

2018 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 2018**

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,



Prof. Dr. Gilberto Câmara.
GEO Secretariat Director

Date: 4 July 2019

SWISS FEDERAL AUDIT OFFICE

Reg. No. 1.19039.952.00428

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 2018, 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 2018, 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. SFAO deems the audit evidence it has obtained to be 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 misstatements, 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.

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 of the audit and its key findings, including any significant internal control shortcomings it has noted in the course of its audit.

Bern, 7 June 2019

SWISS FEDERAL AUDIT OFFICE¹
(External Auditor)

Eric-Serge Jeannet, Deputy Director
Andreas Baumann, Head of the Competence Centre

Annex: Financial statements as at 31 December 2018

¹ Mailing address: Monbijoustrasse 45, CH-3003 Berne



**FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 31 DECEMBER 2018**

30 April 2019

STATEMENT I

GROUP ON EARTH OBSERVATIONS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Swiss Francs)

	Note	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	3.1	1	1
Contributions receivable	3.2	301	579
Other receivables	3.3	33	303
Funds held by WMO	3.4	4,379	2,871
		<u>4,714</u>	<u>3,754</u>
Non-Current assets			
Contributions receivable	3.2	-	245
Total assets		<u>4,714</u>	<u>3,999</u>
LIABILITIES			
Current liabilities			
Deferred Revenue	3.5	509	379
Payables and accruals	3.6	28	9
Employee benefits	3.7	41	104
		<u>578</u>	<u>492</u>
Non-current liabilities			
Deferred Revenue	3.5	-	262
Employee benefits	3.7	947	1,022
		<u>947</u>	<u>1,284</u>
Total liabilities		<u>1,525</u>	<u>1,776</u>
Net assets		<u>3,189</u>	<u>2,223</u>
NET ASSETS/EQUITY			
Fund balances	Sttmt III	3,003	2,234
Employee benefits reserves	3.8	186	(11)
Total net assets/equity		<u>3,189</u>	<u>2,223</u>

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

STATEMENT II

GROUP ON EARTH OBSERVATIONS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Swiss Francs)

	Note	2018	2017
Revenue			
Voluntary contributions	5.1	4,436	2,665
Voluntary contributions - accrued	5.2	-	251
In-kind contributions	5.3	375	923
Other revenue	5.4	16	6
Total Revenue		4,827	3,845
Expenses			
Salaries and employee benefits	6.1	2,492	2,167
In-kind expenditure	6.2	375	923
Other expenditure	6.3	430	248
Travel	6.4	361	347
Supplies, consumables and other running costs	6.5	281	196
Meetings	6.6	119	258
Total Expenses		4,058	4,139
Surplus / (Deficit) for the period		769	(294)

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

STATEMENT III

GROUP ON EARTH OBSERVATIONS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Swiss Francs)

	Fund Balances	Employee Benefits Reserves	Total Net Assets
Net assets at 31 December 2017	2,234	(11)	2,223
Movements in fund balances and reserves in 2018			
Surplus for the year (Statement II)	769	-	769
Surplus arising on actuarial valuation of employee benefits	-	197	197
Total movements during the year	769	197	966
Total net assets at 31 December 2018	3,003	186	3,189
	Fund Balances	Employee Benefits Reserves	Total Net Assets
Net assets at 31 December 2016	2,528	19	2,547
Movements in fund balances and reserves in 2017			
Deficit for the year (Statement II)	(294)	-	(294)
Deficit arising on actuarial valuation of employee benefits	-	(30)	(30)
Total movements during the year	(294)	(30)	(324)
Total net assets at 31 December 2017	2,234	(11)	2,223

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

STATEMENT IV

GROUP ON EARTH OBSERVATIONS STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of Swiss Francs)*

