

TREASURER'S REPORT TO THE GENERAL ASSEMBLY

To continue keeping the accounts of Reporters Without Borders (RSF) separate from those of Reporters Without Borders International (RSF International), this report refers only to the former, which are those that the general assembly is required to approve. RSF International's accounts, in which expenditure totalled €59,000 in 2018 (down slightly from €61,000 in 2018), are nonetheless available on request.

RSF's overall situation

2019 saw three significant developments:

- An increase in income of private-sector origin, consisting above all of:
 - a €635,000 increase in income from foundations over 2018, which represented 20% of RSF's operating resources in 2019
 - the award of the Dan David Prize, which came with a grant of €396,000 (\$450,000).

- A €236,000 decline in assistance-related expenditure compared with 2018, resulting not from any reduction in the provision of support for journalists and organizations but from the fact that, beginning in 2019, a distinction is being made between :
 - Individual grants and media support, on the one hand, which totalled €223,000
 - Support grants to partner NGOs with the same mandate as RSF, which totalled €247,000.

This means that direct support totalled €470,000 as against €525,000 in 2018. It should be borne in mind that 2018 was an unusual year inasmuch as RSF benefitted from an exceptional grant due to its participation in the Protect Defenders project (a consortium project funded by the EIDHR).

- A €59,000 increase in overall expenditure that was the result of two contrasting developments: a €30,000 fall in expenditure per se and the fact that no contingency reserve was recovered, while a €100,000 reserve for litigation was recovered in 2018.

Other highlights

In 2019, income totalled €6,869,000 while operating costs totalled €6,678,000, giving a positive balance of €191,000 (compared with a positive balance of €37,000 in 2018).

The net result from 2019 was a surplus of €131,000 (compared with a loss of €72,000 in 2018). **After allocation of this surplus, the reserve account will total €2,184,000 as against €2,053,000 on 31 December 2018.**

These accounts, which are certified in the auditor's report, are complemented by budget execution data, which are presented with the aim of facilitating understanding of each department's role.

The accounts are prepared in the same way and using the same accounting principles as in previous years, above all:

- advertising revenue is presented net of commission
- financial expenditure with regard to premises is presented under "premises" and not under financial outlays
- the €50,000 allocated to RSF International is excluded because it is offset by an equivalent charge.

Therefore, as presented in these accounts, income totalled €6,790,000 in 2019 while operating costs totalled €6,631,000.

Breakdown of revenue and expenditure

Revenue

RSF's revenue from its **own commercial activities** totalled €1,719,472 in 2019 as against €1,448,472 in 2018. This included stock variations (and reserve recovery/allocation, where appropriate) that had the effect of increasing income

by €363,000 in 2019 and €48,000 in 2018 (although they had no impact on the final balance because the stocks ended up having zero value). The €363,000 sum in 2019 was the result of significant reductions in stocks with the aim of reducing storage costs for our partner Presstalis.

Discounting this impact, revenue from RSF's own commercial activities totalled €1,356,000 in 2019 as against €1,400,000 in 2018 and represented 20% of RSF's operating resources (as against 24% in 2018).

As regards the sale of RSF's books of photos, several aspects should be noted:

- Direct sales fell by €15,000 in 2019
- Sales abroad fell by €16,000. Outside France, the two countries with most books sales were Belgium and Spain.
- Sales via RSF's partner networks Presstalis and Interforum were stable at €1,019,000
- Advertising revenue (net of management commission) fell by €30,000 to €142,000.

These negative changes were partially offset in 2019 by two kinds of income:

- recovery of a €40,000 client contingency reserve allocation (including a €37,000 provision for bad debts dating back more than ten years)
- €7,000 from the sale of old copies when liquidating stocks.

Aside from direct and foreign sales, a total of 96,000 copies were sold of the three books of photos that RSF published in 2019, almost 20,000 fewer than the number of copies sold in 2018. Despite the fall in the number of copies sold, the registered revenue from sales was stable because of end-of-year accounting in which revenue was calculated on the basis of the number of days they were on sale in 2019.

Income from private-sector **sponsorship** increased by €56,000 from €22,000 in 2018 to €78,000 in 2019, and came from:

- €72,000 in winnings from participating in the TF1 programme "Who wants to win millions"
- €6,000 from an auction.

Income from **donations from the public and membership subscriptions**) increased slightly, from €461,000 in 2018 to €473,000 in 2019 – a 3% increase (€12,000).

A €10,000 **legacy** was received in 2019. No legacy had been received in 2018.

