

TREASURER'S REPORT 2023

**General Meeting
June 2024**



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

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Please note that the full report and all annexes are available to members only.



Introduction

Proposal to Approve

ILGA-Europe's financial statements covering the period from January 1, 2023 to December 31, 2023 have been independently audited by a certified auditing firm contracted by the Executive Board: Callens, Vandelanotte, Theunissen & C°. They show actual income registered at 5,831,122 €, expenses of 5,716,648 €, and a year-end result of 119,333 €.

The projections for the financial year 2023 assumed a significant growth of the budget, new programmes and areas of engagement, return to regular operations without pandemic-related interruptions, and continued engagement on humanitarian and other support for Ukraine. Like in previous years, the work was a delicate balancing act of ensuring our long-term plans are implemented while creating space and time to respond to on-going developments and trends. On top of that, the year 2023 was a year of major internal developments, including strategic planning for the following five years, and a leadership transition process. As you can read in our [Activity Report](#), the ILGA-Europe team have carried out a hugely impressive amount of work. From further increasing our flexibility to support LGBTI organisations and expanding our connection with the movements in different countries and sub-regions, to bridging protection gaps and pushing for new and better legislations, standard-setting and helping translate laws into practice, we have been staying ahead of the curve. We have committed to building and strengthening alliances to make sure LGBTI voices are an active part of collective actions for gender equality, decriminalisation of sex work, democracy, social rights. And we have taken important steps to engage more in the field of socio-economic justice.

In this year of growth and consolidation, of forward-looking thinking and planning, of transition and renewal, we paid particular attention to ensuring we remain solid and operating smoothly amidst all the change, and that we reliably and responsibly safeguard the resources we raise and manage. Over 5 years ago, at the beginning of our previous strategic period, we have set ambitious long-term financial goals and internal development objectives – among them increasing our capacity to foster new political alliances, growing our programmatic portfolio and providing flexible, long-term funding to groups and organisations, strengthening internal control processes and developing capacities to take on more complex funding, and building and securing our own reserves which, at the time, were barely 2% of our annual budget. We have delivered on all of these promises.

In 2023 our annual budget reached nearly 6 million euros, growing by 58% from 2022 and by 75% compared to 2021. Our staff team increased to 25. The value of grants issued within a year tripled compared to the previous



one, achieving nearly 1.9 million euros – and throughout the year we have been working weekly with 81 organisations. Our losses were kept at a minimum (0.15% of overall expenses). Our Conference gathered 420 people from across the region and beyond, among them nearly 200 funded by ILGA-Europe. We organized 35 online learning sessions, 7 in-person coordination and learning activities, 2 study visits to European institutions, met with activists and decision-makers in 14 countries, and supported national-level advocacy efforts in 29 countries. We appeared in 3.9 million articles and had an estimated media reach of over 700 million.

Apart from our flagship pieces of work, such as the Rainbow Map and Annual Review, we also launched work with consultants on revamping the Rainbow Europe website, begun preparations for the 2024 EP Elections campaign mobilising voters and candidates to support LGBTI rights, and invested resources in internal developments, further described in this report.

With growing resources and pressure, the Executive Board monitored and evaluated all the financial changes proposed and implemented throughout the year closely, paying particular attention to the sustainability of our growth. For a number of years we have been observing withdrawal of funders from the region and a decrease in unrestricted donations received throughout the year, the latter closely linked to the cost of living crisis throughout the region. Relationships of trust and accountability built with funders over the years allowed ILGA-Europe to address the variety of needs that surfaced within the year, and the efforts made previously to solidify financial management and internal control processes enabled the organisation to sustain the significant budget shifts that occurred in the recent past. Nonetheless, with the growing budget and shirking availability of unrestricted funding, the organisation's financial risks are multiplying. 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 2023 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 2023 and discharge the Board.

