



## **Finance report to the General conference – Lima Peru Dec 2015**

### **2012 – 2015 financial performance (appendix A)**

A general note is that IFWEA's project audit reports and overall organisation audit for the four years ending 31 December 2014 have all had unqualified independent audit reports – a clean state of financial affairs.

#### ***Income statement (appendix A 1 of 2)***

The past four years have proved to be very stable in terms of IFWEA's finances. Careful planning has resulted in not only achieving 100% success in terms of planned project activities but the financial stability has indeed been a matching success story.

IFWEA's affiliation fees have stabilised but the extent of bad debt illustrates both the financial difficulty of the affiliates and the opportunity for IFWEA to extend its programmatic support.

IFWEA's financial stability is strongly supported by the partnerships developed and continued project funding support from Olof Palme Center (OPC) and Arbetarnas Bildningsförbund (ABF), amongst others, over the past four years.

The long term nature of the funder relationships has ensured sustainable delivery of project activities which would not have been possible if the contracts were on an annual adhoc basis.

Incorporating the four year cyclical nature of IFWEA's finances culminating in the General Conference (GC), the executive planned IFWEA's activities to include the YGAP programme which, whilst providing an excellent globalisation education exchange programme, assists in providing IFWEA with a small discretionary surplus. The discretionary surplus accumulates over the three years (amounted to US\$154k) prior to the GC ensure IFWEA is able to meet its constitutional obligation of holding the GC which is forecast to be a loss year of \$14k.

Aggregate direct project costs over the past four years have amounted to \$473k. A significant portion of the secretariat costs may be attributed to the project costs but are separated to ensure transparency and are excluded from the \$473k.

#### ***Balance sheet (appendix A 2 of 2)***

IFWEA's balance sheet takes a snapshot of the Assets, Reserves and Liabilities at the end of each of the calendar years.

I felt it worthy to reflect on the reserve position at 31 December 2011, being \$38 130 and comparing it to the expected reserve position at 31 December 2015, being \$110 832.

It is with these reserves that IFWEA is able to commit and deliver against planned activities:

- without delaying implementation due to lack of cash flow;
- despite global financial volatility including currency fluctuations, increased travel costs, and similar events which are all beyond IFWEA's control;
- in addition to ensuring sufficient funds are available in times of funding gaps;
- in addition to providing a reserve for succession or severance.

## **2016 – 2019 forecast (appendix B)**

### ***Income statement for the four years 2016 to 2019 (appendix B 1 of 2)***

The affiliation fees continue play a vital role in contributing to IFWEA's financial sustainability and provide an indication of its financial independence and strength in solidarity.

The three prong income approach of affiliation fees, income generation projects and funding income will continue to be the backbone of IFWEA's financial sustainability. Two of the three sources of income, namely income generating activities (\$28 761 in 2016) and affiliation fees (\$49 518 in 2016), allow IFWEA the discretionary application of the surpluses generated from those income sources.

IFWEA enters a new phase of growth over the next four years with OPC strategic partner relationship and as a result can plan for expanded activities. This is reflected by OPC's annual funding income of \$268k for the next four year cycle. The expanded funding enables record expenditure in excess of \$300k for each of the next four years. A busy and exciting time!

The surplus accumulated for each of the first three years, (eg \$20 503 in 2016) has been set aside for two reserve funds, namely a 'Sustainability Reserve and a 23<sup>rd</sup> General Conference (GC) Reserve. The sustainability reserve meets the objectives listed above whilst the conference reserve gradually sets aside a small portion of the annual surplus for the 2019 conference.

The cumulative effect of these reserves is reflected in the balance sheet forecasts.

### ***Balance sheet forecasts at 31 December 2016 to 2019 (appendix B 2 of 2)***


The sustainability reserve is forecast to attain \$124,878 at the end of 2019. This incorporates an indicative ZAR exchange rate decline. You will note that the ZAR equivalent actually increases but the trend is that the US\$ strengthens and with this the sustainability reserve will remain stable in \$ terms.

