



MUHAMMAD SUBUH FOUNDATION

REPORT TO WSC

Vancouver 2012

(July 1 2011 – May 31, 2012)

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1. INTRODUCTION

The Muhammad Subuh Foundation serves to build a lasting financial capacity for the work of the Subud community, with dedication to the long-term aims of the World Subud Association.

In order to do so, the Muhammad Subuh Foundation is involved in three main areas:

1. Building financial capacity based on sound fundraising and communication strategies
2. Preserving and maintaining the WSA financial and physical assets through a conservative investment management approach and partnership with Subud organizations
3. Supporting the long-term aims of WSA, its affiliates and its members by means of grants programs.

Strategic goals or Programs were recently established to facilitate the implementation of those 3 components, namely:

1. Fundraising and communication
2. Archives
3. Buildings and real estate management
4. Subud houses
5. Helpers work support
6. Capacity building
7. Support to the Subud international Organizations

These programs are still in the adjustment process regarding the priorities and the management of the operational activities. Therefore, they represent indicatives programs that will evolve over time.

The present MSF report to WSC gives a description of the activities, the financial aspects and the future trend of these programs for the period from July 2011 to May 2012.

However, this reporting period, defined as the period between 2 WSC meetings, is not always applicable because the fiscal year of the Muhammad Subuh Foundation is the calendar year from January to December. This was especially the case for the program related to investment management.

The need to adjust the reporting system to the WSC requirement is a good opportunity to review the various management instruments for more transparent and efficient governance and management. This represents the Muhammad Subuh Foundation's challenges for the next year.

2. FUNDRAISING

Objectives: To increase the asset-base of the Foundation through bequests, endowments, and direct donations.

Strategy: The MSF strategy for the Fundraising Program combines three components:

1. To raise awareness within the Subud community and its members about MSF roles in managing WSA assets for future generations and in supporting the long term development of Subud;
2. To inspire trust and confidence in the membership through regular and transparent reporting, and by becoming an informative, supportive resource;
3. To improve fundraising coordination and synergies between MSF, SDIA, SICA and the WSA and its members.

2.1. PROGRAM'S ACTIVITIES

2.1.1. Communication

Newsletters

Regular, professional communications are important for establishing trust and confidence, explaining the role of MSF repeatedly, and stressing the beneficial services of the Foundation. Foundation communications have been improved within the time period through the hiring of a professional marketing team, PT Begin.

Annual Report

The two absolutely essential elements forming the basis of any Program implementation effort are:

- An efficient financial management system based on a thorough internal control system with, preferably, independently-audited financial statements
- A well-crafted Annual Report. PT Begin has been hired to assist MSF with producing improved annual reports.

Website

The new Foundation website has been launched, although not yet 100% complete. PT Begin, as part of their responsibilities in creating a cohesive marketing and public relations strategy for the Foundation, is reviewing the website and will offer their input for any further improvements. Extensive information on bequests and charitable giving has been added to the website.

2.1.2. Thematic fundraising

Bequests and endowments

In an effort to increase the Foundation's capacity to attract and manage bequests and endowments, a permanent Foundation committee called the MSF Endowment Advisory Committee has been proposed and presented on the new website. This framework provides donors with the opportunity to contribute to the oversight and management of their own, and other, endowments and bequests.

As this is a permanent committee, without terms of service, it is envisaged that a knowledgeable resource-pool can be developed to assist current and future trustees with

their endowment responsibilities.

National endowments

The increase in the numbers of countries wishing to establish their own national endowments is of great concern to the Foundation, as the creation of national endowments could adversely impact the ability of the Foundation to attract bequests and endowments under the umbrella of MSF.

To address this challenge, the MSF Endowment Advisory Committee framework includes the opportunity of a national representative to provide input on the management and oversight of their national endowment under the auspices of MSF. However, due to the technical inability of MSF to provide tax benefits to donors within all countries, an alternative approach would be to sign Memorandums of Understanding (MoUs) between MSF and the national committees forming their own national endowments, so that mutual support and coordination is achieved. In order for this to be effective, the Foundation must become a true resource in the establishment and management of endowments so that the Foundation is able to provide beneficial, informative support to countries to assist them in their efforts.

2.1.3. Fundraising coordination with WSA, SDIA and SICA

In order to minimize competition for donations, bequests and endowments within the overall Subud organization, close coordination between main organizations is required. SDIA is actively seeking bequests and endowments, while SICA is active in search of non-Subud grants. The creation of MoUs addressing this issue between the four main, legally independent bodies is therefore highly recommended. Once again, the MSF Endowment Advisory Committee could serve as a platform to assist in mitigating this conflict of purpose.

2.2. MAIN PROJECT

2.2.1. The Legacy Project, preserving Bapak's words for humanity

Project's objective: To seek adequate funding for the care of the WSA archives, the preservation of the sound recordings of Bapak's and Ibu Rahayu's talks, the support of the work of the WSA Archives team, and to liaise effectively with WSA throughout this campaign.

Goal: This is a permanent campaign seeking an initial US\$ 1 million from Subud members.

Launch target: A campaign pre-launch will begin in Vancouver, June 2012.

2012 Budget: \$23,000 to be increased to \$40,000

Achievements

During the reporting period (July 2011 – May 2012), the main activities of the project were the design of a Fundraising Campaign strategy and the preparation of the required communication and implementation supports such as a prospect book, a case statement, webpage, etc.

Coordination with WSA's team has been the centre of these period's activities; it was agreed between MSF and WSA, that MSF will be the active fundraiser for the WSA archives program. Consequently, while MSF is working on the preparation of the fundraising campaign, the WSA Archives unit is preparing a 4 years actions plan with a detailed budget to document the fundraising campaign's goal.

