Interest in joint ventures	(288)	82
(Increase) decrease in inventories	17	93
(Increase) decrease in gross short-term contributions receivable	4,783	(10,317)
(Increase) decrease in gross other receivables	(931)	(71)
Increase (decrease) in payables and accruals	(83)	827
Increase (decrease) in contributions refundable to donors	26	(162)
Interest earned	(125)	(160)
Exchange differences	(330)	(320)
Net cash flows from operating activities	23,409	12,045
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cost of property, plant and equipment	(2,626)	154
(Increase) decrease in cost of intangible assets	-	(525)
Net cash flows from investing activities	(2,626)	(371)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in gross long-term contributions receivable	2,057	(10,322)
Increase (decrease) in contributions received in advance	1,451	912
Increase (decrease) in funds held in trust	(753)	(3,194)
Increase (decrease) in undiscounted long-term borrowing	(1,477)	(1,477)
Payment of premiums of after-service health insurance against reserves	(2,679)	(2,669)
Interest earned	125	160
Exchange differences	330	320
Net cash flows from financing activities	(946)	(16,270)
Net increase (decrease) in cash and cash equivalents	19,837	(4,596)
Cash and cash equivalents at beginning of year	60,144	64,740
Cash and cash equivalents at 31 December 2012	79,981	60,144

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

STATEMENT V

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Swiss Francs)

Expected Result	Original budget amount	Expenditure* on comparable basis	% of annual budget spent	Differences: final budget and actual
1 Enhanced capabilities of Members to deliver and improve access to high quality weather, climate and water and related environmental predictions, information and services in response to users' needs and to enable their use in decision-making by all relevant societal sectors	5,984.7	6,444.5	107.7	(459.8)
2 Enhanced capabilities of Members to reduce risks and potential impacts of hazards caused by weather, climate and water and related environmental elements	2,507.7	2,160.2	86.1	347.5
3 Enhanced capabilities of Members to produce better weather, climate, water and related environmental information, predictions and warnings to support in particular climate impact and adaptation strategies	6,313.9	4,363.2	69.1	1,950.7
4 Enhanced capabilities of Members to access, develop, implement and use integrated and inter-operable Earth- and space-based systems for weather, climate and hydrological observations, as well as related environmental and space weather observations based on world standards set by WMO	9,404.5	8,384.4	89.2	1,020.1
5 Enhanced capabilities of Members to contribute to and draw benefits from the global research capacity for weather, climate, water and environmental services and technology development	5,751.5	5,919.4	102.9	(167.9)
6 Enhanced capabilities of NMHSs, in particular in developing and least developed countries, to fulfill their mandates	14,969.9	12,145.8	81.1	2,824.1
7 New and strengthened partnerships and cooperation activities to improve NMHSs' performance in delivering services and to increase the value of the contributions of WMO within the UN system, relevant international conventions and national strategic issues	5,607.8	5,834.9	104.0	(227.1)
8 An effective and efficient Organization	18,441.7	19,155.5	103.9	(713.8)
Total expenditures	68,981.7	64,407.6	93.4	4,574.1

* Including actual expenditure and all obligations

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

Notes to the Financial Statements at 31 December 2012

NOTE 1: PURPOSES OF THE ORGANIZATION

- (a) To facilitate world-wide cooperation in the establishment of networks of stations for the making of meteorological observations as well as hydrological and other geophysical observations related to meteorology, and to promote the establishment and maintenance of centres charged with the provision of meteorological and related services.
- (b) To promote the establishment and maintenance of systems for the rapid exchange of meteorological and related information.
- (c) To promote standardization of meteorological and related observations and to ensure the uniform publication of observations and statistics.
- (d) To further the application of meteorology to aviation, shipping, water problems, agriculture and other human activities.
- (e) To promote activities in operational hydrology and to further close cooperation between Meteorological and Hydrological Services.
- (f) To encourage research and training in meteorology and, as appropriate, in related fields and to assist in coordinating the international aspects of such research and training.

NOTE 2: ACCOUNTING POLICIES

Basis of Preparation

1. The financial statements of the World Meteorological Organization (WMO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention modified by the inclusion of the building on the basis of a professional valuation and long-term receivables and long-term borrowings at amortized cost.
2. In accordance with IPSAS requirements, and reflecting the nature of WMO's business, revenue from assessed contributions, voluntary contributions received as well as pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions as per IPSAS 23 - Revenue from Non-Exchange Transactions. WMO considers that while there are restrictions on the use of all contributions, these restrictions do not meet the definition of a condition as described under IPSAS 23.
3. In accordance with the accrual basis of accounting, expenditure recognition occurs at the time of delivery of goods or services by the supplier or service provider and are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.
4. The Cash Flow Statement is prepared using the indirect method.
5. The functional and reporting currency of WMO is the Swiss Franc (CHF). Transactions in currencies other than CHF are translated into CHF at the prevailing United

Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities in currencies other than CHF are translated into CHF at the prevailing UNORE year end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Cash and Cash Equivalents

6. Cash and cash equivalents are held at nominal value and comprise cash on hand and cash at banks.
7. Interest revenue is recognized as it accrues.

Financial Instruments

8. Financial instruments are recognized when WMO becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WMO has transferred substantially all the risks and rewards of ownership.
9. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash and other receivables. Loans and receivables are stated at amortized cost.
10. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Contributions and Receivables

11. Assessed contributions are recognized as revenue on the first day of the year to which they relate. Full provision is made against all unpaid contributions of Members who are deprived of the right to vote at sessions of WMO's constituent bodies.
12. Voluntary contributions are recognized when confirmed in writing by donors. Other contributions are recognized at the point in time when they are received. When projects are coming to an end and in the event that some contributions will not be fully expended on the project for which they were given, then at that point in time, and in accordance with the donor agreement, the amount which will not be expended is recognized as amounts to be refunded to donors and included in the Statement of Financial Position as Contributions Refundable to Donors.
13. Receivables are stated at nominal value less allowances for estimated irrecoverable amounts and discounted, where appropriate, if cash flows are not expected within 12 months from the reporting date.
14. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized and valued at fair value. These contributions include use of premises, utilities, transport and personnel. They are treated as both revenue and expense in the Financial Statements.
15. Donated Property, Plant and Equipment are valued at fair market value and recognized as fixed assets and revenue, except heritage assets, which are not recognized.

Inventories

16. WMO's publications (which are distributed free) and souvenirs on hand at the end of the financial period are recorded as inventories and are valued at lower of cost or net realizable value.

17. Publications and souvenirs are expensed when they are sold or distributed.

18. Inventory is reviewed at the end of each financial year for obsolescence. Obsolete publications are held at nil value until their disposal. Slow moving publications are considered to be impaired and are reduced by 50% to reflect expected replacement cost.

