Bambino Gesù Foundation

# BAMBINO GESU' FOUNDATION ONLUS

## Annual financial statements at 31 December 2018

## (approved by the Board of Directors on 10/07/2019)

## Accompanying report

## FINANCIAL STATEMENTS 2018

## 1. MISSION AND NATURE OF THE FOUNDATION

The Foundation was established canonically with the name "Cari Bambini" [Dear Children] by the will of the Supreme Pontiff John Paul II with the *Rescriptum ex Audentia Sanctissimi* of 15 July 1996, signed by H.EM. the Cardinal Secretary of State Angelo Sodano.

In 2000, as a result of the subsequent *Rescriptum ex Audentia Sanctissimi* of September 4, the Foundation changed its name to the current "Bambino Gesù" Foundation. The two Rescripta recognized the Foundation as a canonical legal person and as a Vatican civil legal person; in particular, they provided verbatim "to canonically establish the Foundation as a canonical legal person and as a civil legal person in accordance with art. 1 of the Law of 7 June 1929 on the Sources of Law, in relation to canons 114 and 1303 of the Code of Canon Law". The Foundation was established with the intent "to create an institution that would provide for the specified purposes by raising funds and paying for hospital services" and "to come to the aid of children in need of hospital care who are not included in the National Health Service."

Based in the Vatican City State, the Foundation established its operations in Italy with a secondary office, which has allowed it to pursue its purpose in fundraising and humanitarian initiatives to support the assistance and research carried out by the Bambino Gesù Children's Hospital. With the establishment of its secondary office, the Foundation has been registered since 1 December 2008 in the Register of legal entities at the Rome Prefecture and in the Non-Profit Register at the Lazio Regional Directorate since 18 November 2008.

The Bambino Gesù Foundation represents for the Italian State a foreign body on the basis of the combined provisions of art.16, par.2, gen. pro. civil code and art.25, Law no.218 of 31 May 1995. In view of the events that have characterized 2014, of the substantial changes occurred in the life of the Foundation, including the resignation of the members of the corporate bodies, with an act of 15 September 2015 the Secretariat of State appointed the new corporate bodies, and namely the Chairman, the members of the Board of Directors and the members of the Board of Statutory Auditors on the basis of the requirements of morality, integrity and professionalism.

In its first meeting held on 4 November 2015, the new Board of Directors of the Bambino Gesù Foundation non-profit approved the Foundation's new Articles of Association, repealing the previous ones last amended in 2011, containing clear and open provisions for the transparent operation of the entity both regarding its activities and the role of the corporate bodies.

It confirms the nature of the Foundation as a public, canonical and civil Vatican legal person, with registered office in the Vatican City State, operational headquarters in Italian territory, and an unlimited duration. As for the Foundation's Mission, Article 3 provides as follows:

**1.** The Foundation is non-profit and pursues social solidarity by promoting and supporting scientific research of particular social interest of the Bambino Gesù Children's Hospital in the field of health and any activities that are instrumental, dependent, related or inherent to it.

**2**. In particular, the Foundation directs its initiatives and activities towards:
a) the promotion of scientific research by the Bambino Gesù Children's Hospital;
b) supporting the development of health care by the Hospital to Italian and foreign minors who are disadvantaged due to their physical, psychological, economic, social or family conditions;

**3.** For the pursuit of its purpose, the Foundation may - in particular - promote and support the following activities and initiatives of the Bambino Gesù Children's Hospital:
a) scientific research carried out by the Children's Hospital;
(b) activities aimed at setting up and running vocational training courses and supplementary school and leisure activities for the benefit of disadvantaged children;
(c) humanitarian initiatives to provide health aid and support to developing countries;
d) the enhancement, also logistically, structurally and technologically, of care activities for children who are disadvantaged due to their physical and psychological condition and that of their families.

**4.** For the above purposes, the Foundation:
a) encourages, promotes, carries out and runs fundraising activities for the benefit of the Bambino Gesù Children's Hospital;
b) provides the Hospital with its support in the planning, design, preparation and coordination of high added value activities, in particular those aimed at the internalisation and dissemination of such activities in different territorial settings;
c) develops and implement its own projects, in particular those aimed at foreign territorial contexts.

**5.** In order to pursue its purposes as specified above, the Foundation may, also at an international level, promote and disseminate its activities, and thus:
a) Activate information, dissemination and awareness-raising campaigns, through any means of communication, to publicize its activities;
b) Promote and organize events, seminars, conventions, debates, conferences, study days, work and study groups, also in collaboration with private individuals or bodies;
c) Promote and enter into agreements and understandings with institutions with purposes that are similar to those mentioned above; develop relationships of collaboration with central and local public administrations, with state and private universities, Italian or foreign, with other institutions and bodies, public or private, Italian or foreign;
d) Undertake initiatives in the field of editorial publications (excluding those reserved for entities that are specific or that fulfil established requirements and in any case excluding newspapers) that constitute a privileged tool of communication, consultation and debate regarding the activities, aims, spheres of operation and in general the life of the Foundation, also by acquiring publications or registering new ones; also undertake initiatives of audio, video and multimedia production and post-production on DVD, CD ROM.

