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21st European Scout Conference

Document 6 - Finances



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Creating a Better World

Financial Report

General

The current triennium just about to end has been a period of major impact on the Region's main resource income, namely the Fund for European Scouting (FES). This is because the income from the fund is calculated based on a formula that takes an average value (Net Asset Value- NAV) of the last three years. As a result, the average NAV of the fund reached its lowest value due in large part to the financial crisis impacting that it has had during the triennium.

Similar to many NSOs, our objective was to budget and operate our finances prudently, whilst improving the quality of the Region's work and maintaining and increasing the direct and indirect support provided to our member NSOs. In addition the Region allocated sufficient funds for the development of our co-operation with other Regions.

The Region's finances were managed cautiously, aiming at a balanced result. This was achieved, except at year-end 2011 where some of the reserves had to be used to cover the loss on market values of investments. We believe that the worst of the negative impact on our financial resources from the current financial and economic crisis is over and therefore, as from the next fiscal year, we expect the NAV of the FES to start improving. This will gradually lead to the improvement of the Region's income sources over time.

At the end of the last triennium, the European Scout Committee established the European Investment Fund (EIF) as was presented and endorsed at the last Regional Conference. The EIF is operated successfully under the European Scout Foundation (ESF) and its aim is to progressively diversify the funding base and reduce dependence from a single source of revenue.

The increase in external funding from European Union sources has contributed to a broader financial basis for the Region.

The auditors of the Region have changed as from the Fiscal Year 2011-2012 from Ernst and Young to KPMG. This change was decided by WSB Inc., which is the Legal Entity under which the ESR has operated.

A new legal entity, "World Scout Bureau-European Regional Office Inc.", has been established in order to strengthen the financial governance of the Region.

Income

The Income sources of the Region are shown in figure 1 below. It is important to note the high dependence on the Fund for European Scouting, but to note also that the proportion of the Region's income from the FES has reduced significantly from more than 65% in the previous triennium. Nonetheless, this

brings a high element of risk, which was identified in 2008 and throughout the current triennium. Action has been taken since the establishment of fundraising personnel to seek out external funding as a means to achieve income diversification. As a result, the European Investment Fund (EIF) has been created so as to build gradually a second large source of income, which should seek to mitigate the risks associated with currency volatility in the future.

Over 1 million Euro have been obtained from external sources during the triennium. Some of this revenue is visible in the Region's accounts below as "project income". The remaining part of the EU funding has been used to support the participation of NSOs in events and projects and is therefore not directly visible in the Region's accounts.

Although not strictly part of the period being reported, the lowest level of the FES allocation was received in October 2012. An initial allocation of USD 1,189m was received. However, an appeal to the Trustees gained a one-off payment of USD 237,977 recognising the strength of the Swiss Franc, which impacted negatively on the conversion rate of the US dollars received. We believe that our income sources will, in the foreseeable future, remain stable with the FES income source ready to improve consequent on the performance of the US financial markets.

**ESR CONSOLIDATED ACCOUNTS
TOTAL INCOME OF EUR 5'365'674
OCTOBER 2009 - SEPTEMBER 2012**

	2010	2011	2012	Total
Fund for European Scouting	1'065'432	1'000'881	1'018'932	3'085'245
Regional registration fees	171'710	199'324	185'690	556'724
Grant USFIS	100'550	67'078	71'268	238'896
Project income	108'431	208'749	102'186	419'366
Fees for seminars	49'127	9'298	84'044	142'469
Grant European Union	36'549	46'370	50'000	132'919
Grant Council of Europe	16'840	3'947	7'205	27'992
European Scout Foundation	22'581	0	0	22'581
World Scout Bureau	73'367	83'904	75'937	233'208
Miscellaneous	71'234	0	15'831	87'065
Use of reserves	537	257'397	0	257'934
Financial income	4'704	-99'255	255'827	161'275
Total income	1'721'063	1'777'693	1'866'919	5'365'674

