

## Item 7.3

### INDEPENDENT AUDITOR'S REPORT OF THE ANNUAL ACCOUNTS

To the members of the Association **WORLD ORGANIZATION OF UNITED CITIES AND LOCAL GOVERNMENTS**

We have carried out an audit of the attached annual accounts of the Entity **WORLD ORGANIZATION OF UNITED CITIES AND LOCAL GOVERNMENTS**, which includes the Balance sheet at 31 December 2016, the profit and loss account, the statement of changes in equity and the annual report, which contains the budget realization, corresponding to the financial year that ended on the aforementioned date.

#### ***Secretary General's responsibility for the annual accounts***

The Secretary General is responsible for the preparation and fair presentation of the attached annual accounts that should faithfully reflect the equity, financial situation and results of the **WORLD ORGANIZATION OF UNITED CITIES AND LOCAL GOVERNMENTS**, in accordance with the regulatory framework for financial information applicable to the Entity in Spain, outlined in note 2 of the attached annual report, and any internal control systems considered necessary to enable the preparation of the annual accounts, free from any material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the attached annual accounts, based upon our audit. We have conducted our audit in accordance with the current regulations governing audit activity in Spain. These regulations require that we comply with all ethical requirements, as well as plan and perform the audit with the aim of obtaining reasonable certainty that the annual accounts are free from material misstatement.

Such an audit requires the application of procedures to obtain evidence supporting the amounts and information included in the annual accounts. The selection of these procedures is made according to the professional judgment of the auditor, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In order to carry out the aforementioned risk assessment, the auditor considers the Entity's relevant internal control system for the preparation of the annual accounts, to design the adequate auditing procedures in accordance with specific circumstances, but not with the aim to express an opinion on the effectiveness of the Entity's internal control system. The audit also includes the evaluation of the appropriateness of the accounting policies applied and the reasonableness of accounting estimations made by the management of the Entity, as well as an evaluation of the overall presentation of the annual accounts.

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We believe that the evidence obtained during the audit is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the attached annual accounts give, in all significant aspects, a fair presentation of the equity and financial situation of the Entity **WORLD ORGANIZATION OF UNITED CITIES AND LOCAL GOVERNMENTS** at 31 December 2016, as well as of the results and budget realization corresponding the financial year that ended on the aforementioned date, in accordance with the regulatory framework for financial information applied and in particular with the accounting policies and criteria contained therein.

Barcelona, 30 June 2017.

Col·legi  
de Censors Jurats  
de Comptes  
de Catalunya

CORTÉS Y ASOCIADOS AUDITORES, SL

[seal]

[signature]

CORTES Y ASOCIADOS  
AUDITORES, S.L.

Signed: Joan Cortés Gustems

Year **2017** Num. **20/17/112[58]**  
Certification fee: **96.00 EUR**

Auditor's report of accounts subject  
to the regulations governing the audit [of accounts]  
in Spain or internationally

**BALANCE SHEET  
FINANCIAL YEAR 2016**
**CIF G 63327696**

<b>ASSETS</b>	<b>NOTES</b>	<b>2016</b>	<b>2015</b>
<b>A) FIXED ASSETS</b>		<b>39.383,33</b>	<b>46.775,32</b>
I. Intangible assets.	<b>5.1</b>	237,49	1.327,53
III. Tangible assets.	<b>5.2</b>	38.995,84	45.133,83
VI. Investments.	<b>5.3</b>	150,00	313,96
VII. Deferred tax assets.		0,00	0,00
<b>B) CURRENT ASSETS</b>		<b>2.645.641,81</b>	<b>3.565.636,79</b>
II. Users and other debtors of the activity	<b>6</b>	563.007,92	732.442,29
III. Short-term receivables.		613,24	-3.672,11
V. Short-term investments.		0,00	0,00
VI. Accrued revenue.		0,00	0,00
VII. Cash on hand and in banks.	<b>7</b>	2.082.020,65	2.836.866,61
<b>TOTAL ASSETS (A + B)</b>		<b>2.685.025,14</b>	<b>3.612.412,11</b>

<b>LIABILITIES</b>	<b>NOTES</b>	<b>2016</b>	<b>2015</b>
<b>A) STOCKHOLDERS EQUITY</b>		<b>2.243.496,68</b>	<b>2.675.315,63</b>
<b>A-1) Equity.</b>	<b>9</b>	<b>1.590.610,17</b>	<b>1.586.103,80</b>
II. Reserves.		271.316,47	271.107,01
III. Surplus from previous years.		1.314.787,33	1.313.949,50
IV. Result for the year.		4.506,37	1.047,29
<b>A-2) Subsidies and Grants.</b>	<b>12</b>	<b>652.886,51</b>	<b>1.089.211,83</b>
<b>B) NON CURRENT LIABILITIES</b>		<b>55.664,15</b>	<b>39.046,78</b>
I. Long-term provisions.	<b>4.4</b>	55.664,15	39.046,78
<b>C) CURRENT LIABILITIES</b>		<b>385.864,31</b>	<b>898.049,70</b>
I. Short-term provisions.	<b>8</b>	0,00	0,00
II. Short-term debts.	<b>8</b>	5.685,45	26.390,03
1. Debts with banks		5.685,45	26.390,03
IV. Beneficiaries - Payables.	<b>8</b>	104.793,18	254.629,82
V. Payables.	<b>8</b>	275.144,10	608.355,27
VI. Prepaid expenses.	<b>8</b>	241,58	8.674,58
<b>LIABILITIES AND EQUITY TOTAL (A +B + C)</b>		<b>2.685.025,14</b>	<b>3.612.412,11</b>

