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# Annual Financial Statements 2020

## Management Report

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CBM Christoffel-Blindenmission  
Christian Blind Mission e.V.

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*Rounding-off differences to the exact mathematical values (money units, percentages etc.) can occur in tables and references for technical reasons.*

## **1 Fundamentals of CBM**

### **1.1 First-time compilation of annual financial statements pursuant to German Commercial Code (GCC) for CBM Christoffel-Blindenmission Christian Blind Mission e.V. and merger of Christoffel-Blindenmission Deutschland e.V.**

#### **First-time compilation of annual financial statements pursuant to GCC for CBM Christoffel-Blindenmission Christian Blind Mission e.V.**

Annual financial statements for financial year 2020 (incl. comparative figures for 2019) have been compiled for the first time for CBM Christoffel-Blindenmission Christian Blind Mission e.V. (CBM) under regulations of German Generally Accepted Accounting Principles.

All country and regional offices have been included. Expenses of country and regional offices are recorded true to cause and delimitation as personnel expenses, depreciation or other operating expenses.

#### **Merger of Christoffel-Blindenmission Deutschland e.V. with CBM Christoffel-Blindenmission Christian Blind Mission e.V.**

Christoffel-Blindenmission Deutschland e.V. (CBM-D) was merged with CBM Christoffel-Blindenmission Christian Blind Mission e.V. (CBM) on 2<sup>nd</sup> December 2020 upon entry into register of charities and foundations with effect 1<sup>st</sup> January 2020.

All rights and duties – especially those of the founder of CBM Stiftung (CBM Foundation) and Christoffel Blindenmission Austria – charitable foundation – and all operations of CBM-D were transferred to CBM.

As of 1<sup>st</sup> March 2020 for purposes of strengthening the equity basis of CBM Stiftung, CBM-D transferred ownership of the Bensheim property to CBM Stiftung as donation in kind.

As an effect of the merger on CBM's accounting, income and expenses are recorded true to their cause in accordance with their origins (such as donations, legacies and bequests and endowments from public donors as well as expenditure for programs, fundraising and administration). Mutual internal receivables and liabilities are consolidated.

In order to achieve a better comparability, balance sheet and profit & loss account have been supplemented with adjusted comparative figures for 2019. These take account of relevant figures of CBM-D as if the merger had already taken place in 2019. These are designated as "31/12/2019 adjusted incl. CBMD" and "2019 adjusted incl. CBMD".

### **1.2 Business model**

CBM Christoffel-Blindenmission Christian Blind Mission e.V. (CBM) is an organisation working internationally for development aid. Based on Christian values, it works to improve the lives of people with disabilities and who live in the poorest regions of the world.

CBM not only provides medical aid and enables prevention and rehabilitation, it also works towards a comprehensive realisation of human rights and the full social participation of people with disabilities. This includes opportunities for education and employment.

CBM invites people with an interest to help fulfil this mission and to bring about an inclusive world through their personal dedication and financial commitment – whether this be as a donor, ambassador, member or supporter of political campaigns.

With its political work, CBM seeks to achieve that rights of people with disabilities are considered in development policies – and that this is also financed.

CBM is responsible for programs work in developing countries financed by donors and carried out by local implementing (charity) partner organisations.

CBM adds value by bundling powers and resources of people and institutions with same kind of interests. Moreover, CBM contributes its expert knowledge acquired over many years to issues involving development aid and disabilities. It therefore supplements and strengthens the commitment of its supporters.

### **1.3 Strategy and objectives**

In order to bring about the vision of an inclusive world for an even greater number of people, we work on extending involvement in opportunities that CBM has. The goal of CBM is to become the leading organisation in inclusive development aid.

Donor orientation and a strong brand are levers to constantly providing more resources for the programs work in Africa, Asia and Latin America. We concentrate on the fields of community-based inclusive development (CBID) and inclusive eye health (IEH). Providing aid in humanitarian crises remains an important cross-cutting activity.

