



Economic and Social Council

Distr.: Limited
1 July 2013

Original: English

For discussion

United Nations Children's Fund

Executive Board

Second regular session 2013

3-6 September 2013

Item 7 of the provisional agenda*

Private fundraising: financial report for the year ended 31 December 2012

Summary

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships Division (PFP) for the year ended 31 December 2012.

The total net income for the year from fundraising and sales activities of 36 National Committees and 43 country offices was \$903.1 million. This was \$22.9 million (2.6 per cent) more than the total planned target of \$880.2 million, though \$2.2 million (0.2 per cent) less than the \$905.3 million generated in 2011. The net income comprises \$444.1 million of regular resources: \$426.6 million from private fundraising; \$17.5 million from sales of UNICEF cards and products; and \$459 million from fundraising for other resources.

* E/ICEF/2013/19.



Overview of the 2012 results

1. The Private Fundraising and Partnerships Division (PFP) coordinates all private fundraising and sales activities of UNICEF, manages strategic relationships with the National Committees for UNICEF, provides guidance for child rights advocacy activities in industrialized countries, and supports the organization's corporate partnership and engagement function.
2. Total net income for 2012 from fundraising and sales activities of the 36 National Committees and 43 country offices was \$903.1 million, including regular and other resources. This was \$22.9 million (2.6 per cent) more than the total planned target of \$880.2 million.
3. The PFP net income comprised \$444.1 million for regular resources: \$426.6 million from private fundraising; \$17.5 million from sales of UNICEF cards and products; and \$459 million from fundraising for other resources.
4. The breakdown of total PFP net income for 2012 is as follows:

	<i>(In millions of United States dollars)</i>		
	2012		2011
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Private fundraising — regular resources	426.6	390.9	366.7
Sale of UNICEF cards and products	17.5	15.3	7.5
Total regular resources net income	444.1	406.2	374.2
Private fundraising — other resources	459.0	474.0	531.1
Total net income	903.1	880.2	905.3

5. PFP net income for 2012 was \$903.1 million, compared to the approved budget of \$880.2 million. In 2012, 89 per cent of net proceeds were generated by National Committees, compared to 91 per cent in 2011.
6. The total PFP net income positive variance of \$22.9 million (3 per cent), compared to the 2012 planned budget, was mainly due to the favourable variances in net proceeds from private fundraising for regular resources (\$34.6 million), offset by an unfavourable variance in net proceeds from private fundraising for other resources (\$15.0 million).
7. The total PFP net income was \$2.2 million less than in 2011; this was primarily because income from private fundraising for other resources was \$72.1 million (13.6 per cent) less than the \$531.1 million raised the previous year, which included significant funding for the Horn of Africa emergency.
8. The negative variance for other resources, compared to 2011 actual, was largely offset by an increase of \$69.9 million (18.7 per cent) in total regular resources net income, rising from \$374.2 million in 2011 to \$444.1 million in 2012, mainly due to an increase of \$74.2 million (17.6 per cent) in net proceeds from private fundraising for regular resources, reaching \$494.6 million in 2012. An

increase in the cards and products net income by \$10 million, from \$7.5 million in 2011 to \$17.5 million in 2012, also contributed to the overall positive variance.

Proceeds from private fundraising – regular and other resources

9. Total proceeds from all private fundraising in 2012 were \$953.6 million (\$494.6 million regular resources and \$459 million other resources), compared to the budgeted \$460 million regular resources and \$474 other resources, resulting in an overall positive variance of \$19.6 million.

10. The better-than-budgeted performance in fundraising for regular resources was largely due to the strong performance of regular monthly giving (pledge), with a 12.5 per cent increase in the number of UNICEF pledge donors, rising from 2.8 million at the end of 2011 to 3.15 million by the end of 2012.

11. As mentioned above, the fundraising results for other resources were lower than budgeted, \$459 million compared to the budgeted \$474 million, primarily due to less private-sector funding for emergencies in 2012.

