

Financial Commentary and Review of the Year 2013

“Penny for penny, no one can touch us for the amount of good work accomplished. I do not waste money given to us... as a matter of fact it is used carefully, and always for the children.”
(Father Ray Brennan)

1. Introduction



The Father Ray Foundation carries on the work, on behalf of needy children and disabled young people, that Father Ray himself started 40 years ago. When he took in his first orphan in 1974 he could not have foreseen how many more underprivileged children would come into our care all these years later. But as Father Ray said, he did not waste money then, and that financial prudence remains with us today. Despite being a significantly bigger organization, everything is directed towards ensuring those in our care come first.

Not only should we be careful with the money we receive – nearly all of which comes from donations from you, our supporters and friends; but we must be able to show you that we spend your money wisely. It is our aim to be transparent

about our finances; to be able to show where money came from, and where it was spent, and we are happy to explain to our donors just what we have done with the money you give us, however large or small your gift to us may be.

As part of the process of ensuring accountability for funds received, our finances are audited every year by an international firm of business auditors (Grant Thornton Thailand), and a full set of professional accounts produced. The full accounts are complex, and cannot be presented in this short commentary. They are however available to anyone who wishes to study them in more detail, on application to info@fr-ray.org

2. Organization and Accounting Structure

For the purpose of our accounts and for an easy guide as to how we structure ourselves, we are grouped in two main areas. Firstly the Father Ray Foundation, established in 2003, is the body which oversees all the work we do, and which directly receives most of the money that comes to us; and which is then dispersed by us to the projects who directly provide services to our children and disabled students.

We have, secondly, a Sub-Foundation for each of the 11 Projects, (e.g. Father Ray Children's Home, Redemptorist School for People with Disabilities, Father Ray Children's Village, etc.), all of which have their own financial structures and Sub-

Foundation Accounts. Around 70% of all donations are received by Father Ray Foundation; the other 30% received by the Projects (Sub-Foundations).

3. Balancing the Books



Before explaining the financial position in 2013, it is helpful to see how we have performed in recent years. It has been, and remains our objective, to ensure we live within our means, and spend only what we receive, but spend it wisely. It is essential therefore that we do not make losses we can not sustain, and therefore do not expand our operations unless we have the funds to do so. We experienced some difficult years, especially between 2008 - 2010 when the economic climate especially in the West, our traditional source of donations was under pressure. As a result we cut back on new developments in the years 2010 - 2012, in order to maintain financial stability, while still seeking not to incur losses.

At the same time we sought to put more effort into our fundraising in Thailand, which has largely been successful, and which we know in the long term we need to do as fundraising

from traditional sources in the West becomes more difficult. This subject will be touched on in more detail later.

The financially difficult years followed on from some major development in our service provision (Father Ray Children's Village and Father Ray Day Care Center both opened in 2008); Had we foreseen the worldwide economic crisis, we might not have expanded at that time; but we have ridden out that storm, and our new services survived and grew.

Nonetheless, following small operating deficits in 2009 and 2010, but with subsequent increases once again in our donations, we returned to a small surplus in 2011 and a slightly larger surplus in 2012. These enabled us to go into 2013 with confidence for the future, and in the knowledge we are financially secure.

It remains our goal to achieve modest annual operating surpluses which we can invest for the future long term stability of the Foundation.

In the light of the improvement in the last 2-3 years, we have felt sufficiently confident to look at a program of controlled growth for the future. This has resulted in an expansion in our services for disabled students through a new school in Nongkhai in Northeast Thailand, which currently has 40 students. Also, we collected funds to build a new facility at our main site in Pattaya, the Father Ray Center for Children with Special Needs in order to provide better care to the 80 children already under our care. Both of these will be covered further in the section on the use of restricted funds.

At the same time however, while we have been able to attract donations for new Projects, our first priority is to feed and educate our children and students, day in and day out. In recent years the numbers we support directly in our homes and schools has remained around 850, but there have been increased numbers of disabled people (now up to 1,600) in the local community coming to spend time with us, particularly for job placement and training, and for Special Needs Education and Support.

