

WACC Global 2019 Core Budget Analysis Commentary

Since moving the global offices to Canada in 2006, WACC has been organized around two legally separate charitable associations (one in Toronto, Canada, and the other in London, UK) subject to charitable law in Canada and the UK respectively. For this reason, WACC also has two sets of audited accounts, one for WACC Canada and the other for WACC, UK. The overwhelming bulk of the finances is concentrated on the WACC Canada budget (income from funders, staff and office costs, projects and programmes etc.).

The WACC budget is made up of two main parts, funding/costs for programmes and projects and core funding/costs – this latter part is also called “core budget” as it relates to those core tasks without which an organization cannot function – staffing, offices, administration, and governance. The experience of many NGOs, WACC included, is that it is significantly easier to raise funds for specific projects than to raise funding for the core tasks (without which, however, it would not be possible to support the projects and programmes). WACC is very fortunate that until now it has benefitted from significant core cost funding from its major funder, Bread for the World (Germany). Unfortunately, this covers only about 55% of our core expenditure, as well as making WACC dependent upon one major funder.

To cover the core costs, and in the absence of other funding, for many years WACC has been obliged to draw down its reserves, to cover its costs. In addition WACC is obliged for donor purposes to provide a balanced budget, which can be done only by including the contribution from reserves.

In 2016, the reserves were transferred to a separate charitable foundation controlled by WACC, the “Many Voices, One World” (MVOW) foundation in Canada. This allows the funding from MVOW to be shown as income on the WACC accounts, rather than as a drawdown from reserves. The funds in MVOW are also invested and provide a varying return (the fund gained 6.8% in 2016; gained 5.5% in 2017; and lost 2.2% in 2018), and there was also a consideration that it might be possible to raise funds directly for the programme work of the foundation carried out through WACC.

Separately, a significant amount of WACC UK reserves are invested in Oikocredit (ecumenical microcredit financier), which for many years gave a 2% return but which has recently become only 1%.

ANNUAL DEFICIT PROBLEM

All other factors remaining constant, WACC needs to raise a minimum of \$500,000 (Canadian dollars) annually (42k/month) to cover core budget costs and avoid using up its reserves. In 2019, WACC started with \$3,979,000 in reserves (\$2,867k in MVOW, \$167K in the Staff Home Equity program; \$285k in WACC CA's bank

accounts; \$400k of WACC UK funds invested in Oikocredit shares, and \$260k in WACC UK's bank accounts).

If WACC draws down \$500k a year from its reserves, it will have to wind up operations in 4-5 years (assuming about \$1-2m in wind up costs). This means that any significant draw down on the reserve funds now (for any reason) will deplete it faster and, without enough time or funds to recover, shortening the life of WACC.

RESERVE FUNDS CONSOLIDATION

WACC CA's reserve funds in MVOW have gained up to 6.8% per year (though they also lost value by 2.2% in 2018 this did not cancel out an overall gain), while the WACC UK reserves in Oikocredit make 1% and those in its Cash Reserves make nothing. Consolidating WACC UK's reserve funds with WACC CA's (under the MVOW foundation) – subject to any legal constraints that might be imposed by Canada or UK charity law – would likely yield WACC Global another \$30,000 to 60,000 per year and reduce the current budget shortfall accordingly.

WACC UK's fundraising efforts might also be enhanced if it shows income from WACC CA (instead of annual deficits and a large reserve).

Most of WACC's expenses and liabilities for both WACC CA and WACC UK are incurred in Canada, so it might make sense to invest reserve funds in MVOW (Canada). However, legal advice obtained suggests that WACC would need to exercise care in the way that this is done, and for this to be reflected in the Memorandum of Understanding between WACC UK and WACC Canada.

There might also be other possibilities such as fund investment in the UK, given current instability in the pound sterling exchange rates meaning that it might not be a propitious time to transfer money out of sterling

CORE BUDGET FUNDING

Over the past two years, staff have made many attempts to find core budget funding in the light of a shift in donor perceptions that there is a value-added in working with established civil society organizations with expertise and a track record in particular issues. However, while some donors are willing to include a percentage of overheads in relation to a particular initiative, so far none has recognized the value of WACC as an institution. This means that we can only cover a fraction of core budget costs using this mechanism.