Property, Plant and Equipment

19. Property, Plant and Equipment (PPE) above CHF 5,000 cost are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PPE over their estimated useful lives using the straight line method. The estimated useful lives for PPE classes are as follows:

Classes	Estimated useful life(years)
Headquarters Building	50
Computer equipment	3
Furniture and fixtures	8
Machinery and equipment	5
Vehicles	5

20. Impairment reviews are undertaken for all PPE at least annually.

Intangible Assets

21. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses.

22. Publications titles are not considered to be intangible assets as they do not meet the provisions of IPSAS 31 – 'Intangible Assets'. Consequently, development costs for new titles are expensed as they are incurred in accordance with IPSAS 12 – "Inventories".

23. Amortization is provided over the estimated useful life using the straight line method. The estimated useful lives for intangible asset classes are as follows:

Classes	Estimated useful life (years)
Software externally acquired	3
Software internally developed	6
Licenses and rights	3

Operating Leases

24. Leases which are not categorized as finance leases, with the balance of risk and reward remaining with lesser, are considered to be operating leases.

25. Expenditure incurred under an operating lease is charged on a straight-line basis over the life of the lease.

Employee Benefits

26. WMO recognizes the following categories of employee benefits:

- Short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

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

27. All employees of WMO are members of the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The Pension Fund is a multi-employer funded, 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.

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

29. Unrealized actuarial gains/losses are taken directly to reserves in the period in which they occur.

Provisions and Contingent Liabilities

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

31. 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 WMO.

Fund Accounting and Segment Reporting

32. The financial statements are based on a fund accounting basis, showing at the end of the period the consolidated position of all WMO funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives. Fund balances represent the accumulated residual of revenue and expenses.

33. A segment is a distinguishable activity or group of activities for which financial information is reported separately. WMO classifies all projects, operations and fund activities into three segments: (i) General Fund; (ii) Technical Cooperation Trust Funds; and (iii) Normative Trust Funds. WMO reports on the transactions of each segment during the financial period, and on the balances held at the end of the period.

34. The General Fund and Related Funds include: (a) the accounting entity established in accordance with WMO Financial Regulation 9.1 for the purpose of accounting for contributions and advances of Members and expenditures authorized against them; (b) indirect support cost recoveries; (c) sales of publications and souvenirs; (d) rental of office space, conference facilities and parking space; (e) miscellaneous income; (f) the Working Capital Fund, which is established in accordance with Financial Regulations 9.3 to 9.6; (g) contributions received which are not designated to a specific programme category or project; and (h) the Recruitment and Termination Benefits Reserve and the Post-Retirement Benefits Reserve.

35. Technical Cooperation Trust Funds are bilateral operations which are also identifiable subdivisions of WMO. These are established by the Secretary-General under Financial Regulation 9.7 in order to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements.

36. Normative Trust Funds are special accounts established by the Executive Council for contributions earmarked for specific activities, the balances of which may be brought forward to future accounting periods.

37. Under the General Fund, the Organization provides services to support Members and to support the implementation of the Purposes of the Organization in Note 1. These activities are funded by assessed contributions and miscellaneous income.

38. Under Technical Cooperation and Normative Funds (Trust Funds), the Organization provides Members with technical cooperation and extrabudgetary planning and implementation services. Such activities are primarily funded through voluntary contributions from donors.

39. Inter-segment transfers include revenue and expense arising from transfers between segments. Such transfers are accounted for at cost and eliminated on consolidation.

40. Joint ventures are accounting entities established jointly by WMO and other international public sector organizations in pursuit of objectives of mutual interest under arrangements that specify each venturer's ownership interest. The WMO interest in joint ventures is included in the financial statements in accordance with key elements of control as defined in IPSAS 6 and IPSAS 8.

Budget Comparison

41. WMO's budget is prepared on a commitment basis and following the introduction of IPSAS with effect from 1 January 2010 the financial statements are prepared on an accrual basis. In the Statement of Financial Performance (Statement II), expenses are classified based on the nature of expenses whereas in the Statement of Comparison of Budget and Actual Amounts (Statement V) expenditures are classified by the expected result in which the expenditures have to be charged.

42. The Executive Council approves the biennial budget which includes budgeted amounts for direct costs, programme support costs and management and administration. Budgets may be subsequently amended by the Executive Council.

43. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 7 provides a reconciliation between the actual amounts presented in Statement V to the actual amounts presented in Statement II, the Statement of Financial Performance.

Use of Estimates

44. The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: defined benefit medical insurance and other post-employment benefit obligations (the value of which is calculated by an independent actuary), amounts for litigation, valuation of publications inventory, financial risk on accounts receivable, accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

45. In preparation of the 2012 financial statements, some minor adjustments with immaterial effect were made to prior year comparative numbers in order to remove rounding differences. Small rounding differences may occur due to the presentation of some amounts in millions of Swiss francs.

NOTE 3: ASSETS AND LIABILITIES

Note 3.1: Cash and Cash Equivalents

	31.12.2012	2011
	<i>Swiss Francs (thousands)</i>	
Unrestricted cash:		
Cash on hand	3	19
Deposits with banks – Swiss Francs	59,395	32,192
Deposits with banks – other currencies	20,376	27,725
Total unrestricted cash	79,774	59,936
Restricted cash:		
Deposits with banks – Swiss Francs	150	149
Deposits with banks – other currencies	59	60
Total restricted cash	209	209
Total cash	79,983	60,145

46. Cash deposits are held in interest-bearing bank accounts that also allow instant access. Restricted cash is for trust funds for scientific awards and prizes.

47. WMO minimizes the credit risk involved by placing the majority of funds with the AAA-rated Swiss Post Office which is owned by the Swiss Confederation, as follows:

	AAA	%	Other	%	Cash on hand	Total
2012	49,848	62	30,131	38	3	79,682
2011	30,405	51	29,721	49	19	60,145

48. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice. Cash and deposits are held on behalf of the Organization, including General Fund, Technical Cooperation Funds, Normative Funds and non WMO entities administered by WMO.

Note 3.2: Contributions Receivable

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Composition:		
• Current	20,235	27,000
• Non-current	10,330	12,387
Total net contributions receivable	30,565	39,387
Monetary contributions		
• Current	26,062	30,859
• Non-current	10,330	12,387
Sub-total	36,392	43,246
Less : Provision for delayed collection of contributions		
• Current	(5,827)	(3,859)
• Non-current		-
Total net contributions receivable	30,565	39,387
Members	11,399	22,236
Less : Provision for delayed collection of assessed contributions	(4,309)	(3,859)
Less : Discounting for cash flows which are not expected within 12 months from the reporting date	(18)	(37)
	7,072	18,340
Donor Contributions	25,375	21,289
Less: Provision for delayed collection of voluntary pledges	(1,518)	
Less : Discounting for cash flows which are not expected within 12 months from the reporting date	(364)	(242)
	23,493	21,047
Total net contributions receivable	30,565	39,387

49. Contributions receivable show an overall decrease of CHF 8.8 million, a result of a decrease of CHF 10.8 million in unpaid assessed contributions from CHF 22.2 million at 31 December 2011 to CHF 11.4 million at 31 December 2012. Unpaid voluntary contributions confirmed in writing remained practically unchanged. On the date of signing of these financial statements, WMO received payments of assessed contributions for 2012 and prior years amounting to CHF 3.0 million, representing 26% of the outstanding balance at 31 December 2012 of CHF 11.4 million.