Ivan Dimov
Treasurer of the Executive Board
ILGA-Europe

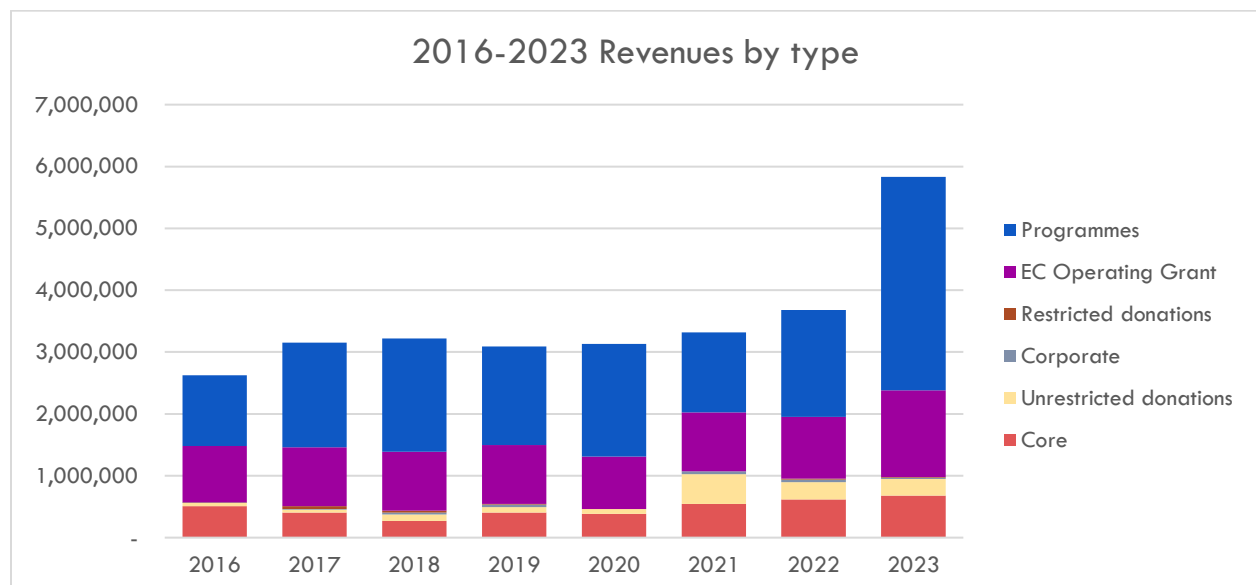


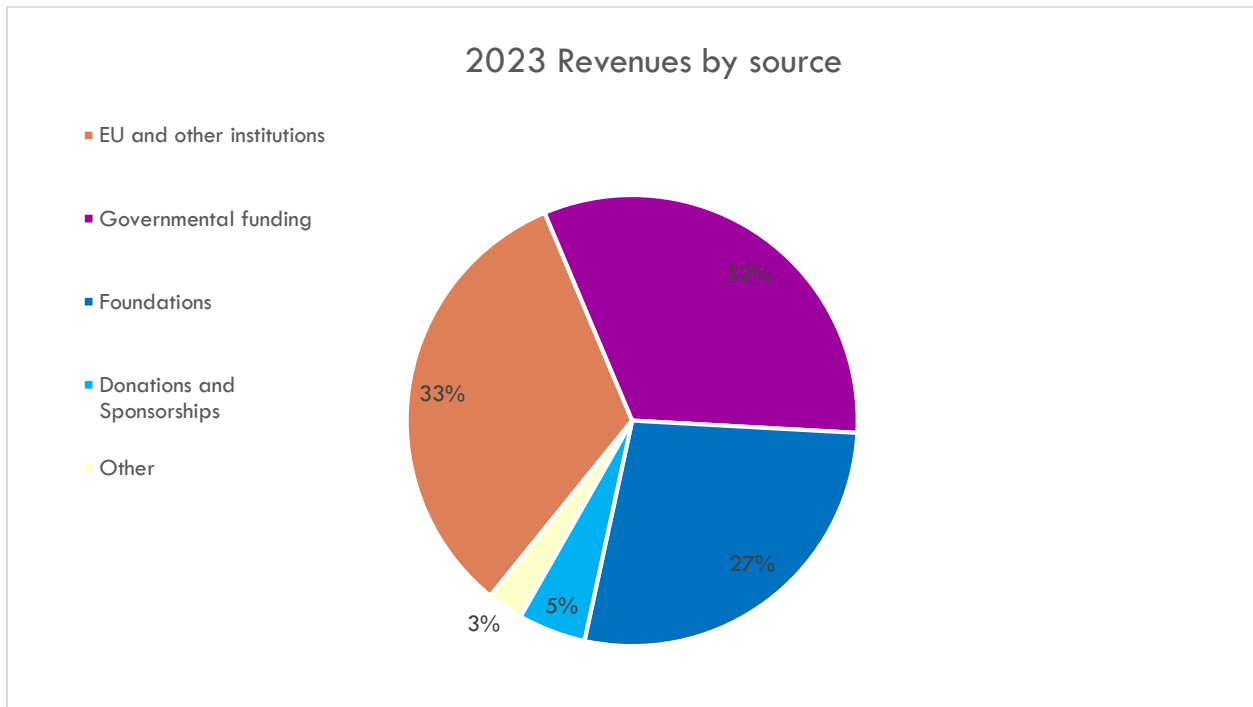
Revenues

Analysis

In the financial year 2023 ILGA-Europe obtained and recognized 5,831,122 €, in revenues, which is approx. a 58% (over 2.15 million €) increase from the 2022 revenues. Another 250,000 € in donations and approx. 275,000 € in core grants were received prior to year-end but carried over to 2024, to secure sufficient budgets for operations at the start of the year. The majority of funding recognized in 2023 was sourced from long-term projects and grants, many of which were increased or renewed due to the team’s fundraising efforts.

The 2016 – 2023 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 the budget growth occurred largely on restricted funding, while the amounts raised through unrestricted sources remained at a similar level. In previous years the share of unrestricted funds was around 25-50% of the budget, and that share in 2023 dropped to 17%. Additionally, approx. 350,000 € (a third of unrestricted funds) is allocated as co-funding to the European Commission operating grant, and approx. 250,000 € is tied to salaries and stable administrative expenses, leaving barely under 7% of the budget which can be used flexibly.





The European Union (EC OG, as well as other EU sources) and governments remain to be responsible for over 60% of ILGA-Europe's income, and pose the most significant administrative and financial management burden, requiring high levels of staff effort both on the financial tracking and reporting side, and the narrative tracking and management. Less than a third of funds was raised through public and private foundations, and less than a tenth from individuals and private partners.

