

WFP Financial Statements 2009



Structure

1 Preparation for the 2009 Financial Statements

2 Structure of the Financial Statements

3 Financial Highlights and Key Financial Statements

← - - - - Q & A

Preparation for the 2009 Financial Statements

Key challenges faced	Actions taken
<ol style="list-style-type: none"> 1. Integrating IPSAS into day to day business processes 2. Review of accounting policies to ensure continued IPSAS compliance 3. Mid-year WINGSII implementation <ul style="list-style-type: none"> • Data migration • Use of new system 	<ol style="list-style-type: none"> a. IPSAS project team staff moved into business functions b. Joint working groups maintained a. Accounting policies reviewed in detail with External Auditors b. Membership of IPSAS Task Force a. 9-month Financial Statement with audit review b. Monitoring of implementation of WINGSII through the Financial Dashboard

2009 Financial Statements reviewed by ACABQ, FAO Finance Committee and presented in the Finance Seminar

Key Principles

1. IPSAS is precise in defining when transactions should be recorded, which determines the moment transactions are recorded.
2. IPSAS is accruals based – transactions recorded when they occur, not when the cash is paid or received.
3. There are 2 key definitions of when transactions are recorded:-
 - contribution revenue - when confirmed by the donor in writing;
 - expenses - when food is delivered, or when goods/services are received.

Note: Project funds are programmed and thus available for utilization once contribution is confirmed in writing and not when cash is received.

Layout of the Financial Statements

Executive Director's Statement

INTRODUCTION

FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS

Summary:

- The 2009 WFP budget remained consistent with the 2008 budget, with a total of \$4.1 billion. The high level of funding was maintained in 2009, with the total amount of \$4.1 billion, which is a 10% increase over the 2008 level of \$3.7 billion. The 2009 budget was approved by the Executive Director on 12 December 2008. The 2009 budget was approved by the Board of Trustees on 12 December 2008. The 2009 budget was approved by the Board of Trustees on 12 December 2008.
- The 2009 WFP budget remained consistent with the 2008 budget, with a total of \$4.1 billion. The high level of funding was maintained in 2009, with the total amount of \$4.1 billion, which is a 10% increase over the 2008 level of \$3.7 billion. The 2009 budget was approved by the Executive Director on 12 December 2008. The 2009 budget was approved by the Board of Trustees on 12 December 2008.
- With the increase in revenue available at the end of 2009 and the additional revenue provided for 2010, WFP expects to meet its 2010 budget of \$4.5 billion, which is an increase of 10% over the 2009 budget of \$4.1 billion.
- Given the increase in revenue, which will be used to fund the 2010 budget, WFP will continue to fund its operations, including the 2010 budget, which is an increase of 10% over the 2009 budget of \$4.1 billion.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Assets		
Current assets		
Cash and cash equivalents		
Accounts receivable		
Prepaid expenses		
Other receivables		
Inventory		
Other current assets		
Non-current assets		
Property, plant and equipment		
Intangible assets		
Other non-current assets		
Liabilities		
Current liabilities		
Accounts payable		
Accrued liabilities		
Deferred income		
Other current liabilities		
Non-current liabilities		
Deferred income		
Other non-current liabilities		
Net assets		

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Revenue		
Contributions		
Income from investments		
Other income		
Expenses		
Programme		
Administration		
Other		
Net income		

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Net assets at the beginning of the period		
Change in contributions		
Change in income from investments		
Change in other income		
Change in expenses		
Net assets at the end of the period		

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Cash flows from operating activities		
Change in contributions		
Change in income from investments		
Change in other income		
Change in expenses		
Cash flows from investing activities		
Purchase of property, plant and equipment		
Purchase of intangible assets		
Purchase of investments		
Disposal of investments		
Disposal of other assets		
Cash flows from financing activities		
Proceeds from issue of securities		
Proceeds from sale of investments		
Proceeds from other financing activities		
Repayment of borrowings		
Repayment of other liabilities		
Repayment of other financing activities		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period		

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009

	Budget	Actual	Difference
Revenue			
Contributions			
Income from investments			
Other income			
Expenses			
Programme			
Administration			
Other			
Net income			

- I. ED Statement
- II. Statement of Financial Position
- III. Statement of Financial Performance
- IV. Statement of Changes in Net Assets
- V. Statement of Cash Flow
- VI. Statement of Comparison of Budget and Actual Amounts
- VII. Notes, comprising accounting policies and other explanatory disclosures