Expenses

During the reporting period up to the end of May 2012, the expenses for the Fundraising Program were: the making of a general promotional film for MSF, a film to support the WSA archives fundraising campaign and a contract with PT Begin to assist with fundraising and marketing for 2012, totaling \$16,200.

Fundraising Program	2012 Budget	Expenses
Consultant	10,000	3,500
Fundraising films and support	13,000	12,700
Balance (remaining budget)		6,800
Total	23,000	23,000

An increase of the 2012 budget is required for the second part of the year 2012 that amounts to \$17,000.

Fundraising Program	2012 Budget	Increase	New budget
Consultant	10,000	5,000	15,000
Fundraising films	6,000	7,100	13,100
Support materials	7,000	4,900	11,900
Total	23,000	17,000	40,000

2.3. CONCLUSION AND RECOMMENDATIONS

Main issue

- ⇒ Competition from Subud organizations seeking to establish their own endowments without reference to, or coordination with, the Muhammad Subuh Foundation.

Recommendations

- ⇒ *International organizations*: Establish MoU's regarding the solicitation of endowments and bequests. Encourage transfer of existing endowments to MSF, with participation on the MSF Endowment Advisory Committee.
- ⇒ *National organizations*: Increase relations between national committees and MSF. Establish MoU's regarding endowments, and encourage transfer of existing endowments to MSF, taking into consideration the provision of tax benefits to donors, and participation on the MSF Endowment Advisory Committee.

Planning for the next year

- ⇒ Focus and priority will be given to the Legacy Project archives fundraising campaign;
- ⇒ Set up a Foundation team to seek the establishment of MoU's with other Subud organizations to mitigate the competition for bequests and endowments.

3. FINANCIAL INVESTMENT MANAGEMENT

Objective: To safeguard the contributions and bequests given to MSF to support the future growth and development of Subud in the world.

Strategy: the MSF's investment portfolio management is to preserve existing principal and seek investment income and capital appreciation in a prudent manner. This complies with MSF's Bylaws, which require the trustees to invest the foundation's assets in a prudent manner at all times. The long-term average return objective is 5 percent of total portfolio assets.

MSF implements a prudent investment approach that includes diversification of the types of investments held and their underlying currency, defined characteristics of investment instruments permitted within each investment type, and asset allocation percentages for each investment type. The current target asset allocation is as follows:

- 10% Cash and cash equivalents
- 35% Fixed income
- 45% Equity instruments
- 10% Other assets

Implementation: The investment guidelines are reviewed at least annually by the MSF board of trustees and revised as necessary to adjust to changing economic and market conditions. All investments other than cash are in the form of mutual funds or exchange-traded funds.

MSF has an Investment Advisory Team (IAT) composed of Subud members with financial management experience and a board liaison. The IAT proposes acquisitions of specific mutual funds and exchange-traded funds in accordance with the guidelines in MSF's Investment Policy. It also proposes modifications to the investment guidelines in response to changes in global financial markets and the economic environment. All proposals are reviewed by the Board of Trustees and are subject to Board approval.

3.1. THE MSF PORTFOLIOS MANAGEMENT

The MSF holds two portfolios on behalf of the WSA.

- The investment portfolio
- The Subud related enterprise securities portfolio

The Investment Policy guidelines and IAT advisory activities apply to a portfolio of investment assets referred to as the "managed investment portfolio" or the "managed portfolio".

The asset allocation and valuation of that portfolio at 31 December 2011 is shown in the following table.

Managed Portfolio at 31 December 2011		
	Valuation	Portfolio %
Cash and cash equivalents	\$747,114	30.2
Fixed income	740,528	29.9
Equity	811,330	32.8
Other assets	173,887	7.10
Total	2,472,859	100.00

Note: The managed investment portfolio is held by Fidelity Investments, a US brokerage firm. Fidelity's 2011 Investment Report shows a portfolio value at 31 December 2011 of \$2,753,956, which includes the KGC shares valued at \$281,097 (\$2,472,859 = \$2,753,956 - \$281,097)

MSF also has a portfolio of Subud enterprise securities, as indicated in the table below, that includes the Kalimantan Gold Corporation shares, as well as shares in ECL Ltd, Oakenhall Ltd and Pelham House Ltd.

Subud Enterprise Securities at 31 December 2011	
	Valuation
Kalimantan Gold Corporation (KGC) (*)	\$281,097
E.C.T. Ltd	4,084
Oakenhall, Ltd	49,286
Pelham House Ltd.	1,552
Total	\$336,019

(*): includes KGC shares received on liquidation in 2011 of Kalimantan Investment Corporation (KIC)

These two portfolios represent a total fair value on December 2011 of \$2,808,878.

MSF portfolio at 31 December 2011	
	Valuation
Managed Portfolio (*)	2,472,859
Subud Enterprise Securities	336,019
Total	2,808,878

The allocation of the 2 financial portfolios into investment categories is given in the following table:

Categories	Fair value	%
Stocks	1,637,723	58.31
Mutual funds	227,424	8.10
Subud related shares	336,019	11.96
Sub-total investment	2,201,166	78.36
Currencies	607,713	21.64
Total	2,808,879	100%

3.2. 2011 INVESTMENT PERFORMANCE

Market Performance

The value of MSF's managed investment portfolio at 31 December 2011 was USD 2,472,859, which represents a 2.20 percent decline in portfolio value for the year. The primary components of the loss were

- A decline in the value of the non-US equity portion of the portfolio. During 2011, developed markets other than the US were down between 10% and 20% (in USD) and emerging markets were down just over 20% (in USD). US equities gained 2% in 2011.

- A decline in the value of the euro relative to the US dollar.

The declines in the value of non-US Equities and the euro in MSF’s portfolio were offset by good performance in US government and corporate bonds, in particular the portfolio’s position in US inflation-linked bonds.

