



Caritas Internationalis

Treasurer's Report to the
XIX General Assembly
2007–2011

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1. Introduction

Sisters and Brothers of the Caritas confederation present at the XIX General Assembly, in accordance with the Caritas Internationalis Statutes and Rules, I present to you for your consideration and approval my report on finance with regard to the activities of the General Secretariat in 2007–2010.

As you may recall, the XVIII General Assembly of June 2007 elected Grigor Vidmar as the confederation's Treasurer. He developed a programme of improvement and strengthening of the General Secretariat's finances, which was subsequently implemented. The main elements of his programme were:

- To replace the obsolete accounting software by a modern and more flexible programme
- To make the General Secretariat's balance sheet more transparent by reducing the number of reserves and recognising all income and expenditure flows in the Statement of Activities
- To introduce International Financial Reporting Standards (IFRS)
- To develop an investment policy, aiming at optimal returns with limited risk
- To accompany the General Secretariat in the management of the reserves in such a way that the targets of the Caritas Internationalis 2007–2010 Budgetary Plan would be met.

On 19 February 2010 Grigor Vidmar resigned as the confederation's Treasurer. The resignation was accepted by our President on 20 February 2010. Fr Erny Gillen, Vice-President and member of the Bureau, acted as Treasurer until the Executive Committee (ExCo) could elect a Treasurer *ad interim*. In its meeting of May 2010, the ExCo ratified the President's acceptance of Grigor's resignation and elected me as Treasurer *ad interim*.

I have been building on Grigor Vidmar's work for stronger financial management of the General Secretariat. His contributions to the financial health of the General Secretariat are commendable and I wish to express my high appreciation of Grigor's work.

In addition, I have worked on proposals for more sustainable funding mechanisms of the confederation's structures and prepared a Financial Framework 2011–2015, which will be discussed during this General Assembly.

Coinciding with my arrival as Treasurer, the General Secretariat has started to roll out a programme of 'Improving (Financial) Management and Transparency', directed at all members and our confederation as a whole, which I fully endorse. You are all invited to actively participate in this programme.

Rule 58 lays down the Treasurer's duties. I have faithfully observed these to the best of my abilities and am grateful that the confederation's finances are in good shape.

2. Finance Department

On 28 February 2009, Ms Antonietta Grando resigned as Head of the Finance Department, after 39 years of faithful and dedicated service to Caritas Internationalis. She has been a mainstay for several treasurers and has resolutely upheld the accountability of the General Secretariat. The confederation owes her gratitude and acknowledgment for her work.

In her place Mr Jacob Winter has been appointed as Director of Finance and Administration. He supervises both the Finance Department and the Administration Department.

I am pleased to report that the staff of the Finance Department, which remained unaltered, has cooperated well and diligently with Grigor Vidmar and me. They have coped well with the innovations introduced in this four-year period, which changed their work profoundly in a number of respects. IFRS and the new accounting software were introduced without any noticeable disruption of the service rendered by the Finance Department. Also they managed to accelerate the closure process at the end of the year by three weeks in 2010 (Annual Accounts 2009) and another week in 2011 (Annual Accounts 2010). The earthquake in Haiti in January 2010 generated incredible generosity among Caritas supporters and an enormous volume of donations to Caritas Internationalis, which the staff handled in an orderly and transparent manner.

3. Finance Commission

After the General Assembly 2007 the Finance Commission (FinCo) was chaired by Grigor Vidmar as the Treasurer. At the time I was a member of the Commission, together with Ivonne Campos (Uruguay), Prof John Ddumba (Uganda) and Laura Cassell (USA).

Since my election as Treasurer *ad interim* no new members have been added to the FinCo.

The FinCo met eight times since the General Assembly of 2007. The first five meetings were chaired by Grigor Vidmar, the sixth by Fr Erny Gillen and the last two by me. Attendance at meetings was virtually 100 percent. I wish to thank the FinCo members for their many years of service to the FinCo and the insights and contributions they brought to the table. Their advice and the conclusions of FinCo deliberations have been a valuable basis for the proposals the consecutive treasurers made to the Bureau and ExCo.

The Secretary General, who attended all these meetings, regularly updated the FinCo on the developments in the confederation and in its governance structures, as well as on strategic issues.

