

*“People give me money to help people. That’s what I do.
The more money I get, the more people I help.”
(Father Ray, 1993)*

Financial Commentary 2012

Introduction



Our work continues to be inspired by the vision of our founder, Father Ray Brennan. We publish our financial statements so that our supporters can see how seriously we take our financial responsibilities and that your money is spent as you expect, according to the principles laid down by Father Ray.

In the interests of accountability and transparency, we are pleased to give our supporters more information on the financial performance of the charity in 2012 and in comparison with recent years.

A full set of professionally audited Accounts are produced each year, and this commentary is based on the 2012 Accounts, audited by Grant Thornton Thailand (Auditors) in May 2013. The full Accounts are complex, based on the organization structure set out in the next paragraph, and are not presented here. They are however, available on application to info@fr-ray.org

In accounting terms, Father Ray Foundation is divided into two main parts. These are firstly the Charitable Foundation (Father Ray Foundation), and secondly, its Projects (e.g. Father Ray Children’s Village) which provide the direct services to our children and disabled students. By and large, the Charitable Foundation receives money from various sources, which is then spent by the Projects who are looking after our children. The Projects also receive additional income direct e.g. Government support for some education costs, as well as a small proportion of donation income given directly to the Projects.

Recent Financial History

Father Ray Foundation’s recent financial history is worth covering briefly in order to improve understanding of how we operate today, and the current financial position.

Going back to 2008, the charity sustained losses resulting from the severe economic downturn in the West, and these at a time when decisions had already been taken to expand the range of services provided. The Father Ray Children’s Village and the Father Ray Day Care Center were both opened at the time. Had we been able to forecast the impact of the decisions to expand at a time of uncertainty about donations, the history of recent years may well have been different.

Nevertheless we rode that storm, and with more dedicated fundraising efforts both in Thailand and in traditional overseas markets, the new services were able to survive and prosper. There were still

however small operating losses incurred in 2009 and 2010, despite modest increases in donation income; all of which served to put pressure on reserves to cover these financially challenging years.

To balance the books, 2011 and 2012 saw a program of essential savings in the running of the Foundation, while making minimum impact on the actual services provided to our children and students. Together with vigorous fundraising we were able to make a small operating surplus in 2011, of some 3M Thai Baht, under 3% of turnover, which was reported in the previous Financial Commentary for 2011.

In 2012 we have made a somewhat larger surplus, which will be discussed later. Suffice to say however, the Foundation now believes it has achieved a position of relative financial stability, which has allowed us to believe in 2013 that some new developments could begin. The new Vocational School for People with Disabilities in Nongkhai has been completed in 2013, built with donations received since 2010, but held back in restricted funds until this year so as not to incur substantial new operating costs while the overall finances could not sustain this project.

In addition, and with confidence for the future, it has been decided to hold an Appeal in honour of Father Ray, in his 10th Anniversary Year, to build a Center of Excellence for Children with Special Needs – a subject dear to Father Ray’s heart, but which he could not provide in his lifetime. It is hoped to commence construction in the first half of 2014.

Over the years 2008-2012, Father Ray Foundation has gone from a situation of incurring losses, to one of modest surpluses, thanks to careful managing of resources, and a growth in income, despite the continuing unhelpful financial climate in the West.



Where do we get our Money from?



The total income of Father Ray Foundation, its social welfare projects, and associated activities amounted in 2012 to just over 163M THB. Of this total, about 112M THB, or two-thirds, comes from charitable donations, reflecting the importance of sustaining fundraising efforts.

In 2012, almost 29M THB came from the Thai Government, mainly for the provision of education to disabled Children and Students, and in support of other services to disabled people. We have been successful in attracting more Government funding – the 2012 figure was about 40% higher than in 2011, but there are many areas of our work the Government cannot fund, and so the reliance on voluntary donations will always be with us.

Apart from charitable donations and Government support, the balance of our income is made up of receipts from the Retreat Center (lettings and accommodation), and some other miscellaneous but minor income streams.

The share of our voluntary donation income that originates in Thailand, (compared to coming from our traditional markets in North America, Europe and other parts of Asia and Australia) is growing. In the economic climate of recent years more effort has been made to increase income from the Thai community. Even so, we still receive about 45% of our income from friends and organizations overseas, showing how important this remains, and will do so in the long-term. Included within the 55% received in Thailand, are donations from our many expat supporters and organizations who live and work here, so the overall balance is probably more like 50/50 between donations received in Thailand and those from abroad.

Financial Prudence

In financial terms, we seek to maintain a prudently run organization. That means we seek to cover our costs, and not to expand beyond our means, despite the countless extra children and students we could help. One instance of this is that we will only slowly fill the Father Ray Children's Village to capacity, as funds permit, and at present about 25% of its still possible space remains unoccupied, despite latent demand.

Also, following earlier difficult years, we have been working towards a healthier situation in regard to reserves. Some commentators would argue that a charity needs to hold at least six months operating expenditure in reserve, and probably not more than one year's turnover. Our liquid and semi-liquid reserves amount to some 115M THB, equivalent to between 8-9 months turnover in reserve; in other words without being excessive it should be enough to protect the charity in the event of any significant problem.

We are also prudent about our fundraising costs. In 2012 we spent just over 9M THB in order to raise 110M THB in voluntary donations – a fundraising cost ratio of about 8% overall. Most

observers would regard this as a prudently low level of expenditure; indeed the cost impact of fundraising proposals is always examined before new initiatives are undertaken.



Income and Expenditure in 2012

Total income in 2012 amounted to 163M THB, compared to 153M THB in 2011, and 113M THB in 2010. Of income raised in 2012, 14M THB net was restricted funds for the Nongkhai Project (Compared to 18M THB in 2011). Excluding these restricted funds, income rose by 10% in 2012 over the previous year, and by nearly 19% compared to 2010.

Within the total, donation income increased only modestly from about 110M THB to 112M THB, but Government support increased, as noted earlier, from 21M THB in 2011 to approaching 29M THB in 2012, up by around 40%.

Total expenditure on the other hand went down from 132M THB in 2011 to 129M THB in 2012 as a result of continued close monitoring of spending, despite inflationary pressures, particularly on food for our children.

The net position therefore, (excluding restricted income) moved from a surplus of 3M THB in 2011, to one of over 19M THB in 2012, which is considered a strong performance in difficult conditions and reflects very well on the performance of staff and volunteers to ensure the future is protected.

Within the Foundation's total expenditure, about 49M THB or 38%, is represented by employment costs (down by 3M THB in 2011).

Food costs remained steady at about 15M THB, around 12% of expenditures; almost the same as in 2011. Growing some of our own food enables us to save money, and our Central Purchasing

Unit ensures cost economies in buying for all projects, as well as providing filtered water for all our children from our own filtration system, donated by one of our benefactors.

Every penny is spent wisely to ensure our children get the best we can give, but every kilo of rice from our donors, makes the task a little more achievable.

We manage prudently, but we can only feed our children if your support continues. Please help us to maintain and expand the work Father Ray Brennan began and which ten years after his passing we carry on in his name, to ensure **“We never turn a needy child away.”**