Note 2.1: Cash and Cash Equivalents

	2009	2008
Cash and cash equivalents		
Cash		
Cash equivalents		
Accounts receivable		
Prepaid expenses		
Other receivables		
Inventory		
Other current assets		
Other non-current assets		

Note 2.2: Share

Notes to the Financial Statements at 31 December 2009

NOTE 1: ACCOUNTING POLICIES

Basis of Preparation

- The financial statements of the World Food Programme (WFP) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention, modified by the treatment of investments and some other at the value of investments. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.
- In accordance with IPSAS requirements, and following the terms of WFP's budget, revenue from contributions confirmed in writing or recognized as non-exchange transactions as per IPSAS 21, Revenue from Non-Exchange Transactions, WFP recognizes such items as contributions in the year of recognition. These contributions are the sum of the contribution of a donor and the contribution of WFP.
- The following Accounting Standards have been adopted prior to their required implementation dates (IPSAS 1 (revised) The Effects of Changes in Foreign Exchange Rates and IPSAS 21, Employee Benefits).
- Transitional provisions have been applied to the initial recognition of property, plant and equipment (PP&E) which were purchased or obtained before 31 January 2009. These were recognized at the cost of acquisition less accumulated depreciation, where the cost had more than five years remaining useful life (IPSAS 17).
- The Cash Flow Statement (Statement 20) is prepared using the indirect method.
- The financial and reporting currency of WFP is the US Dollar. Transactions in currencies other than US Dollar are recorded into US Dollar at the prevailing United Nations (United Nations) Exchange (UNEX) rate at the time of recognition. Assets and liabilities in currencies other than US Dollar are translated into US Dollar at the prevailing UNEX rate and 31 December rate. Resulting gains or losses are recorded for in the Statement of Financial Performance.

Cash and Cash Equivalents

- Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits, including those held by investment managers.
- Investment revenue is recognized as it accrues, taking into account the effective yield.

Description of the Financial Statements

❖ Executive Director's Statement:

- Outlines Executive Director's highlights of WFP's financial and budgetary performance for 2009

❖ Five Financial Statements

- *I: Statement of Financial Position* – known as Balance Sheet. Snapshot as of **certain date** of the Assets - Liabilities = Net Assets = Fund Balances and Reserves
- *II: Statement of Financial Performance* – known as Income Statement or Profit and Loss (P&L). Results for a **certain period** based on accounting policies, not cash: Revenue-Expenses = Surplus (Deficit)
- *III: Statement of Changes in Net Assets* – similar to the Statement of Changes in Shareholders' Equity, describes movements in Net Assets for a **certain period**.

Description of the Financial Statements

- *IV: Statement of Cash Flow* – cash flows of a ***certain period***. Based on Financial Position (I) and Performance (II) Statements: Surplus (Deficit) – Non-Cash Revenue + Non-Cash Expenses +/- Cash generated (used) in Operating, Investing and Financing Activities = Increase (decrease) of Cash in the period
- *V: Statement of Comparison of Budget and Actual Amounts* – compares Programme of Work against actual expenses for a ***certain period***.

❖ Notes to the Financial Statements

- Integral part of the financial statements
- Disclose WFP's accounting policies
- Provide explanatory detail to elements of the Financial Statements

Statement I - Statement of Financial Position

(FS I, Page 15)

	US\$ million	31.12.2009	31.12.2008
Cash and cash equivalents		1,162.2	972.3
Short-term investments		582.2	460.1
Contributions receivable		1,896.7	1,991.2
Inventories		738.4	1,021.8
Other receivables		131.8	127.9
TOTAL Current Assets		4,511.3	4,573.3
TOTAL Non-current Assets		442.4	275.3
TOTAL Current Liabilities		528.5	613.0
TOTAL Non-current Liabilities		367.1	335.5
TOTAL NET ASSETS		4,058.1	3,900.1
Fund balances		3,792.0	3,621.6
Reserves		266.1	278.5
TOTAL FUND BALANCES AND RESERVES		4,058.1	3,900.1

Financial Highlights - Statement I

Cash and cash-equivalents, Short-term and Long-term Investments (Notes 2.1, 2.2 and 2.6)

	31.12.2009	31.12.2008	\$ Change	% Change
Cash and cash equivalents	1,162.2	972.3	189.9	20%
Short-term investments	582.2	460.1	122.1	27%
Long-term investments	<u>204.2</u>	<u>186.6</u>	<u>17.6</u>	9%
Total Cash and Investments	1,948.6	1,619.0	329.6	20%