Both Grigor Vidmar and I not only travelled to Rome to participate in Bureau, ExCo and FinCo meetings, but also for work sessions at the General Secretariat. These were aimed at the execution of the Treasurer's duties in monitoring budgets and internal control, but also at deepening policy discussions with regard to the funding mechanisms of the confederation and the investment policy of the General Secretariat.

The General Secretariat's Annual Accounts for all four years were audited by Deloitte & Touche S.p.A. (Rome), who were also highly instrumental in the introduction of IFRS. I want to express my thanks for the good working relationship with the auditors and their objective and thorough scrutiny of our accounts, which helped the Finance Department and me in attaining a high standard of transparency. Deloitte's senior partner was present at all spring meetings of the FinCo, when the Annual Accounts were discussed.

4. Financial Management and Accountability

The past four years have seen a number of challenges in the area of finance, the most important of which were the introduction of International Financial Reporting Standards (IFRS), the development of a new model for a more sustainable funding of the confederation's structures (which will be part of the Financial Framework 2011–2015) and the start of a programme addressing standards for (Financial) Management and Transparency throughout the confederation.

4.1 General Secretariat

In 2007 and 2008, Grigor Vidmar obtained ExCo approval for a number of measures that were to strengthen the accountability of the General Secretariat. The system of reserves was radically simplified and the Institutional Support Fund – a hidden reserve which served as source of funds for support to the regional structures – was integrated into the General Reserve. From then on the income and expenditure related to this fund were recognised in the General Secretariat's Statement of Activities (Income and Expenditure Statement).

A further major step in improving the transparency of the General Secretariat's finances was set with the introduction of International Financial Reporting Standards (IFRS) as of the 2008 Annual Accounts. The financial reporting is now up to standard and in a presentation format comparable to the one used by other international organisations.

The General Secretariat's financial management was facilitated by the introduction of new accounting software in September 2009 and the development of a new format for management information, closely linked to IFRS. It is now possible to report on the budget levels of individual managers, so that more immediate action if and as required can be taken.

4.2 Caritas confederation

The 2007–2010 Strategic Framework identified as its fourth priority area the strengthening of confederation structures. A major element in the strategic priority was the development of standards for management and accountability.

Successful fundraising in 2009 gave the Director of Finance and Administration the opportunity to budget and start a programme that had been in preparation for some time. In April 2010 a programme coordinator was recruited, a consultant with extensive experience both in Caritas and in Church finances and who had assisted an episcopal conference in enhancing the quality of (financial) management and accountability in their dioceses.

The programme – now entitled "Improving (Financial) Management and Transparency in the Caritas confederation" took off with the development of a tool members could use for a self-assessment of their strengths and weaknesses. The tool was piloted with 11 members from Asia and Oceania, and after an evaluation of the pilot, was made available to all members. In December 2010, the Caritas Internationalis President and Secretary General invited all members to participate in the programme and make use of the self-assessment tool. They stressed the need of active involvement by the governance and general management levels of members in this self-assessment.

The next steps of the programme will be:

- The development, in close cooperation with Member Organisations and Regions, of a capacity building programme that will complement existing capacity building programmes and initiatives
- The development of a database of good practices, which will be made available to all members through the new Extranet which will be introduced shortly.

In 2013 the programme will end with an evaluation phase and with the presentation of a new Caritas Internationalis policy document describing standards for (financial) management and transparency for our confederation and its members. This document will be presented to the competent governance bodies for approval.

The programme is implemented by a three member team, of which the coordinator is also the contact person for our English-speaking members. A second team member, who accompanies the members with Spanish as their working language, has been recruited in August. A French-speaking team member will be added as soon as a suitable candidate has come forward. For the time being the Director of Finance and Administration acts as contact person for those members.

I hope that the programme will see participation by most, if not all, members. It is a major investment in the management and accountability standards of our confederation, which will greatly support our reputation as an international network and our efforts to raise funds from institutional donors. It will also help our accountability towards our final beneficiaries, and is a response to the appeal made by the Holy Father in *Deus Caritas Est* (31), where he describes professional competence as "a primary, fundamental requirement" to be able to offer really heartfelt concern to our neighbour as an expression of our faith.

I also hope that further funding for an extension of the programme after 2013 will be forthcoming, so that the confederation will be able to maintain and further develop its standards in this area. Finally I would like to once again invite all members to actively participate.

5. Accounts 2007–2010

A summary of the Annual Accounts 2007–2010 is presented in the Annex. The developments as compared to the Financial Framework for the same period are accounted for in the paragraphs below.