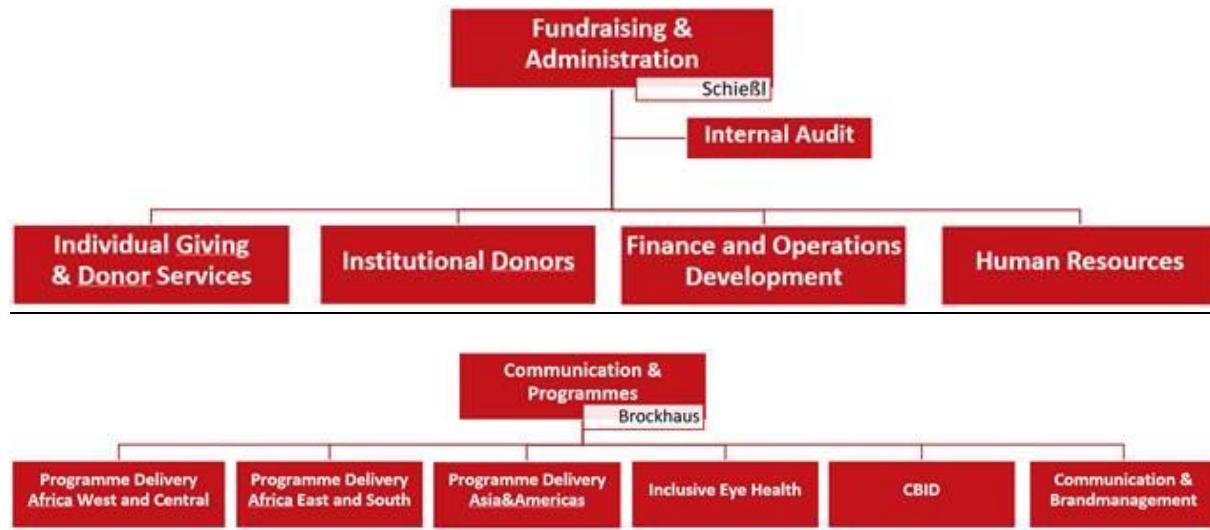
Apart from generating on-going income, there are sufficient financial reserves available to implement the strategy.

We try to keep the ratio of fundraising and administration expenditures as low as possible compared to overall expenses and to fulfil the requirements of German Central Institute for Social Issues (DZI).

## 1.4 Organisation

### Structure

CBM is managed by two Chief Executive Officers. A total of ten divisions and a specialist team for Internal Audit are organised (as of 31<sup>st</sup> December 2020) in the following structure:



### Organisation abroad

CBM has 31 offices in Africa, Asia and Latin America, which are allocated to the respective division for programme delivery. The offices develop projects on-the-spot in close cooperation with local implementing partners, monitor implementation of projects, promote advocacy work for people with disabilities, ensure CBM's work is integrated into policies of governments and coordinate cooperation with other local organisations.

### Governance

CBM has 61 individual persons as members. These support CBM through their voluntary work in the (minimum) yearly general meeting, in the Supervisory Board and in the committees of the Supervisory Board. The general meeting is responsible for principles of work, for discharging Executive Board and for electing Supervisory Board.

Supervisory Board nominates full-time Chief Executive Officers and monitors their work. Supervisory Board approves strategic plans, annual budget, annual financial statements and investment guidelines proposed by the Chief Executive Officers.

Chief Executive Officers manage the daily business. Land deals, loans and transactions with a particularly high risk must be approved in advance by Supervisory Board.

### Related charitable organisations

CBM Christoffel Blindenmission Christian Blind Mission e.V. is the sole member of Christian Blind Mission International (CBM USA) and Christian Blind Mission Ending Tropical Diseases (CBM ETD) in the USA:

- Resources from public, from private institutional and from private individual donors in the USA are acquired through CBM USA. Dr. Peter Schießl represents CBM Christoffel Blindenmission Christian Blind Mission e.V. on the board of CBM USA.
- CBM receives comprehensive donations in kind from CBM ETD for combatting neglected tropical diseases.

CBM Stiftung based in Bensheim, Germany, was founded by CBM-D in 2019. Effected by the merger, founder's rights in this foundation were transferred to CBM. Founder nominates members of the Advisory Board, who nominate and supervise the Executive Board. Advisory Board is composed of Dr. Peter Schießl and Dr. Rainer Brockhaus. The independent foundation has same statutory objectives as CBM and intends to make an attractive offer to donors. CBM Stiftung owns the property at Stubenwald-Allee 5 and rents it to CBM. CBM Stiftung donates to CBM for projects developed and monitored by CBM.

Christoffel Blindenmission Austria – charitable foundation (CBM Austria) was founded by CBM-D in 2018. Founder's rights have been transferred to CBM. Founder nominates members of the Supervisory Board, who nominate and supervise the Executive Board. Supervisory Board of the foundation is composed of Dr. Peter Schießl and Dr. Rainer Brockhaus. The foundation follows the same objectives as CBM and is supported by CBM during ramp-up. Long-term objective is to rally donor basis in Austria though fundraising and to donate these funds to CBM for projects developed and monitored by CBM.

Organisations in Italy, Australia, New Zealand, Ireland, the United Kingdom, Kenya and Switzerland, have "CBM" or "Christian Blind Mission" in their names. These organisations have no longer been bound to CBM by a shared governance structure since 1<sup>st</sup> January 2020. However, they donate to CBM for project support via payments to partners and they are also supporting project development and monitoring activities of CBM. These organisations are referred to below as "other CBM organisations".