Realised investment income for the year was \$40,914 and the net gain on securities sold during the year was \$1,265

Main Movements in Assets

As noted above, the target asset allocation for 2011 was 10% cash, 35% fixed income, 45% equity and 10% other assets. During the year, the percentage of the portfolio holding of

- Cash was reduced from 50.5% to 30.2%
- Fixed income funds increased from 21.1% to 29.9%
- Equity funds increased from 26.9% to 32.8%
- Other Assets increased from 1.5% to 7.0%

The investment portfolio moved closer to the target allocation for each asset category in 2011. By year end, each category was about halfway to achieving its target allocation, with the exception of the equity allocation.

The variation of the categories, between year 2010 and year 2011 has been estimated as per the table below.

	2010	%	2011	%
Stocks	1,505,496	50.49	1,637,723	58.31
Mutual Bonds	59,838	2.01	227,424	8.10
Subud related shares	457,364	15.34	336,019	11.96
Sub-total investment	2,022,698	67.84	1,865,146	78.36
Currencies (cash)	959,028	32.16	607,713	21.64
Total Managed portfolio	2,981,726	100%	2,472,859	100%

3.3. SOCIALLY INVESTMENT POLICY

The Board modified MSF’s Investment Policy Guidelines to add a socially responsible investment statement that reflects the Board’s desire to invest in enterprises that are compatible with MSF’s mission to promote peace and harmony in the world and to support programs that promote the well being of mankind. However, the SRI policy acknowledges that MSF invests primarily in funds of securities and not directly in enterprises, so that it is somewhat limited in the types of socially responsible investment activities it can influence. The following SRI policy was added to MSF’s Investment Policy Guidelines at the Board’s annual meeting in 2011.

Exclusion Policy:	MSF incorporates socially responsible investment (SRI) principles into its investment analysis and decision-making processes as follows: <ul style="list-style-type: none"> ▶ MSF does not invest directly in companies involved in the following industries: armaments and firearms, gambling, tobacco, and adult entertainment.
Mutual Funds and ETFs	▶ MSF considers SRI exchange-traded funds and mutual funds when they are available; satisfy investment policy, asset allocation, and currency diversification requirements of the portfolio; and are expected to earn a return comparable to similar non-SRI funds.

Limitations on application of SRI principles	<ul style="list-style-type: none"> ▶ Because of both (a) the limited supply of SRI funds compared to non-SRI funds and (b) MSF's investment policy, asset allocation, and currency diversification requirements, MSF cannot currently invest exclusively in SRI funds. ▶ MSF acknowledges that, because it invests primarily in exchange-traded funds and mutual funds, it is not in a position to adopt either (a) a shareholder advocacy policy or (b) an exclusion policy broader than that described above
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3.4. PORTFOLIOS OF MSF FUNDS

The managed investment portfolio holds in common the assets of MSF's General Fund, the Bapak Legacy Fund, the Francois and Lucienne Farkas Fund, and the Leonard and Aisyah Parker Fund. The table below provides the asset value and share of realised income of each of these funds in USD at 31 December 2011.

	Value at 31 December 2011	2011 Investment Income	% on income
General Fund			
- <i>Managed investment portfolio</i>	\$1,320,949	21,856	53.42
- <i>Subud related portfolio</i>	\$336,019	0	0
Total General Fund	\$1,656,968	21,856	53.42
Bapak Legacy Fund	628,883	10,405	25.43
Farkas Fund	453,784	7,509	18.35
Parker Fund	69,243	1,145	2.80
Total	\$2,808,878	\$40,914	100

3.5. INCOME AND FUNDING AVAILABLE TO SUPPORT MSF'S PROGRAMS

MSF's bylaws provide that, unless otherwise provided in its annual budget approved by the WSA, no more than 10% of the general fund assets and restricted fund assets may be used to support MSF's programs, except by a vote of three-fourths of the trustees at a meeting (or by unanimous written consent).

The only existing restricted fund assets are the 3 endowment funds, none of which ever allow use of the restricted principal amount.

Each of the three permanent endowment funds included in the managed investment portfolio — the Bapak Legacy Fund, the Farkas Fund, and the Parker Fund — can distribute income only to the extent the total fund balance exceeds the fund's permanent principal amount. At 31 December 2011, the balances of all three endowments were below the permanent principal amount, by 3.6%, 1.4%, and 7.7% respectively as per the table below. As a result, investment income earned by the three funds during 2011 is not available for distribution.

	Principal Amount	Balance 31 December 2011	Variation (%)
Bapak Legacy Fund	\$652,408	\$628,883	-3.61%
Farkas Fund	\$460,000	\$453,784	-1.35%
Parker Fund	\$75,000	\$69,243	-7.68%

The principal of those funds (the whole balance at this time, because they didn't have accumulated income at 31 December) is not just restricted, it can never be used, even if MSF had no other assets. Therefore, at 31 December 2011, total assets that may be used to support MSF's programs, within the limit of 10%, amounts to \$1,320,949.

Ten percent available for MSF's annual budget would be about \$132,095.

However, at the Subud World Congress in 1997, the WSA and MSF agreed that an annual expenditure budget of up to 15% of MSF's cash reserves may be used for WSA and other MSF programs in the subsequent year.

The MSF understands the "Cash Reserves" as the liquid funds that can be used for MSF projects, hence cash plus the two investment portfolios. This was therefore interpreted as being the managed investment portfolio of the General Funds (\$1,320,949) plus the cash in a saving account (\$62,597) for coherence with the bylaws that is a total of \$1,383,546.

Consequently, fifteen percent available for MSF's annual budget would be then about \$207,531.

Finally, the approval of the MSF budget by the WSA directors fixes the distributable funds for MSF programs. For the year 2012, the approved MSF budget is \$370,000, including \$200,000 from temporarily restricted funds.

The 2012 MSF budget will be reviewed during the WSC meeting in Vancouver in June 2012.