**BARCELONA, June 1, 2017**
**Josep Roig Martí  
Secretary General**



## PROFIT AND LOSS ACCOUNT FINANCIAL YEAR 2016

### PROFIT FOR THE YEAR

Concept	NOTES	2016	2015
<b>A) Profit for de year</b>			
<b>1. Own operating revenue</b>		<b>3.583.820,28</b>	<b>3.910.896,04</b>
a. Associate and affiliate fees.	<b>8</b>	1.235.977,30	811.478,03
c. Income from promotions, sponsors and collaborations.		548.363,10	201.636,69
d. Subsidies attributed to the surplus for the year.	<b>12</b>	1.799.479,88	2.897.781,32
<b>2. Monetary aids expenditures and others</b>	<b>11</b>	<b>-533.706,49</b>	<b>-804.493,48</b>
a. Monetary aids.		-533.706,49	-735.193,09
b. Non Monetary aids.		0,00	-69.300,39
<b>7. Wages and Salaries</b>		<b>-1.773.309,22</b>	<b>-1.650.125,23</b>
a. Wages and Salaries.		-1.446.991,94	-1.327.135,06
b. Social Security expenses and others.		-326.317,28	-322.990,17
c. Provisions.		0,00	0,00
<b>8. Other operating cost and expenses</b>		<b>-1.297.465,42</b>	<b>-1.488.358,43</b>
a. External services.		-1.213.748,96	-1.419.633,27
b. Taxes.		-52.258,06	-56.346,56
c. Accrual and Reversal of provisions and bad debt expenses.		-16.617,37	-12.378,60
d. Other operating cost and expenses.		-14.841,03	0,00
<b>9. Depreciation of fixed assets.</b>	<b>4 y 5</b>	<b>-12.870,32</b>	<b>-25.526,79</b>
<b>11. Capital grants, donations and bequests taken to income</b>		<b>0,00</b>	<b>10.081,10</b>
<b>12. Provision surpluses</b>	<b>4.4</b>	<b>0,00</b>	<b>0,00</b>
<b>13. Other results</b>	<b>11.b</b>	<b>33.245,44</b>	<b>25.341,42</b>
<b>A.1) PROFIT OF THE ACTIVITY (1+2+3+4+5+6+7+8+9+10+11+12+13)</b>		<b>-285,73</b>	<b>-22.185,37</b>
<b>14. Financial Income</b>		<b>5.531,14</b>	<b>9.461,57</b>
b. From securities and other financial instruments.		5.531,14	9.461,57
b2) With third parties.		5.531,14	9.461,57
<b>15. Financial expense</b>		<b>0,00</b>	<b>0,00</b>
b. With third parties debt.		0,00	0,00
<b>17. Exchange result.</b>		<b>643,74</b>	<b>16.136,48</b>
<b>A.2) OPERATING PROFIT (14+15+16+17+18+19)</b>		<b>6.174,88</b>	<b>25.598,05</b>
<b>A.3) PROFIT BEFORE TAX (A.1+A.2)</b>		<b>5.889,15</b>	<b>3.412,68</b>
<b>20. Income taxes.</b>		<b>-1.382,78</b>	<b>-2.365,39</b>
<b>A.4) PROFIT FOR THE YEAR (A.4+19)</b>		<b>4.506,37</b>	<b>1.047,29</b>

BARCELONA, June 1, 2017

Josep Roig Martí  
Secretary General

**PROFIT AND LOSS ACCOUNT  
FINANCIAL YEAR 2016**
**VARIATION OF NET EQUITY FOR THE YEAR**

Concept	NOTES	2016	2015
<b>A.4) PROFIT FOR THE YEAR</b>		<b>4.506,37</b>	<b>1.047,29</b>
<b>B) Income and Expenditures related to Net Equity</b>			
1. Grants received.		2.171.642,26	3.896.015,76
<b>B.1) Changes in net worth due to income and expenditures</b>		<b>2.171.642,26</b>	<b>3.896.015,76</b>
<b>C) Reclassification of yearly results</b>			
1. Grants received (1.c+1.d+11).		-2.607.967,58	-3.537.019,08
<b>C.1) Changes in net worth due due to yearly results reclassification</b>		<b>-2.607.967,58</b>	<b>-3.537.019,08</b>
<b>D) Changes in net worth due to income and expenditures directly linked with the net worth (B.1+C.1)</b>		<b>-436.325,32</b>	<b>358.996,68</b>
<b>- VARIATION OF NET EQUITY FOR THE YEAR (A.4+D)</b>		<b>-431.818,95</b>	<b>360.043,97</b>

BARCELONA, June 1, 2017

**Josep Roig Martí**  
**Secretary General**

## **ABRIDGED ANNUAL REPORT FOR THE 2015 FINANCIAL YEAR**

### **1. Activity of the Entity**

On 23 October 2003 in Geneva, the non-profit association called **WORLD ORGANIZATION OF UNITED CITIES AND LOCAL GOVERNMENTS** was constituted indefinitely, established in Calle Avinyó number 15 in Barcelona (Spain) and registered in the *Registro Nacional de Asociaciones del Ministerio del Interior* [National Register of Associations of the Ministry of the Interior] on 18 February 2004, registration sheet number 171605.

