

# **2017 Financial Statements and Audit Report**

*This document is submitted to Plenary for decision.*



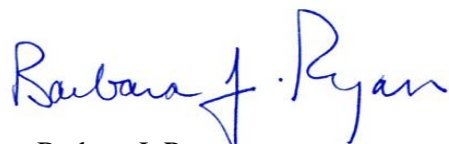
**PRESENTATION OF THE GROUP ON EARTH OBSERVATIONS  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial arrangements for the administration of the Group on Earth Observations (GEO) are specified in: (1) the GEO-World Meteorological Organization (WMO) Standing Arrangement; (2) the WMO Financial Rules and Regulations; (3) delegation of responsibility from the Secretary-General of WMO to the GEO Secretariat Director; and (4) the WMO-GEO Service Level Agreement.

Under the Standing Arrangement, WMO Staff and Financial Regulations and Rules apply to the transactions of GEO. The financial statements of GEO are maintained in accordance with these requirements, are consistent with generally accepted accounting principles and comply with the International Public Sector Accounting Standards adopted by the GEO Plenary.

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 requirements stated above and are hereby certified correct.

Yours sincerely,



Barbara J. Ryan  
Secretariat Director

Date: 15 June 2018





Reg. No. 1.18070.952.00428.005

## **EXTERNAL AUDITOR'S REPORT**

To the Executive Committee of the Group on Earth Observations (GEO)

### *Opinion*

The Swiss Federal Audit Office (SFAO) has audited the financial statements of GEO, which comprise the Statement of Financial Position (financial statement I) as at 31 December 2017, 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) for the financial year ended on that date, as well as the annexed notes, including a summary of the main accounting methods.

In its opinion, the attached financial statements present fairly, in all material aspects, the financial position of GEO as at 31 December 2017, as well as its financial performance and cash flow for the year ended at that date, in accordance with the International Public Sector Accounting Standards (IPSAS) and the Financial Regulations of the World Meteorological Organization.

### *Basis for the opinion*

SFAO conducted its audit in accordance with the International Standards on Auditing (ISA). Its responsibilities by virtue of these standards are described more fully in the section of this report headed "Auditor's responsibilities with regard to the audit of financial statements". SFAO is independent of GEO in accordance with the rules of professional conduct applying to financial statements in Switzerland, and has discharged its other professional responsibilities according to these rules. In its opinion, the audit evidence it has obtained is sufficient and appropriate to form a basis for its opinion.

### *GEO Secretariat's responsibility for the financial statements*

The Secretariat is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and the Financial Regulations of the World Meteorological Organization. The Secretariat is also responsible for introducing any internal control it deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the financial statements, the Secretariat is responsible for evaluating the capacity of GEO to continue as a going concern, communicating any issues that may arise regarding its continued operation, and for applying the relevant accounting principle, unless the Secretariat intends to liquidate GEO or to cease its activities, or if it can find no other realistic solution.

It is the responsibility of the governance officers to oversee the GEO financial information process.

### *Auditor's responsibilities with regard to the audit of financial statements*

The auditor's objectives are to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report with his/her opinion. Reasonable assurance means a high level of assurance, but this does not guarantee that an audit performed in accordance with ISA always enables every material misstatement to be detected. Misstatements may arise from fraud or error, and are regarded as material when it is reasonable to expect that they might, individually or collectively, influence the financial decisions taken by the users of the financial statements on the basis of those statements.

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Within the framework of an audit conducted in accordance with ISA standards, SFAO exercises professional judgement and adopts a critical approach throughout the audit. Furthermore:

- SFAO identifies and evaluates the risk of the financial statements containing material misstatements, whether due to fraud or error, develops and implements audit procedures in response to these risks, and gathers sufficient and appropriate evidence for its opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than in the case of a material misstatement due to error, since fraud can involve collusion, falsification, deliberate omissions, false declarations, or the bypassing of the system of internal control;
- SFAO obtains an understanding of the aspects of internal control that are relevant to the audit in order to develop appropriate audit procedures, and not to express an opinion as to the effectiveness of the GEO system of internal control;
- SFAO assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the Secretariat, as well as the related information provided by the latter;
- SFAO draws a conclusion as to the appropriateness of the Secretariat's use of the going concern principle in accounting and, according to the evidence obtained, as to the existence or otherwise of material uncertainty connected with events or situations likely to cast significant doubt on GEO's capacity to continue its operations. If SFAO concludes that there is material uncertainty, it is obliged to draw the attention of readers of its report to the information contained in the financial statements concerning this uncertainty or, if this information is insufficient, to express a modified opinion. Its conclusions are based on the evidence obtained up to the date of its report. However, future events or situations could cause GEO to cease operating.
- SFAO evaluates the overall presentation, form and content of the financial statements, including the information given in the notes, and assesses whether the way in which the financial statements represent underlying events and operations gives a true and fair view.

SFAO notifies the Secretariat of the planned scope and timetable for the audit work and its key findings, including any significant internal control shortcomings it has noted in the course of its audit.

Berne, 4 June 2018

SWISS FEDERAL AUDIT OFFICE<sup>1</sup>  
(External Auditor)

Eric-Serge Jeannot  
Deputy Director

Didier Monnot  
Mandate Officer

Annex:  
Financial statements as at 31 December 2017

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<sup>1</sup> Mailing address: Monbijoustrasse 45, CH-3003 Berne



**FINANCIAL STATEMENTS  
FOR THE YEAR  
ENDED 31 DECEMBER 2017**

8 May 2018

## STATEMENT I

**GROUP ON EARTH OBSERVATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
*(in thousands of Swiss Francs)*

	Note	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	579	188
Advance for meetings	3.3	-	141
Other receivables	3.4	303	263
Funds held by WMO	3.5	2,871	3,325
		<u>3,754</u>	<u>3,918</u>
<b>Non-Current assets</b>			
Contributions receivable	3.2	245	-
<b>Total assets</b>		<u><b>3,999</b></u>	<u><b>3,918</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deferred Income	3.6	379	346
Payables and accruals	3.7	9	43
Employee benefits	3.8	104	152
		<u>492</u>	<u>541</u>
<b>Non-current liabilities</b>			
Deferred Income	3.6	262	-
Employee benefits	3.8	1,022	830
		<u>1,284</u>	<u>830</u>
<b>Total liabilities</b>		<u><b>1,776</b></u>	<u><b>1,371</b></u>
<b>Net assets</b>		<u><b>2,223</b></u>	<u><b>2,547</b></u>
<b>NET ASSETS/EQUITY</b>			
Fund balances	Sttmt III	2,234	2,528
Employee benefits reserves	3.9	(11)	19
<b>Total net assets/equity</b>		<u><b>2,223</b></u>	<u><b>2,547</b></u>

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

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## STATEMENT II

**GROUP ON EARTH OBSERVATIONS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
*(in thousands of Swiss Francs)*

	Note	2017	2016
<b>Revenue</b>			
Voluntary contributions	5.1	2,665	3,082
Voluntary contributions - accrued	5.2	251	-
In-kind contributions	5.3	923	1,401
Other revenue	5.4	6	26
<b>Total Revenue</b>		<b>3,845</b>	<b>4,509</b>
<b>Expenses</b>			
Salaries and employee benefits	6.1	2,167	1,986
In-kind expenditure	6.2	923	1,401
Travel	6.3	347	386
Meetings	6.4	258	75
Other expenditure	6.5	248	258
Supplies, consumables and other running costs	6.6	196	256
<b>Total Expenses</b>		<b>4,139</b>	<b>4,362</b>
<b>(Deficit)/Surplus for the year</b>		<b>(294)</b>	<b>147</b>

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

**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
*(in thousands of Swiss Francs)*

	Fund Balances	Employee Benefits Reserves	Total Net Assets
<b>Net assets at 31 December 2016</b>	<b>2,528</b>	<b>19</b>	<b>2,547</b>
<b>Movements in fund balances and reserves in 2017</b>			
Deficit for the year (Statement II)	(294)	-	(294)
(Loss) arising on actuarial valuation of employee benefits	-	(30)	(30)
<b>Total movements during the year</b>	<b>(294)</b>	<b>(30)</b>	<b>(324)</b>
<b>Total net assets at 31 December 2017</b>	<b>2,234</b>	<b>(11)</b>	<b>2,223</b>

