

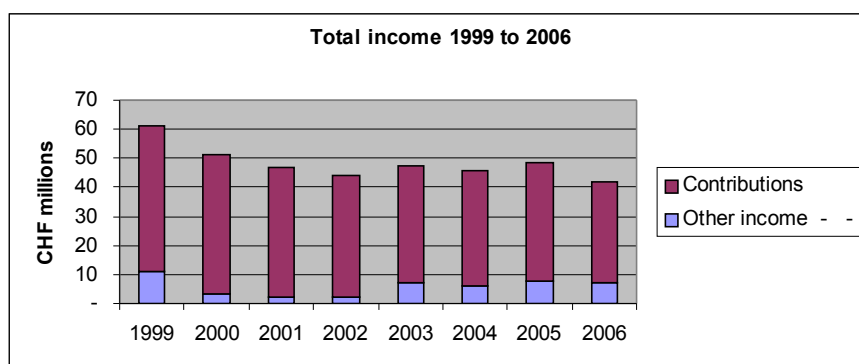
WCC Financial Profile

[sous-titre de chap.] Recent History and Current Trends

This document is an account of responsible stewardship since the last assembly. It presents a summarized financial report for the period from 1999 to 2006 and introduces the work of the assembly finance committee which will have to formulate concrete proposals for the assembly to take policy decisions for the coming years.

I. Total income and total costs

1. Total income trends

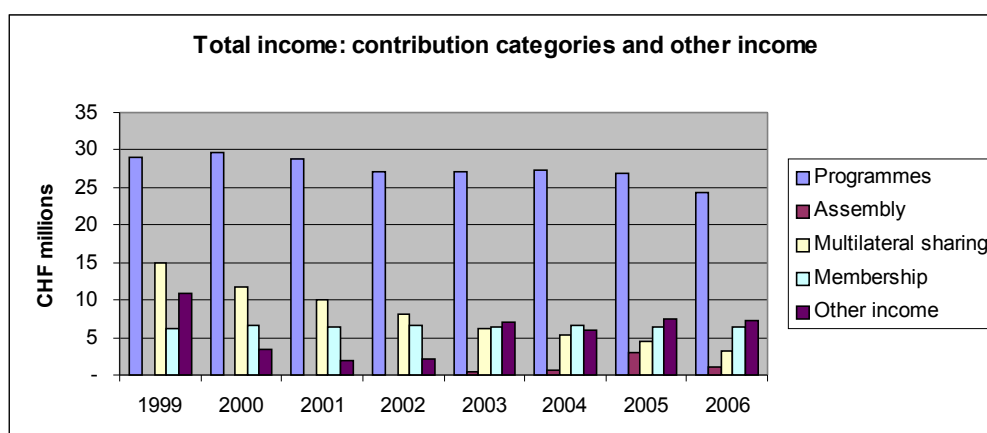


Total income has tended to **decrease at an average of 4% per year**, from CHF 61.2 million (USD 49.3 million) in 1999 to a budgeted CHF 42.2 million (USD 34 million) for 2006.

The total decrease in annual income is **over 30%** (total decrease CHF 19 million (USD 15.3 million)).

2. Trends within the income categories

Review of the same total income information by category shows that CHF 12 million (USD 9.6 million) or **63% of the overall decrease** concerns the category of **multilateral sharing contributions**.



On average over years, 75% of the year's income was **restricted** for use within specific programmes, and 25% **unrestricted**, WCC governing bodies freely determining its use.

(a) Restricted income

- (i) **Programme contributions** are earmarked for use for specific programmes. Contributions have remained relatively stable from 1999 to 2005, ranging from CHF 29 million (USD 23.3 million) to CHF 27 million (USD 21.7 million).

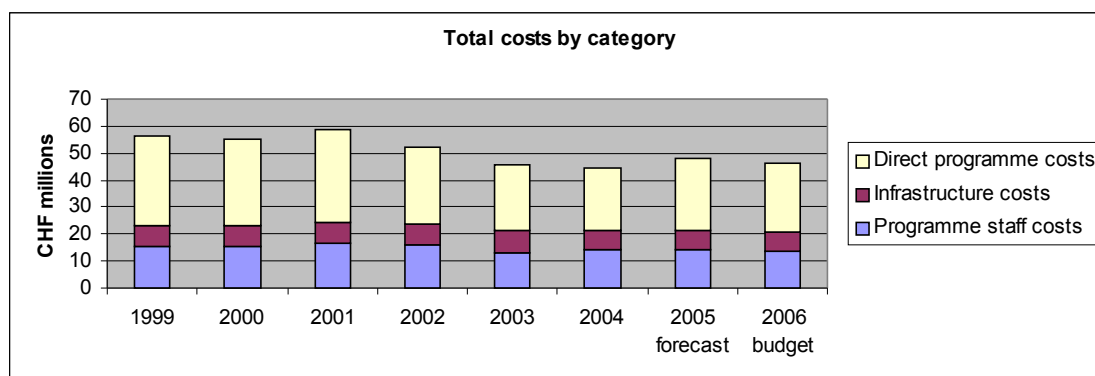
In 2006, however, programme contributions will decrease by almost 10% to CHF 24.2 million (USD 19.5 million). 2006 is a bridging year, and a time for strategic planning. The planned programme activities during this time are principally those considered necessary for carrying forward the constitutional mandate, and those which provide essential services to the wider ecumenical constituency.