The objectives of the organization are set out in Articles 2 and 3 of its Constitution, as follows:

#### **Article 2 Mission:**

The mission of the World Organization is:

*"To be the united voice and world advocate of democratic local self-government, promoting its values, objectives and interests, through cooperation between local governments, and within the wider international community."*

#### **Article 3 Objectives:**

To achieve this mission, the World Organization shall pursue the following objectives:

- a. To promote strong and effective democratic local self-government throughout the world;
- b. To promote unity and cooperation amongst members;
- c. To ensure the effective political representation of local government to the international community, in particular the United Nations and its agencies;
- d. To be the worldwide source of key information and intelligence regarding local government;
- e. To be the worldwide source of learning, exchange and capacity-building, supporting the establishment and strengthening of free and autonomous local governments and their national associations;
- f. To promote economic, social, cultural, vocational and environmental development and service to the population based on the principles of good governance, sustainability and social inclusion;
- g. To promote race and gender equality, and to combat all forms of discrimination that are illegal with regard to international law, and/or illegitimate in relation to the values and policies of the organization;
- h. To be a strong democratic organization, reflecting in its composition and functioning the diversity of the local spheres of governance;
- i. To promote decentralized cooperation and international cooperation between local governments and their associations;
- j. To promote twinning and partnerships as a means for mutual learning and friendship between peoples;
- k. To develop policies, programmes and initiatives within the framework of the World Organization's mission, values and objectives, this implies seeking appropriate means to implement them, within the internal rules of the organization.

The Entity is not part of any group of companies and therefore has no obligation to present consolidated accounts.

## **2. Criteria for the presentation of the annual accounts**

### **2.1. Fair presentation**

The annual accounts are taken from the accounting registers of the Entity and are presented in accordance with the current commercial law and with the rules established in the *Plan General de Contabilidad de pequeñas y medianas entidades sin ánimo de lucro* [General Chart of Accounts for small- and medium-sized non-profit entities], in order to faithfully reflect all significant aspects of the worth, financial situation and results of the Entity.

All the rules and criteria established in the General Chart of Accounts for small- and medium-sized non-profit entities have been followed without exception at the time of the preparation of these accounts. This Chart of Accounts was approved by resolution of the *Instituto de Contabilidad y Auditoría de Cuentas* [Institute of Accounting and Auditing] of 26 March 2013, including its modifications following the Royal Decree 602/2016, approved on December 2<sup>nd</sup>.

We have applied all the rules and laws on accounting matters to show a fair presentation of the Entity.

### **2.2. Non-mandatory accounting principles applied**

No non-mandatory accounting principles were applied.

### **2.3. Critical aspects of the measurement and estimation of uncertainty**

There are no critical aspects of the measurement and estimation of uncertainty.

### **2.4. Comparative information**

The figures issued have been adapted according to the latest criteria and figures from the previous year have been restated and reclassified to make them comparable; this has not affected the fulfilment of the goal of fair presentation of the annual accounts for the previous year.

### **2.5. Items included in several captions**

There are no items of a similar nature included in various captions in the balance sheet.

### **2.6. Changes in accounting policies**

There have been no changes in accounting policies other than those marked for the adaptation of accounting to the new General Chart of Accounts.

### **2.7. Error fixes**

No errors were found at year-end that required the reformulation of the annual accounts. Subsequent events known after the closing of the year that could trigger adjustments in estimates at year-end have been mentioned in the corresponding notes.

### **3. Profit for the financial year**

The proposed distribution of the profit from the 2016 financial year is as follows:

<b>Distribution base</b>	<b>Amount (€)</b>
Total profit for the financial year	4,506.37
Retained earnings	0.00
Voluntary reserves	0.00
Other unrestricted reserves	0.00
<b>Total</b>	<b>4,506.37</b>

<b>Distribution</b>	
<b>Allocation</b>	<b>Amount (€)</b>
To voluntary reserves (20%)	901.27
To profit for the financial year	3,605.10
<b>Total</b>	<b>4,506.37</b>

### **4. Registration and valuation criteria**

#### **4.1. Intangible fixed assets:**

In general, intangible assets are recorded at acquisition cost and are subsequently measured at cost less, where appropriate, accumulative amortization and/or deterioration losses experienced, if this was the case. These assets are amortized over their useful life.

The Entity records, complying with the definition of assets and criteria of identifiability, two computer programs (an accounting program and a Windows server program) valued at their acquisition price, as well as the licenses for the necessary software. In accordance with Article 11 of Spanish Law 43/1995, Corporate Tax Regulation Annexe (Royal Decree 537/1997) and Article 174 of Law 13/1005, depreciation was carried out following the straight-line method, applying the maximum coefficient of 33%, to coincide with their useful life.

#### **4.2. Tangible fixed assets:**

##### **a. Cost:**

Property, plant and equipment are valued at acquisition. The costs of renovation, expansion or improvements are capitalized as increased value solely when they increase capacity, productivity or prolong its useful life.

The costs of periodic maintenance, upkeep and repairs are charged to the income statement on an accrual basis as a cost in the year they are incurred. The fixed assets acquired free of charge are recorded at their market value.



b. Depreciation:

Depreciation of these assets starts when the assets are ready for the use for which they were designed.

Depreciation is calculated using the straight-line method over the cost of acquisition of the assets less their residual value. Annual provisions for depreciation of tangible assets are charged against the income statement and are basically equivalent to the depreciation rates determined based on the estimated useful lives.

Tangible fixed assets for the year 2016 consist of:

**Furniture:** Depreciation was carried out following the straight-line method (coefficient: 10%). The furniture received from Barcelona City Council is included under this heading.

**IT equipment:** Depreciation was carried out following the straight-line method (coefficient: 25%). The equipment received free of charge from Barcelona City Council is included under this heading.

**Photocopying machines:** Depreciation was carried out following the straight-line method (coefficient: 15%).

Furthermore, under the transfer agreement whereby Barcelona City Council transferred the assets mentioned above, in 2005 UCLG was granted the right to use the offices occupied by the World Organization headquarters for 20 years, free of charge.

#### **4.3. Financial assets and liabilities:**

According to different categories of financial assets indicated in the General Chart of Accounts, it is appropriate to apply the category of *financial assets at amortized cost*. Included in this category are the assets that have originated in the provision of services in the ordinary course of business of the entity. Also included are financial assets that were not originated in the ordinary course of business, and not being equity instruments or derivatives, have a collection of fixed or determinable nature such as amounts receivable of Grants and Programmes. These financial assets are valued at their cost. Financial assets are also cash and other equivalent liquid assets that are deposited in the Entity's cash and bank deposits.