## **2 Economic report**

### **2.1 Trends in relevant public donor markets**

The German Ministry of Economic Cooperation and Development (BMZ) and the European Commission are currently the two most important public donors for CBM. The German Foreign Office has also increased in importance over last few years. EU endowments remain at a stable level and acquisition of endowments from the US government (USAID) is at an advanced stage – a first approval is expected in 2021.

#### Sponsorship by BMZ

BMZ budget rose clearly in 2020 by Euro 1.5 billion to Euro 12.4 billion compared to previous year. BMZ focus regionally in Africa and in particular on combatting causes of flight and on reducing hunger and poverty. Ministry furthermore places great relevance on vocational education/ training, climate protection, crisis management, reconstruction and infrastructure.

All subject areas of "Private Sponsors" are accessible to CBM. This amounted to a total of EUR 150 million in 2020 as endowments for projects in civil society.

#### Sponsorship by German Foreign Office

Foreign Office budget for humanitarian aid rose between 2015 and 2020 from Euro 475 million to Euro 2.1 billion. Germany has thereby developed into the second-largest bilateral donor of humanitarian aid in the world. All humanitarian money is processed by UN organisations, the International Committee of the Red Cross (IKRK) and by non-governmental organisations. The proportion of non-governmental organisations was less than 20 %.

#### Sponsorship by European Commission

The two most important development policy promotion instruments of the EU for the financial periods from 2014 to 2020 for CBM were the programmes "Civil Society and Local Authorities" with Euro 1.9 billion and "European Instrument for Democracy and Human Rights" with a volume of Euro 1.3 billion.

Most important non-governmental procedure to issue endowments from these instruments is decentralized through competitive tendering by the EU delegations in developing countries. Frequency and scope of tenders has been significantly reduced by the expiry of the financial framework at the end of 2020.

## **2.2 Trends in relevant private donor market**

A study issued by the Association for Consumer Research (GfK) in February 2021 ([www.spendenrat.de/spendeninfos/bilanz-des-helfens](http://www.spendenrat.de/spendeninfos/bilanz-des-helfens)) reports donations in 2020 of Euro 5.4 billion. That is an increase of 5.1 % compared to previous year. It was the second-best year since the survey started 15 years ago.

Number of those willing to donate in Germany continued to fall. 19 million people donated in 2020. That is half a million or 2.6 % fewer than in previous year. The range (number of donors in the population) was 28.5 %. This negative effect on donations was compensated by a rise in average donation to Euro 40 and in frequency of donations per annum.

Given heavy fluctuations throughout the year, willingness to donate appears to have been rather positively influenced by the Corona pandemic, although there are large differences depending on age group. Those aged over seventy contributed by far most to rise in the volume of donations, so that their proportion in the volume of donations increased from 40.8 % in previous year to 43.8 % in 2020 (with a share in relevant population of 18.6 %).

Humanitarian aid had the highest proportion in entire volume of donations at almost 76 % (+ Euro 212 m compared to 2019). Within humanitarian aid, it was emergency response and catastrophe aid that was able to expand donor share from 15 % to almost 18 % and thus benefitted greatly from donations during Corona crisis. An increase was also noticed on donations for refugees.

## 2.3 Business development

### Important events in financial year

Indicators of performance for CBM are development of cash donations, project support via payments to partners and the DZI ratio which limits fundraising and administration expenditures to total expenditures:

- CBM increased cash donations from Euro 94.0 million to Euro 98.5 million compared to 2019 (incl. CBM-D).
- Due to Corona crisis, project support via payments to partners fell from Euro 66.0 million in 2019 to Euro 56.5 million in 2020.
- DZI ratio of 10.4 % results for 2020 (Note: Accepted ceiling is at 30%).

We reacted to restrictions on fundraising with personal presence (events, face-to-face, door-to-door) caused by Corona crisis by building-up our online activities and media fundraising. Calls for donations connected to Corona contributed Euro 2.6 million to our cash donations.

International collaboration with foundations and other organisations was expanded. CBM thus acquired Euro 4.5 million from END FUND and Euro 1.2 million from Sight Savers to combat neglected tropical diseases. That means an increase of Euro 3.8 million compared to 2019.

Euro 3.9 million was deployed as project support for specific actions to hazards posed by Corona to people with disabilities. Further funds are ready to be deployed in 2021.

Ownership of the Stubenwald property was transferred by CBM-D to CBM Stiftung. The contribution to CBM Stiftung was free-of-charge and increased as a donation in kind to CBM Stiftung project support of CBM by Euro 12.4 million.