- (ii) **Assembly contributions** total CHF 5.2 million (USD 4.2 million), raised from 2004 to 2006.
- (iii) **Multilateral sharing contributions** fall by almost CHF 12 million (USD 9.6 million). Multi-lateral sharing contributions have been managed by WCC Diakonia and Solidarity, supporting activities worldwide in accordance with funding partners' guidelines. The WCC's role in this work is diminishing.

(b) Unrestricted income

- (iv) **Membership** income has remained close to CHF 6 million (USD 4.8 million) over the period. The target of CHF 10 million (USD 8 million) set in Harare has not been met. Membership contributions are used at the discretion of the WCC, in contrast with programme contributions which are earmarked for specific purposes.
- (v) **Other income** includes investment income, rental income and publications income. The volatility between 1999 and 2002 was the result of record investment gains in 1999, followed by investment losses.

3. Total costs



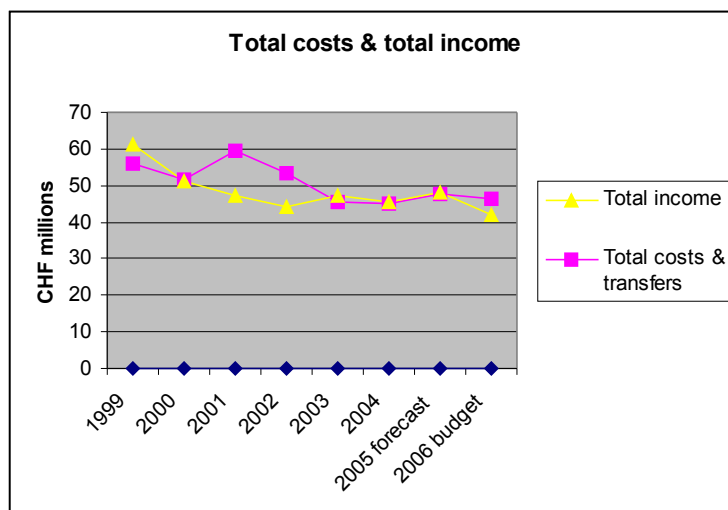
From 1999 to 2006 budget, **total costs** range from CHF 58.6 million (USD 47.2 million) in 2001 to the CHF 45.5 million (USD 36.7 million) in 2003. In 2001, CHF 1 million was expensed in restructuring costs.

Throughout the eight years, **programme staff costs** ranged from CHF 16.4 million in 2001 (USD 13.2 million) to CHF 13.3 million in 2003 (USD 10.7 million).

Infrastructure costs average CHF 7.5 million (USD 6 million) per year, ranging from CHF 8.1 million in 2001 (USD 6.5 million) to CHF 6.7 million in 2004 (USD 5.4 million). Infrastructure costs include an average of CHF 4.7 million (USD 3.8 million) in **staff costs in the management teams**,

and an average of CHF 2.9 million **operating costs**, over 50% of which concerns running and maintenance costs for the Ecumenical Centre.

4. Breaking even: total income and total costs



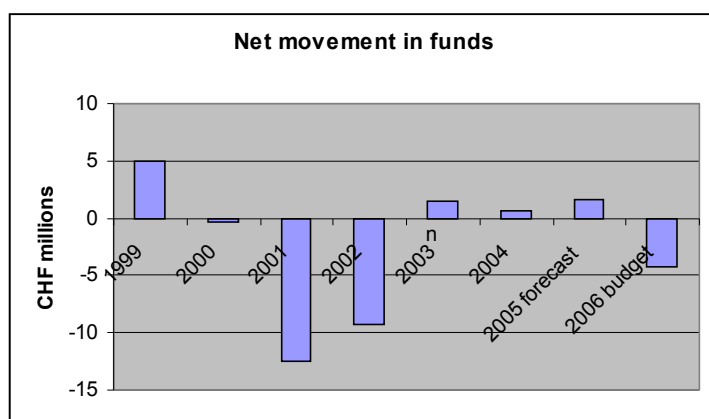
Following difficult years in 2001 and 2002, overall results **at or close to break-even** were achieved in 2003 and 2004, and are forecast for 2005.