	Fund Balances	Employee Benefits Reserves	Total Net Assets
<b>Net assets at 31 December 2015</b>	<b>2,381</b>	<b>(119)</b>	<b>2,262</b>
<b>Movements in fund balances and reserves in 2016</b>			
Surplus for the year (Statement II)	147	-	147
Gain arising on actuarial valuation of employee benefits	-	138	138
<b>Total movements during the year</b>	<b>147</b>	<b>138</b>	<b>285</b>
<b>Total net assets at 31 December 2016</b>	<b>2,528</b>	<b>19</b>	<b>2,547</b>

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

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## STATEMENT IV

### GROUP ON EARTH OBSERVATIONS STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017 *(in thousands of Swiss Francs)*

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(Deficit) for the year	(294)	147
(Increase) decrease in contributions receivables	(636)	51
(Increase) decrease in advance for meetings	141	(136)
(Increase) decrease in other receivables	(40)	(89)
(Increase) decrease in funds held by WMO	454	(50)
Increase (decrease) in deferred income	295	40
Increase (decrease) in payables and accruals	(34)	(56)
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	144	(45)
Increase (decrease) in employee benefits reserves	(30)	138
	-	-
<b>Net cash flows from operating activities</b>	-	-
<b>Net increase in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at beginning of year</b>	1	1
<b>Cash and cash equivalents at end of year</b>	1	1

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

## STATEMENT V

**GROUP ON EARTH OBSERVATIONS**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

*(in thousands of Swiss Francs)*

	Budget for 2017	Actuals	Budget Under/(Over) spent
<b>A. Salaries and Employee Benefits</b>			
1. Staff Costs and Employee Benefits	2,000	2,153	(153)
2. Special Service Agreements and other Staff Costs	100	14	86
3. Total Salaries and Employee Benefits	<u>2,100</u>	<u>2,167</u>	<u>(67)</u>
<b>B. Travel</b>			
1. Staff Travel	370	301	69
2. Other (individual developing country participants to GEO meetings)	130	46	84
3. Total Travel	<u>500</u>	<u>347</u>	<u>153</u>
<b>C. Support to GEO Events and Meetings (LoAs)</b>	200	258	(58)
<b>D. Supplies, Consumables and other Running Costs</b>			
1. Internet, intranet, etc	120	4	116
2. Services/equipment/rental for special events	55	-	55
3. Supplies and other running costs	30	12	18
4. IT software and equipment	50	2	48
5. Information/Telecommunications (IT charges)	-	58	(58)
6. Common services/Utilities (COS charges)	-	48	(48)
7. Rental of WMO office space	-	72	(72)
8. Total Supplies, consumables and other running costs	<u>255</u>	<u>196</u>	<u>59</u>
<b>E. Other Expenditures</b>			
1. Support costs	351	200	151
2. Non-technical services subject to public procurement	-	-	-
3. Pamphlets, publications, other printing	60	6	54
4. External audit	5	5	-
5. Staff training	10	2	8
6. Bank charges	3	1	2
7. Incidentals	5	3	2
8. Unrealized /realized loss on currency exchange	-	31	(31)
9. Total Other expenditures	<u>434</u>	<u>248</u>	<u>186</u>
<b>TOTAL CASH EXPENDITURES</b>	<u>3,489</u>	<u>3,216</u>	<u>273</u>
<b>F. In-kind expenditures</b>			
1. Seconded staff	948	807	141
2. Rental of office space	98	116	(18)
3. Total in-kind expenditures	<u>1,046</u>	<u>923</u>	<u>123</u>
<b>TOTAL EXPENDITURES</b>	<u>4,535</u>	<u>4,139</u>	<u>396</u>

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

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# Notes to the Financial Statements as at 31 December 2017