### Result for financial year

All comparative figures listed include those of CBM-D. This allows an appropriate analysis of changes in financial year 2020 compared to 2019:

Operational result (in k-EUR)	CHARITABLE SPHERE	CHARITABLE LIKE SPHERE	BUSINESS OPERATIONS	ASSET MANAGEMENT	Sum 2020	Sum 2019 adjusted incl. CBMD
<b>Income</b>	355.350	30	50	336	<b>355.766</b>	227.469
<b>Expenditures</b>	308.919	0	0	91	<b>309.011</b>	236.533
<b>Financial result</b>	140	0	0	472	<b>611</b>	937
<b>Annual result</b> (Sum of income, expenditures, financial result and taxes)	46.570	29	50	716	<b>47.366</b>	-8.127
<b>Annual result without special effects</b> (Dissolution of provision due to merger / transfer of real estate to CBM Stiftung)	9.362	29	50	716	<b>10.158</b>	-8.127

CBM income rose in 2020 by Euro 128,297 thousand to Euro 355,766 thousand (2019: Euro 227,469 thousand):

- Euro 37,837 thousand of the rise is due to one-off dissolution of project provisions of CBM-D. This was caused by the merger of CBM-D with CBM.
- Donations in kind from the Mectizan Donation Programme (MDP) rose by Euro 72,331 thousand to Euro 181,694 thousand (2019: Euro 109,362 thousand).
- Without merger related effects and donations in kind, income increased by Euro 18,129 thousand to Euro 136,235 thousand (2019: Euro 118,106 thousand). This is attributable to additional income from legacies and bequests, donations and endowments from public donors.

CBM's expenses increased by Euro 72,478 thousand to Euro 309,011 thousand (2019: Euro 236,533 thousand):

- Euro 72,331 thousand of increase in expenses is caused by donations in kind under the Mectizan Donation Programme (MDP).
- Euro 12,427 thousand of the rise are attributable to the one-off effect of the transfer of the Stubenwald property to CBM Stiftung.
- Increase in expenses was offset by Euro 9,437 thousand reduced project support with payments to implementing partners caused by Corona, and
- Savings in personnel expenses (Euro 3,453 thousand) and lower depreciation (Euro 532 thousand).

Annual result 2020 of Euro 47,366 thousand is basically determined by special effects caused by the merger with:

- dissolution of former CBM-D project provisions of Euro 37,837 thousand and
- the formation of a tax provision for land acquisition tax of Euro 629 thousand.

Without special effects, annual result 2020 is at Euro 10,158 thousand. This raised liquidity and thus increased financial reserves of CBM. Financial reserves ensure fulfilment of agreed, long-term obligations for project support with partners. These currently amount to Euro 80,336 thousand, of which Euro 50,565 thousand is covered by pledges from institutional donors, such as BMZ, EU, CBM Italy, CBM Australia and CBM UK.

## **CHARITABLE SPHERE:**

### **Donations, endowments, turnover and other operating income**

#### ***Charitable sphere: Cash donations***

Cash donations 2020 were at Euro 98,457 thousand and exceeded the previous year by Euro 4,412 thousand or 4.7 %.

Whilst private donors in Germany, foundations and service clubs, companies, CBM USA, CBM Stiftung and CBM Austria had high rates of growth, donations from other CBM organisations fell.

in k-EUR	2019 adjusted incl. CBMD	2020	Change 2020 / 2019	in %
Cash donations	94.047	98.457	4.410	4,7%
thereof:				
Private donors	57.043	66.889	9.846	17,3%
Foundations and service clubs	4.066	6.227	2.161	53,1%
Companies	1.330	1.467	137	10,3%
CBM USA, CBM Stiftung and CBM Austria	2.527	6.359	3.832	151,6%
Other CBM organisations	29.081	17.515	-11.566	-39,8%

Donations from private donors include Euro 520 thousand from Bündnis Entwicklung Hilft – Gemeinsam für Menschen in Not e.V. and Euro 78 thousand from Sternstunden e.V.

Donations for emergency response were Euro 2,710 thousand (2019: Euro 2,525 thousand). They are accrued in project liabilities as "Donations for the financial year accrued". Because of support of emergency projects in 2020 project liabilities were reduced and increased income by Euro 1,965 thousand (2019: Euro 2,212 thousand).

### ***Charitable sphere: Donations and endowments***

Donations and endowments are as follows for the last two years:

in k-EUR	2019 adjusted incl. CBMD	2020	Change 2020 / 2019	in %
Cash donations	94.047	98.457	4.410	4,7%

#### ***1. Donations and endowments***

a1) Cash donations - accrued income	93.734	97.712	3.978	4,2%
a2) Donations in kind	109.362	181.694	72.331	66,1%
b) Legacies and bequests	11.389	20.141	8.752	76,8%
c) Court fines	421	185	-237	-56,2%
d) Endowments from public donors	7.500	9.720	2.220	29,6%
<b>Sum</b>	<b>222.407</b>	<b>309.451</b>	<b>87.044</b>	<b>39,1%</b>

Donations in kind are basically the Mectizan Donation Programme, a medicament donation programme to combat onchocerciasis (river blindness) produced by Merck Sharp & Dohme (MSD). As donations in kind are passed on directly, these earnings are offset against project support.

