



**EXCO RESPONSE TO THE SERVAS INTERNATIONAL -INTERNAL AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2018**

1. SOL has become operational and capitalized and therefore the residual value of Dolphin of CHF 152 should be written off, unless it is still being used in the public domain.

EXCO RESPONSE: The Servas Dolphin system is still being used, since there's still need for the two functions Dolphin Key list and Dolphin Host list. The Servas Dolphin system will continue to be in use till every single member nation of Servas is moved to Servas International's ServasOnline System, SOLSYS (which was previously named and abbreviated "SOL"). At that time Dolphin will be written off.

2. SOL has been capitalized at CHF 64094 and 1/3rd of the value has been amortized. SOL maintenance for the year budgeted CHF 1000 whereas actual spent CHF 9434. This value represents almost 15% of the capitalized value.

EXCO RESPONSE: Under the previous budget, the maintenance cost for ServasOnline was seriously underbudgeted. Consequently for the 2018 year, with the hindsight experience of 2017-18, the budget was raised to CHF 35,000 and the revised budget was approved by the SI General Assembly in October 2018. (Copy of the Approved Revised Budget for 2018-19 is attached. Also available online at: https://servas.org/sicoga2018/motions/2018_11/Appendix_4_Revised_SI_Budget_for_2016_to_2018_Oct_2018.pdf) Also the amounts budgeted for 2019-2021 is significantly higher. In future years, this expenditure should be within budget.

3. Executive Committee meeting of CHF 13755 includes the cost of two face to face meetings at France and Spain whereas only one was budgeted for.

EXCO RESPONSE: The SI Exco face-to-face meeting in 2017 took place 2017-03-29 - 2017-04-03 in Spain. The SI Exco face-to-face meeting in 2018 took place 2018-03-15 - 2018-03-19 in Italy. Usually the EXCO meeting is held in April, but this year it was held a few days earlier in March, which is why there were two meetings in this fiscal year. The second meeting would normally have been held in April and would have been part of the 2018-19 expenses. The meeting was held a little earlier this year because the EXCO need to meet to plan for the Servas International Conference and General Assembly 2018 (SICOGA 2018) – before the registration opened on April 1. It should be noted that there will be no face to face meeting during 2018-19 fiscal year, since this meeting was held at the end of the previous year.

4. Legal expenses of CHF 5397 on SERVAS registration project has been written off although the registration is incomplete. This expense should be accumulated under work in progress and amortized on completion of SERVAS registration.

EXCO RESPONSE: The EXCO would like to clarify that these expenses were incurred to get legal advice from a Swiss law firm on the registration process. The legal advice has already been received and the amount spent during 2017-18. As such it is not a work in process since there is no further receivable for SI from the law firm. We believe that what you require is for us to track all the expenses incurred for registration and to duly report it

to all the members. We will accordingly keep track of all such expenses and prepare a report on the expenses incurred to get the registration done, when registration is complete.

5. SI Africa Regional Meeting (Aug 2017) of CHF 2710 and Hungary Youth Meeting (Dec 2017) of CHF 1191 were funded by SI (with due EXCO decision) although there were sufficient funds available with DFC to support these events which is predominantly DFC activity.
6. Schedule 7 (b) Youth meeting SI Africa included CHF 3890 whereas the SI Funding of CHF 2710 (as in above point 5) not reflected here. In (d) reflects CHF 3901 (total of Africa and Hungary meetings) paid out of Development Fund whereas it has been funded by SI vide EXCO decision.

EXCO RESPONSE: (a) For the year 2017-18 there were two line items in the budget (1) CHF 8,200 for Area/Youth meetings, and (2) CHF 9,200 for Development Committee Projects. It was pointed out to the Development Committee that there was a balance of CHF 18,846.38 in the Development Fund Reserve which should be spent first for development projects – before SI can be asked to incur any expense against this budget. During the year, an amount of CHF 3,901 was disbursed from the Development Fund Reserve for youth meetings in Hungary and Italy, and for an area meeting in Rwanda, Africa. After these disbursements, there was a balance of CHF 14,945.38 in the Development Fund Reserve. During the SI Exco face to face meeting in March 2018, the Development Committee requested the EXCO for a one-time grant reimbursing the development fund disbursements made during the year. This was discussed and voted on by the EXCO and approved. Consequently, a sum of CHF 3,901 was transferred from SI corpus to the Development Fund Reserve for their future use. This brought the Development Fund Reserve balance back to CHF 18,846.38 at the end of the year. The total amount spent on Area and Youth meetings in 2017-18 was CHF 10,220 (See Schedule 7b. and 7d.) Of this 3,901 was met out of DFC funds (which was reimbursed as explained above by a transfer from the Corpus). The balance of CHF 6,319 (AC & Regional meetings 3,095 and Youth meetings 3,334) has been reported as expenses for the year.

7. The analysis of the GA approved budget of 2019-2021 reflects the following :

- A. Peace activities and UN Related activities show an increased budget allocation of CHF 4000 for each of the budget years although CHF 1120 was spent against a budget of CHF 1000 in 2017/18. Has any special activities been planned for incurring this additional annual expenditure?

EXCO RESPONSE: The EXCO does not have advance information of the activities planned by the UN committee. To our knowledge the previous year budget for these activities was CHF 2,970 (Peace: 1,300 and Sustained development 1,670). This was trimmed to CHF 2,000 during the General Assembly and approved during SICOGA 2018.

- B. ICT shows CHF 35000 for each of the budget years (Talorig Quarterly Contracts). The value of SOL would be fully written off by end 2020 considering the amortisation percentage applied. The SOL maintenance for 2021 budgeted whereas the SOL value written off in the books. There is a budget line of CHF 37450 as investment in SOL Ver.2 for the each of the budget years (motion FRA-001). Will this be separately capitalized?

