

TREASURER'S REPORT 2022

**General Meeting
June 2022**



List of annexes

01 Official Belgian Accounts

02 2021/2022 Balance Sheet and Statement

03 Budget to Actual

04 Audit Report

Contents of this document

01 Introduction and proposal to approve

02 Revenues

03 Expenditures

Incl. analysis of personnel costs, office costs, direct costs by activity type and theme, and reporting on the use of unrestricted resources.

04 Year-end and reserves

Please note that the full report and all annexes are available to members only. This is the public version of the Treasurer's Report.



Introduction

Proposal to Approve

ILGA-Europe's financial statements covering the period from January 1, 2022 to December 31, 2022 have been independently audited by a certified auditing firm contracted by the Executive Board: Callens, Vandelanotte, Theunissen & C°. They show actual income registered at 3 687 082 €, expenses of 3 606 265 €, and a year-end result of 80 817 €1.

While the projections for the financial year 2022 assumed a steady growth of the budget, new programmes, and a slow but steady turn to regular post-pandemic operations, ILGA-Europe did not anticipate that Russia would launch a full-scale invasion of Ukraine. As a result, the work became a delicate balancing act, one which we had been in many ways prepared for by the COVID-19 pandemic two years earlier. ILGA-Europe understood from the outset that the war was not going to be a short-term situation for people in Ukraine, Russia, and neighbouring countries. The team recognized that there would be particular vulnerabilities experienced by LGBTI refugees, and those LGBTI people who were either forced, or chose to remain in Ukraine and Russia. With this understanding, a significant amount of immediate time, resources and energy was required to respond - practically, financially and strategically - to the needs of LGBTI organisations both in Ukraine and across the region ILGA-Europe work in. Resources were shifted and workplans were adjusted to align with these needs and realities. Some previously planned programmes and activities were delayed further into 2022 or, in some cases, into 2023. ILGA-Europe proved to be able to adapt to the context and make best use of existing resources. Significant funds were used for re-granting and providing other types of support to affected groups and organisations.

Most planned activities were maintained: impactful work was carried out in ILGA-Europe's advocacy efforts, monitoring and benchmarking (with tools such as the Annual Review and Rainbow Map), communications, community organising, capacity building, organisational development. The ILGA-Europe Annual Conference took place for the first time since 2019, and gathered over 300 people from all over our region.

With growing resources and pressure, the Executive Board monitored and evaluated all the financial changes proposed and implemented throughout the year even more closely. Unfortunately, some anticipated incomes, especially unrestricted donations, decreased compared to projections, and more core funds needed to be used

¹ Figures are rounded.



to cover these gaps. Relationships of trust and accountability built with funders over the years allowed ILGA-Europe to address the variety of needs that surfaced with the complexity of the year. The efforts made previously to solidify financial management and internal control processes enabled the organisation to switch to a crisis response mode of operations, without posing unreasonable risks to the financial health of the association. And as usual, work was put into retaining the highest standards of accountability and governance, both in terms of ILGA-Europe's own funds and funds re-granted to the movement.

Needless to say, the growing complexity and difficulty of realities faced by LGBTI activists across Europe and Central Asia become even more prominent in the year. Beyond the war, the long-lasting impact of the pandemic and isolation, alongside growing popularity of far-right and extremist movements, and the increasing limitations being imposed on civil society, are all making the advancement of LGBTI rights in the region much more challenging. The demands keep growing on ILGA-Europe to participate in policy and advocacy processes, provide diverse resources, facilitate, support and enable work and alliances. With more work carried out in a fast-paced environment based on emerging needs, ILGA-Europe will need to continue to expand available resources and its capacity, and the capacity of the movement. Mobilizing new resources and adapting to these changing realities remains a priority.

Despite the aforementioned challenges, it is the firm assessment of the Executive Board of ILGA-Europe that the financial year 2022 was successful, the undertaken operations contribute to ILGA-Europe's financial and organisational sustainability, and allow us to project steady and effective operations in the coming years.

In light of all this, on behalf of the Executive Board of ILGA-Europe, I ask that the membership approve the financial report for the year 2022 and discharge the Board.