6. Since the Foundation pursues the aim of social solidarity, it cannot expressly carry out activities other than those listed above with the exception of those directly related to them, in any case not prevalently, and in compliance with the provisions of Legislative Decree no. 460 of 4 December 1997 on the "Reorganization of the tax regulations for non-commercial bodies and non-profit organizations of social utility" and any other relevant legal provision. The Articles of Association sent to the Secretariat of State on 17 December 2015, was approved by the Supreme Pontiff Francis at the audience granted to H.EM. Cardinal Secretary of State Pietro Parolin on 4 March 2016, as made public with the *Rescriptum ex Audentia Sanctissimi* of 7 March 2016.

## 2. STRUCTURE OF THE FOUNDATION

At present, in compliance with the statutory provisions as per art. 7, the Foundation is made up of the Chairman, the Board of Directors and the Board of Statutory Auditors whose powers are regulated by the following articles 8, 9 and 10.

The Foundation has adopted a special "Internal Regulation" that governs the duties and functions of the governing bodies and identifies the operating criteria that inform the entity's management.

Due to the principles of reciprocity, transparency and autonomy of the Foundation, during the meeting of 4 November 2015, the Board also resolved on drafting a Regulation to coordinate the hospital body and the foundation body.

With regard to its operations, the Foundation continued to rely on the Bambino Gesù Children's Hospital staff also in 2018. From July 2015, a professional figure has been directly hired to head the Fundraising and Social Communication Department. Other collaborations were provided by Hospital staff on a freelance basis.

## 3. ACTIVITIES OF THE FOUNDATION DURING THE 2018 FINANCIAL YEAR

The operating result for 2018, as shown in the balance sheet, is particularly positive both for the increase in collected contributions and, above all, for the acquisition of two properties donated to the Foundation. The surplus for the year amounted to Euro 764,441. The area relating to the management of special initiatives recorded a zero result as the contribution of Euro 200,000 for the Bangui project will be paid in full.

## 4. OUTLOOK FOR THE FOUNDATION

In 2018, the Foundation's activities recorded a phase of reputation improvement and expansion of activities increasingly focused in social terms especially on hospitality and humanitarian care. The Foundation, however, continued to raise funds for research through its "Vite coraggiose" [Courageous Lives] campaign, which, as of 1 January 2019, became "Vite coraggiose. Tutti i figli del mondo" [Courageous Lives. All the Children of the World] to support international activities that from 2019 have become part of the Bambino Gesù Foundation's fundraising objectives.

As far as communication is concerned, the Foundation published the first issue of the magazine "La Mano" [The Hand], which was sent by post to about 5,000 privileged individuals. This, of course, in addition to being published on the website, which is increasingly used both as a source of information and as a tool for online donations.

The Foundation has also systematically thanked and reported on the donations received, which remains a priority commitment of the Foundation.

# Accounting Statements

**BAMBINO GESU' FOUNDATION ONLUS**

## STATEMENT OF FINANCIAL AND EQUITY POSITION

| | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 2,947,747 | 2,649,114 |
| Receivables | - | - |
| Receivables from OPBG | - | |
| Receivables for contributions to be collected | - | - |
| Current financial assets | 2,543,503 | 2,629,077 |
| Other current assets | 4,643 | 5,596 |
| Assets held for sale | 550,000 | |
| **Total current assets** | **6,045,893** | **5,283,787** |
| **Non-current assets** | | |
| Intangible assets | - | - |
| Tangible assets | 293,189 | - |
| Financial assets | - | - |
| **Total non-current assets** | **293,189** | **-** |
| **TOTAL ASSETS** | **6,339,082** | **5,283,787** |
| **Current liabilities** | | |
| Payables | 66,295 | 22,237 |
| Payables to OPBG | 664,400 | 340,745 |
| Other current liabilities | 489,743 | 576,513 |
| **Total current liabilities** | **1,220,438** | **939,495** |
| **Non-current liabilities** | | |
| Employee benefits | 36,435 | 26,524 |
| Long-term provisions | - | - |
| Other non-current liabilities | - | - |
| **Total non-current liabilities** | **36,435** | **26,524** |
| **TOTAL LIABILITIES** | **1,256,873** | **966,019** |
| **Net assets/equity** | | |
| Endowment capital | 1,032,914 | 1,032,914 |
| Reserves | 1,599,074 | 1,693,745 |
| Surplus/(Deficit) carried forward | 1,685,780 | 1,685,780 |
| Surplus/(deficit) for the period | 764,441 | (94,671) |
| **Total net assets/equity** | **5,082,209** | **4,317,768** |
| **GRAND TOTAL** | **6,339,082** | **5,283,787** |

BAMBINO GESU' FOUNDATION ONLUS

## PROFIT AND LOSS STATEMENT

| | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Institutional income** | | |
| Donations | 3,176,508 | 1,975,330 |
| Revenues from reversal of OPBG costs | - | - |
| Other income | 196,517 | 256,457 |
| **Total** | **3,373,025** | **2,231,787** |
| **Institutional costs** | | |
| Costs incurred for OPBG | - | - |
| Cost of materials and services | 414,061 | 295,129 |
| Costs for initiatives | 94,465 | 155,550 |
| Costs for remuneration of corporate bodies | - | - |
| Personnel costs | - | - |
| Wages and salaries | 257,049 | 309,640 |
| Social security contributions | 48,927 | 62,361 |
| Other personnel costs | 10,011 | 12,110 |
| Transfers and donations | | - |
| Transfers to OPBG | 1,690,885 | 1,428,547 |
| Donations to third parties | | - |
| Depreciation and write-downs on fixed assets | 4,465 | - |
| Write-downs and losses on assets | | - |
| Other charges | 3,901 | 16,310 |
| **Total** | **2,523,764** | **2,279,647** |
| **INSTITUTIONAL AREA RESULT** | **849,261** | **-47,860** |
| **Financial income** | | |
| *Interest income* | 753 | 844 |
| *Financial assets revaluations at fair value* | - | 47,016 |
| **Financial charges** | | |
| *Interest expenses* | - | - |
| *Financial assets write-downs at fair value* | (85,573) | - |
| **Total** | (84,820) | **47,860** |
| **FINANCIAL AREA RESULT** | (84,820) | **47,860** |
| ***OPERATING RESULT*** | ***764,441*** | **-** |
| Income from special initiatives | 200,000 | 500,000 |
| Costs from special initiatives | -200,000 | -594,671 |
| | - | |
| **SPECIAL INITIATIVES AREA RESULT** | | **-94,671** |
| **Surplus (deficit) for the period** | 764,441 | (94,671) |