In case of income from legacies and bequests, we see a clear rise by Euro 8,752 thousand to Euro 20,141 thousand. Depending on number of large inheritances (over Euro 250 thousand), annual income may have high variations. A single inheritance of over Euro 4.5 million was decisive for the rise in 2020.

CBM received 2020 a total of Euro 9,720 thousand (2019: Euro 7,500 thousand) endowments from public donors.

### ***Charitable sphere: Other operating income***

Other operating income was Euro 46,229 thousand.

Euro 37,837 thousand results from the dissolution of project provisions at CBM-D caused by the merger. Without this effect, other operating income came in at Euro 8,392 thousand (2019: Euro 4,105 thousand) including Euro 6,452 thousand of contributions from other CBM organisations to cover own expenses of CBM for project development and monitoring.

## **Charitable sphere: Programs expenditures**

Programs expenditures is as follows for the last two years:

in k-EUR	2019 adjusted incl. CBMD	2020
a) Project support	175.388	250.709
a1) Payments to partners	66.026	56.589
a2) Donations in kind	109.362	194.120
b) Programmatic (own) expenses	26.888	25.920
b1) Advocacy and awareness raising	5.782	5.860
b2) Project development and monitoring	21.106	20.060
<b>Sum</b>	<b>202.276</b>	<b>276.628</b>

### ***Charitable sphere: Project support***

Project support includes payments to partners and donations in kind, which are forwarded to partner organisations or target groups.

Donations in kind mainly result from the *Mectizan Donation Programme*. These donations in kind are provided to the Health Ministry in affected countries. In addition, CBM arranges actions required for distribution and quality assurance along the supply chain.

In 2020 Euro 250,709 thousand was expended on project support; with Euro 14,910 thousand in Asia, Euro 217,244 thousand in Africa, Euro 3,835 thousand in Latin America and Euro 14,719 thousand to interregional work.

Compared to previous year, this is a rise of Euro 75,321 thousand. Reasons for this rise are:

- delayed call-ups of payments amounting to KEUR 9,437 thousand to implementing partners as a result of Corona crisis (Note: CBM assures partners that funds not called up in 2020 will be made available over the following years),
- donations in kind increased by Euro 72,331 thousand from the Mectizan Donation Programme and
- a donation in kind (transfer of real estate property) to CBM Stiftung with a value of Euro 12,427 thousand.

### ***Charitable sphere: Advocacy and awareness raising***

Advocacy and awareness raising includes training courses, campaigns, distributing information to experts, raising awareness in the broader public and to political institutions.

CBM spent Euro 5,860 thousand (2019: Euro 5,782 thousand) on advocacy and awareness raising.

#### ***Charitable sphere: Project development and monitoring***

Project development and monitoring includes expenses for development and planning of projects with implementing partners as well as monitoring and control activities. Evaluation of impact is reported in this category.

CBM spent a total of Euro 20,200 thousand (2019: Euro 21,095 thousand) on project development and monitoring.

#### ***Charitable sphere: Fundraising expenditures***

Fundraising expenditures are related to fundraising, advertising, public relations, marketing, communication and promotion.

The underlying activities serve to generate income and help to make the organisation better known (incl. strengthening the brand and increasing visibility of CBM's work).

As part of the advertising and public relations, CBM informs stakeholders about emerging situations in which it wants to intervene in, explains the need and presents social, communal, political or environmentally related conditions of its programme work.

CBM expended Euro 19,195 thousand (2019: Euro 16,950 thousand). Causes for the rise were:

- increased personnel in fundraising to support the planned growth,
- greater ramp-up support for CBM Austria in its planned growth,
- higher postage charges from Deutsche Post (German Mail).

#### ***Charitable sphere: Administration expenditures***

Administration expenditures ensure that basic functions of the organisation like HR, IT, Finance, Compliance, Internal Audit and operational procedures of CBM are functioning.

CBM expended Euro 12,956 thousand (2019: Euro 16,663 thousand). Causes for fall in expenses were as a result of:

- a reduction in number of personnel and consequently reduced personnel expenses and a drop in other operating expenses at Bensheim as a result of the merger,
- finalisation of implementation of the IT-System Salesforce in mid-2020,
- a reduction of expenses for consultants.

