

# Summary of 2012 Financial Statements for review by the Council

Third session of the Council  
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- Financial Statements as defined in Financial Regulations Article 7 provide information and ensure stakeholders concerned about:
  - the protection of the (public/private) funds entrusted to the organization; and
  - the efficient and effective use of the organization's resources in furtherance of its mission.
- Financial statements are a key report, together with a budget as defined in Financial Regulations Article 3 to provide a basis for stakeholders to consider the funding requirements of the organization.



As per Financial Regulations 7.2, the accounts\* for the financial period shall show:

- *Statement of financial position;*
- *Statement of financial performance - the income and expenditure of all funds;*
- *Statement of changes in net assets/equity;*
- *Cash flow statement;*
- The status of appropriations;
- Statement of comparison of budgeted and actual performance for the financial period;
- *Accounting policies and notes to the financial statements;* and
- Such other information as may be appropriate to indicate the current financial position of the GGGI.

\* Items in green are reviewed as key components of the financial statements.



- GGGI has moved from **Korean Organization (K-GGGI)** to an **International Organization (IO-GGGI)**. For the transition period, two sets of financial statements have been issued.
- Both IO-GGGI and K-GGGI have received an unqualified opinion from the external auditor, meaning that the GGGI's financial statements are sound and free from material misstatements.
- All assets and liabilities of K-GGGI are transferred to IO-GGGI in accordance with the Establishment Agreement on December 29, 2012 except “basic properties” (KW500M) which K-GGGI is required to retain until dissolved by its Articles of Corporation.
- As GGGI moved from K-GGGI to an IO-GGGI, its funding got more diverse and complex with multiple stakeholders. All contribution agreements have been transferred to IO-GGGI.
- The financial statements of IO-GGGI are presented in US Dollars (\$). The Financial Statements have been addressed to the Members of the Council of IO-GGGI rather than Board of Directors of K-GGGI.
- For the financial position, IO-GGGI statement is the main focus of this presentation. For other financial information, the statements of both IO-GGGI and K-GGGI will be reviewed.



- The Statement of Financial Position organizes assets and liabilities based on how close each is to cash. Current assets and liabilities are listed first, being items that are available (assets) or need to be paid (liabilities) within the coming year. Below current assets and liabilities are non-current assets and liabilities. These long-term items are not expected to become cash or require payment within the next year.

<b>Total Assets</b>	
Cash and cash equivalents	\$ 13,665,673
Short-term financial instruments	\$ 700,215
Accounts receivable	\$ 8,197
Accrued income	\$ 684,399
Other current assets	\$ 138,420
<b>Total Current Assets</b>	<b>\$ 15,196,904</b>
Property and equipment	\$ 564,731
Intangible assets	\$ 113,691
Leasehold deposits	\$ 510,075
<b>Total Non Current Assets</b>	<b>\$ 1,188,497</b>
<b>Total Assets</b>	<b>\$ 16,385,401</b>

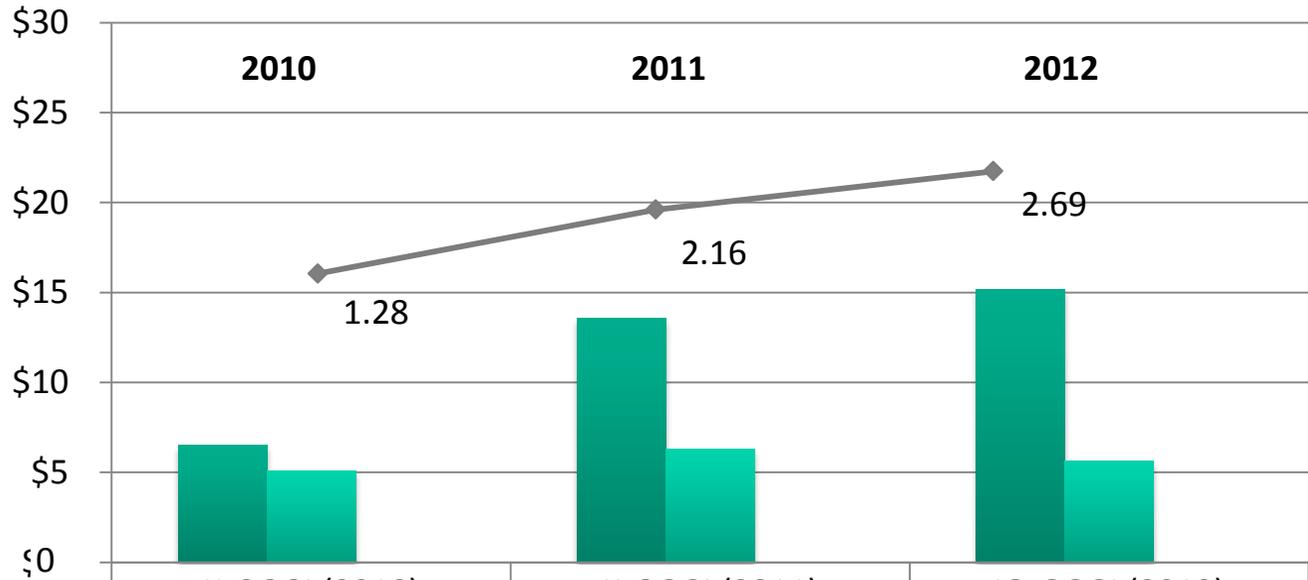
<b>Total Liabilities</b>	
Accounts payable	\$ 3,311,017
Other current liabilities	\$ 2,337,570
<b>Total Current Liabilities</b>	<b>\$ 5,648,587</b>
Employee Benefits	\$ 36,929
<b>Total non-current liabilities</b>	<b>\$ 36,929</b>
<b>Total Liabilities</b>	<b>\$ 5,685,516</b>
<b>Equity</b>	
Retained Earnings	\$10,699,885
<b>Total Equity</b>	<b>\$10,699,885</b>
<b>Total Liabilities and Equity</b>	<b>\$16,385,401</b>