**BAMBINO GESÙ FOUNDATION ONLUS**
**STATEMENT OF CHANGES IN NET ASSETS**

| | Endowment capital | Reserves | Surplus (deficit) carried forward | Surplus (deficit) for the period | Net assets/equity |
|---|---|---|---|---|---|
| **Value at the start of the period** | 1,032,914 | 1,693,745 | 1,685,780 | -94,671 | 4,317,768 |
| Previous year's allocation of profits | - | -94,671 | - | 94,671 | - |
| Other changes | - | - | - | - | - |
| Increases | - | - | - | - | - |
| Decreases | - | - | - | - | - |
| Reclassification | - | - | - | 764,441 | 764,441 |
| Surplus (deficit) for the period | - | - | - | - | - |
| **Value at the end of the period** | **1,032,914** | **1,599,074** | **1,685,780** | **764,441** | **5,082,209** |

**BAMBINO GESÙ FOUNDATION ONLUS**

| Cash flow statement | | |
|---|---|---|
| | **2018** | **2017** |
| INITIAL NET SHORT-TERM LIQUID ASSETS | 2,649,114 | 2,747,491 |
| | | |
| FINANCIAL FLOWS FROM OPERATIONS | | |
| Operating surplus (deficit) | 764,441 | -94,671 |
| **Non-monetary movements** | | |
| Amortization | 4,465 | - |
| Increase/(decrease) of receivable risk provision | - | - |
| Increase/(decrease) of payables | 280,943 | 30,570 |
| Increase/(decrease) of financing | - | - |
| Increase/(decrease) personnel cost provisions | 9,911 | 10,770 |
| (Profits)/losses from the sale of properties, plants and equipment | - | - |
| (Profits)/losses from the sale of investments | - | - |
| (Increase) decrease of investments due to revaluations | 85,574 | -47,016 |
| (Increase) decrease in other current assets | -549,047 | -606 |
| (Increase)/decrease in receivables | - | 2,576 |
| (Investments)/divestments in fixed assets | -297,654 | - |
| (Investments)/divestments of current financial assets | - | - |
| Other movements Net Assets | - | - |
| | | |
| **FINANCIAL FLOWS FROM OPERATIONS** | **298,633** | **-98,377** |
| | | |
| CLOSING NET SHORT-TERM LIQUID ASSETS | 2,947,747 | 2,649,114 |

# Explanatory notes

## 1. Preparation principles

### Premise

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards ("IPSAS") issued *by the International Public Sector Accounting Standards Board* ("IPSASB") of the*International Federation of Accountants* ("IFAC").

The financial statements are prepared on an accrual basis.

These financial statements as at 31 December 2018 are expressed in Euros.

The financial statements have been prepared on a going concern basis for the Foundation and the accounting policies have been applied consistently throughout the year and have not changed since last year.

### Financial statements

The financial statements adopted by the Foundation incorporate the guidance provided by IPSAS 1 - Presentation of Financial Statements, as amended on the basis of the improvements to IPSAS published in January 2010, November 2010 and October 2011.

The items in the statement of equity and financial position are classified as current and non-current; those in the profit and loss statement are classified by nature. The income statement is divided into two management areas: the core management area, whose activity is essentially based on the promotion and support of scientific research activities of particular social interest of the Bambino Gesù Children's Hospital in the field of health care and of their instrumental, related, inherent or dependent activities. The special initiatives area, established in 2016, encourages and coordinates aid programs directed to third parties other than the Bambino Gesù Children's Hospital.

The Cash Flow Statement is defined according to the indirect method, whereby the profit or loss for the period is adjusted for the effects of non-monetary components.

Statement of changes in net assets/equity highlights (i) the operating surplus or deficit; (ii) each item of operating income and costs which, as required by other standards, is charged directly to equity; (iii) for each item of net assets/equity shown separately, the effects of changes in accounting standards and of corrections of errors detected according to the provisions of IPSAS 3; (iv) the balance of surplus/deficit carried forward.

## 2. BASIS OF VALUATION

The most significant accounting policies adopted in the preparation of the financial statements are outlined below.

### INCOME

#### - INCOME FROM NON-EXCHANGE TRANSACTIONS (IPSAS 23)

Assets acquired through a non-exchange transaction are initially measured at fair value on the acquisition date.

Income is realized when an inflow of resources from a non-exchange transaction is recognized as an asset, unless a liability is recognized simultaneously for the same inflow of resources. In this case, the income will be realized only when the present obligation recognized as a liability is satisfied.