### **CHARITABLE LIKE SPHERE**

Within German tax regulations selected economically focused activities must be shown separately from the charitable sphere. These activities are charged to customers with no or a special rate on value-added tax. Income and expenses for these activities are reported under the so called CHARITABLE LIKE SPHERE.

CBM in Germany trains other non-governmental organisations in inclusive development aid. This activity as per the statutes is assigned to Charitable like sphere.

The surplus came in at Euro 29 thousand (2019: surplus Euro 5 thousand).

## **BUSINESS OPERATIONS**

Sponsoring charities and foundations and services against fee, is also regulated under German tax regulations for corporates (i.e. income tax and value-added tax must fully be applied to). Income and expenses for these activities are reported under BUSINESS OPERATIONS.

Other than income from sponsoring CBM-D provided until merger of IT-services, there was also salary processing services and facility management for CBM.

The surplus was Euro 50 thousand (2019: surplus Euro 94 thousand).

## **ASSET MANAGEMENT**

Financial investments of charities and foundations fall within German tax regulations under no or a special rate on value-added tax. This sphere is exempt from income taxes. Income and expenses for these activities are reported under ASSET MANAGEMENT

As main part of asset management CBM invests financial reserves in a special purpose vehicle (SPV). This was established in January 2017.

Real estate properties and real estate funds, which were given to CBM from inheritances are managed within asset management and where possible real estate properties are sold immediately.

The surplus was Euro 716 thousand (2019: surplus Euro 1,151 thousand).

## **Investments and financing**

No large-scale investments were made in 2020. Expenses on implementation of the IT systems Salesforce, Ms Navision and Business Central are directly accounted for in profit & loss account.

### **2.4 Income**

Explanations on the income are contained in Chapter 2.3 Business development under "Result for financial year".

### **2.5 Liquidity and financials**

With financial investments amounting to Euro 77,011 thousand (2019: Euro 56,137 thousand) CBM's state of liquidity is adequately secured.

Liquidity serves to compensate short-term and long-term variations in income and thus ensures that project support continues:

- Obligations to implementing partners for project support can be fulfilled.

These currently amount to Euro 80,336 thousand, of which Euro 50,565 thousand is covered by pledges from institutional donors, such as BMZ, EU and the other CBM organisations,

- Liabilities due in the short-term of Euro 8,311 thousand can be satisfied.

The ability to pay – even for large call-ups for payments – for project support due, was met at all times in 2020.

Reasons for increase in liquidity are the increase in income compared to previous year and Corona-conditioned delays in request of funds for project support payments to partners. CBM has pledged to provide resources not called-up in 2020 in the subsequent years.

## 2.6 Assets

Balance sheet was reduced from Euro 88,706 thousand to Euro 82,574 thousand caused by the transfer of the Stubenwald property to CBM Stiftung.

Financial assets were slightly higher. Long-term financial assets with a book value of Euro 42,193 thousand (2019: Euro 30,694 thousand) are invested in a special purpose vehicle (SPV). Market value of the SPV stands at Euro 47,447 thousand.

The following investment guidelines exist for the SPV:

- Allowed investments are broken down into low risk and more volatile components. Low risk investments must make up at least 40 % of the assets. More volatile investments can be done up to 60 % of assets, of which a maximum of 50 % may be invested into shares.
- Share of non-Euro currencies may not be higher than 30 %.
- Investments must comply to the guidelines for ethically sustainable financial investments made by the German Protestant Church.

Investment guidelines were complied with and to full extent in 2020.

Due to annual results and because of CBM-D merging with CBM, CBM's equity rose to Euro 69,442 thousand (2019: Euro 23,354 thousand). This equals an equity rate of 84 % (2019: 26 %).

Provisions were reduced by Euro 38,925 thousand to Euro 4,821 thousand. This is caused by the dissolution of project provisions made by former CBM-D amounting to Euro 37,837 thousand. This was occasioned by the merger and had an increased accrued income.

## **Overall view**

CBM made progress in generating donations and in main activities of fundraising as well as in its programs work. Both areas clearly overshot plans.

Progress made in merger and in operational integration of CBM-D into CBM has been clearly visible.

## **3 Prognosis report**

### **3.1 Development of programs work**

Corona-occasioned difficulties in implementing the programs work will continue into 2021.

Specific actions have been started to simplify processes, introduce new tools to improve monitoring and steps taken to expand capacities. These actions are necessary to assure high quality programs are implemented now and into the future.

The aforementioned actions are supported by targeted investments and a flexible re-allocation of budgets.

### **3.2 Development of fundraising**

Acquisition and bonding of donors remains a huge issue for CBM. Addressing new target groups will be strengthened by tailoring content and expanding online operations and face-to-face channels. We will use the IT-System Salesforce to tailor content for target groups and to manage communication over time through various channels. We will continue to build a robust personnel resource, that has expertise in digital formats and online channels.

