

**EUROPARC Federation
Report to General Assembly 2013
10th October 2013**

Paper no 2

Title:

Treasurer's Report

Summary:

Fiscal Year 2012

Recommendations:

- ❖ To note the report

EUROPARC Federation reserves level

As a member association operating as a NGO, finances of our organisation can never be fully assured. We rely principally on the income from our membership. Yet our membership is mainly derived from public institutions, whose own finances are under threat due to the economic crisis.

We rely on income generated by our members who pay for an organisation to represent them and deliver products, programmes and services that will enable members who wish to utilize them, the opportunity to learn from European experience and improve the management of their protected areas.

Therefore as a NGO, EUROPARC has to survive in this scenario. As a result of the strong support received by members, the Federation has been able to maintain its operations, despite being like all NGO's financially vulnerable.

Part of our strategy for a good and financial condition is the level of our reserves that represent an important part of our short and medium term operating ability. From that point of view we are being able to maintain our profit reserve at a normal level as it can be seen in the next table:

	2012	2011	2010	2009
Profit Reserve EUROPARC Federation	293.954,67€	294.619,97€	168.407,79€	259.672,60€ €

Given the present economic situation the Council and Directorate consider we are holding our economic position, despite the financial crisis around us.

However constant efforts must be made by the Directorate, Council and indeed members if we hope to secure our future and remain financially viable, and in so doing ensure we continue to play an important part in protecting Europe's natural heritage.

Outlook for Fiscal year 2012

This report is an analysis and explanation of the figures contained in the balance sheet and financial statement received from our auditors and focuses on financial year (FY) 2012, starting from the 1st of January 2012 and ending on the 31st of December 2012.

1. Internal changes at account procedures level

During 2012 we have been able to consolidate the changes in procedures related with the new member staff and the change for the new auditor consultant.

We are pleased with the results allowing EUROPARC to have a more efficient system for the financial procedures.

2. The specific case of the EUROPARC Consulting as an asset from EUROPARC Federation

In FY2011 the new auditor proposed, in order to correct the balance, that EUROPARC Consulting should be integrated as an asset (+€118.000) making this way the correct account procedure, after the initial investment to set up the company. At the end of 2012 the German Tax Agency interpretation was clear stating there was no need to pay any tax on this asset concerning the past 3 years of tax declaration.

3. Auditor's report for FY 2012

In February 2013 the EUROPARC Federation's auditors, from Solidaris Revisions-GmbH WPG StBG, Laimer Str. 23, D-80639 München audited our accounts. The audit is made in accordance with the rules of the "Institut der Wirtschaftsprüfer (IDW) – German Public Association of Accountants". A summary of the balance sheet and financial statement is in the annual report 2012. You can find it in the members' library in the members' area of the EUROPARC Federation's website www.europarc.org/members.

Finally there hasn't been registered no deficiencies or material weaknesses and they have produced a positive report.

4. Revenues, expenses, and other changes in Net Assets

The starting balance on 1st January 2012 amounted to €353.722,70. The cash balance at the beginning of the period was €229.009,70. The main figures of this FY2012 are the following:

- The income received during the FY2012 amounted to €402.245,37, down from €624.413,29€ in 2011, representing a decrease of 36%.
- Total expenditure in FY 2012 amounted to €402.910,67 in 2012, down from €498.201,11 in 2011, representing a decrease of 24%.
- Membership fees invoiced to member organizations increased by €1.663,35, amounting to €310.783,00 overall, but due to the fact of increasing number of strike off members the real membership income is decreasing.
- There was no income from the European Commission core grant in 2012.
- Net cash flow result of the Federations operations was a minus of €665,30.

The final result of minus of €665,30 for the FY2012 is a negative result, mainly due to the fact we didn't had the NGO grant, we had less membership fees and project income than in 2011. But the final result could have been worse if it wasn't the big reduction on costs (personnel, projects).

When we compare 2012 with 2011 values the income reduction was important (36%), but if we consider the 2011 income without the EUROPARC Consulting asset of €118.000, the income losses was only of 21%, still important but lower than the cost reduction of 24%.

The FY2012 results confirms the trend that was already identified, the reduction in membership fees and the lack of the core grant from the European Commission are making every year a constant need to use our reserves endangering our long term viability.