1. Cash and short-term investments held by WFP at 31 December 2009 amounted to US\$1.7 billion compared to US\$1.4 billion at 31 December 2008, an increase of US\$312 million or 22%.
2. Changes reflect reduction in the risk profile of WFP's investments during 2009 (*WFP Investment Policy and Guidelines, WFP/EB.2/2009/5-F/1*)

Financial Highlights - Statement I

Cash and Short Term Investments (Note 2.1, 2.2)

1. Legacy portfolio reduced from US\$136.7 million at end 2008 to US\$45.2 million end 2009. Substantially all realised losses of \$23.2 million in 2009 is from sale of legacy investments.
2. In both 2009 and 2008, there has been an increase in Cash and Cash Equivalents and STIs.

(US\$ million)	31.12.2009	31.12.2008
Increase in Cash and cash equivalents	189.9	423.6
Increase in Short-term investments	122.1	(213.0)
Total increase	312.0	210.6

3. Higher cash balances are consistent with the increased level of WFP operations (14% higher expenses in 2009) ;and higher commitments (US\$130 million or 22%).
4. Operational cash balances end 2009 cover approximately 4 months of operational activity

Note: 2009 Accounts include a new note (Note 2.13) on Financial Instruments to provide further insight in WFP financial resources and related financial risks.

Financial Highlights - Statement I

Long-term Investment (Note 2.6)

(Note 2.6, Page 31)

	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>\$ change</u>	<u>% change</u>
US Treasury STRIPS – LT portion	81.2	78.9	2.3	3%
Bonds	74.5	70.4	4.1	6%
Equities	48.5	37.3	11.2	30%
Total Long-term Investments	204.2	186.6	17.6	9%

Investment Performance 2009 (Note 3)

(FS II, Page 16 and Note 3.4, Page 48)

	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>\$ change</u>
Net realised losses	(23.5)	(6.3)	(17.2)
Net unrealised gains (losses)	37.3	(51.4)	88.7
Interest earned	24.9	48.1	(23.2)
Return on Investments	38.7	(9.6)	48.3

1. Very strong performance in 2009, despite low interest rate environment which cut interest earned in half, as market values of high quality corporate bonds and mortgage-backed and asset-backed securities rebounded after the peak of the global financial crisis.

Financial Highlights - Statement I

Food commodity and non-food commodity inventories (Note 2.4)

1. WFP's Inventory consists of food commodities and certain non-food items (UNHRD and FESO) on hand at the end of the financial period; and are valued at lower of cost or current replacement cost.
2. The cost of food commodities includes:-
 - purchase cost or fair value if donated in-kind; and
 - all other costs incurred in bringing the food commodities into WFP's custody at their point of first entry into a recipient country where they become distributable.
3. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners for distribution.
4. NFIs are expensed when they are shipped out to internal or external customers.

Financial Highlights - Statement I

Food and non-food inventories (Note 2.4) (continued)

- ❖ Inventory balances (food and non-food) end 2009 decreased from that of 2008 by US\$283.4 million .

(Note 2.4, Page 29, par. 56)

	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>\$ change</u>	<u>% change</u>
FOOD inventory	720.7	1,000.4	(279.7)	(28%)
NFI	17.7	21.4	(3.7)	(17%)
Total inventory	738.4	1,021.8	(283.4)	(28%)

- ❖ Inventory turnover ratio shows that WFP has on average 4.3 months of inventory on hand.

(ED statement, Page 9, par.17)

	<u>31.12.2009</u>	<u>31.12.2008</u>
Cost of commodities distributed	2,380.4	2,198.1
Average inventory balance	860.6	752.1
Inventory balance held in months	4.3	4.1

Financial Highlights - Statement I

Food and non-food inventories (Note 2.4) (continued)

(Note 2.4, Page 29, par. 56)

Food Commodities	(US\$ million)	2009	2008
Opening inventory		1,000.4	501.7
Add back: impairment allowance		4.0	2.0
Commodities purchased		1,052.1	1,502.3
In-kind commodities received		694.8	831.5
Transport and related costs		344.7	365.0
Total inventory available for distribution		3,096.0	3,202.5
Less: Food commodities distributed		(2,372.4)	(2,198.1)
Allowance for impairment - Food		(2.9)	(4.0)
Total Food Commodities		720.7	1,000.4
MT held in inventory at year end (in millions)		1.4	1.7
MT distributed during the year (in millions)		4.8	3.9

1. Opened 2009 with 1.7m MT in inventory; purchased and received 4.5m MT; distributed 4.8m MT, ending 2009 with 1.4m MT.

Financial Highlights - Statement I

Contributions receivable (Note 2.3)

1. Contributions are recognized when confirmed in writing by donors.
2. Contribution receivable is the difference between written pledges and cash received from donors.

