

Financial Narrative

General

The detailed financial report for the nine months to March 31, 2016, is included in the following pages. In brief summary:

- Total expenses are 34% of the Spending Plan.
 - Operational expenses are 66%;
 - Preparation grants for the Mediterranean biodiversity hotspot related to the long-term visions have been signed, with agreements pending for a full Mediterranean biodiversity hotspot re-profiling and the profiling for the newly approved investment in the Mountains of Central Asia biodiversity hotspot;
 - Special Projects are 33%, with the majority of spending on the new CEPF grant system to occur during Q4;
 - Grant-making is 27% as a result of the schedule of call for proposals in various hotspots, resulting in CEPF planning to grant the remainder of its target in Q4.
- The balance available for investment based on secured funds is negative by \$20 million. However, this is the result of approvals made based on pledged funds which stand at \$51 million. Therefore, considering both secured and pledged funds, the balance available for investment is nearly \$23 million.
- CEPF is still in a strong cash positive situation with cash and investments on hand of approximately \$39 million.

Revenue

CEPF has received contributions during the fiscal year from:

- The Margaret A. Cargill Foundation of \$1.0 million in support of investments in the Wallacea biodiversity hotspot, and \$2.8 million in support of investments in the Indo-Burma biodiversity hotspot.

During the current fiscal year, the effect of the exchange rates on the unpaid balance of the contribution from the European Union is a gain of \$136,399. However, the cumulative effect of exchange rates on the unpaid balance of the contribution from the European Union is a loss of \$2,956,527. This loss has impacted the balance available for investment to CEPF but is mitigated by the pledged contributions from the Government of Japan through the World Bank as trustee, the Global Environment Facility through Conservation International as the project agency, and from Conservation International's pledge for Phase 3 announced during FY16 Q1.

Grant-Making

CEPF anticipates committing 73% of its grant-making budget during Q4 of FY16 as a result of the schedule of call for proposals in multiple biodiversity hotspots. As a result, new commitments so far this fiscal year are below the expected burn rate after Q3. Main observations on grant-making for the year are:

- CEPF committed total new grants of \$4,528,443, or 27% of the budgeted \$16,600,000;
- Payments on grants are 82% of the Spending Plan forecast of \$12,505,375.

Financial Narrative

Operational Costs

CEPF has spent 66%, or \$2,259,280, of the Total Operations and Management Costs budget of \$3,437,953 for the year.

Preparation / Ecosystem Profiles

CEPF has committed \$52,800 in preparation grants out of the budgeted \$350,000 to support the Long-Term Visions strategy and the development of the ecosystem profile preparation for re-investment in the Mediterranean and in the Mountains of Central Asia biodiversity hotspots.

Special Projects

The Special Projects budget is supported by interest earned through CEPF's bank accounts and investments. The priorities funded this year through the Special Projects budget of \$604,761 are the audit fee; fundraising and special events; and an upgrade to CEPF's grants management system (work in progress to be operational in September 2016). Actual expenditures on Special Projects total \$200,872, representing 33% spent. The majority of payments related to the upgrade of the grants management system will occur in Q4.

CEPF Investments

As approved by the Donor Council in June 2014, \$30 million of cash was transferred into a conservative bond portfolio, managed by the Arbor Group at UBS. The investment strategy is to hold the securities until maturity; as a result, the focus is on the accrued interest (net of fees) rather than the changes in market value. As of March 31, 2016, the interest earned and accrued (net of fees) is \$480,580.

CEPF Quarterly Report
Income Statement for 9 Months Ending 03/31/16

<i>Revenue - CEPF</i>	Current Year
Contributions	3,936,399
Gain/(Loss) on EU Foreign Exchange ¹	136,399
Regional Donors ⁷	3,800,000
Bank Interest Earned	298,344
Total Revenue	4,234,743

