

Treasurer's Report 2020



June 2021

ILGA-Europe
E.G.M Online 2021

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Table of contents

Treasurer's Financial Report 2020	3
Summary and impact of Covid-19	5
Revenues	7
Expenditures.....	10
<i>(detailed breakdowns are available to members only)</i>	
Closing of the year and audit	11

Annex 1 – Belgian Accounts *(available for members only)*

Annex 2 – Comparative balance sheet *(available for members only)*

Annex 3 – Budget to Actual *(available for members only)*

Annex 4 – Audit report *(available for members only)*

Treasurer's Financial Report 2020

Introduction

ILGA-Europe's financial statements covering the period from January 1, 2020 to December 31, 2020 have been independently audited by a certified auditing firm contracted by the Executive Board: Callens, Pirene and Co. They show actual income registered at 3 143 122.56 €, expenses of 3 043 547.28 €, and a year-end result of 99 575.28 €.

It goes without saying, that even without the perturbations of Covid-19, both financial and organisational, the year was a period of complex work to secure diverse funding required to cover the wide work carried out throughout the region. With several grants coming to an end both in 2019 and 2020, incl. some being the sole sources of funding for important elements of ILGA-Europe's workplan, extreme efforts were put in since the Prague Conference to mobilize sufficient funding. The budget for the year was approved with a deficit of 64 073 €, which not only did not materialize, but funds were successfully added to reserves without compromising the planned work.

ILGA-Europe proved to be able to adapt to the changing context and make best use of existing resources. Several streams of funding were expanded. Significant budget shifts and several amendments were introduced due to the impact of the pandemic, and, given the vast difference between the actual budget and the membership approved one, the Executive Board even more closely monitored and evaluated all the changes proposed and implemented throughout the year.

The year 2020 was pivotal also in terms of methods of operations. Years of developments in the area of digitalisation of book-keeping and financial managed proved to be indispensable in 2020, and allowed the organisation to operate smoothly and quickly shift to virtual, remote work, without risks to operations. The organisation has expanded its capacity to deliver more resources to the movement, including financial resources and capacity building, especially online. As usual, work was put into retaining the highest

standards of accountability and management, both in terms of ILGA-Europe's own funds and the funds re-granted to the movement.

Important successes were noted in multiple areas of work, from sensitising policy-makers to the disproportionate impact of Covid-19 on LGBTI communities, through contributions to legislative and policy solutions and accelerating changes on a national and international level, to linking member organisations in Europe and Central Asia with other partner organisations and political actors to mutually reinforce efforts and facilitate strategic partnerships and alliance building.

The successes of the year cannot overshadow the growing complexity and difficulty of realities faced by LGBTI activists across Europe and Central Asia. The long-lasting impacts of the pandemic and isolation, alongside growing popularity of far-right and exclusionary movements, the increasing limitations on operations of the civil society, and no significant increase in resources available are making the advancement of LGBTI rights in the region much more difficult. And the demands on ILGA-Europe keep growing to participate in policy and advocacy processes, provide diverse resources, facilitate, support and enable work and alliances. ILGA-Europe are still struggling to acquire the 250 000 € of flexible resources needed annually to fulfil co-funding requirements. With more work carried out in a fast-paced environment based on emerging needs, like that done in light of Covid-19 (the Protect, Adapt, Rally package, the No-One Left Behind Fund, etc.), ILGA-Europe find it challenging to secure sufficient funds to cover staff time and effort associated with these activities that are not directly captured in existing projects. Mobilizing new resources remains a priority.

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 2020 and discharge the Board.

Yves Aerts
Treasurer of the ILGA-Europe
Executive Board

Summary and impact of Covid-19

The lockdowns introduced from March 2020 on across the region had far-reaching consequences not only for the programmatic side of the work of ILGA-Europe, but also for financial operations and the financial position of the organisation. The annual budget approved by the 2019 Prague Conference became largely redundant, as it was clear that the 600 000 € earmarked for various events and travel could not be spent as planned. Most of these funds could not easily be used for other purposes, as they came from restrictive project funding.



An intense process of re-assessing the workplan commenced immediately, activities were moved online and new work was planned to try to accommodate emerging needs of the movement (f.ex. the Protect, Adapt, Rally package). Alongside these internal developments, conversations with multiple funders were

launched to agree upon new uses of grants, postponing of work, re-alignments of budgets. Understandably, ILGA-Europe's funders approached the subject with varying levels of flexibility, but the majority of them exhibited understanding of the circumstances and supported our attempts at making the best use of available funds, and allowed multiple changes to our budgets.