5. Membership new admissions and strike off

Membership fees are vital to our organization because they represent the core funding for us to exist and provide a service to our members. This is the state of art in 2012 and with a forecast for 2013:

Membership Information 2010, 2011, 2012 and 2013

Date	Total number of members	Number of countries	Membership fees invoiced as shown in the annual report	Actual income on December 31st	Receivable fees as of 31st December	Comments
31.12.2010	429	36	320.778,12 €	294.428,12 €	26.350,00 €	32.600 € written off in December 2010
31.12.2011	416	35	309.119,65 €	275.450,65 €	33.669,00 €	26.637 € written off in December 2011
31.12.2012	396	33	310.783,00 €	252.977,00 €	57.806 €	25.219 € written off in December 2012
31.07.2013	406	36	329.982,50 €	242.050,75 € *As of 31.07.2013	87.931,75 € *As of 31.07.2013	36.400 € may be written off in December 2013

Debts written off and new admissions in 2012:

During 2012 we have lost 34 members from 8 countries that were written off with a correspondent loss of €25.219 in fees. Furthermore 6 members from 4 countries resigned with a correspondent loss of €3.510 in fees.

During 2012 we have had the admission of 20 new members from 10 countries (with 2 new countries) corresponding to an income of €15.632 in fees.

The current rate of payment in July for 2013 is at 73%. If membership fee payments stay at the current rate EUROPARC expects to write off 53 members from 9 countries with a correspondent loss of €36.400. Since members are written off after two years of non-payment, the Federation would also lose these members' membership fee from 2012 which would add up in a total loss of €72.800.

Table of membership numbers past 4 years

	Year 2012		Year 2011		Year 2010		Year 2009	
	Number of members	% to total	Number of members	% to total	Number of members	% to total	Number of members	% to total
New admissions	20	5%	31	7%	21	5%	30	7%
Written off	34	9%	39	9%	18	4%	62	14%
Resignations	6	1%	5	1%	7	2%	1	0%
Total losses	40	10%	44	11%	25	6%	63	15%
Balance admis/loss	-20	-5%	-13	-3%	-4	-1%	-33	-1%
Total members	396	100%	416	100%	429	100%	433	100%

The variation in numbers for the last 4 years tends to a clear loss trend for the balance between admissions and losses that is increasing in spite new admissions. Resignations are stable and almost negligible (<1%).

Similarly the variation in membership in each category has remained constant for several years with currently: a) 64% individual protected areas; b) 8 % agencies; c) 25% NGO's and d) others only 3% have entered the new lower category of supporting organisation.

We are dealing with a situation where most probably members don't want to resign and are stroke off because they cannot get the funds to pay the fees. Due to the actual rule at the point of striking off a member the Federation will have lost 2 years fees with a more significant financial loss.

6. Conclusions an final comments

The trend we were expecting to 2012 in last year's report has been confirmed. We had a negative result with bigger loss in terms of members and income.

The fact that there was no NGO operating grant in the past two years has made it more difficult to the Federation, obliging the Directorate to make a very restrictive approach to cost management.

Thanks to our reserves, so far it has been possible to face this deficit that is becoming more and more structural and once more we had the need to increase the cash flow for the current account.

In spite being a negative result in 2012, the figure was manageable (less than €1.000) thanks to the enormous effort in cost reduction.

When managing NGO's the effort in cost reduction has a limit since we cannot reduce forever the structure with the risk of losing efficiency on our role as Federation.

We have received NGO operating grant in 2013 that is been strategic to reinforce the income and allow us to provide sufficient services to members.

Yet the major problem of our Federation is still to be solved in the sense the loss of membership fees from members being written off is becoming a structural trend that need reflection and action.

Membership fees as already said are the main finance income for the core activities of the Federation.

For 2013 we are expecting a bigger problem in what concerns the membership fees. In fact and in spite having an increase in the number of members (10 more in a total of 406) and an increased value invoiced (€19.200 more in a total of €329.983) we have now (by 31st July) a risk of losing more income (€30.126 more in a total of €87.932) representing already 20% of our income for 2012.

As said in last year's report, using the reserves at this rate will make only possible to continue for two-three more years.

We are in a transition of EU funding periods therefore it is expectable that we will have two more years (2013-2014) of shortage of funding opportunities at EU level, in spite the relevant effort made by the staff presenting projects.

Finding other solutions is not easy but we do need to insist and look for new opportunities in ways of funding ourselves as well as new ways of providing services to our members. We are no different from the general panorama of NGO all over Europe facing the same difficulties and in that context we believe we are making our way better than expected.

This year of 2013 we are celebrating our 40th anniversary. Many years have passed since the beginning, some better some worst in what concerns financial matters, but the simple fact we have reached 40 years of existence it is the best way of proving our capacity and the best incentive to keep on going with the work supporting our members in Nature Conservation and Sustainable Development in Protected Areas of Europe.

This is an achievement of all of us. Congratulations!

Respectfully,

Paulo Castro, Treasurer EUROPARC Federation

31st August 2013