

EPOS ERIC

2019 FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

ADOPTED BY THE GENERAL ASSEMBLY ON 22 APRIL 2020

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1. Financial Statements

1.1. Balance sheet

Balance Sheet - Assets and liabilities at 31.12.2019				
		2019		2018
ASSETS				
Non current assets				
Tangible assets (plant, property and equipment)		-		-
Intangible assets		-		-
Current assets				
Inventories		-		-
Long term credits		-		-
Short term credits		95.760		-
- credits for members' statutory contribution in cash	80.000			
- other current credits and receivables	15.760			-
Cash and cash equivalents		1.694.656		-
Prepayments and accrued income		-		-
EQUITY AND LIABILITIES				
Equity				
Capital and other permanent contributions from Members		-		-
Reserves		-		-
Accumulated profits		-		-
Non-current liabilities				
Long-term financial debts and loans		-		-
Other long-term debts and liabilities		-		-
Advance payments for externally funded projects		-		-
Pension funds and other benefits for compensation employment		-		-
Long-term provisions		-		-
Rome, March 30th 2020				
Short-term financial debts		-		-
Other short-term debts and liabilities		250.478		-
Advance payments for externally funded projects		-		-
Other current payables		-		-
Short-term funds		-		-
Deferred income and accrued expenses		1.539.938		-
- deferred income for members' statutory contribution in cash (carryover)	1.539.935			-
- accrued expenses	3			-

1.2. Profit and loss account

Profit and loss account				
			2019	2018
Revenues			637.733	-
	National and international grants and contributions	392.965		-
	Contributions in-kind	244.768		-
Other revenues	Other revenues		-	-
Operating costs			637.726	-
	Costs for raw materials, supplies and goods		232	-
	Costs for services		380.645	-
	Staff costs		-	-
	Costs of rents, concessions and royalties for trademarks		-	-
	Resources committed in-kind to EPOS from contributors		244.768	-
	Donations		12.081	-
Other operating costs	Other costs for institutional activities		-	-
Ebitda (Earning before Interests, Taxes, Depreciations and Amortizations)			7	-
Depreciation			-	-
Write-downs for impairment of tangible and intangible assets			-	-
Ebit (Earnings before interests and taxes)			7	-
Financial income and expenses			(7)	-
	Financial income		-	-
	Financial charges		(7)	-
Income from investments			-	-
Value adjustments to financial assets			-	-
Result before tax			-	-
Income tax			-	-
Result for the year			-	-

2. Notes to the Financial Statements at December 31, 2019

2.1. Foreword

On October, 30th 2018 was issued the European Commission decision that established EPOS ERIC. Further information about the Entity are included in the Management Report, that are also relevant for this document.

These financial statements are the first of EPOS ERIC, since there have been no financial transactions from the day of the establishment of the Entity until 31/12/2018.

2.2. Accounting Criteria

These annual Financial Statements have been compiled in conformity with the IPSAS (International Public Sector Accounting Standards), international accounting standards issued by the International Public Sector Accounting Standard Board (IPSASB), and in process of being adopted by the European Commission within the meaning of Council Directive No 2011/85/EU of 8 November 2011, on requirements for budgetary frameworks of the Member States.

The decision voluntarily to adopt an accounting system that can be connected to international principles is consistent with the process of harmonization started some time ago by the EU Commission, but not yet completed. For this purpose, it is relevant to recall the *“Report from the Commission to the Council and the European Parliament towards implementing harmonised public sector accounting standards in Member States. The suitability of IPSAS for the Member States”*, published in March 2013.

The IPSAS can in general function as a basis for a harmonised accrual-basis accounting standard passing through its transformation into EPSAS (European Public Sector Accounting Standards). The aforementioned EU Directive states that “by 14 December 2018 the Commission shall make public a review of the sustainability of the Directive (see art.16).

EPOS ERIC is set up as an international organization with scopes of general interest typical of an entity referable to the public sector. EPOS ERIC should therefore be able to relate to its Members in different countries in a common language. This should be adopted in all matters and at all levels, and thus also in the model of presentation of economic-financial topics that support annual accounts and budgets.

The use of international accounting standards referable to the public sector, taking into account the specific character and scopes of EPOS ERIC, adequately conformed to the legal characteristics of the Entity and to its functions and scope, allows the development of well-defined best practices, the impact of which on the financial aspects is measurable and effective. The use of international accounting standards, in fact, allows information on the financial statements to be presented in a common way for users/stakeholders of different nationalities.