The movement of the provision for delayed collection of contributions is as follows:

	2011	Utilization	Increased (Decreased)	2012
<i>Swiss Francs (thousands)</i>				
Assessed contributions	3,859	-	450	4,309
Voluntary contributions	-	-	1,518	1,518
Total	3,859	-	1,968	5,827

50. The age analysis of the unpaid assessments from Members is as follows:

Contributions outstanding from the Eighth to the Sixteenth Financial Periods as at 31 December 2012

<i>Swiss Francs (thousands)</i>					
	(1980-2009)	2010	2011	2012	Total
Total	4,729	545	970	5,155	11,399

51. Provisions are made against all unpaid contributions due from Members who were deprived of their right to vote at sessions of WMO's constituent bodies as of that date. Any Member in arrears for more than two consecutive years is subject to the provisions of Resolution 37 (Cg-XI), Suspension of Members for failure to meet financial obligations. Members' contributions are not written off, nor are the Members released from their obligations.

52. Current contributions receivable are for confirmed contributions that are due within twelve months while non-current contributions receivable are those that are due after 12 months from the date of the financial statements, and include agreements signed between WMO and some Members concerning payment of arrears of their assessed contributions, in accordance with Financial Regulation 8.8.

Note 3.3: Inventories

53. The following tables show the movements of inventory items during the period. The first table shows the total value of inventories – publications and souvenirs – as presented in the Statement of Financial Position. The second table shows a reconciliation of inventories which reflects the opening balance and the additions during the period reduced by the value of items sold or distributed and write offs/impairments made during the year.

<u>Inventories</u>	2012	2011
	<i>Swiss Francs (thousands)</i>	
Publications	41	66
Souvenirs	42	34
Total	83	100

<u>Inventory Reconciliation</u>	2012	2011
Opening Inventory	100	193
Purchases	24	48
Total Inventory available for sale or distribution	124	241
Less : Sold or distributed	(41)	(21)
Impairment loss	-	(120)
Total	83	100

54. For publications, valuation includes costs incurred up to the point of sale or distribution. They include paper, CDs, editing and outsourcing (in some cases).

55. For souvenirs, valuation is the cost of purchase.

56. Inventory on hand up to and including 3 years is valued at the lower of cost or net realisable value; inventory on hand for 4 and 5 years is valued at 50% of cost ; inventory on hand over 5 years is fully provided for.

Note 3.4: Other Receivables

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Sundry debtors	749	582
Education grant advances	573	646
Advances for organization of WMO meetings	1,740	996
Refunds due on taxes	813	691
Other assets	785	814
	4,660	3,729
Less : Provision for write-offs	(1,591)	(1,127)
Total other receivables	3,069	2,602

The movement of the provision for write-offs during 2012 is as follows:

	2011	Utilization	Increased (Decreased)	2012
	<i>Swiss Francs (thousands)</i>			
Provision for write-offs	1,127	-	464	1,591

57. Sundry debtors are amounts due from Members for costs of the Organization's constituent body sessions in excess of costs of the same sessions if they had been held in Geneva.

58. Employees of WMO are entitled to grants for the education of their eligible dependents. Staff may request an advance at the beginning of the school year. The amount of the advance which is accrued at the end of the year is based on the number of months of attendance relative to the school year.

59. Advances for the organization of WMO meetings represent advances given to institutions for the organization of WMO meetings held outside of Geneva, based on a Letter of Agreement in which the recipient organization commits, inter alia, to providing an accounting for the advance within three months of the conclusion of the meeting. The advances are recognized as expenditure at the point in time when the meeting is held.

60. Refunds due on taxes represent: (a) advances made to enable staff to pay income taxes required by their home country governments; and (b) taxes withheld by governments from interest earned on deposit accounts that are domiciled in their jurisdictions.

61. Other assets include prepaid expenses and amounts recoverable from staff.

Note 3.5: Property, Plant and Equipment (PPE)

	2012					
	Headquarters Building	Computer Equipment	Furniture and Fixtures	Machinery and Equipment	Vehicles	Total
	<i>Swiss Francs (thousands)</i>					
Cost						
Opening balance 01.01.2012	108,000	149	245	1,271	509	110,174
Additions	-	596	-	1,903	127	2,626
Disposals/Adjustment	-	(6)	-	(260)	(90)	(356)
Closing Balance 31.12.2012	108,000	739	245	2,914	546	112,444
Accumulated Depreciation						
Opening balance 01.01.2012	(4,320)	(78)	(245)	(1,194)	(436)	(6,273)
Disposals/Adjustment	-	6	-	260	90	356
Depreciation charge for the year	(2,160)	(110)	-	(163)	(42)	(2,475)
Closing Balance 31.12.2012	(6,480)	(182)	(245)	(1,097)	(388)	(8,392)
Net book value						
Closing Balance 31.12.2012	101,520	557	-	1,817	158	104,052

		2011					
		Headquarters Building	Computer Equipment	Furniture and Fixtures	Machinery and Equipment	Vehicles	Total
		<i>Swiss Francs (thousands)</i>					
Opening balance 01.01.2011		108,000	292	273	1,326	437	110,328
Less: Accumulated Depreciation		(2,160)	(93)	(273)	(1,307)	(419)	(4,252)
Net book value 01.01.2011		105,840	199	-	19	18	106,076
Additions		-	51	-	91	72	214
Disposals		-	(194)	-	(22)	-	(216)
Depreciation		(2,160)	15	-	(11)	(17)	(2,173)
Closing Balance 31.12.2011		103,680	71	-	77	73	103,901

62. During 2012, additions to PPE were for computer equipment, vehicles and machinery and equipment acquired through purchase. Some items of machinery and equipment and vehicles, which were fully depreciated, were disposed of during the year.

63. In accordance with IPSAS a professional valuation, effective 1 January 2010, was undertaken by an independent valuer on the building which was valued at CHF 108 million resulting in a revaluation surplus of CHF 8.2 million which was credited in 2010 to Property Revaluation Reserve Fund under Fund Balances and Reserves.

64. PPE are capitalized if their cost is greater or equal to the threshold limit set at CHF 5,000. They are depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically.

65. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2012 did not result in any of the PPE being impaired in value.