Also, following the same categories of the General Chart of Accounts for financial liabilities, it is appropriate to apply the category of *financial liabilities at amortized cost*. Included in this category are the financial liabilities that have arisen from the purchase of goods and services in the ordinary course of business and those that are not derivative instruments and do not have a commercial origin. Initially, these financial liabilities are recorded at cost which is the fair value of the transaction in which they originated, plus all costs that are directly attributable.

#### **4.4. Other Group-1 provisions:**

This heading includes a provision of €55,664.15, for indemnities. The provision for the year 2015 for the same concept was €39,046.78.

#### **4.5. Foreign currency:**

Initial assessment of monetary items is that all foreign currency transactions will be converted into euros by applying the spot exchange rate to the foreign currency amount. The spot exchange rate is the exchange rate used in transactions with immediate delivery between the functional currency and the foreign currency at the date of the transaction, which is understood to be the date on which the transaction qualifies for recognition.

At year end they are valued using the closing exchange rate, defined as the average spot exchange rate existing on that date.

There are no non-monetary items in foreign currency transactions at year end.

The Entity operates with two bank accounts: in euro and US dollar currencies. In the year 2016 there was an exchange rate gain of €643.74 (€16,136.48 in the previous year) corresponding mainly to the positive difference in exchanges related to the official US dollar exchange rate.

#### **4.6. Grants and Programmes:**

In general, non-refundable grants are accounted directly in the equity of the Entity for subsequent reclassification to the surplus for the year as income on a systematic and rational basis, correlated with the expenses derived from the grant. When this is achieved without assignment to a specific purpose, it is accounted for directly in the surplus for the year in which the expenses were incurred.

In particular, the Entity applies the following criteria in cases of partial execution of a grant, which will be qualified as non-refundable in proportion to the expenses executed, whenever it is reasonably certain that it will be completed on the terms set out in the conditions of grant.

The criteria for recognition as a non-refundable grant in the balance occurs when the grant is duly signed. The attribution to the surplus for the year shall be according to its purpose. In cases where the grant was obtained to finance specific expenses, which is most common in this organization, it shall be charged as income in the same year in which the financed expenses are incurred. The grants to acquire assets or settle liabilities are valued in accordance with NRV 20th paragraph 3.b of the General Chart of Accounts.

#### **4.7. Profit tax:**

The income and expenditure of the World Organization are not subject to profit tax, with the exception of bank account interest.

#### **4.8. Income and expenditures:**

**Expenditure:** Expenses incurred by the Entity are recognized in the income statement in the period in which they are incurred, regardless of the date on which the financial flow occurs. In particular, the aid granted by the Entity is recognized at the time the grant is approved. VAT paid, which is not deemed to be deductible, will be considered as an additional expense or acquisition cost.

**Income:** For the accounting of revenue, in fulfilment of the purposes of the Entity, the following rules shall be considered:

- Membership fees shall be recognized as income in the period that they are cashed because it is the time when a) the amount of revenue can be measured reliably, b) the profit from the transaction is received and c) costs incurred for the transaction, and those that may be incurred to complete the transaction, can be measured reliably.
- Grants are recorded at the time of formal notification (granting or contract) for the amount awarded and the income at year end corresponds to the expenditure realized. There is one exception: the Cities Alliance grants are awarded in USD and are recorded on the date of receipt of funds, in order to reduce exchange rate fluctuations. An adjustment is made at year end, in order to regularize any possible modifications.
- Funds corresponding to Programmes are recognized upon the signature of the contract, and registration as income for the year is carried out for the amount of the expenses incurred.

## 5. Tangible and intangible fixed assets and financial investments

### 5.1. Intangible fixed assets

The movements of intangible fixed assets during the 2016 financial year are as follows:

Account	Name	31.12.2015	Increase	Decre	31.12.2016
2060000001	LICENCE USE A3CON	1,096.20	0.00	0.00	1,096.20
2060000002	WINDOWS SERVER	780.80	0.00	0.00	780.80
2060000003	LICENCE SOFTWARE	6,254.47	0.00	0.00	6,254.47
2806000001	ACUM DEP A3CON	-1,096.20	0.00	0.00	-1,096.20
2806000002	ACUM DEP WIND SERVER	-5,707.74	-1,090.04	0.00	-6,797.78
<b>TOTAL</b>		<b>1,327.53</b>	<b>-1,090.04</b>	<b>0.00</b>	<b>237.49</b>

### 5.2. Tangible fixed assets

The movements of tangible fixed assets during the 2016 financial year are as follows:

Account	Name	31.12.2015	Increase	Decreases	31.12.2016
2160000000	OFFICE FURNITURE	177,689.13	1,290.83	0.00	178,979.96
2170000000	HARDWARE	208,160.57	4,351.46	0.00	212,512.03
2816000000	ACUM DEP OFF FURNITURE	-137,366.10	-6,292.60	0.00	-143,658.70
2817000000	ACUM DEP HARDWARE	-202,288.96	-5,487.68	0.00	-207,776.64
2817000001	ACUM DEP OTHER EQUIP	-1,060.81	0.00	0.00	-1,060.81
<b>TOTAL</b>		<b>45,133.83</b>	<b>-6,137.99</b>	<b>0.00</b>	<b>38,995.84</b>

In all acquisitions VAT becomes a part of the acquisition cost because it is not deductible.