<i>Grants by region</i>	Grants Awarded³ 07/01/15 - 03/31/16			Payments on Grants⁴ 07/01/15 - 03/31/16		
	FY16 Approved Spending Plan	Actual YTD⁹	%	FY16 Approved Spending Plan	Actual YTD	%
Caribbean	-	(114,794)	0%	877,054	659,729	75%
Caucasus	-	(7,187)	0%	21,875	36,563	167%
Cerrado	1,000,000	-	0%	125,000	-	0%
East Melanesian Islands	2,500,000	205,359	8%	1,278,386	707,244	55%
Eastern Afromontane	2,500,000	744,574	30%	2,202,006	2,472,559	112%
Eastern Arc Mountains & Coastal Forests	-	(22,891)	0%	42,323	6,667	16%
Guinean Forests of West Africa Reinvestment	1,500,000	-	0%	187,500	-	0%
Indo-Burma Reinvestment	1,500,000	1,279,565	85%	2,637,240	1,877,446	71%
Madagascar & Indian Ocean Islands Reinvestment	2,500,000	1,172,992	47%	762,500	582,929	76%
Maputoland-Pondoland-Albany	-	1,507	0%	346,222	280,229	81%
Mediterranean	600,000	256,697	43%	2,531,077	2,329,306	92%
Mountains of Southwest China	-	-	0%	14,176	24,346	172%
Multiple Hotspots	-	-	0%	-	-	0%
Tropical Andes Reinvestment	2,500,000	-	0%	537,500	509,552	95%
Wallacea	2,000,000	1,044,895	52%	622,442	578,308	93%
Western Ghats & Sri Lanka	-	(32,274)	0%	320,074	154,009	48%
Total Grants	16,600,000	4,528,443	27%	12,505,375	10,218,887	82%

<i>Operational Costs</i>	Spending plan	Actual YTD	%
Operating Costs	2,854,258	1,875,859	66%
Management Fee	583,695	383,421	66%
Total Operations	3,437,953	2,259,280	66%

<i>Preparation</i>			%
Total Preparation	350,000	52,800	15%

<i>GEF-PPG</i>			%
Total PPG²	-	75,105	0%

<i>Special Projects</i>			%
Audit Fee	45,000	40,000	89%
Fundraising & Special Events	119,761	19,617	16%
New CEPF Grant System ⁵	440,000	141,256	32%
Total Special Projects	604,761	200,872	33%

Total Expense	20,992,714	7,116,499	34%
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Fund Balance at 03/31/16

Bank Balance	9,101,533
Investments ⁶	30,480,580
Accounts Receivable ⁸	5,619,316
European Union	3,678,102
The Leona M. and Harry B. Helmsley Charitable Trust	300,000
Margaret A. Cargill Foundation	1,500,000
Mava Foundation	141,214
Grants Payable	(17,522,396)
Amount due (to)/from CI	232,004
Total Fund Balance	27,911,038

¹ Gain/(Loss) on Foreign Exchange: Due to foreign exchange rate change applied to the unpaid contribution from the EU (entrusted to the WB) from June 30, 2015 to March 31, 2016 of 1.1094 to 1.1312. Total multi-year change is a loss of -\$2,956,527.

² Global Environment Facility (CI Project Agency): Contribution in FY15 of \$200k was for Project Preparation Grant (not included in the Spending Plan), ended September 30, 2015. \$125k was spent in FY15, and the remainder was spent in FY16 Q1.

³ Grants Awarded: Negative amounts represent grant deobligations.

⁴ Payments on Grants: Includes payments on grants awarded in prior years.

⁵ Upgrade of CEPF grant management system approved by Donor Council in January 2014.

⁶ Investments: \$30M transferred to UBS investment account in December 2014.

⁷ Regional Donors: The Margaret A. Cargill Foundation (\$1.0M for Wallacea and \$2.8M for IndoBurma).

⁸ Accounts Receivable, Dates & Amounts: Helmsley (01/31/17 - \$300k); Mava (02/28/16 - \$141k); Cargill (05/31/17 - \$840k; 05/31/18 - \$660k). All other funders are invoiced based upon quarterly cash advance requests.

