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Private fundraising: financial report and statements for the year ended 31 December 2009

Summary

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships Division (PFP) for the year ended 31 December 2009. The format and content of the report and statements have been revised to render them more concise and transparent for stakeholders. Material changes are footnoted in the report. The three financial statements are supported by explanatory notes, including a summary of significant accounting policies.

The total net income from National Committee and country office fundraising and sales activities for the year was $775.2 million, $38 million (4.7 per cent) lower than the $813.2 million achieved in 2008. This includes $339.6 million from private fundraising for regular resources, $395.8 million from fundraising for other resources and $39.8 million from sales of UNICEF cards and gifts.

* E/ICEF/2010/15.

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Contents

Financial report for the year ended 31 December 2009

A. An overview of the results

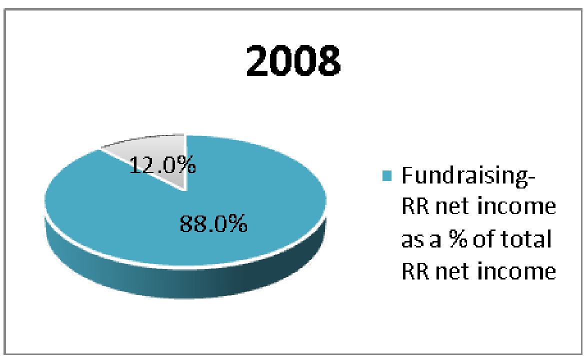
1. Revenue for the UNICEF Private Fundraising and Partnerships Division (PFP) is generated by the fundraising and sales activities of 36 National Committees and 28 UNICEF country offices. In 2009, 90 per cent of net proceeds were generated by National Committees and 10 per cent by country offices, compared to 93 per cent and 7 per cent, respectively, in 2008.

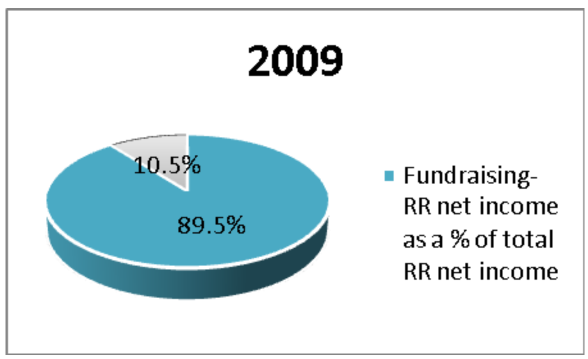
2. For 2009, total net income, including regular and other resources, was $775.2 million. This is $38 million (4.7 per cent) lower than the $813.2 million achieved in 2008. The total net income for the year is derived as follows:

(In millions of United States dollars)

	2009	*2008*
Sale of UNICEF cards and gifts	39.8	43.1
Private fundraising — regular resources	339.6	317.5
Private fundraising — other resources	395.8	452.6
Net income for the period	**775.2**	**813.2**

3. Total net income for regular resources (RR) increased from $360.6 million in 2008 to $379.4 million in 2009 as a result of significant increases in net proceeds from fundraising activities in five key markets, namely: Denmark, Greece, Slovenia, South Korea and Sweden. In 2009, fundraising income comprised 89.5 per cent of total net private income for regular resources, a small increase over the 88 per cent achieved in 2008.





4. Fundraising activities were clearly affected by the ongoing global financial crisis, particularly from the corporate sector, although the negative impact was lower than initially anticipated, due to growth in the number of individual pledge donors. The trend toward increased donor earmarking of funds to emergencies and specific project areas and locations continues to make regular resource fundraising a challenge for UNICEF and other organizations.

5. In 2009, income from private fundraising for other resources (OR) was $395.8 million. This was $56.8 million (12.5 per cent) lower than the $452.6 million

raised in 2008. This decrease is explained by the number of natural disasters that occurred in 2008, including Cyclone Nargis in Myanmar and the earthquake in China, which led to a significant mobilization of emergency funds last year.