It is possible in this way to ensure that:

- the information is relevant, reliable, comparable and understandable;
- the terminology used is common, appropriate and explanatory among Members and for similar international organizations outside Europe;
- the financial statements are auditable by the International Standard of Audit by auditors from different nations;
- a host country change - and thus any site change - is not relevant for the comparability of information and models, books and records of the accounting system;
- the accounting system is able to present the in-kind contribution model, and to provide analytical accounting for projects and separate accounting for economic activities.

The aim of the annual financial statements is to provide information on the assets and liabilities, the profit or loss and changes in the financial structure of the Consortium, useful to a wide range of users.

The financial statements are prepared within a general-purpose framework.

The financial statements have been compiled in accordance with the principles of clarity and transparency and provide a correct and exhaustive framework of information on property relations, as well as economic and financial relations implemented by the Consortium in carrying out its activities.

It has been compiled taking into account international accounting standards for public sector (IPSAS), where applicable, and integrated in order to be consistent with the legal and effective structure of EPOS and its scopes.

Of the various options allowed by IPSAS 1, the Consortium has chosen to present the layout of the balance sheet distinguishing between current and non-current items, and the layout of the profit and loss account classifying the expenses by nature, adding some information on destination, when relevant, better detailed in the “Management report”.

In its drawing-up, the following principles have been observed:

The items have been evaluated prudently, taking into account the perspective of the continuity of the activities, as well as the economic function of an asset or liability.

Only incomes and expenditures related to the financial year have been accounted, independently of the day of encashment or payment.

The risks and losses related to the financial year have been accounted for, even if known after the end of the financial year.

These Notes have been compiled with the aim of clarifying, completing and analysing the information contained in the balance sheet and in the profit and loss account, in addition to providing information on the applied evaluation criteria, on movements that have taken place, and changes in various assets and liabilities.

These explanatory notes are an integral part of the following financial documents, to present these financial statements and provide descriptive and schematic information, with particular reference to property aspects, as well as economic and financial aspects of the overall management.

The financial statements comprise the following parts:

- Balance sheet;
- Profit and loss account;
- Explanatory notes;
- Management report.

It was not considered necessary to enclose the cash flow statement as it does not provide information of particular interest about the consortium, at least at this initial stage of its life.

In fact, for this first financial year, the preparation of the cash flow statement was not deemed useful, since the information regarding the cash flows determined during the year is not comparable with any information of the same nature referred to the previous year, and since the sources of the financial revenues for 2019 will also be generated in relation to 2020 (considering the amount of the Membership fees and of the cash host contribution from Italy), and since the monetary contributions of 2019 that originated the cash carry-over, in 2020, are intended to cover the start-up costs of the Consortium in the same way of what happened in 2019.

In the “Management report” the Executive Director gives indications about the trend in cash deposit throughout the year 2019 and illustrates the link of the cash carry-over 2019 with the costs of the resources budgeted in 2020 to strengthen the EPOS structure, with reference to its administration and operation and its technical/ scientific organization.

2.3. Evaluation Criteria

The financial statements have been compiled in accordance with the principles of clarity and transparency and provide a correct and exhaustive framework of information on property relations, as well as economic and financial relations implemented by the Consortium in carrying out its activities. They have been compiled taking into account international accounting standards for public sector (IPSAS), applied coherently with the legal nature of an ERIC and with its scopes.

2.4. Balance Sheet

Items in the balance sheet are classified into/distinguished as current/non-current.

2.5. Assets

Assets have been classified as current assets when:

- they have been realized during the normal operating cycle of the institution;
- they are cash or equivalent complement not restricted in its use.

Assets realizable within the operating cycle have been classified as current, regardless of whether they have actually been realized within 12 months from the balance sheet date.

Non-current assets shall include tangible assets and intangible assets (in general all assets not related to the operating cycle and realizable after 12 months from the balance sheet date).

2.6. Liabilities

Liabilities have been considered current liabilities when:

- a) they are extinct in the course of the normal operating cycle of the institution;
- b) extinction is due within 12 months from the balance sheet date.

Other liabilities, i.e., those not related to the operating cycle and all other institutional liabilities, are classified as current if their extinction is due within 12 months from the balance sheet date.

Otherwise, they are recognized as non-current liabilities.