Funds previously earmarked for travel and events were, where possible, shifted to other areas of work that were prioritised. A budget was set aside for the ILGA-Europe 2020 Gathering Online – first of this kind of event ILGA-Europe held. More resources were also channelled into the Resource Hub, into podcasts, and capacity development activities such as webinars and Skill Boosts. Larger and more intense series of online trainings were held on the issues of security, organisational preparedness and well-being. Additionally, as a response to the disproportionate affects Covid-19 had on more marginalized members of our communities and movements, ILGA-Europe launched the No-One Left Behind Fund to award grants to groups and organisations taking on work on addressing socio-economic inequalities – nearly 400 000 € were disbursed within this Fund, making it ILGA-Europe's largest single pool of funding made

available to date, and increasing the total of funds re-granted by ILGA-Europe in 2020 to over 825 000 €.

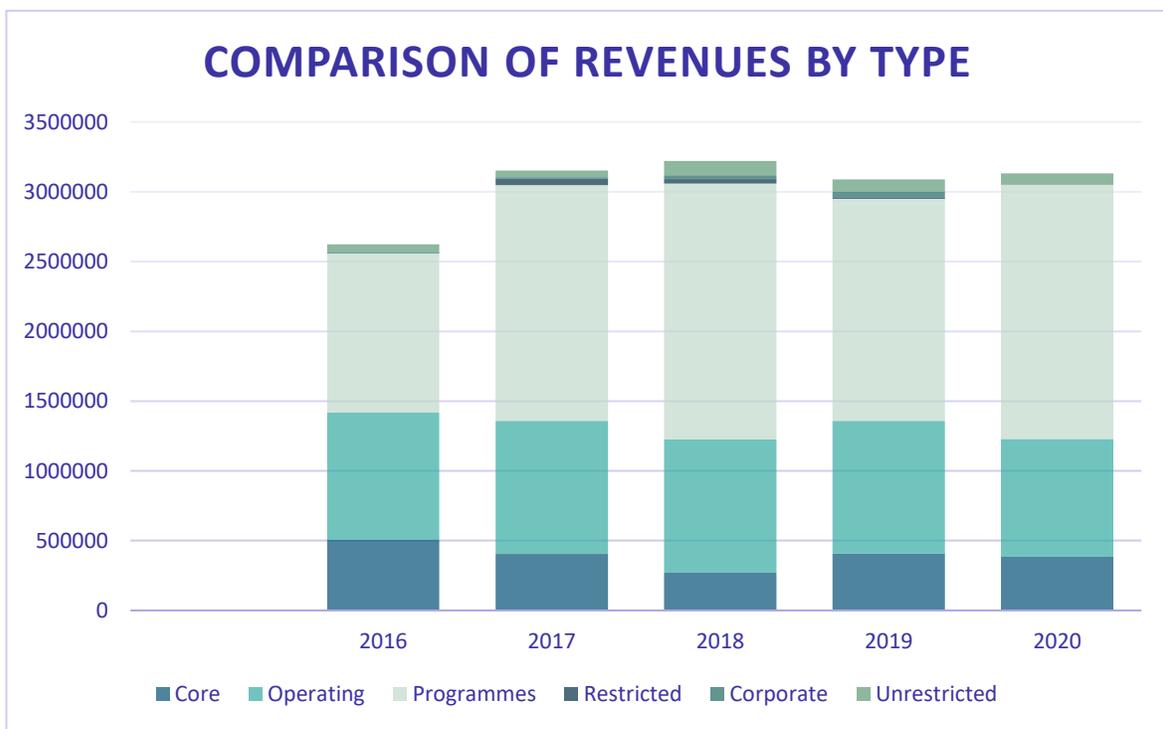
The total other work programme costs amounted to 256 970 €, losses and unallowable costs to 22 307 € (including all costs of cancelled events that could not be retrieved, write offs on grants and currency exchange rates and other), office running costs, incl. new technical and IT solutions to 270 121 €, and staff costs to 1 668 553 €. The details of expenditures are described further in the Treasurer's Report.