### 5.3. Financial investments

The movements under this heading for the 2016 financial year are as follows:

Account	Name	31.12.2015	Increase	Decreases	31.12.2016
2750000001	DEPOSIT EDEN FOUNTAIN	60.00	0.00	60.00	0.00
2750000003	DEPOSIT BLUE SPACE	103.96	0.00	103.96	0.00
2750000004	DEPOSIT ACQUAJET	150.00	0.00	0.00	150.00
<b>TOTAL</b>		<b>313.96</b>	<b>0.00</b>	<b>163.96</b>	<b>150.00</b>

## 6. Users and other debtors of the activity

The movements of the items in this section during the year 2015 are reflected in the following table:

Account	Name	31.12.2015	Increase	Decrease	31.12.2016
447	Users and debtors of the activity	732,442.29	1,847,245.30	2,016,679.67	563,007.92
<b>TOTAL</b>		<b>732,442.29</b>	<b>1,847,245.30</b>	<b>2,016,679.67</b>	<b>563,007.92</b>

The balance at year end relates entirely to the amounts receivable of grants and/or programmes granted pending payment.

The breakdown and movements for the financial year in relation to grants and/or programmes is as follows:

Account	Name	31.12.2015	Awarded	Payment	31.12.2016
4470000002	PPIAF - CITIES ALLIANCE	-4.787,43	0,00	0,00	-4.787,43
4470000004	CCRE	0,00	0,00	0,00	0,00
4470000006	GENERALITAT DE CATALUNYA	0,00	0,00	0,00	0,00
4470000012	MEXICO CITY	0,00	97.600,00	97.600,00	0,00
4470000013	AYUNTAMIENTO BARCELONA	0,00	68.550,00	68.550,00	0,00
4470000015	DIPUTACION BCN	196.000,00	98.000,00	196.000,00	98.000,00
4470000016	CISDP - AJUNTAMENT BARCELON	0,00	30.000,00	0,00	30.000,00
4470000018	C.CULTURA - CUENCA	0,00	14.150,00	14.150,00	0,00
4470000019	CISDP - GWANGJU METROP.CITY	0,00	10.000,00	10.000,00	0,00
4470000026	UN HABITAT	0,00	61.630,57	63.119,70	-1.489,13
4470000030	AFD - AGENCE FRANÇAISE DEVE	0,00	40.000,00	40.000,00	0,00
4470000032	C.CULTURA - SWANSEA	0,00	15.250,00	15.250,00	0,00
4470000039	CONGRESO RABAT 2013	0,00	0,00	0,00	0,00
4470000050	C.CULTURA - IZMIR	0,00	15.250,00	15.250,00	0,00
4470000051	C.CULTURA - TALCA	0,00	16.000,00	16.000,00	0,00
4470000054	CISDP - PLAINE COMMUNE	0,00	20.000,00	20.000,00	0,00
4470000056	CISDP - VILLE DE NANTES	0,00	0,00	0,00	0,00
4470000058	MOZAMBIQUE CE	62.265,00	0,00	62.265,00	0,00
4470000060	COMMITTEE ON CULTURE	0,00	0,00	0,00	0,00
4470000065	CISDP - SEINE SAINT DENIS	0,00	8.500,00	8.500,00	0,00
4470000066	C.CULTURA - GALWAY	0,00	15.250,00	15.250,00	0,00
4470000067	ICLEI KO - WWF	0,00	0,00	0,00	0,00
4470000068	UN HABITAT GOLD IV	3.770,24	0,00	3.770,24	0,00
4470000073	CULTURE ACTION EUROPE	0,00	8.000,00	8.000,00	0,00

4470000074	ICMPD - UE	224.434,00	0,00	0,00	224.434,00
4470000076	UE OPERATING GRANT	250.760,48	1.084.250,00	1.118.160,00	216.850,48
4470000079	C.CULTURA - BUENOS AIRES	0,00	40.000,00	40.000,00	0,00
4470000080	C.CULTURA - COMUNE DI MILAN	0,00	6.000,00	6.000,00	0,00
4470000081	C.CULTURA - VAUDREUIL-DORIO	0,00	16.000,00	16.000,00	0,00
4470000082	C.CULTURA - BELO HORIZONTE	0,00	10.000,00	10.000,00	0,00
4470000083	C.CULTURA - MERIDA	0,00	9.000,00	9.000,00	0,00
4470000084	C.CULTURA - TERRASSA	0,00	15.250,00	15.250,00	0,00
4470000085	C.CULTURA - CHIGNAHUAPAN	0,00	13.744,00	13.744,00	0,00
4470000086	C.CULTURA - SINALOA	0,00	7.150,00	7.150,00	0,00
4470000087	C.CULTURA - LISBON	0,00	33.150,00	33.150,00	0,00
4470000088	C.CULTURA - GABROVO	0,00	15.250,00	15.250,00	0,00
4470000089	C.CULTURA - KONYA	0,00	14.150,00	14.150,00	0,00
4470000090	C.CULTURA - NAMUR	0,00	15.250,00	15.250,00	0,00
4470000091	C.CULTURA - UNESCO	0,00	3.000,00	3.000,00	0,00
4470000092	C.CULTURA - ESCAZU	0,00	13.900,00	13.900,00	0,00
4470000093	C.CULTURA - TIMISOARA	0,00	15.250,00	15.250,00	0,00
4470000094	C.CULTURA - VILLE D'ANGERS	0,00	10.000,00	10.000,00	0,00
4470000095	GWANGJU METROPOLITAN CITY	0,00	7.720,73	7.720,73	0,00
<b>TOTAL</b>		<b>732.442,29</b>	<b>1.847.245,30</b>	<b>2.016.679,67</b>	<b>563.007,92</b>

As indicated above in the section on the valuation of income for membership fees, revenue is recognized only when the fee is collected, so outstanding uncollected fees will never appear in this section. Membership fees accounted in this financial year amount to €1,235,977.30 fully paid, while in the preceding year fees received amounted to €811,478.03.