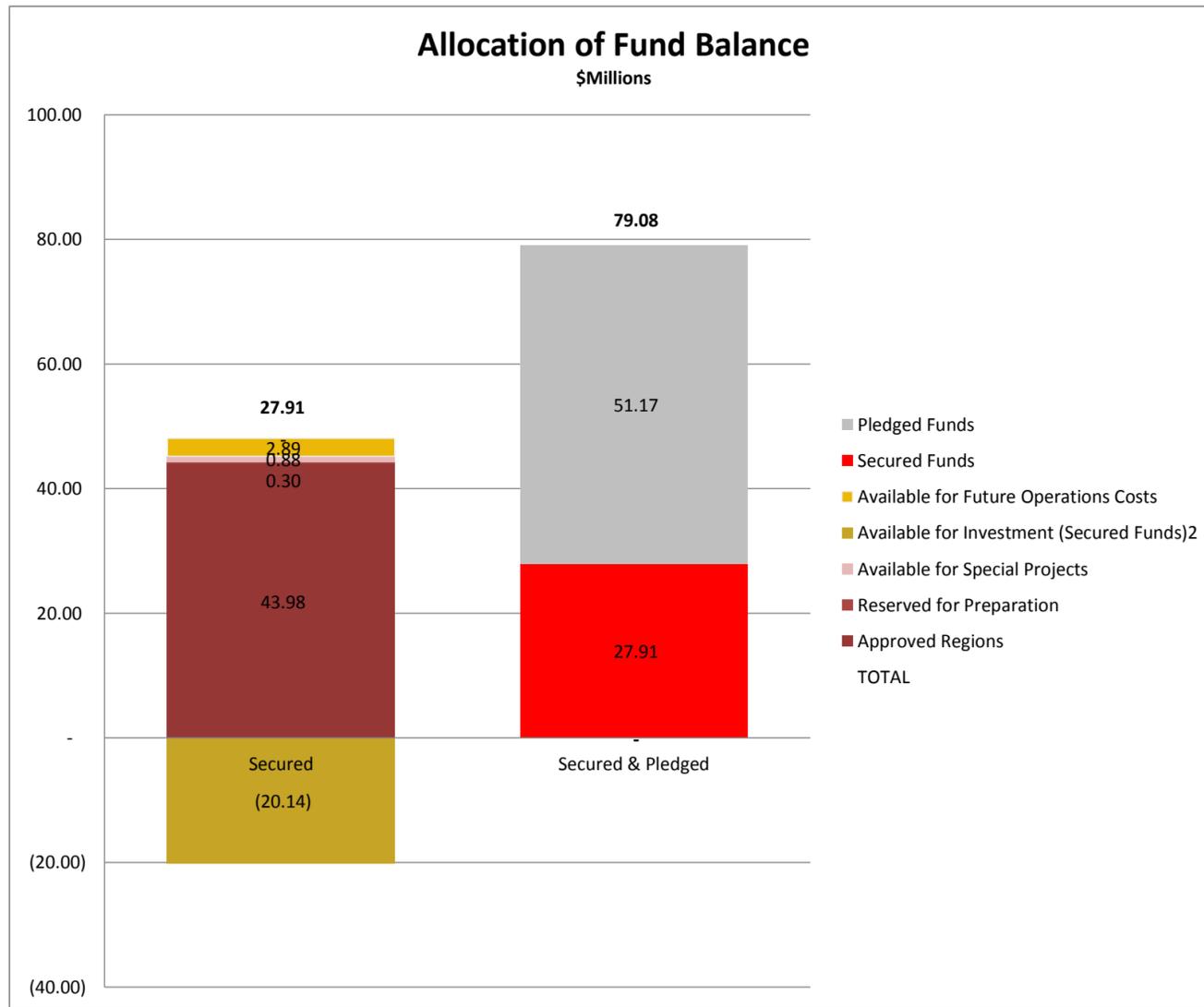
⁹ Grants Awarded, Actual YTD: CEPF plans on committing 73% of grants in Q4 as a result of the business cycle for Call for Proposals.

Summary of Available Resources as of 03/31/16

Revenue to Date	273,653,051	
Expenses to Date	245,742,014	
Fund Balance		27,911,038
Allocated to:		
Reserved for Preparation	297,200	
Approved Regions	43,978,586	
Available for Future Operations Costs	2,891,781	
Available for Special Projects	881,797	
Available for Investment (Secured Funds) ²		(20,138,327)
Pledged Funds ¹		
Operations Costs on Pledged Funds	51,173,000	
Preparation	7,675,950	
Balance for Investment (Pledged Funds)	600,000	42,897,050
Total Available for Investment - secured and pledged funds		22,758,723
Total Available Resources - secured and pledged funds		79,084,038