2.7. Deferred Incomes and Accrual Expenses

This item includes the amount of funds received during the year and not yet fully used by 31.12 for the purposes for which they were intended. They will therefore continue to produce utility in coming years, for the same purposes. This item represents the carry-over for balances of the subsequent year to that under review. In this regard, the Consortium is obliged to operate in future years in fulfilment of the mandate assigned by the Member States (when they commit themselves to contribute the Consortium with their Membership fees), and by the Italian Ministry of Education, University and Scientific Research, who assigned the financial funds (FOE) under which some EPOS activities were carried out in 2019 , through the Italian Representing Entity (INGV).

2.8. Profit and Loss Account

The drawing-up of the profit and loss account is regulated by the IPSAS, integrated and conformed to be consistent with the characteristics and scopes of EPOS ERIC.

2.9. Incomes

Incomes are increases of benefits connected to the administrative year.

2.10. Costs/Expenses

Costs/expenses are decreases of economic benefits of the administrative year. The analysis of costs has been explained in the overview of profit and loss account using a classification based on their nature.

2.11. In-kind Contributions

Contributions in-kind will be included in the financial statements on the basis of specific detailed reports produced by the Entity who provided them.

In-kind, non-monetary, contributions will be distinguished (when realized) between:

- 1) Those strictly related to the cost of the production factors (exhausting their utilities during the ordinary cycle).
- 2) Those strictly related to covering investments (in intangible and tangible assets).

Anyway, for in-kind contribution accounting procedures and valorisation, IPSAS Principle n. 23 was applied.

2.12. Assets

2.12.1. Non-current Assets

2.12.1.1. Tangible Assets

No values are entered for these items.

2.12.1.2. Intangible Assets

No values are entered for these items.

2.12.2. Current Assets

2.12.2.1. Inventories

No values are entered for these items.

2.12.2.2. Long-term Credits

No values are entered for these items.

2.12.2.3. Short-term Credits

The balance is divided according to the deadlines of the credits:

Balance at 31/12/2018	Balance at 31/12/2019	Difference
-	95.760	95.760

The composition of the amount as at 31/12/2019 is as follows:

Description	Within 12 months	Over 12 months	Over 5 years	Total
Credit for members' statutory contribution in cash	80.000			80.000
Advances to suppliers	15.728			15.728
Social security institutions advances	32			32
TOTAL	95.760	-	-	95.760

The balance sheet item "Credits for Members' statutory contribution in cash " represents the credit towards a Member "for the annual membership fee not yet collected as at 31/12/2019, specifying that at the date of preparation of these financial statements the credit was collected.

The balance sheet item "Advances to suppliers" represents the part of the expenses paid to suppliers for activities that will be implemented at the beginning of 2020.

The balance sheet item "Social security institutions advances" refers to the advance payments to INAIL (the Italian institution for assurance of employment positions).

Cash and Cash Equivalents

The balance represents cash at the bank at the end of the financial year. It represents liquid assets, cash equivalents and prepaid cards at the end of the year.

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Bank deposit (Intesa San Paolo)	-	1.693.195	1.693.195
Prepaid cards		1.461	1.461
TOTAL	-	1.694.656	1.694.656

2.12.2.4. Prepayments and Accrued Income

No values are entered for these items.

2.13. Equity and Liabilities

2.13.1. Equity

2.13.1.1. Capital and Other Permanent Contributions from Members

No values are entered for these items.

2.13.1.2. Reserves

No values are entered for these items.

2.13.1.3. Accumulated Profits

No values are entered for these items.

2.13.2. Non-current Liabilities

2.13.2.1. Long-term financial debts and loans

No values are entered for these items.

2.13.2.2. Other Long-term Debts and Liabilities

No values are entered for these items.

2.13.2.3. Advance Payments Received for Externally Funded Projects

No values are entered for these items.

2.13.2.4. Pensions Fund and Other Benefits for Compensation Employment

No values are entered for these items.

2.13.2.5. Long-term provisions

No values are entered for these items.

2.13.3. Current Liabilities

2.13.3.1. Short-term financial debts

No values are entered for these items.

2.13.3.2. Other Short-term debts and liabilities

Balance at 31/12/2018	Balance at 31/12/2019	Difference
-	250.478	250.478

Debts are valued at their nominal value.

The composition of the aforementioned amounts is as follows:

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Debts to providers	-	77.874	77.874
Debts to INGV		130.880	130.880
Debts to Director		39.120	39.120
Tax liabilities		2.154	2.154
Debts to collaborators for missions and other advanced payment		450	450
TOTAL	-	250.478	250.478

The item “Debts to providers” includes debts to third parties, mainly related to services invoiced or payed but pertaining to the next year. This item appears on the Entity's balance sheet as a current liability, since the expectation is that the liability will be met in less than a year. “Debts to providers” are stated net of possible trade discounts.