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	769	(294)
(Increase) decrease in contributions receivables	523	(636)
(Increase) decrease in advance for meetings	-	141
(Increase) decrease in other receivables	270	(40)
(Increase) decrease in funds held by WMO	(1,508)	454
Increase (decrease) in deferred income	(132)	(34)
Increase (decrease) in payables and accruals	19	295
Increase (decrease) in liabilities for employee benefits including service charge and interest cost	(138)	144
Increase (decrease) in employee benefits reserves	197	(30)
	-	-
Net cash flows from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	1	1
Cash and cash equivalents at end of the year	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 2018

(in thousands of Swiss Francs)

	Budget for 2018	Actuals	Budget Under/(Over) spent
A. Salaries and Employee Benefits			
1. Staff Costs and Employee Benefits	2,000	2,432	(431)
2. Special Service Agreements and other Staff Costs	100	60	40
3. Total Salaries and Employee Benefits	<u>2,100</u>	<u>2,492</u>	<u>(391)</u>
B. Travel			
1. Staff Travel	270	272	(2)
2. Other (individual developing country participants to GEO meetings)	72	89	(17)
3. Total Travel	<u>342</u>	<u>361</u>	<u>(19)</u>
C. Support to GEO Events and Meetings (LoAs)	110	119	(9)
D. Supplies, Consumables and other Running Costs			
1. Internet, intranet, etc.	-	3	(3)
2. Services/equipment/rental for special events	-	-	-
3. Supplies and other running costs	-	16	(16)
4. IT software and equipment	50	-	50
5. Information/Telecommunications (IT charges)	80	95	(15)
6. Common services/Utilities (COS charges)	25	95	(70)
7. Rental of WMO office space	100	72	28
8. Total Supplies, consumables and other running costs	<u>255</u>	<u>281</u>	<u>(26)</u>
E. Other Expenditures			
1. Support costs	310	225	85
2. Write off	-	73	(73)
3. Pamphlets, publications, other printing	60	8	52
4. External audit	5	5	-
5. Staff training	10	1	9
6. Bank charges, Finance costs	3	101	(98)
7. Incidentals	5	12	(7)
8. Unrealized /realized loss on currency exchange	-	5	(5)
9. Total Other expenditures	<u>393</u>	<u>430</u>	<u>(37)</u>
TOTAL CASH EXPENDITURES	<u>3,200</u>	<u>3,683</u>	<u>(483)</u>
F. In-kind expenditures			
1. Seconded staff	1,498	259	1,210
2. Rental of office space	116	116	-
3. Total in-kind expenditures	<u>1,614</u>	<u>375</u>	<u>1,210</u>
TOTAL EXPENDITURES	<u><u>4,814</u></u>	<u><u>4,058</u></u>	<u><u>756</u></u>

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

Notes to the Financial Statements as at 31 December 2018

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 have 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 2018, GEO adopted International Public Sector Accounting Standard, IPSAS 39 – Employee Benefits, which replaces IPSAS 25. This has been applied in the financial statements for 2018.
4. As of 31 December 2018, the date of the financial position, the following IPSASes had been issued, but had not taken effect:
 - IPSAS 40 – Public Sector Combinations;
 - IPSAS 41 – Financial instruments; and
 - IPSAS 42 – Social benefits.
 - IPSAS 40 will come into force on 1 January 2019 but will have no effect on WMO. IPSAS 41 and IPSAS 42 will come into force in periods beginning on or after 1 January 2022. The potential effects of these standards are being evaluated.
5. In accordance with IPSAS requirements, and reflecting the nature of GEO'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. GEO considers that there are restrictions on the use of all contributions, and that some of these restrictions do meet the definition of a condition as described under IPSAS 23.
6. The Cash Flow Statement is prepared using the indirect method.
7. 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

8. 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.

9. 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.
10. Interest revenue is recognized as it accrues.

Expenditure

11. 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

12. 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.
13. 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.
14. 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

15. 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.
16. 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.
17. 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

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

Property, Plant and Equipment

19. 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 2018.

Intangible Assets

20. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. GEO does not have Intangible Assets at 31 December 2018.