Income remains tight for day to day living, and thus there are some areas where we still have to control expenditure. At the Father Ray Children's Village for instance, we reported last year that about 25% of the available places remain empty, where despite demand for our help, we did not have the funds to fill the Village. That figure is now down to 20% unoccupied, so some small improvement; but as it costs around 700,000 Thai Baht to provide for each house in the Village each year, we could not meet that extra cost in 2013. Two of the ten houses remain empty for the time being. For that reason, plans to extend the Father Ray Children's Village have had to be put on hold for another year or two.

4. Where does our money come from?

Although the figures given in this and next two sections are in Thai Baht (THB) for comparison, the following exchange may help overseas readers. Approximately 30 THB equates to \$1 US, \$1 Canada or \$1 Australia; approx 40 THB converts as 1 Euro and 50 THB equates 1 GBP.

The total income of the Foundation, its sub-Foundations (Our Projects) and associated activities came to 160 Million THB in 2013. This is almost the same as 2012 (163M. THB). Of the 2013 total about 113M THB, or 71% comes from charitable donations from individual supporters and organizations in Thailand and around the world, reflecting the reliance we have on our donors, and the importance of developing our fundraising activities.

In addition, 17M THB came from the Thai Government, mainly to help meet some education costs, and support for disabled people. The Government does not contribute towards higher education as we have increasing numbers of students going on to University or Vocational Colleges; nor to living or running costs for any of our children and students. We had attracted more Government income in previous years (29M THB in 2012) and the reduction in 2013 reflects the difficult economic and political climate currently in Thailand. This decrease in 2013 has had to be made up from other sources, mostly charitable donations.

Apart from donations and Government income, the balance of our funding comes from income received at the Redemptorist Center (conference bookings and accommodation rentals), and some other miscellaneous but minor income streams. Included in these is around 2.5M THB from interest on investments, which is specifically reserved for higher education costs for students going to University or Vocational College. In recent years we have been able to bring in money given to us specifically for our Education Fund, which is then invested and from which we will earn interest every year in the future, specifically for education costs. It is important for us to know that the costs of increasing numbers of students in higher education will be securely met for the long term.

The share of our voluntary donation income that originates in Thailand has been growing in recent years. In Father Ray's lifetime, he relied heavily on donations from North

America, Europe and other overseas countries, often from people who had visited us and met Father Ray himself. Since Father Ray passed away, especially in the last five years, we have increased our efforts in Thailand, such that in 2013 we received around 52% of our donation income in Thailand. Some of this is from foreign donors living in or visiting Thailand, but the majority is from the Thai people themselves.

This means that current income is split about 50/50 between Thailand and the Rest of the World. We could not survive without the continuing generosity of our overseas donors, but the people of Thailand now also play an invaluable role in making sure our children can have a secure future; and we believe in the coming years that more funding will come from Thailand and its people. This is as it should be, but the support of our friends overseas remains critical for ensuring stability now and in the future.

5. Restricted Funds for Major Projects, Reserves and the necessary but controlled costs of raising money.



Included within our donation income is money given to us for major new developments. Since it was felt sensible to look again at possible new projects in 2012, the first phase of one has been completed (Vocational School in Nong Khai), and another started (Father Ray Center for Children with Special Needs in Pattaya).

The first students to use the new Vocational School for Students with disabilities have been using its facilities from late 2013, with around 40 on roll by May 2014.

The Center for Children with Special Needs is an urgently required facility for the many young people with learning difficulties who have been coming to us in increasing numbers over the past 4-5 years. With no specialist accommodation available however we have hardly scraped the surface of the demand for help in our local community. We started fundraising for this project, which will cost 31.5 M THB, in the summer of 2013, and at May 2014 we have secured 28M which has enabled us to begin work on the Center, and which will be completed by early 2015.

The financial consequences however are that around 17M THB in total was raised in 2013 for these two Projects. This compares to 14M THB given to restricted funds in 2012. Given that this money can only be used for the purpose for which it was donated, we have to work extra hard to ensure we still have sufficient money for our primary tasks of feeding and educating our existing children and students. Fortunately, financial performance in 2013, as explained in the next section, means that we have been able to cover our costs once the restricted funds have been deducted, and taken into account.