The item “Debts to INGV” is related to the cost (all included) of the unit of personnel assigned by INGV to take the position of Transitional Executive Director.

The item “Debts to Director” is related to the cost (included social security charges) for the salary of the Executive Director related to the contract directly stipulated by EPOS with him.

The item “Tax liabilities” includes debts for VAT (INTRA-12) to be paid in next year (Euro 1.254) and withheld taxes for collaborators (Euro 900).

2.13.3.3. Advance payments for externally funded projects

No values are entered for these items.

2.13.3.4. Other current payables

No values are entered for these items.

2.13.3.5. Short-term funds

No values are entered for these items.

2.13.3.6. Deferred Income and Accrued Expenses

Balance at 31/12/2018	Balance at 31/12/2019	Difference
-	1.539.938	1.539.938

The item breaks down as follows:

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Deferred income	-	1.539.935	1.539.935
- related to start up activities		1.344.435	1.344.435
- related to EPOS IP transitional activities		195.500	195.500
Accrued expenses		3	3
TOTAL	-	1.539.938	1.539.938

The balance sheet item "Deferred income" measures the portion of the contribution funded by the Members for the activities of the EPOS, deferred to next years concerning start-up costs and other activities, better detailed in the "Management report".

2.14. Profit and loss account

2.14.1. Revenues

Balance at 31/12/2018	Balance at 31/12/2019	Difference
-	637.733	637.733

The item breaks down as follows:

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Membership Fee		1.335.000	1.335.000
Host premium cash contribution		597.900	597.900
- carry over		(1.539.935)	(1.539.935)
National and international grants and contributions accrued in financial year	-	392.965	392.965
Contribution in kind	-	244.768	244.768
TOTAL	-	637.733	637.733

“National and international grants and contributions” item identify:

- the portion of the cash contribution for the financial year allocated by the Members for the Consortium’s and attributable to 2019 on accrual basis principles;
- the portion of cash contribution from INGV attributable to the financial year , equally;

“Contribution in kind” item identifies the 2019 in kind contribution for cost of staff made available by INGV. This contribution has been calculated with reference to the costs of personnel assigned to EPOS by INGV, whose activity is better represented in the “Management report”.

2.14.2. Other revenues

No values are entered for these items.

2.15. Costs

The Consortium, in the context of purchases realized, and within the limits following the Statute, may use VAT exemptions granted on the basis of Article 143(1)(g) and Article 151(1)(b) of Council Directive 2006/112/EC, and in accordance with Articles 50 and 51 of Implementing Regulation (EU) No. 282/2011 of the Council, and on the basis of Article 12 of Directive 2008/118 /EC.

When it was not possible to invoke the exemption, the cost of VAT is included in the cost to which it refers.

2.15.1. Operating Costs

Costs for Raw Materials, Supplies, Consumables and Goods

This category includes costs incurred for the supply of consumables and office stationery.

Balance at 31/12/2018	Balance at 31/12/2019	Difference
-	232	232

2.15.2. Costs for Services

It has been decided to detail the item service costs, to facilitate the clarity of these financial statements, into the following categories of expenses:

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Executive Director assigned by INGV	-	130.880	130.880
Executive Director (remuneration and social security contribution directly by EPOS)	-	39.120	39.120
Expenses for meetings	-	110.967	110.967
Travel costs for employees, collaborators, and bodies	-	29.947	29.947
Legal, fiscal, administrative consultancy and accountant services	-	36.657	36.657
Advertising and communication	-	15.000	15.000
Administrative start up collaborators	-	12.500	12.500
Auditor fees	-	2.800	2.800
Telephone and communication utilities	-	3	3
Workshops, seminars and publications	-	480	480
Prepaid meals	-	1.389	1.389
Bank charges	-	810	810
Postal charges	-	93	93
TOTAL	-	380.645	380.645

2.15.3. Staff Costs

No values are entered for these items since the Consortium has no employed personnel as at December 31, 2019.

2.15.4. Costs of rents, concessions and royalties for trademarks

No values are entered for these items.

2.15.5. Resources committed in-kind to EPOS by contributors

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
INGV - Istituto Nazionale di Geofisica e Vulcanologia - Staff cost	-	222.375	222.375
INGV - Istituto Nazionale di Geofisica e Vulcanologia - Other costs	-	22.393	22.393
TOTAL	-	244.768	244.768

Details about the nature and the destination of these costs can be found in the management report.

