

**Critical Ecosystem Partnership Fund  
32<sup>nd</sup> Meeting of the CEPF Donor Council  
2011 Crystal Drive, Suite 500  
Arlington, USA  
6 February 2018  
8:00 a.m. – 11:00 a.m.**

**Financial Narrative**

**CEPF Quarterly Report | Financial Narrative**

**General**

The detailed draft financial report for the five months to November 30, 2017 is attached.

In summary:

- Total expenses are 32% of the Spending Plan.
  - Operational expenses are on-track at 42%.
  - Special Projects are at 8%, with the work related to the annual audit completed but yet to be paid, and ongoing work related to the development of the new grants management system, “ConservationGrants”, as well as work related to CEPF’s new website, ongoing with scheduled payments later in the fiscal year.
  - Preparation awards for new hotspots are pending, with the activity so far this year related to the long-term vision for the Albertine Rift and Eastern Arc Mountains.
  - Grant awards achieved 31% of the Spending Plan target. CEPF plans to enter three new hotspots during FY18 (Caribbean re-investment, Mediterranean re-investment, and Mountains of Central Asia), totaling \$4,850,000 of the target. Therefore, the timing of selection and engagement with the Regional Implementation Teams for these new regions will impact the burn rate throughout the year for grantmaking. The RIT has been selected and contracted for the Mediterranean re-investment.
- The balance available for investment based on secured funds is negative by \$11,583,085. However, this is the result of spending authority approvals made based on pledged funds which equal \$14,813,000. Therefore, considering both secured and pledged funds, the balance available for investment is positive at \$1,007,965.
- CEPF is still in a strong cash positive situation with cash and investments on hand of approximately \$22,397,756.

**Revenue**

CEPF has not yet received new contributions during the fiscal year. The contribution of \$25 million from Conservation International made on September 9, 2015 is now reflected as a commitment rather than a pledge since it is being called upon to fund investment in the Mediterranean re-investment.

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 \$37,245. The cumulative effect of exchange rates on

the contribution from the European Union is a loss of \$2,939,888. This loss has impacted the balance available for investment to CEPF, but is mitigated by the pledged contribution from the Government of Japan through the World Bank as trustee.

### **Grantmaking**

CEPF committed 31% of its grantmaking budget for FY18. Additional progress against the FY18 target is outlined in the summary section of this narrative report. Payments on active grants achieved 43% of the annual target, with \$5,320,720 disbursements as of FY18 Q1 against the budget of \$12,260,000.

### **Operational Costs**

CEPF spent 42% or \$1,352,198 of the Total Operations and Management Costs budget of \$3,249,906 for the year.

Over the life of the program, Secretariat Operations remains at 15% of costs (excluding Special Projects funded from interest earnings on CEPF's bank accounts and investments).

### **Preparation / Ecosystem Profiles**

CEPF committed \$50,000 in preparation awards out of the budgeted \$650,000 towards the development of the long-term vision for the Albertine Rift and Eastern Arc Mountains. The majority of the budget will target the development of two new hotspot profiles yet to be agreed with the Donor Council contingent upon Phase III contributions.

### **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 \$162,000 are the annual audit; fundraising efforts; an upgrade to CEPF's grants management system and website. Many of these costs have not yet been incurred and will come later in the fiscal year based on payment schedules to contracted parties. Expenditures on Special Projects total \$13,403 representing 8% spent of the approved budget in this category.

### **CEPF Investments**

As approved by the Donor Council in June 2014, \$30,000,000 of cash was transferred into a conservative bond portfolio, managed by the Arbor Group at UBS. As of November 30, 2017, the interest income (net of fees) is \$715,411. Unrealized gains/losses are excluded from reported income. In FY17, CEPF began discontinuing re-investment in the investment portfolio. This will result in a declining interest income generation until the portfolio is ended which is planned to occur in calendar year 2018. The balance held in the account on November 30, 2017 is \$18,291,546.