(Note 2.3, Page 27)

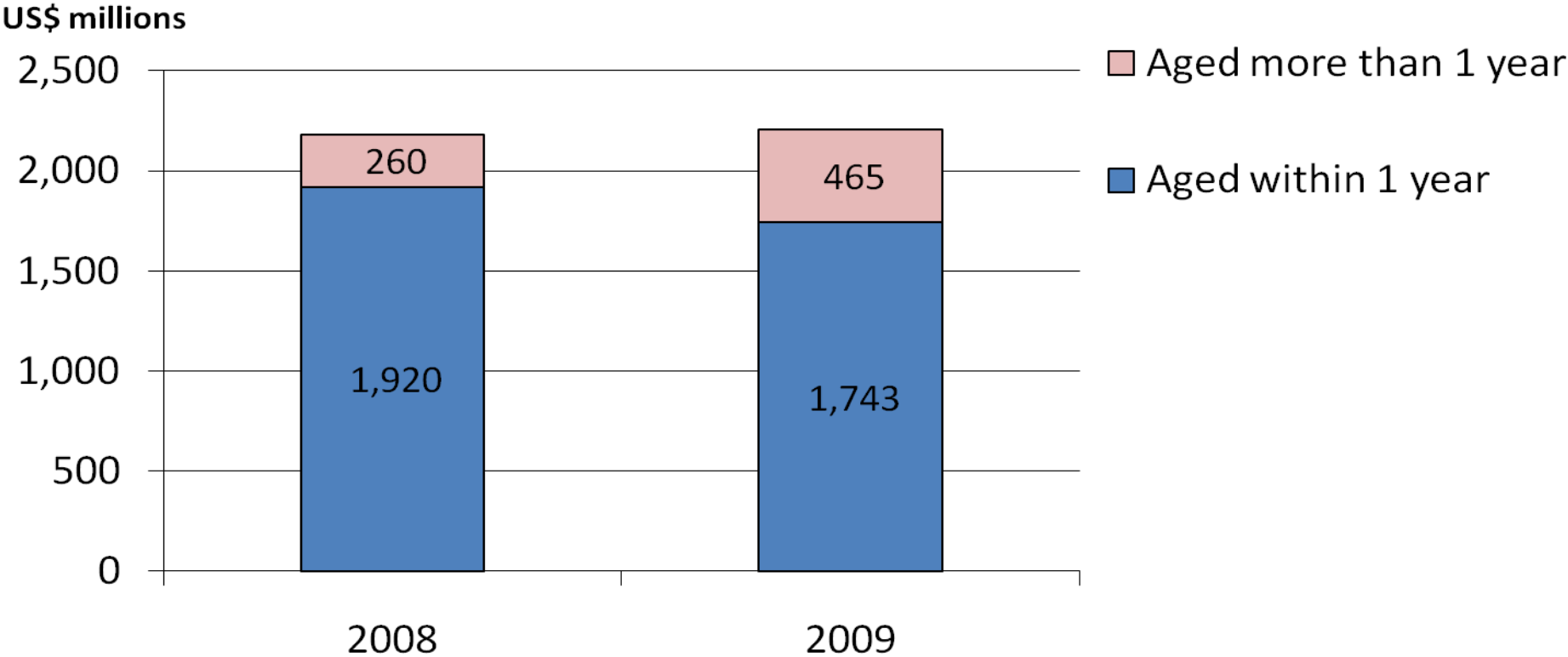
	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>\$ change</u>	<u>% change</u>
Current portion (receivable within one year)	1 896.7	1 991.2	(94.5)	(5%)
Non-current portion (receivable beyond one year)	148.9	39.1	109.8	280%
Total Net Contributions Receivable	2 045.6	2 030.3	15.3	1%

	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>\$ change</u>	<u>% change</u>
Monetary contributions	1 925.0	1 951.1	(26.1)	(1%)
In-kind contributions	282.4	229.6	52.8	23%
Total Contributions Receivable before allowance	2 207.4	2 180.7	26.7	1%
Allowance for reductions in contributions revenue	(151.9)	(146.7)	(5.2)	3%
Allowance for doubtful accounts	(9.9)	(3.7)	(6.2)	168%
Total Net Contributions Receivable	2 045.6	2 030.3	15.3	1%

Financial Highlights - Statement I

Contributions receivable – Aging of Contributions Receivable (Note 2.3)

- 1. Average collection period increased from 5 months in 2008 to 6 months in 2009.



