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## Private fundraising: financial report and statements for the year ended 31 December 2011

*Summary*

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships Division (PFP) for the year ended 31 December 2011. The three unaudited 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 $905.3 million. This was $50.7 million (6 per cent) more than the total planned target of $854.6 million, though $117.9 million (12 per cent) less than the $1,023.2 million generated in 2010. The net income comprises $374.2 million of regular resources: $366.7 million from private fundraising; $7.5 million from sales of UNICEF cards and products; and $531.1 million from fundraising for other resources.

* E/ICEF/2012/15.

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# Financial report for the year ended 31 December 2011

## A. An overview of the results

1. The UNICEF Private Fundraising and Partnerships Division (PFP) income is generated by the fundraising and sales activities of 36 National Committees and 43 UNICEF country offices. In 2011, 91 per cent of net proceeds were generated by National Committees, compared to 92 per cent in 2010.

2. **Total net income** for 2011 was $905.3 million, including regular and other resources. This is $50.7 million (6 per cent) more than the total planned target of $854.6 million, though $117.9 million (12 per cent) less than the $1,023.2 million generated in 2010. This is primarily because 2010 was an extraordinary year due to the two major emergencies: the Haiti earthquake and the devastating floods in Pakistan. The breakdown of total net income for 2011 is as follows:

| | *(In millions of United States dollars)* | |
|---|---|---|
| | *2011* | *2010* |
| Private fundraising — regular resources | 366.7 | 317.3 |
| Sale of UNICEF cards and products | 7.5 | 16.8 |
| **Total regular resources net income** | **374.2** | **334.1** |
| Private fundraising — other resources | 531.1 | 689.1 |
| **Total net income** | **905.3** | **1 023.2** |

3. **Total regular resources net income** increased by $40.1 million or 12 per cent, from $334.1 million in 2010 to $374.2 million in 2011. This growth is mainly due to an increase of $26.7 million in the net proceeds from private fundraising regular resources, to $420.4 million in 2011. This is notwithstanding the impact that the earthquake and tsunami in Japan have had on private fundraising. In addition, a foreign exchange gain of $18.2 million, compared with a $28.8 million exchange loss in 2010, and a decrease in bad debts, from $8.8 million in 2010 to $1.7 million in 2011, account for a favourable variance in comparison with 2010. This increase is partially offset by a $9.3 million decrease in cards and products net revenue, from $16.8 million in 2010 to $7.5 million in 2011. This decrease is a result of the first phase of the cards and products business rationalization process, which led to the discontinuation of sales activities in a number of countries in addition to the one-off costs incurred for the centralization and outsourcing of warehousing and transportation activities to a third-party logistics and distribution provider. Net income from private fundraising represented 98 per cent of total net income for regular resources, compared to 95 per cent in 2010.

| *Net income for regular resources* | *2010* | *2011* |
|---|---|---|
| Private fundraising | 95% | 98% |
| Sales | 5% | 2% |
| **Total** | **100%** | **100%** |

4. **Total income from private fundraising for other resources** (OR) amounted to $531.1 million for the financial year ended 31 December 2011. This exceeded the planned budget of $450 million by $81.1 million (18 per cent), primarily due to the successful mobilization of funding for the Horn of Africa emergency. At the same time, the figure is $158 million (23 per cent) less than the $689.1 million raised in 2010 — which was an exceptional year for emergency fundraising following the earthquake in Haiti and the flooding in Pakistan, as noted above.

5. **Gross proceeds from the sales of cards and products** declined by $16.7 million (15 per cent), from $111.1 million in 2010 to $94.4 million in 2011, due to the continued unfavourable economic climate in Euro-zone countries and the discontinuation of sales activities of PFP-sourced products in 8 National Committees and 17 country offices, as part of the business rationalization process.