Membership fees requested from members and Regional Sections pending collection, according to the approved budget for 2016 (€1,250,000.00), amount to approximately €-365,236.

## 7. Financial assets

According to each of the categories for financial assets identified in the registration and valuation criteria in paragraph 4 of this report, the breakdown at 2016 year end compared with the previous year is as follows:

<b>CATEGORIES</b>	<b>LONG-TERM FINANCIAL INSTRUMENTS</b>					
	Equity instruments		Debt securities		Credit Derivate Other	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
<b>Financial assets held for trading</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial assets at amortized cost</b>	0.00	0.00	0.00	0.00	313.96	150.00
<b>Financial assets at cost</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>313.96</b>	<b>150.00</b>

<b>CATEGORIES</b>	<b>SHORT-TERM FINANCIAL INSTRUMENTS</b>					
	Equity instruments		Debt securities		Credit Derivate Other	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
<b>Financial assets held for trading</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial assets at amortized cost</b>	0.00	0.00	0.00	0.00	3,565,636.79	2,645,641.81
<b>Financial assets at cost</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,565,636.79</b>	<b>2,645,641.81</b>

The short-term financial assets for the amount of €2,645,641.81, correspond mainly to outstanding balances for grants and programmes amounting to €563,007.92 (€732,442.29 in 2015), and €2,082,020.65 (€2,836,886.61 in 2015) corresponds to liquid assets in cash or in accounts with financial institutions, primarily in the entities CAIXA BANK, BANC SABADELL and BADEN-WURTTENBERGISCHE BANK (STUTGART).

## 8. Financial liabilities

In accordance with each of the categories of financial liabilities designated in the registration and valuation rules in paragraph 4 of this report, the breakdown at 2015 year end compared with the previous year is as follows:

<b>CATEGORIES</b>	<b>LONG-TERM FINANCIAL INSTRUMENTS</b>					
	Bank debts		Bonds and other securities		Derivate Other	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
<b>Financial liabilities at amortized cost</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial liabilities held for trading</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

<b>CATEGORIES</b>	<b>SHORT-TERM FINANCIAL INSTRUMENTS</b>					
	Bank debts		Bonds and other securities		Derivate Other	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
<b>Financial liabilities at amortized cost</b>	26,390.03	5,685.45	0.00	0.00	672,525.45	217,967.47
<b>Financial liabilities held for trading</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>26,390.03</b>	<b>5,685.45</b>	<b>0.00</b>	<b>0.00</b>	<b>672,525.45</b>	<b>217,967.47</b>

The outstanding amounts with the tax authorities at the closure of the financial year for VAT, Income Tax and Social Security amounting to €17,081.93, €110,543.51 and €34,332.90 respectively, as well as Corporation Tax for the amount of €11.47, were not considered within the financial instruments.

In this way the balance of short-term financial instruments for €217,967.47 (€672,525.45 in 2015) fully corresponds to balances with suppliers for the current activity of the Entity and the outstanding balances of programmes executed or currently in force. On the other hand, the balances with credit institutions amounting to €5,685.45 (€26,390.03 in 2015) correspond to outstanding amounts for visas and travel expenses for the month of December.

## 9. Equity

The composition and movement of items that are part of the *Equity* caption are as follows:

Account	Name	31.12.2015	Decrease	Increase	31.12.2016
1130000000	Voluntary Reserves	-271,417.22	0.00	-209.46	-271,626.68
1200040000	Surplus financial year 2004	-438,969.01	0.00	0.00	-438,969.01
1200050000	Surplus financial year 2005	-224,478.08	0.00	0.00	-224,478.08
1200060000	Surplus financial year 2006	-138,296.63	0.00	0.00	-138,296.63
1200070000	Surplus financial year 2007	-250,766.04	0.00	0.00	-250,766.04
1200080000	Surplus financial year 2008	-37,216.46	0.00	0.00	-37,216.46
1200090000	Surplus financial year 2009	-20,090.96	0.00	0.00	-20,090.96
1200100000	Surplus financial year 2010	-188,054.83	0.00	0.00	-188,054.83
1200110000	Surplus financial year 2011	-13,674.66	0.00	0.00	-13,674.66
1200120000	Surplus financial year 2012	-1,240.85	0.00	0.00	-1,240.85
1200130000	Surplus financial year 2013	-16,753.29	0.00	0.00	-16,753.29
1200140000	Negative results 2014	15,901.52	0.00	0.00	15,901.52
1200150000	Surplus financial year 2015	0.00	0.00	-837.83	-837.83
1290000000	Surplus financial year	-1,047.29	1,047.29	-4,506.37	-4,506.37
<b>Total Equity</b>		<b>-1,586,103.8</b>	<b>1,047.29</b>	<b>5,553.66</b>	<b>-1,590,610.17</b>

The movements in equity correspond to the distribution of the positive result of the year 2015 amounting to 1,047.29 euros and the surplus of the year amounting to -4,506.37 euros.

The approval and distribution of the 2015 results was carried out on 15 October 2016 by the Entity's World Council, held in Bogotá (Colombia).

## 10. Tax situation

According to Article 2.b of Law 49/2002 of 23 December, the Entity cannot apply the special taxation regime of non-profit entities because it is not registered as an association of public interest, and therefore is subject to the corporation tax regime of partially exempt entities taxed at the rate of 25%. The reconciliation between accounting and taxable corporate tax in 2016 is as follows:

<b>CORPORATE TAX CALCULATION 2016</b>	
<b>PROFIT BEFORE TAX</b>	<b>5,889.15</b>
<b>PERMANENT DIFFERENCES:</b>	
NEGATIVE adjustment, exempt income	-3,624,410.21
POSITIVE adjustment, non-deductible expenses	3,624,052.20
<b>TAX BASE</b>	<b>5,531.14</b>
<b>TAX RATE (25%)</b>	<b>25.00%</b>
<b>COMPREHENSIVE FEE</b>	<b>1,382.78</b>
Withholdings	-1,053.05
Instalment payments	-318.26
<b>DIFFERENCIAL QUOTA</b>	<b>-11.47</b>
<b>ACCOUNTING RESULT:</b>	
Profit before tax	5,889.15
Current tax	-1,382.78
Deferred tax	0.00
<b>ACCOUNTING RESULT</b>	<b>4,506.37</b>

The company has pending an inspection of the last four years of corporate tax by the tax authorities.