The GC reserve accumulates until conference year, 2019, when it is fully utilised.

## **Summary**

IFWEA's financial state of affairs continue to be managed within its means, a prudent and yet gradual expansion of activities and expenditure. OPC's recognition is an endorsement of IFWEA's programmatic contribution to its affiliates and workers globally.

IFWEA's enters a new phase of activity over the next four years which promises to be an exciting time for all members.

A handwritten signature in black ink, appearing to read 'Michael Hands', is placed on a light blue rectangular background.

Michael Hands  
Registered Accounting Officer  
Michael Hands Accountancy & Financial Services

**IFWEA INCOME STATEMENT**

**Appendix A**

1 of 2

**for the four years ended 31 December 2015**

Updated 27 November 2015

	<i>Actual 2012 R</i>	<i>Actual 2013 R</i>	<i>Actual 2014 R</i>	<i>Forecast 2015 R</i>	<i>Actual 2012 \$</i>	<i>Actual 2013 \$</i>	<i>Actual 2014 \$</i>	<i>Forecast 2015 \$</i>
<b><u>INCOME</u></b>								
Affiliation Fees	533 703	673 983	735 015	693 247	62 789	70 946	70 001	49 518
Bad debts	(74 313)	(140 451)	(153 696)	(139 277)	(8 743)	(14 784)	(14 638)	(9 948)
Grants / Projects	1 943 974	1 530 137	2 194 820	2 257 484	228 703	161 067	209 030	161 249
YGAP	886 086	570 946	618 856	526 334	104 245	60 100	58 939	37 595
OPIC OLA	626 493	631 167	693 965	745 243	73 705	66 439	66 092	53 232
ABF OPIC	-	271 542	735 753	575 205	-	28 583	70 072	41 086
Other funding	431 395	56 482	146 246	200 702	50 752	5 945	13 928	14 336
Conference fee income	-	-	-	210 000	-	-	-	15 000
Interest income	31 197	49 358	71 600	75 000	3 670	5 196	6 819	5 357
	<u>2 434 561</u>	<u>2 113 027</u>	<u>2 847 739</u>	<u>2 886 454</u>	<u>286 419</u>	<u>222 424</u>	<u>271 213</u>	<u>206 175</u>
<b><u>EXPENDITURE</u></b>								
Project costs	785 255	985 720	1 378 807	2 036 517	92 383	103 760	131 315	145 466
YGAP	228 390	190 189	304 829	287 694	26 869	20 020	29 031	20 550
OPIC OLA	556 865	523 989	501 301	501 896	65 514	55 157	47 743	35 850
ABF OPIC	-	271 542	572 677	467 408	-	28 583	54 541	33 386
Conference fee expenditure	-	-	-	779 520	-	-	-	55 680
Staffing	630 492	756 477	793 542	843 994	74 176	79 629	75 575	60 285
Office expenditure and other costs	226 497	224 439	192 931	199 569	26 647	23 625	18 374	14 255
	<u>1 642 244</u>	<u>1 966 636</u>	<u>2 365 280</u>	<u>3 080 081</u>	<u>193 205</u>	<u>207 014</u>	<u>225 265</u>	<u>220 006</u>
<b>NET SURPLUS/(DEFICIT) for the year</b>	<b><u>792 317</u></b>	<b><u>146 391</u></b>	<b><u>482 459</u></b>	<b><u>(193 627)</u></b>	<b><u>93 214</u></b>	<b><u>15 410</u></b>	<b><u>45 948</u></b>	<b><u>(13 831)</u></b>
Year end exchange rates	1				8.50	9.50	10.50	14.00