Sale of UNICEF cards and products

12. Gross proceeds from UNICEF cards and products sales include the following: (a) gross proceeds from the sale of UNICEF-supplied cards and products; (b) catalogue donations (contributions generated through PFP brochures and order forms); (c) royalty income, including all income received from licensed products; and (d) National Committee products, originating from the sale of products sourced by National Committees.

	<i>(In millions of United States dollars)</i>						
	2012 Actual	2012 Budget	2011 Actual	Increase/(decrease)			
				2012 actual vs. budget		2012 vs. 2011	
			\$	%	\$	%	
Gross proceeds — cards and products	69.2	84.2	77.1	-15.0	-17.8	-7.9	-10.2
Catalogue donations	3.1	3.1	7.9	0	0	-4.8	-60.8
Royalties	5.3	4.1	3.5	1.2	29.1	1.8	51.4
Committee products	3.1	3.6	5.5	-0.5	-13.9	-2.4	-43.6
E-greetings	0	0	0.4	0	0	-0.4	100
Total	80.7	95.0	94.4	-14.3	-15.1	-13.7	-14.5

13. Gross proceeds from the sale of cards and products were \$15 million (17.8 per cent) lower than budgeted, primarily because of the continued unfavourable economic climate in Euro-zone countries, where nearly all National Committees performed lower than forecasted. This was partially offset by the positive performance on royalty income, which was \$1.2 million (29.1 per cent) above budget.

14. Compared to 2011, total gross proceeds declined by \$13.7 million (14.5 per cent), from \$94.4 million in 2011 to \$80.7 million in 2012. The decline was primarily in the sale of UNICEF-sourced cards and products for the reasons described above, together with the discontinuation of sales activities of UNICEF-sourced products in four National Committees. However, with the establishment of 37 new licensing contracts in 26 countries, royalty income grew by 51.4 per cent compared to 2011, rising to \$5.3 million.

	<i>(In millions of United States dollars)</i>						<i>Variance (%)</i>	
	2012				2011		2012	2012 vs. 2011
	<i>Actual</i>	<i>%</i>	<i>Budget</i>	<i>%</i>	<i>Actual</i>	<i>%</i>	<i>Actual vs. Budget</i>	<i>Actual</i>
<i>Cards and products sales</i>								
Gross proceeds	80.7	100	95.0	100	94.4	100	-15.1	-14.5
National Committees sales expenses	24.0	29.7	27.0	28.4	23.0	24.4	11.1	-4.3
Net proceeds	56.7	70.3	68.0	71.6	71.4	75.6	-16.6	20.6
Sales direct expenses	23.2	28.7	33.1	34.8	47.7	50.5	29.9	51.4
Investment funds — sales	0.6	0.7	1.4	1.5	1.2	1.3	57.1	50.0
Direct contribution from sales	32.9	40.8	33.5	35.3	22.5	23.8	-1.8	-46.2

15. Net proceeds from the sale of UNICEF cards and products were \$11.3 million (16.6 per cent) below budget, due to the continued negative economic climate in Euro-zone countries, as explained above. In addition, the one-off costs incurred by those National Committees exiting the UNICEF-sourced cards and products business resulted in a deterioration in the net proceeds margin from National Committees, from 75.6 per cent in 2011 to 70.3 per cent in 2012 (compared to 71.6 per cent budgeted).

16. The negative variance in net proceeds from National Committees was offset by cost savings in PFP sales direct expenses, which were \$9.9 million (29.9 per cent) lower than the approved budget of \$33.1 million, primarily from savings on cost of goods and cost related to the operations and support budget (\$9.3 million). These were driven by (a) the 21 per cent decrease in sales of UNICEF-supplied cards and products, resulting in lower cost of goods; (b) underspending on costs of outsourced logistics and warehousing services (2012 was the first year of full outsourcing; budget figures were based on estimates, with no previous actual history); and (c) the favourable impact of exchange rates on settlement of Euro invoices.