3.6. CONCLUSIONS AND RECOMMENDATIONS

There is more work to be done to achieve the target asset allocation that will provide MSF with an appropriate diversification of assets for a prudent investment portfolio. The focus is strongly on protection of the funds that Subud members have entrusted to MSF and the total return on those funds to support the long-term development of Subud.

In addition, the MSF trustees initiated exploring the possibility to convert part of the financial assets into physical assets such as gold, land and buildings as an additional strategy of diversification for the protection of the WSA assets.

Considering the increased of market value of physical assets (see the report on Physical assets management program below), the MSF board of trustees will discuss the possibility to convert part of the financial assets into physical assets at its June 2012 annual meeting.

4. PHYSICAL ASSETS MANAGEMENT

Objectives: as per its Articles of Incorporation (point 3), the Muhammad Subuh Foundation is "To hold in custody and manage for the WSA certain valuable assets in accordance with these Articles of Incorporation and the Bylaws of the Foundation".

Strategy: The MSF strategy for the management of the international physical assets is based on three components:

1. To own the physical assets on behalf of the WSA. However, in some countries, this is not possible as in Indonesia where foreign organizations cannot own land and physical assets, unless legally registered in the country. In such cases, the MSF strategy is to transfer ownership of those international assets to national foundations and to have MSF representatives sitting on the board of those national foundations
2. To make sure that those assets are used for the benefit of the International Subud community by the signing of a Memorandum of Understanding or Agreement

between the national foundation and MSF

3. To transfer management responsibility to the user of the physical assets through a lease agreement when the ownership was not transferred by MSF

4.1. YAYASAN MUHAMMAD SUBUH (YMS)

Yayasan Muhammad Subuh (YMS) was founded in 1989 with the intention that "it should hold in custody and manage assets for the international Subud membership. As such it should be responsive and responsible to the international organization, as represented by the Muhammad Subuh Foundation (MSF), in a manner that nevertheless respects the legal autonomy of the YMS under Indonesian law."

The main activities of YMS are to look after the Subud Archives in Cilandak, maintenance of assets both in Jakarta and Kalimantan, rent of half of Bapak's house to a school, rent of Adi Puri for social events (Subud and non-Subud) and supervision of PT PCB.

As per the MoU signed on 3 July 2011, the assets that are considered assets of the World Subud Association, representing the international Subud membership, are:

- a. A house (known as *Bapak's house*) located in Wisma Subud, Jakarta Selatan (land certificate of Hak Guna Bangunan No.166/Cilandak Barat) – currently valued at approximately \$ 1 million.
- b. A house (known as the *Archives house*) also located in Wisma Subud, Jakarta Selatan (land certificate of Hak Guna Bangunan No.557/Cilandak Barat) – currently valued at approximately \$ 300,000.

The total estimated value of the assets owned by YMS on behalf of MSF is US\$ 1,300,000.

The MoU included a notarized Settlement Agreement (document available on request) to write-off the MSF loan to YMS that was primarily created as a means of preventing YMS from selling Bapak's Big House without the consent of WSA. This agreement was signed on July 3rd, 2011 between MSF and YMS chairpersons, with the WSA as witness. The rationale for MSF writing-off this loan is *attached*.

Other assets of YMS

In Kalimantan:

- The Muhammad Subuh Centre in Rungan Sari
- The Eco Village in Rungan Sari

The total estimated value of these Kalimantan assets is US\$ 500,000.

YMS is also the major shareholder of PT PCB that owns 137 hectares (known as Rungan Sari) and the Sei Gohong guesthouse. The concession permit was recently extended and is valid until 2030. PT PCB also own 2 ha in Tengkilang and 10 ha in Marang. In future, YMS may own 100% of the PT PCB shares.

Members of the YMS Board of Patrons are: Ibu Siti Rahayu Wirjohudojo, Ibu Siti Hardiyati Syafrudin, E. Olvia Reksodipoetro (representing MSF).

The accounts of YMS are audited every year. The accounts were transmitted to MSF on a regular basis.

4.2. YAYASAN SUBUD (Ys)

The original name of the organization was "Jajasan Dana Subud", established February 27,

1959, under the initiative and guidance of YM. Bapak MUH. SUBUH SUMOHADIWIDJOJO, as the founder of Subud, and the board of management at the beginning was Ir. Haryono Sumohadiwidjojo, Muh. Usman, Sardono, in deed number 112 of the notary Raden Kadiman, SH. Based on Deed number 3 of Notary Raden Soekarsono, SH, dated March 3, 1976 the organization changed name to "Yayasan Subud". Furthermore, recent organizational changes are noted in a deed under notary Yulia, SH. No.17, dated January 26, 2007.

YS is responsible for overseeing Wisma Subud and this includes procuring equipment, repairs, construction of buildings and maintaining the environment, serving the needs of residents of Wisma Subud and Subud members who do Latihan there.

As per the MoU signed on 21 June 2011 (document available on request), the assets that are considered assets of the World Subud Association, representing the international Subud membership, include the Latihan Hall, Guest House, New Guest House, cottages, and infrastructure in the complex:

- a. Land certificates 1.552 M2 HGB (No. 558 Ex Cilandak Barat - 24-07-2030) – currently valued at approximately \$ 860,000.
- b. Land certificates 2.775 M2 HGB (No. 195 Ex Cilandak Barat - 24-07-2030) – currently valued at approximately \$ 1,5 million.
- c. Land certificates 2.145 M2 HGB (No. 421 Ex Cilandak Barat - 24-07-2030) – currently valued at approximately \$ 1,1 million.
- d. The land of 1.854,88 m2 has no certificate yet – currently valued at approximately \$ 1 million.
- e. Land area 200 M2 (generator house) (this land has no certificate) – currently valued at approximately \$ 100,000.