A current obligation arising from a non-exchange transaction that meets the definition of a liability will be recognized as a liability if and only if:

a) it is likely that, to fulfil the obligation, an outflow of resources is required to produce future economic benefits or service potential, or

b) a reliable estimate of the amount can be made.

The amount recognized as a liability represents the best estimate of the amount necessary to extinguish the present obligation at the balance sheet date.

Income from non-exchange transactions is valued at the value of the increase in net assets recognized by the entity.

The main types of applicable non-exchange transactions are represented by taxes and transfers.

- TAXES

  Taxes are recognized when the taxable event occurs and the criteria for recognition of the asset are met.

  Taxes meet the definition of a non-exchange transaction because the taxpayer transfers resources to the public administration without directly receiving an approximately equal value in return. Although the taxpayer may benefit from a number of social policies instituted by the public administration, these are not provided directly in return for the payment of taxes.

- TRANSFERS

  Transfers include contributions, pardoned debts, penalties, legacies, donations, and goods and services in kind. All these elements have in common the characteristic of transferring resources from one entity to another without consideration of approximately equal value.

  Transfers meet the definition of an asset when the entity controls the resources due to a past event (the transfer) and expects to receive future economic benefits or service potential from those resources. Transfers meet the criteria for recognition as an asset when the flow of incoming resources is likely and their fair value can be reliably determined.

Pledges of donations are non-binding acts by which a party agrees to transfer assets to the recipient entity. Pledges of donations do not meet the definition of an asset because the receiving entity is unable to control the transferor's access to the future economic benefits or service potential embodied in the pledged item. Therefore, the entity does not recognize the pledge as an asset or income until the pledged item is actually transferred to the receiving entity. Pledges of donations are treated as contingent assets (IPSAS 19) and, therefore, are not recognized in the financial statements, as this would result in the recognition of income that may never materialize.

### - INCOME FROM EXCHANGE TRANSACTIONS (IPSAS 9)

The item includes income deriving from the sale of goods, services or the exploitation of assets that may generate interest, royalties, dividends or the like.

Income is recognized at the fair value of the consideration received or to be received.

Provision of services: when the result of providing a service can be reliably estimated, the income associated with the transaction is recognized with reference to the stage of completion of the transaction at the balance sheet date. The result of a transaction can be estimated if the following conditions are met: (i) the amount of income can be measured reliably; (ii) it is likely that the economic benefits or service potential associated with the transaction will flow to the entity; (iii) the stage of completion of the transaction at the balance sheet date can be reliably measured; (iv) the costs incurred for the transaction and those to complete it can be reliably measured.

If the result of the transaction cannot be reliably estimated, the income is recognized only to the extent of the recognized costs that will be recoverable.

Sale of assets: income is recognized when the following conditions are met: (i) the entity has transferred to the buyer the significant risks and ownership of the assets; (ii) the entity loses effective control over the assets sold; (iii) the amount of the proceeds can be measured reliably; (iv) it is likely that economic benefits or service potential associated with the transaction will flow to the entity; (v) the costs incurred or to be incurred for the transaction can be measured reliably.

Interest, royalties and dividends: these are recognized when it is likely that the economic benefits or possible services will flow to the entity and the amount of income can be determined reliably.

• Interest: this is based on the time criterion that takes into account the actual return of the asset.

• Royalties: these are recognized when accrued based on the content of the related agreement.

• Dividends or their equivalents: these are recognized when the shareholder or company is entitled to receive payment.

## COSTS

The costs are attributed on an accrual basis.

## PROPERTY, PLANT AND EQUIPMENT (IPSAS 17)

Property, plant and equipment are recognized as assets if, and only if,

- it is likely that the future economic or potential benefits of services associated with the asset will flow to the entity, and
- the cost value or the fair value of the asset can be reliably determined.

The initial recognition at cost includes all the costs necessary for the asset to be available for the intended use. When an asset is acquired without equivalent consideration, its cost is represented by its fair value on the acquisition date. If payment is deferred, interest is also recognized.

The subsequent valuation of property, plant, and equipment is done for the entire class based on the revaluation model. Specifically, the asset is recorded at a revalued amount, equal to the fair value on the revaluation date, net of subsequent depreciation and impairments. The revaluations are carried out regularly and each item in a given class is revalued.

Depreciation is systematically recognized for the useful life of the asset. The depreciation method reflects the methods by which the future economic or potential benefits of the services of the asset are expected to be used by the entity. The residual value is reviewed at least once a year and amounts to the value that the entity would have received if the asset was already old and in the condition envisaged at the end of its useful life.

The depreciation rate used by the Foundation for buildings is 3%.

Land and buildings are separable assets and are accounted for separately, even when acquired together. Land normally has an unlimited useful life and, therefore, is not depreciated.

## INVESTMENT PROPERTY (IPSAS 16)

Investment property is recognized as an asset when, and only when:

- It is likely that the expected future economic benefits or service potential that are associated with the investment property will flow to the entity.
- The cost or fair value of investment property can be measured reliably.

Investment property is initially measured at cost, including transaction costs. When an investment is acquired without equivalent consideration, the initial value is measured at its fair value at the acquisition date.

After initial recognition, investment property is measured at fair value, and changes in fair value are recognized in surplus or deficit for the period in which they occur.

## INTANGIBLE ASSETS (IPSAS 31)

An intangible asset is recognized as such if, and only if:

- it is likely that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity, and
- it is possible to reliably value the cost or fair value of the asset.