It is not expected that, as a result of the review of these exercises, any liabilities that significantly affect the financial position or the results of the Entity will come to light.

There is no significant information regarding other taxes.

## 11. Income and expenditure

The breakdown of Programmes of the caption 2.a) of the annual accounts "monetary aid" and the breakdown of the caption 3.b) "non-monetary aid" is as follows:

<b>Account</b>	<b>Monetary aid</b>	<b>31.12.2016</b>
6500000000	AYUD.INDIV.VARIAS	31.283,32
6500000001	AYUD.INDIV.WORLD CONGRESS	145.551,75
6500000004	AYUD.INDIV.AFD-AG.FRANÇAIS	1.500,00
6500000006	AYUD.INDIV. MAEE	21,75
6500000008	AYUD.INDIV. UN HABITAT	20.357,19
6500000010	AYUD.INDIV. UN MEETINGS	225,77
6500000018	AYUD.INDIV.OPG SECTIONS SAL	4.945,71
6500000019	AYUD.INDIV.OPG SECTIONS TRA	7.844,12
6500000020	AYUD.INDIV.OPG SECTIONS FEE	7.107,78
6500000021	AYUD.INDIV.OPG SECTIONS COM	2.168,61
6500000029	AYUD.INDIV.GOLD	30.137,35
6500000033	AYUD.INDIV.COMITTE ON CULTU	59.175,10
6500000037	AYUD.INDIV.NESTOR VEGA	7.034,95
6500000042	AYUD.INDIV.LOCAL FINANCE	17.355,07
6500000044	AYUD.INDIV. CIB	25.000,00
6500000045	AYUD. INDIV. VNG	8.000,00
6500000307	AYUD.INDIV.MATHIEU GUERIN	770,14



6500000308	AYUD.INDIV. UE	137.375,66
6500000311	AYUD.INDIV.NATHALIE LE DENM	18.312,31
6500000313	AYUD.INDIV.CISDP	7.132,30
6500000317	AYUD. INDIV. KIM KYUNG RYUN	585,87
6500000318	AYUD.INDIV.BERRY VRBANOVIC	1.821,74
<b>TOTAL</b>		<b>533.706,49</b>

<b>Account</b>	<b>Non-monetary aid</b>	<b>31.12.2016</b>
6510000003	EXPENSES PLATFORMA	0.00
6510000011	CONTRIBUTIONS	0.00
<b>TOTAL</b>		<b>0.00</b>

## 12. Grants – Programmes

### a. Grants and/or programmes attributed to surplus for the year

Revenue from grants and/or programmes executed during the year and transferred to the surplus for the year is shown in the following table:

<b>Account</b>	<b>Grants / Programmes</b>	<b>31.12.2016</b>
7470000012	OIDP	-58.550,00
7470000016	CISDP	-55.934,91
7470000022	UN HABITAT - UNACLA	-63.119,70
7470000030	AFD 2016	-76.612,12
7470000044	DIPUTACION BARCELONA	-113.174,53
7470000060	COMMITTEE ON CULTURE	-131.676,00
7470000061	FONDOS IULA	-4.125,03
7470000064	ILO - SEMINARIOS	-9.330,08
7470000065	MAEE 2014-2016	-31.814,73
7470000068	UN HABITAT GOLD IV	-23.008,55
7470000070	FINANZAS LOCALES RABAT 2015	-29.262,40
7470000074	UE MIGRATION	-114.208,24
7470000076	UE OPERATING GRANT (*)	-1.037.377,59
7480000002	ENGIE, S.A	-1.000,00
7480000003	SUEZ GROUP	-20.000,00
7480000014	PHILIPS LIGHTING	-30.000,00
7480000030	FORMACION BONIFICA (DTO.SEG	-286,00
<b>TOTAL</b>		<b>-1.799.479,88</b>

### (\*) EU OPERATING GRANT

The Entity counted on the support of the European Commission for the second consecutive year, by the means of an Operating Grant (OG). The agreement signed compromised the EC to finance 46.84% of the total €2,314,250 eligible costs, roofing the amount to 1,084,250€. Additionally, the Entity should execute non-eligible expenditure for (according to the grant standards) €320,000, which would represent 41.16% of the total budget execution.

The total amount executed amounts €3,624,052. Nevertheless, the Entity declares non-applicable/eligible €207,890, which makes the total applicable/eligible expenditure executed in 2016 amount €3,416,162.

The Operating Grant agreement envisaged that different parts of the network would also benefit from the grant. UCLG supports its Sections and partners in two different ways: transferring funds to be directly managed by them, and with the support of the general budget of UCLG.