- When reviewing the statement of financial position, special attention should be drawn to the cash position of the organization, as healthy cash balances are key to long-term viability.
- Working capital, the difference between current assets and liabilities or its ratio (Working Capital Ratio= Current Assets/Current Liabilities) is used to assess the organization's ability to meet its financial obligations. A ratio value greater than 1 signals the capacity to pay all current liabilities from current asset sources.
- IO-GGGI's working capital ratio of 2.69 shows an improvement against K-GGGI's ratio of 2.16 in 2011 and 1.28 in 2010 (see the next slide). The appropriate level of the working capital will be set by the Council as defined in Financial Regulations 6.3.

# Organization Health of IO-GGGI vs. K-GGGI

C/3/10



	K-GGGI (2010)	K-GGGI (2011)	IO-GGGI (2012)
■ Current Assets	\$6,508,613	\$13,574,520	\$15,196,904
■ Current Liabilities	\$5,076,193	\$6,284,375	\$5,648,587
■ Working Capital Ratio	1.28	2.16	2.69



- The Statement of Comprehensive Income corresponds to the Statement of Financial Performance mentioned in the Financial Regulation 7.2. It summarizes revenues and expenditures over a financial period and shows the net balance between the two, i.e., the excess (or deficiency) of revenues over expenditures for the period.
- In the GGGI`s statements, the revenues and expenditures are organized in various categories.
- Revenues are organized according to the source of the Funds, i.e., whether core funds (classified as contributions) or earmarked funds (other revenue). Core funds are revenues when they become due while earmarked funds are recognized as revenues when conditionality is met.



- Expenditures are grouped together in research, operating and other categories and are further classified by object and nature in the footnotes. The outsourcing costs are by far the largest component of costs, over 50% of total expenditures. The increase in conference costs (over 6 times as high as the level of 2011) is also notable.
- The last line is the excess (or deficiency) of revenues over expenditures, i.e., the profit for the financial period or the total comprehensive income which includes unrealized gains and losses. The objective of K-GGGI was not to have a “profit” to avoid taxation but this basis will not apply to IO-GGGI after the ratification of the headquarters agreement.



- The statement of changes in net assets provides details about what has happened to the balance of net assets (the difference between assets and liabilities) over a financial period.
- The statement will show all changes during the period arising from various activities such as new contributions, council decisions to establish internally restricted funds, an operating surplus, among others.
- The assets and liabilities transition from K-GGGI to IO-GGGI is the major activity represented in IO-GGGI's statement. The eventual devolvement of basic properties from K-GGGI to IO-GGGI will be shown in 2013 statement.



- The Statement of Cash Flows focuses exclusively on cash (and cash equivalents), i.e., how the organization generates cash and uses it, and for what purposes.
- In particular, the statement of cash flows identifies cash provided by, or used in, three areas over the year:
  - Operating activities - cash generated by an operating surplus; cash used to fund an operating deficit;
  - Investing activities - using cash to acquire investments; generating cash from selling investments; and
  - Financing activities - generating cash through borrowing; paying cash to repay borrowing.



The following information which is defined in Financial Regulations 7.2 but not included in the audited financial statements should be prepared to provide a forward-looking dimension to the Council's review of the financial affairs of the IO-GGGI going forward.

- Strategic framework and Management discussion.
- Key Highlights and Program activities.
- Status of appropriations and statement of comparison of budgeted and actual performance for the financial period.
- Key risks and Internal control that are in place to avoid the occurrence of fraudulent transactions within the organization.



**THANK YOU !**