An intangible asset is initially valued at cost. When an intangible asset is acquired through a non-exchange transaction, its initial cost at the acquisition date is measured at fair value at that date.

Internally generated goodwill is not recognized as an asset.

If internally generated, trademarks, news media outlets, publishing rights, user databases and similar items are not recorded as intangible assets.

To assess whether an internally generated intangible asset meets the conditions necessary for recognition, an entity classifies the asset formation process into:

a) a research phase: Research expenses (or the research phase of an internal project) are recognized as an expense when incurred

b) a stage of development: an intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate: (i) that it is technically feasible to complete the intangible asset so as to make it available for use or sale; (ii) its intention to complete the intangible asset for use or sale;(iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate likely future economic benefits or service potential. Furthermore, the entity can demonstrate the existence of a market for the intangible asset or a product of the intangible asset or, if the asset is for internal use, its usefulness; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The accounting for an intangible asset depends on its useful life. An intangible asset with a finite useful life is amortized, while an intangible asset with an indefinite useful life is not amortized.

The amortizable value of an intangible asset with a definite useful life is allocated on a systematic basis over its useful life. The amortization begins when the asset is available for use, i.e. when it is in the necessary position and condition to operate in the manner required by the management. The amortization will cease at the closest date between the one on which the asset is classified as held for sale (or included in a disposal group classified as held for sale) and the date on which the asset is derecognized. The amortization method used reflects the ways in which the future economic benefits or service potential of the asset are assumed to be used by the entity. The amortization share is recognized in each year within the surplus or deficit for the year.

Intangible assets with an indefinite useful life are not amortized. An intangible asset with an indefinite useful life is tested for impairment by comparing its recoverable service value or recoverable amount, whichever is more appropriate, with its carrying amount on an annual basis and whenever there is an indication that the intangible asset may be impaired.

## Assets held for sale

An asset must be classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use.

In particular, the asset must be available for immediate sale in its current condition and the sale must be highly likely.

These assets are valued at the lower of their carrying amount and fair value net of the costs of sale and are not subject to amortization.

**FINANCIAL INSTRUMENTS (IPSAS 29)**

The recognition of financial assets and liabilities is at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or liabilities.

After the initial recognition, the valuation of financial assets is at fair value, without any deduction for transaction costs that may be incurred in the sale or other disposal, with the exception of the following financial assets:

a) loans and receivables, which are measured at amortized cost[1] using the actual interest method[2];

b) investments held to maturity, which are measured at amortized cost using the actual interest method, and

c) investments in equity instruments that do not have a market price listed on an active market, and whose fair value cannot be measured reliably, and the derivatives that are related to them and that are settled with the delivery of these unlisted equity instruments, which are valued at cost.

All financial assets except those measured at the fair value recorded in the surplus or deficit are subject to an impairment test. Therefore, at the closing date of each financial year, the entity assesses whether there is any objective evidence that a financial asset or a group of financial assets has suffered an impairment. In particular:

- Financial assets recognized at amortized cost: if there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments recorded at amortized cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding losses on future receivables that have not been incurred) discounted at the original actual interest rate of the financial asset (i.e. the actual interest rate calculated upon initial recognition). The carrying amount of the asset is reduced directly or through the use of a provision. The amount of the loss is recognized in the operating surplus or deficit.

- Financial assets recognized at cost: if there is objective evidence that an impairment loss has been incurred on an unlisted equity instrument that is not measured at fair value because its fair value

[1]The definition of *amortized cost* of a financial asset or liability is as follows: value at which the financial asset or liability was measured at the time of initial recognition, net of capital repayments, increased or decreased by the overall amortization using the actual interest method on any difference between the initial value and the maturity value, and deducting any reduction following an impairment or irrecoverability

[2]The *actual interest rate* is the rate that discounts exactly the future payments or receipts estimated over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the actual interest rate, the financial flows must be valued taking into account all the contractual terms of the financial instrument, but must not consider future credit losses. The calculation includes all charges and basis points paid or received between the parties to a contract that are an integral part of the actual interest rate, transaction costs and all other premiums or discounts. It is assumed that the cash flows and expected life of a group of similar financial instruments can be measured reliably.

cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows and discounted at the current market rate of return for a similar financial asset. Such impairment losses must not be reversed.

- Financial assets held for sale: when a reduction in the fair value of a financial asset held for sale has been recognized in the net assets/equity and there is objective evidence that the asset has suffered an impairment, the cumulative loss which was recognized directly in the net assets/equity is eliminated from the net assets/equity and is recognized in the surplus or deficit even if the financial asset has not been eliminated.

The amount of the overall loss which is reclassified under net assets/equity and is recorded in the operating surplus or deficit will be the difference between the acquisition cost (net of any repayment of the principal and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in the operating surplus or deficit. Impairment losses, recorded in the surplus or deficit for an investment in an equity instrument classified as held for sale, are not reversed with effect recognized in the operating surplus or deficit.

If, in a later period, the fair value of a debt instrument classified as held for sale increases and the increase can be objectively associated to an event that occurs after the impairment loss had been recognized in the operating surplus or deficit, the impairment loss is eliminated, with the amount reversed recorded in the operating surplus or deficit.

