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## SUMMARY OF FINANCIAL STATEMENTS

### OVERVIEW

In 2019, GGGI recorded a net operating surplus of USD 1.2 million with total revenue of USD 47.8 million and expenditures of USD 46.6 million. These are set out on the next page compared to 2018 and 2017.

	2019 Actual USD'000	2018 Actual USD'000	2017 Actual USD'000
Core contribution	32,724	24,151	23,157
Earmarked	14,850	11,259	6,864
Investment Income/Finance costs	213	350	576
<b>Total income</b>	<b>47,787</b>	<b>35,760</b>	<b>30,597</b>
<b>Expenditures</b>	<b>46,598</b>	<b>49,679</b>	<b>44,117</b>
<b>Surplus/(Deficit)</b>	<b>1,189</b>	<b>(13,919)</b>	<b>(13,520)</b>

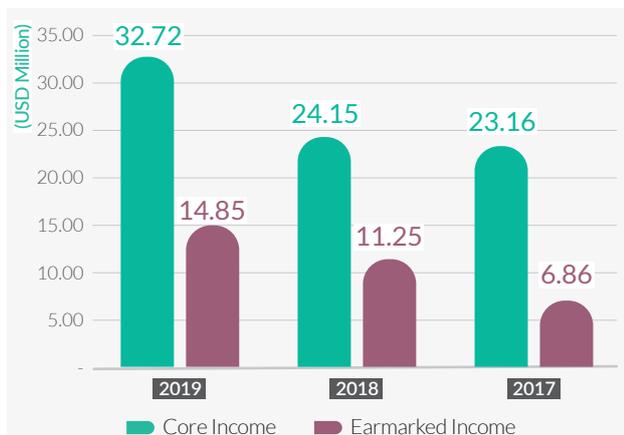
### Audit opinion

GGGI received an unqualified audit opinion on its 2019 Financial Statements from its external auditors PwC. The complete audited financial statements can be found on the 2019 Annual Report website: <http://report.gggi.org/2019/>

### Operating income

GGGI's operating income increased by USD 12.1 million, or 34%, to USD 47.5 million in 2019. This comprised of an increase of USD 8.5 million, or 35%, in core funding and USD 3.5 million, or 32% in earmarked funding.

### Operating Income



### Treasury Management

GGGI's treasury management is governed by the mandate provided by Council to the Director-General through its financial regulations.

### Investment Management

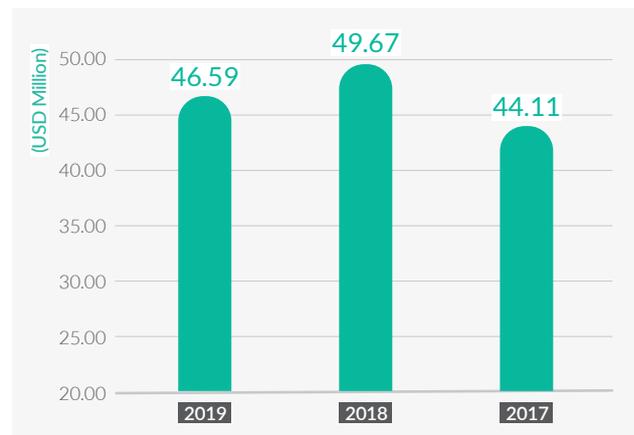
Since early 2015, to ensure the stability of cashflow, GGGI has established the working capital guidelines, investment guidelines, investment criteria and the establishment of investment committee. The overarching objectives of GGGI's investment management activities are to ensure:

- GGGI holds sufficient liquid resources to enable it to meet all probable cash flow needs to meet its normal and predictable obligations;
- The principal value of GGGI's liquid resources is adequately

### Operating expenditures

GGGI's operating expenses decreased by USD 3 million, or 6% from USD 49.6 million in 2018 to USD 46.6 million in 2019. The decrease is predominantly driven by 1) reduction in outsourcing costs by USD 1.7 million, or 22% where the outsourced work is sourced to GGGI's technical staff in house; and 2) reduction in travel costs by USD 1.4 million through organizing of conferences and meetings via video conferencing and skype facilities. These cost savings are achieved despite GGGI increasing its projects from 70 in 2018 to 131 in 2019 and expanding its programs to two new countries, Sri Lanka and Tonga, and one new region, the Caribbean.