The ideal would be to reach an agreement with a funding partner that believes in the notion of communication rights and media democratization and in what WACC is trying to achieve as an institution. There are few signs that such a goal can be realized. Other options – such as setting up a social enterprise that might bring in income, or gifts and legacies – need to be explored in detail. However, capital investment is risky and a dwindling membership might not generate much revenue.

Recommendation

That the Board request the Treasurer and the General Secretary, in cooperation with the President, bring a document for discussion and/or decision to the Officers in November 2019, taking into account any current or projected MOU between WACC UK and WACC Canada.

WACC Global Core Operating Budget Analysis (CAD)

		2019	2020	2021
Core Funding				
BfdW Core (Euro 460K)	55%	685,400	685,400	685,400
United Church of Canada	1%	10,000	10,000	10,000
ACT Hosting Fee	4%	53,000	53,000	53,000
TCC Rental Income	0%	6,000	6,000	6,000
Subscription Fees	0%	1,000	1,000	1,000
Membership	1%	10,000	12,000	13,000
Other	1%	9,025	10,025	11,025
Total Core Funding	62%	774,425	777,425	779,425
<i>Total Monthly Core Funding</i>		<i>64,535</i>	<i>64,785</i>	<i>64,952</i>
Global Overhead Expenses				
Administration	1%	10,515	10,830	11,155
Public Outreach	3%	41,680	40,840	42,036
Amortization	1%	17,000	17,510	18,035
Dues & Subscription	0%	5,785	5,816	5,848
Insurance	0%	6,071	6,253	6,441
Interest & bank charges	1%	9,648	9,937	10,236
Maintainance	1%	12,000	12,360	12,731
Audit, Legal & Professional fee	4%	47,627	43,785	45,099
Rent and utilities	9%	108,000	111,240	114,577
Wages & Contract Services	73%	913,708	934,542	962,794
Telephone and internet	0%	4,500	4,635	4,774
Travel and accomodation	2%	21,090	21,723	22,374
Governance Expenses	4%	55,000	56,650	58,350
Total Overhead	100%	1,252,624	1,276,123	1,314,449
<i>Overhead (excluding staffing)</i>		<i>338,916</i>	<i>341,581</i>	<i>351,655</i>
<i>Monthly Overhead (excluding staffing)</i>		<i>28,243</i>	<i>28,465</i>	<i>29,305</i>
Core Budget Surplus/(Deficit)	-38%	(478,199)	(498,698)	(535,024)
<i>Monthly Surplus/(Deficit)</i>		<i>(39,850)</i>	<i>(41,558)</i>	<i>(44,585)</i>
Real Estate Investment (CA)		167,356	167,356	167,356
<i>2018 Capital Gains Utilized in 2019</i>		<i>78,000</i>	-	-
<i>2018 Capital Recovery Utilized in 2019</i>		<i>207,000</i>	-	-
<i>Total Cash Available (used in 2019)</i>	23%	285,000	-	-
Many Voices, One World Fund (CA)		2,867,207	2,930,255	2,688,039
<i>Projected Gains/(Losses)</i>		<i>124,228</i>	<i>120,501</i>	<i>124,116</i>
<i>Projected Drawdown</i>	-5%	<i>(61,179)</i>	<i>(362,717)</i>	<i>(394,964)</i>
<i>Projected Net Gain/(Draw)</i>		<i>63,048</i>	<i>(242,216)</i>	<i>(270,848)</i>
Oikocredit Investment (UK)		402,500	406,525	410,590
<i>Projected Gains/(Losses)</i>	0%	<i>4,025</i>	<i>4,065</i>	<i>4,106</i>
WACC UK Cash Reserves (UK)		262,694	130,674	(5,307)
<i>Projected Drawdown</i>	-11%	<i>(132,020)</i>	<i>(135,981)</i>	<i>(140,060)</i>
Revised Core Funding Deficit		-	0	-