6. The financial crisis continued to have a negative impact on all cards and gifts sales activities, including retail, corporate, key account and volunteer channels. Gross proceeds declined by 5.2 per cent, from $139.1 million in 2008 to $131.9 million in 2009. This is in line with results reported by industry competitors. Countries reporting material sales declines were Italy, Japan, Spain and the United Kingdom. In spite of this decline and as a result of management efforts to reduce fixed costs, the direct contribution from sales increased by 7.8 per cent, from $52.6 million in 2008 to $56.7 million in 2009.

(In millions of United States dollars)

	2009	*%*	*2008*	*%*	*Variance (%) 2009 vs. 2008*
Gross proceeds	131.9	100%	139.1	100%	-5.2%
Country office sales expenses	5.6	4.3%	6.1	4.4%	-7.7%
National Committee sales expenses	37.7	28.6%	43.4	31.2%	-13.0%
Net proceeds	**88.6**	**67.2%**	**89.6**	**64.4%**	**-1.1%**
Sales direct expenses	30.0	22.7%	35.4	25.4%	-15.2%
Investment funds — sales	1.9	1.5%	1.7	1.2%	18.8%
Direct contribution from sales	**56.7**	**42.9%**	**52.6**	**37.8%**	**7.8%**

7. The rationalization of PFP cards and gifts activities continues to progress. This initiative has four primary objectives: (a) establish a flexible and more responsive organization better able to adapt to market dynamics; (b) improve the UNICEF “value chain” and cost/income ratios; (c) create an operating platform that supports entry into new high potential segments; and (d) re-focus the organization on strategic leadership functions. In 2009, PFP invested $1.4 million in this process. These costs are included in the “operations and support” line in the cards and gifts reporting segment.

8. PFP direct expenses were significantly reduced, from $42 million in 2008 to $35.3 million in 2009. These cost decreases are largely related to a reduction of cost of goods sold and inventory expenses. The PFP warehouse facilities in the United States were closed in 2009; and management worked to streamline costs throughout the cards and gifts process.

9. To enable PFP to more effectively mobilize resources through fundraising and sales activities, the Executive Board approved a 2009 budget of $20.5 million for Investment Fund expenditures. The objective of the Investment Fund programme is to increase the capacity of National Committees and UNICEF country offices for building a broader support base in 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 2009, the total expenditure for investment funds was $19.6 million, compared to $16.6 million in 2008.

10. Indirect expenses increased in 2009 by 5.5 per cent to $38.1 million, compared to $36.1 million in 2008. The main increases occurred in the Director's Office, Communications, and Finance sections, in accordance with the plan approved by the Executive Board. Following the PFP restructuring in 2008, focus areas such as governance, planning and communications were strengthened as they were identified as areas of strategic importance for PFP.

11. Net income for 2009 was $775.2 million, compared to the approved budget of $682.3 million. The increase of $92.9 million (13.6 per cent) over budget relates to the lower than expected negative impact of the global financial crisis combined with stringent cost control in management of direct and indirect expenses.

12. Net accounts receivable, after provisioning for uncollectible accounts, increased from $355.4 million in 2008 to $379.1 million in 2009. This result is entirely consistent with the increase in net proceeds from private fundraising — regular resources.

13. Total inventory levels of cards and gifts declined from $12.5 million in 2008 to $9.8 million at 31 December 2009, due to the ongoing rationalization of the cards and gifts activities and the priority given to the sale of existing inventory for the 2009 campaign.

B. Financial statements for the year ended 31 December 2009

14. The three financial statements that follow are supported by explanatory notes in the next section, including a summary of significant accounting policies.