Financial Highlights - Statement I

Employee Benefits (Note 2.11)

Liabilities

Employee benefits

US\$m	2008	2009
Short-term	16.2	23.3
Post employment	190.8	209.1
Other Long-term	33.5	46.3
TOTAL	240.5	278.7

Changes in value of liability mainly due to:-

- Decreased Discount rate used in valuation
- Lower retirement rates
- Repatriation and annual leave balances.

Short-term - annual leave and education grants.

Post-employment - After-Service Health Insurance; Separation Payments Scheme; Compensation Plan Reserve Fund.

Other long-term - home leave travel and other separation-related benefits.

Assets

At 31 December 2009

	US\$m
Cash	20.4
Bonds	74.5
Equity	48.5
TOTAL	143.4

Funded and set aside US\$143.4m (51% of liability).

Unfunded liability – subject of proposal made via the Updated Management plan.

Financial Highlights - Statement I

Employee benefits – Comparative analysis of WFP’s ASHI liability for 31.12.2009

1. 65% of WFP’s total employee benefits liability relate to After Service Health Insurance.
2. The CEB survey - “*Comparative analysis of ASHI liability for UN system organizations*” completed as at 31 December 2009 by 21 UN organizations, shows:-
 - WFP has funded 59% of its ASHI liability, amounting to US\$107.4 million.
 - Of the 21 UN organisations surveyed, funding levels average 19% of ASHI liability.
 - WFP is one of a few agencies that has a long-term investment strategy for the employee benefit funds set aside.

Financial Highlights - Statement I

Understanding WFPs Fund Balances and Reserves (Note 2.14)

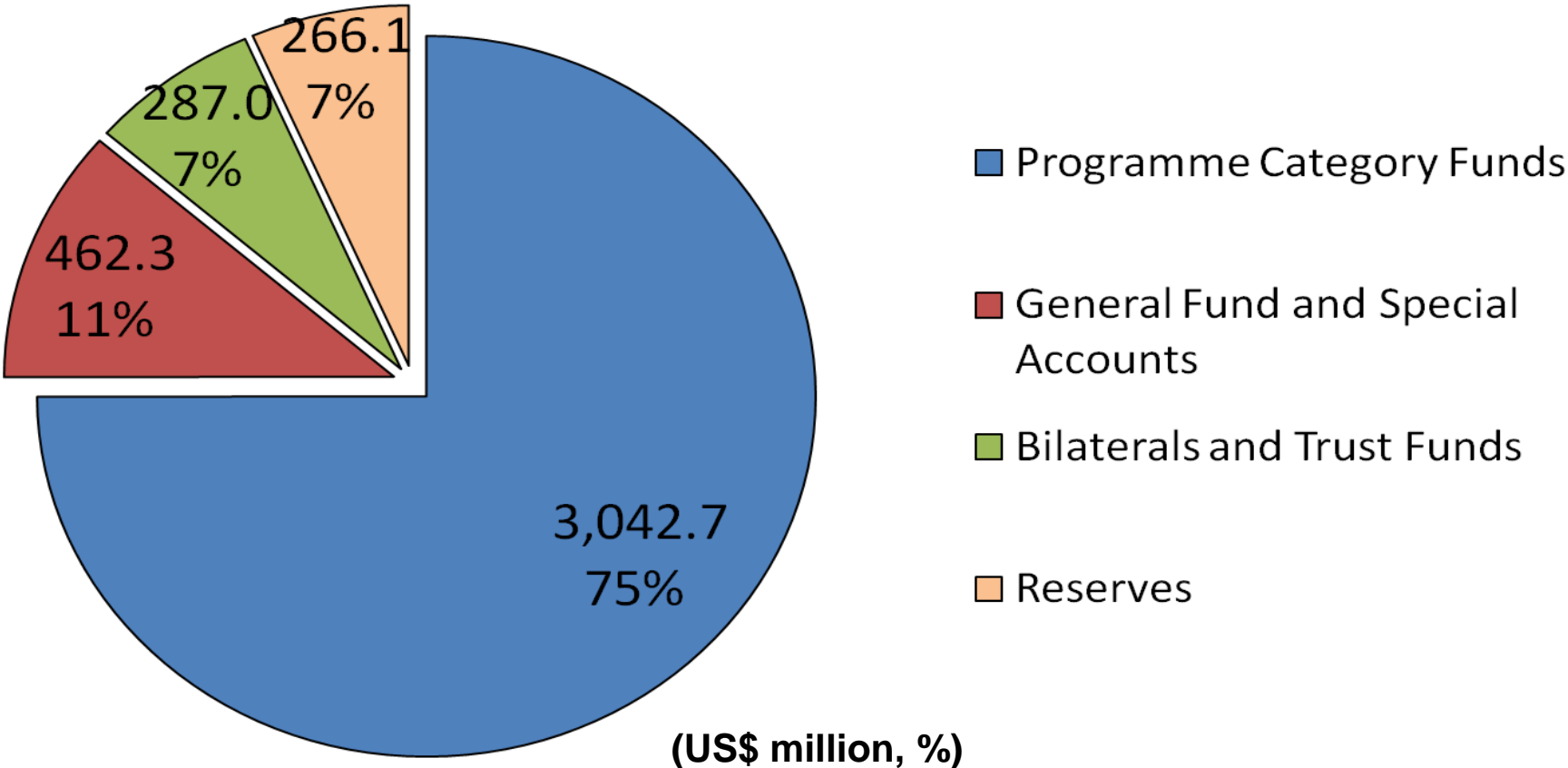
1. WFP’s total Fund Balances and Reserves at end December 2009 was US\$4,058.1m.
2. This represents the **cumulative** balance of the unexpended portion of all contributions which will be carried forward to be utilized in future requirements of the Programme.
3. The total Fund Balances and Reserves consists of balances within:-