Covid-19 had severe financial impacts, not only for businesses and individuals who lost employment, but also for organisations. ILGA-Europe started the year 2020 with a projected gap of 64 000 €, according to the approved annual budget. The cancellation of the Annual Conference created additional gap of 100 000 €: revenues traditionally generated by Conference fees, which were required for co-funding the European Commission operating grant, were cancelled along with the event. The online Equality Gala did not yield the same revenues as an in-person Gala has done in the past, either. Some portions of the budget that could not be shifted to other activities in 2020 had to be deferred into 2021, along with funds for staff time and related organisational running costs – these also could not be used to cover 2020 costs. Most importantly, the European Commission Operating Grant had to be underspent and partially returned to the funder because of the level of restrictiveness of regulations. The income loss faced by ILGA-Europe, however, was fairly minor, comparing to many organisations in the movement. In the end, the policies implemented in previous years on savings and reserve building, along with long-term efforts to mobilise support from individual donors and corporate partners, allowed the generation of enough revenues to not only fill these gaps but also carry over resources to cover similar gaps in 2021. More details on the funds obtained are available further in the Treasurer's Report. The year-end result of 2020 was a positive balance of 99 575 €, from 3 143 122 € in total revenues.

The financial operations went on relatively smoothly throughout the year. The process of digitalisation of financial management and book-keeping launched in 2018 allowed the team to transition smoothly into an entirely virtual environment without compromising the internal controls or security of funds. The increase in staffing of the Finance team which took place in 2019 created time and space for adapting to online event organising, as well as assessing many more proposals and disbursing nearly twice as many subgrants. The developments designed and implemented since 2018 on re-granting processes also significantly helped the streamlining of re-granting and creating new avenues for resourcing the movement.

Revenues

For the financial year 2020 ILGA-Europe obtained and recognized 3 143 122 € in revenues, and carried over another 720 000 € of existing donations, core and project income to 2021 to secure operations in that year and account for Covid-19 related implementation delays. The overall proportion of core funding, operating funding, project funding and unrestricted donation income recognized in 2020 was similar to that of the previous year. For details of the breakdown, see the graph below. Precise figures and allocation of funds is available in Annex 3 – 2020 Budget to Actual.



One significant difference is an underspending on the European Commission operating grant (which is, contrary to the name, similar to project funding and cannot be extended or delayed, even during circumstances brought by the pandemic). The income loss related to the European Commission (underspend) amounted to approx. 110 000 €, but no costs were deemed ineligible in the audit. This project is funded by the European Commission up to 80% of the total costs, which meant that over 210 000 € in co-funding had to be provided from other sources. Usually, nearly half of the required co-funding amount is generated through Conference fees at the Annual Conference. The fees are direct re-invoicing of costs actually incurred per participant. Due to the fact that the event was cancelled, ILGA-Europe had to generate this portion of co-

funding from other sources. Similarly, about 10-15% of co-funding is raised through the annual Equality Gala, which in 2020 was held online and produced smaller revenues. Nonetheless, 2020 was a successful year in terms of mobilising resources. Especially in terms of individual donor fundraising and strategic engagement with corporate partners. The partnership with Revolut launched in 2019 yielded nearly 300 000 € in donations from Revolut clients. Only approx. 80 000 € of all individual donations made in 2020 - amount similar to that from 2019 – is recognized within the 2020 financial year, and the remaining amount is being carried over into 2021. This, along with multi-annual core grant support obtained in previous years from the Wellspring Philanthropic Fund and Open Society Foundations, filled the existing budget gaps and the Covid-19 related income loss. The total amount of core funds used in 2020 amounted to 393 598 €.

Apart from core funding, both Wellspring Philanthropic Fund and Open Society Foundations provided funds for more project-specific work, incl. on strategic communications, messaging and framing, country-specific re-granting and capacity building, and for needs assessments. Additionally, in light of Covid-19 and ILGA-Europe's launch of the No-One Left Behind Fund, Open Society Foundations provided over 140 000 € to supplement that re-granting.

The annual grant from the Dutch Government was renewed for the period 2020-2022, and increased by 5%. This grant largely funds the work with the Council of Europe and outside of the EU, so it was only partially spent in 2020 due to limitations of events and meetings. The remaining amount however was carried over to 2021/2022.

Similar delays and carry overs occurred in Anonymous Projects #1 and #2, the OSF Project, the Global Equality Fund Project #2, and a few smaller implementation contracts. Detailed description of the funders', use of revenue or expenditures cannot be made available because these largely fund work in areas where LGBTI activists face paramount difficulties and security concerns. The Global Equality Project #1 though, which has been in implementation since 2016, was re-aligned and nearly depleted to fund significant portions of ILGA-Europe's Covid-19 response, incl. the No-One Left behind Fund. Other than that, the work within the project from 2016 to date has been directed at capacity building and coaching, incl. through trainings, in-country sessions, the Resource Hub, Annual Conference scholarships, work on governance and accountability, and on resource mobilisation for the movement. Minor funds from this project will still be available in 2021.