In terms of project financing, the majority of projects active in 2022 continued into 2023. 12% of revenues of the year were revenues of grants that began in 2023. The highest non-flexible revenues recognized were issued by:

- European Commission (Operating Grant) – 1,400,000.00 €
- Global Equality Fund – 636,772.20 €
- Anonymous – 562,701.89 €
- Anonymous – 437,257.88
- Oak Foundation – 274,722.34 €.

(Some sources as named as Anonymous due to security restrictions linked to working in environments hostile to LGBTI people and civil society.)



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, 2023 cannot be analysed without the mention of the impact of the invasion of Ukraine. In the course of 2022, 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). In 2023 we continued providing various types of support to the humanitarian response, as well as slowly begun to shift financial support to other areas of need flagged by Ukrainian organisations, incl. adaptation to new circumstances and return to human rights works.

Finally, just over 3,500 € 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 2023 amounted to 5,716,648 €, compared to 5,773,642 € in the provisional 2023 budget approved by the General Meeting, and the 3,606,265 € in actual 2022 expenses. In the course of the year a higher volume of funds became available (see Annex 3, Budget to Actual, 2023 Updated Budget set), but due to political developments in the high-risk areas of the region close to year-end, several activities and funding streams were moved to January and February of the following year. By end of March 2024, ILGA-Europe's new subgrants issued in the year will have reached 800,000 € already.