EXCO RESPONSE: There is no plan for a Version 2 at the moment. All the expenditure budgeted for the 2019-21 period is for ServasOnline maintenance and will not be capitalized. Potentially, with careful maintenance, the life of ServasOnline may get extended, but since there is significant uncertainty about that, EXCO does not recommend capitalizing any of the maintenance expenditure at the moment.

- C. Legal Expenses of CHF 7000 for each of the budget years has been allocated as against preliminary expense of CHF 5397 already incurred in 2017/18. What is the outcome of the legal opinion and what are the options given for registering SERVAS?

EXCO RESPONSE: EXCO has received legal advice on legal requirements, the documentation needed, and the process that needs to be adopted for registering SERVAS International in Switzerland. We will be following up on the requirements based on the advice received.

- D. Permanent representation in Geneva shows one time expenditure of CHF 14000 (EXC 014). Is this a one-time registration fees?

EXCO RESPONSE: This was not approved by the General Assembly.

- E. Professional SERVAS Webmaster for CHF 25000 for each of the budget years (GRE-004)

EXCO RESPONSE: This was not approved by the General Assembly.

- F. One off contribution to DFC of CHF 18000 (POL-RWA-001) although DFC has not spent any amount from the funds they hold.

EXCO RESPONSE: This was approved by the General Assembly who agreed to increase the balance in the Development Fund Reserve.

We understand from the decisions taken at SICOGA 2018 that SI is coming out of the Stamps regime and instead will receive a fixed membership fee based on average of past 3 years stamp revenue by individual member country. This will allow the member countries to exercise their control of stamp issue and revenue collection. With this implementation, SI revenues will be limited to the membership fees within which it has to operate.

The above expenses being major in nature will impact the SI Finances severely and by the end of 2021, all the accumulated reserves are likely to be wiped out thereby making it difficult for the newly appointed EXCO at 2021 to operate. No increase in the membership revenue has been considered and this is a serious matter that needs urgent attention.

EXCO RESPONSE: Payment on the basis of the average of the 3 years (2016 – 2018) is adopted on a trial basis while a new system for charging membership fees is tested. During the next SICOGA the new system will be voted upon after reviewing the test results. It is true that based on the approved budget a significant portion of the accumulated reserves is likely to be used up. EXCO is also actively exploring other fund raising opportunities – specially to fund the next SICOGA since no allocation was made for it in the current budget.

It would be interesting to know of the growth of the new membership and the increase in revenue in 2018/19 subsequent to SOL becoming operational. And also whether this possible membership growth could justify the increased expenditure envisaged by the approved GA budget 2018-2021, the noteworthy being the SOL maintenance/investment in VER 2.

EXCO RESPONSE: We will definitely keep you posted on the new membership.’
In addition, SI Exco is determined to turn around the downward trend for SI’s income. If the trend won’t be turned around there will not be enough resources to pay the maintenance and development costs for IT-systems and other expenses needed for running the organisation.

SI Exco points out the following:

An initiative to modernize the recruitment of new individual Servas members is evolving.

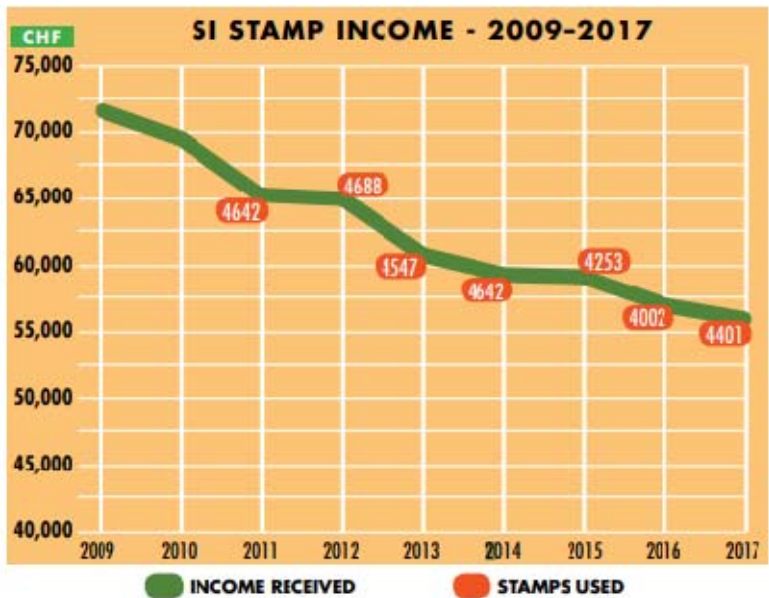
During SICOGA 2018 there was a workshops about how to modernize the ways we do interviews/informative talks. There were discussions about how to handle the people waiting in line to get an interview/informative talk about membership.

The SI General Assembly 2018 decides that a team should be appointed to explore methods, in coordination with the national groups in charge of interviews, for handling applications from people who would like to become members of Servas as travellers, hosts and day hosts. Budget: 200 CHF per year.

Reference: SI GA Decision 24, reference number 42. SI GA motion: EXC-016 Develop procedures for recruitment of new Servas individual members.

The ServasOnline platform provides a venue for people interested in becoming members to contact Servas and learn more. We are receiving thousands of queries each year. We hope that the interest generated will provide a membership boost to Servas.

There are signs that the downward trend during the last ten years for SIs income has levelled out during the last couple of years. Please see the graphic image below which shows the long term development.



SI's income has been declining for some years.

Source: SI annual reports.