Table 1: Income of the Region in Euro

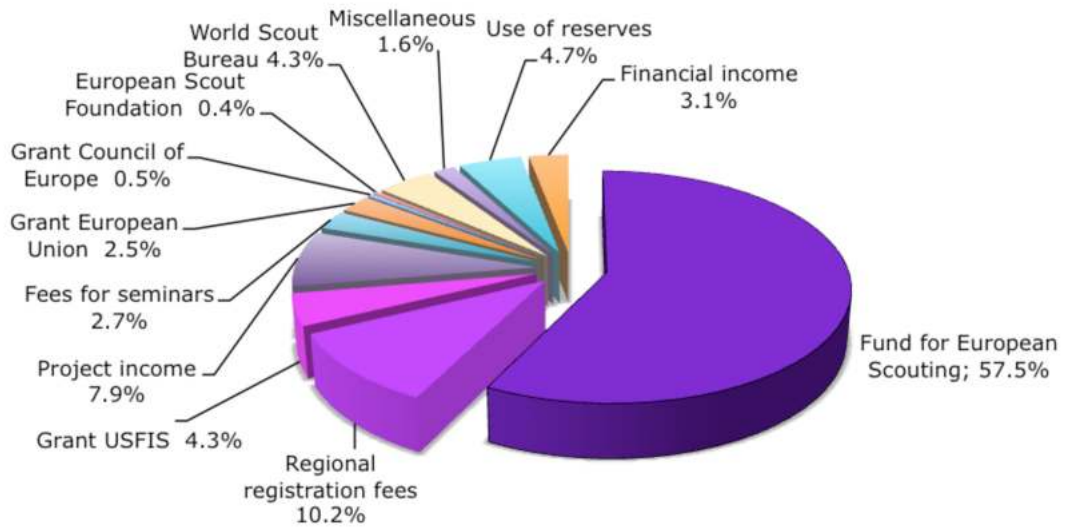


Figure 1: Income of the Region in %

The Region's income position from FES was fixed as soon as the level of the income allocation was made known by the Trustees of the Fund, through purchasing forward contracts (income in USD and expenditure in CHF and EUR). Therefore any exchange rate fluctuation risks were controlled.

Expenses

The main expenses areas are shown in Table 2 and Figure 2 below. It is noted that the expenses areas remain relatively stable. It is important to note that during the triennium emphasis was placed on running a close-to-zero budget with a positive outcome. As already mentioned, the Region's income from its main source (FES) has been reduced substantially. Therefore it has been a challenge for us to plan and operate a budget along these lines.

ESR CONSOLIDATED ACCOUNTS
TOTAL EXPENDITURE OF EUR 5'358'882
OCTOBER 2009 - SEPTEMBER 2012

	2010	2011	2012	TOTAL
Personnel costs	645'681	761'167	893'246	2'300'094
Youth involvement	54'086	31'948	62'311	148'344
Volunteering	13'687	6'843	34'410	54'940
An Organisation for the 21st Century	284'345	258'401	278'345	821'091
Scouting's profile	55'891	51'609	68'817	176'317
Events	98'403	56'347	45'740	200'491
Project expenses	108'431	217'438	82'499	408'369
KISC support	70'955	74'900	83'410	229'265
General services & management	288'480	292'323	245'026	825'829
Allocation to accumulated surplus	101'102	22'140	70'899	194'141
Total expenditure	1'721'062	1'773'117	1'864'704	5'358'882