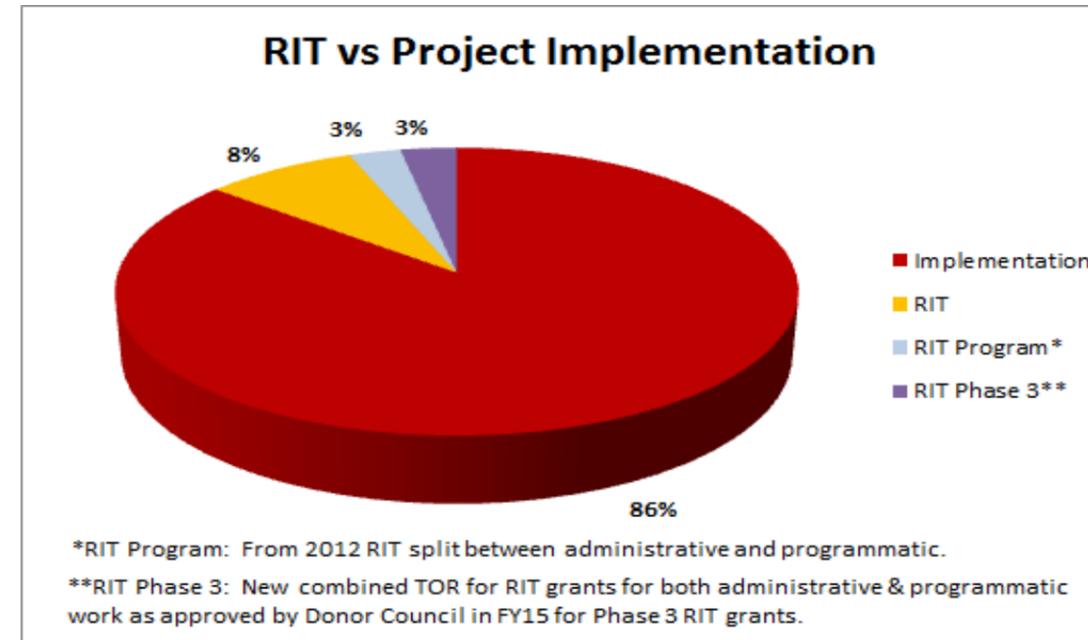
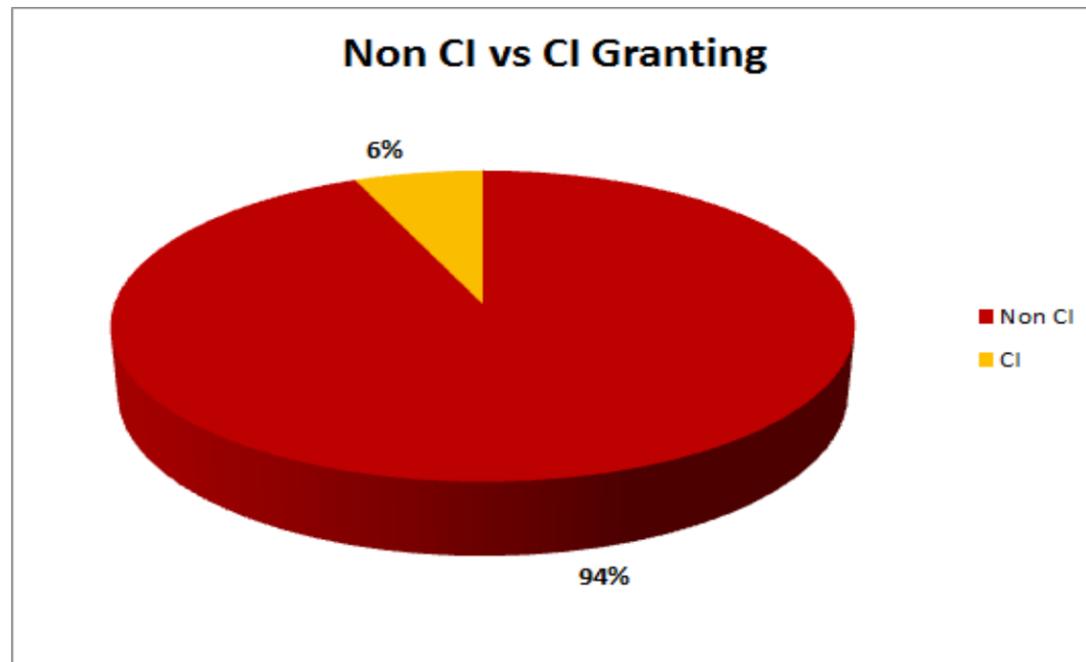
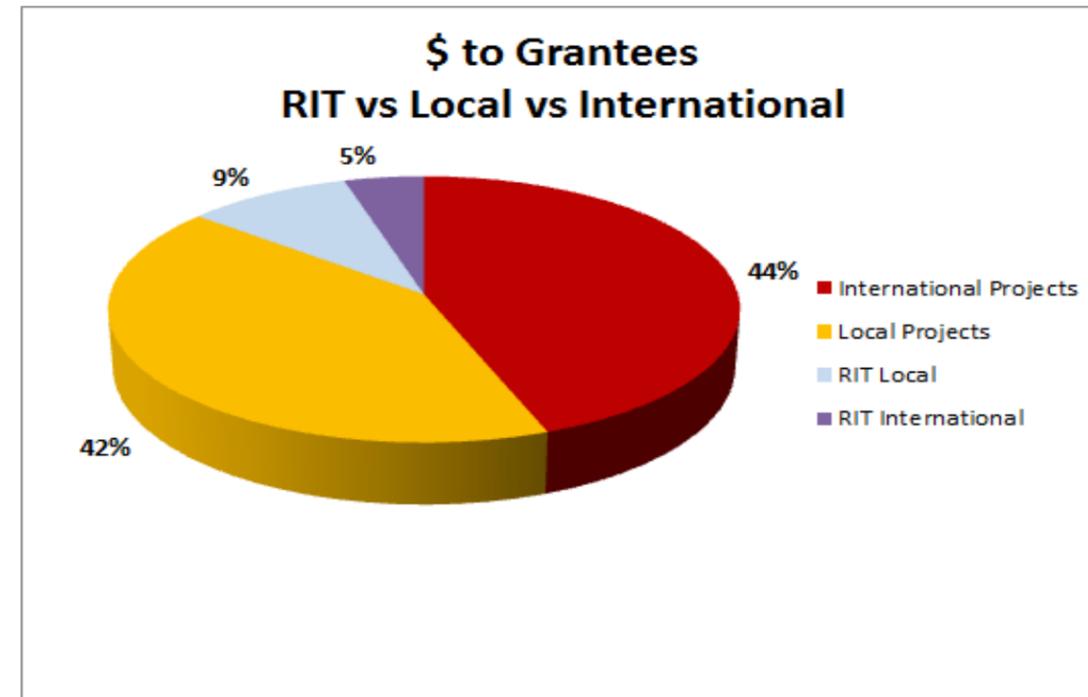
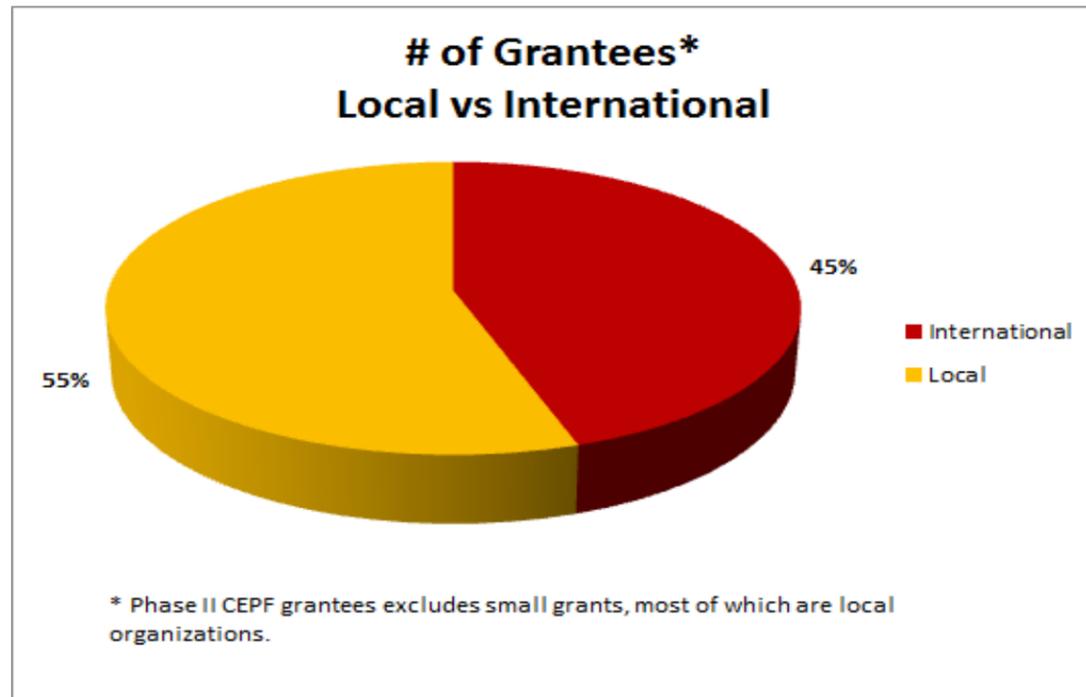
¹ Includes \$14,813,000 from the Government of Japan; \$1,560,000 from The World Bank; \$9,800,000 from the Global Environment Facility; and \$25,000,000 from CI.

