

## FORECAST INCOME STATEMENT GC 25/26 (only cost and revenue HQ)

### ASSUMPTIONS FOR THE FORECAST

The present income statement forecast for FY 2025/2026 represents the most reliable projection of the current year's economic results and has been prepared based on the following assumptions:

1. The income statement includes the costs and revenues generated by the Venice HQ. Costs and revenues generated by the regional hubs have a neutral impact on the HQ's income statement.
2. However, regional hubs may have an indirect impact on the HQ's income statement. Any unspent portion of the INTPA budget from a region may allow the HQ to convert its own INTPA overspending into eligible costs, thereby increasing the overall grant amount. In this regard it shall be remembered that when the GC had to face budgetary cuts in the past, HQ reduced its budget with a higher proportion than regional hubs, a situation which has created structural underbudgeting.
3. In order to better represent how profits and losses are generated across GC's various activities and projects, the forecast is divided into business units (which may correspond to grants or GC departments). This allows profitability to be broken down by area.
4. Regarding grants (INTPA, RL, etc.), each business unit includes the full personnel costs and purchases of goods and services attributable to the project, even when these exceed the budget approved by the donor.
5. Given the fact the current cost structure and the rising personnel expenses build up overspending/non-eligible costs, the HQ income statement systematically shows a deficit based on INTPA-approved budgets. The reasons for the growth of ineligible costs are several, including the fact that some projects have ceased and the associated personnel costs no longer have an eligible budget. According to current projections, FY 2025/2026 could only break even if the annual unspent INTPA budget from the regions exceeds €640,000. It should be noted, however, that this year the Global Classroom alone will see an increase in costs of approximately 100,000 euros. This cost was decided by the Council on the basis of the previous year's profits. Furthermore, to better understand the impact of these OVERSPENDINGS, we must also take into account the systematic UNDERSPENDING of the Regions in recent years, and the fact that up until 23/24 these two factors substantially offset each other.

6. Considering the ongoing phase-out of existing grants (Afg INTPA, Afg RL, Reconceptualizing Exile), the situation described in point 5 is not expected to improve in future fiscal years unless new projects are granted or additional structural contributions are received.

7. The forecast for the FY 2025/2026 costs and revenues was determined using FY 2024/2025 actual results as a baseline, adjusted by including the following considerations:

- Revenues for 2025/2026 include student fees already collected;
- Personnel costs have been recalculated based on the current staffing situation;
- Fringe benefits paid to employees in 2024/2025 have been separated from personnel costs;
- E-learning costs have been recalculated based on the 2025/2026 forecast;
- Depreciation has increased due to the new heating system;
- Global Classroom costs have been included as incremental expenses;
- The Afg RL project is no longer active.

## SCENARIO ANALYSIS

Since GC's financial performance largely depends on external factors beyond its control (such as the level of unspent INTPA regional budgets), three scenarios have been proposed:

- Expected Scenario: Based on forecasts provided by the regions (not yet verified);
- Base Scenario: Using the average unspent data from the past two years;
- Best Case Scenario: Assuming a total unspent amount of €700,000 over the two-year contract, of which €200,000 was utilized by GC in 2024/2025 and the remaining amount in 2025/2026.

In none of these scenarios does GC achieve a profit.

This analysis shows that the level of Overspending + Non-Eligible Costs, primarily driven by inflation, the growing personnel cost burden, and additional activities being taken up by and/or cofinanced by HQ, creates a risk for future sustainability. Although the level of reserve funds is high, it is necessary to define a recovery plan to make the association sustainable and viable in the medium term. The combined Overspending + Non-Eligible Costs have increased from €278,000 in FY 2022/2023 to approximately €760,000 in FY 2024/2025. The deficit to be overcome, according to above scenarios, ranges from 115.966,36 € to 321.406,36 €.

It should be noted that this increased figure reflects certain one-off agreed expenditures, such as for the 2025 Global Classroom and the 2025 general staff fringe benefit, as well as a reduction in EMA tuition fee income which has meanwhile been reversed.

The risk associated with this imbalance (whether or not GC is balanced depends on the level of unspent funds in the regions) has been highlighted for years, but until 23/24 a substantial compensation was possible between the HQ's extra costs and the regions' unspent budgets. Now with the current cost structure of HQ and some grants being phased out, in the absence of intervention, it is decidedly risky. The Finance Manager has reported this issue to the Secretary General and Senior Management and the SM is drawing up a recovery plan for the coming years, which shall include measures aimed at both reducing expenses and at increasing revenues through fundraising efforts, which must be presented and discussed with the Council.