Employee Benefits

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. GEO 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 39. 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. 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

29. 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

30. 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.
31. 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

32. GEO maintains Petty Cash for immediate miscellaneous disbursements.

Note 3.2: Contributions receivable

	2018	2017
	<i>Swiss Francs</i>	
Voluntary contributions pledged - Short Term	301,000	579,000
Voluntary contributions pledged - Long Term	-	245,000
Total contribution receivable	301,000	824,000

33. Contributions receivable are revalued at 31 December 2018. There is a decrease in contribution receivable as there were no new multi-year pledge received in 2018.

Note 3.3: Other receivables

	2018	2017
	<i>Swiss Francs</i>	
Home country taxation	102,000	284,000
Education grant advance	28,000	15,000
Prepaid expenses	3,000	-
Travel refundable	1,000	4,000
Provision for delays in collection of other debts	(101,000)	-
Total other receivables	33,000	303,000

34. 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.

35. 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.
36. Prepaid expenses represent payment in advance for goods and services receivable in future years.
37. 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.
38. Provision for delays in collection of other debts relates to provision for 2017 US Tax Claim for reimbursement that may be denied.

Note 3.4: Funds held by WMO

39. 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 3.5: Deferred Revenue

40. GEO's has deferred revenue relating to cash voluntary contribution covered by agreements with conditions as at 31 December 2018 amounting to CHF 509,000.

	2018	2017
	<i>Swiss Francs</i>	
Short-term	509,000	379,000
Long-term	-	262,000
Total deferred income	509,000	641,000

41. There are **Contingent Assets** in the amount of CHF 2,260,000 at 31 December 2018 (CHF 2,919,000 at 31 December 2017). 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 3.6: Payables and Accruals

	2018	2017
	<i>Swiss Francs</i>	
Payables	21,000	4,000
Accruals	7,000	5,000
Total payables and accruals	28,000	9,000

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

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

Note 3.7: Employee Benefits Liabilities

	2018	2017
	<i>Swiss Francs</i>	
Non-current liabilities – Long-term benefits	947,000	1,022,000
Current liabilities – Short-term benefits	41,000	104,000
Total benefits	988,000	1,126,000

Employee benefits comprise:

- Post-Employment Benefits

44. 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.
45. Arrangements relating to the UNJSPF are set out in paragraphs 97 to 107.
46. ASHI is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS).
47. 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

48. 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.
49. 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.

	2018	2017
	<i>Swiss Francs (thousands)</i>	
After-service health insurance	717	788
Annual leave accrued on retirement	110	138
Repatriation grant	161	200
Total benefits	988	1,126

Current liabilities - Short-term benefits	41	104
Non-current liabilities - Long-term benefits	947	1,022
Total benefits	988	1,126

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

50. Liabilities arising from 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 entitled to such benefits under WMO Staff Regulations and Staff Rules. A full actuarial valuation was carried out as at 31 December 2018. The prior valuation performed on 31 December 2017 was also a full actuarial valuation.
51. The CHF 138,000 (12.2 %) decrease in the liabilities is mainly due to the following:
- An increase of 5.0% arising from one additional year of service and interest on liabilities amounting to CHF 156,000;
 - A decrease of 2.8% following payment of benefits amounting to CHF 97,000;
 - A decrease of 12.9% due to a net actuarial loss on the benefits of CHF 197,000, primarily composed of a decrease of the estimated healthcare cost rate and an increase of the discount rate.
52. The accrued benefit obligation represents that portion of the present value of future benefits that had been accrued from the staff members' date of entry on duty until 31 December 2018, the date of valuation. Active staff members' benefits are considered fully accrued when they reach their dates of full eligibility for benefits.

Actuarial Assumptions and Methods

53. 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).
54. The following assumptions have been used to determine the value of post-employment and other separation-related employee liabilities for WMO at 31 December 2018:

- *Economics assumptions*

ASHI

Discount rate: 0.80 % (2017: 0.60%)

The discount rate is estimated to approximate the single equivalent rate such that the present value of the plan's cash flows (i.e. expected as from 31 December 2018; for 2017 as from 31 December 2017) 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 2018 (2017: 31 December 2017). The spot rates were provided by the UN Headquarters.