Note 3.6: Intangible Assets

		2012			
		Licenses and Rights	Software Internally developed	Software Externally acquired	Total Intangible Assets
		<i>Swiss Francs (thousands)</i>			
Cost					
Opening balance 31.12.2011		86	81	1,128	1,295
Additions		-	-	-	-
Disposals		-	-	-	-
Closing Balance 31.12.2012		86	81	1,128	1,295
Accumulated Amortization					
Opening balance 31.12.2011		(66)	(67)	(627)	(760)
Disposals		-	-	-	-
Amortization charge for the year		(20)	(13)	(205)	(238)
Closing Balance 31.12.2012		(86)	(80)	(832)	(998)
Net book value					
Closing Balance 31.12.2012		-	1	296	297

2011

	Licenses and Rights	Software Internally developed	Software Externally acquired	Total Intangible Assets
	<i>Swiss Francs (thousands)</i>			
Opening balance 01.01.2011	86	81	603	770
Less: Accumulated Amortization	(38)	(54)	(415)	(507)
Net book value 01.01.2011	48	27	188	263
Additions	-	-	525	525
Disposals	-	-	-	-
Amortization	(28)	(13)	(212)	(253)
Closing Balance 31.12.2011	20	14	501	535

66. Intangible assets are capitalized if their cost exceeds the threshold of CHF 5,000 except for internally developed software where the threshold is CHF 50,000. The capitalized value of the internally developed software excludes those costs related to research and maintenance costs.

Note 3.7: Payables and Accruals

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Vendor payables	1,305	1,701
Accruals	2,486	2,055
Other Liabilities	302	118
	4,093	3,874

67. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

68. Accruals are liabilities for the cost of goods and services that have been received or provided to WMO and which have not been invoiced by suppliers as of the reporting date.

Note 3.8: Employee Benefits

Employee benefits comprise:

Post-Employment Benefits

69. Post-employment benefits are defined benefit plans consisting of United Nations Joint Staff Pension Fund (UNJSPF), After-Service Health Insurance Plan (ASHI) and Repatriation Grant and related benefits including accrued annual leave.

70. Arrangements relating to the UNJSPF are set out in paragraphs 87 - 95.

71. ASHI is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS).

72. Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. The

Organization pays the amounts due for repatriation grant, travel and relocation expenses for the entitled staff members.

Other Long-Term Employee Benefits

73. Other long-term employee benefits include accrued unused annual leave and where applicable compensation payments in the case of death, injury or illness attributable to performance of duties.

74. Although annual leave is a short-term employee benefit, the right to receive payment for unused annual leave, and consequently the Organization's liability for this balance, is shown as a long-term employee benefit as that right only crystallizes on separation, typically more than twelve months from the reporting date.

	2012	2011
	<i>Swiss Francs (thousands)</i>	
After-service health insurance	42,861	37,290
Annual leave accrued on retirement	3,896	3,487
Repatriation grant	6,189	5,343
	52,946	46,120

Composition

	<i>Swiss Francs (thousands)</i>	
Current liabilities - Short-term benefits	2,994	3,040
Non-current liabilities - Long-term benefits	49,952	43,080
Total benefits	52,946	46,120

Actuarial Valuations of Post – Employment and Other Separation – Related Benefits

75. Liabilities arising from post-employment benefits and other separation-related benefits are determined by consulting professional actuaries. These employee benefits are established for staff members who are entitled to such benefits under WMO Staff Regulations and Staff Rules. Full actuarial valuations are undertaken every two years, the most recent having been completed at 31 December 2011. Roll-forward actuarial valuations are undertaken during the intervening years, the most recent completed at 31 December 2012.

76. The increase in the liability between 31 December 2011 and 31 December 2012 is mainly due to an actuarial loss on the after-service health insurance benefits. The sources of this loss are:

- Change in assumptions (reduction of the discount and salary increase rates) which has resulted in an increase of the liability of 5.5%; and
- Change in membership (increase of active membership and reduction of retirees), resulting in an increase of the liability of 6%.

Actuarial Assumptions and Methods

77. During each actuarial study, WMO in conjunction with the actuary, reviews and selects assumptions that will be used by the actuaries in the year-end valuation to

determine the expense and contribution requirements for WMO's after-service benefit plans (post-employment benefits and other separation-related benefits and unused annual leave).

78. The following assumptions have been used to determine the value of post-employment and other separation-related employee liabilities for WMO at 31 December 2012:

i) economics assumptions

- ASHI

- Discount rate 2.10%
The discount rate is estimated as the single equivalent rate such that the present value of the plan's cash flows (i.e. expected as from 31 December 2012) using the single rate equals the present value of those cash flows using the spot rate at each maturity of the AAA and AA in CHF denominated Corporate Bonds yield as at 31 December 2012.
- Salary increase rate 2.65% (for both professional and general service staff)
The drop of the salary increase rate from 5.16% at 31 December 2011 to 2.65% at 31 December 2012 reflects the experience in 2012.
- Healthcare cost increase rate:
It is composed of two elements as provided in the table below:
 - a) *effective healthcare trends rate based on the Swiss market conditions and considering trends in the future: decrease linearly from 2012 to 2050, with intermediate steps in 2020 and 2030 and then remaining stable after 2051;*
 - b) *additional increase of +1.0% (or 100 basis points) from 2023 for consideration of a possible premium rate increase of the UNSMIS fund due to its forecasted underfunding position.*

Fiscal Year	Effective healthcare trend increase rate [%]	Increase rate [%] due to UNSMIS funding	Total increase rate [%]
2012	3.50	-	3.50
2020	2.80	-	2.80
2023	2.68	1.00	3.68
2030	2.40	1.00	3.40
2050	2.00	1.00	3.00
From 2051	2.00	1.00	3.00

- Repatriation

- Discount rate 3.60% (based on USD bonds market conditions at end 2012)
- Travel and shipping cost increase rate 2.00%

- Annual Leave

- Discount rate 3.6% (based on USD bonds market conditions at end 2012)

- Annual leave balance increase rate

Years of service	Annual rate [%]
1	15.0
2 – 6	6.5
7 +	0.1
Max	60 days

ii) demographic assumptions

The tables for “UNJSPF” have been applied as regards mortality, turnover and early retirement ages, as these are based on the demographic experience of the UNJS Pension Fund, including the following:

Disability none

Mortality UNJSPF tables – sample rates. The post retirement mortality (i.e. generational) includes the following scale of forecast decrease:

60 and younger	2.00%
65	1.67%
70	1.33%
75	1.00%
80	0.67%
85	0.33%
90 and older	0.00%

Percentage married 60% of future retirees are assumed married at retirement and elect coverage for their spouse