Ivan Dimov
Treasurer of the Executive Board
ILGA-Europe



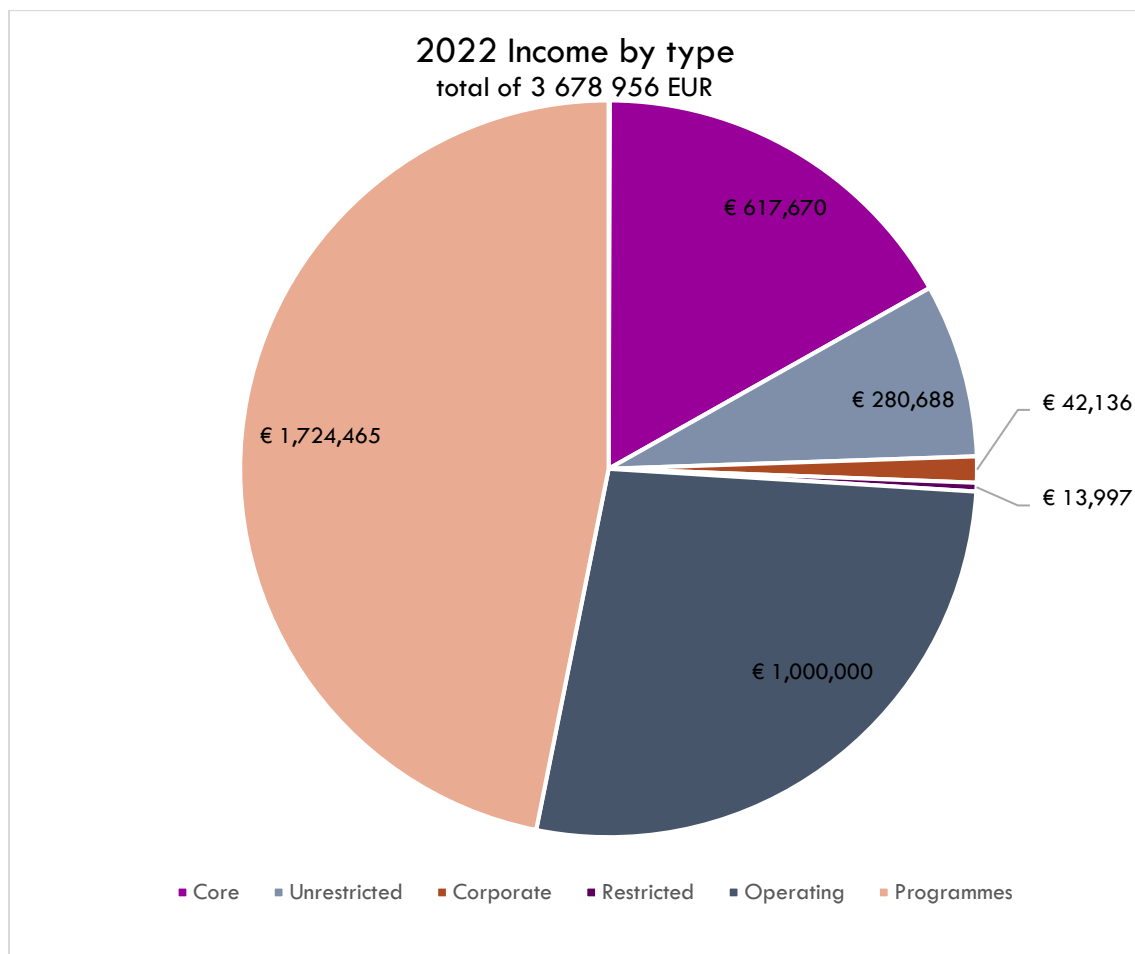
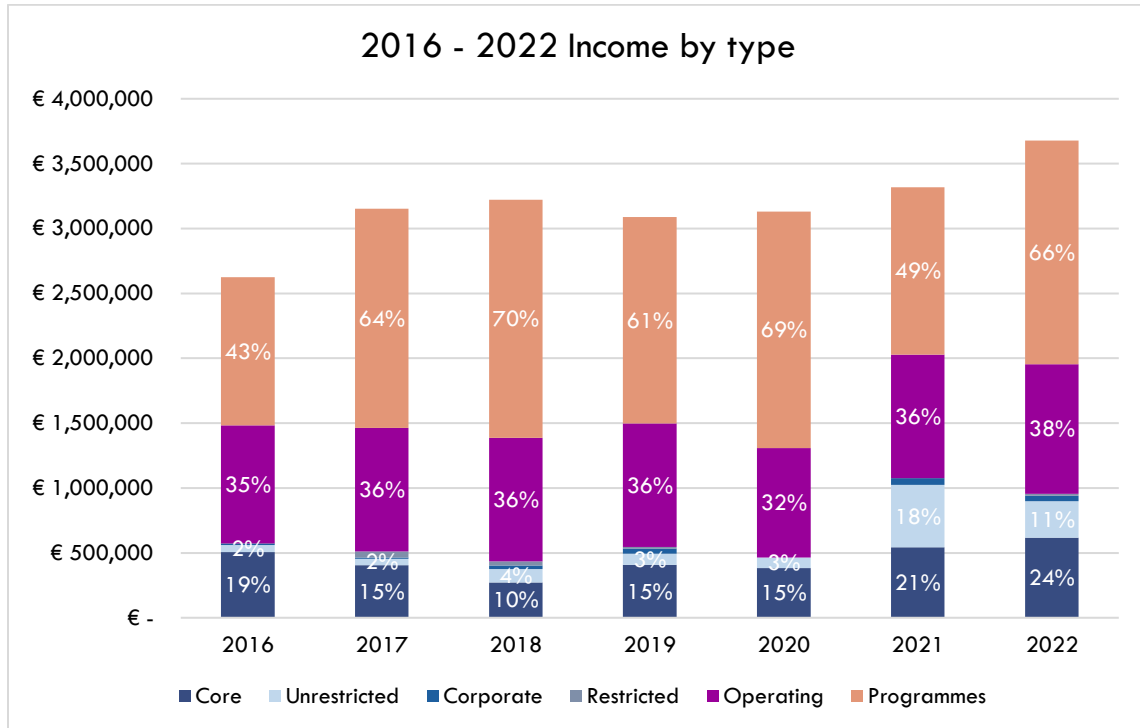
Revenues

