

FFC FINANCIAL SUMMARY 2011-2012

Friends for Children Income and Expense Summary Statement For the year ended August 31st 2012					
Receipts:	Note	GBP	2011 GBP	Movement GBP	%
Members' contribution	1	6,126	5,144	982	19.09%
Other Income	2	865	992	-127	-12.80%
Bank Interest	3	14	12	2	16.67%
Total		7,005	6,148	857	13.94%
Payments					
Grant to partners	4	6,119	5,662	457	8.07%
Other payments	5	0	201	-201	100.00%
Bank charges	6	100	118	-18	-15.25%
Total		6,219	5,981	238	3.98%
Excess of income over payments		786	167	619	370.66%
Balance Brought forward		14,017	13,850	167	1.20%
Fund balance as at 31/08/2012		14,803	14,017	786	5.60%
Fund Balance Represented by:-					
Barclays Bank - current account		10,607	9,835	772	7.85%
CAF - Saving account		4,196	4,182	14	0.33%
		14,803	14,017	786	5.61%
Ckk		0			

Notes to the accounts

	Amount
1 Members' contribution	
Sep'11	535
Oct'11	505
Nov'11	505
Dec'11	517
Jan'12	505
Feb'12	505
Mar'12	505
Apr'12	631
May'12	485
Jun'12	443
Jul'12	516
Aug'12	474
Total	<u>6,126</u>
2 Other Income	
Tax Rebate - Inland Revenue	863
Just giving - tax rebate	<u>2</u>
Total	<u>865</u>
3 Bank Interest from CAF bank on saving account	<u>14</u>
4 Grant to Partners	
Redeem the Generation	3890
ISAPSO	2229
Total	<u>6,119</u>
5 Other Payments	
Web-hosting	0
Just Giving monthly subscription	0
Total	<u>0</u>
6 Bank charges on transfer to partners	<u>100</u>

Treasurer's Summary Notes

1. Members contribution:-

a) By financial year

Compared to 2010, there is a drop of 41% in members' contribution in 2011 and 16% in 2012. This is due to:-

- a loss of 3 members contributing £56/month. (one member quit in 2011 and 2 dropped out since July 2012)
- loss of matched giving by employer of one of our members and
- a few months discontinuation of significant contribution by one of our members. Fortunately; this was rectified and membership re-instated with an additional contribution i.e. from. £100 to £120 per month.

As shown below Member's contribution showed a significant drop in 2011 and 2012 compared to 2010 due to the above reasons.

Year	2010	2011	2012
Contributing members	26	25	25
Annual contribution	7267	5144	6126

b) By major contributors

In 2012 87% of FFC's income came from member's monthly contribution and 13% was a rebate from inland revenue through Just Giving scheme. The average monthly contribution over this period was £511 and the table below shows the break down of this contribution by members

	No of Member	Monthly contribution in £	Ratio to total contribution
	1	120.00	23%
	1	60.00	11%
	1	50.00	10%
	1	25.00	5%
	4	80.00 (i.e. 20 per member)	16%
Total	8	335.00	65%

As can be seen from the above table; 31% of FFC members contribute 65% of the total fund. Whilst this very generous contribution of members allowed FFC to sponsor 50 children; the dependence of the charity on member's contribution in general and on major contributor's in particular exposes the charity to a risk of defaulting in it's commitment should it lose one or more of it's major contributors.

2. Exchange rate impact

The average exchange rate in 2008 was £1= ETB 16. Following the devaluation of Birr in August 2010; average exchange rate in 2012 stood at £1 = ETB 28. The drop in value of Birr compounded by over 30% inflation in Ethiopia meant that the purchasing power of Birr has significantly diminished and monthly grant of Birr 250.00 FFC paid for each child could only buy 50% or less of what it used to buy in 2008. As can be seen from the financial statement:-

Grant paid in 2010 = £5190.00

Grant paid in 2011 = £5662.00

Grant paid in 2012 = £6119.00

The rise in the amount of grant paid by FFC is mainly due to increase in the number of beneficiaries from 40 in 2010 to 50 in 2011/12.

The unfavourable fluctuation of exchange rate and the growing inflation in Ethiopia continued to erode the purchasing power of the Birr. In view of the above; FFC officers proposed to fix the grant payment in £ so that beneficiaries will not lose out due to unfavourable rate fluctuations.

This proposal was communicated to all members and received an overwhelming approval by members. The officers have since implemented this approval and the monthly grant paid to each child is now the equivalent of £12.00. Due to the rate fluctuation and to maintain consistency, the officers have advised partner organizations to pay beneficiaries ETB 300 monthly and any exchange gain be paid to each beneficiaries saving account. This enabled both partner organizations and FFC to monitor grant payment and disbursement in a consistent manner, while allowing beneficiaries to collect fixed amount on a monthly basis.

3. Reserve

The memorandum of understanding signed with our partners stipulated that a minimum of 6 months notice has to be given by either party to bring the sponsorship program to an end. In line with this, the AGM approved the maintenance cost of 6 months to be kept as reserve. The officers have adopted this resolution and have maintained the reserve at this level.

4. Recommendation

Due to heavy dependence on member's contribution only and lack of capacity to raise fund, sustainability of the sponsorship program is at risk and in order to mitigate this risk the officers would like to propose that:-

- 4.1 The number of sponsored children be limited to maximum of 50, and further recruitment of beneficiaries be suspended. The exception being replacement of those phased out of the program due to age limit or any other reason.
- 4.2 The amount of reserve be raised to cover 12 months cost at the rate of £12/child for 50 children i.e. the maximum number of beneficiaries as proposed in 4.1 above. This would mean that the reserve should be raised to £7200.
- 4.3 All members are engaged in active recruitment of members and self-initiated fund raising activities.
- 4.4 The one-off lump sum amount payable to children who leave the program was the equivalent of 6 months grant, which at current rate means $£12 \times 6 = £72$. However, from the small business start-up proposals we received so far, it has been noted that this amount is too small to implement any plan. In view of this, we recommend that the lump-sum amount be raised to equivalent of 12 months' grant, i.e. £144