Age differences of spouses males are assumed to be 3 years older than females

Turnover UNJSPF tables

Retirement UNJSPF tables

79. Reconciliation of Defined Benefit Obligation for 2012

	After service health insurance	Repatriation	Annual Leave	Total
<i>(Swiss Francs thousands)</i>				
Benefit obligation at 31 December 2011	37,920	5,343	3,487	46,120
Service cost for 2012	953	388	252	1,593
Interest cost for 2012	1,074	237	151	1,462
Benefits paid in 2012	(1,101)	(304)	(313)	(1,718)
Actuarial (gain)/loss	4,645	525	319	5,489
Benefit obligation at 31 December 2012	42,861	6,189	3,896	52,946

	After service health insurance	Repatriation	Annual Leave	Total
<i>(Swiss Francs thousands)</i>				
Benefit obligation at 31 December 2010	58,751	4,600	3,014	66,365
Service cost for 2011	1,704	305	389	2,398
Interest cost for 2011	3,346	249	175	3,770
Benefits paid in 2011	(1,276)	(754)	(422)	(2,452)
Actuarial (gain)/loss	(25,235)	943	331	(23,961)
Benefit obligation at 31 December 2011	37,290	5,343	3,487	46,120

80. Reconciliation of recognized actuarial gains / losses

	After service health insurance	Repatriation	Annual Leave	Total
<i>(Swiss Francs thousands)</i>				
Actuarial gains (losses) at 31 December 2011	24,353	(943)	(331)	23,079
Movement in reporting period	(4,645)	(525)	(319)	(5,489)
Actuarial (gains)/losses at 31 December 2012	19,708	(1,468)	(650)	17,590

81. In the 2012 valuation of employee benefits liabilities, the actuaries have determined gross actuarial losses under post-employment benefits and other separation-related benefits of CHF 5.5 million.

82. The total actuarial loss of CHF 5.5 million represents a loss of CHF 4.6 million relating to the After Service Health Insurance, a loss of CHF 0.3 million relating to Annual Leave Accrued on Retirement and a loss of CHF 0.5 million relating to Repatriation Grant. After taking into account service costs, interest costs and benefits paid, the net movement in the employee benefits liability was an increase of CHF 6.8 million during 2012.

83. Annual Expense

	2012	2011
<i>(Swiss Francs thousands)</i>		
Service cost	1,593	2,397
Interest cost	1,462	3,770
Amortization of net (gain)/loss through reserves	5,489	(23,961)
Total	8,544	(17,793)

After-Service Health Insurance – Sensitivity Analysis

84. Two of the principal assumptions in the valuation of the After-Service Health Insurance are: (i) the rate at which medical costs are expected to increase in the future; and (ii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

85. A sensitivity analysis was undertaken to determine the impact of the above assumptions on the liability and service cost under IPSAS 25.

86. The effect of an increase in one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates are shown below:

Benefit Obligation at 31 December 2012	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Active staff	19,176	22,883	16,234
Pensioners	23,685	26,972	20,952
Total	42,861	49,855	37,186
Effect	-	6,994	(5,675)

Service cost and interest cost 2012	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Amount	2,027	2,327	1,718
Effect	-	300	(309)

Expected Costs during 2013

87. The expected contribution of WMO in 2013 to the employee benefit plans is CHF 3.0 million.

United Nations Joint Staff Pension Fund (UNJSPF)

88. WMO 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.

89. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

90. WMO financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the

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.

91. The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

92. At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) when the current system of pension adjustments was taken into account.

93. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as of 31 December 2013.

94. In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012, the General Assembly authorized the United Nations Joint Staff Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation.

95. During 2012, contributions paid to UNJSPF amounted to CHF 8.5 million (2011 CHF 7.6 million). Expected contributions due in 2013 are CHF 9.0 million.

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

Note 3.9: Contributions received in advance

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Assessed contributions received in advance	9,509	8,054
Other advance receipts	67	71
Contributions received in advance	9,576	8,125

97. Contributions in advance are for the fiscal year 2013.

Note 3.10: Borrowings

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Current	1,477	1,477
Non-current (amortized)	42,370	42,401
Total Borrowings	43,847	43,878

98. The headquarters building loan consists of borrowings made by WMO from the "Foundation des Immeubles pour les Organisations Internationales" (FIPOI). The balance of the loan outstanding at 31 December 2012 was CHF 53,183,924 (CHF 54,661,224 at 31 December 2011). Of this amount, CHF 1,477,000 is payable in 2013, and the balance in subsequent years. The loan repayment period is 50 years ending in 2048. No interest is payable on this loan. The long-term portion of the loan is reflected at amortized cost using the effective interest rate of 1.15% at 31 December 2012 (1.28% at 31 December 2011).

Note 3.11: Contributions Refundable to Donors

99. Voluntary contributions refundable to donors represent funds remaining unspent after completion of the applicable projects. Most of these balances are expected to be either returned to the donors or reprogrammed to other projects.

Note 3.12: Funds Held in Trust

100. Funds held in trust are for entities for which WMO provides accounting and other administrative support. Prior to the adoption of IPSAS on 1 January 2010, the financial statements of all of the entities listed below, in Note 3.13 with the exception of Group on Earth Observations (GEO), were consolidated in the WMO Financial Statements.

Note 3.13: Interest in Joint Ventures

101. In accordance with IPSAS only those funds or entities of which WMO has control or joint control, are consolidated on a proportionate basis. The following Funds are now not consolidated in the WMO accounts:

- IPCC Nobel Peace Prize;
- Typhoon Committee – ESCAP;
- Tropical Cyclone Panel;
- Intergovernmental Panel on Climate Change;
- Group on Earth Observations;
- Data Buoy Cooperation Panel.

Funds included as Joint Ventures:	Proportion of Ownership	
	2012	2011
• Joint WMO/ICSU/IOC Climate Research Fund	75%	68%
• Global Climate Observing System	18%	5%

The share of ownership is based on the proportion of contributions made to each Entity by contributors.

WMO's share on a proportional basis of Joint Ventures

	2012	2011
	<i>Swiss Francs (Thousands)</i>	
Surplus for period		
Revenue	2,037	2,015
Expenditures	(2,180)	(1,867)
Surplus/ (deficit) for period	(143)	148
Add/ (minus):		
Movement in WMO's share in net assets/ equity	432	(230)
Surplus/(deficit) for period	289	(82)
Add:		
Opening balance of WMO's share of net assets/ equity 1 January	1,410	1,492
Closing balance of WMO's share of net assets/ equity 31 December	1,699	1,410

Note 3.14: Capital Funds

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Working Capital Fund	6,589	6,568
Funds for Awards and Prizes	428	428
Total capital balances	7,017	6,996

102. In Resolution 42 (Cg-XV), Congress fixed the principal of the Working Capital Fund at CHF 7.5 million during the fifteenth financial period. The shortfall is being funded from interest earned on short-term investments of the capital. As of 31 December 2012, the fund had accumulated interest amounting to CHF 21,000, which was in the surplus account. It will be transferred to the Working Capital Fund during 2013. Unpaid advances to this Fund due from Members amounted to CHF 2,901.50 at 31 December 2012.