Analysis

In the financial year 2022 ILGA-Europe obtained and recognized 3 687 082 € in revenues, which is approx. an 11% (over 365 000 €) increase from the 2021 revenues. Another 200 000 € in donations and approx. 600 000 € in core grants were received in the course of 2022 but carried over to 2023 and further, to secure more operational budgets in the nearest future. The majority of funding recognized in 2022 was sourced from long-term projects and grants, raised in the preceding years.

The 2016 – 2022 comparison (see chart below) of proportions of core funding, unrestricted funding (donations and sponsorships), operating funding (European Commission) and project funding recognized in each year shows that in 2022 ILGA-Europe continued to prioritize flexible resources. The share of unrestricted funding (core grants, unrestricted donations and sponsorships) increased significantly over the past years, but it should be noted that in 2022 the amount of unrestricted donations received was lower than expected (480 000 € in 2021 and 280 000 € in 2022). The income of the European Commission operating grant was increased slightly in 2022, and will further increase in 2023. 2022 marked the beginning of a new Framework Partnership with the EC, under which ILGA-Europe will soon begin re-granting.

The two core grants used throughout the year (Wellspring Philanthropic Fund – 417 670 € and Open Society Foundations – 200 000 €) corresponded to 24% of the total budget. The share of project funding (over 1.7M € in 2022) increased to 66% of the total budget, with more resources mobilized to answer specific needs, and in lieu of higher unrestricted incomes. Within this category of project funding ILGA-Europe included two grants which in their nature were core, but were earmarked for providing funding in response to the war in Ukraine.





In terms of project financing, the majority of projects active in 2021 continued into 2022, with only one stream of programmatic funding (Anonymous) was closed and not renewed, but replaced with a project from another funder. The highest non-flexible revenues recognized were issued by:

- European Commission (Operating Grant) – 1 000 000.00 €
- Global Equality Fund – 464 301.41 €
- Anonymous – 315 561.55 €
- The Government of the Kingdom of the Netherlands – 210 000.00 €.

While the previous financial years have been heavily affected by Covid-19 in terms of both revenues and our ability to process funds and carry out activities, 2022 cannot be analysed without the mention of the impact of the invasion of Ukraine. ILGA-Europe quickly shifted its work and budget to enable as much coordination and support as possible be offered to the movement in Ukraine and neighbouring countries. No active fundraising was carried out – given the significant number of ongoing fundraisers, ILGA-Europe prioritized mapping existing efforts and needs, in order to be able to channel donors to where resources were needed, where gaps occurred (especially keeping in mind wider reach and distribution of resources, in particular to groups with less access to donors).

At the same time, significant amounts of ILGA-Europe's resources were earmarked for financial and other support to groups operating in and around Ukraine. Two core grants (with the total value of 210 688 €) were received and assigned to the purpose of supporting the LGBTI movement in those areas with subgrants.

Additionally, just over 9 000 € in extraordinary revenues was recorded from write offs, unreconciled refunds and round up differences. These are income items recognized largely at year-end. While they constitute unrestricted funding, ILGA-Europe limits their generation through internal controls, and they serve to balance any negative write offs, currency exchange balances and other similar losses.



Expenditures

Analysis

The total of expenditures registered in financial year 2022 amounted to 3 606 265 €, compared to 3 635 700 € in the provisional 2022 budget approved by the General Meeting. During the year, as more project timelines and income were confirmed, the budget was updated to estimate expenditures at 4 319 765 €. The difference between the budgeted expenditures and the actual ones is significant, and is linked with project implementation timelines. Several significant streams of funding were discussed and confirmed in early 2022, but ILGA-Europe did not receive grant agreements for signature until late 2022 or early 2023, which led to a delay in the launch of activities. Due to this the funds not spent in 2022 (approx. 680 000 €) were carried over to 2023 and by the end of February 2023 already 4 large re-granting programmes were underway.