Nonetheless, it's important to note that the 5,716,648 € in actual expenditures is a significant increase over such a period of time, and one carried out with only a slight increase in staffing (3 new positions opened near the end of 2022, and 1 close to the end of 2023). This sharp increase in activities, re-granting, in-person events and other developments meant a huge increase in burden for the staff and on the systems and procedures of ILGA-Europe. What is more, these expenses were being made on budgets raised largely between 2019 and 2022, when the cost of living was significantly lower. Inflation on salaries in Belgium reached 12.6% in the course of 2022, and 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 2023 expenditures per budget category, in comparison with the 2023 budget and 2022 actuals, is provided in the following table.



	2023 Approved Budget	2023 Up-dated Budget	2023 Actual Expenses	2022 Actual Expenses	2023 expenses as % of total expenses	2023/2022 increase %
Total salaries	2,304,996	2,231,085	2,248,846	1,844,873	39%	122%
Total office costs	337,525	362,828	380,278	335,052	7%	113%
Total Annual Conference	426,900	429,850	475,587	398,980	8%	119%
Total Board meetings	32,000	35,000	41,422	28,130	1%	147%
Total work programme	482,000	607,307	435,827	264,652	8%	165%
Total organisational development and fundraising	98,000	205,000	233,523	66,137	4%	353%
Total re-granting	2,051,500	2,255,136	1,892,612	654,856	33%	289%
Total other	40,721	24,956	8,554	13,584	0%	63%
TOTAL EXPENDITURES	5,773,642	6,151,162	5,716,648	3,606,265		159%

The significant increases on staff, work programme, internal development and re-granting costs shift the overall structure of expenditures. Staff costs accounted for 50% of the total expenses in 2022, now they constitute 39%. Re-granting shifted from 18% to 33%. The office and administrative costs incurred remain at a similar level of under 10%, much like governance costs. The losses and unallocable expenses, which amounted to under 9,000 €, remain negligible. Further details of the expenditures are available in the full Members' Version of the Treasurer's Report, in the following sections.

Use of core funds and unrestricted funds

As mentioned in the previous sections, ILGA-Europe's unrestricted or flexible funding is limited, and with the growth of the overall budget, the share of unrestricted and flexible funding dropped significantly. In 2023, the majority of these kinds of resources (core support grants, donations and sponsorships) was used to cover the co-funding requirement of the European Commission Operating Grant (approx. 350 000 € / year), ineligible costs and losses (10 000 – 50 000 €/ year), and various budget gaps, primarily connected to the Annual Conference, or staff and office costs which cannot be claimed under projects. ILGA-Europe's need for unrestricted resources is high. The costs included under these funds in the year included:



- 265,579 € as co-funding for EC funding,
- 137,284 € as coverage of staff time that exceeded approved project budgets, and another 127,834 € to cover staff time and effort that is, by design, not eligible under any current funding (fundraising and strategic litigation work),
- 142,987 € for work programme activities and internal development, incl. strategic planning and leadership transition, annual fundraiser, communications, campaigning and member organisation training,
- 68,742 € the Annual Conference,
- 34,039 € for office and administrative costs exceeding project budgets,
- 18,552 € for ineligible re-granting costs and other losses.

As of 2020 ILGA-Europe also proactively earmarks foreseen unrestricted funds to be used for re-granting, work programme and enabling participation of more scholars in the Annual Conference.



Year-end closing

Reserve information

The audit of financial year 2023 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 4 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 – the most positive result of this type of audit. It confirms recognized income of 5 831 122 €, expenses of 5 716 648 €, and a year-end result of 119 332 €. 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 2023. Before this time, according to European Commission regulations, ILGA-Europe was not allowed to retain any resources for its equity, and therefore was often operating at a deficit.



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
2023	509,293.03	119,332.77	628,625.80

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 was put in place in 2023 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. This reserve building plan assumes reaching 1,000,000 € by 2027. Based on the decision of the Executive Board, the year-end result of 119,332.77 € was divided between the operating reserve and the social fund as follows:

- 95,466.22 € to the operating reserve – bringing the total up to 505,605.05 €
- 23,866.55 € to the social fund – bringing the total up to 123,020.75 €.

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.