| | *(in millions of United States dollars)* | | | | *Variance (%)* |
|---|---|---|---|---|---|
| *Cards and products sales* | *2011* | *%* | *2010* | *%* | *2011 vs. 2010* |
| Gross proceeds | 94.4 | 100.0 | 111.1 | 100.0 | -15.0 |
| National Committee Sales expenses | 23.0 | 24.4 | 33.7 | 30.3 | -31.8 |
| **Net proceeds** | **71.4** | **75.6** | **77.4** | **69.7** | **-17.8** |
| Sales direct expenses | 47.7 | 50.5 | 37.2 | 33.5 | 28.2 |
| Investment funds — sales | 1.2 | 1.3 | 1.1 | 1.0 | 9.1 |
| **Direct contribution from sales** | **22.5** | **23.8** | **39.1** | **35.2** | **-42.5** |

6. **PFP direct expenses**, at $50.3 million (of which $47.7 million relate to cards and products sales), represent a $10.3 million increase over the $40 million in 2010. The increase is predominantly due to the one-off costs incurred during the Cards and Products business rationalization process. It is expected that $22 million per annum will be generated in cost savings because of the business rationalization, of which approximately $ 12.8 million will be realised in National Committees and the remaining $ 9.2 million will be realized in PFP and country offices. The $1.1 million increase in the cost of goods sold, due to inventory write-offs, and the increase of $0.3 million in promotional materials further contributed to the increase in direct expenses. This is offset by the $2.5 million decrease in country office expenses to $5.6 million in 2011.

7. To enable PFP to mobilize resources more effectively through private-sector fundraising and sales activities, the Executive Board approved a 2011 budget of $42 million for investment fund expenditures. The objective of these funds is 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 2011, the total expenditure for investment funds was $41.7 million, compared with $25.6 million in 2010. The 2011 investments are expected to generate $3.51 for every dollar invested, returning $150 million in gross revenue over the next three years. Of the $42 million in investment funds allocated in 2011, $38.7 million supported pledge growth, and included television advertising, face-to-face donor recruitment and telephone

marketing. The number of pledge donors (regular givers) to UNICEF grew by 12.6 per cent, despite the adverse global economic environment, with National Committees and country offices recruiting more than 345,000 new donors for UNICEF in 2011.

8. **Indirect expenses** decreased by $0.7 million (1.4 per cent) from $50.7 million in 2010 to $50 million in 2011. This is due mainly to the reduction in the bad debts expense by $7.1 million from the exceptionally large amount in 2010 of $8.8 million. The increased expenses in marketing and fundraising ($3.4 million), communication, finance and administration ($2.2 million), National Committee relations ($0.5 million) and regional support centres ($0.3 million), in comparison to 2010, reflect the continued focus of PFP on investment in fundraising activities. However, the indirect expenses in 2011 were 13.6 per cent lower than the approved budget, reflecting cost savings in all cost centres (see paragraph [26] for more details).

9. **Net accounts receivable**, after providing for uncollectible accounts, decreased from $391 million in 2010 to $294.2 million in 2011. The decrease is due to the fact that some National Committees made significantly larger remittances during the last months of the financial year.

10. **Total inventory levels** of cards and products increased from $10.9 million in 2010 to $11.9 million at 31 December 2011. This is consistent with the fact that there were reduced sales activities during 2011 as noted in paragraph 5 above.