² The secured funds available for investment are in a temporary deficit. Approval for increased spending authorities was granted based on Pledged Funds as noted in footnote 1 above. The deficit will reverse once agreements for these pledges are signed.



CEPF Phase II Grant Portfolio as of 03/31/16

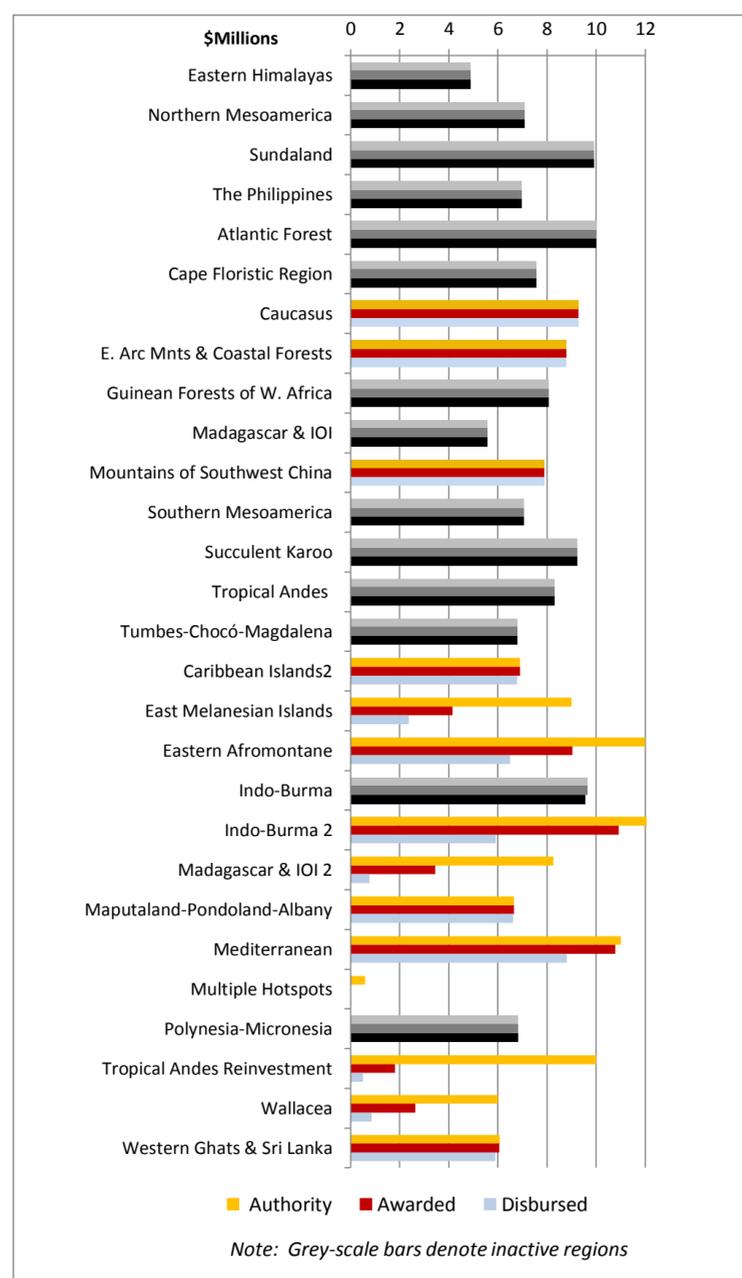
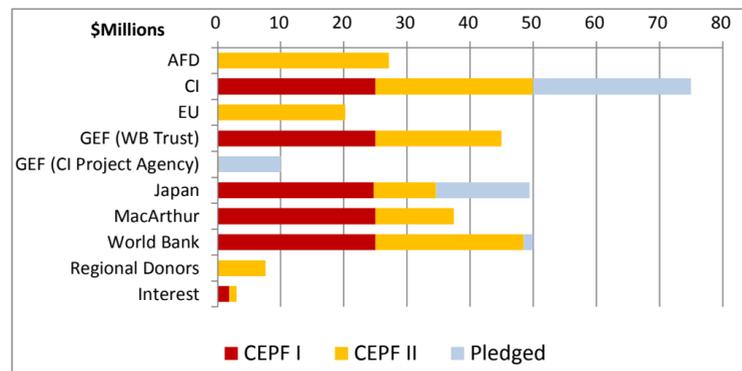
Number of Grantees:	502
Amount Granted (US \$000s):	\$ 97,260