103. Funds for Awards and Prizes are funded with interest earned on the capital. They comprise the International Meteorological Organization (IMO) Fund, the Dobrilovic Fund, the Vaisala Funds, and the Professor Mariolopoulos Fund.

Note 3.15: Employee Benefits Reserves (formally Operating Reserves)

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Recruitment and termination benefits reserve	254	62
Post-retirement benefits reserve	(1,062)	(1,126)
Credit arising from Actuarial Valuation of Employee Benefits at 31 December 2012	17,590	23,079
Total employee benefits reserves	16,782	22,015

104. Two reserves have been established by the Executive Council as facilities for funding and/or financing specific activities under specific circumstances. There are currently: the Recruitment and Termination Benefits Reserve and the Post-Retirement Benefits Reserve.

105. The Recruitment and Termination Benefits Reserve was established by Resolution 20 (EC-XXVII) to meet end-of-contract and recruitment costs, which are not specifically budgeted. The Reserve is funded from a 4 percent charge on payroll costs in accordance with Resolution 14 (EC-LXI). Following the establishment at 1 January 2010 of a liability for repatriation costs and accrued annual leave, the purpose of this reserve is now to fund recruitment costs only.

106. The Reserve for Post-Retirement Benefits was established by Resolution 7 (EC-LII) to meet after-service health insurance (ASHI) benefits of WMO's staff on a pay-as-you-go basis. It is funded from a 3 percent charge on payroll costs, with effect from 1 January 2009, in accordance with Resolution 14 (EC-LXI).

107. The Reserve for Employee Benefits represents the actuarial gains arising from the actuarial valuation of employee benefits which were determined by a professional actuary at 31 December 2011.

NOTE 4: RISK ANALYSIS

Credit Risk

108. Credit risk and liquidity risk associated with cash and cash equivalents is minimized substantially by ensuring that cash assets are placed with major financial institutions that have been accorded suitable investment grade ratings by a primary rating agency.

109. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable, including allowances for reductions in contribution revenue and doubtful accounts, are provided in Note 3.2. WMO does not hold any securities against contributions receivable. During 2012, 92% of receivables were paid in full. CHF 11.4 million of receivables (assessed contributions) are past due. An age analysis is shown in Schedule 1. A provision for delayed collection of assessed contributions of CHF 4.3 million existed at 31 December 2012 and WMO had entered into Repayment Agreements with Members totalling CHF 1.9 million.

110. Projects funded with voluntary contributions are implemented when contributions are received, thereby eliminating any liquidity risk.

111. During 2012, 95% of the regular budget was funded with assessed contributions, of which 71% is assessed on 10 Members. The Organization faces a liquidity risk if those Members are delayed in payment of their assessed contributions. Of the unpaid assessed contributions of CHF 11.4 million at 31 December 2012, 25% represented contributions from one Member.

Liquidity Risk

112. WMO's total of cash and equivalents at 31 December 2012 of CHF 80.0 million is sufficient to meet its current liabilities at that date of CHF 37.0 million. On an ongoing basis, it is anticipated that WMO will have sufficient liquidity to pay all debts due. The maturity of the final liabilities is reflected in Statement I – Statement of Financial Position.

113. Implementation of WMO's regular budget for the General Fund is done against the receipt of assessed contributions. In the event that a shortfall of contributions arises then the Organization can draw funding down from the Working Capital Funds (Note 3.14) pending the receipt of assessed contributions. At 31 December 2012 the Working Capital Fund had an unutilized balance of CHF 6.6 million.

114. Implementation of activities in the Technical Cooperation and the Normative Fund Programmes are funded by voluntary contributions and cannot commence until the contribution has been received. Budgets are only allotted to the level of contributions received after a withholding of ten percent is made to cover any fluctuations that may arise against legal obligations and commitments entered into.

115. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities. A quarterly cash flow forecast is reviewed by the WMO Investment Committee. The cash flow shows actual to date and forecast for the rest of the financial period.

Market Risk

Interest Risk

116. In 2012 interest earnings amounted to CHF 125,000 compared to total revenue of CHF 94.9 million. The implementation of WMO's plan and budget is not dependant on or impacted by interest earnings.

Currency Risk

117. The WMO budget is funded by assessed contributions in Swiss Francs (CHF), the functional and reporting currency of the Organization. The Statement of Financial Performance by Segment (Note 8.2) shows that General Fund revenue of CHF 65.4 million represents 69% of total revenue in 2012 to date on which there is no exposure to currency fluctuation. The balance of 2012 revenue of CHF 29.5 million represents receipts, mainly in CHF, Euro and USD. At 31 December 2012 US dollar holdings amounted to USD 8.1 million (USD 12.4 million 31 December 2011). No currency exposure exists against these dollar holdings as they are used to pay Dollar liabilities. The Dollar holdings are not converted into any other currency. At 31 December 2012 Euro holdings amounted to €9.9 million (€12.7 million at 31 December 2011). This decrease is a result of the decision of the WMO Investment Committee to convert any new Euro contributions into CHF upon receipt. A reasonable change in the currency exchange rate between the Euro and Swiss Franc of +10% would impact on the surplus/deficit for the year by + CHF 1.053 million. As the Euro is currently supported by the Swiss National Bank at a rate of EURO 1 = CHF 1.20 the downside exposure is currently estimated to be - CHF 0.023 million.

118. WMO's net assets consist of its accumulated surplus, reserves for employee benefits, reserves for gains or losses arising from revaluation of the WMO headquarters office building, the capital of the Working Capital Fund, and the capital of award and prize funds. The surplus of the General Fund is managed in accordance with the provisions of Article 9 (Funds) of the Financial Regulations of WMO. Surplus arising from activities funded with voluntary contributions is managed in accordance with donor agreements. Reserves for employee benefits are managed in accordance with resolutions of the Executive Council. The Working Capital Fund is set aside to maintain sufficient levels of liquidity and to cover operational deficits should they occur.

NOTE 5: REVENUE

	2012	2011
	<i>Swiss Francs (thousands)</i>	
5.1 Monetary contributions		
Assessed contributions	65,254	62,451
Voluntary contributions	10,933	10,783
Other contributions	9	107
Sub total	<u>76,197</u>	<u>73,341</u>
Decrease/(Increase) in provision for contributions refundable	(405)	32
Total monetary contributions	<u>75,791</u>	<u>73,373</u>
5.2 Other revenue		
Currency exchange differences :		
Realized	330	320
Unrealized	(821)	242
	<u>(491)</u>	<u>562</u>
Rental of office facilities	1,651	1,588
Programme support cost income	330	316
Interest	125	160
Other income	611	144
Publications	42	85
Inter-fund contributions	74	12
Total other revenue	<u>2,342</u>	<u>2,867</u>
5.3 In-kind contribution(services)		
Rental value of land and interest free FIPOI loan	<u>1,837</u>	<u>1,771</u>

119. During 2012 in-kind contributions have been recognized in respect of land and an interest free loan provided by the Swiss Authorities (FIPOI). In-kind contributions are expensed at the same time as they are recognized as revenue.