Area	Consists of
Programme Category Funds	WFP projects
Bilaterals and Trust Funds	Trust funds and bilateral agreements
General Fund and Special Accounts	PSA, investment income and Special Accounts (including the Self-Insurance Account; and UNHRD)
Reserves	Operational reserve, IRA; DSCAF; PSA Equalization account

Financial Highlights - Statement I

Understanding WFP's Fund Balance and Reserves (Note 2.14)

1. Fund balance and Reserves at end December 2009 consisted of:-



Statement II - Statement of Financial Performance

(FS II. Page 16)

US\$ million	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
REVENUE		
Monetary contributions	3,445.0	4,150.9
In-Kind contributions	760.2	887.1
Other revenue	168.1	45.2
TOTAL REVENUE	4,373.3	5,083.2
 EXPENSES		
Commodities distributed	2,380.4	2,198.1
Distribution and related services	749.6	551.1
Wages, salaries, employee benefits and other staff costs	617.8	555.1
Supplies, consumables and other running costs	115.6	114.6
Contracted and other services	303.5	237.4
Finance Costs	2.7	2.7
Depreciation and amortization	12.5	2.4
Other expenses	46.0	32.1
TOTAL EXPENSES	4,228.1	3,693.5
 SURPLUS FOR THE YEAR	145.2	1,389.7

Financial Highlights - Statement II

Revenue (Note 3)

1. Contribution revenue is recognized when written confirmation is received from a donor.
2. Other revenue consists of revenue from the provision of services, return on investments, currency exchange differences, service fee earned from third party agreements as well as proceeds from sale of damaged commodities and other unserviceable properties.

(Note 3, Page 48)

	<u>01.01.2009 to 31.12.2009</u>	<u>1.01.2008 to 31.12.2008</u>	<u>\$ change</u>	<u>% change</u>
Monetary contributions	3,445.0	4,150.9	(705.9)	(17%)
In-Kind contributions	760.2	887.1	(126.9)	(14%)
Sub-total	4,205.2	5,038.0	(832.8)	(17%)
Other revenue	168.1	45.2	122.9	272%
Total revenue	4,373.3	5,083.2	(709.9)	(14%)

Financial Highlights - Statement II

Expenses (Note 4)