After the initial recognition, the entity evaluates all financial liabilities at amortized cost using the actual interest method, with the exception of:

a) financial liabilities measured at fair value recorded in the operating surplus or deficit. These liabilities, including derivatives, are measured at fair value except for derivatives that represent a liability and are correlated with and settled by the delivery of an unlisted equity instrument whose fair value cannot be measured reliably, which is measured at cost;

b) financial liabilities that arise when the transfer of a financial asset does not meet the conditions for elimination or when the residual involvement approach is applied;

c) financial guarantee contracts;

d) commitments to disburse a loan at an interest rate lower than the market rate.

Financial liabilities that are designated as hedged items are subject to measurement in accordance with hedge accounting requirements.

In the case of non-current financial assets and liabilities, the entity includes the portion relating to the 12 months following the balance sheet date among the current assets and liabilities.

## INVESTMENTS IN ASSOCIATES ACCOUNTED FOR BY THE EQUITY METHOD (IPSAS 7)

If the investment is acquired and held exclusively with a view to its disposal within 12 months of acquisition and the entity is actively seeking a buyer, the investment is classified as held for sale and accounted for in accordance with the relevant international or national accounting standard for the recognition and measurement of financial instruments.

Otherwise, the equity method is used for all investments in associates over which the entity has significant influence. It should be noted that there is a simple presumption of significant influence if the investment held, directly or indirectly, represents 20% or more of the voting rights of the associate.

Under the equity method, the investment is initially recognized at cost. It is then adjusted by the entity's share of the change in net assets/equity.

The financial statements of the investor are prepared using uniform accounting policies for like transactions and events in similar circumstances.

## CASH AND CASH EQUIVALENTS

Cash equivalents are held to meet short-term cash commitments. The item includes investments readily convertible to a known amount of money and subject to an irrelevant risk of change in value.

## PROVISIONS (IPSAS 19)

A provision is recognized when:

a) there is a current obligation (legal or implicit) resulting from a past event;
b) it is likely that, to fulfil the obligation, an outflow of resources that incorporate economic benefits or a potential service is necessary, or
c) the amount of the obligation can be determined with sufficient reliability.

If these conditions are not met, no provision is recognized.

The amount recognized as a provision represents the best estimate of the expenditure required to fulfil the current obligation at the balance sheet date.

Where the effect of the time value of the money is significant, the amount of a provision is represented by the current value of the expenses that are supposed to be necessary to settle the obligation.

Future events that may affect the amount necessary to settle an obligation are reflected in the amount of a provision if there is sufficient objective evidence that these will occur.

The provisions are reviewed at the balance sheet date of each Financial Statements and adjusted to reflect the best current estimate. If it is no longer likely that the outflow of resources that incorporate economic benefits or service potential will be required to fulfil the obligation, the provision is reversed.

Each provision is used only for those expenses for which it was originally posted.

## EMPLOYEE BENEFITS (IPSAS 39)

1. Short-term employees benefits

The non-discounted amount of short-term benefits that are expected to be paid to the employee in exchange for the work performed by the employee during an administrative period, is recognized as follows:

a) as a liability (cost provision) after having deducted any amount already paid. If the amount already paid is greater than the non-discounted amount of the benefits, the difference is recorded as an asset (prepaid expense) to the extent that the advance payment will determine, for example, a reduction in future payments or a repayment;

b) as a cost, unless another Standard requires or allows the inclusion of the benefits in the cost of an asset

2. Post-employment benefits

Post-employment benefit plans are classified as defined contribution plans or defined benefit plans, depending on the economic nature of the plan, which depends on the main terms and conditions of the plan.

- Defined contribution plans

When an employee has served with the entity in a financial year, the contributions to be paid to a defined contribution plan are recorded in exchange for the work performed:

a) as a liability (debt), after deducting any contributions already paid. If the contributions already paid exceed those due for the work performed before the balance sheet date, the excess is recognized as an asset (prepaid expense) to the extent that the advance payment will determine, for example, a reduction in the future payments or a repayment, and

b) as a cost, unless another Standard requires or allows the inclusion of the contributions in the cost of an asset.

When the contributions to a defined contribution plan are not due in full within twelve months of the end of the financial year in which the employees have performed the related work, they are discounted.

- Defined benefit plans

For defined benefit plans, the amount of the liability (or asset) is represented by the total of the following amounts:

a) the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation deriving from the service to employees in the current and previous periods); and
b) the fair value of any assets servicing the plan at the end of the reporting period.

In calculating the present value of the defined benefit obligation, a rate is applied which reflects the time value of the money. The defined benefit asset is limited to the lesser of the surplus in the defined benefit plan and the capital limit.

The capital limit is the present value of any economic benefits available in the form of repayments from the plan or reductions in future contributions to the plan.

**Other long-term employee benefits**

The amount recognized as a liability for other long-term benefits is represented by the net total of the following amounts:

a) the present value of the obligation for benefits defined at the balance sheet date;

b) minus the fair value at the balance sheet date of the assets servicing the plan (if any) outside which the obligations are extinguished directly.

For other long-term employee benefits, the net total of the following amounts in the surplus or deficit is recorded, except in the case and to the extent that another Standard requires or allows their inclusion in the cost of an asset:

a) the cost of labour;

b) the net interest on the net liability for defined benefits (assets); and

c) revaluation of the net defined benefit liability (assets).

## NET ASSETS

### Contributed capital

The contributed capital is represented by the overall total of the contributions by the ownership at the reporting date, net of distributions to the ownership.

### Surplus deficit carried forward

They include the earnings of previous years.

### Reserves

They include reserves for donations received from companies or individuals.