## B. Unaudited financial statements for the year ended 31 December 2011

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

# Statement I.
## Income and expenditure for the year ended 31 December 2011

*(In millions of United States dollars)*

| | Note | Sale of UNICEF cards and products | Private fundraising – regular resources | Total regular resources | Private fundraising – other resources* | Grand total 2011 | Grand total 2010 | Variance *(%)* |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | | |
| Gross proceeds | 2 | 94.3 | | | | | | |
| National Committee expenses | | 23.0 | | | | | | |
| **Net proceeds** | | **71.3** | **420.4** | **491.7** | **531.1** | **1,022.8** | **1,160.2** | ***-11.8*** |
| **Direct expenses** | | | | | | | | |
| Cost of goods and inventory overhead | | 17.7 | - | 17.7 | | 17.7 | 16.6 | *6.6* |
| Operations and support | | 23.3 | - | 23.3 | | 23.3 | 11.9 | *95.8* |
| Promotional materials | | 3.7 | - | 3.7 | | 3.7 | 3.4 | *8.8* |
| Country office expenses | | 3.0 | 2.6 | 5.6 | | 5.6 | 8.1 | *-30.9* |
| **Total direct expenses** | | **47.7** | **2.6** | **50.3** | **-** | **50.3** | **40.0** | ***25.8*** |
| Investment fund expenditures | | 1.2 | 40.5 | 41.7 | | 41.7 | 25.6 | *62.9* |
| **Direct contribution from operations** | | **22.4** | **377.3** | **399.7** | **531.1** | **930.8** | **1,094.6** | ***-15.0*** |
| **Indirect expenses** | | | | | | | | |
| Director’s Office, communication, finance and administration | 3 | 8.2 | 12.6 | 20.8 | | 20.8 | 18.6 | *11.8* |
| Marketing and fundraising | 4 | 6.4 | 13.7 | 20.1 | | 20.1 | 16.7 | *20.4* |
| National Committee relations | | 1.2 | 4.2 | 5.4 | | 5.4 | 4.9 | *10.2* |
| Regional support centres | | 0.5 | 1.5 | 2.0 | | 2.0 | 1.7 | *17.6* |
| Bad debt expense | | 2.3 | (0.6) | 1.7 | | 1.7 | 8.8 | *-80.7* |
| **Total indirect expenses** | **5** | **18.6** | **31.4** | **50.0** | **-** | **50.0** | **50.7** | ***-1.4*** |
| **Income before non-operating items** | | **3.8** | **345.9** | **349.7** | **531.1** | **880.8** | **1,043.9** | ***-15.6*** |
| **Non-operating items** | | | | | | | | |
| Other income | 6 | 1.1 | 5.2 | 6.3 | - | 6.3 | 8.1 | *-22.2* |
| Foreign exchange gains/(losses) | 7 | 2.6 | 15.6 | 18.2 | - | 18.2 | (28.8) | *-163.2* |
| **Net income for the period** | 1 | **7.5** | **366.7** | **374.2** | **531.1** | **905.3** | **1,023.2** | ***-11.5*** |

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

* Other resources income raised by the private sector included in this statement in order to provide the overall total revenue generated from private-sector activities, is reported as Voluntary Contributions from non-governmental/private sector sources in the UNICEF Financial Statements.

## Statement II.
## Assets and liabilities as at 31 December 2011

*(In millions of United States dollars)*

| | Note | As at 31-Dec-11 | | As at 31-Dec-10 | | Change Increase | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Bank | | | 0.4 | | 0.6 | | -0.2 |
| Accounts receivable | | 305.4 | | 407.0 | | -101.6 | |
| *Less:* Allowance for uncollectible accounts | | 11.2 | | 16.0 | | -4.8 | |
| Net accounts receivable | | | 294.2 | | 391.0 | | -96.8 |
| Inventory | | | 11.9 | | 10.9 | | 1.0 |
| **Total assets** | | | **306.5** | | **402.5** | | **-96.0** |
| **LIABILITIES** | | | | | | | |
| Accounts payable | | | 9.3 | | 5.3 | | 4.0 |
| UNICEF inter-office account | | | 297.2 | | 397.2 | | -100.0 |
| **Total liabilities** | | | **306.5** | | **402.5** | | **-96.0** |