Other funders who supported ILGA-Europe in the course of 2020 included the Arcus Foundation – with grants for the Creating Opportunities programme and country-specific work – both of which ended in December 2020 and will not be renewed due to the Foundation’s withdrawal from the region.

Just over 11000 € in extraordinary revenues was recorded from write offs, unreconciled refunds and round up differences.



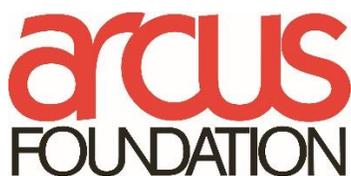
Government of the Netherlands



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Expenditures

The total of expenditures registered in financial year 2020 amounted to 3 043 547 €, compared to 3 223 894 € in the provisional 2020 budget approved by the Conference. This is a slight increase from the 3 016 305 € in actual expenses in 2019. The comparison of 2019 and 2020 actuals, along with a percentage share of the total for 2020 expenses, is in the table below.

	FY 2019	FY 2020	% of total 2020
<i>Staff costs</i>	€ 1,500,546	€ 1,668,553	54%
<i>Office</i>	€ 303,881	€ 270,121	9%
<i>Governance costs</i>	€ 381,685	€ 63,434	2%
<i>Work Programme costs</i>	€ 258,710	€ 168,350	6%
<i>Development costs</i>	€ 99,851	€ 25,185	1%
<i>Re-granting</i>	€ 423,604	€ 825,596	27%
OPERATING EXPENSES	€ 2,968,277	€ 3,021,241	
<i>Other costs</i>	€ 48,028	€ 22,307	1%
TOTAL EXPENSES	€ 3,016,305	€ 3,043,547	

The increase in staff costs was anticipated and is due to indexation (state ordered increase in salaries) and the hiring for positions which remained vacant for most of 2019. Throughout the year, 20-21 staff worked at ILGA-Europe, including two part-time and 18-19 full-time.

Office costs decreased compared to 2019 as well as compared to budget projections, largely due to Covid-19 related savings. Similar impact was noted on governance costs (Annual Conference / Gathering Online and Board Meetings), work programme costs (advocacy, campaigning, member organisation trainings, in-country travel and development, etc.) and organisational development costs (which include both strategic planning and internal developments as well as fundraising costs). All funds that would not be spent on traditional activities and could be used for other purposes were then shifted to re-granting, which increased to over 825 000 € - highest amount disbursed within a year to date. Further details along with information on staff time allocation are available for members only.

Closing of the year and audit

The fiscal year was closed in accordance with ILGA-Europe's procedures and audited in January 2021. The audit was carried out remotely – the majority of ILGA-Europe book-keeping and financial management is maintained digitally, thus allowing for such reviews. The auditors, Callens, Pirene and Co, carried out controls on the income and expenditures, as well as on internal controls and compliance of ILGA-Europe's systems.

Several sub-grants were reviewed, all of them still active, as well as the largest cost items related to consultancies and external experts. ILGA-Europe's procurement procedures were found to be sufficient and up to financial management standards, as well as effectively implemented across the team. The auditors concluded that all costs were appropriately verified and approved, and that the operations were carried out in a cost-effective way. The only area of non-compliance noted was in regards to Belgian obligations of publishing data of the newly elected Board. The Board was elected at the end of October 2020, and documents were officially submitted to the Belgian registry in February 2021. The delay in this process occurred largely due to the requirements of compiling a significant amount of personal data of the new board and having documents signed personally by multiple individuals, which was simply not feasible during a pandemic.

In line with the audit report, the total income accepted for the year was 3 143 122.56 € in revenues. ILGA-Europe's rationale of deferring over 300 000 € of donations for future expenses instead of adding them to reserves, though initially questioned by the auditors, was deemed reasonable and in the best interest of financial sustainability of the organisation. The total costs incurred were 3 043 547.28 €, leaving a balance of 99 575.28 € to be added to the reserves. The current state of reserves is 245 484.92 €, which is nearly the half-way mark of the 2019-2023 reserve building plan.

While it's still early for an accurate projection, with the level of deferrals of grants and donations to 2021 ILGA-Europe is expecting to end next year with a positive balance as well. The current gap in the estimated budget to 2022, however, amounts to around 250 000 €.