### Accounting standards and new interpretations

The following are the standards issued by the International Public Sector Accounting Standards Board that came into force on 1 January 2018 and those that will be applicable in future years.

IPSAS 39 is applicable from 1 January 2018, and its main change is the elimination of the option, allowed by IPSAS 25, of accounting for Actuarial Gains and Losses under the corridor method. The Foundation will not be impacted by the application of the new standard as it has never exercised this option.

| Standard no. | Subject | Date of first application |
|---|---|---|
| 39 | Employee benefits | 01-Jan-18 |
| 40 | Company groupings in the public sector | 01-Jan-19 |

## NOTES RELATING TO THE EQUITY AND FINANCIAL SITUATION

### ASSETS

#### CASH AND CASH EQUIVALENTS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Cash and cash equivalents | 2,947,747 | 2,649,114 | 298,633 |

Cash and cash equivalents as of 31 December 2018 amounted to Euro 2,947,747, an increase over the previous year of Euro 298,633.

The item includes unrestricted deposits represented by bank and post office current accounts for Euro 2,945,391 and cash in hand for Euro 2,357 made up of small payments.

Details of the items are shown below:

| Description | 31/12/2018 |
|---|---|
| Unicredit deposit - 400215758 | 48,441 |
| Unicredit deposit - 102842174 | 1,676 |
| IOR deposit | 1,211,978 |
| Poste Italiane 1000425874 | 201,807 |
| Intesa San Paolo PAPA deposit | 97,438 |
| Intesa San Paolo Deposit | 1,382,277 |
| PayPal | 1,775 |
| Cash | 2,357 |
| **Total** | **2,947,747** |

#### CURRENT FINANCIAL ASSETS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Current financial assets | 2,543,503 | 2,629,077 | -85,574 |

The balance as of 31/12/2018 consists of:

- an interest-bearing postal bond, amounting to Euro 186,000 donated to the Foundation, issued on 7 August 2015 and expiring on 7 August 2019.
- the market value of the Investment Asset Management (GPM 80702), equal to Euro 2,357,504, held at the Istituto per le Opere di Religione (IOR). The decrease reported in the year, amounting to Euro 85,574, results from the alignment of the portfolio to its fair value at 31 December 2018.

### OTHER CURRENT ASSETS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Other current assets | 4,643 | 5,596 | -953 |

The item at 31 December 2018 consists of the residual receivable claimed by the Foundation from INAIL for Euro 4,643.

### ASSETS HELD FOR SALE

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Assets held for sale | 55,000 | 0 | 55,000 |

This item includes a property received as a donation from Mrs. Brunella Castellini, located in Berlin, which will be put up for sale in the next financial year.

### TANGIBLE ASSETS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Tangible assets | 293,189 | 0 | 293,189 |

This item includes a building received as a donation from Mrs. Giovanna Garraffo, located in Rome, Via G. dei Vecchi Pieralice, which is used to host the families of patients admitted to the Bambino Gesù Children's Hospital.

## LIABILITIES

### NET ASSETS

| STATEMENT OF CHANGES IN NET ASSETS | | | | | |
|---|---|---|---|---|---|
| | Endowment capital | Reserves | Surplus (deficit) carried forward | Surplus (deficit) for the period | Net assets/equity |
| **Value at the start of the period** | **1,032,914** | **1,693,745** | **1,685,780** | **-94,671** | **4,317,768** |
| Previous year's allocation of profits | - | -94,671 | - | 94,671 | - |
| Other changes | - | - | - | - | - |
| Increases | - | - | - | - | - |
| Decreases | - | - | - | 764,441 | 764,441 |
| Surplus (deficit) for the period | - | - | - | - | - |
| **Value at the end of the period** | **1,032,914** | **1,599,074** | **1,685,780** | **764,441** | **5, 082,209** |

The "Endowment Capital" amounts to Euro 1,032,914 and remains unchanged from the initial endowment. The funds shown in the Net Assets include the contributions of money given to the Bambino Gesù Foundation Onlus, net of the expenses incurred for fundraising and for carrying out foundation activities.

The item "Surplus/Deficit carried forward", amounting to Euro 1,685,780, includes the profits and losses resulting from the management of the Foundation in previous years.
The 2018 financial year closes with operating earnings of Euro 764,441, while earnings from the special initiatives area is Euro 0.

## PAYABLES

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Payables | 66,295 | 22,237 | 44,058 |

The balance of the item at 31 December 2018, amounting to Euro 66,295, refers to invoices not yet received at 31 December and pertaining to the year just ended relating mainly to costs for services of the Foundation.

## PAYABLES TO OPBG

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Payables to OPBG | 664,400 | 340,745 | 323,655 |

Payables to the Bambino Gesù Children's Hospital amounting to Euro 664,400 refer to contributions collected by the Foundation and not yet paid to the Hospital. The related payment was made during the first half of 2019.

## OTHER CURRENT LIABILITIES

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Other current liabilities | 489,743 | 576,513 | -86,770 |

Other current liabilities, which amount to Euro 489,743, consist primarily of the following:

- Euro 400,000 for the contribution to be transferred to the Nunciature of the Central African Republic in support of the Bangui project, which will be used during the year 2019;
- Euro 35,117 due to personnel for 2018 contractual bonus and unused holidays 2018;
- Euro 31,920 payables for fundraising manager bonus of 2017 settled in 2019;
- Euro 21,459 in tax and social security payables relating to employees/contractors duly settled in 2019;

## OTHER EMPLOYEE BENEFITS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Other employee benefits | 36,435 | 26,524 | 9,911 |

Employee benefits include the provision for severance accrued by the foundation's employees at 31/12/2018.