120. WMO also receives services in-kind from Members which are not recognized in these accounts as WMO did not have control over the services in-kind and could not measure the fair value of these services. The services in-kind which are provided by Members, relate to the support provided for WMO meetings held in their countries.

121. WMO has offices in seven countries. Six of the Host Governments provide various services In-kind in relation to these offices including the provision of office premises, furniture and equipments, vehicles, support staff and support services. As the fair values of these in-kind services could not be measured accurately they are not recognized in these accounts.

NOTE 6: EXPENDITURE

	2012	2011
	<i>Swiss Francs (thousands)</i>	
6.1 Salaries and employee benefits		
Staff costs	46,454	47,204
Consultancy costs	4,215	3,875
Employee benefits	3,948	5,902
Total salaries and employee benefits	54,617	56,981
6.2 Supplies, consumables and other running costs		
Purchase of furniture and equipment (non-capitalized)	1,460	1,655
Building maintenance and security	2,627	1,599
IT – software and equipment (non-capitalized)	1,325	1,374
Stationery and supplies	497	714
Other running costs	192	414
Utilities	334	340
Total supplies, consumables and other running costs	6,435	6,096
6.3 In-kind expenditure		
Rental value of land and interest on FIPOI loan	1,837	1,771
6.4 Other expenditures		
Increase (decrease) in provision for delay in collection of assessed contributions	451	108
Discounting long-term receivables and loan	1,274	5,458
Write-offs *	-	1,937
Other **	1,756	1,396
Public information	189	737
Insurances	204	234
Auditor's remuneration***	115	227
Hospitality	41	162
Other provisions for write-offs****	1,982	83
Staff training and development	92	12
Total other expenditure	6,104	10,354

* The write-off in 2011 refers to a pledge contribution which was subsequently identified as no longer receivable

** This includes expenditure on bank charges and sub-regional offices

*** Auditors Remuneration includes the audit fee for 2012

**** This includes 2009 voluntary pledge of CHF 1.518 million and other debtors of CHF 0.464 million

NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

122. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. WMO's budget and accounts are prepared using a different basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full IPSAS accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a commitment accounting basis.

123. 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.

124. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WMO for purposes of comparison of budget and actual amounts.

125. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, bilateral operations and trust funds form part of WMO activities and are reported in the financial statements although they are excluded from the budgetary process.

126. Presentation differences are due to differences in the format and classification schemes adopted for presentation of the Statement of Financial Performance by Segment (Note 8.2) and Statement V - Statement of Comparison of Budget and Actual Amounts.

127. The WMO Budget in Statement V applies only to the Regular Budget/General Fund as shown in Segment Reporting Note 8.2. The reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance by Segment (Note 8.2) for the period ended 31 December 2012 is presented below:

		2012	2011
	Note	<i>Swiss Francs (thousands)</i>	
Actual Amount on Comparable basis (Statement V (a))		64,408	73,279
Plus :			
Basis difference - obligations for prior years		2,243	852
Depreciation	8.2	2,704	2,419
Write offs	6.4	(1)	-
Expenditure in-kind	6.3	1,837	1,771
Employee benefits net cost		1,337	3,253
Loss on discounting long-term liabilities		1,426	5,222
Bank charges		80	102
Provision for write-offs	3.4	915	83
Other adjustments		697	(38)
Less :			
Basis difference - obligations for goods and services not received in 2012		2,504	5,700
Loan repayment	3.10	1,477	1,477
Additions/(disposals) of assets		622	558
Actual amount in the Statement of Financial Performance by segment (General Fund Note 8.2)		71,041	79,208

128. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as Basis differences. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as Presentation differences.

129. The basis difference for obligations for prior years of CHF 852 thousand refers to expenditures which have already been reported in the 2010 Financial Statements under UNSAS accounting policies. However, as the goods and services relating to these expenditures were received in 2012 the amount is also included in the 2012 Financial Statements under IPSAS accounting policies.

130. Budget amounts have been presented on a functional classification basis in accordance with the 2012-2013 biennium budget which presents a breakdown of the budget by year for purposes of the above comparison.

NOTE 8: SEGMENT REPORTING

Note 8.1: Statement of Financial Position by Segment

As at 31 December 2012
(in thousands of Swiss Francs)

	GENERAL FUND	TECHNICAL COOPERATION PROGRAMME	NORMATIVE FUNDS	2012 TOTAL	2011
ASSETS					
Current assets					
Cash and cash equivalents	43,472	23,023	13,486	79,981	60,144
Contributions receivable	5,891	4,593	9,751	20,235	27,000
Inventories	83	-	-	83	100
Other receivables	2,051	645	373	3,069	2,602
Interest in joint ventures	-	-	1,786	1,786	1,463
	<u>51,497</u>	<u>28,261</u>	<u>25,396</u>	<u>105,154</u>	<u>91,309</u>
Non-current assets					
Contributions receivable	1,233	6,346	2,751	10,330	12,387
Property, plant and equipment	104,052	-	-	104,052	103,901
Intangible assets	297	-	-	297	535
Interest in joint ventures	-	-	12	12	-
	<u>105,582</u>	<u>6,346</u>	<u>2,763</u>	<u>114,691</u>	<u>116,823</u>
Total assets	<u>157,079</u>	<u>34,607</u>	<u>28,159</u>	<u>219,845</u>	<u>208,132</u>
LIABILITIES					
Current liabilities					
Payables and accruals	2,783	1,142	168	4,093	3,874
Employee benefits	2,994	-	-	2,994	3,040
Contributions received in advance	9,576	-	-	9,576	8,125
Borrowings	1,477	-	-	1,477	1,477
Contributions refundable to donors	-	530	8	538	512
Funds held in trust	18,392	-	-	18,392	19,145
Interest in joint ventures	-	-	67	67	44
	<u>35,222</u>	<u>1,672</u>	<u>243</u>	<u>37,137</u>	<u>36,217</u>
Non-current liabilities					
Employee benefits	49,952	-	-	49,952	43,080
Borrowings	42,370	-	-	42,370	42,401
Interest in joint ventures	-	-	32	32	9
	<u>92,322</u>	<u>-</u>	<u>32</u>	<u>92,354</u>	<u>85,490</u>
Total liabilities	<u>127,544</u>	<u>1,672</u>	<u>275</u>	<u>129,491</u>	<u>121,707</u>
Net assets	<u>29,535</u>	<u>32,935</u>	<u>27,884</u>	<u>90,354</u>	<u>86,425</u>
NET ASSETS/EQUITY					
Capital fund	6,590	-	427	7,017	6,996
Accumulated surplus	(2,023)	32,935	27,457	58,369	49,228
Employee benefits reserves	16,782	-	-	16,782	22,015
Property revaluation surplus	8,186	-	-	8,186	8,186
Total net assets/equity	<u>29,535</u>	<u>32,935</u>	<u>27,884</u>	<u>90,354</u>	<u>86,425</u>