The net results do not tell the whole story. Where costs exceeded income, was a particular restricted fund saved and held for the purpose being used, in accordance with a careful plan? Were general reserves and other unrestricted funds being used according to plan – or used abruptly to cover unplanned losses ?

From donations received most gratefully, an assembly fund was accumulated over several years. In 2006, costs will exceed income during the 12 months. The WCC's overall results will report an excess of costs compared with income, as the budgeted 2006 results indicate in the graph. However, while the assembly fund will be reduced, the budgeted results for 2006 also include a planned increase in general reserves which cannot be seen when the results on all funds are netted, as above.

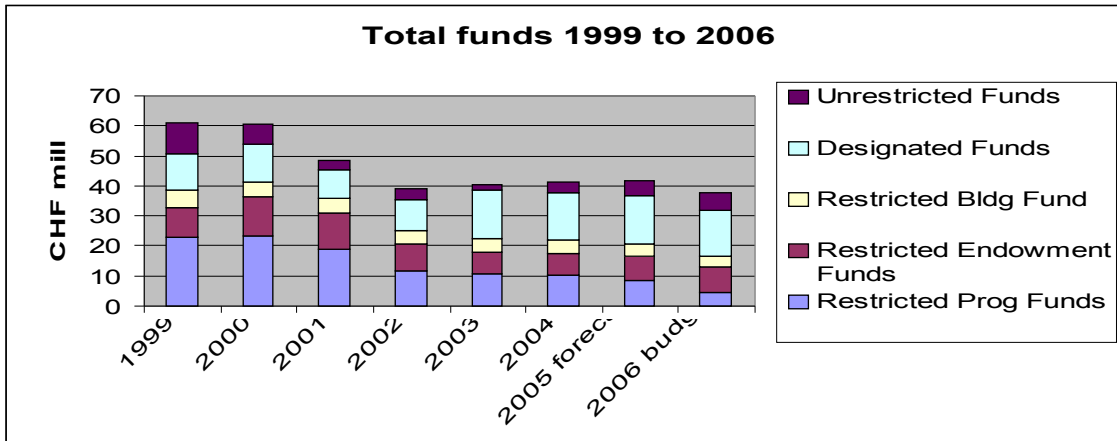
To understand the results of the WCC over recent years, it is necessary to have an overview of the evolution of the WCC's total funds. Before review of the categories of funds, point 5 first shows the value of overall fund movements per year more clearly.

5. Net results and impact on funds



During 2001 and 2002, funds were reduced by **CHF 21.8 million** (USD 17.6 million). Both restricted and unrestricted funds were affected, as explained in point 6 below.

6. WCC funds decrease by CHF 23 million from CHF 61 million to CHF 38 million



Total funds reduced (or will reduce) by 38% over the seven-year period. While the restricted programme funds diminish steadily, the overall reduction in funds occurred in 2001 and 2002, then stabilizing over years in which net results are at or close-to break-even.

Restricted funds

Of the CHF 23 million (USD 18.5 million) reduction, CHF 22 million (USD 17.7 million) is a reduction in restricted funds, substantially in programme funds. With certain funding partners, WCC undertook through formal agreement to use programme contributions in principle in the calendar year in which they were received. A prior trend of retaining programme funds from year to year was changed.

The change in pattern calls for more careful financial planning. An excess of costs compared with income can no longer readily be met by reduction of restricted programme fund balances.

Unrestricted and designated funds

Designated funds are unrestricted funds at source, then designated for a specific use by WCC governing bodies. Of total unrestricted and designated funds, approximately 70% has been designated for buildings. This means that the funds are actually invested in the buildings and equipment of the WCC; they are not readily available in cash. **Only unrestricted funds are supported by investments and cash.**