Statement I

Statement of income and expenditure for the year ended 31 December 2009

(In millions of United States dollars)

	Note	*Sale of UNICEF cards and gifts*	*Private fundraising — regular resources*	*Total regular resources*	*Private fundraising — other resources**	*Grand total 2009*	*Grand total 2008*	*Variance (%)*
Operating revenues								
Gross proceeds	2	131.9						
Country office expenses — sales		5.6						
National Committee expenses		37.7						
Net proceeds		**88.6**	**385.2**	**473.8**	**395.8**	**869.6**	**875.0**	**-0.6%**
Direct expenses								
Cost of goods and inventory overhead		17.7	—	17.7		17.7	22.1	-19.9%
Operations and support		8.6	—	8.6		8.6	8.3	3.6%
Promotional materials		3.7	—	3.7		3.7	5.0	-26.0%
Country office expenses — fundraising		—	5.3	5.3		5.3	6.6	-19.7%
Total direct expenses		**30.0**	**5.3**	**35.3**	**—**	**35.3**	**42.0**	**-16.0%**
Investment fund expenditures		1.9	17.7	19.6		19.6	16.6	18.1%
Direct contribution from operations		**56.7**	**362.2**	**418.9**	**395.8**	**814.7**	**816.4**	**-0.2%**
Indirect expenses								
Director's Office, communications, finance and administration	3			16.6		16.6	15.2	9.2%
Marketing and fundraising	4			14.4		14.4	14.2	1.4%
National Committee relations				4.1		4.1	4.1	0.0%
Regional support centres				2.0		2.0	2.4	-16.7%
Bad debt expense				1.0		1.0	0.2	400.0%
Total indirect expenses	**5**	**—**	**—**	**38.1**	**—**	**38.1**	**36.1**	**5.5%**
Allocation of total indirect expenses	5	16.8	21.3					
Income before non-operating items		**39.9**	**340.9**	**380.8**	**395.8**	**776.6**	**780.3**	**-0.5%**

	Note	*Sale of UNICEF cards and gifts*	*Private fundraising — regular resources*	*Total regular resources*	*Private fundraising — other resources**	*Grand total 2009*	*Grand total 2008*	*Variance (%)*
Non-operating items								
Other income	6	3.0	12.2	15.2	—	15.2	13.6	11.8%
Foreign exchange gains (losses)	7	(3.1)	(13.5)	(16.6)	—	(16.6)	19.3	-186.0%
Net income for the period	**1**	**39.8**	**339.6**	**379.4**	**395.8**	**775.2**	**813.2**	**-4.7%**

Note: The accompanying explanatory notes form an integral part of this statement and should be read in conjunction with it.

* Income from PFP disclosed in the UNICEF Financial Statements excludes other resources from private fundraising, which have been included above in order to provide the overall total revenue generated from private-sector activities.

Philip **O’Brien**
Director
(*Signed*)

Lawrence **Picard**
Deputy Director, Operations and Finance
(*Signed*)

Statement II

Statement of assets and liabilities as at 31 December 2009

(In millions of United States dollars)

	Note		*As at 31 December 2009*		*As at 31 December 2008*		*Change Increase/(decrease)*
Assets							
Bank			0.4		0.5		(0.1)
Accounts receivable		388.9		364.5		24.4	
Less: Allowance for uncollectible accounts		9.8		9.1		0.7	
Net accounts receivable			379.1		355.4		23.7
Inventory			9.8		12.5		(2.7)
Capital assets, net of accumulated depreciation			0		0		0
Total assets			**389.3**		**368.4**		**20.9**
Liabilities							
Accounts payable			3.1		4.1		(1.0)
UNICEF inter-office account			386.2		364.3		21.9
Total liabilities			**389.3**		**368.4**		**20.9**

Note: The accompanying explanatory notes form an integral part of this statement and should be read in conjunction with it.

