

EUROPARC Federation

Report to Council

March 6th 2010



Title:

Report of Financial Statement of the EUROPARC Federation

Summary :

Summary of the financial overrun for 2009, and implications for the budget for 2010

Recommendations:

To note

Report to EUROPARC Council

2009 budget and actual end year overrun and 2010 current budget

Overview

During 2009 EUROPARC experienced difficulties in the management of bookkeeping and financial information. This resulted in the Director and Treasurer having limited access to reliable, accurate and timely information.

Financial decisions made throughout 2009 were taken in that context and as such all previous reports to council and general assembly contained erroneous data.

The Directorate apologise unreservedly to the President, Treasurer and Council for this failure in standards, and give the assurance that steps to ensure such practices will not be repeated.

The entire accounts for 2009 were redone by an external contractor in December 2009 and have now been passed to the auditor. It is hoped to have his findings by 6th March 2010.

Circumstances meant that corrective action was difficult during 2009, however this situation is now in the process of being rectified, with new professional bookkeeping and financial services outsourced. This will result in increased costs during 2010 and will have a impact on the Federation financial capacity and will significantly reduce the reserves. However to take no action would be as costly with no improvement in service.

Table 1. Overview of 2009 accounts

Part A: Eligible expenditure/costs categories	2009 budgeted	2009 actuals	2010 budgeted	Part B: Income and revenues	2009 budgeted	2009 actuals	2010 budgeted
Personnel	390474	370382	364608	Contribution requested from the Commission by the present application	101,600	101,600	101,600
Travel and subsistence	88,260	97,329	47,989	Contribution of the applicant (beneficiary)	24,322	64,752	50,263
Rental, equipment and depreciation	36,100	27,457	46,450	Membership fees	366,958	320,601.	346569
External assistance / Subcontracting	32,600	77,314	18,150	Co-financing from member organizations			
Other direct costs	34,110	42,052	37,645	Other sources of co-financing	88,214	83,689	9,000
Overheads / General administration	21,750	34,823	34,290	Other revenues	22,200	78,714	41,700
TOTAL	603,294	649,357	549,132	TOTAL	603,294	649,357	549,132

In overall terms an overspend of **46,063E**

Some points of clarification;

We create a budget based on the information required by the NGO grant application. This has serves us well. However, one of the flaws of this EU application/report is that we have to show the 100% possible membership income as income this is never realised. In 2009 we achieved a

Council further decided to write of the accumulating bad debt ,of “members” who were being included in our potential income, this amounted to **33,825.26 E** of bad debt. This was “absorbed” in the **64,752 E** “contribution”

Currently there are **24,958.63 E** of open membership invoices for 2009..(unpaid fees). When books closed on 31st Dec. We may recover some of that .

The largest area of overspend was in the 100years projects, with additional unbudgeted costs for financial audit and legal fees . There were also overspends in some travel lines associated with council operations.

We did however realise new extra income , for the 100years, and a generously large donation **50,000 E** in total , from EUROPARC consulting

The Federation has been able to absorb this bad debt and overspending but means that our reserves (cash in bank) have gone down from

272,000E in 2008 to 145,000E

That amounts to 3 months monthly outrun. (about 40Kper month) and is the minimum we should hold in reserve lest we have to give notice to the staff.

Budget for 2010

Current Situation

We remain without bookkeeping and financial information as the matter is subject to court proceedings,. We have the professional, contract bookkeeper on stand- by and ready to engage her in March . This will be at a cost of 1800 per month and a set up cost of 1400. This is in addition to payments for the existing staff member at least until September 2010. We are seeking an out of court settlement and hope to minimise the impact on the Federation

Currently membership income and strict spending curbs have meant we were able utilise the remainder of moneys in the current account , and membership income, for January and February without extracting monies from the reserves. This was as a result preparing and issuing invoices early a task undertaken by the Executive Administrator in the absence of the bookkeeper.

However a shortfall is looming between anticipated income and anticipated expenditure. This could be acute between May and July, and again in the third quarter of the year when membership income tails off substantially.

Current expenditure will have to be contained further if this is to be avoided. Staff have voluntarily opted to not take bonuses and reduce hours which offers some additional savings.

If the shortfall is substantial then further staff cuts might be necessary. Contingency plans have been discussed with the President and Treasurer modelling differing scenarios. The table below shows the possible monthly outruns. You will note I have already adjusted the predicted budget as shown in Table 1 above

All figures in **coloured** are estimated expenditure, which will have to be contained, Those in **red** are the income target needed, in order to meet the monthly outrun, in **green**..without the need to extract monies from the reserves. I shall update these figures when full financial information becomes available

These figures do not show any income from the NGO grant as we as yet, have no confirmation of the result of our application. If successful an additional 60,000 will be added as income in July 2010 (along with the shown 40,000 as the final payment from the 2009 award)