The total land area is about 8,527 m2 with an estimated total value of US\$ 4,560,000.

Members of the YS Board of Patrons are: Ir. Haryono Sumohadiwidjojo, Ibu Siti Rahayu Wirjohudojo, Ibu Siti Hardiyati Syafrudin, Ex-officio Chair of MSF.

In July, the Wisma Subud Heritage Protection Project (WSHPP) met with the Guerrand-Hermes Foundation for Peace (GHFP) to discuss the next steps to take with the Heritage Project. Three working groups were set up to undertake the following: Concept Paper (plan for the future uses of Wisma Subud); Heritage Protection; and Land Consolidation.

Information regarding financial management of YS is not available.

4.3. AMANECER

La Fundacion Muhammad Subuh was established under Resolution Number 3007 of 1994, Ministry of Justice and Law, Republic of Colombia. Its Articles of Association are similar to those of the Muhammad Subuh Foundation.

Public Deed No. 2082 of 28 July 2001 regulates the sale of 13,075 m2 of land from "La Fundacion Amanecer" to "La Fundacion Muhammad Subuh", including a circular building (the latihan hall called Gran Salon), covering an area of 1,885 m2 for 55,000,000 Colombian Pesos.

The estimated current value of the land and the building is about US\$ 1,000,000

A lease agreement was signed between Subud Columbia and the Muhammad Subuh Foundation on July 12th, 2001 for a year (document available on request), that granted Subud Columbia the right to use and manage the Big Hall/Gran Salon and to be responsible for its maintenance, repair and insurance and the payment of the taxes. At the end of the

lease period, the lease agreement was not legally extended but both Subud Columbia and Muhammad Subud Foundation considered that the terms of the lease agreement were valid until otherwise specified by both parties.

On 1 July 2011, Jorge Bustillo and Ana Ligia Cala were legally appointed respectively as Legal Representative and Reviser Fiscal for the Muhammad Subuh Foundation in Colombia - a legal representation of the Muhammad Subuh Foundation in Columbia.

Their role is to represent the Muhammad Subuh Foundation's views on matters related to the assets held in Amanecer by the Muhammad Subuh Foundation and to ensure that these assets are being properly cared for by the responsible parties in Amanecer, and to establish a positive working relationship between on the one hand the National Committee of Subud Colombia, Fundacion Amanecer, the Subud members of Amanecer and, on the other, La Fundacion Muhammad Subuh, that is characterized by mutual trust, respect and a spirit of collaboration and partnership.

Due to the uncertain situation within Subud Colombia and Fundacion Amanecer in 2011, many meetings took place in Colombia between MSF's Legal Representative and other stakeholders. By the end of the year, with the appointment of Luqman Rivera as Chairman of Subud Colombia, the situation started to improve.

At the same time (November 5th, 2011), the MSF board of trustees took the decision to release Subud Columbia from its obligation of paying the unpaid taxes for the period 2007 - 2011, of repairing and of insuring the building, because it was considered to be too heavy a financial responsibility for Subud Columbia that may jeopardize the promising process of improvement.

Eventually, on March 4th, 2012, an agreement was signed between the MSF representative, Subud Columbia and Fundacion Amanecer, for the transfer of the land and building management to MSF, with a view towards restoring a clean and healthy financial situation before transferring back its management to Subud Columbia. Meanwhile, Subud Columbia, with the support of WSA, is planning to undertake a global audit for the establishment of a sound management capacity of Amanecer as a local, regional, national and international Subud Center.

It is estimated that the total costs of the repair of the building, its insurance and the payment of the taxes will be between US\$20,000 and US\$ 25,000.

4.4. CONCLUSIONS

The estimated value of the real estate assets is US\$ 6,860,000 without including the physical assets owned in Kalimantan:

Assets per institution	Estimated current values (US\$)
Yayasan Muhammad Subuh (*)	1,300,000
Yayasan Subud	4,560,000
Fundacion Muhammad Subuh	1,000,000
Total	6,860,000

(*): Without the Muhammad Subuh Centre and the Eco Village in Rungan Sari

The MSF relationship with these Subud institutions differs according to the effective ownership and the uses of the physical assets.

In Indonesia, MSF cannot legally own physical assets; therefore, Indonesian foundations (yayasan) were established for owning the physical international assets. The link between MSF and these Indonesian foundations is made by the presence of an MSF representative on

the board of patrons in each of the Indonesian foundations. The history of these Indonesian foundations and their respective roles and responsibilities vis-à-vis the Subud International community represented by WSA, are also different. However, the WSA and WSHPP identified a risk for the future of Wisma Subud, which requires the consolidation of the Wisma Subud land and organizations around a common vision of the future of Wisma Subud.

In Columbia, MSF is able to legally own physical assets, which it does through a legal Muhammad Subuh Foundation representation in Columbia. The recent appointment of a MSF representative after a long vacancy following the term of Marzuki Andujar, the former MSF representative in Columbia, has been a major step forward for the sound management of these physical assets.

In terms of Subud centers, the allocation of these physical assets is also significant and forms a good groundwork for the development of international centers undertaken by WSA.

Assets Subud Centers	Estimated current values (US\$)
Wisma Subud	5,160,000
Rungan Sari	700,000
Amanecer	1,000,000
Total	6,860,000

MSF believes that the benefits to the Subud Community and non-Subud communities from sound management of those assets and, above all, from well designed programs in the spiritual, cultural and social fields represent an important return from those assets. MSF is, therefore, willing to encourage and support the Subud organizations in charge of the design and the implementation of such programs.

5. ARCHIVES

Objectives: To assist the WSA in the preservation of the sound and video recordings of Bapak's and Ibu Rahayu's talks as well as in the transcription and the translation of those talks for the benefit of future generations.

