

## Financial Narrative

---

### General

The detailed financial report for the nine months to 30 June 2018 is attached.

In summary:

- Total expenses are 81% of the Spending Plan.
  - Operational expenses were 98% of budget.
  - Special Projects were 90% of budget, for work related to the annual audit, the development of the new grants management system, “ConservationGrants,” as well as work related to CEPF’s new website.
  - Preparation activity during the year was related to the long-term vision for the Albertine Rift and Eastern Arc Mountains, and an evaluation of the Caribbean RIT performance from the last round of investment in that hotspot.
  - Grant awards achieved 80% of the Spending Plan target. CEPF planned to enter three new hotspots during FY18 (Caribbean re-investment, Mediterranean re-investment, and Mountains of Central Asia), totaling US\$4,850,000 of the target. Contracting in the Mediterranean re-investment began this year; however, contracting did not take place for the Caribbean re-investment nor the Mountains of Central Asia which combined for US\$3,050,000 of the FY18 target and is the cause for the lower achievement against the annual target of FY18.
- The balance available for investment based on secured funds is negative by US\$11,043,775. However, this is the result of spending authority approvals made based on pledged funds which equal US\$14,813,000. Therefore, considering both secured and pledged funds, and after accounting for projected operating costs, the balance available for investment is positive at US\$1,547,275, and completion of planned activities will depend on successful negotiation of those pledged funds.
- CEPF is still in a cash positive situation with cash and investments on hand of approximately US\$16,781,738.

### Revenue

CEPF did not receive new contributions during the fiscal year. The commitment of US\$25,000,000 from Conservation International made on 9 September 2015 is reflected in FY18 as a commitment rather than a pledge since it is now being called upon to finance 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 loss of US\$2,362. The cumulative effect of exchange rates on the contribution from the European Union is a loss of US\$2,979,495. This loss has impacted the balance available for investment to CEPF. CEPF proactively manages anticipated gains or losses due to foreign currency rates by adjusting planned activities accordingly.

### Grantmaking

CEPF committed 80% 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 106% of the annual target, with US\$12,996,632 disbursements against the budget of US\$12,260,000.

### Operational Costs

CEPF spent 98% or US\$3,196,195 of the Total Operations and Management Costs budget of US\$3,249,906 for the year.

### **Preparation / Ecosystem Profiles**

CEPF committed US\$82,693 in preparation awards out of the budgeted US\$650,000 toward the development of the long-term vision for the Albertine Rift and Eastern Arc Mountains and an evaluation of the RIT performance in the Caribbean hotspot from the prior round of investment in that hotspot. The full budget was not utilized since CEPF did not conduct two additional profiles as had been planned entering FY18.

### **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 US\$162,000 were the annual audit, fundraising efforts, and upgrades to CEPF's grants management system and website. Expenditures on Special Projects total US\$146,180, representing 90% spent of the approved budget in this category.

### **CEPF Investments**

As approved by the Donor Council in June 2014, US\$30,000,000 of cash was transferred into a conservative bond portfolio, managed by the Arbor Group at UBS. As of 30 June 2018, the interest income (net of fees) is US\$782,775. 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 or early 2019. The balance held in the account on 30 June 2018 is \$5,658,909.