Table 2. Estimaed income and expenditure /month 2010

	Membership fees	other income	Personnel	Travel and Subs	Rental etc	Sub con	direct costs	Overheads	total monthly outrun
January	31,000		31,000	2000	2300	1800	3000	2000	42,000
February	32,000		31,000	2300	2300	5000	4000	6000	50,000
March	46,000		31,000	8000	3500	3000	1000	3000	49,000
April	37,000		26,000	900	3500	3800	500	2000	36,700
May	50,000		26,000	1000	3500	3,000	14,000	2000	50,000
June	50,000		26,000	8000	3500	3000	500	2000	43,000
July	10,000	40,000	26,000	500	2000	2000	500	2000	33,000
August	15,000		26,000	1500	2000	2000	500	2000	34,000
September	30,000		26,000	12,000	2000	2000	500	2000	44,500
October	10,000		24,000	1000	2000	2000	4000	20,000	53,000
November	10,000		24,000	1000	2000	2000	500	2000	32,000
Decemeber	10,000		24,000	1000	2000	2000	500	2000	32,000
	321,000		38,000	31,000	28,600	30,000	29,000	500,000	

38,000

31,000

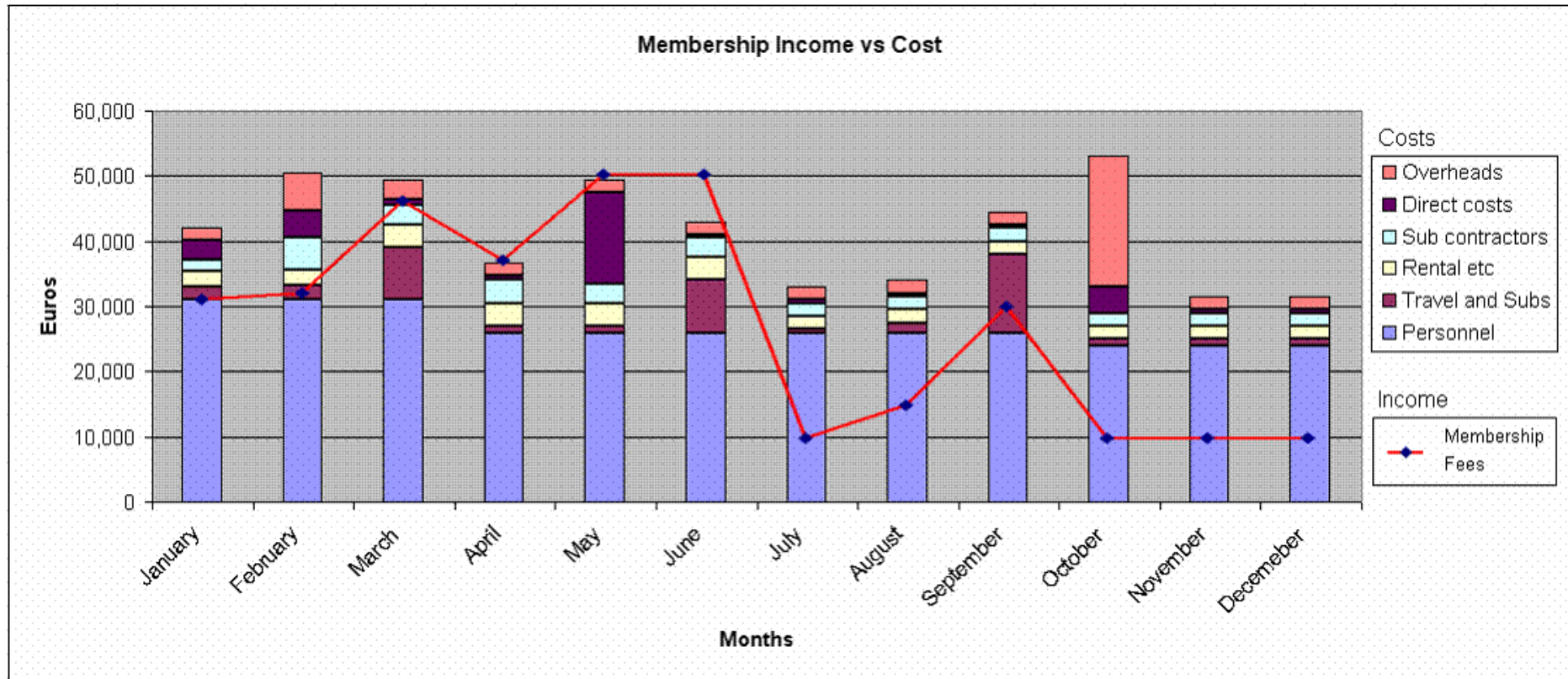
28,600

30,000

29,000

500,000

Graph



A serious shortfall in finances is anticipated in the 2nd half of the year.

Membership income is unpredictable, but all efforts to realise a 90% return will be made.

Various contingency plans have been discussed . These include further reductions in staff time to 60% . If the situation becomes extreme then cancellation of staff contracts would need to be considered, this would require a minimum of 3 months notice. Closure of the office in Brussels is also an option with staff deployed to hot desks or shared office space with other organisations.

Fundamentally though the federation must realise new income to survive in the long term.

Carol Ritchie

Director

February 2010