1. The table below details the expenses by nature:

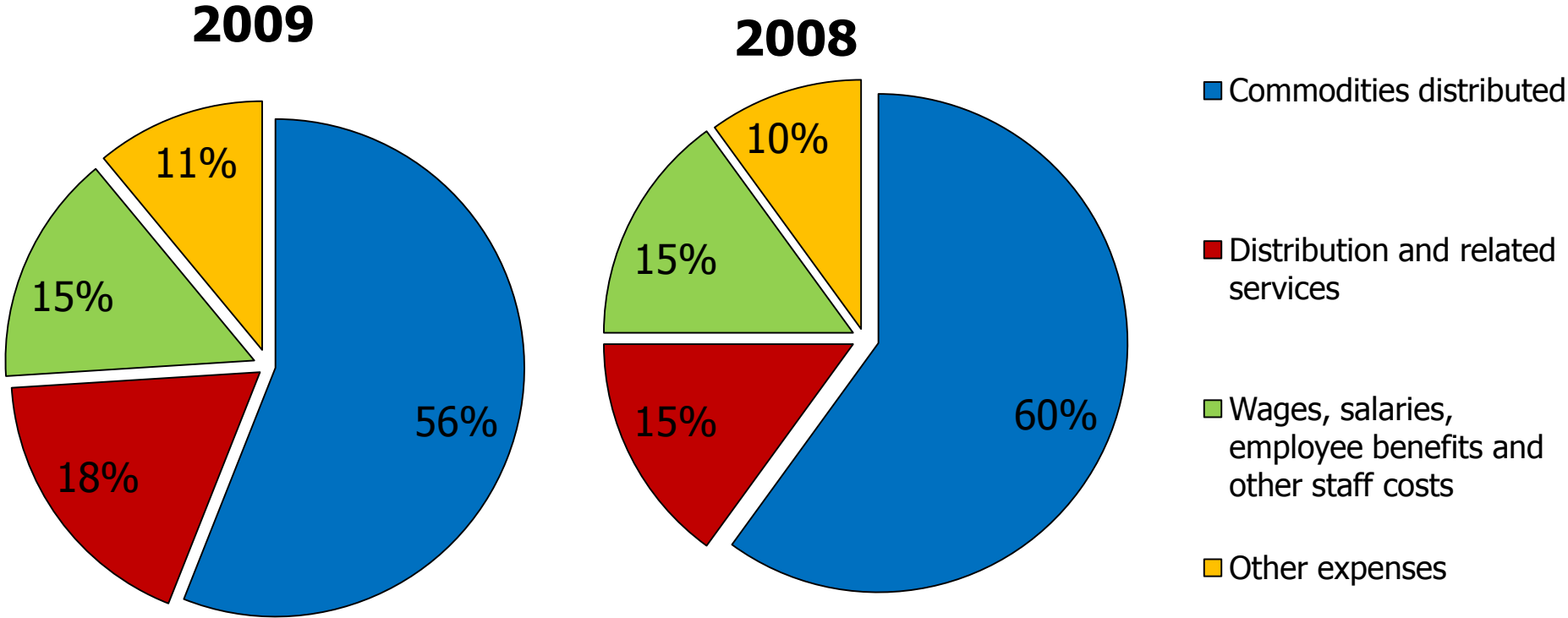
(Note 4, Page 49)

	01.01.2009 to 31.12.2009		01.01.2008 to 31.12.2008		\$ Change	% Change
	US\$ millions	%	US\$ millions	%		
Commodities distributed	2 380.4	56	2 198.1	60	182.3	8
Distribution and related services	749.6	18	551.1	15	198.5	36
Wages, salaries, employee benefits and other staff costs	617.8	15	555.1	15	62.7	11
Supplies, consumables and other running costs	115.6	3	114.6	3	1.0	1
Contracted and other services	303.5	7	237.4	6	66.1	28
Finance costs	2.7	-	2.7	-	-	-
Depreciation and amortization	12.5	-	2.4	-	10.1	421
Other expenses	46.0	1	32.1	1	13.9	43
	4 228.1		3 693.5		534.6	14
<i>Food distributed in millions of Metric Tonnes (Info.)</i>	4.8		3.9		0.9	23