Salary increase rate:

The salary increase rate as per UNJSPF salary scale has been applied, as per following sample rates (same in 2017) :

Age	General service staff	Professional staff
20	6.83%	9.07%
30	6.47%	7.07%
40	5.27%	5.27%
50	4.87%	4.27%
60	4.47%	3.97%
70	3.47%	3.97%

Healthcare cost increase rate:

As at 31 December 2018, the health care cost increase rate has been set to a constant rate for the future of 2.95% which is line with the long term nominal medical trend rates as per the UN guidelines. As at 31 December 2017, it was set to 3.50%.

Claim cost/ contribution rate:

The contributions rates applied as at 31 December 2018, which are unchanged compared to 31 December 2017, are the following:

	Payable by insured person	Payable by WMO
Retired member only	3.4%	6.8%
Retired member with one dependent	4.4%	8.8%
Retired member with more than one dependent	4.8%	9.6%

Repatriation

Discount rate (using US dollar yield curve*): 4.00% (2017: 3.20%)

Travel and shipping cost increase rate: 2.00% (2017: 2:00%)

**the spot rates have been provided by UN Headquarters*

Annual leave

Discount rate (using dollars yield curve*): 3.90% (2017: 3.10%)

**the spot rates have been provided by UN Headquarters*

Annual leave balance increase rate (same as at 31 December 2018 and 31 December 2017):

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

- Demographic assumptions

The tables of the "UNJSPF" 2018 same as 2017 have been applied with respect to mortality, turnover and early retirement ages, as these are based on the demographic experience of the UN Joint Staff Pension Fund. The following provides the details relating to the demographic assumptions:

Disability: none

Mortality: UNJSPF tables

The post retirement mortality (i.e. generational) includes the following scale of forecast decrease:

	Male	Female
60 and younger	1.00%	2.00%
65	1.50%	2.00%
70	1.70%	2.00%
75	1.68%	1.68%

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

55. Reconciliation of Defined Benefit Obligation for 2018

	After service health insurance	Repatriation	Annual leave	Total
<i>(Swiss Francs thousands)</i>				
Benefit obligation at 31 December 2017	788	200	138	1,126
Service cost for 2018	97	34	9	140
Interest cost for 2018	5	7	4	16
Benefits paid in 2018	-	(51)	(46)	(97)
Actuarial (gain)/loss	(173)	(29)	5	(197)
Benefit obligation at 31 December 2018	717	161	110	988

56. Reconciliation of Defined Benefit Obligation for 2017

	After service health insurance	Repatriation	Annual leave	Total
<i>(Swiss Francs thousands)</i>				
Benefit obligation at 31 December 2016	690	166	126	982
Service cost for 2017	80	17	7	104
Interest cost for 2017	5	5	3	13
Benefits paid in 2017	-	-	(3)	(3)
Actuarial (gain)/loss	13	12	5	30
Benefit obligation at 31 December 2017	788	200	138	1,126

57. 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 2017	(79)	28	104	53
Movement in reporting period (WMO)	(173)	(29)	5	(197)
Actuarial gains/(losses) at 31 December 2018	(252)	(1)	109	(144)

58. In the 2018 valuation of employee benefits liabilities, the actuaries have determined gross actuarial loss under post-employment benefits and other separation-related benefits of CHF 197,000 (2017: gross actuarial gains of CHF 30,000).

59. The total actuarial loss of CHF 197,000 represents a loss of CHF 173,000 relating to After Service Health Insurance, a loss of CHF 29,000 relating to

Repatriation and a gain of CHF 5,000 relating to accrued annual leave. After taking into account service costs, interest costs, and benefits paid, the net movement in the employee benefits liability was a decrease of CHF 144,000 during 2018 (increase of CHF 53,000 in 2017).