On fundraising with institutional donors, acquisition of new donors outside Germany remains on the agenda. This will include having key personnel in the USA.

### **3.3 (Financial) Plans 2021**

The following plans were approved for 2021 with the relevant indicators as:

- Cash donations of Euro 103.2 million
- Project support through payments to partners of Euro 66.7 million
- DZI ratio for fundraising and administration of 10.7 %

The plan approved by the Supervisory Board foresees a deficit totalling Euro 7.7 million.

Euro 8.3 million results from the planned deficit in the charitable sphere. This serves to supply the funds from 2020 for project support. Corona-conditioned delays of project tasks will be regularized in 2021 and over the following years.

Cornerstones of financial plans 2021 in charitable sphere are:

- Donations in kind from the Mectizan Donation Programme (MDP) are expected to be around Euro 200 million.
- Without donations in kind, income is planned at Euro 126 million and expenditures at Euro 134 million with
  - Euro 98 million programs expenditures and
  - Euro 36 million expenditures on fundraising and administration.

Balanced results are planned for charitable like sphere and business operations. A surplus of Euro 0.6 million is planned on asset management.

Financial plan 2021 is as follows:

	in k-EUR	Actual 2020	Plan 2021
<b>CHARITABLE SPHERE</b>			
Donation and endowments		309.451	303.185
- thereof: donations in kind		181.694	200.000
Turnover & other operational income		<u>45.899</u>	<u>22.600</u>
Total income		<b>355.350</b>	<b>325.785</b>
Programs expenditures		-276.629	-298.455
- thereof: Project support - Payments to partners		-56.589	-66.724
- thereof: Project support - Donations in kind		-194.120	-200.000
- thereof: Programmatic (own) expenses		-25.920	-31.732
Fundraising and administration expenditures		<u>-32.151</u>	<u>-35.606</u>
Total expenditures		<b>-308.780</b>	<b>-334.061</b>
Annual result		<u>46.570</u>	<u>-8.276</u>
<b>CHARITABLE SPHERE</b>			
<i>Annual result of the ideational area without special effects</i>		9.362	0
Annual result		<b>29</b>	<b>0</b>
<b>CHARITABLE LIKE SPHERE</b>			
Annual result		<b>50</b>	<b>0</b>
<b>BUSINESS OPERATIONS</b>			
Annual result		<b>716</b>	<b>618</b>
<b>ASSET MANAGEMENT</b>			
Annual result		<b>47.366</b>	<b>-7.658</b>
Christoffel-Blindenmission Christian Blind Mission e.V.			
Result after tax / Annual result without special effects		10.158	-7.658

### 3.4 Corona

Financial plan 2021 is based on the assumption that Corona will not have significant negative effects on cash donations in Germany. This was proofed in 2020 and during previous economic crises. In fundraising with private individual donors, we will compensate with online formats and greater media advertising.

In Germany and internationally, we expect a certain reticence on foundations. Outside Germany, we also expect cuts of endowments from public donors.

With the exception of partner visits to develop and monitor projects we do not expect any restrictions on operational working capacity.

CBM has prepared directives and recommendations to ensure the continuance of project work, even under Corona conditions. Although the seasonal distribution of donations in kind started in 2020 with some delays, governments have nevertheless overwhelmingly decided to continue these programmes.

Processes of change and integration attributable to merger may become slower.

## **4 Internal controls, risks and opportunities**

### **Internal control system**

CBM's internal control system is particularly based on the following pillars:

- Accounting and organisational manuals
- Authority matrix for approvals of contracts and payments
- 4-eyes-principle on
  - project support to partners for all requests of funds from partners
  - purchasing orders and release of payments for invoices for own expenses
- Regular monitoring
  - of budget against actuals (year-to-date)
  - of budget against forecast (totals)
- Audits executed by the independent Division Internal Audit

Accounting and organisational manuals define which charter of accounts and which cost centers to be used on each project support to partner, salaries, depreciation and other operating expenses:

- Each unit is tied to a cost center.
- Each cost center has exactly one manager in charge to assure correct accounting.
- Each cost center is tied to a tax sphere and to reporting/ cost allocation according to DZI methods on expenditures for programs, fundraising and administration. Once in a year mapping of cost center to DZI structure is verified by Division Finance and Operations Development.

Within authority matrix for approvals of contracts and payments competencies are delegated to managers of cost centers. Division Finance and Operations Development verifies compliance to the authority matrix.

CBM has separated the functions of procurement, processing invoices, release of invoices and execution of payment. With regard to accounting and transactions, all payments to partner and payments for invoices from suppliers are checked and approved using the 4-eyes-principle. The entire process is supported by the system using workflows.