Strategy: The MSF provides a yearly grant to the WSA to financially support the WSA archives program. In addition, MSF is directly implementing archival activities relating to the sound and video recordings of the talks of Bapak and Ibu Rahayu by signing time limited agreements with WSA

5.1. THE MSF - WSA ARCHIVES AGREEMENT

During the 2011 WSC meeting in Rungan Sari, Indonesia, the MSF board of trustees became aware of the critical situation of the preservation of the sound recordings of Bapak's talks. The recordings, at that time, were with Memnon, a well known digitization company, for assessment. Discussion with WSA officers and Amalijah Thompson, a sound archives specialist, gave the board of trustees the incentive to collaborate with the WSA to complete high quality digitization of the sound recordings of Bapak's talks.

MSF proposed to the WSA an agreement by which MSF will complete, using its own resources, the digitization of approximately 1200 original analogue tapes of Bapak's talks.

The terms of a contract of work (CoW) between MSF and the WSA were agreed on July 1st, 2011. This enabled the mobilization of MSF resources to begin implementation of this contract. During this preparation phase, the WSA was able to complete the pilot phase with

Memnon, which was to carry out a sample digitization of 24 tapes to better assess the magnitude of the work and prepare a Project Identification Document (PID) with a budget. The Pilot Project was completed in October 2011.

The preparation phase was a special period to build up a harmonious collaboration between MSF and WSA representatives for this project, namely Armand Bisson the newly appointed WSA archives coordinator and Bachtiar Lorot the MSF archives agreement project manager. It was also an important period for MSF to learn and understand specific issues related to the preservation of sound recordings thanks to the international expertise of Amalijah Thompson who agreed to work with MSF for this project. Amalijah completed, between July and September, an updated analysis of the sound archives situation and preservation needs and provided a report to the WSA and MSF in October 2011 which enabled preparation of the MSF – WSA archives agreement.

On December 13, 2011, the archives agreement (contract of work) was signed between the WSA and MSF. This agreement summarizes the common understanding of each party for the project's implementation and it witnesses the WSA and MSF capacities to collaborate harmoniously for that project (document available on request). The MSF – WSA agreement budget amounts to \$ 231,000 while the MSF 2012 budget provides an available fund of \$ 150,000 for the implementation of the archives projects during 2012.

5.2. THE MSF – MEMNON CONTRACT

On December 31, 2011, MSF was able to sign a contract and a Project Identification Document (the technical parameters for the digitization project) with Memnon. This was followed by a visit by Bachtiar Lorot (MSF) and Armand Bisson (WSA) to Memnon, in Brussels on January 31, 2012.

Discussions with the Memnon managing director, Michel Merten, confirmed some of the key elements of Amalijah's advice to the WSA in 2009 and summarized by Michel into 3 points:

1. Permanently monitor the stability of the digitized files
2. Awareness and the ability to adjust to changing technologies
3. Controlling authenticity of content

Permanently monitor the stability of the digitized files: The conversion from analogue to numeric/digital is the only current means available to secure the sound recordings of Bapak's talks for the future. It is also essential during this transition period to maintain the analogue recordings in pristine condition. The digital files are subject to deterioration of the bits that characterize them. They must be the subject of an active management system and permanent strategy to monitor the possibility to repair a damaged digital file.

Awareness and the ability to adjust to changing technologies: Digital formats and carriers are subject to rapid changes of technologies. In order to avoid this rapid obsolescence, it is necessary to regularly transfer the digital files across well spread and archivally safe media, probably about every 5 years.

Control of authenticity of content: The disadvantage of the numeric files is that their content can be easily changed in ways that are hard to detect. It is essential for the present Subud generation to guarantee authenticity of the original and direct receiving and guidance contained in Bapak's and Ibu Rahayu's talks to the next generations. The appropriate archives practices that incorporate the technical means will need to be put in place.

Of the 1230 sound recordings with Memnon for digitization, 823 (66.9%) had been completed by May 24, 2012 and 153 recordings (12.44%) were found to have problems needing a preliminary treatment (restoration) before being able to carry out any digitization.

The remaining 254 audio recordings will be digitized during the coming month or so.

The cost of restoration was not included in the MSF – Memnon contract because the number of sound recordings to be restored was not known. Today this extra cost is estimated to be around \$15,000.

5.3. TECHNICAL EXPERTISE FOR IMPLEMENTATION OF THE ARCHIVES AGREEMENT

In accordance with the WSA – MSF archives agreement, MSF hired a Subud technical expert in sound archives management and preservation, Amalijah Thompson, who worked for many years as an archivist for WSA. The contract was signed on April 11th, 2012.

Amalijah main tasks are related to (ToR available on request):

1. Supervision of the “final project” for digitization of the sound recordings of Bapak’s talks being carried out by Memnon, in Belgium
2. Preparation of a plan of action and a budget for the completion of the digitization of remaining sound recordings of Bapak’s talks not yet at Memnon
3. Preparation of a plan of action and a budget for management of the digital files after the completion of Memnon’s work
4. To assist MSF in setting up an effective, long term organization for management of possible future MSF – WSA archival agreements for preservation of remaining sound and video recordings of Bapak and Ibu Rahayu.
5. To provide technical advice on the making of a film about the digitization process of the sound recordings of Bapak’s talks by Memnon.

From May 25th to May 28th, 2012, Amalijah went to Alicante in Spain, to work with Olivia Lorot for final editing of the above film.

Amalijah also met Bachtiar Lorot in Alicante for the preparation of her visit to Memnon in Brussels that took place on May 29th, 2012 and for the preparation of the WSA – MSF archives agreement inception report.

5.4. FILM ABOUT THE DIGITIZATION PROCESS OF THE SOUND RECORDINGS OF BAPAK’S TALKS

The objective of a film on the digitization process by Memnon is twofold: first to memorialize for future generations this important activity of securing Bapak’s words, and second to inform the Subud community about this process and thereby raising the awareness of Subud members of the importance of preserving Bapak’s advice and guidance.