Investment funds expenses

17. To enable PFP to mobilize resources more effectively through private fundraising and sales activities, the Executive Board in 2012 approved a budget of \$39 million for investment fund allocations. These funds aim to increase the capacity of National Committees and UNICEF country offices to build a broader support base for raising funds from individuals and the corporate sector, and to test

and evaluate new income-generating initiatives, focusing primarily on projects offering high rates of returns. In 2012, the total expenses for investment funds were \$38.4 million, compared with \$41.7 million in 2011. The funds were invested in 119 projects in 44 countries; they are expected to generate over four dollars for every dollar invested, returning \$158 million in gross revenue over the next three years. Of the total investments funds expenses, \$37.8 million was invested in fundraising development programmes, with over 90 per cent allocated to projects that support pledge growth. These included television advertising, face-to-face donor recruitment and telephone marketing. The balance of \$0.6 million was invested in market development for product-based fundraising.

Indirect expenses

18. PFP indirect expenses totalled \$47.6 million in 2012 — \$7.4 million (14 per cent) less than the approved budget of \$55 million and \$2.4 million (4.9 per cent) lower than the actual \$50 million in 2011. This was due mainly to the release of a \$2.5 million financial reserve, created in 2011 to meet potential VAT liabilities in the Netherlands, which was no longer required. Additional decreases in expenses — related to finance and administration, marketing and fundraising and regional support centres (\$2.3 million less than in 2011) — helped to offset the \$3.5 million increase in indirect expenses that resulted from moving certain costs — related to corporate social responsibility, child rights advocacy and education — from the Institutional Budget to the PFP budget in 2012.

Other PFP income

19. Other PFP income, from financial operations and from bank interest and other income from National Committees, are shown in the following table:

<i>(In millions of United States dollars)</i>				
	<i>Cards and products sales</i>	<i>Private fundraising — regular resources</i>	<i>Total</i>	<i>Allocation basis</i>
Income from financial operations	0.0	0.1	0.1	Proportional
Bank interest and other income from National Committees	0.6	6.0	6.6	Proportional
Total	0.6	6.1	6.7	

20. Income from financial operations is allocated proportionately, based on current year investment funds. Bank interest and other income from National Committees are allocated proportionately, based on current year net proceeds.

PFP foreign exchange loss

21. In 2012, PFP had a total foreign exchange loss of \$2.4 million, realized on clearing of previous-year receivables of sales accounts, versus an exchange gain of \$18.2 million in 2011. This was predominantly due to the strengthening of currencies against the United States dollar at the time of remittance of funds to UNICEF, compared to the exchange rates at the end of the year the income was

accrued. Given the change in reporting of private-sector regular resources to a cash basis, the impact of the foreign exchange adjustment was much less significant in 2012 than in previous years.

PFP assets

22. Amounts due from National Committees totalled \$293.6 million as at 31 December 2012. Other accounts receivable, including prepaid investment funds, other prepaid expenses and VAT receivable, totalled \$7.2 million.

23. PFP cards and products inventory was \$8.1 million at the end of 2012, a decrease of \$3.8 million from the \$11.9 million total at the end of 2011. The decrease is largely due to the continued efforts to sell items held in inventory and to establish tighter controls over National Committee forecasting and ordering of goods in order to minimize consignment inventory levels.

Income and expenditure

(In millions of United States dollars)