### Operating Expenditures



protected while GGGI is able to earn a stable and reasonable return;

- The currency composition of GGGI's resources is managed to reduce the risk of currency translation adjustments that could lead to adverse changes in GGGI's available resources; and
- In evaluating the risks arising from GGGI's investment management activities, the possible non-financial consequences (reputational) will be considered in addition to the potential financial losses.

During 2019, GGGI invested<sup>4</sup> up to a maximum USD 28.5 million (including USD 10 million working capital reserves) and managed to recognize an investment return of USD 0.26 million, an increase of USD 0.01 million from USD 0.25 million reported in 2018 due to favorable deposit rates in 2019.

<sup>4</sup> Term Deposit and Money Market Deposit Account.

### Foreign Exchange Management

GGGI uses USD dollars as its functional and reporting currency. GGGI receives its contributions in various currencies and to minimize the foreign exchange exposure, GGGI converts its contributions receivable in other currencies immediately to USD upon the receipt of contribution.

For the year ended 31 December 2019, due to an increase in earmarked contributions in various currencies, GGGI recorded a net foreign exchange loss of USD 0.06 million compared to a net loss of USD 0.11 million in 2018.

### Working capital

The Council in its 5<sup>th</sup> session approved the establishment of a working capital reserve. This was to reduce GGGI's vulnerability to variability in the timing of the core contributions, maintain program continuity, reduce reputational risk and safeguard the organization as going

concern by ensuring continuity of operations in the event of short-term liquidity problems pending receipt of non-restricted contributions.

In its 9<sup>th</sup> meeting in July 2019, the Management Program Sub-Committee endorsed management's proposal to the Council for an increase of the working capital from USD 10 million to USD 15 million. Subsequently, on 2 October 2019, the Council approved the increase in working capital to USD 15 million.

### Retained Surplus

In 2019, GGGI recorded a net surplus of over USD 1.2 million compared to a net operating deficit of USD 13.9 million in 2018.

### Reserves

Total reserves at the end of 2019 were USD 18.6 million (2018: USD 17.4 million) comprising USD 15 million in working capital and USD 3.6 million in retained surplus.

### GGGI reserves at 31 December 2019

	Working Capital	Retained Surplus US\$.000	Total
Balance at 1 January 2019	10,000	7,393	17,393
Transfer from retained surplus to working capital	5,000	(5,000)	-
2019 operating surplus		1,189	1,189
<b>Balance at 31 December 2019</b>	<b>15,000</b>	<b>3,582</b>	<b>18,582</b>

### Reserve Days

Reserve days is a financial ratio used by many organizations operating in the not for profit sector. It is a measure of the amount of reserves expressed in days of expenditure. It is calculated by dividing the amount of reserves by annual expenditures and multiplying by 365. It is an indication of an organization's ability to absorb longer term revenue reductions and support organizational growth as well as providing working capital.

While it is clear that reserves are required for an organization to finance its operations, there is no universal standard as to what the required level should be. A commonly used reserve day goal is 3-6 months of expenses i.e. 90 – 180 days of operating expenditures. GGGI's reserve days at the 31 December 2019 were 146 days (2018: 128 days).

### Cash Balances/Liquidity Ratio

GGGI had a total of USD 31.2 million in cash and short term investments at 31 December 2019. An additional financial ratio used to monitor the financial health of an organization is the liquidity ratio. This is used to measure the ability of an organization to meet its cash requirements in terms of days of expenditure. It is a measure of the ability of an organization to pre-finance and operate in the short term when Funder contributions get delayed.

The ratio is calculated by dividing total cash holding by total expenditures multiplied by 365 days. A liquidity ratio in the range of 120 – 180 days is considered to be adequate. GGGI's liquidity ratio at 31 December 2019 was 245 days (2018: 211 days).

Cash & Bank at 31 December 2019		
	31-December-19 US\$'000	31-December-18 US\$'000
Cash in Bank	16,057	18,601
Short term investment	15,175	10,162
<b>Total</b>	<b>31,232</b>	<b>28,763</b>

### Conclusion

Overall, GGGI's financial position at 31 December 2019 remains strong.