**Notes**

1 Exchange rates are approximate averages for the calendar years

**IFWEA - BALANCE SHEET at 31 December 2012 to 2015**

	Actual <b>2011</b> <u>R</u>	Actual <b>2012</b> <u>R</u>	Actual <b>2013</b> <u>R</u>	Actual <b>2014</b> <u>R</u>	Forecast <b>2015</b> <u>R</u>	Actual <b>2011</b> <u>\$</u>	Actual <b>2012</b> <u>\$</u>	Forecast <b>2013</b> <u>\$</u>	Actual <b>2014</b> <u>\$</u>	Forecast <b>2015</b> <u>\$</u>
<b>ASSETS</b>										
Non-current assets		16 002	15 484	11 546	7 509	-	1 883	1 630	1 100	536
Cash		945 079	1 273 537	1 484 215	1 294 625	-	111 186	134 057	141 354	92 473
Other current assets		243 821	236 095	330 628	330 628	-	28 685	24 852	31 488	23 616
		1 204 902	1 525 116	1 826 389	1 632 762	-	141 753	160 539	173 942	116 626
<b>EQUITY &amp; LIABILITIES</b>										
Equity	<b>324 104</b>	<b>1 116 421</b>	<b>1 262 814</b>	<b>1 745 273</b>	<b>1 551 646</b>	<b>38 130</b>	<b>131 344</b>	<b>132 928</b>	<b>166 216</b>	<b>110 832</b>
Current liabilities		88 481	262 302	81 116	81 116		10 410	27 611	7 725	5 794
		1 204 902	1 525 116	1 826 389	1 632 762		141 753	160 539	173 942	116 626
Year end exchange rates ZAR / US\$						8.50	8.50	9.50	10.50	14.00

**Notes**

1 Exchange rates are approximate averages for the calendar years

**IFWEA INCOME STATEMENT Summary forecast**

Appendix B

1 of 2

**for the four years ending 31 December 2019**

	<i>Notes</i>	<i>Forecast</i> <b>2016</b> <i>R</i>	<i>Forecast</i> <b>2017</b> <i>R</i>	<i>Forecast</i> <b>2018</b> <i>R</i>	<i>Forecast</i> <b>2019</b> <i>R</i>	<i>Forecast</i> <b>2016</b> <i>£</i>	<i>Forecast</i> <b>2017</b> <i>£</i>	<i>Forecast</i> <b>2018</b> <i>£</i>	<i>Forecast</i> <b>2019</b> <i>£</i>
<b>INCOME</b>									
Affiliation Fees		693 247	693 247	693 247	693 247	49 518	49 518	49 518	49 518
Bad debts		(139 277)	(139 277)	(139 277)	(139 277)	(9 948)	(9 948)	(9 948)	(9 948)
Grants / Projects	<b>1</b>	4 152 650	4 172 783	4 193 922	4 489 118	296 618	298 056	299 566	320 651
YGAP		402 650	422 783	443 922	466 118	28 761	30 199	31 709	33 294
OPC - Core funding		3 750 000	3 750 000	3 750 000	3 750 000	267 857	267 857	267 857	267 857
General conference fee income		-	-	-	273 000	-	-	-	19 500
Interest income		75 000	75 000	75 000	75 000	5 357	5 357	5 357	5 357
		<u>4 781 620</u>	<u>4 801 752</u>	<u>4 822 892</u>	<u>5 118 088</u>	<u>341 544</u>	<u>342 982</u>	<u>344 492</u>	<u>365 578</u>
<b>EXPENDITURE</b>									
Programme costs	<b>1</b>	2 457 833	2 207 833	2 150 333	1 929 154	175 560	157 702	153 595	137 797
Secretariat	<b>2 - 5</b>	2 036 749	2 179 321	2 331 874	2 495 105	145 482	155 666	166 562	178 222
General conference	<b>6</b>				1 040 000	-	-	-	74 286
		<u>4 494 582</u>	<u>4 387 154</u>	<u>4 482 207</u>	<u>5 464 259</u>	<u>321 042</u>	<u>313 368</u>	<u>320 158</u>	<u>390 304</u>
<b>NET SURPLUS/(DEFICIT) for the year</b>		<b>287 038</b>	<b>414 598</b>	<b>340 685</b>	<b>(346 171)</b>	<b>20 503</b>	<b>29 614</b>	<b>24 335</b>	<b>(24 727)</b>
Allocated to sustainability reserve	<b>7</b>	150 000	165 000	181 500	199 650	10 714	11 786	12 964	14 261
Allocated to (withdrawn from) general conference reserve	<b>8</b>	137 038	249 598	159 185	(545 821)	9 788	17 828	11 370	(38 987)
Year end exchange rates	<b>9</b>					14.00	14.00	14.00	14.00