	2012 actual					2012 budget					2011 actual					Variance			
	Cards and products sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2012 actual	Cards and products sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2012 budget	Cards and products sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2011 actual	2012 actual vs 2012 budget		2012 actual vs 2011 actual	
																Amount	%	Amount	%
Operating revenues																			
Gross proceeds	80.7					95.0					94.3								
National Committees expenditures	24.0					27.0					23.0								
Net proceeds	56.7	494.6	551.3	459.0	1,010.3	68.0	460.0	528.0	474.0	1,002.0	71.3	420.4	491.7	531.1	1,022.8	8.3	1%	(12.5)	-1%
Direct expenditure																			
Cost of goods and inventory overhead	7.6	-	7.6		7.6	12.3		12.3		12.3	17.7	-	17.7		17.7	(4.7)	-38%	(10.1)	-57%
Operations and support	9.5	0.5	10.0		10.0	14.1	0.5	14.6		14.6	23.3	-	23.3		23.3	(4.6)	-32%	(13.3)	-57%
Promotional materials	4.5	-	4.5		4.5	4.9		4.9		4.9	3.7	-	3.7		3.7	(0.4)	-9%	0.8	22%
Country office expenditures	1.6	1.8	3.4		3.4	1.7	2.8	4.5		4.5	3.0	2.6	5.6		5.6	(1.1)	-24%	(2.2)	-39%
Total direct expenditure	23.2	2.3	25.5	-	25.5	33.1	3.3	36.4	-	36.4	47.7	2.6	50.3	-	50.3	(10.9)	-30%	(24.8)	-49%
Investment funds	0.6	37.8	38.4		38.4	1.4	37.6	39.0		39.0	1.2	40.5	41.7		41.7	(0.6)	-2%	(3.3)	-8%
Direct contribution from operations	32.9	454.5	487.4	459.0	946.4	33.5	419.1	452.6	474.0	926.6	22.4	377.3	399.7	531.1	930.8			15.6	2%
Indirect expenditures																			
Director's Office, Communication, Corporate Social Responsibility	0.6	5.6	6.2		6.2	0.4	4.9	5.4		5.4	0.3	3.3	3.6		3.6	0.8	15%	2.6	72%
Finance and administration	7.4	8.4	15.8		15.8	8.3	9.0	17.3		17.3	7.9	9.3	17.2		17.2	(1.5)	-9%	(1.4)	-8%
Marketing and Fundraising	5.8	13.9	19.7		19.7	7.7	14.1	21.8		21.8	6.4	13.7	20.1		20.1	(2.1)	-10%	(0.4)	-2%
National Committee Relations	1.5	4.8	6.3		6.3	1.8	5.6	7.4		7.4	1.2	4.2	5.4		5.4	(1.1)	-15%	0.9	17%
Regional support centres	0.2	1.3	1.5		1.5	0.5	2.0	2.5		2.5	0.5	1.5	2.0		2.0	(1.0)	-41%	(0.5)	-25%
Bad debts expense	(1.9)	-	(1.9)		(1.9)	0.5	-	0.5		0.5	2.3	(0.6)	1.7		1.7	(2.4)	-480%	(3.6)	-212%
Total indirect expenditures	13.6	34.0	47.6	-	47.6	19.3	35.7	55.0	-	55.0	18.6	31.4	50.0	-	50.0	(7.4)	-14%	(2.4)	-5%
Income before non-operating items	19.3	420.5	439.8	459.0	898.8	14.2	383.4	397.6	474.0	871.6	3.8	345.9	349.7	531.1	880.8	27.2	3%	18.0	2%
Non-operating items																			
Other income	0.6	6.1	6.7		6.7	1.1	7.5	8.6		8.6	1.1	5.2	6.3		6.3	(1.9)	-22%	0.4	6%
Foreign exchange gains (losses)	(2.4)	-	(2.4)		(2.4)					-	2.6	15.6	18.2		18.2	(2.4)			
Net income for the period	17.5	426.6	444.1	459.0	903.1	15.3	390.9	406.2	474.0	880.2	7.5	366.7	374.2	531.1	905.3	22.9	3%	(2.2)	0%

FR - fundraising

RR - regular resources

OR - other resources

Basis of preparation of PFP financial report

24. All National Committees except two have a financial year from 1 January to 31 December. The Canadian UNICEF Committee reports on a fiscal year from 1 April to 31 March, and the United States Fund for UNICEF, from 1 July to 30 June. The figures reported by these National Committees for inclusion in this financial report are apportioned accordingly.

25. Private-sector regular resources received from National Committees in 2012 have been recognized on a cash basis in this report. This ensures that all private-sector resources received from National Committees (both regular resources and other resources) are reported in a consistent manner. Prior to 2012, private-sector regular resources were accrued based on figures reported by National Committees in their provisional revenue and expenditure reports.