Within the framework of regular monitoring of budgets, budgets on project support expenses as well as for own expenses, are controlled by responsible managers and verified by the division Finance and Operations Development. Major deviations (over or under) are clarified.

Audits are carried-out independently by Internal Audit based on a risk-oriented audit plan across all divisions. Internal Audit reports to Executive Management and to Supervisory Board.

### **Risk management system**

CBM possess an early-warning system on risk. Risks are assessed systematically using an annual, rolling risk inventory. The results are depicted in CBM's risk landscape and reported to Supervisory Board.

For risks with a certain level of valuation or with specific relevance to compliance of CBM, measures are taken to regularly monitor or to reduce the effects.

Risk management is a responsibility of the operational divisions. Risk controlling as second line of defence is done independently by division Finance and Operations Development.

Risk management system concentrates on risks to income, on liquidity risks, on strategic risks, on operational risks and on reputational risks. Risks in financial investments have a lower priority.

Instruments to control risks to income and liquidity are

- yearly budgeting incl. a 5-years rolling financial planning,
- quarterly monitoring of budgets and year-to-date actuals (income and expenditures),
- quarterly forecasting of totals (income and expenditures) and
- monthly monitoring of budgets and year-to-date actuals on donations and endowments.

Instruments to control strategic risks are

- on-going observation of private donor market,
- on-going observation of institutional donor market and
- on-going observation of other organisations in the development sector.

Instruments to control operational and reputational risks are

- methods and tools on programs work (partner assessment, cooperative project development and approval, acknowledgment of receipt of funds, quarterly project progress report, semi-annual narrative report, financial year-end closing report, annual statistics and project completion report) and
- systematic monitoring and assessment of press publications concerning CBM.

The risk management system was globally harmonised in 2020.

### **Major risks**

There are no single risks or groups of risks that threaten our existence.

Risks with potential damages of more than Euro 250 thousand and which have a high likelihood to occur (>50 % chance) are defined as major risks. Before corrective action, there were 15 risks that were categorised as major risks. After implementing measures four major risks remain.

- Strategic risk "Economic development":

If the business economy breaks down, there could be negative effects on donations. Although the business economy collapsed due to Corona in 2020, CBM was nevertheless able to increase its income (see 3.2. and 3.4 above). In this sense, we will continue to observe this risk and – if necessary – adapt fundraising.

- Operational risk "Effects of the Corona pandemic on project partners":

Project implementation from our implementing partners can suffer and be delayed because of local lockdowns, supply bottlenecks and travel restrictions. Various measures have been and will be taken (e.g. timely communication with donors, flexible adjustments to project plans, setting up a Corona aid fund for short-term financing of necessary hygiene articles, support in establishing new electronic communication platforms).

- Strategic risk "Cooperation with Peek Vision":

CBM has cooperated with the British social venture Peek Vision since 2018 in innovative solutions for ocular medicine. Peek Vision develops the software and provides technical know-how. CBM deploys it in its partner projects as the first organisation worldwide. Due to the comprehensive collaboration with Peek Vision laid down for the long-term, there are risks connected with the long-term financing and the knowledge transfer. These risks are measured by contractual arrangements of the cooperation agreement, by closely following up implementing projects and also by strategic monitoring of Peek Vision.

- Liquidity risk "Projects over several years":

Projects with pledges extending over several years and new types of project financing tie up financial reserves. In case income drops, it needs to be ensured that project support to implementing partners as well as the capacity of CBM to develop and monitor project implementation stay intact. Liquidity reserves of CBM are endowed so that funding to projects and/ or measures to compensate any reduction of income can be financed.

## Main opportunities

The aim of restructuring the international programme work started in 2020 is to increase agility and effectiveness of CBM's work through less complex approval processes and shorter decision-making paths. Work on systematically improving processes will continue in 2021. Our personnel and financial resources will be focused consistently on the fields of inclusive eye health (IEH) and on community-based development (CBID), geographically especially in Africa. This should lead to greater effectiveness and improved efficiency of programs work.

CBM will continue to invest in fundraising to exploit opportunities for further growth in donations.

Financial plans do not contain income from a comprehensive, high-volume project in inclusive eye health under development. This should integrate private and public donors in project financing by means of an innovative financing mechanism (Development Impact Bond). If this project is supported and financed, this will increase income and programs expenditures.

Combatting the causes of flight and humanitarian crisis situations remains on the political agenda and mobilises additional public funds for development aid, to which CBM will be able to make a corresponding contribution.

Bensheim, 30<sup>th</sup> April 2021

CBM Christoffel-Blindenmission Christian Blind Mission e.V.

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