income statement (only costs and revenues incurred in the HQ) forecast 2025/2026						
Project /business unit	cost/revenue description	COST	REVENUE	Subtotal	Business Unit Outcome	TOTAL CUMULATED OUTCOME
INTPA EMA+50%VGM	Grant UE		915.817,60			
INTPA EMA+50%VGM	Students fee		510.651,35			
INTPA EMA+50%VGM	<b>SUBTOTAL revenue</b>			<b>1.426.468,95</b>		
INTPA EMA+50%VGM	1. Human Resources	645.329,73				
INTPA EMA+50%VGM	2. Travel	71.056,75				
INTPA EMA+50%VGM	3. Equipment and supplies	32.329,83				
INTPA EMA+50%VGM	0	-				
INTPA EMA+50%VGM	5. Other costs, services	101.894,20				
INTPA EMA+50%VGM	6. Others	404.815,83				
INTPA EMA+50%VGM	VGM	104.770,07				
INTPA EMA+50%VGM	<b>SUBTOTAL cost</b>	<b>1.360.196,41</b>		<b>1.360.196,41</b>		
<b>INTPA EMA +50%VGM</b>	<b>TOTAL</b>				<b>66.272,54</b>	<b>66.272,54</b>
INTPA GC+50%VGM	Grant UE		1.476.496,80			
INTPA GC+50%VGM	Students fees		150,00			
INTPA GC+50%VGM	<b>SUBTOTAL revenue</b>			<b>1.476.646,80</b>		
INTPA GC+50%VGM	1. Human Resources	1.547.219,99				
INTPA GC+50%VGM	2. Travel	91.685,22				
INTPA GC+50%VGM	3. Equipment and supplies	112.253,01				
INTPA GC+50%VGM	4. Local office	6.000,00				
INTPA GC+50%VGM	5. Other costs, services	260.957,73				
INTPA GC+50%VGM	6. Others	133.366,67				
INTPA GC+50%VGM	VGM	105.770,07				
INTPA GC+50%VGM	<b>SUBTOTAL cost</b>	<b>2.257.252,69</b>		<b>2.257.252,69</b>		
<b>INTPA GC +50%VGM</b>	<b>TOTAL</b>				<b>- 780.605,89</b>	<b>- 714.333,35</b>
AFG /INTPA	Grant UE					
AFG /INTPA	Human Resources					
AFG /INTPA	5. Other costs, services					
AFG /INTPA	Total					
<b>AFG /INTPA</b>	<b>TOTAL</b>					
RLF	Grant RL		685.243,81			
RLF	Overhead RL third partners		35.000,00			
RLF	<b>SUBTOTAL revenue</b>			<b>720.243,81</b>		
RLF	Tot cost incurred	591.312,55				
RLF	<b>SUBTOTAL cost</b>	<b>591.312,55</b>		<b>591.312,55</b>		
<b>RLF</b>	<b>TOTAL</b>				<b>128.931,26</b>	<b>-585.402,09</b>
RLF AFG	Grant RL					
RLF AFG	Travel					
RLF AFG	Local Office					
RLF AFG	Other					
RLF AFG	<b>SUBTOTAL cost</b>					
<b>RLF AFG</b>	<b>TOTAL</b>					

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income statement (only costs and revenues incurred in the HQ) forecast 2025/2026						
Project /business unit	cost/revenue description	COST	REVENUE	Subtotal	Business Unit Outcome	TOTAL CUMULATED OUTCOME
REX	Grant Grassroots			107.436,48		
REX	Human Resources	74.110,70				
REX	Other	19.325,78				
REX	SUBTOTAL cost	93.436,48		93.436,48		
<b>REX</b>	<b>TOTAL</b>				<b>14.000,00</b>	<b>- 571.402,09</b>
PROJECT/additional	Revenue	93.340,25		93.340,25		
PROJECT/additional	Direct cost	65.904,52		65.904,52		
<b>PROJECT</b>	<b>TOTAL</b>				<b>27.435,73</b>	<b>- 543.966,36</b>
belize		-	-			
Bank interest		-	-			
EU mold		-	-			
etuce		-	-			
maeci timor		-	-			
UNDP		-	-			
<b>Other</b>	<b>TOTAL</b>					
<b>PROFIT/LOSS BEFORE REGIONAL HUBS UNSPENT</b>						<b>- 543.966,36</b>
	UNSPENT REGIONS					
<b>Best case scenario unspent regions</b>		500.000,00		Additional grant INTPA		<b>428.000,00</b>
<b>Final outcome</b>						<b>- 115.966,36</b>
<b>Base case scenario unspent regions</b>		390.000,00		Additional grant INTPA		<b>333.840,00</b>
<b>Final outcome</b>						<b>- 210.126,36</b>
<b>Expected case scenario unspent regions</b>		260.000,00		Additional grant INTPA		<b>222.560,00</b>
<b>Final outcome</b>						<b>- 321.406,36</b>