Statement III

Statement of actual results for the year ended 31 December 2009 compared with the approved budget

(In millions of United States dollars)

	Note 8	Actual results	Budget	Variance $	Variance %
Net proceeds from operating revenues					
Sale of UNICEF cards and gifts	Para. 27	88.6	102.1	(13.5)	-13.2%
Private fundraising — regular resources		385.2	354.4	30.8	8.7%
Private fundraising — other resources		395.8	332.9	62.9	18.9%
Net proceeds	Para. 28	**869.6**	**789.4**	**80.2**	**10.2%**
Direct expenses					
Cost of goods and inventory overhead		17.7	24.6	(6.9)	-28.0%
Operations and support		8.6	8.4	0.2	2.4%
Promotional materials		3.7	6.2	(2.5)	-40.3%
Country office expenses — fundraising		5.3	7.0	(1.7)	-24.3%
Total direct expenses	Para. 29	**35.3**	**46.2**	**(10.9)**	**-23.6%**
Investment fund expenditures		19.6	20.5	(0.9)	-4.4%
Direct contribution from operations		**814.7**	**722.7**	**92.0**	**12.7%**
Indirect expenses					
Director's office, communications, finance and administration		16.6	18.9	(2.3)	-12.2%
Marketing and fundraising		14.4	19.4	(5.0)	-25.8%
National Committee relations		4.1	6.0	(1.9)	-31.7%
Regional support centres		2.0	3.1	(1.1)	-35.5%
Bad debt expense		1.0	1.0	—	0.0%
Total indirect expenses	Para. 30	38.1	48.4	(10.3)	-21.3%
Income before non-operating items		**776.6**	**674.3**	**102.3**	**15.2%**
Non-operating items					
Other income		15.2	8.0	7.2	90.0%
Foreign exchange gains (losses)		(16.6)	—	(16.6)	
Net income for the period	Para. 26	**775.2**	**682.3**	**92.9**	**13.6%**

C. Notes to the financial report for the year ended 31 December 2009

Note 1. Summary of significant accounting policies

15. The financial statements are prepared in accordance with the Financial Regulations and Rules and the accompanying UNICEF Special Supplement on

Greeting Card Operations.[1] Unless otherwise stated, the accounting policies of PFP are consistent with those of UNICEF.

16. The PFP fiscal year is 1 January to 31 December, pursuant to Executive Board decision 1996/22 C.5 (E/ICEF/1996/12/Rev.1). All but three National Committees for UNICEF (Canada, Japan and the United States) have the same fiscal year as that of UNICEF. The National Committees for UNICEF of Japan and Canada report on a fiscal year from 1 April to 31 March. The United States Fund for UNICEF reports on a fiscal year from 1 July to 30 June. The figures reported by these National Committees for inclusion in this financial report are apportioned accordingly.

17. In accordance with PFP accounting policy, a provision may be established to cover accounts receivable that are considered doubtful for collection. This provision is shown as a deduction from the accounts receivable in the statement of assets and liabilities. Any related expense incurred during the year is recorded in the statement of income and expenditure.

18. The inventory of work in process and finished goods is valued at standard cost, while raw materials are valued at moving average cost. It is PFP policy to write down unsold cards and dated gifts to zero value at the end of the first sales campaign year, and all other gifts at the end of the second sales campaign year.

Note 2. Gross proceeds — cards and gifts

19. Gross proceeds from UNICEF card and gift sales include (a) gross proceeds from the sale of UNICEF-developed cards and gifts; (b) catalogue donations, which are contributions generated through PFP brochures and order forms; (c) royalty income, including all income received from licensed products; and (d) committee products, which is income from the sale of National Committee-developed products.

(In millions of United States dollars)

			Increase/(decrease)	
	2009	*2008*	*$*	*%*
Gross proceeds — cards and gifts	119.6	130.1		
Catalogue donations	5.1	5.1		
Royalties	3.5	0.7		
Committee products	3.5	3.1		
E-greetings	0.2	0.1		
Total	**131.9***	**139.1**	**(7.2)**	**-5.2%**

* The 2009 total of $131.9 million includes $12.4 million ($9 million in 2008) of income generated from the Cards and Gifts operation, which is included in “Other Income” in Note 4 to the UNICEF Financial Statements.

[1] Financial Regulations and Rules of the United Nations Children’s Fund (E/ICEF/FINANCIAL RULES/1) and Financial Regulations and Rules of the United Nations Children’s Fund, Special Supplement, Greeting Card Operation (E/ICEF/FINANCIAL RULES/1/Add.1).

