Financial Report for 2018

2018 has been a very challenging way in many ways and things will have to change going forward as we can't continue as we are or have done in the past. We are asset rich but cash poor and some of our assets aren't really generating enough money to even maintain themselves let alone contribute to the overall providential aspects of our movements. Of course you can argue that we are using some for our own benefits and you have to factor these in but here are some home truths for you to digest.

Value of LG – £19,500,000, Value of LH – £6,000,000, Value of CH – £2,200,000, Value of WR - £1,100,000. Take 0.5% value of property as putting aside for property repairs LG – £97,500 (budget this year £19k into HQ side, £48k into the let areas), LH £30,000 (last year spent £10k) , CH £11,000 (last year spent £19,300 from HQ + maybe £5,000 locally) WR - £5,000
Total we should be putting away on these properties alone about £143,500 per year.

In reality are putting £36k a year into a building and property reserve fund at HQ for these properties. At present this fund is about £156k, much from to the cable easement from the farm (£120,300 left from £150,000 received) so we are building up a back log of £120k which is starting to bite us as you will see below – however it is a lot better than when we didn't have a Repairs & Renewals fund.

At present Livingstone House needs £100k spent on the roof and chimneys from HQ and this could go up. Recently we had a quote for the stone work for £35k and this has now gone up to over £50k due to the extra work that needs doing to it. Cleeve House, according to a survey, needs £1.2 million spending on it over the next five years on the roof, electrics, ceilings etc. – we may be able to get this down on some level as Mervyn and Terry are managing the electrics and other works but we still facing huge bills. If we had a survey done on LG I'm sure it would also produce some eye watering numbers.

In terms of gross income: LG £300k per year, a 1.6% return on the property value (before utilities/pay, etc. which is £135k). This means £168k net to HQ which is 0.9%; CH £36k per year (which will go down to £12k next year), a 1.2% return (under 0.5% next year after utilities/pay) so this is a net figure. LH £78k per year 1.4% (before utilities/pay which are £55k). This means £23k net left which 0.4% - all of this is used to basically keep the building going with internal maintenance such as showers etc. which means that it has kept produced an average of 5k per year over the last five years but major structural work is coming from HQ. It used to cost HQ 20k a year to keep it going so we are in a lot better place but still have a long way to go. The houses on the Estate are worth £7.5 million and bring in £187k per year which is a 2.5% yield and then 30% (£65K) of this was spent reinvesting back onto the estate. Wontnor Road £40k per year (real figure £26k – we had a bad tenant) = 4% if all money coming in. This property is very different from our other properties and is a different kettle of fish as it is now used as a purely investment property. We don't use it for w/shops or Sunday Services and it is just there to produce revenue to support our activities. The Scottish properties income is about 1% by the time you take off agent fees and R & R's. The list goes on but hopefully you get some idea of the picture. Basically we have assets which are expensive to manage as well as time consuming and producing very little in terms of return of investment. As mentioned we are facing huge bills at LH and CH and something will have to give as we can't continue down this road.

Most charities of our size divide up their investable income into 63% in Equities, 18% in fixed income investments, 6% in Cash, 4% in Property and 9% in others. FFWPU has 2% in Cash and 98% in Property. If we were achieving 3 – 5% on some of the assets or the value of the assets, the landscape would be very different but we aren't and in the future we are not sure that we are going to have the manpower (voluntary or otherwise) to take care of our assets in the way we currently do.

We need to diversify, streamline and have income streamed at 3 – 5+% to pay for the outreach work that we do. I'm sure any of you reading this who has invested into buy to lets or into the stock market would not be happy with the ROIs on the above figures. This year we have not increased the department budgets (which we have for the last five years) and if we continue where we are heading these will have to be cut in future. This year we are looking to make a £41k cash flow surplus on our operations across the board. This will be swallowed up by the business manager who will take £30k + next year (if we can find one). Also being asked to fund a Finance Director – someone to crunch the numbers which Eddie does at present when Eddie is no longer the Finance Director. All of our reserves will be wiped out by the work being done on LH and CH and we are still not putting enough aside for future repairs and most of the money we have is a windfall.