## NOTE 1: PURPOSES OF THE ORGANIZATION

a) To lead a worldwide effort to build a Global Earth Observation System of Systems (GEOSS) over the period 2016-2025.

b) To carry out the GEO Strategic Plan 2016-2025

A central part of GEO's Mission is to build the Global Earth Observation System of Systems (GEOSS). GEOSS is a set of coordinated, independent Earth observation, information and processing systems that interact and provide access to diverse information for a broad range of users in both public and private sectors. GEOSS links these systems to strengthen the monitoring of the state of the Earth. It facilitates the sharing of environmental data and information collected from the large array of observing systems contributed by countries and organizations within GEO. Further, GEOSS ensures that these data are accessible, of identified quality and provenance, and interoperable to support the development of tools and the delivery of information services. Thus, GEOSS increases our understanding of the Earth processes and enhances predictive capabilities that underpin sound decision-making.

c) GEO is established on a voluntary and legally non-binding basis, with voluntary contributions to support activities.

d) GEO consists of a Plenary and Executive Committee, a Secretariat and committees and working groups. GEO meets in plenary at least annually at senior-official level, and periodically at the Ministerial level. GEO takes decisions by consensus of its Members.

e) The GEO Secretariat was established in Geneva in May 2005. The Secretariat serves as the centre of the international coordination for the worldwide GEOSS effort.

## NOTE 2: ACCOUNTING POLICIES

### Basis of Preparation

1. Financial arrangements for the administration of GEO are specified in the following:

- a) GEO-World Meteorological Organization (WMO) Standing Agreement;
- b) WMO Staff and Financial Rules and Regulations;
- c) Delegation of responsibility from the Secretary-General of WMO to the GEO Secretariat Director;

- d) WMO-GEO Service Level Agreement, revised on 19 October 2016 with retroactive application from 1 January 2015; and
- e) GEO Rules of Procedure, updated on 26 October 2017.

Under the Standing Agreement, WMO Staff and Financial Regulations and Rules apply to the transactions of GEO. The accounts of GEO are maintained in accordance with these requirements. Management has considered that it is appropriate to prepare these Financial Statements on a going concern basis as there is no reason to believe that voluntary contributions sufficient to support its activities will not continue at current levels.

2. The financial statements of the Group on Earth Observations (GEO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention.

3. During 2017, new International Public Sector Accounting (IPSAS) Standards came into force as at 1 January 2017 however these are not applicable to GEO in 2017:

- IPSAS 34 – Separate Financial Statements
- IPSAS 35 – Consolidated Financial Statements, which replaced IPSAS 6 – Consolidated and Separate Financial Statements;
- IPSAS 36 – Investments in Associates and Joint Ventures;
- IPSAS 37 – Joint Arrangements; and
- IPSAS 38 – Disclosure of Interests in Other Entities.

4. As of 31 December 2017, the date of the financial position, the following IPSASes had been issued, but had not taken effect:

- IPSAS 39 – Employee Benefits, which replaces IPSAS 25; and
  - IPSAS 40 – Public Sector Combinations.
- IPSAS 39 took effect on 1 January 2018; and is expected to apply to GEO.  
IPSAS 40 will take effect on 1 January 2019, but it is not expected to apply to GEO.

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

6. The functional and reporting currency of GEO 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.

## **Revenue**

7. In accordance with IPSAS requirements, and reflecting the nature of GEO's business, revenue from contributions as well as pledges of contributions confirmed in writing are recognized at their estimated realizable value as non-exchange transactions as per IPSAS 23 – Revenue from Non-Exchange Transactions.

8. GEO considers that there are restrictions on the use of all contributions and that some of these restrictions do not meet the definition of a condition as described under IPSAS.

9. Interest revenue is recognized as it accrues.

### **Expenditure**

10. 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 recognised in the financial statements of the periods to which they relate.

### **Financial Instruments**

11. Financial instruments are recognized when GEO 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 GEO has transferred substantially all the risks and rewards of ownership.

12. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables comprise contributions receivable in cash or other receivables. Receivables are stated at amortized cost.

