

# WSA Financial report to WSC

31 July 2008

Samuel Simonsson

## Content:

1. 2007 Annual accounts
2. 1<sup>st</sup> half year 2008 results
3. 2008 financial projection
4. Issues and recommendations

## Annexes:

- a. Audited 2007 accounts
- b. Preliminary accounts for January-June 2008
- c. Comparison spread sheet 2007vs2006 and 1<sup>st</sup> half of 2008
- d. 2008 financial projection as agreed by the WSC

### 1. 2007 Annual accounts

In the second half of 2007 the WSA Executive (ISC) agreed to receive, administer and make distributions out of an extra-ordinary earmarked donation. In addition WSA would receive from the same anonymous donor an un-earmarked donation to be used for its own purposes.

Because of the magnitude of the donation and for the purpose of analysis I will here discuss the 2007 accounts in two parts: (1) the ordinary income and expenses for the recurring operation of WSA and (2) the extra-ordinary ones, including both the extra-ordinary donation and expenses for the preparation of the next world congress. This approach is not reflected in the annual accounts, however, the total income, expense and result numbers are of course the same.

Total ordinary income increased by 15% (compared to 2006) to \$ 333,155 with the main driver being a 28% increase from WSA members, i.e. countries and zones. But also grants from MSF and GHFP as well as donations from individual Subud members increased. All in all a positive development, which to a large degree took place in the second half of the year after the Ascot meeting and which allowed us to spend more on various activities than originally foreseen in the base budget.

Restricted "ordinary" donations increased by 33% and amounted to 41% of total ordinary income. In 2006 the restricted donations came in at 35% of total income.

Total ordinary expenses increased by 9% to \$306,737.

The first impression that funding for Kejiwaan Programs decreased needs to be rectified: At the request of Area 1, part of their budget for 2007 was carried over for travels beginning of 2008 and in addition Ibu Rahayu decided not to travel in 2007.

Thanks to MSF's continued direct funding of Bapak's Talk Project expenses for the Media Unit stayed on the same level as in the previous year.

The strong increase in Other Programs (Human activities) was driven by restricted funding and donations for the Care Support Program (formerly International Almoners), the Medical Assistance (for a young Subud Member) and for the External Relations Committee (ERC).

Expenses for Supporting Services (WSA Chair, zonal reps and ISC) increased by only 4%.

The extra-ordinary earmarked donation received towards the end of 2007 was based on an agreement with the donor that WSA would administer and distribute the funds as requested by the donor. Out of the total donation of £500,000 WSA would receive £114,000 and MSF £30,000. In the annual accounts this donation is shown as a special restricted individual member's donation of \$1,004,620. In 2007 only \$20,665 were distributed. The balance of \$983,956 therefore is part of the restricted net assets in the annual accounts.

At the end of 2007 the net assets of WSA were:

Unrestricted: \$172,798 (2006: \$134,260)

Restricted: \$1,025,100 (2006: \$36,335)

Total: \$1,197,898

However, as the total donation, except for the amount earmarked for WSA, will have been distributed in 2008, the restricted net assets will then be reduced accordingly.

## **2. 1<sup>st</sup> half year 2008 results**

The total ordinary income of \$182,823 during the first six months of 2008 was above pro rata compared to 2007. While income from WSA members is still well behind last year and behind budget, income from enterprises and individuals as well as from interest received made up for the balance. An additional restricted donation from Subud Britain of \$20,268 make up almost a quarter received from countries and zones during the first half year. This donation is mainly earmarked for the Kejiwaan Program but a smaller amount also goes to Cuba.

As an extra-ordinary income we show \$12,817 income for the Amanecer meeting.

Kejiwaan expenses were high in the first six months – but more or less in line with the budget.

Media Unit expenses were in line with the pro rata budget for the year, as was –in total – the expenses for the Human Activities excluding the expenditures and distributions from the £500,000 donation. However, as is shown in the attached 2008 projection, which also includes a comparison between the 6 month actual numbers with the pro rata budget, some “cost centres” have already overspent their 2008 budget while others have not yet incurred any expenses. It remains to be seen how this equals out in course of the second half, as major part of these expenses have been prepaid tickets for the WSC meeting.

ERC expenses were not incurred in the WSA accounts as the future mandate and composition of the ERC still have to be clarified and therefore activities have come to a halt.

