Interreg

NEXT MED

Co-funded by the European Union

Note on how to fill in the Financial Capacity section in the e-form

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REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

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1. Preliminary information

As indicated in the Guidelines for Applicants, when assessing the proposals, the Managing Authority will perform a financial capacity check on the basis of the information contained in the documents submitted by **private applicants and partners**. Hence, **no financial check will be performed on public entities, bodies governed by public law or on International Organizations**.

This note is aimed at explaining how **Applicants should complete the section of the Financial Capacity in the e-form**. Before filling in the Financial Capacity part, you should pay attention to the following information.

2. Section Applicant and Partners: Focus on legal status

The financial capacity depends on the legal status. In particular, for public Applicant/Partners and International Organizations, no financial information is required. Therefore, if you have selected one of the legal statuses below, the Financial Capacity section in the e-form in will **automatically report** that the concerned Applicant/partner(s) is "in line with the set minimum criteria". These are the legal statuses concerned:

- "Ministry or other national public administration",
- "Regional or local public administration";
- "Body governed by public law";
- "International Organization";
- "Other public body";

If the selected legal status is "company or other economic operator" you have to select the box "profit-making" in order to be able to edit the profit part of the financial tables in the Financial Capacity section.

In case the selected legal status is "other (specify)", if the organization is equivalent to a public body, you must mark the box "Equivalent to public body". Since the legal status depends on the national legislation of the concerned country, you may contact the concerned National Contact Point (contacts on Programme website) in order to verify the correct selection among the list of legal status.

Please note that the legal status will be verified during the eligibility check for those projects which are admitted to Step 1 and that have reached the minimum threshold foreseen under Step 2. If during this check, based on the supporting documents to be provided on request by the Managing Authority, the selected legal status is not correct, the MA may request to provide financial capacity information as the case may be.

In the Financial Capacity section, private applicants that are not in line with the set minimum criteria (see par. 4.9 Financial capacity of the Guidelines for Applicants), will view a message stating "**YOUR ORGANIZATION IS RISKY YOU CANNOT APPLY FOR THIS CALL**". In this case an error message will appear also in the financial part under the "submit" section after having pressed the "validate" button. In this case the applicant will not be able to submit the proposal.

3. The Financial Capacity section in the e-form

The Financial Capacity section is available on the main menu of the e-form and it is **available only once you have introduced the relevant information on the Applicant/partners status and once you have completed the budget** (both Budget part 1 and Budget part 2).