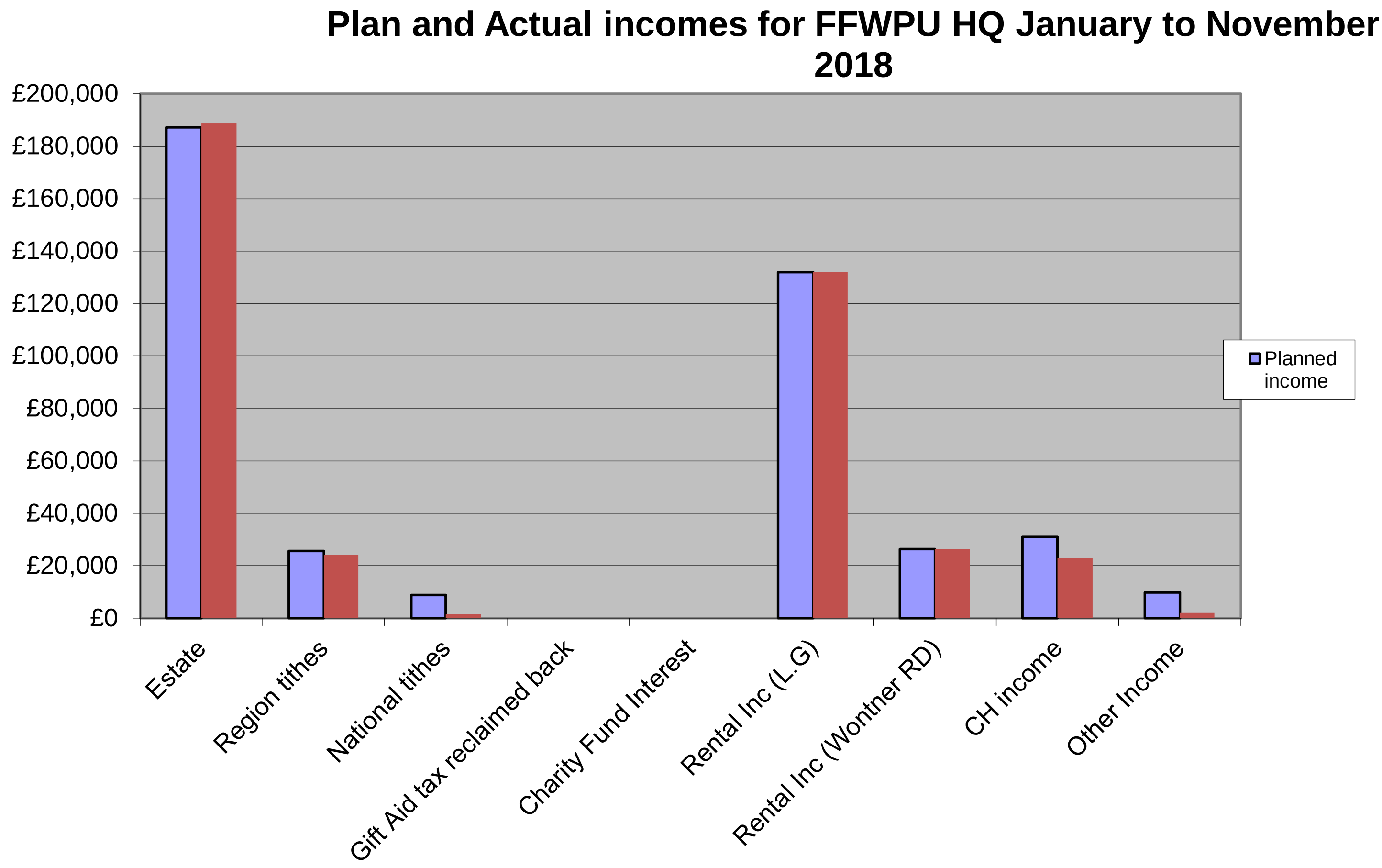
Because 2018 has been a somewhat more turbulent year than in recent years the Plan:Actual comparisons for HQ income and HQ costs show much deviation in 2018:

Income was **5.56% less** than expected (397k actual vs 420k plan) but Outgoings were **10% less** than expected (350k vs 390k) making an overall Plus against Plan of about £15,500. Some of the contributing factors to these on the income side were:

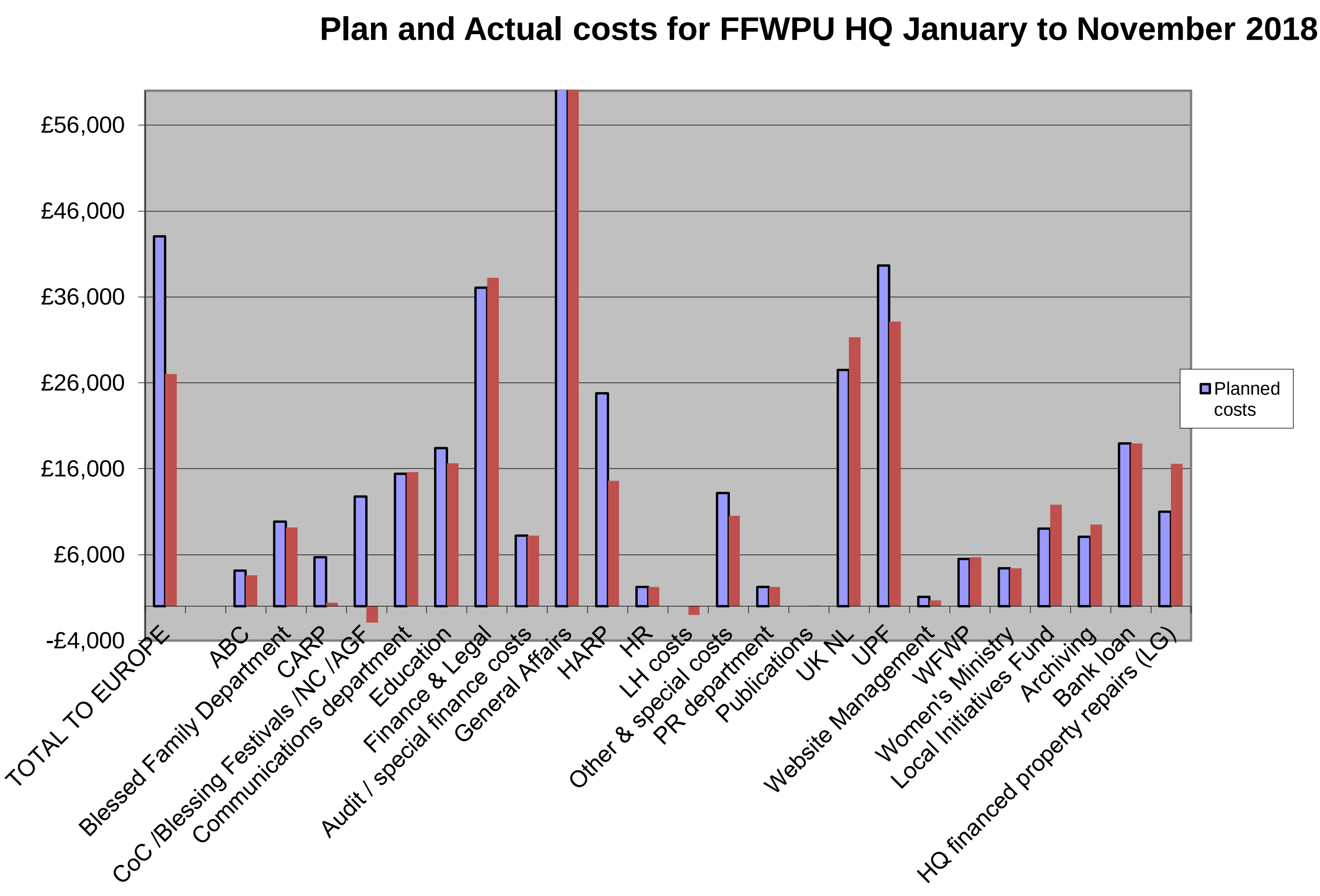
- Regional tithes were close to normal but National tithes were low. A prediction is made each year based on the previous year's income - but each year is different
- Gift Aid was zero because Natural Numbers has been a little slow in preparing the GA claim system based on QB online but there is an estimated £29,000 to be received (or more) in early 2019 to be distributed between the regions and HQ (maybe £5,000), and then GA claims will be made every three months at the push of a button
- Wontner Road on the other hand has seen one flat, 11B, put out of action altogether in 2018 which has greatly depressed income from that source.
  A major review of use of property will take place in January and all options will be discussed for each building, including those for the purely investment property Wontner Road
- CH income was also sadly depressed against our expectations at 01/01/18 for a number of reasons, and will remain weak for the majority of 2019

On the outgoing side some of the factors were:

- European tithing was deliberately depressed in 2018 to make up for over-tithing in 2015-2017
- Some departments used close to their budget in 2018 like BFD, Communications, Finance, GA, HR (new as a separate entity), PR, WFWP and Women's Ministry while others either overspent a little like UK NL, Local Initiatives Fund, HQ LG house repairs (many had a positive balance brought forward from last year so this is not a problem), while others spectacularly spent less like the CoC+ account, CARP, Education, HARP, UPF etc.



Plan and Actual incomes for FFWPU HQ January to November 2018
£200,000
£180,000
£160,000
£140,000
£120,000
£100,000
£80,000
£60,000
£40,000
£20,000
£0
Estate
Region tithes
National tithes
Gift Aid tax reclaimed back
Charity Fund Interest
Rental Inc (L.G)
Rental Inc (Wontner RD)
CH income
Other Income
Planned income



Plan and Actual costs for FFWPU HQ January to November 2018
£56,000
£46,000
£36,000
£26,000
£16,000
£6,000
-£4,000
TOTAL TO EUROPE
ABC
Blessed Family Department
CARP
CoC /Blessing Festivals /NC /AGF
Communications department
Education
Finance & Legal
Audit / special finance costs
General Affairs
HARP
HR
LH costs
Other & special costs
PR department
Publications
UK NL
UPF
Website Management
WFWP
Women's Ministry
Local Initiatives Fund
Archiving
Bank loan
HQ financed property repairs (LG)
Planned costs