5.1 General

The Treasurer who reported to the XVIII General Assembly was Anthony Curmi. He presented a Financial Framework (Budgetary Plan) for 2007–2010 that basically aimed at preserving financial equilibrium.

He made it clear that the services of the General Secretariat as they were requested by the confederation could not be financed by statutory fees that had remained on the same level for many years. He calculated a structural deficit of around €550,000 per year. This structural deficit was to be covered by external fundraising. Only after inclusion of this target of €2.25 million in fundraising over the four years 2007–2010 would it be possible to break even.

Anthony Curmi's proposal for the Financial Framework 2007–2010 was approved by the XVIII General Assembly.

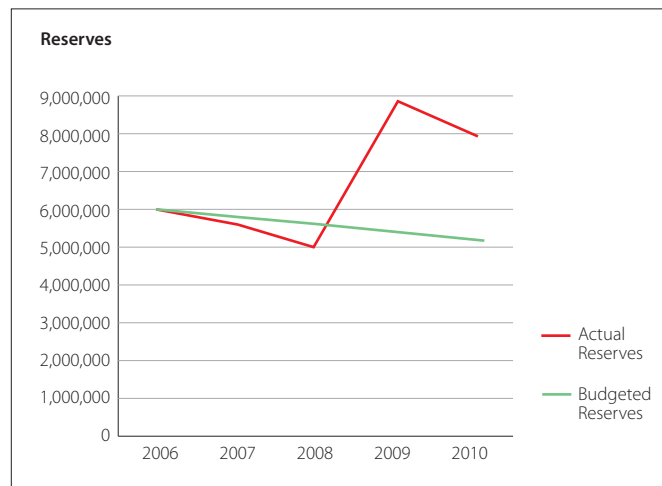
Anthony had also mentioned the gradual depletion of the Institutional Support Fund (ISF) in his report to the General Assembly. The fund was fed by proceeds of investments and property sales and was used to fund the General Secretariat's support towards the costs of regional structures. The gap between the fund's income and outgoing expenditure amounted to more than €175,000 a year in 2007 and 2008. This gap is not reflected in the 2007–2010 Budgetary Plan, as these flows were not recognised in the General Secretariat's Statement of Activities (Income and Expenditure Statement).

As mentioned under 4.1, in 2008 the ExCo decided that the ISF would be integrated within the General Reserve, and its income and expenditure henceforth presented in the Statement of Activities.

With this policy change the Budgetary Plan for 2007–2010 was in effect adjusted: the target for the balance of income and expenditure was decreased by €175,000 per year. This translates into an expected decrease in reserves over the four-year period of €0.7 million.

5.2 Reserves

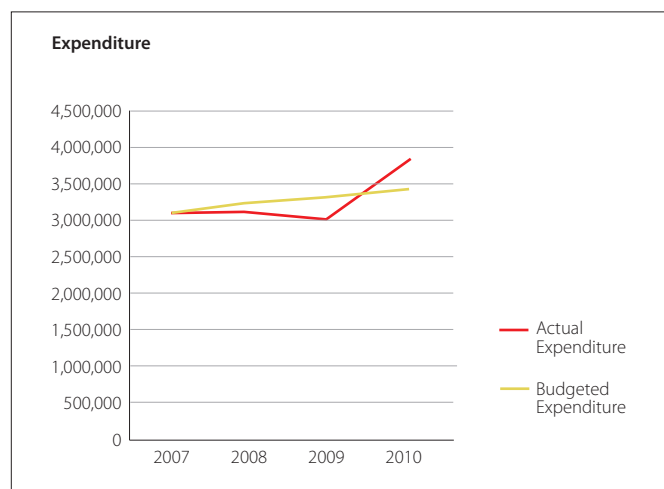
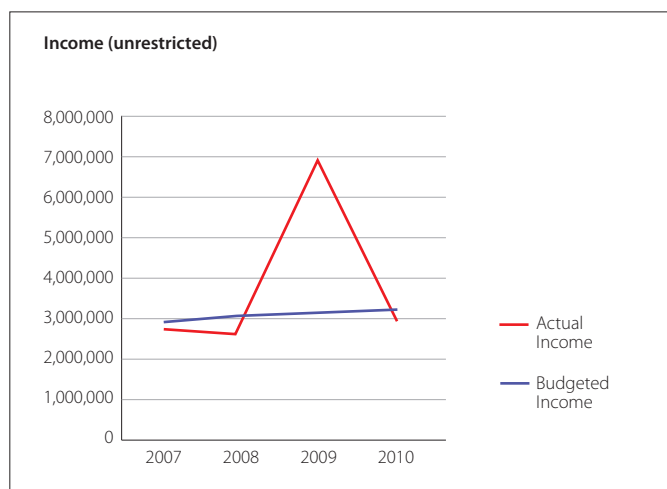
If we now compare the targets for the reserves of the Budgetary Plan 2007–2010 with the actual outcomes we see that developments were much more favourable than projected:



On 31 December 2010 the Reserves amounted to €7.9 million, whereas a level of €5.3 million was projected. The additional reserves could mainly be created thanks to fundraising, which outperformed the target set by the XVIII General Assembly considerably. In the paragraphs below I give a more detailed explanation of the differences between the actual outcomes and the Budgetary Plan.

5.3 Income and Expenditure (unrestricted)

The growth of the Reserves is mainly attributable to income which was much higher than budgeted. Total expenditure in 2007–2010 was more or less at the budgeted level.



Income

The most important factor contributing to the positive development of the General Secretariat’s finances was the inflow of some sizeable private unrestricted donations in 2009 and to a lesser extent in 2010. Over the whole period contributions from external donors were €3.3 million higher than anticipated in the budgetary plan. We can frankly say that this additional income has been a true blessing and an unexpected return on limited fundraising efforts. As such, a repeat event of this size should realistically not be expected.

Income from Statutory Fees, legacies and other sources was in line with the Budgetary Plan (together these items produced €0.2 million more than budgeted).

Investment income, however, was €0.9 million less than budgeted. With hindsight, the expected rates of return on investments were unrealistically high, but in 2007 nobody could have foreseen the decline in interest rates and stock markets that occurred in 2008–2009.

Expenditure

Total expenditure over 2007–2010 was at the budgeted level. Within this total, however, the three main categories of expenditure show a divergent picture.

The expenditure of the General Secretariat was €0.5 million less than budgeted. The Secretary General implemented strict expenditure controls in the first three years and reduced the number of staff, in view of the structural deficit and the absence of sufficient additional external funding. When after August 2009 this additional funding finally came in, adjusted plans for 2010 were approved by the Bureau and the ExCo. This enabled the start of a number of specific programmes in Policy and Advocacy (seminar “The Female Face of Migration” at the end of 2010), Communications (better coverage of international Caritas events and emergencies, development of a new Extranet) and ‘Strengthening of Confederation Structures’ (see paragraph 4.2), as well as allowing for consistent representation of the General Secretariat at regional meetings.

Expenditure towards Regional Structures was €0.2 million higher than planned. This was due to the annual allowances for unpaid Statutory Fees (on the basis of a policy that was approved by the ExCo) and an additional effort to contribute to Regional Forums in 2010.

Governance Bodies required an expenditure that was €0.3 million more than budgeted. This was due to the increase of the annual reservation for the General Assembly from €50,000 to €160,000 as from 2008. The ExCo approved this increase in view of the expected amount needed for the 2011 General Assembly.

5.4 Temporarily Restricted Funds

As foreseen, but not quantified, in the Financial Framework 2007–2010 the General Secretariat attracted external funding for some specific programmes: the HIV/Aids special advisor and the Catholic HIV Aids Network (CHAN) secretariat, the secretariat of the Catholic Organisations Against Trafficking Network (COATNET) and a programme on the Millennium Development Goals (MDGs).

Over the four years the income of these programmes globally covered the expenditure.

5.5 Conclusion

The General Secretariat is in relative good financial circumstances thanks to the strict cost control policy of the Secretary General and the inflow of some major private donations. This makes it possible to continue the additional programmes started in 2010 for one or two years.

However, the structural deficit problem has not been solved. The arrival of a Fundraising Manager in December 2010 should enable a much more systematic and sustainable fundraising effort, which should have a positive long-term effect and reduce or even eliminate the structural deficit.

The Financial Framework 2011–2015, which I will present during the General Assembly, will build on the current favourable financial position and address the structural financial problems and challenges.

6. Auditor's Report for the General Assembly

This audit report of the activities of Caritas Internationalis for the period 2007–2010 has been prepared for the 19th General Assembly.