INGV contributions have been accounted on the basis of International Public Sector Accounting Standard No. 23.

This accounting standard is focused on contributions from non-exchange transactions, which have the following three characteristics:

- are non-reciprocal transfers;
- are transfers of non-monetary nature to or from entities acting on the basis of a specific agreement;
- are made or received on a voluntary basis and valorised following a cost basis criteria;
- in particular for services contributed in-kind, these are accounted even in the costs and in the revenues of the receiving Entity, depending on the fact that it is possible and objective to give a proper valorisation to them.

2.15.6. Donations

The item “Donations” concerns a contribution/ liberal payment to:

- Orfeus (Observatories & Research Facilities for European Seismology) for the EPOS Seismology Workshop held in Grenoble on 7-10 October 2019 (Euro 7.000);
- Geus for TCS-ICS meeting (Euro 2.081)
- IG PAS for the First Consortium Board Meeting of TCS Anthropogenic Hazards (Euro 3.000).

2.15.7. Other Operating Costs

2.15.7.1. Cost for other institutional activities

No values are entered for these items.

2.15.7.2. Depreciation (of Tangible and Intangible Assets)

No values are entered for these items.

2.15.8. Financial income and expenses

Description	Balance at 31/12/2018	Balance at 31/12/2019	Difference
Financial income	-	-	-
Financial charges		7	7
TOTAL	-	7	7

The item “Financial charges” includes exchange rate costs.

2.16. Income from investments

No values are entered for these items.

2.17. Events after the reporting date

Following IPSAS 14, this paragraph reports about events that have been occurred between the reporting date (December 31st 2019) and the date when these Financial Statements have been approved by the Executive Director and thus are authorized for delivery.

The only relevant event occurred has to be referred to the worldwide emergency caused by the COVID-19 pandemics.

It is relevant to state that this event can be classified among the “non- adjusting events after the reporting date “and that it does not influence the assessing of the appropriate assumption of the ongoing concern of EPOS-ERIC. The only temporary consequence connected to the aforementioned event could be identified in some potential slight inefficiency in maintaining the connections among the groups of experts and scientists involved in the activity plan for the start-up of the Entity. The COVID-19 emergency might delay the organization of planned meetings and cooperation initiatives, thus affecting the use of the budget allocated to support these activities creating the necessity to postpone some expenditures.

There are no valid reasons to believe that the aforementioned event could influence the process of allocation of the Membership fees, or the Italian hosting cash contribution, or the in-kind contributions by the Italian Representing Entity and by the other International Organizations involved in EPOS –ERIC activities.

As explained in the 2019 Annual Activity Report, EPOS ERIC is coordinating the EC project EPOS SP (EPOS Sustainability Phase, Grant Agreement N°871121) having a budget of €4,998,093.75 and 24 beneficiaries. The project started its activities on February 1st 2020. The EPOS SP project represents now the collaborative framework in which addressing the challenges of financial viability and long-term sustainability together with the EPOS community.

After signing the Grant Agreement, the European Commission on January 2020 made available to the Coordinator the project pre-financing corresponding to €3,800,000.

Another relevant activity that started in 2019 and has been extended to 2020 concerns the establishment of the

ICS-C and, in particular, the transfer of the EPOS IP project achievements concerning the ICS-C prototype to EPOS ERIC. As described in the 2019 Annual Activity Report, EPOS ERIC signed the “Inter-Institutional Collaboration Agreement” (IICA) with BGS, BRGM and GEUS having a three months duration (October-December 2019) and extended, through the signature of the Reconnaissance Deed among the four parties, until March 31st 2020. The extension has been endorsed by the EPOS ERIC General Assembly on December 10th 2019. These activities served to create the readiness conditions for the subsequent ICS-C hosting for operation. The activities have been concluded and the parties are currently elaborating the envisioned report and documents for the certification of costs.

2.18. Taxation

In 2019 EPOS carried on only non-commercial activities, but, since is subject to Italian fiscal legislation, it has to calculate IRAP.

About this tax, EPOS adopts the "remuneration system" (art.10 of Legislative Decree 446/1997); this system provides that the tax base is determined from the sums paid for salaries of the employees, for incomes assimilated and for remuneration paid for coordinated and continuous collaborations or for activities of self-employment not practiced professionally.

No values are entered for these items because no remuneration have been payed yet, as at December 31, 2019.

Rome, 30 March 2020

Dr. Massimo Cocco

Transitional Executive Director

