Dear Internal Audit Committee:

Thank you for your report for the year ended 31 March, 2019.

I give below my comments to your observations.

1. It is true that the Servas Online costs have been high. The reason we have not capitalized any of the costs incurred in 2018/19, is because none of the costs incurred resulted in substantially new features that could be capitalized. We anticipate that costs incurred in 2019/20 will result in new features (updated version of Servas Online). We will ask the Servas Online team to document such costs and capitalize any such expenses. If we do that, costs incurred on maintenance will not be so high for 2019/20. We do have to rely on external agencies for the programming since we do not have the resources or expertise internally to do the work. We are continuously working to ensure that we get the lowest possible rates from these external agencies.

2. Since Dolphin is still in use, we have decided for the moment to keep it at its residual value on the books. We anticipate that it will be at least two years before the Servas Online system will completely supersede Dolphin. At that time, we plan to write Dolphin off.

3. EXCO is cognizant of the fact that the stamp revenue is dropping. For the next three years our revenue will be fixed at the last known payment (average of last 3 years) made by member groups and we will not be charging based on the number of stamps issued. We hope that gives member groups the incentive to issue more LOIs and increase membership. EXCO is also considering other steps to increase membership and will be rolling out marketing plans this year.

4. The sum of CHF 18,000 that was transferred to the Development Fund Reserve was done to implement a decision made by the General Assembly in SICOGA 2018. The members voted to transfer these funds to the Development Fund Reserve. The amount of CHF 2,783 reported as income was received by Servas International, not the DFC. Since the DFC does not have its own bank accounts, these donors gave the money as a restricted donation to Servas International with the directions that the funds should be made available to the DFC. In accordance to the donor’s wishes these amounts are recorded as restricted donations to Servas International, and the amount received was transferred to the Development Fund Reserve.

5. The bank charges are higher this year because we had many bank transfers this year due to the SICOGA. It should go back to its normal level next year. We have picked up the bank changes where it was deemed important to ensure that the beneficiary received the full amount that was promised. Where feasible, we will transfer money with instructions to share the transfer costs (as is customary).

6. The deficit of CHF 11,323 was caused by the fact that we did not transfer any amount to the GA reserve for 2018/19. If we had transferred a like amount of CHF 27,500, as we did in the previous years, then there would not have been a deficit. The original budget for SICOGA included an anticipated General Assembly reserve of CHF 82,500 from expected three years of transfer to reserve. Consequently, the SICOGA was done within budget.

7. The registration has not yet been done but we are actively working towards that goal. We have formed a committee to complete the work on registration. We have been working on conducting an extraordinary electronic GA to amend the SI statutes to bring it in conformity with the requirements of
the Swiss law. In order to be sure that the amended statutes will be approved by the Swiss Cantonment, the committee has been in dialogue with the Swiss authorities. We are still awaiting their final confirmation before we put the amended statutes to vote. Consequently, at the moment, it is a work in progress.

8. We agree that the corpus fund is getting depleted and we need to take corrective steps to improve our financial position by increasing membership and looking for alternate sources of revenue.

In response to your recommendations:

(a) We will continuously evaluate costs incurred for Servas Online and ensure that these costs are kept at a competitive minimum. The EXCO has already taken action on most budget items to ensure that we are conserving as much of our reserves as possible.

(b) We agree to take advice from IAC, as appropriate, while evaluating commercial contracts.

(c) As mentioned in Point (8) above, the EXCO is working on developing new revenue streams, and working on plans to implement them.

(d) As mentioned in Point (a) above, the EXCO has already started taking steps in this direction and will continue to do so.

(e) We will consider your recommendation to do the GA once in 4 years and seek a broader consensus on this issue.

(f) We are treating Si registration as a priority and taking the requisite steps to get it implemented.

We appreciate the work you do for Servas.

On behalf of EXCO, I thank you for your report.

Sincerely,

Radha Radhakrishna

Treasurer,

Servas International Executive Committee