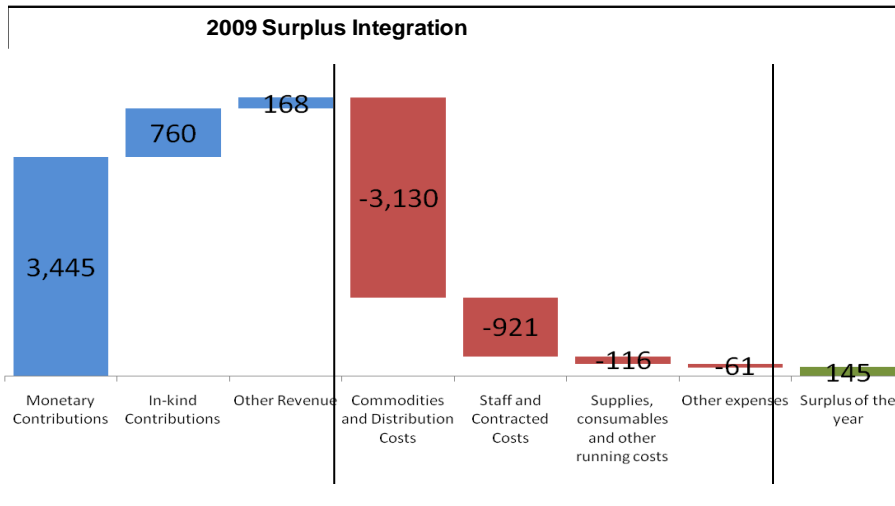
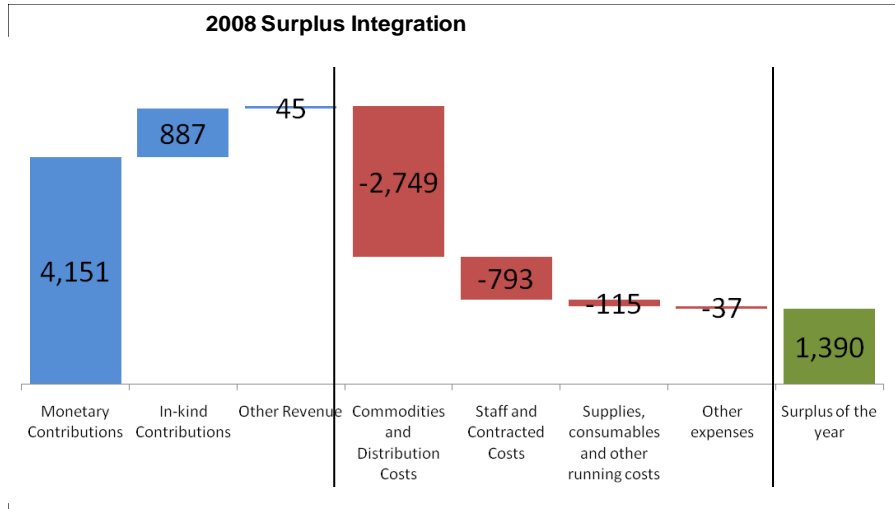
Financial Highlights - Statement II

Expenses (Note 4)

1. The chart below details the expenses by nature:



Financial Highlights - Statement II



Variation in:

	2009	2008
Inventories	-283	506
Cash and Investments	330	220
Contributions Receivables	15	787
Property, Plant and Equipment	27	17
Liabilities	53	-128
Other items	4	-12
Total	145	1,390

Statement III - Statement of Changes in Net Assets

(FS III, Page 17)

	US\$ million	TOTAL NET ASSETS
31 December 2008		3,900.1
Unrealized gains		12.8
Surplus for the year		145.2
Total movement during the year		158.0
31 December 2009		4,058.1

Statement IV - Statement of Cash Flow

(FS IV, Page 18)

US\$ million	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
Cash flows from operating activities:		
Surplus for the period	145.2	1,389.7
Non-cash movements	<u>187.8</u>	<u>(1,075.5)</u>
Net cash flows from operating activities	333.0	314.2
Net cash flows from investing & financing activities	(143.1)	109.4
Net increase in cash and cash equivalents	189.9	423.6
Cash and cash equivalents at beginning of the year	972.3	548.7
Cash and cash equivalents at end of the year	1,162.2	972.3

Statement V - Comparison of Budget and Actual Amounts

(FS V, Page 19)

US \$ million	Budget Amount		Actual on comparable basis	Difference: final budget and actual
	Original	Final		
Cost components				
Food	1,142.2	3,104.9	1,676.8	1,428.1
External transport	276.6	687.4	254.4	433.0
Landside transport, storage and handling	675.5	1,298.9	903.8	395.1
Other direct operational costs	128.4	444.5	272.8	171.7
Direct support costs	288.3	662.8	410.9	251.9
Subtotal direct costs	2,511.0	6,198.5	3,518.7	2,679.8
Regular PSA	183.4	238.8	226.0	12.8
Capital and capacity funds	13.3	55.8	39.1	16.7
Indirect costs	196.7	294.6	265.1	29.5
TOTAL	2,707.7	6,493.1	3,783.8	2,709.3

Budgeted amounts are made on the basis of commitments planned during 2009.

Actual amounts include goods and services received and commitments made and outstanding at year end.