

Going Concern Document

Auditor Sayer Vincent request on Going Concern basis of accounting 2025

“In order to approve a set of statutory accounts, trustees and directors are required to confirm that it is appropriate to prepare the accounts on the basis of going concern. You have to consider appropriate information to form your opinion as to whether the organisation will have sufficient funds to continue in operation meeting liabilities as they fall due for at least the 12 months from the date the accounts are approved.

We shall request from management their assessment of the going concern basis. Management could mean trustees, directors, or the senior executive team depending on the size and structure of the organisation.”

Noelia Serrano of Sayer Vincent plans to attend the Board meeting on July 3 on the matter of going concern.

Revenue Analysis

WACC received 72% of its revenues in 2024 and 2023 from BfdW. Another 9% in 2024 and 15% in 2023 came from co-funding partners as a result of the BfdW sponsored CAP programme which requires 25% matching funds from WACC or its project partners. This means that BfdW’s CAP programme affected or influenced 81% of WACC’s income in 2024 and 87% in 2023, making it the single largest revenue risk factor when assessing the organization as a “going concern.”

Other programme grants such as OPM, ELCA and PWRDF accounted for 17% in 2024 and 8% in 2023, while Self-Generated funds amounted to 3% in 2024 and 5% in 2023. The drop in Self-Generated funds is due to loss of rental and hosting income in the amount of about \$36,202 in 2024 due to market forces and WACC’s own decision to scale down its rental space cost in anticipation of such revenue challenges. The latter resulted in WACC savings of \$37,902 in 2024 which mitigated the expected rental income loss.

Reserve Fund

WACC has legacy funds invested with Aqueduct Foundation as a separate entity called the Centre for Communication Rights (CCR) valued at \$3,432,974 as at December 31, 2024

from which it drew \$225,000 in 2024 and \$128,919 in 2023 (an average of \$176,959 per year which is below the board mandated cap of \$200,000 per year).

WACC plans to drawdown \$235,539 in 2025 and similar amounts in 2026 and 2027 from the Aqueduct/CCR fund which will bring the fund balance down to \$3,020,579 (assuming a 3% growth rate annually). If this continues, the fund will be exhausted within 6 to 12 years. To preserve the fund, WACC should draw no more than 5% annually, which would be about \$171,650 of the current balance at the start of 2025. Any amount over this reduces WACC's sustainability.

Risk Assessment

In 2025, WACC requires approximately \$1,080,792 in core budget funds to operate at its current programme load. This is funded by \$680,354 or 63% by BfdW, \$235,539 or 22% by Aqueduct-CCR reserve funds, and \$164,899 or 15% by Self-Generated funds which must be raised. Only 3% and 5% was actually raised in 2024 and 2023 respectively. This means a likely core revenue shortfall of about \$102,000 which would put additional pressure on WACC's reserve funds.

Management was recently informed by BfdW that it will be cutting program funding to WACC's CAP program by 19.6% from Euro 995,000 to Euro 800,000 over the usual 4-year period.

BfdW also indicated that there are uncertainties concerning the 2-year Core Budget funding for 2026/2027 due to the recent change of government in Germany. There is therefore the possibility of a cut here as well. If also 19.6%, the Euro 920,000 normally received over two years could be reduced to Euro 740,000. This would lead to a budget shortfall of about \$134,683 in 2026 and 2027.

This coupled with a possible fundraising shortfall of about \$102,000 would mean drawing down an additional \$236,683 from the reserve funds. In other words, the fund would be reduced by \$472,222 annually and thus be fully depleted in about 4 to 7 years depending on its growth rate (which could be negative at times given present economic trends).

Possible Management Action

Addressing the risks requires strategic analysis of the current and longer term strengths, weaknesses, opportunities and threats in order to make informed decisions of the most sustainable actions forward. The possible areas of action include:

1. Self-generated funding/Investing in a Social Enterprise –

- I. Management has started to test and is considering expanding into more fully offering Communication Rights courses, resources and services for a fee.
- II. WACC would draw upon its rich history, resources and network around the subject matter to build a solid course offering year-round.

- III. A business plan will need to be written to look at the feasibility, required resources, funding and expected return on investment.

2. Finding New Donor Funding -

- I. Management has developed a list of targeted donors that are being or will be approached for funding that includes core overhead support.
- II. This area of funding possibility has not been very promising however and consultants hired in the past to assist have not proven effective.

3. Reducing & Restructuring -

- I. The SWOT analysis may call for a reorientation of WACC's priorities, programmes and structure.
- II. Areas of consideration could include, but are not limited to, closing one of WACC's two registered offices, forming operational partnerships with regional associations with legal entities, revising/reducing staff roles.

Going Concern Assessment

In the worst-case scenario, WACC has reserve funds to survive for 4 to 7 years, while the most likely outcome is between 7 to 12 years. During this period, WACC can and must find new revenue sources or make deep cuts to remain solvent.