**Notes**

- 1** Assumes OPIC core funding of SEK2.5m for years 2015 to 2019. YGAP activities continue.
- 2** Secretariat includes staffing of 75% General Secretary salary plus full time Administration, Project Manager and 60% of Communications Coordinator.
- 3** Secretariat costs assume a 7% inflation per annum.
- 4** Secretariat costs include audit, accounting services and office expenditure.
- 5** 60% of Secretariat staffing costs are attributable to the Education and Research programme activities.
- 6** The 2019 General Conference (GC) total expenditure assumes a 30% increase on 2015 conference costs. An estimated 30% of the GC costs may be attributed to programme activities.
- 7** The sustainability reserve provides stability in times of unpredictable shortfalls in funding, adverse inflation / exchange rate movements and provides a severance reserve.
- 8** The general conference reserve sets aside funds every year to assist with the large conference costs every fourth year. It is fully utilised in 2019.
- 9** Exchange rate assumed \$1 = ZAR14; €1= ZAR15; SEK1 = ZAR1.50

**IFWEA - BALANCE SHEET Summary forecast**

<u>years ending 31 December</u>	<b>Notes</b>	Forecast <b>2016</b> <u>R</u>	Forecast <b>2017</b> <u>R</u>	Forecast <b>2018</b> <u>R</u>	Forecast <b>2019</b> <u>R</u>	Forecast <b>2016</b> <u>₤</u>	Forecast <b>2017</b> <u>₤</u>	Forecast <b>2018</b> <u>₤</u>	Forecast <b>2019</b> <u>₤</u>
<b><u>ASSETS</u></b>									
Non-current assets	<b>1</b>	3 472	100	100	100	248	7	7	6
Cash	<b>2</b>	1 585 700	2 003 670	2 344 354	1 998 183	113 264	143 119	167 454	111 010
Other current assets	<b>3</b>	330 628	330 628	330 628	330 628	23 616	23 616	23 616	18 368
		<b>1 919 800</b>	<b>2 334 398</b>	<b>2 675 082</b>	<b>2 328 911</b>	<b>137 129</b>	<b>166 743</b>	<b>191 077</b>	<b>129 384</b>
<b><u>EQUITY &amp; LIABILITIES</u></b>									
Equity		1 838 684	2 253 282	2 593 967	2 247 796	131 335	160 949	185 283	124 878
Sustainability reserve	<b>4</b>	1 701 646	1 866 646	2 048 146	2 247 796	121 546	133 332	146 296	124 878
General conference reserve	<b>5</b>	137 038	386 636	545 821	-	9 788	27 617	38 987	-
Current liabilities	<b>3</b>	81 116	81 116	81 116	81 116	5 794	5 794	5 794	4 506
		<b>1 919 800</b>	<b>2 334 398</b>	<b>2 675 082</b>	<b>2 328 911</b>	<b>137 129</b>	<b>166 743</b>	<b>191 077</b>	<b>129 384</b>
Year end exchange rates	<b>6</b>					14.00	14.00	14.00	18.00

**Notes**

- 1** Non-current assets generally comprise of computer equipment, equipment and furniture. Assets are depreciated in accordance with accounting policies.
- 2** Cash assumes the annual surplus or deficit movement plus any depreciation.
- 3** Whilst there may be movements in both current assets and liabilities these are not expected to be material and have been left static for illustrative purposes.
- 4** The sustainability reserve provides stability in times of unpredictable shortfalls in funding, adverse inflation / exchange rate movements and provides a severance reserve.
- 5** The general conference reserve sets aside funds every year to assist with the large conference costs every fourth year. It is fully utilised in 2019.
- 6** The indicative exchange rate in 2018 highlights the volatility of the sustainability reserve when measured in US\$.