CEPF Quarterly Report
Income Statement from Inception to 03/31/16 (US \$000s)

Revenue	CEPF I	CEPF II	Total	Pledged
l'Agence Française de Développement	0	27,117	27,117	0
Conservation International	25,000	25,000	50,000	25,000
European Union	0	20,199	20,199	0
Global Environmental Facility (WB Trust)	25,000	20,000	45,000	0
Global Environmental Facility (CI Project Agency)	0	200	200	9,800
Government of Japan	24,750	9,875	34,625	14,813
MacArthur Foundation	25,000	12,425	37,425	0
The World Bank	25,000	23,440	48,440	1,560
Regional Donors ¹	0	7,630	7,630	0
Interest earned	1,871	1,147	3,017	0
Total Revenue to Date	126,621	147,032	273,653	51,173

Expense	CEPF I	CEPF II	Total	Total	CEPF II
Grants by region	Awarded	Awarded	Awarded	Disbursed	Balance
CEPF I only					
Eastern Himalayas	4,883	0	4,883	4,883	0
Northern Mesoamerica	7,079	0	7,079	7,079	0
Sundaland	9,901	0	9,901	9,901	0
The Philippines	6,970	0	6,970	6,970	0
CEPF I and CEPF II consolidation					
Atlantic Forest	7,615	2,395	10,010	10,010	0
Cape Floristic Region	5,966	1,585	7,551	7,551	0
Caucasus	8,298	990	9,288	9,288	0
E. Arc Mnts & Coastal Forests	7,064	1,726	8,790	8,787	0
Guinean Forests of W. Africa	6,165	1,907	8,073	8,073	0
Madagascar & IOI	4,170	1,386	5,556	5,556	0
Mountains of Southwest China	6,535	1,351	7,886	7,888	0
Southern Mesoamerica	5,411	1,636	7,047	7,047	0
Succulent Karoo	7,834	1,387	9,221	9,221	0
Tropical Andes	6,130	2,157	8,287	8,287	0
Tumbes-Chocó-Magdalena	4,952	1,846	6,798	6,798	0
Consolidation (unallocated)	0	0	0	0	56
CEPF II only					
Caribbean Islands ²	0	6,904	6,904	6,786	(4)
East Melanesian Islands	0	4,158	4,158	2,363	4,842
Eastern Afromontane	0	9,034	9,034	6,493	2,966
Indo-Burma	0	9,657	9,657	9,539	0
Indo-Burma 2	0	10,928	10,928	5,914	1,893
Madagascar & IOI 2	0	3,448	3,448	765	4,817
Maputaland-Pondoland-Albany	0	6,647	6,647	6,617	3
Mediterranean	0	10,782	10,782	8,812	235
Multiple Hotspots	0	0	0	0	600
Polynesia-Micronesia	0	6,829	6,829	6,829	0
Tropical Andes Reinvestment	0	1,800	1,800	510	8,200
Wallacea	0	2,644	2,644	848	3,356
Western Ghats & Sri Lanka	0	6,061	6,061	5,897	16
Total Grants to Date	98,974	97,260	196,234	178,711	26,979
Other Expenses to Date					
Preparation	6,714	3,809	10,523		
GEF-PPG	0	200	200		
Special Projects	349	1,787	2,136		
Operations Costs	17,659	18,991	36,650		
Total Other Expenses to Date	24,722	24,787	49,508		
Total Expense	123,695	122,047	245,742		
Fund Balance			27,911		



¹ Regional donors include Margaret A Cargill Foundation for Indo Burma Reinvestment and Wallacea; Mava Foundation for the Mediterranean; and The Leona M. and Harry B. Helmsley Charitable Trust for Madagascar & Indian Ocean Islands.

² Caribbean Islands is temporarily overspent against Spending Authority and will reverse on deobligations.