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

## Statement III.
## Actual results for the year ended 31 December 2011 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 products | Para. 23 | 71.3 | 74.0 | -2.7 | *-3.6* |
| Private fundraising – regular resources | | 420.4 | 475.3 | -54.9 | *-11.6* |
| Private fundraising – other resources | | 531.1 | 450.0 | 81.1 | *18.0* |
| **Net proceeds** | Para. 24 | **1022.8** | **999.3** | **23.5** | *2.4* |
| **Direct expenses** | | | | | |
| Cost of goods and inventory overhead | | 17.7 | 15.2 | 2.5 | *16.4* |
| Operations and support | | 23.3 | 26.0 | -2.7 | *-10.4* |
| Promotional materials | | 3.7 | 3.7 | 0.0 | *0.0* |
| Country office expenses | | 5.6 | 9.1 | -3.5 | *-38.5* |
| **Total direct expenses** | Para. 25 | **50.3** | **54.0** | **-3.7** | *-6.9* |
| Investment fund expenditures | | 41.7 | 42.0 | -0.3 | *-0.7* |
| **Direct contribution from operations** | | **930.8** | **903.3** | **27.5** | *3.0* |
| **Indirect expenses** | | | | | |
| Director's Office, communication, finance and administration | | 20.8 | 22.3 | -1.5 | *-6.7* |
| Marketing and fundraising | | 20.1 | 25.2 | -5.1 | *-20.2* |
| National Committee relations | | 5.4 | 6.9 | -1.5 | *-21.7* |
| Regional Support Centres | | 2.0 | 2.5 | -0.5 | *-20.0* |
| Bad debt expense | | 1.7 | 1.0 | 0.7 | *70.0* |
| Total indirect expenses | Para. 26 | 50.0 | 57.9 | -7.9 | *-13.6* |
| **Income before non-operating items** | | **880.8** | **845.4** | **35.4** | *4.2* |
| **Non-operating items** | | | | | |
| Other income | | 6.3 | 9.2 | -2.9 | *-31.5* |
| Foreign exchange gains | | 18.2 | 0.0 | 18.2 | |
| **Net income for the period** | Para. 22 | **905.3** | **854.6** | **50.7** | ***5.9*** |

## C. Notes to the financial report for the year ended 31 December 2011

### Note 1. Summary of significant accounting policies

12. The financial statements are prepared in accordance with the Financial Regulations and Rules and the accompanying UNICEF Special Supplement on Greeting Card Operations.[1]

13. The UNICEF 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 two National Committees for UNICEF (Canada and the United States) have the same fiscal year as that of UNICEF. 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.

14. In accordance with UNICEF 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.

15. 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 UNICEF policy to write down unsold cards and dated products to zero value at the end of the first sales campaign year, and all other products at the end of the second sales campaign year.

### Note 2. Gross proceeds — cards and products

16. Gross proceeds from UNICEF cards and products sales include (a) gross proceeds from the sale of UNICEF-developed cards and products; (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) National Committee products, which is income from the sale of products developed by them.

| | *(In millions of United States dollars)* | | | |
|---|---|---|---|---|
| | | | *Increase/(decrease)* | |
| | *2011* | *2010* | *$* | *%* |
| Gross proceeds — cards and products | 77.1 | 101.3 | (24.2) | -23.9 |
| Catalogue donations | 7.9 | 5.2 | 2.7 | 51.9 |
| Royalties | 3.5 | 2.0 | 1.5 | 75.0 |
| National Committee products | 5.5 | 2.4 | 3.1 | 129.2 |
| E-greetings | 0.4 | 0.2 | 0.2 | 100.0 |
| **Total** | **94.4***| **111.1** | **(16.7)** | **-15.0** |

* The 2011 total of $94.4 million includes $17.3 million ($9.9 million in 2010) 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, communication, finance and administration expenses

17. The Director's Office, communication, finance and administration indirect expenses consist of the following:

| | *(In millions of United States dollars)* | | | |
|---|---|---|---|---|
| | | | *Increase* | |
| | *2011* | *2010* | *$* | *%* |
| Director's Office | 1.4 | 1.4 | 0.0 | 0.0 |
| Deputy Director — operations and finance, and governance | 1.7 | 1.2 | 0.5 | 41.7 |
| Finance and administration | 3.6 | 2.9 | 0.7 | 24.1 |
| Communication | 2.1 | 1.6 | 0.5 | 31.3 |
| Common services and allocated overheads | 12.0 | 11.5 | 0.5 | 4.3 |
| **Total** | **20.8** | **18.6** | **2.2** | **11.8** |