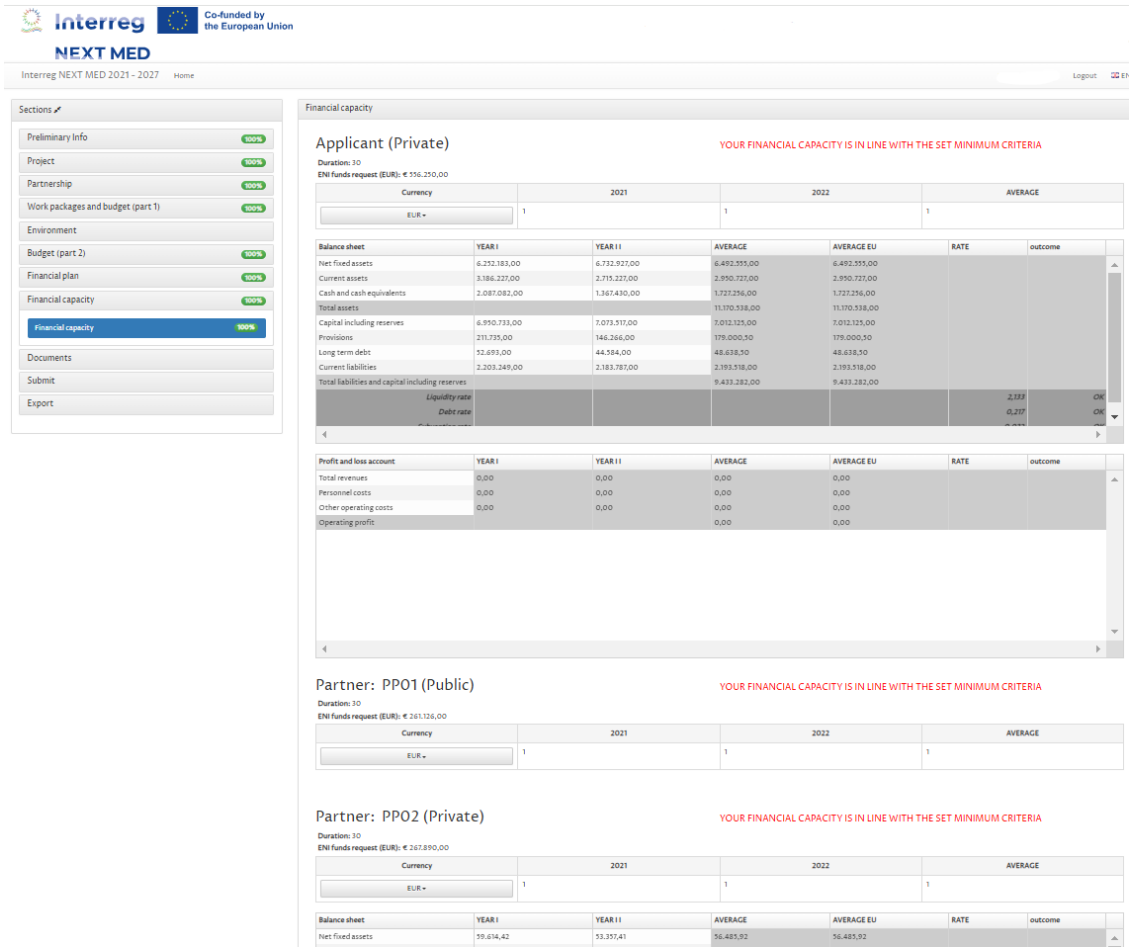

Figure 1: The Financial Capacity Section

As a general rule, remember that the e-form was designed so that each section of the menu should be completed in sequential way.

4. Selection of the currency

Before filling in the amounts in the Financial Capacity tables, **Applicants have to select the currency in which the annual accounts were elaborated**. By selecting the currency, the e-form will automatically show the conversion rate to Euro of the selected currency for 2024 and 2025, as well as the average conversion rate for these two years. This average conversion rate will be used by the e-form to automatically convert to Euro figures introduced in other currencies.

Hence, the tables Balance Sheets and Profit and Loss Account **should be completed with the amounts in the original currency**.



Figure 2: Selection of the currency

The applicant will not have to indicate either the duration or the amount of Interreg NEXT MED funds requested as they are provided directly by the e-form.

5. Financial information to be provided

The information to be provided **must correspond** to the financial annual accounts of the last two previous years that will usually coincide with **2025 (Year II)** and **2024 (Year I)** but other combinations are possible if the entity does not have a calendar financial year (this is the case, for example, of entities with a financial year starting in July and ending in June). This is in line with the requirement set by the Guidelines for Applicants that foresee that any type of organizations is eligible under the Interreg NEXT MED Programme, but it shall be established at least for 2 years from the launching date of the call to participate. A definition of each financial concept is available at the end of this note. As anticipated above, each private applicant/partner shall fill in a self-assessment grid in the e-form.

Please note that, for the sake of equal treatment, and considering that most organizations will not have audited and approved Financial Accounts by the closing date of the Call for proposals, **applicants are not allowed to complete the Financial Capacity section with the financial information corresponding to 2026 or years before 2024**.

The only exception is made for those organizations which financial year of the organization ends in June 2026 and June 2025. In that case, the Applicant will indicate the financial year ending in June 2026 under Year II (2025) and the financial year ending in June 2025 under Year I (2024).

6. Profit-making entities

For profit-making entities, a financial check will be performed on the basis of **4 financial ratios**: liquidity ratio, debt ratio, subvention ratio and profit ratio.

1) **Liquidity Ratio**: Current Assets[1] + Cash and Cash Equivalents / Current Liabilities. This ratio **must be higher than 1**

2) **Debt Ratio:** [Provisions + Currents Liabilities + Long Term Debts] / Total of Assets. This ratio **must be lower than 0.8**

3) **Subvention Ratio:** [EU Contribution required / 1.5[2] or 2], Capital including reserves. This ratio **must be lower than 1**

4) **Operational Profit Ratio:** Total Revenues – Personnel Costs – Other Operating Costs + Net Financial Income or Charges[3] + Net Extraordinary Items[4] – Taxes on Profit. This ratio **must be positive**

All these amounts have to be indicated in the cells in white as showed in the two figures below. The **cells highlighted in grey cannot be modified** by the Applicant as they are automatically calculated by the E-form.