Moving onto the subject of Reserves, all charities will seek to retain sufficient assets to support the Foundation in the event of any unforeseen financial downturn, such as we experienced in the years 2008/09 to 2010/11.

A prudent charity will keep enough for a rainy day, but not excessive amounts that could otherwise be used for the benefit of those people it supports. It is generally considered that between 6 to 12 months of operating costs should be available; in our case we have around 120 M THB in liquid and semi-liquid assets (That is, funds we could access in an emergency), which equates to about nine months operating expenditure. We believe the level we hold is sensible and prudent, and within the commonly held guidelines for good practice.

We touch next on the necessary but controlled costs of raising money. It would be utopia if it cost nothing to raise the level of donations we do! Sadly, raising money has costs attached, and while we maximize the use of volunteers who receive no salary, we have to be professional, yet careful, in the task of raising money. We have two fundraising teams (one for Thailand and one for International activities) who comprise around five staff each dedicated to fundraising with a small administrative team in support who look after and communicate with our child sponsors and who process donations. This includes the most important task of all - saying a prompt "Thank You" for each and every gift we receive.

The cost of this essential support amounted to under 10M THB in 2013 (up about 0.5M THB on 2012- reflecting inflationary pressures). Set against the income of the Foundation, this gives what is known as the "fundraising cost ratio", which in our case is about 8.8% of donated income, or about 6.3% of total income. Even the higher figure (8.8%) which is costs set against donated income only, compares very favorably with what charities in the West would seek to achieve, where cost ratios of the order of 20-25% are considered to be appropriate.

We believe Father Ray Foundation's costs to be in line with best practice, and indeed well below what many charities would seek to achieve.

6. Summary of Income and Expenditure in 2013

Total income in 2013 amounted to 160M THB, compared to 163M THB in 2012, and 153M THB in 2011. Total income therefore remains steady. Of the income raised however, and as noted earlier, 17M THB was funds restricted for specific purposes, and therefore not available for day to day running costs of the Foundation.

Excluding restricted income means that 143M THB remained to meet operating expenditure; this compares to 149M THB in 2012 and 135M THB in 2011, meaning that unrestricted income fell by 6M THB in 2013, a decrease of nearly 4%.

Total expenditure on the other hand rose from 130M THB in 2012, to 138M in 2013, an increase of 8M THB, or 6%. This was not unexpected, as 2012 had been a year when costs had been very strictly controlled. Food cost inflation in Thailand has been high in the last 1-2 years, and despite producing some of our food on our own farm, the costs of feeding our children rose by over 10% in 2013 and represented 25% of the increase in costs at Father Ray Foundation last year. Nonetheless, our Central Purchasing Team, who buy food for all our projects did an excellent job in controlling these costs when steep price rises in many basic commodities are being experienced by the Thai people. As was noted last year, we continue to make significant savings by filtering and bottling our own water, done with filtration equipment donated to us.

The net position therefore excluding restricted funds, was a modest surplus of 5M THB.

7. Some Final Thoughts

2013 was a strong year in financial terms, with a surplus of income over expenditure, even after allowing for money given for restricted purposes. This has been the third year running when overall performance has been more than satisfactory, even though there was a slight fall-off in general (unrestricted) income. This is a concern the Foundation will monitor closely.

The most difficult years (up to 2010) have been left behind and the future is bright, not least as we continue to increase the support we get from the people of Thailand; indeed the varied income streams we have, from the domestic and international markets is a great strength for the Foundation.

We are now sufficiently strong to be able to look confidently at developing new and additional services for the many more children and disabled people who need our help. We can be optimistic for the future, as long as we remain true to our many supporters, keep vigilant in controlling cost, and continue to act prudently with your donations.

As Father Ray himself said we manage our money “carefully, and always for the children”. But we can only do this with your continued support, for which everyone of us here says “Thank you, once again”.

Your generosity means we can continue Father Ray’s work, and ensure “We never turn a needy child away”.

