

Financial Narrative

General

The detailed financial report for the twelve months to 30 June 2019, is attached.

In summary:

- Total expenses are 82% of the Spending Plan.
 - Operational costs were 94% of the category budget.
 - Special Projects were 85% of the category budget, for work related to the annual audit, website improvements, fundraising efforts, and the final independent evaluation of the World Bank DGF grant
 - Profile Preparation was not planned for FY19 and incurred no costs.
 - Grant disbursements achieved 102% of the Spending Plan payments target of \$15,185,000.
 - Grant awards achieved 79% of the Spending Plan new awards target including pending hotspots, but 104% of the active hotspots.
- The balance available for investment based on secured funds is negative by \$15,132,351. However, this is the result of spending authority approvals made based on pledged funds from the Government of Japan which equal \$14,813,000. During Q3, The European Union officially pledged €13,000,000, of which €12,264,151 will be made available to CEPF after accounting for budget reserved for AFD administration. Therefore, investment in the two pending regions of Caribbean re-investment and Mountains of Central Asia will depend on successful negotiation of those pledged funds.
- CEPF is still in a cash positive situation with cash and investments on hand of \$12,484,767, the sum of advances held in the CEPF Phase 2 bank account plus advances held in the CI Operating account on behalf of CEPF per donor agreements.
- During Q2, no-objection approval was secured to increase the Spending Authorities of Guinean Forests of West Africa and Madagascar and Indian Ocean Islands hotspots, related to the additional funding provided by l'Agence Française de Développement. These increased authorities have been incorporated into the planning figures.

Revenue

In September, CEPF signed a new funding agreement with l'Agence Française de Développement of €6,000,000 to support Guinean Forests of West Africa and Madagascar and Indian Ocean Islands hotspots.

In January, CEPF signed a new funding agreement with l'Agence Française de Développement of €200,000 to support the preparation of the full project proposal to the Green Climate Fund related to ecosystem-based adaptation applied to small islands developing states in two biodiversity hotspots. This work is expected to conclude by the end of calendar year 2019.

CEPF receives awards from certain donors in non-USD currency. During the current fiscal year, the effect of exchange rates on the awards denominated in currency other than USD was a loss of \$239,424. Any gain or loss impacts 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 79% of its grantmaking budget for the current fiscal year, signing a total of \$9,765,693 new awards against a budget of \$12,400,000. CEPF had planned to enter two new hotspots during FY19 (Caribbean re-investment, and Mountains of Central Asia), totaling \$3,000,000 of the total new awards target of \$12,400,000, which could not happen in FY19. Awarding subgrants in those two hotspots was contingent upon additional fundraising eligible for use in those new hotspots which did not materialize in time.

Payments on active grants achieved 102% of the annual target, with \$15,498,881 disbursements against the budget of \$15,185,000.

Operational Costs

CEPF spent 94% or \$3,272,134 of the Total Operations and Management Costs budget of \$3,487,708 for the year.

Preparation / Ecosystem Profiles

CEPF did not plan new profile preparation grants during FY19. Additional profiles will be considered depending on new funding commitments.

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 \$343,332 were the annual audit; fundraising efforts; and ongoing upgrades to CEPF's grants management system and website, as well as certain donor-earmarked activities including the CI-GEF mid-term evaluation and the World Bank's DGF final evaluation. Expenditures on Special Projects totaled \$236,780 representing 69% 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 June 30, 2019, the interest income (net of fees) is \$820,775. 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 2019. The balance held in the account on June 30, 2019 was \$1,696,910. This balance was primarily held in cash, and will be fully liquidated, closed, and transferred to the CEPF primary operating account in the quarter following the date of this report.