Balance sheet	YEAR I	YEAR II	AVERAGE	AVERAGE EU	RATE	outcome
Net fixed assets	€ 2.566,00	€ 54.222,00	€ 28.394,00	€ 28.394,00		
Current assets	€ 2.630.544,00	€ 45.411,00	€ 1.337.977,50	€ 1.337.977,50		
Cash and cash equivalents	€ 100.000,00	€ 100.000,00	€ 100.000,00	€ 100.000,00		
Total assets			€ 1.466.371,50	€ 1.466.371,50		
Capital including reserves	52000	63000	€ 57.500,00	€ 57.500,00		
Provisions	3698000	985000	€ 2.341.500,00	€ 2.341.500,00		
Long term debt	652000	€ 5.648.522,00	€ 3.150.261,00	€ 3.150.261,00		
Current liabilities	658200	36000	€ 347.100,00	€ 347.100,00		
Total liabilities and capital includin...			€ 5.896.361,00	€ 5.896.361,00		
Liquidity rate					*3,855*	*OK*
Debt rate					*2,385*	*NOT IN LINE W...*
Subvention rate					*0,436*	*OK*

Figure 3: Balance Sheet

Applicants will check that for each private partner the **total of assets equals**[5] **the sum of total liabilities and of the capital including reserves**.

[1] See definitions of section 10. Make sure you don't count twice the amount of cash and cash equivalents for the Liquidity Ratio.
[2] 1.5 in the case of a 18 months project, 2 in the case of a 24 months project.
[3] This amount may either be positive or negative. If negative please mark "0".
[4] This amount may either be positive or negative. If negative please mark "0".
[5] This is the accounting general rule for Balance Sheets. ASSETS = CAPITAL + LIABILITIES

Profit and loss account	YEAR I	YEAR I I	AVERAGE	AVERAGE EU	RATE	outcome
Total revenues	0	0	€ 0,00	€ 0,00		
Personnel costs	0	€ 0,00	€ 0,00	€ 0,00		
Other operating costs	€ 0,00	€ 0,00	€ 0,00	€ 0,00		
Operating profit			€ 0,00	€ 0,00		
Net financial income/charges	€ 0,00	€ 0,00	€ 0,00	€ 0,00		
Net extraordinary items	€ 0,00	€ 0,00	€ 0,00	€ 0,00		
Taxes on profit	€ 0,00	€ 0,00	€ 0,00	€ 0,00		
Profit/loss for the period			€ 0,00	€ 0,00		
Operating profit rate					*0,000*	*NOT IN LINE W...*

7. Financial Capacity for non-profit entities

A financial check will be performed on the basis of **3 financial ratios**: liquidity ratio, debt ratio and subvention ratio.

- **Liquidity Ratio**: Current Assets[6] + Cash and Cash Equivalents / Current Liabilities. This ratio must be higher than 1.
- **Debt Ratio:** [Provisions + Currents Liabilities + Long Term Debts] / Total of Assets. This ratio must be lower than 0.8.
- **Subvention Ratio:** [EU Contribution required / 1.5[7] or 2] / Subsidies. This ratio must be lower than 1.

Of course, due to their non-profit nature, no profit rate is calculated.

It is important to remark that, in the Financial Capacity section of the E-form, the **total of subsidies required to estimate the Subvention Rate will have to be indicated in the line "Capital Including Reserves"** of the Balance Sheet.

8. Results of the Financial Capacity assessment

After the completion of the financial tables of each concerned Applicant/Partner, the e-form will automatically show the result of the financial analysis based on the ratios. This message may be:

Applicant:

[6] See definitions of section 10. Make sure you don't count twice the amount of cash and cash equivalents for the Liquidity Ratio

[7] 1.5 in the case of a 18 months project, 2 in the case of a 24 months project.

- **Private profit organisations** acting as applicants **shall meet 3 out of the 4** criteria above in order to be funded;
- **Private no profit organisations** acting as applicants **shall meet 2 out of the 3** criteria above in order to be funded.

If the condition is met the following message will display:

"YOUR FINANCIAL CAPACITY IS IN LINE WITH THE SET MINIMUM CRITERIA"

In case this condition is not met, the proposal will be rejected on this sole basis. In order to prevent the submission of proposal when the **profit-making Applicant** does not meet the said 3 out of 4 criteria or a **no profit Applicant** does not meet the said 2 out of 3 criteria, the following message will display:

"YOUR ORGANIZATION IS RISKY YOU CANNOT APPLY FOR THIS CALL"

Moreover, an error occurs when trying to submit the proposal (see above).