Table 2: Expenditure of the Region in Euro

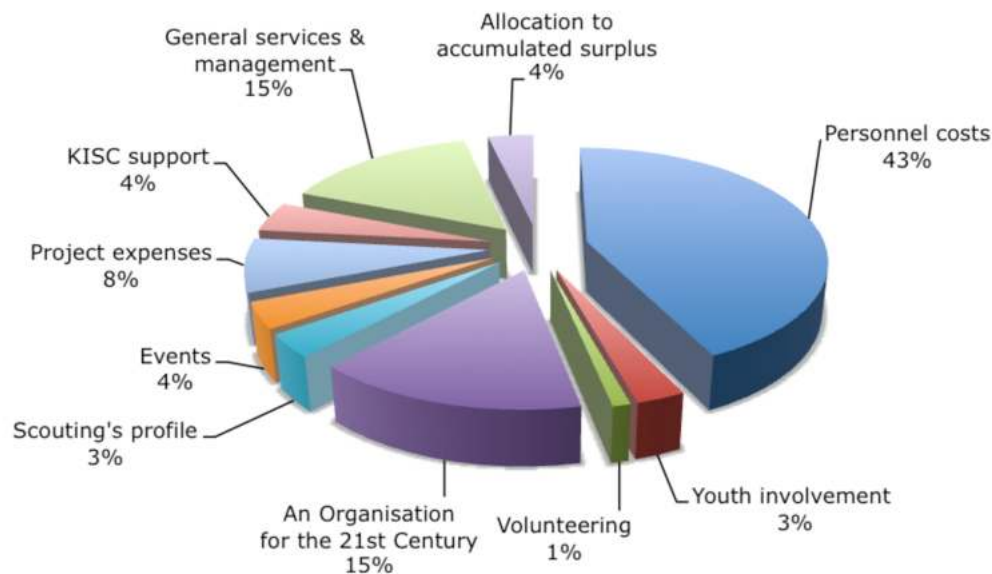


Figure 2: Expenditure of the Region in %

COMMENTS ON THE EXPENDITURES

- Personnel costs – these have been impacted significantly by the exchange rate influenced by a very strong Swiss Franc. There was no substantial change to the staff complement.
- Youth involvement and related issues – the figures reflect a reduction in support for the European Scout Voluntary Programme and increased access to EU funding. The area includes the topic of Youth Empowerment.
- Volunteering – this area benefitted in 2011 from our participation in the EYV Volunteering Alliance offsetting some costs.
- An organisation for the 21st Century – includes Tailored Support and the Partnership Fund, Embracing Change.
- Scouting's Profile – includes the External Relations and Funding functions as well as Partnerships with other Regions.
- Events – this includes the Academies and other events that do not fit in neatly in other areas, including support for World and European Scout Conferences participation, support for World Scout Jamboree participation, European Scout Symposium and International Commissioners' Forum.
- Project expenses - these relate to the projects carried out with restricted funds such as *Unguvu*, EU Youth Support project and Volunteering events balanced with income

- KISC support - this relates to the now terminated bilateral agreement between the Region and Kandersteg International Scout Centre.
- General Services and Management – covers all aspects of the functioning of the offices.

The maintenance of a balanced budget with lower income was coupled with an effort to maintain the quality of the work of the Region throughout the triennium. This has been successfully managed mainly by controlling expenditure items, a regular review of the budget and by limiting operational expenses through prioritization exercises. At the same time the Region provided adequate tailored support to member NSOs aiming at maximizing the positive impact of such support.

We believe that by continuing the implementation of prudent budgeting processes, the Region will be in a position to continue to provide quality service and support to NSOs.

Assets

Asset values and allocations are shown in Figure 3. Attention is given to reduce the Region’s exposure to risk and at the same time to ensure adequate liquidity to finance operational expenses. For short-term surpluses prudent placements were chosen providing additional income.

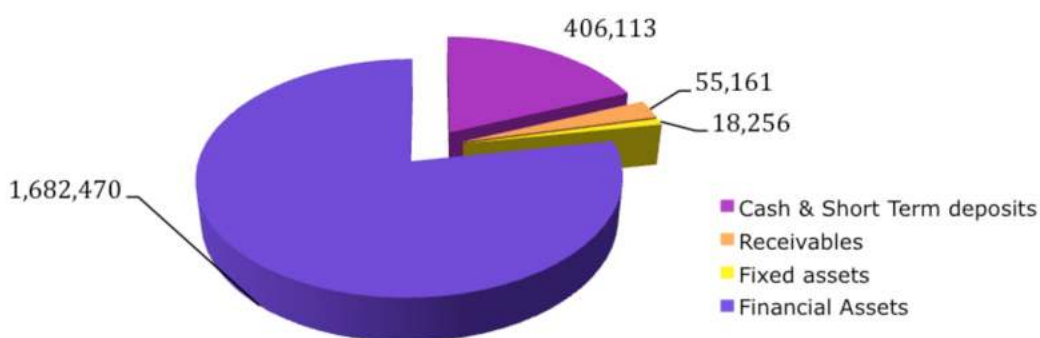


Figure 3: Assets of the Region in Euro (EUR)

European Investment Fund (EIF)

At the end of the past triennium, the EIF was created. This was advised at the last European Scout Conference and development was progressed taking full note of the conference resolution approved at that time – to monitor and control our investments according to the approved investment policy. The EIF has been established under the European Scout Foundation (ESF). It is important to note the continued successful support of the ESF to the Region’s finances since its establishment. By establishing the EIF under the ESF, the management of the fund is entrusted to the ESF, which focuses on finance issues providing an

expert management for the Fund. The European Scout Committee has continued to be well represented on the Board of the European Scout Foundation.

The performance of the EIF is shown in Figure 4. The reduction in its Net Asset Value in year 2011 is due to the general systemic market value reduction, which now follows an upward trend. We believe that as from 2020 the EIF will start to become a growing important additional source of income for the Region.