13. 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**

14. Pledged voluntary contributions are recognized when confirmed in writing by donors at their estimated realizable value. Other voluntary 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.

15. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts and discounted if cash flows are not expected within twelve months from the reporting date.

16. 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 and salary costs. They are treated as both revenue and expense in the Financial Statements.

### **Funds held by WMO**

17. GEO does not maintain its own bank accounts. Its funds are administered by WMO.

## **Property, Plant and Equipment**

18. Property, Plant and Equipment (PPE) are capitalized if their cost is greater or equal to the threshold limit set at CHF 5,000 and are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is to be provided for PPE over their estimated useful lives using the straight line method. GEO does not have any Property, Plant and Equipment (PPE) recorded at 31 December 2017.

## **Intangible Assets**

19. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. GEO does not have Intangible Assets at 31 December 2017.

## **Employee Benefits**

20. Employment contracts of staff members of GEO are issued by WMO which means that WMO has the ultimate responsibility for the obligations related to the employment. The employee benefits are recognized within GEO accounts since GEO is primarily responsible for those employees. WMO discloses in its financial statements a contingent liability for those obligations.

21. GEO recognizes the following employee benefits:

- a) short-term employee benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service
- b) post-employment benefits;
- c) other long-term employee benefits; and
- d) termination benefits.

22. 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.

23. Retirement, death, disability and related benefits of GEO staff are covered under the United Nations Joint Staff Pension Fund (UNJSPF), by virtue of GEO's affiliation with WMO.

24. 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 to employees. The Pension Fund is a 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.

25. 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 and GEO'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 and GEO have treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. GEO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

### **Budget Comparison**

27. The Statement of Comparison of Budget and Actual Amounts, Statement V, compares the final budget to actual amounts, excluding obligations, using classification based on the nature of expenses in the Statement of Financial Performance, Statement II. Therefore, there is no need to provide a reconciliation between Statement V and Statement II.

### **Provisions and Contingent Liabilities**

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

29. 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 GEO.

### **Critical Accounting Estimates**

30. Preparing financial statements in accordance with IPSAS requires GEO to make estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; impairment on assets; classification of financial instruments; and contingent assets and liabilities. Changes in estimates are reflected in the year in which they become known.

### **Segment Reporting**

31. The financial statements are based on a fund accounting basis, showing at the end of the period the consolidated position of all GEO 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.

32. A segment is a distinguishable activity or group of activities for which financial information is reported separately. GEO classifies all projects, operations and fund activities into one segment. Therefore, no additional information per segment is given in the financial statements.

### NOTE 3. ASSETS AND LIABILITIES

#### Note 3.1: Cash

33. GEO maintains Petty Cash for immediate miscellaneous disbursements.

#### Note 3.2: Contributions receivable

34. Contributions receivable at 31 December 2017 amounting to CHF 824,000 represents voluntary contributions pledged, revalued at 31 December 2017. CHF 579,000 represents voluntary contributions pledged short term receivable (CHF 188,000 in 2016) and CHF 245,000 represents voluntary contributions pledged long term receivable (none in 2016).

#### Note 3.3: Advances for meetings

	<u>2017</u>	<u>2016</u>
	<i>Swiss Francs</i>	
Advances for the organization of meetings	-	141,000
<b>Total advances for meetings</b>	<b>-</b>	<b>141,000</b>

35. Advances for the organization of meetings represent advances given to institutions for the organization of GEO meetings held outside of Geneva, based on a Letter of Agreement in which the recipient organization commits, inter alia, to providing an expenditure report for the advance within three months of the conclusion of the meeting. Advances are recognized as expenditure when the meeting is held. All advances for the organization of meetings made in 2017 were for meetings held during the year, thus leaving no outstanding advances at 31 December 2017.

#### Note 3.4: Other receivables

	<u>2017</u>	<u>2016</u>
	<i>Swiss Francs</i>	
Home country taxation	284,000	247,000
Education grant advance	15,000	15,000
Travel refundable	4,000	-
Prepaid expenses	-	1,000
<b>Total other receivables</b>	<b>303,000</b>	<b>263,000</b>

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36. Home country taxation represents advances made for staff to pay income taxes required by their home country governments, as well as refunds due from governments.