The financial statements as of 31/12/2007, 31/12/2008, 31/12/2009 and 31/12/2010 were audited by our team at Deloitte & Touche S.p.A. We issued our unqualified audit reports and concluded that these financial statements provide an accurate picture of the financial position of Caritas Internationalis

Signed by:

Roberto Lolato

Partner, Deloitte & Touche S.p.A.

Rome, 18 March 2011

7. Concluding remarks

With the support of the Director of Finance and Administration and the staff of the Finance Department much was achieved and both my predecessor and I owe them our thanks for facilitating our work as Treasurer of the Caritas confederation.

I believe the General Secretariat is in good financial shape now to meet the challenges for the years to come, which focus around issues like the sustainability of the confederation's structures, strengthening (financial) management and transparency throughout the confederation and the revision of the General Secretariat's investment policy.

At this moment of profound debate about the identity of Caritas and its relationship with the Holy See I pray that wisdom may be granted to those who have to take decisions in this matter. I hope that these decisions may be based on the desire to enable Caritas Internationalis to work for the common good, especially in its efforts to reduce poverty, and to ensure that Caritas Internationalis and its Member Organisations will be able to access the funding needed for this work.

Jürg Krummenacher

Treasurer *ad interim*

Rome, May 2011

Annex:

Summary of Annual Accounts 2007–2010

€	2007	2008	2009	2010	TOTAL 2007–2010	
					Actual	Budget
	General Secretariat	General Secretariat	General Secretariat	General Secretariat	General Secretariat	General Secretariat
<i>INCOME</i>						
Membership fees	1,926,950	1,986,399	2,045,990	2,107,367	8,066,706	8,054,900
Contributions from External Donors	340,365	273,906	4,345,599	559,847	5,519,717	2,247,600
Legacies	146,522	218,944	353,000	120,000	838,466	740,000
Other Income	92,826	14,984	11,210	11,446	130,466	40,000
Total Contributions	2,506,663	2,494,233	6,755,799	2,798,660	14,555,355	11,082,500
Net Financial Income	134,475	102,807	108,073	148,643	493,998	1,355,000
TOTAL INCOME	2,641,138	2,597,040	6,863,872	2,947,303	15,049,353	12,437,500
<i>EXPENDITURE</i>						
General Secretariat	2,421,391	2,336,632	2,355,333	2,936,864	10,050,220	10,533,400
Regional Structures	487,340	478,854	401,020	529,703	1,896,917	1,680,000
Governance Bodies	186,550	318,951	280,995	348,692	1,135,188	922,000
TOTAL EXPENDITURE	3,095,281	3,134,437	3,037,348	3,815,259	13,082,325	13,135,400
Surplus/Deficit Unrestricted	-454,143	-537,397	3,826,524	-867,956	1,967,028	-697,900
	Programme Budgets	Programme Budgets	Programme Budgets	Programme Budgets	Programme Budgets	Programme Budgets
Contributions from Member Organisations	92,098	92,032	113,702	147,510	445,342	0
Contributions from External Donors	62,023	47,115	87,598	54,587	251,323	0
PROGRAMME INCOME	154,121	139,147	201,300	202,098	696,665	0
PROGRAMME EXPENDITURE	98,187	163,322	225,294	223,822	710,624	0
Surplus/Deficit Temporarily Restricted	55,934	-24,175	-23,994	-21,724	-13,959	0
TOTAL OF SECRETARIAT AND PROGRAMME EXPENDITURE	3,193,468	3,297,759	3,262,642	4,039,081	13,792,949	13,135,400
	Restricted	Restricted	Restricted	Restricted	Restricted	Restricted
TOTAL RESTRICTED INCOME	0	0	0	2,930	2,930	0
TOTAL RESTRICTED EXPENDITURE	0	0	0	0	0	0
Surplus/Deficit Restricted	0	0	0	2,930	2,930	0
<i>RESERVES</i>	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2010
Unrestricted Funds	3,385,864	2,931,721	2,394,324	6,220,848	5,352,892	5,352,892
Programme Funds (Temporarily Restricted)	90,183	146,117	121,942	97,948	76,224	76,224
Restricted Funds	2,505,072	2,505,072	2,505,072	2,505,072	2,508,003	2,508,003
TOTAL Net Assets	5,981,119	5,582,910	5,021,338	8,823,868	7,937,119	5,283,219

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