Note 3. Director's office, communications, finance and administration expenses

20. Director's office, communications, finance and administration indirect expenses consist of the following:

(In millions of United States dollars)

	2009	*2008*	*Increase/(decrease)* *$*	*%*
Director's office and organizational review	1.2	0.8		
Deputy Director-Operations and Finance and governance	1.1	0.8		
Finance and administration	2.6	2.6		
Communications	1.4	1.0		
Common services and allocated overheads	10.3	10.0		
Total	**16.6**	**15.2**	**1.4**	**9.2%**

Note 4. Marketing and fundraising expenses

21. Marketing and fundraising indirect expenses consist of the following:

(In millions of United States dollars)

	2009	*2008*	*Increase/(decrease)* *$*	*%*
Marketing and product development	4.5	5.0		
Fundraising expenses	7.6	5.6		
Research and development	2.3	3.6		
Total	**14.4**	**14.2**	**0.2**	**1.4%**

Note 5. Allocated indirect expenses

22. Indirect expenses are allocated to cards and gifts sales and Private Fundraising-RR, based on the following process:

(In millions of United States dollars)

	Cards and gifts sales	*Private fundraising RR*	*Total*	*Allocation basis*
Director's office, communications, finance and administration	9.1	7.5	16.6	Activity
Marketing and fundraising	3.7	10.7	14.4	Activity
National Committee relations	2.1	2.0	4.1	Activity
Regional support centres	0.9	1.1	2.0	Activity

	Cards and gifts sales	Private fundraising RR	Total	Allocation basis
Bad debt expense	1.0	—	1.0	Sales
Total	**16.8**	**21.3**	**38.1**	

Note 6. Other income

23. Other income consists of the following:

(In millions of United States dollars)

	Cards and gifts sales	Private fundraising RR	Total	Allocation basis
Cash discounts and other miscellaneous income	0.3	—	0.3	Sales
Income from financial operations	0.1	1.2	1.3	Proportional*
Bank interest and other income from National Committees	2.6	11.0	13.6	Proportional*
Total	**3.0**	**12.2**	**15.2**	

* Interest from financial operations is allocated proportionally based on current year Investment Funds. Bank interest and other income from National Committees are allocated proportionally, based on current year net proceeds.

Note 7. Foreign exchange gains (losses)

24. In 2009, PFP realized total foreign exchange losses of $16.6 million, compared to gains of $19.3 million in 2008. The 2009 loss was incurred when PFP foreign-denominated accounts receivable, especially receivables denominated in Japanese yen, were collected after the United States dollar had strengthened considerably.

Note 8. Comparison of actual results against approved budget for 2009

25. Net income for 2009 was $775.2 million, compared to the approved budget of $682.3 million. The increase of $92.9 million (13.6 per cent) over budget is due to the lower than expected negative impact of the global financial crisis combined with stringent cost control in the management of direct and indirect expenses.

26. Net proceeds from the sale of UNICEF cards and gifts were $13.5 million (13.2 per cent) under budget. As with many fast moving consumer goods businesses, commercial activities were negatively affected by the recession as companies and consumers cut their discretionary purchasing.

27. Total net proceeds from all fundraising and sales activities were $80.2 million (10.2 per cent) over budget, as a result of significantly higher fundraising income compared with conservative budget expectations.

28. Total direct expenses for 2009 were $35.3 million; $10.9 million (23.6 per cent) lower than the approved budget. A combination of factors resulted in this decrease: (a) cost of goods expenditure is lower, consistent with the sales net

proceeds decline versus budget; (b) spending on promotional materials was significantly reduced; and (c) country office fundraising expenses were decreased, as these costs are being reallocated, on a phased basis, to the country office budgets, to be recovered directly from fundraising income raised locally.

29. Total indirect expenses of $38.1 million were also significantly lower than the approved budget of $48.4 million. This $10.3 million reduction in costs was due to higher than planned post vacancy rates, research and development funds not fully utilized, and rigorous cost control, resulting in reduced spending for regional support centres, operating expenses and staff travel.