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

38. Travel refundable represent advance that were sent to travellers who were not able to participate to the GEO meetings which should be reimburse to WMO.

39. Prepaid expenses represent payment in advance for goods and services receivable in future years.

### Note 3.5: Funds held by WMO

40. GEO does not maintain its own bank accounts and its funds are administered by WMO. Funds held by WMO represent the amount of GEO funds that are in WMO bank accounts.

### Note 3.6: Deferred Income

41. GEO's has deferred income relating to cash voluntary contribution covered by agreements with conditions as at 31 December 2017 amounting to CHF 641,000.

	<b>2017</b>	<b>2016</b>
	<i>Swiss Francs</i>	
Short-term	379,000	346,000
Long-term	262,000	-
<b>Total deferred income</b>	<b>641,000</b>	<b>346,000</b>

42. There are **Contingent Assets** in the amount of CHF 2,919,000 at 31 December 2017 (CHF 2,228,000 at 31 December 2016). This represents agreements which have been entered into with donors for contributions for future years but where that future year funding is still subject to some parliamentary budget approval.

### Note 3.7: Payables and Accruals

	<b>2017</b>	<b>2016</b>
	<i>Swiss Francs</i>	
Accruals	5,000	40,000
Payables	4,000	3,000
<b>Total payables and accruals</b>	<b>9,000</b>	<b>43,000</b>

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

44. Accruals are liabilities for the cost of goods and services as well as other incurred expenses that have been received or provided to GEO and which have not been invoiced by suppliers as of the reporting date.

**Note 3.8: Employee benefits liabilities**

	2017	2016
	<i>Swiss Francs</i>	
Non-current liabilities – Long-term benefits	1,022,000	830,000
Current liabilities – Short-term benefits	104,000	152,000
<b>Total benefits</b>	<b>1,126,000</b>	<b>982,000</b>

45. Employee benefits comprise:

- a) After-Service Health Insurance (ASHI);  
The After-Service Medical Plan is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS);
- b) Annual leave accrued on retirement; and
- c) Repatriation grant.

46. Other employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service. The liabilities at 31 December 2017 include the service costs for January to December 2017 less benefit payments made.

**Valuation of Employee Benefits Liabilities**

47. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a professional independent actuary. These employee benefits are established for staff members who are in professional category and general service. WMO is a member organization participating in the United Nations Staff Mutual Insurance Society (UNSMIS) and the United Nations Joint Staff Pension Fund (UNJSPF). GEO staff members participate in the UNSMIS and UNJSPF through WMO. The actuarial valuation is undertaken for all eligible WMO staff and this includes eligible GEO staff members. Full actuarial valuations are undertaken every two years, the most recent having been completed at 31 December 2017.

48. In the 2017 valuation of employee benefits liabilities, the actuaries have determined gross actuarial losses under post-employment benefits and other separation-related benefits amounting to CHF 30,000, which was charged to the Employee Benefits Reserve for gains and losses.

49. At 31 December 2017 the total employee benefits liabilities amounted to CHF 1,126,000, after taking into account the actuarial loss of CHF 30,000 and CHF 114,000 for current service costs, interest cost and benefits paid.

50. The accrued liability represents that portion of the present value of future benefits that had accrued from the staff members' dates of entry on duty until the valuation

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date, 31 December 2017. Active staff members' benefits are considered fully accrued when the staff member reach their dates of full eligibility for benefits.

### **United Nations Joint Staff Pension Fund (UNJSPF)**

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

52. The 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 the Agency'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 39 - Employee Benefits. WMO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

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

54. WMO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% 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 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.

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

56. The roll forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1% (127.5% in the 2013 valuation). The funded ratio was 101.4% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

57. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, 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.

58. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date.

59. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

60. 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](http://www.unjspf.org)

61. For the period January to December 2017 GEO contributions paid to UNJSPF amounted to CHF 212,000 (CHF 195,000 for the same period in 2016).