Partners:

a. **Results: compliant with the criteria**

- **Private profit organisations** acting as partners **shall meet 3 out of the 4** criteria above in order to be funded;
- **Private no profit organisations acting as partners** shall meet 2 out of the 3 criteria above in order to be funded.

If the condition is met, the following message will display:

"YOUR FINANCIAL CAPACITY IS IN LINE WITH THE SET MINIMUM CRITERIA"

b. **Results: non-compliant with the criteria**

- **Private profit organisations** acting as partners not meeting 3 out of the 4 criteria above will be considered at risk;
- **Private no profit organisations acting as applicants** not meeting 2 out of the 3 criteria above will be considered at risk.

In case this condition is not met, the following message will display:

"YOUR ORGANIZATION IS RISKY"

If an organization is deemed risky, it is allowed to be a partner in the submitted proposal but some specific conditions to its participation may be requested by the Programme Managing Authority if the project is approved.

9. Verification of eligibility

For those projects that will successfully pass Step 1 of the evaluation procedure, the Managing Authority will check the eligibility of the Applicants and Partners. This verification will include the check of the Legal Status and of the Annual Accounts of each applicant/partner. In particular, the Managing Authority **will check whether the information provided in the submitted proposal is consistent with the supporting documents**.

Therefore, before the submission, the Applicants and Partners will make sure that they have selected the appropriate legal status and, that they have indicated, in the financial capacity section, **amounts that will be easily identifiable** by the Managing Authority when checking their annual accounts. In the case in which a figure indicated in the Financial Capacity section is the combination of 2 or more elements of the Financial Accounts, the Applicant or Partner will make sure that this combination can also be easily traced in their Financial Accounts. Moreover, when submitting the Annual Financial Accounts (or equivalent) to the Managing Authority, the Applicants and Partners must make sure that the amounts used to complete the E-form are easily identifiable (and preferably highlighted).

In order to complete the Financial Capacity section, the Applicant and Partners will use the two annual accounts **duly audited** as indicated at section 5. Should they not have the legal obligation to audit accounts, the financial data will be extracted from the **non-audited Annual Accounts signed by the Legal Representative**. Either the audited annual accounts or the non-audited annual accounts signed by the Legal Representative will be required in duly time by the Managing Authority in order to perform the Verification of Eligibility. Please remark, that if new and more recent approved Financial Accounts are available by the time the Verification of Eligibility is performed, the Applicant and partners will still have to submit only the financial accounts used to complete the Financial Capacity section of the E-form. More recent data will not be accepted.

10. Definitions of the financial concepts

Net fixed assets: are the capitalized assets after deduction of accumulated depreciation and amortization. They typically include buildings, equipment and/or participations in affiliates.

Current assets: are all other assets with a maturity of less than a year, with the exception of cash and cash equivalents provided on a separate line. Typically, it is accounts receivable, inventory and/or prepaid expenses.

Capital including reserves is the total of capital, retained earnings, net income for the period and any other reserves.

Subsides: any grant or subvention of money received from any source such as the European Union, national, regional, or local governments, the World Bank, the United Nations, international organizations, etc. In the Financial Capacity section, the total of subsides will be reported under Capital including reserves.

Provisions: usually relate to costs for pension liabilities or legal risks. Most of the time the exact amount and/or beneficiary is not known.

Long-term debt: is the portion of liabilities with a maturity of more than a year.

Current liabilities: are debts with a maturity of less than a year, including the part of financial debt which is due in less than a year and related accrued interest or short-term bank overdrafts.

Balance: please check that total assets equal total liabilities + capital including reserves.

Total revenues: revenues generated by the operating activities (e.g. sales, grants received, etc.).

Personnel costs: indicate the total cost for staff employed, i.e. salaries and wages plus related social benefits.

Other operating costs: remaining costs incurred in the operating activities.

Net financial income/charges: financial income generated (e.g. interest income, etc.) under the deduction of financial expenses (e.g. interest paid, etc.).

Net extraordinary items: profit or loss generated by extraordinary items. These must be classified as such under your organization's accounting policy and your national authority's generally accepted accounting principles.

Taxes on profit: taxes levied on the net income generated by your organization.