131. All fixed assets purchased in 2012, amounting to CHF 2.6 million (see Note 3.5), were for the General Fund segment.

**Note 8.2: Statement of Financial Performance by segment
FOR THE YEAR ENDED 31 December 2012**

(in thousands of Swiss Francs)

	GENERAL FUND	TECHNICAL COOPERATION PROGRAMME	NORMATIVE FUNDS	INTER -SEGMENT TRANSACTIONS	2012 TOTAL	2011
REVENUE						
Monetary Contributions :						
Assessed contributions	65,254	-	-		65,254	62,451
Voluntary contributions	153	4,375	6,405		10,933	10,783
Other contributions	9	-	1	(1)	9	107
Provision for contributions refundable	-	(47)	(455)	97	(405)	32
Total monetary contributions	65,416	4,328	5,951	96	75,791	73,373
Voluntary contributions pledged	-	853	10,767		11,620	19,986
Interest in joint ventures	-	-	2,037		2,037	2,015
Other revenue	3,872	(2,369)	2,255	(1,416)	2,342	2,975
In-kind contributions	1,837	-	-		1,837	1,771
Total revenue	71,125	2,812	21,010	(1,320)	93,627	100,120
EXPENSES						
Salaries and employee benefits	50,460	1,975	2,298	(116)	54,617	56,981
Other expenditures	4,286	2,172	241	(595)	6,104	10,246
Travel	4,746	1,059	948		6,753	7,875
Supplies, consumables and other running costs	4,562	1,844	73	(44)	6,435	6,096
Meetings	1,525	1,381	720	(565)	3,061	2,925
Depreciation and amortization	2,704	-	-		2,704	2,426
Interest in Joint Ventures	-	-	2,181		2,181	1,867
In-kind expenditures (services)	1,837	-	-		1,837	1,771
Fellowships	921	241	45		1,207	1,088
Movement in Share of Net Assets/Equity of Joint Ventures	-	-	(432)		(432)	230
Total expenses	71,041	8,672	6,074	(1,320)	84,467	91,505
SURPLUS(DEFICIT) FOR THE PERIOD	84	(5,860)	14,936	-	9,160	8,615
SURPLUS(DEFICIT) FOR 2011	(10,521)	17,753	1,383	-		8,615

132. Some internal activities lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these financial statements.

133. Contributions for operations and other activities are recognized as revenue when these contributions are confirmed in writing. Expenses are incurred gradually over time according to projects and beneficiaries needs.

134. Accumulated fund balances under programme category funds and bilateral operations and trust funds represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements of the programmes.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES

135. At 31 December 2012 there were a few proceedings against the Organization for which tribunal costs are estimated in the amount of CHF 40,000, all of which were fully provided for in 2012. It was not considered necessary to establish any further provisions for these proceedings. Other proceedings are ongoing with possible obligations totalling CHF 485,000 but probably will not require an outflow of resources.

NOTE 10: LOSSES, EX-GRATIA PAYMENTS AND WRITE-OFFS

136. WMO Financial Regulation 13.4 provides that “The Secretary-General may with the approval of the President make such ex-gratia payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Executive Council with the financial statements as detailed in Article 14.1”. During 2012 there were no ex-gratia payments.

137. WMO Financial Regulation 13.5 provides that “The Secretary-General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, except unpaid contributions, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements”. During 2012, there were no write-offs.

138. No cases of fraud have been reported in 2012.

NOTE 11: COMMITMENTS

NOTE 11.1 Operating Leases (WMO Lessee)

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Under 1 year	135	171
1 – 5 years	-	-
Beyond 5 years	-	-
Total	<u>135</u>	<u>171</u>
Expense recognized	<u><u>75</u></u>	<u><u>171</u></u>

139. The leases commenced in 2006 and upon expiry in April 2011, the option to extend these leases for a further period of 20 months was exercised. The leases expired on 31 December 2012. The leases cover 28 heavy-duty photocopiers for which a payment of CHF 75,000 was made in 2012, representing rental fees for the period. As of 31 December 2012, negotiations for renewal of the leases had not been completed.

NOTE 11.2 Operating Leases (WMO Lessor)

	2012	2011
	<i>Swiss Francs (thousands)</i>	
Under 1 year	1,241	1,239
1 – 5 years	-	-
Beyond 5 years	-	-
Total	<u>1,241</u>	<u>1,239</u>
Income recognized	<u><u>1,241</u></u>	<u><u>1,239</u></u>

140. At 31 December 2012, WMO was leasing out office space to two tenants for which it recognized income amounting to CHF 1,241,000 in 2012. Following the initial five-year contract periods on both agreements, the leases are now renewable on a yearly basis. Annual rent is adjusted based on the Swiss cost of living index.

NOTE 11.3 Other Commitments

141. At 31 December 2012, WMO had commitments for the acquisition of goods and services contracted but not delivered amounting to CHF 7.1 million.

142. Under IPSAS 1 on accrual accounting and on the basis of the delivery principle, commitments for future expenses are not recognized in the financial statements. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods or services.

NOTE 12: RELATED PARTY AND OTHER SENIOR MANAGEMENT DISCLOSURE

NOTE 12.1: Key Management Personnel

	Number of posts	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration	Outstanding advances against entitlements at 31.12.2012	Outstanding loans at 31.12.2012
	<i>Swiss Francs</i>						
Key management personnel, 2012	3	845316	130,969	167,889	1,144,174	39,250	-
Key management personnel, 2011	3	840,020	180,848	158,884	1,179,752	60,025	-

143. Key management personnel are the Secretary-General, the Deputy Secretary-General, and the Assistant Secretary-General, as they have the authority and responsibility for planning, directing and controlling the activities of WMO. The Executive Council consists of 37 Members without personal appointment.

144. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

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

146. Key management personnel are ordinary members of UNJSPF.

NOTE 13: EVENTS AFTER REPORTING DATE

147. WMO's reporting date is 31 December 2012. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the Statement of Financial Position date and the date when the financial statements have been authorized for issue that would have impacted these statements.

	Name	Address
WMO	World Meteorological Organization 1211 Geneva 2 Switzerland	7 bis, avenue de la Paix
Legal Counsel	WMO Legal Counsel 1211 Geneva 2 Switzerland	7 bis, avenue de la Paix
Actuaries	Mercer	avenue Reverdil 8-10 1260 Nyon Switzerland
Principal Bankers	UBS AG	35, rue des Noirettes 1211 Geneva 2 Switzerland
Auditor	Director Monbijoustrasse 45 Swiss Federal Audit Office	CH-3003 Bern Switzerland