Finally, it should be noted that the **RSF USA bureau** did not contribute to RSF's revenue in 2019, whereas its contributions in previous years were: €44,000 in 2018, €88,000 in 2017, zero in 2016 and €177,000 in 2015.

The financial grants accompanying prizes awarded to RSF to draw attention to the impact of its work were very significant in 2019, above all the Dan David Prize, which was accompanied by a grant of \$450,000 (which converted into €396,000 on the day it was transferred). Another prize worth €7,500 was also received in 2019.

The revenue from **sponsorship and fundraising** (including donations by the public in France and abroad, membership subscriptions, corporate sponsorships, legacies and financial partnerships associated with the RSF annual press freedom prize) contributed 14% of RSF's operating costs in 2019, a proportion that was higher than in 2018 (9%).

State-sector grants represented 41% of RSF's operating costs in 2019, as against 54% in 2018. The amount received in state-sector grants totalled €2,764,000, which was €334,000 less than in 2018 (€3,098,000). 85% of this amount was granted by the European Union (€812,000), the Swedish International Development Cooperation Agency (€1,014,000) and the French Development Agency (€519,000).

Income from **foundations** represented 20% of operating costs in 2019, compared with 12% in 2018. The amount received in 2019 was €1,332,430, much more than the amount received in 2018 (€697,000). This big increase was mainly due to the donation of \$1 million (€891,000 on the date of transfer) by Craig

Newmark Philanthropies to help develop the Journalism Trust Initiative (JTI). It was used to this end over an 18-month period (January 2019 – June 2020). The share used in 2019 and recognized as income in these accounts was €599,000.

Finally, while **advertising space** offered by RSF is still handled separately from RSF's accounts, it should not be forgotten that it represents a major source of support and was valued at €207,000 in 2019 (as against €290,000 in 2018).

Expenditure

Personnel costs rose significantly in 2019 to €2,843,000, as against €2,624,000 in 2018, a rise of €219,000. Gross salaries, social security contributions, end of fixed-term contract payments and severance payments accounted for €180,000 of the increase.

Overall salary costs (salaries, taxes, end-of-contract and severance payments and related costs) accounted for 43% of RSF's operating costs in 2019, as against 45% in 2018.

In relation to 2018, the past year also saw:

- a €14,000 increase in professional fees, attributable above all to a number of significant recruitments
- a €10,000 increase in professional training charges to €28,000.

Costs attributable to the **programmes** department (the former research department) rose to €1,115,000, representing 17% of RSF's operating costs (as against 13% in 2018). They consisted above all of:

- €177,000 in contributions to the **correspondents network** (excluding Radio Erena), significantly more than in 2018 (€145,000) and in 2017 (€107,000)
- €88,000 in **translation costs**, somewhat less than the 2018 figure of €103,000
- €19,000 in **audit and evaluation fees** for donor-funded projects, as against €17,000 in 2018 (four projects funded by state sector grants in

- 2019 - with the fees for one of the projects being paid by the secretariat of the consortium managing it)
- €263,000 for **contracted services**, as against €141,000 in 2018. In 2019, this consisted above all of:
 - o €79,000 for deployment of the ERP management software
 - o €43,000 for partner capacity-building and staff gender approach reinforcement
 - o €128,000 for advocacy activities, including €106,000 for the Journalism Trust Initiative (JTI) and €16,000 on litigation strategy.
 - €295,000 for **travel and country missions**, as against €286,000 in 2018. This included costs linked to organizing training in physical safety, cyber-security, journalism and covering elections, and organizing regional meetings of the correspondent network. In 2019, this also included €98,000 in travel costs linked to the JTI initiative.
 - €247,000 in **grants to partner organizations**. These grants, for local partner capacity-building, were previously reported under the assistance category.

Costs attributable to RSF's **bureaux** totalled €501,000 (as against €429,000 in 2018), representing 7.6% of RSF's operating costs, roughly the same as in 2018. They consisted mainly of costs linked to the bureaux in Taipei (€149,000), London (€105,000, which was partially offset by a €43,000 grant from the UK's Department for International Development, reported under state-sector grants), Rio de Janeiro (€98,000), Tunis (€59,000), Brussels (€37,000) and finally Dakar, which began operating in January 2019 (€32,000).

Costs attributable to **assistance** fell by €236,000 to €427,000. As explained above, this fall was due to the fact that support for partners in the field is now being reported as capacity-building activities under programmes/operations. Assistance costs represented 6.5% of RSF's operating costs in 2019 as against 11.5% in 2018 and consisted of:

- €243,500 in assistance grants to journalists and media (excluding partner organizations)

- €183,000 in costs attributable to the Radio Erena project (as against €138,000 in 2018).