This film is complementary to the film made by the archives fundraising project (MSF program #1) for fundraising purposes that describes the amplitude and the needs of the WSA global archives program, in the sense that it is about one response to the global archives program needs.

A contract was signed on March 1st, 2012 with Olivia Lorot, a third year student at a prestigious film making university in Spain (ToR available on request). After the preparation period of designing a script for the film in relation with the BPI Company in Kalimantan (doing a film about the WSA archives for the Archives Fundraising Project), Olivia and Bachtiar went to Brussels on April 23rd, 2012, to do interviews and film the digitization process.

During the weekend of April 28th and 29th Olivia came to Orgiva, Spain, to meet with Bachtiar to discuss editing the film and during that visit, Olivia was able to record interviews

with Subud Members about the importance of Bapak's talks to them.

Final editing of the "Memnon Digitization Film" took place between May 26 and May 28 with Amalijah and Bachtiar. Amalijah was able to take a copy of the film to present it to Memnon on May 29th, at their request, before distribution.

5.5. THE PROJECT'S FINANCIAL SITUATION

Expenditure for the project, either through contract (engagement) or payments, has been \$ 158,676 as indicated in the table below:

Activities	Engagement with WSA	MSF Budget (a)	Expenses (b) (1)	Expected extra expenses (c)	Balance on MSF budget [d=a-(b+c)]
Human resources	31,920	20,000	20,000		0
Recordings preservation	128,504	128,504	128,504		0
Other costs for preservation	7,689	0	0	14,689	-14,689
Recordings restoration	0			20,000	-20,000
Visibility (studies, workshops, film, etc.)	28,672	1,496	2,672	1,635	-2,811
Travel	12,344		7,500 (2)		-7,500
Total	209,109	150,000	158,676	36,324	-45,000

(1) : Engaged or paid. (2): Estimated figure

At the end of May 2012, the engagement and the expenditures of the archives project are higher than the MSF availability (2012 budget) by \$8,676.

In addition, the minimum extra expenses, including the restoration of the deteriorated sound recordings, some storage costs, etc. reach the amount of \$45,000.

These minimum expected extra expenses are based on the assumption that the current sound recordings digitization cost will not be higher than the Memnon contract estimation and that no further visibility activities will be needed after the film, the film sub-titles in French and Spanish and its distribution.

5.6. CONCLUSIONS AND RECOMMENDATIONS

The WSA – MSF archives agreement is an experiment in tackling an important issue with a project approach i.e. precise expected outcomes within a time limit (one year) and within defined resources. It is also an experiment about the operational and complementary missions of MSF and the WSA.

Through this experiment, MSF has learnt a lot about sound archives preservation, and above all, about the meaning of preserving the sound recordings of Bapak's talks.

There is, first, the technical aspects of preservation, which will require a permanent, professional sound archives program. The digitization of sound recordings implies understanding of an active, informed management approach to be able to anticipate and manage:

1. Expected deterioration of the numeric files well before they reach a non-reversible

state

2. Being able to permanently migrate and retain accessibility of the files through changing technologies

In addition to professional management of the sound archives, those two aspects require the setting up of long term capacities and a permanent funding stream.

There is also the issue of the content of the sound recordings because numeric files can be easily modified.

It is our collective responsibility to guarantee authenticity and integrity of the content of Bapak's talks from one generation to another.

Although the current agreement with WSA for the sound recordings of Bapak's talks is not complete yet, MSF feels that this experiment has been successful and encourages MSF towards strengthening its collaboration with WSA for the preservation of the video recordings of Bapak's talks and the preservation of the sound and video recordings of Ibu Rahayu's talks also.

6. SUBUD HOUSES

Strategic goal (Program N° 4): To foster the creation of new Subud houses as well as improvement of existing ones, with an emphasis on utilizing these assets to create income streams which enable the maintenance and running costs to be sustainable into the long term.

Policy: In providing grants to Subud Organizations for the purchase or the construction of Subud Houses, the Foundation is aiming at stimulating democratic governance of the Subud Organizations for the harmonious development of Subud in their countries, for the provision of adequate latihan facilities, and for the sustainable management of those facilities.

Criteria for applicant's eligibility:

1. To be a legally registered Subud Organization
2. To be supported by the national Subud organization when the applicant is a local or a regional Subud organization,
3. The national Subud organization represents all the Subud members of the country
4. The national Subud organization is a WSA member
5. To practice a democratic governance without any racial, gender, generational discriminations
6. To be able to solve and manage major conflicts
7. To give evidence of sustainable management capacity of the organization and its assets
8. To have successfully closed any grant and/or loan agreements, contracts for the concerned house application

The MSF is calling for proposals twice a year with closing dates for proposals submission on May 31st and November 30th. The details of the call of proposals procedures and the application forms are accessible on the MSF website.

6.1. FIRST CALL OF PROPOSALS (MAY 2011)

6.1.1. Grants

By May 31st, 2011, MSF received three grant applications for the Subud Houses program. The MSF board of trustees (evaluators) used the grant / loan house application form to assess the quality of the full applications, including the budget as well as the capacity of the applicant.

The evaluators gathered extra information and talked to resource persons when clarifications were required. The Board of Trustees (evaluators) subsequently deliberated on the basis of these analyses.

The grant / loan house applications were assessed in view of the Foundation strategic goal and the current policy for the Subud houses program. Basic criteria for the applicant's eligibility were used as well.

On July 1st, a first meeting took place in Rungan Sari, Indonesia, for the evaluation of two out three grant house applications, namely, the one from the Istmina group of Subud Colombia and the one from the Mina Clavero group of Subud Argentina. Both grant applications were rejected; however, the board of trustees agreed to propose a loan to Subud Argentina for the Mina Clavero project and the application was put on a reserve list for a loan.