Nonetheless, it's important to note that the 3 606 265 € in actual expenditures is approx. 16% (or 500 000 €) higher than the expenditures of 2021. Several reasons contribute to this increase, apart from budget availability. 2022 was the first year when ILGA-Europe returned to in-person events and travel. While the figures for these expenses are not as significant in pre-Covid-19 activities, the holding of the Annual Conference 2022 in Sofia in itself shifted the balance of expenditures. Additionally, increased inflation affected nearly all cost categories.

Travel costs, as measured in comparison of similar routes between 2019 and 2022, increased by an average of 57%, where the increase on EU travel is approx. 30% and the increase on travel between the EU and further destinations in the region reaches double the price. Accommodation prices increased by approx. 15%, and meal/catering prices by 20%. The increase of the costs of service and expert fees is linked to the inflation in the countries of operation of the contractors, but ranges from 4% to 12%.



The specific breakdown of actual 2022 expenditures per budget category, in comparison with the 2022 budget and 2021 actuals, is provided in the following table.

	Total 2021 Actual	Total 2022 Budget	Total 2022 Actual
<i>Staff costs</i>	1,762,609	1,867,737	1,844,873
<i>Office Costs</i>	277,169	324,087	335,052
<i>Gathering Online / Annual Conference</i>	60,009	408,600	398,980
<i>Board Meetings</i>	45	22,000	28,130
<i>Work Programme Costs</i>	266,038	340,700	264,652
<i>ILGA-Europe Capacity Dev.</i>	25,998	40,000	47,376
<i>Fundraising</i>	6,247	30,000	18,761
<i>Re-granting</i>	749,885	1,262,000	654,856
<i>Other and losses</i>	4,160	24,640	13,584
TOTAL EXPENSES	3,152,160	4,319,765	3,606,265

The overall structure of expenditures remains largely stable, with approx. 50% of the total being the cost of employment, 9% that of the office, admin and general maintenance, 12% being linked to governance, incl. ILGA-Europe's Annual Conference, and just under 0,5% qualifying as other and losses. Further details of the expenditures are available in the full Members' Version of the Treasurer's Report.

[THESE SECTIONS OF THE REPORT WERE REMOVED FROM THE PUBLIC VERSION]



Year-end closing

Reserve information

The audit of financial year 2022 took place in January 2023 and was carried out by Callens, Vandelanotte, Theunissen & C°, members of the Crowe Global network. The auditors were contracted by the Executive Board and are independent, certified auditors. The controls performed included the overall compliance of ILGA-Europe with Belgian General Accounting Principles, incl. the verification of income, expenditures, receivables, payables and deferrals, as well as specific verifications of income and expenses under the European Commission operating grant, and expenses of 8 other projects.

Specific attention was paid to ILGA-Europe's implementation of own procedures and policies, such as procurement, management of assets and depreciation, risk management, compliance with sanctions, and re-granting. Several subgrants were audited, sourced from a diverse range of funding. The auditors also controlled the implementation of Board and membership issued decisions, especially around budgets and allocation of unrestricted funding to different parts of operations.

The audit report indicates that no issues were found and is therefore an unqualified opinion. It confirms recognized income of 3 687 082 €, expenses of 3 606 265 €, and a year-end result of 80 817 €. This year-end result was primarily sourced from unrestricted funds and extraordinary income. The table below shows a progression of reserves built up from year-end results between 2014 and 2022. Before this time, according to European Commission regulations, ILGA-Europe was not allowed to retain any resources for its equity, and therefore was operating at low or no reserves.



Overview of reserves

	<i>January 1st</i>	<i>Year-end result</i>	<i>December 31st</i>
2014	- 76,702.52	70,774.42	- 5,928.10
2015	- 5,928.10	56,537.41	50,609.31
2016	50,609.31	53,866.77	104,476.08
2017	104,476.08	- 60,978.20	43,497.88
2018	43,497.88	43,578.65	87,076.53
2019	87,076.53	71,643.96	158,720.49
2020	158,720.49	99,575.28	258,295.77
2021	258,295.77	170,179.87	428,475.64
2022	428,475.64	80,817.39	509,293.03

A reserve building plan was put into place in 2018 which set the objective of reaching 500 000 € in reserves, approx. 15% of the annual budget at the time, by 2023. This objective was achieved, and a new reserve policy will be put in place to further specify the resources that should be allocated to the general, operating reserve, and the social fund, which is an element of ILGA-Europe's obligations as a Belgian employer.

Contributions to the social fund have been limited in the previous years due to the need to urgently build up operating reserves. These are needed to secure operations in the case of unforeseen changes, losses of revenues, occurrence of needs, as well as to aid cash flow against delays of receipt of funds from funders. Additionally, with the foreseen increase in the annual budget to 5.5M€ - 6.5M€ in the next few years, the targets for the reserves will be further adjusted during 2023.