The extra-ordinary expense during this period was (1) a \$10,000 advance to the Amanecer Centre for preparation of the Gathering of the Americas as well as the WSC, MSF, SDI, SIHA, and Zone 7 and 8 Meetings, and (2) \$6,555 for preparation and planning of the NZ world congress.

Supporting Services: mainly travel expenses are over budget. \$4,000 expenses for the Kalimantan Visioning meeting was covered by an earmarked grant from GHFP.

The half year accounts show a deficit of \$ 4,901. This, however, includes the extra-ordinary item of \$6,555 for World Congress preparations, which is expected to be repaid out of the congress result.

The preliminary net assets at 30 June:

Unrestricted: \$167,898

Restricted: \$273,058

Total: \$440,956

### **3. 2008 financial projection**

The income during the second half of the year may be affected positively and negatively by among others these factors:

- Additional donations from the sale of PTSW
- We have assumed that ca \$27,500 from the WSA portion of the £500,000 donation will be allocated as income during the second half (shown under Grants).
- Additional income from the Amanecer meeting
- Income from enterprises may be reduced following the sale of the Emseal Group.

On the expense side:

- we do not yet know to which extent travel and other costs for Amanecer will still be incurred.
- Travel expenses in general, as cost of travel is bound to go up beginning the second half of the year.

The attached document “WSA 2008 projection 08-07-31” contains the updated budget for the second half of 2008 and for the full year as agreed with WSC at the Amanecer meeting. This budget would lead to a surplus for the year of about \$3,600 after incurring additional COT expenses in line with their budget.

### **4. Issues and some recommendations – in no particular order – from the perspective of the Treasurer**

4.1. Use of the £114,000 (ca \$232,000) WSA donation from the anonymous donor as well as possible donations from the sale of PTSW.

While the net assets of WSA have increased over the last 7 years they are still low compared to the size and the commitments of the organisation. From the Treasurer’s point of view we should therefore use these donations to begin building an endowment fund dedicated to the future needs of WSA. Increased financial stability, the ability to give collaterals e.g. for future congresses and other commitments, as well as the generation of income from higher net assets will be increasingly important as the world will continue to face major and possibly increasing economic challenges in the future. This could also be a good opportunity to further strengthen the cooperation between WSA and MSF.

4.2. Enterprise donations.

We have to assume that at least during the next 1-2 years donations from enterprises will be lower. The major donor of the last years, Emseal, has been sold and new enterprise donors are not in sight.

#### 4.3. Restricted donations.

We can see a trend in 2007 and the first half of 2008 showing that restricted, i.e. earmarked, donations have been driving the increase in overall income. They now amount to about 40% of total ordinary income (excluding the large anonymous donation). While in the past our practice has generally been to first use the earmarked donations to cover an established budget, and only afterwards to use free funds for the balance, we may have to discuss and reflect upon whether we have to increase the individual budgets following the wishes and the intentions of the donors. This would on one hand reduce the ability of WSC/ISC to define priorities but on the other hand the donations themselves show commitments from WSA members as well as individual Subud members that also need to be respected. It is restricted donations for budget items, like IH travel, SICA, SEF where we have to formulate a clear policy.

#### 4.4. Travel expenses.

In 2006-2007 travel costs accounted for 50% of total WSA expenses. In many recent analyses (by IATA, investment banks etc) it has been concluded that following the increase in oil prices cost of travel will increase drastically in the very next future – the estimates presently seem to be around 30-50%. A 50% increase in travel cost would mean a 25% increase in WSA expenses. In addition an increase in cost of travel will most likely have an impact on the number of Subud members who will be able to attend international gatherings and world congresses. It would obviously be prudent to start thinking about alternative meeting and congress structures that take this likely development into account.

#### 4.5. Accounting office.

We are now searching for a new future accounting office for WSA, possibly and ideally as a joint accounting office with MSF. The idea is to identify members who would be willing to begin working with Leonard van Willenswaard before the end of the present term and who then would take over at the next world congress. Leonard, who has fulfilled this function for the last two terms and has been the main pillar in developing and maintaining the solidity of WSA accounting and finances, does not assume that he can or wishes to continue for another term. We have made enquiries but so far without any tangible response. This is an issue of high importance, which I suggest should be discussed at the WSC meeting.