60. Annual Expense

	2018	2017
	<i>(Swiss Francs thousands)</i>	
Service cost	140	104
Interest cost	16	13
Total	156	117

After-Service Health Insurance – Sensitivity Analysis

61. 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.
62. A sensitivity analysis was undertaken to determine the impact of the above assumptions on the liability and service cost under IPSAS 39.
63. The effect of an increase of 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 2018	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Active staff	717.0	860.0	603.5
Pensioners	-	-	-
Total	717.0	860.0	603.5
Effect	-	143.0	(113.5)
Benefit Obligation at 31 December 2017	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Active staff	787.9	953.2	657.5
Pensioners	-	-	-
Total	787.9	953.2	657.5
Effect	-	165.3	(130.4)
Service cost and interest cost 2018	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Amount	102	123	85
Effect	-	21	(17)
Service cost and interest cost 2017	Healthcare cost increase assumed	Healthcare cost increase +1%	Healthcare cost increase -1%
Amount	85	103	71
Effect	-	18	(14)

Expected Costs during 2019

64. The expected contribution of GEO in 2019 to the employee benefit plan is CHF 41,000.

Valuation of Employee Benefits

65. Liabilities arising for employee benefits including post-employment benefits and other separation-related benefits are determined by a consulting independent professional 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. A full actuarial valuation was carried out as at 31 December 2018. The prior valuation performed on 31 December 2017 was also a full actuarial valuation.
66. In the 2018 valuation of employee benefits liabilities, the actuaries have determined gross actuarial gain under post-employment benefits and other separation-related benefits of CHF 197,000. This amount was charged to the reserve for actuarial gains/losses decreasing the balance of the reserve from CHF 53,000 to (CHF 144,000).
67. At 31 December 2018 the total employee benefits liabilities amounted to CHF 988,000 after taking into account the actuarial gain of CHF 197,000.
68. 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 date, 31 December 2018. Active staff members' benefits are considered fully accrued when the staff members reach their dates of full eligibility for benefits.

United Nations Joint Staff Pension Fund (UNJSPF)

69. 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.
70. 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, GEO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 - Employee Benefits. GEO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

71. 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.
72. GEO'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.
73. 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 2018 has been performed.
74. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2% (150.1% in the 2016 roll forward). The funded ratio was 102.7% (101.4 in the 2016 roll forward) when the current system of pension adjustments was taken into account.
75. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, 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.

76. 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. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to USD 6,931.39 million, of which less than 0.1 % was contributed by GEO.
77. 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.
78. 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
79. For the period January to December 2018 GEO contributions paid to UNJSPF amounted to CHF 267,000 (CHF 212,000 for 2017).

Note 3.8 Employee Benefits Reserves

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

NOTE 4: RISK ANALYSIS

Currency Risk

81. 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

82. GEO's cash and funds held by WMO at 31 December 2018 of CHF 4,379,000 (CHF 2,871,000 at 31 December 2017) is sufficient to meet its current liabilities at that date of CHF 578,000 (CHF 492,000 at 31 December 2017).

83. 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.
84. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities.

Market Risk

Interest Risk

85. There was no exposure to interest rate risk during 2018, except normal exposure to bank interest

Currency Risk

86. 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**

87. For the period January to December 2018, GEO recognized revenue of CHF 4,436,000 from voluntary contributions actually received (CHF 2,665,000 at 31 December 2017).

5.2 Accrued voluntary contributions

88. For year 2018, GEO had no revenue from pledges (CHF 251,000 in 2017).

5.3 In-kind contributions

	2018	2017
	<i>Swiss Francs</i>	
Seconded staff	259,000	807,000
Office space	116,000	116,000
Total in-kind contributions	375,000	923,000

89. 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 in seconded staff. The value of office space rental 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

	2018	2017
	<i>Swiss Francs</i>	
Realized/Unrealized gain on currency exchange differences	14,000	5,000
Interest income	2,000	1,000
Total other revenue	16,000	6,000