#### Direct funds

<b>46,872.41€</b>	1. Transferred to <i>Affiliated Entities</i> : UCLG ASPAC and METROPOLIS
	<b>UCLG ASPAC:</b> €34,506.71 to promote networking among cities and local governments and support the implementation of activities focused on peer learning dedicated to enhancing the capacity of local governments in the global development agenda and SDGs. The contribution covered expenses, especially in the areas of communication and travel.
	<b>METROPOLIS:</b> €12,365.70 devoted to cover expenses aimed at participation in international meetings focused on the Habitat III process, the implications of the SDGs or metropolitan governance matters. The grant mainly covered the costs of travel and representation expenses.
<b>47,065.36€</b>	2. Transferred to Third Parties: CIB Working Group (VNG-Netherlands), <i>Cités Unies France</i> and <i>Cités Unies Liban</i> .
	<b>Capacity and Institution Building (CIB) Working Group, hosted by VNG International:</b> €25,000 to cover staff costs to support joint cooperation, contribution to UCLG advocacy, support to the Champions programme and learning activities.
	<b>The work of the Taskforce on Local Government Disaster Response hosted by <i>Cités Unies France</i></b> was supported with a contribution of €9,887.70, aimed at the preparation and follow-up of the World Humanitarian Summit (WHS) that took place in Istanbul (May 2016), and other activities implemented in order to help local authorities strengthen their role during or after a major crisis. The grant mainly covered expenses in the areas of travel and communication.
	<b><i>Cités Unies Liban:</i></b> €12,177.66 to boost advocacy activities in the region, especially before and after Lebanese municipal elections, which took place in May 2016, and to support the activities developed by the Lebanon Office aimed at strengthening the Secretariat and participation in national and international meetings.
<b>Total: 93,937.77€</b>	

The €46,872.41 have been allocated into expense accounts (accounting Group 6) of the entity and they have been recorded as a decrease in revenue from European Commission's OG at the end of the financial year.

**b. Balance sheet liabilities Grants and/or Programmes:**

Grants and/or programmes not transferred to the income statement at the end of the year for non-execution of the corresponding expenditure remain in the equity of the Entity and are shown in the following table:

<b>Account</b>	<b>Grants / Programmes</b>	<b>31.12.2016</b>
1320000003	CONGRESS BOGOTA 2016	-0,21
1320000016	CISDP	-50.917,97
1320000022	UN HABITAT	1.489,13
1320000046	DIPUTACIO BCN	-18.622,87
1320000053	CONGRESO RABAT 2013	-31.940,26
1320000056	MFA NORWAY CITY FUTURE 3	-20.097,69
1320000060	COMMITTEE ON CULTURE	-282.287,84
1320000061	FONDOS IULA	-61.660,99
1320000063	UN HABITAT - PREPCOM	-548,15
1320000064	ILO - GRANT	-24.411,11
1320000074	UE MIGRATION	-163.888,55
<b>TOTAL</b>		<b>-652.886,51</b>

**13. Operations with related parties**

There were no related party transactions considered binding in the absence of:

- Parent company
- Other group entities
- Joint ventures in which the Entity is a shareholder
- Associate entities
- Entities with joint control or significant influence over the Entity
- Key personnel of the Entity or of the parent company
- Other related parties

Members of the Presidency and the Treasurer have not received any remuneration to perform their functions or to attend statutory meetings organized by the Entity. The amount of the salaries, allowances and remuneration accrued in the course of 2016 by staff contracted by the Entity amounted to €1,773,309.22 (€1,650,125.23 in 2015).

No obligations relating to pensions or payment of life insurance premiums with regard to current and former members of the governing bodies or senior management personnel were incurred.

There are no advances or loans granted to senior management personnel or members of the governing bodies at the end of the financial year.

**14. Other information**

**a. Changes in the governing bodies, management and representation.**

The World Council held in Bogotá on 15 October 2016 elected the President of UCLG and appointed the new Co-Presidents.

- b. The number of employees per category at the end of the current year is presented in the following table. There are no employees with disabilities greater than or equal to 33%:

Category	Women	Men
SECRETARY GENERAL	0	1
SENIOR STAFF	3	3
PROGRAMME OFFICER	5	5
ADMINISTRATION	10	3
<b>TOTAL</b>	<b>18</b>	<b>12</b>

- c. The remuneration of the Auditors for their services amounted to €10,969.40, not including VAT (€10,781.87 not including VAT in 2015). For other services not related to the UCLG audit and corresponding to programme audits for 2016, they received €3,500.00 not including VAT (€3,500.00 not including VAT in 2015).

## 15. Budget realization

The following table shows the budget realization for 2016:

		<b>BUDGET 2016</b>	<b>TOTAL</b>
<b>INCOME</b>	Membership fees	1,100,000	1,235,977
	Promotion of the Congress 2016	280,000	348,363
	Programmes	749,700	710,816
	Other Incomes	150,000	147,407
	Sponsorship of the Congress 2016	150,000	150,000
	Operating Grant	1,084,250	1,084,250
	<b>Total Income</b>	<b>3,513,950</b>	<b>3,676,814</b>
<b>EXPENDITURE</b>	Salaries and social charges	980,000	940,819
	Fees	75,000	123,192
	Overheads	70,000	131,920
	Travel expenses and representation	85,000	152,404
	Communication and publications	15,000	17,673
	Promotion of the Congress 2016	280,000	348,363
	Sponsorship of the Congress 2016	150,000	150,000
	Programmes	749,700	710,816
	Operating Grant	1,084,250	1,084,250
	Depreciation	20,000	12,870
	Unforeseen costs	5,000	
	<b>Total Expenditure</b>	<b>3,513,950</b>	<b>3,672,307</b>
<b>RESULT</b>			<b>4,506.37</b>

## **16. Audit scope**

These financial statements have been subjected to the auditing of accounts, the scope of work for which was determined by the corresponding audit law. During the course of the audit, we made available for inspection the Administrative Procedures Manual, May 2015 version, as considered necessary, which is the document established by the Entity relating to internal control systems and management. No significant weaknesses in our internal controls were revealed in the course of the audit.

## **17. Events subsequent to year end**

At the date of formulation of the financial statements, there are no facts that we know of that would substantially change the statements, nor any further relevant facts to detail.

Barcelona, 1 June 2017

JOSEP ROIG MARTI  
SECRETARY GENERAL