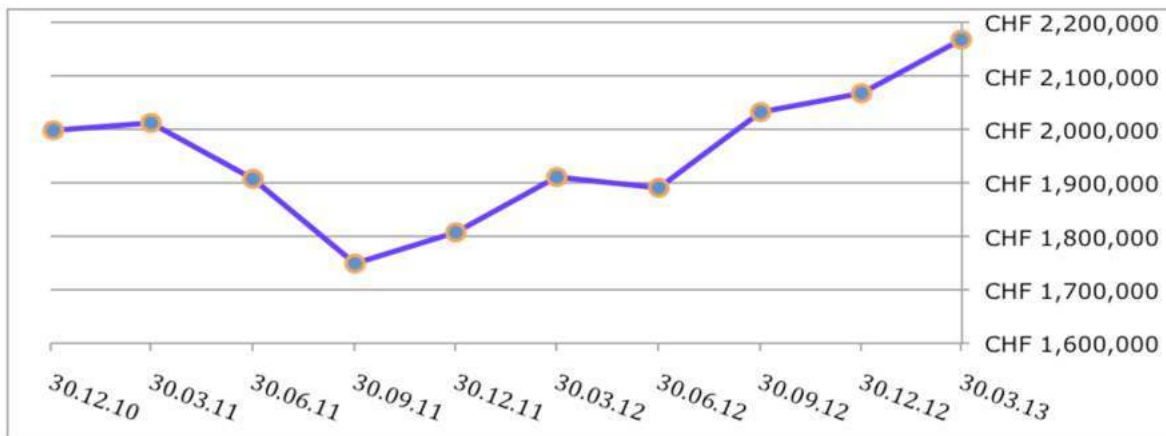


Figure 4: Development of the EIF in Swiss Francs (CHF)

Partnership Fund

The annual allocations of the Partnership Fund for Development and Growth have remained stable in the period 2009-2012 at an approximate annual level of EUR 120,000 (shown in figure 5). The annual value fall in 2010/11 and the high increase in 2011/12 (as they are shown in figure 5) do not represent any respective annual fluctuations but are due to changes in the Region’s accounting policy, proposed by the auditors, from a cash basis to an accruals basis.

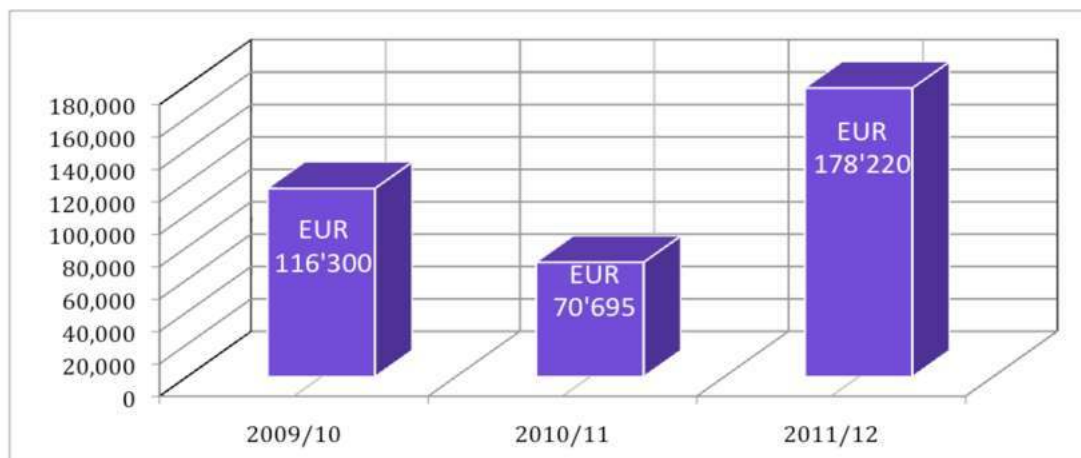


Figure 5: Annual Allocations of Partnership Fund. Period 2009-2012.

Based on the new accounting policies, at the time that the ESC decides to allocate an amount to a project proposal, the full amount of the allocation is recorded as a contingent liability of the ESR. The allocated unpaid balances, as at the end of the fiscal year, are reflected in the Financial Statements.

Auditors – Audited Accounts

The audited accounts have been sent to NSOs on a yearly basis after the completion of the annual audits. It is important to note that all annual audits during the triennium have been completed successfully with the auditors issuing their reports free of any qualifications.

After the decision of the WSB Inc., the auditors have changed as from the fiscal period 2011-12. The new auditors KPMG completed their audit for the fiscal year ended on 30 September 2012 in February 2013 and issued their report. KPMG replaced Ernst and Young who completed their last audit in June 2012 for the fiscal year ended 30 September 2011.

New legal Entity

The European Scout Region has traditionally operated under the legal entity of the World Scout Bureau – Central Office. With the approval of the World Scout Committee, a new legal entity has been created under Swiss law in 2012 in order to give to the European Region a separate legal personality. This is in line with the arrangements in place in the other Regions. We believe the establishment of the “World Scout Bureau-European Regional Office Inc.” will improve the financial governance by clarifying the duties and responsibilities between regional and world levels.

Marios Christou

Treasurer
European Scout Committee
23 April 2013



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March 2013

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