### **Note 3.9: Employee benefits reserve**

62. The Reserve for Employee Benefits represents the actuarial gains and losses arising from the actuarial valuation of the employee benefits liabilities which are determined by a professional actuary at the end of each financial period.

### **NOTE 4: RISK ANALYSIS**

#### **Currency Risk**

63. Credit risk and liquidity risk associated with funds held by WMO is minimized substantially by WMO ensuring that these financial assets are placed with major

financial institutions that have been accorded strong investment grade ratings by a primary rating agency.

### **Liquidity Risk**

64. GEO's cash and funds held by WMO at 31 December 2017 of CHF 2,871,000 (CHF 3,325,000 at 31 December 2016) is sufficient to meet its current liabilities at that date of CHF 492,000 (CHF 541,000 at 31 December 2016). On an ongoing basis, it is anticipated that GEO will have sufficient liquidity to pay all debts due.

65. Implementation of GEO activities 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.

66. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities.

### **Market Risk**

#### *Interest Risk*

67. There was no exposure to interest rate risk during 2017, except normal exposure to bank interest

#### *Currency Risk*

68. The GEO budget is prepared in Swiss Francs and is funded through voluntary contributions which are pledged in various currencies. Currency fluctuations between the Swiss Franc and currencies such as the US Dollar and the Euro do have an impact on GEO's cash revenue. Such fluctuations may be beneficial or disadvantageous to GEO. GEO's funds are entrusted to WMO and managed through WMO's bank accounts.

## **NOTE 5: REVENUE**

### **5.1 Voluntary contributions**

69. For year 2017, GEO recognized revenue of CHF 2,665,000 from voluntary contributions actually received (CHF 3,082,000 in 2016).

### **5.2 Accrued voluntary contributions**

70. For the year 2017, GEO had CHF 251,000 revenue from pledges (none in 2016).

### 5.3 In-kind contributions

	<b>2017</b>	<b>2016</b>
	<i>Swiss Francs</i>	
Seconded staff	807,000	1,285,000
Office space	116,000	116,000
<b>Total in-kind contributions</b>	<b>923,000</b>	<b>1,401,000</b>

71. Contributions in-kind relate to the cost of staff secondments and office space provided by WMO. The cost of staff secondments decreased due to decreased work months. The value of office space rental (same as in 2016) provided by WMO for up to 10 GEO staff was calculated using the current rental rate applied to WMO tenants. GEO also receives in-kind contributions from members which are not recognized in these accounts as GEO did not have control over the services in-kind and could not measure the fair value of these services.

### 5.4 Other revenue

	<b>2017</b>	<b>2016</b>
	<i>Swiss Francs</i>	
Realized/Unrealized gain on currency exchange differences	5,000	25,000
Interest income	1,000	1,000
<b>Total other revenue</b>	<b>6,000</b>	<b>26,000</b>

### NOTE 6: EXPENSES

	<b>2017</b>	<b>2016</b>
	<i>Swiss Francs</i>	
<b>6.1 Salaries and employee benefits</b>		
Staff costs (2017 includes costs of temporary staff previously categorized under consultancy costs)	1,664,000	1,494,000
Employee benefits and social charges (increased in 2017 due to higher actuarial and interest service cost, education grants, other allowances)	500,000	360,000
Consultancy costs (2016 included costs of temporary staff which are reported in 2017 under staff costs)	3,000	132,000
	<b>2,167,000</b>	<b>1,986,000</b>
<b>6.2 In-kind expenditures</b>		
Seconded staff (decreased in 2017 due to decreased work months)	807,000	1,285,000
Office space (WMO Office facilities for up to 10 staff)	116,000	116,000
	<b>923,000</b>	<b>1,401,000</b>
<b>6.3 Travel</b>		
Travel of staff (2017 includes travel costs of experts, formerly reported under "Travel - other" in 2016)	301,000	178,000
Travel - other	46,000	208,000
	<b>347,000</b>	<b>386,000</b>