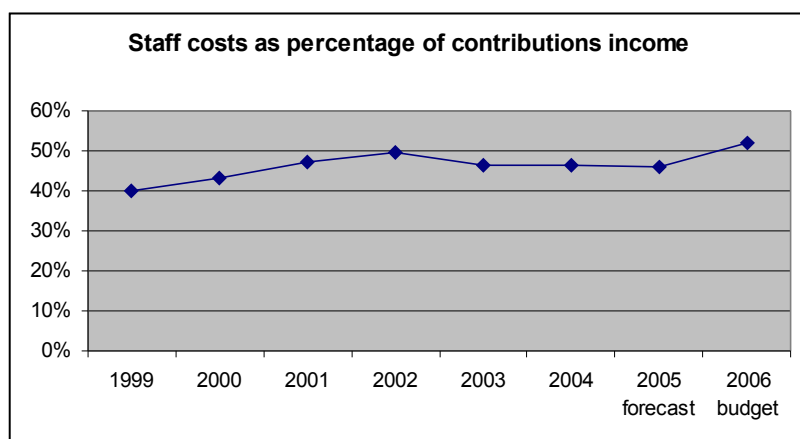
Unrestricted funds were reduced from CHF 10 million (USD 8 million) in 1999 to CHF 3 million (USD 2.4 million) in 2001 following planned and approved budget deficits of over CHF 2 million. The approved budget deficits were then exceeded by investment losses of over CHF 3 million, and unbudgeted expenditure of CHF 1 million in restructuring costs. In 2003, unrestricted funds were reduced to CHF 2 million on the recognition of further investment by WCC in its buildings, particularly at the Ecumenical Institute, Bossey, Switzerland.

Forecast 2005 and budget 2006 include a planned increase in the unrestricted funds, principally the general reserves, to almost CHF 6 million (USD 4.8 million).

II. Monitoring recent history and current trends by ratio

1. Staff costs / contributions income

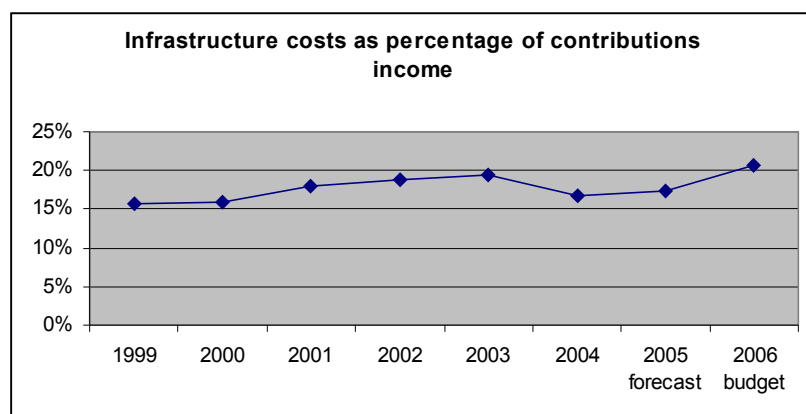
Staff costs in relation to contributions income rose steadily to 2002, and reduced after the restructuring efforts at that time. Steady in relation to contributions income over three years, the ratio is set to rise to over 50% in 2006.



Staff costs = programme staff and support service staff; no consultants included
Contributions income = programme, multilateral sharing, membership and assembly contributions

2. Infrastructure costs / contributions income

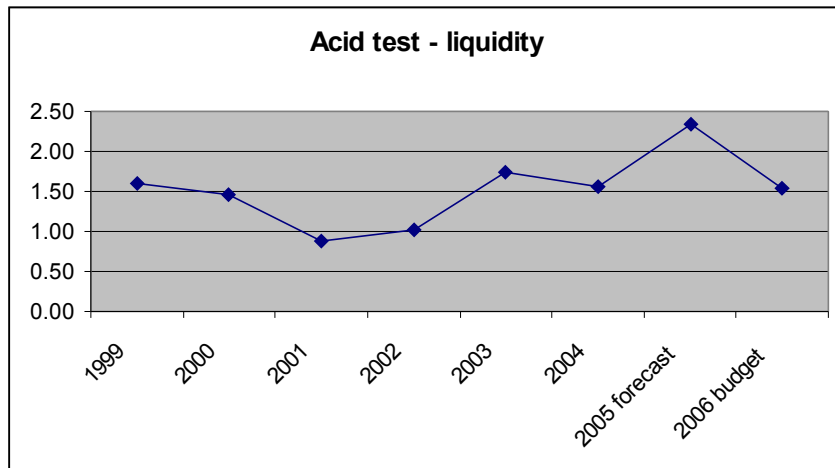
Infrastructure costs remained fairly steady from 1999 to 2003, while contributions income decreased. Infrastructure costs were reduced in 2004. Forecast 2005 and budget 2006 plan include increases in infrastructure costs causing the percentage of infrastructure costs in relation to contributions income to rise to over 20%.