NOTE 6: EXPENSES

	2018	2017
	<i>Swiss Francs</i>	
6.1 Salaries and employee benefits		
Staff costs	1,803,000	1,653,000
Employee benefits and social charges	629,000	500,000
Consultancy costs	60,000	14,000
	2,492,000	2,167,000
6.2 In-kind expenditures		
Seconded staff (1 Seconded Staff from January to September 2018 compare to 6 during the same period in 2017)	259,000	807,000
Office space (WMO Office facilities for up to 10 staff)	116,000	116,000
	375,000	923,000
6.3 Other expenditures		
Support costs	225,000	201,000
Write Off (Denied claim in respect to US Tax reimbursement amounting to CHF 70,000 and advance paid to travellers who were not able to attend GEO meetings and have not reimbursed amounting to CHF 3,000)	73,000	-
Finance cost (Estimate for future denied claims in respect to the US Tax reimbursement)	101,000	-
Hospitality (Coffee Breaks for GEO Meetings in Geneva)	12,000	2,000
Pamphlets, Publications , other printing	7,000	6,000
Realized loss on currency exchange	5,000	31,000
External Audit (Timing difference, the 2017 external fees were charged in December 2017)	5,000	5,000
Other staff training	1,000	1,000
Bank charges	1,000	1,000
Other expenditure	-	1,000
	430,000	248,000
6.4 Travel		
Travel of staff (Less meetings took place in 2018 than in 2017)	272,000	301,000
Travel – other	89,000	46,000
	361,000	347,000
6.5 Supplies, consumables and other running costs		
Common Services/Utilities (Change in calculation of estimate for the year 2018)	95,000	48,000
Information/Telecommunication (Change in calculation of estimate for the year 2018)	95,000	59,000
Rental of office space (charge is for 8 office spaces in excess of WMO in-kind contribution as per revised Service)	72,000	72,000
Supplies and other running costs (More equipment and supplies bought during the period in 2018 than in 2017)	16,000	13,000
Internet, Intranet, etc.	3,000	4,000
	281,000	196,000
6.6 Meetings		
Support to GEO Events (Less GEO Events in 2018 than in 2017)	119,000	258,000

90. GEO's Operations Budget for 2018 was approved by GEO-XIV Plenary held in Geneva, Switzerland, on 25-26 October 2017.
91. 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

92. The major variances between budget and actual amounts are under Salaries and Employee Benefits.
93. The overspend on salaries is due to:
 - a. one month cross over of the Director position during the month of June,
 - b. extra costs related to incoming and separation of Director Position; and
 - c. Extra funding for a GEOGLAM Coordinator.
94. 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, Common Services). These changes were introduced after the 2017 Budget proposal had been submitted to the GEO governance. In 2018, the calculation has changed for the estimate for the year which has considerably increased since 2017. This unexpected charge from WMO that has been contested by GEO Secretariat.
95. The decrease in in-kind expenditure for seconded staff in 2018 is due to the number of seconded staff : one in 2018 compared to 6 in 2017.
96. The increase in Finance costs is due to the provisions in respect to the future denied claims in respect to the US Tax reimbursement.

NOTE 9: LEGAL OR CONTINGENT LIABILITIES AND WRITE-OFFS

97. As at 31 December 2018, there were claims against the GEO in which it has been determined that it is possible, but not probable, that the claims may ultimately be decided in favour of the claimants. If the claimants for these unresolved cases are ultimately successful, it is estimated that the cost to GEO could be approximately CHF 50,000. No cases of fraud were noted.

NOTE 10: OTHER COMMITMENTS

98. At 31 December 2018, GEO had obligations for the acquisition of goods and services contracted but not delivered amounting to CHF 31,000 (CHF nil on 31 December 2017).

99. 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>					
2018	1	209,000	3,000	46,000	258,000	25,000	-
2017	1	209,000	12,000	39,000	260,000	-	-

100. 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 13 Members without personal appointment.
101. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment and employer pension contributions.
102. Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.
103. Key management personnel are ordinary members of UNJSPF.

NOTE 12: EVENTS AFTER REPORTING DATE

104. GEO's reporting date is 31 December 2018. 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.