**6.4 Meetings**

Support to GEO Events (The Ninth Asia-Pacific Symposium took place in 2017 on top of current GEO Events)

**258,000****75,000****6.5 Other expenditures**

Support costs	201,000	187,000
Realized loss on currency exchange	31,000	1,000
Pamphlets, Publications , other printing	6,000	1,000
External Audit	5,000	5,000
Hospitality (more meetings in Geneva in 2016 where coffee breaks were given)	2,000	16,000
Other expenditure (in 2016 charge of a one-time non-recurring expenditure)	1,000	31,000
Other staff training	1,000	3,000
Bank charges	1,000	1,000
Public information	-	9,000
Unrealized loss on currency exchange	-	4,000
	<b>248,000</b>	<b>258,000</b>

**6.6 Supplies, consumables and other running costs**

Common Services/Utilities-COS charges	48,000	19,000
Information/Telecommunication-ICT charges	59,000	76,000
(COS and ICT Charges variances between 2016 and 2017 are due to a change in the method used for the calculation of users' share in the costs)		
Supplies and other running costs	13,000	12,000
Internet, Intranet, etc	4,000	6,000
Rental of office space (2017 charge is for 8 office spaces in excess of WMO in-kind contribution as per revised Service while 2016 charge is for 8 office spaces in excess of WMO in-kind contribution for 2015 and 2016 as per revised Service Level Agreement signed in October 2016 with retro-active application 1 January 2015)	72,000	143,000
	<b>196,000</b>	<b>256,000</b>

**NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

72. GEO's Operations Budget for 2017 was approved by GEO-XIII Plenary held in Saint Petersburg, Russia, on 9 to 10 November 2016.

73. GEO's financial statements are prepared on full IPSAS accrual basis using classification based on the nature of expenses in the Statement of Financial Performance (Statement II). The Statement of Comparison of Budget and Actual Amounts (Statement V) also shows expenditures based on the nature of expenses as shown in Statement II.

**NOTE 8: VARIANCES BETWEEN BUDGET AND ACTUAL AMOUNTS**

74. The major variances between budget and actual amounts are under Other expenditures, Support cost and Travel where savings were made. Under Salaries and Employee Benefits and Support to GEO Events and Meetings (LoAs) there have been an overspending.

75. Support cost were less than planned as more travel of staff and others were planned. Savings were made under travel which lead to savings on support costs.

76. Due to the changes in the Service Level Agreement with WMO the costs associated with Internet and intranet and Services and Equipment are now expended in the cost categories Information and telecommunication (IT charges). These changes were introduced after the 2017 Budget proposal had been submitted to the GEO governance.

77. The overspending on the category of Support to GEO Events and Meetings is due to a 2016 supported meeting was delayed to take place in January 2017.

78. There was an overspending on Salaries and Employee Benefits due to more allowance (such as spouse allowance, education grant and post-retirement benefits) being paid in 2017.

**NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS**

79. At 31 December 2017, there were no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to GEO. No cases of fraud were noted.

**NOTE 10: OTHER COMMITMENTS**

80. At 31 December 2017, GEO had no obligation for the acquisition of goods and services contracted but not delivered (CHF 238,000 on 31 December 2016).

81. 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 11: RELATED PARTY AND OTHER SENIOR MANAGEMENT DISCLOSURE****NOTE 11.1: Key Management Personnel**

	Number of posts	Compensation and post adjustment	Entitlements	Pension plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans
<i>Swiss Francs</i>							
<b>2017</b>	1	209,000	12,000	39,000	260,000	-	-
<b>2016</b>	1	219,000	-	38,000	257,000	52,000	-

82. The GEO Secretariat-Director is the only member of key management as she has the authority and responsibility for planning, directing and controlling the activities of GEO. The Executive Committee consists of 16 Members without personal appointment.

83. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment and employer pension contributions.

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

85. Key management personnel are ordinary members of UNJSPF.

**NOTE 12: EVENTS AFTER REPORTING DATE**

86. GEO's reporting date is 31 December 2017. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the financial statements' date and the date when the financial statements have been authorized for issue that would have impacted these statements.