Infrastructure costs = support service staff costs and support service operating costs
Contributions income = programme, multilateral sharing, membership and assembly contributions

3. Liquidity

Current assets divided by current liabilities should provide a ratio result of at least the value one, the organization thus theoretically being able to pay all short term payables from cash and other liquid assets.



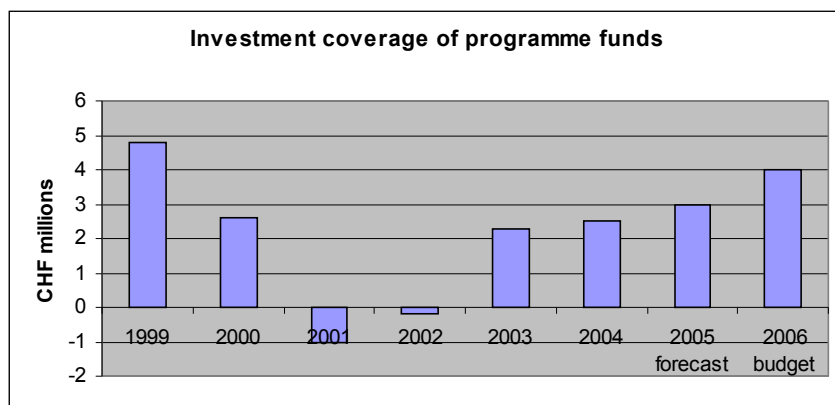
Data for 2005 prepared from draft balance sheets reviewed in cash flow planning work for Executive Committee 9/2005

In 2001, investment losses, the overall deficit, and higher level of liabilities at the year end exposed a result which raised concern.

3. General fund investments coverage of programme funds

General fund investments were accumulated while the WCC built and maintained significant programme funds. The assets in the general fund investment accounts were then available to fund the use of the programme fund in any year in which expenditure exceeded income.

Where investments exceed programme fund balances, this indicates that investments are truly those of the WCC, and not required to meet programme obligations.



The lack of coverage of programme funds by investments in 2001 and 2002 was a red flag. The excess coverage achieved from 2003 and forecast for 2005 and 2006 indicates investments at the disposition of the WCC, available to cover the general reserves in the unrestricted funds.

III. Principal financial policy and other significant developments 1999-2005

1. **2002: introduction of activity based costing (ABC)**

Operating contributions were no longer sought from funding partners to cover both programme and staff costs, together with infrastructure operating costs. Based on estimates of time spent on activities, both programme staff costs and infrastructure costs were charged to activities. The total costs of programmes and activities could be reviewed. In planning, it could be ensured that total programme contributions would be sufficient to cover the total costs of the work planned.

2. **2003: Château de Bossey renovation completed at CHF 8.7 million cost (USD 7.6 million)**

Renovation of the Château was completed. The central committee ratified mortgage loans of CHF 6.4 million to finance the renovation. Endowment funds of CHF 1.7 million were also used to finance the work. Resultant increased guest revenue from Bossey has covered the loan interest costs.

3. **2003: funds and reserves policy**

The central committee set a minimum target for general reserves of three months' salary costs, and defined general reserves as being those funds available to the WCC after meeting all obligations, but without recourse to land, buildings or other fixed assets.

4. **2003: Investment policy**

The central committee formally revised the investment policy, including the general ethical guidelines. The investment objectives for general and endowment investments were defined.

5. **2004: Plan for Ecumenical Centre renovation and maintenance**

The executive committee required that a capital expenditure plan be developed for the renovation and maintenance of the Ecumenical Centre building.

6. **2005: Towards an income strategy 2006-2008**

In discussion of the document *Towards an Income Strategy 2006-2008*, and in the light of the pre-assembly evaluation, the finance committee raised the following issues for serious consideration:

The Council has a unique role; it is in the sharpening of that role and in our communication of that role that our future funding opportunities lie.

The management culture and programme methodology need new approaches and increased visibility of programme work and results.

Continued efforts in improving the quality of WCC programmatic work and communicating this to funding partners are essential; improved planning, monitoring and evaluation are likely to be of considerable aid in building confidence, trust and the continued support of the major funding partners.

IV. Appreciation

The Council is grateful for the constancy, generosity and partnership in financial support given by the churches and specialized ministries, many of which have suffered years of financial hardship directly during the last seven years. For this true solidarity, the Council acknowledges its profound gratitude to the churches and the partners.

Note: Financial information in CHF is drawn from the WCC financial reports 1999-2004, forecast 2005 and budget 2006. Throughout, an exchange rate USD/CHF of 1.24 has been applied to provide indicative values in USD.