Costs attributable to **communication/awareness-raising**s totalled €284,000 in 2019, as against €222,000 in 2018, and represented 4.3% of RSF's operating costs. They consisted mainly of:

- €90,000 in costs linked to campaigns and protests, as against €86,000 in 2018
- €87,000 in costs attributable to the organization of events and special operations (including the RSF Prize and the democracy forum in Strasbourg and Bayeux)
- €62,000 in costs attributable to the development and maintenance of RSF's website and the creation of the new JTI website site and app (€41,000) and tools for monitoring press and social media pickups.

Costs attributable to **commercial activities** totalled €983,000 (net of company tax) as against €711,000 in 2018. They represented 15% of RSF's operating costs (as against 12% in 2018) and consisted mainly of:

- €416,000 in costs linked to the design and printing of the books of photos, a reduction of €96,000 from 2018 (€512,000) due to the use of a different printer and to the fact that no additional paper was needed, contrary to 2018, when additional paper had to be bought for the Pesquet book.
- €48,000 in charges invoiced by the book distributors, mainly by Presstalis for its storage costs, which fell from the previous year's €56,000 as a result of the reduction of stocks in mid-2019.
- €85,000 in advertising space bought to promote the books, an increase of €30,000
- €363,000 in costs linked to stock variation and allowance for stock depreciation (a cost completely offset by accounting for stored books and recovery of the reserve for copies of older books that were sold). The impact of such accounting was €48,000 in 2018.
- €44,000 from writing off old receivables (offset by reserve recovery for the same amount and not affecting the final balance).

- It should be noted that online shop order shipping has been outsourced to a specialized contractor since October 2019.

Costs attributable to **sponsorship and fund-raising** totalled €66,000 in 2019, somewhat more than in 2018 (€52,000), and represented 1% of RSF's operating costs. They consisted mainly of costs linked to raising funds from the general public (printing, mailings and online collection), which totalled €45,000 in 2018, slightly less than in 2018 (€44,000). The increase was attributable to the cost of participating in specialized seminars (+ €5,000) and a travel budget increase.

Costs attributable to **premises** (loan repayments, depreciation of premises and condominium facilities and charges) were unchanged at €171,000. These costs represented 2.6% of RSF's operating costs in 2019, slightly less than in 2018 (3%). It should be noted that the loan contracted in 2007 to finance the purchase of premises (at an interest rate of 4.30%) was renegotiated in 2015 (2.30%) and again in 2019 (1.27%).

General costs, excluding premises, totalled €226,000 in 2019, a sizeable €59,000 increase on 2018. They represented 3.4% of RSF's operating costs, a percentage that was also significantly more than the year before. These costs consisted mainly of:

- €32,000 in contracted services, as against €31,000 in 2018
- €40,000 in auditing fees (excluding project verification) as against €28,000 in 2018 (the six-monthly review and complementary work were assigned to the firm of auditors)
- €14,000 in other fees (including €10,000 in fees for assisting RSF's internal reorganization), as against €11,000 in 2018
- €56,000 in telecom and postal costs (phone, Internet and franking machine), as against €70,000 in 2018, a fall due mainly to changing to a different phone company and to a fall in postal costs (by outsourcing the mailing of photo book press dossiers and end-of-year shop orders)
- €23,000 in meal and travel expenses, as against €37,000 in 2018

- €19,000 in banking and Western Union charges, as against €22,000 in 2018.
- €21,000 in depreciation charges not linked to premises (above all, provision for website depreciation) as against €12,000 in 2018
- €13,000 for miscellaneous items (as against a total of €107,000 in 2018, which included nearly €100,000 for recovery of operating provisions).

It should be noted that the budget-balancing contribution to RSF International (excluding the €50,000 annual re-invoicing) was €9,000 in 2019, as against €10,000 in 2018. It mainly covered:

- the travel costs of the representatives of sections attending the International Council meeting held in September 2019 and various working groups
- costs linked to the organization of the International Council meeting.

Finally, as regards the perspectives for 2020, RSF will continue to work on:

- Improving its internal organization and efficacy: a specialised ERP app was chosen in December 2018 with the aim of simplifying and improving the process of monitoring RSF programmes and their impact. Deployment of the app will begin in 2020.
- Developing internationally and progressively making RSF's international bureaux financially autonomous
- Diversifying RSF's sources of income, especially from foundations, sponsorship, legacies and donations, which continues to be a priority.

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