### Note 4. Marketing and Fundraising expenses

18. Marketing and Fundraising indirect expenses consist of the following:

| | *(In millions of United States dollars)* | | | |
|---|---|---|---|---|
| | | | *Increase/(decrease)* | |
| | *2011* | *2010* | *$* | *%* |
| Marketing and product development | 5.0 | 5.1 | (0.1) | -2.0 |
| Fundraising expenses | 11.6 | 8.7 | 2.9 | 33.3 |
| Research and development | 3.5 | 2.9 | 0.6 | 20.7 |
| **Total** | **20.1** | **16.7** | **3.4** | **20.4** |

### Note 5. Allocated indirect expenses

19. Indirect expenses are allocated to the sales of cards and products and Private Fundraising regular resources, according to the following allocation basis:

| | (In millions of United States dollars) | | | |
|---|---|---|---|---|
| | *Cards and products sales* | *Private fundraising — regular resources* | *Total* | *Allocation basis* |
| Director's Office, communication, finance and administration | 8.2 | 12.6 | 20.8 | Activity |
| Marketing and fundraising | 6.4 | 13.7 | 20.1 | Activity |
| National Committee relations | 1.2 | 4.2 | 5.4 | Activity |
| Regional support centres | 0.5 | 1.5 | 2.0 | Activity |
| Bad debt expense | 2.3 | (0.6) | 1.7 | Activity |
| **Total** | **18.6** | **31.4** | **50.0** | |

## Note 6. Other income

20. Other income consists of the following:

| | (In millions of United States dollars) | | | |
|---|---|---|---|---|
| | *Cards and products sales* | *Private fundraising — regular resources* | *Total* | *Allocation basis* |
| Cash discounts and other miscellaneous income | 0.4 | — | 0.4 | Sales |
| Income from financial operations | 0.0 | 1.0 | 1.0 | Proportional* |
| Bank interest and other income from National Committees | 0.7 | 4.2 | 4.9 | Proportional* |
| **Total** | **1.1** | **5.2** | **6.3** | |

* Income 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

21. In 2011, PFP had a total foreign exchange gain of $18.2 million, compared to an exchange loss of $28.8 million in 2010. Some $16.4 million of the gain was 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 of 31 December 2010, when the income was accrued. This comprises $12.9 million attributed to Euro remittances, $3.5 million to non-Euro remittances and the balance of $1.8 million due to gains on the settling of expense transactions.

## Note 8. Comparison of actual results against approved budget for 2011

22. Net income for 2011 was $905.3 million, compared to the approved budget of $854.6 million. The net positive variance of $50.7 million (5.9 per cent) was mainly due to the favourable variances in private fundraising for other resources contributions ($81.1 million) and foreign exchange gains ($18.2 million). This is

offset by unfavourable variances in net proceeds from the sale of cards and products ($2.7 million) and in private fundraising for regular resources ($54.9 million).

23. Net proceeds from the sale of UNICEF cards and products were $2.7 million (3.6 per cent) below budget, as explained in paragraph 5 above.

24. Total net proceeds from all fundraising and sales activities were $23.5 million (2.4 per cent) over budget. This is attributable to the successful mobilization of funds from private-sector donors in response to the Horn of Africa emergency appeal where $123 million was raised by National Committees. This resulted in a favourable variance of $81.1 million in contributions for private fundraising — other resources.

25. Total direct expenses for 2011 were $50.3 million. This is $3.7 million (6.9 per cent) lower than the approved budget, and is due to a combination of factors: (a) $2.7 million reduction in spending on operations and support; (b) a decrease in country office fundraising expenses by $3.5 million, offset by an unfavourable variance of $2.5 million in the cost of goods expenditure, primarily due to inventory adjustments. The reduction in country office fundraising expenses is due to the move towards self-sustaining fundraising in country offices, whereby an increased proportion of these expenses are funded directly from fundraising proceeds hence lessening the burden on organisational Regular Resources.

26. Total indirect expenses of $50 million were $7.9 million (13.6 per cent) lower than the approved budget of $57.9 million. The favourable variance is due to reduced spending in all cost centres, offset by an unfavourable variance of $0.7 million in the bad debt expense. The underspending is largely due to vacancies in certain international staff positions during the year in the communication, fundraising and marketing cost centres, and in country offices (Brazil, Saudi Arabia, China and Russia).