## 3. NOTES ON THE ECONOMIC SITUATION

## INSTITUTIONAL INCOME

### DONATIONS

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Donations | 3,176,508 | 1,975,330 | 1,201,178 |

This item, amounting to Euro 3,176,508, includes donations made by companies or individuals.

The main contributions from entities and companies came from:

ANIA Foundation (Euro 120,000); United World Foundation (Euro 80,000); Conad (Euro 376,326);

Terna company (Euro 40,000); Damocle Foundation (Euro 56,441);

Contributions from individuals were received primarily from:

- Brunella Castellini inheritance - apartment located in Berlin (Euro 550,000)

- Giovanna Garraffo inheritance - apartment located in Rome via di Pieralice (Euro 255,000);

- Mrs Anna Tatangelo Euro 50,000;

- Campoli brothers Simone and Manuela Euro 140,000;

- Mrs Virginia Cucurachi Euro 54,606;

### OTHER REVENUES

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Other income | 196,517 | 256,457 | -59,940 |

This item, amounting to 196,517 at 31 December 2018, primarily reflects the absence of the liability recorded to OPBG for the reversal of the cost of personnel seconded to the Foundation. In fact, for 2018, 5 OPBG resources are working at the Foundation on a secondment basis. The cost of these employees for the year, borne entirely by OPBG, will not be reversed as per the minutes of the Board of Directors of the Foundation as in previous years. The decrease in the related amount is due to the fact that two employees, seconded to the Foundation, returned to the Hospital during the year.

## INSTITUTIONAL COSTS

## Cost of materials and services

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Cost of materials and services | 414,061 | 295,129 | 118,932 |

This account includes the cost of Euro 112,200 for the rooms of the Lebanese Sisters' reception house intended for the families of the children admitted to the Hospital; a cost amounting to Euro 196,517 for 5 resources seconded by OPBG to the Foundation in the 2018 financial year (as explained in the item "Other revenues", the Hospital waived these sums generating a non-existence of a debt incurred by the Foundation towards OPBG); a cost of Euro 38,045 for promotional activities and Christmas greetings; Euro 67,299 for various services provided by third parties to ensure the proper functioning of the Foundation's management (costs for the certification of the financial statements, costs for the labour consultant for payroll management, notary costs, management software costs, donor database costs, stationery costs and transport and delivery services, costs for the creation of solidarity products).

## Costs for initiatives

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Costs for initiatives | 94,465 | 155,550 | - |

This item includes costs incurred for special initiatives not directly promoted by the Children's Hospital. The most significant costs are: Nave Italia (29,500); KaraK Hospital (59,800);

## Personnel costs

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| - Wages and salaries | 257,049 | 309,640 | -52,591 |
| - Social contributions | 48,927 | 62,361 | -13,434 |
| - Other personnel costs | 10,011 | 12,110 | -2,099 |

The decrease from 2017 is due to the termination of the coordinated and ongoing collaboration contract which expired on 31 December 2017. The item "Other personnel costs" includes the severance pay accrued in the 2018 financial year.

## TRANSFERS TO OPBG

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Transfers to OPBG | 1,690,885 | 1,428,547 | 262,338 |

This item, amounting to Euro 1,690,885, includes contributions received by the Foundation relating to donations made by companies and individuals and transferred to the Bambino Gesù Children's Hospital.

## OTHER CHARGES

| | 31/12/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Other charges | 3,901 | 16,310 | -12,409 |

The item Other Charges, amounting to Euro 3,901, consists of stamp duty and taxes (taxes on investment income relating to the management of assets held with IOR) and costs relating to bank commissions for holding current accounts.

## FINANCIAL INCOME

| | 31/12/2018 | 31/12/2017 | Change |
|---|---|---|---|
| Interest income | 753 | 844 | -91 |
| Financial asset revaluations at fair value | -85,573 | 47,016 | -132,589 |
| **Total** | **-84,820** | **47,860** | **-132,680** |

The item relates to:

- interest income of Euro 753 relating to interest on demand deposits;

- write-down at fair value of financial assets for Euro 85,573 related to the revaluation of the Investment Asset Management with IOR for the 2018 financial year, as reported in the details of the section "Current financial assets".

## SPECIAL INITIATIVES AREA

| | 31/12/2018 | 31/12/2017 |
|---|---|---|
| Income from special initiatives | 200,000 | 500,000 |
| Costs from special initiatives | -200,000 | -594,671 |
| **Total** | **-** | **-94,671** |

The special initiatives item is mainly characterised by the continuing support given by the Foundation to the Bangui Hospital. As is well known, last year the Foundation supported the work of the Centre for the Treatment of Malnutrition with Euro 300,000.

The item as at 31 December 2018 shows a zero result as the contribution of Euro 200,000 donated by the Parish of Saints Martin and Gaudentius was entirely set aside to be fully allocated to support the Bangui Hospital.

## WORKFORCE INFORMATION

The Foundation has one employee on staff hired under a regular contract in July 2015.

## OTHER INFORMATION

Please note that the resolution of the Board of Directors to accept the donation of the civil property located in Via dei Vecchi di Pieralice reached the stage of completion in early 2018, with the handover of the property now at the stage of full use for hosting families.