On July 30th, 2011, a conference call meeting took place, in line with the Foundation bylaws. During that meeting the grant house application from the Washington DC group of Subud USA was assessed and accepted for 50% of the grant request. The remaining 50% grant request was converted to a loan proposal to Washington DC group.

2011 budget	Budget	Award grant
Subud Houses Program	50,000	
Washington DC Group		20,000
Balance (remaining budget)		30,000
Total	50,000	50,000

The Board of Trustees finalised the evaluation and established a list of selected proposals that passed the eligibility check that includes the amount of the grant that is awarded. The remaining applications that were considered during the evaluation, but which were rejected, are also listed in the evaluation report (document available on request).

6.1.2. Loans

The Subud Washington DC grant request amounted to \$40,000. MSF agreed to award a grant of \$20,000 and to offer an interest-free loan of \$20,000 to the Washington DC Group. The Group accepted this loan.

The request from Subud Argentina for the repair of the roof of the Subud house in Mina Clavero for a grant of \$13,000 was rejected as MSF policy does not include funding maintenance projects. However, the sum of \$13,000 was offered as an interest-free loan to Subud Argentina for the repair of the roof at Mina Clavero as a gesture of good-will with a view towards improving the harmony of the local groups in that area. Subud Argentina agreed to accept the loan in November 2011 and the loan agreement between MSF and Subud Argentina was signed on December 17th, 2011.

The total interest-free loans awarded by MSF in the first part of the year 2011 amounted to \$33,000.

Loans (Subud Houses)	Award grant
Washington DC Group	20,000
Subud Argentina	13,000
Total	33,000

6.2. SECOND CALL OF PROPOSALS (NOVEMBER 2011)

6.2.1. Grant

In November 2011, MSF received no grant request for the Subud Houses program. However, Subud RDC requested a loan of \$12,300 to complete the Subud House in Kinshasa.

Subud RDC, the beneficiary of a Letter of Agreement dated February 21, 2010, informed MSF that it was not able to complete the construction work of the Land and House that were purchased in Kinshasa with the MSF grant and loan of the mentioned Letter of Agreement. Consequently, Subud RDC requested an extra US\$12,300 loan from MSF on December 4, 2011 to complete that work.

As a reminder, MSF gave a grant of \$25,000 and a loan of \$15,000 and WSA gave a grant of \$15,000 for a total of \$55,000 in 2010 for the purchase of a Subud house at Kinshasa. A house was purchased for around \$43,000 and the balance (\$12,000) was intended to be used for renovations.

The house is made of two distinctive blocks, one will be used for latihan and the Subud Group, and the other one will provide shop facilities and flats for rent. The expected income of \$500 per month, once the renovations are finished, should enable the maintenance of the Subud house, the funding of Subud RDC and the payment of the MSF loan.

Considering the financial situation of the beneficiary, MSF decided to convert the loan request to a grant, during a conference call held in February 17th, 2012, in order to reduce the financial burden that would occur to Subud RDC if such a loan were provided, especially since Subud RDC already has a US\$15,000 loan from MSF according to the current 2010 Letter of Agreement.

Subud RDC accepted MSF's proposal and, therefore, an Addendum to modify the content of the above-mentioned Letter of Agreement accordingly is to be signed shortly.

Although, the deadline for submission of grant requests for the second call of proposals is November 30th, 2011, the grants are funded by the 2012 MSF budget. Therefore, the Subud RDC grant is funded by the 2012 Subud houses budget of \$50,000.

2012	Budget	Award grant
Subud Houses Program	50,000	
Subud RDC		12,300
Balance (remaining budget)		37,700
Total	50,000	50,000

6.2.2. Loans

No loans were granted during the November 2011 call of proposals within the Subud Houses Program.

6.3. LOANS TO SUBUD HOUSES (UPDATE AND SUMMARY)

Since 1997, MSF has awarded 12 grants in the implementation of the Subud Houses Program that amounted to \$143,500. On December 31st, 2011, the amount of the loans to be paid back by the beneficiaries totaled \$ 121,183.

	Original loan			Status 31.12.2011	Status 01.01.2011	Payment 2011
	US\$	Year	Terms	US\$	US\$	US\$
Subud Mexico - Tlaxcala	5 000	1997	400 pa	3 200	3 200	0,00
Subud Mexico - Puebla	5 000	1997	400 pa	2 900	3 200	-300,00
Subud Colombia - Popayan	7 000	1998	700 pa	2 695	3 395	-700,00
Subud Brezil - Sao Paulo	15 000	2003	1000 pa	10 000	10 000	0,00
Subud Chile - La Florida	15 000	2008	1000 pa	11 873	13 873	-2 000,00
Subud Congo RDC - Matadi	1 000	2009	300 pa	1 000	1 000	0,00
YMS - Adi Puri	36 000	2009	4000 pa	32 000	32 000	0,00
Subud Suriname	10 000	2009	1000 pa	8 015	9 000	-985,00
Subud Columbia - Bogota	1 500	2010	500 pa 5% interest	1 500	1 500	0,00
Subud Congo RDC - Kinshasa	15 000	2010	4000 pa	15 000	15 000	0,00
Subud Argentina (Mina Clavero)	13 000	2011	\$2600 pa 3/2013	13 000	N.A.	N.A.
Subud Washington (USA)	20 000	2011	\$4000 6/2013	20 000	N.A.	N.A.
Total	143 500			121 183	92 168	3 985

During the year 2011, two loans were awarded, one to the Washington DC Group (\$20,000) and another one to Subud Argentina (\$13,000) totaling \$33,000.

During the same period, the loan re-payment to MSF amounted to \$3,985.

Only 4 loan beneficiaries out of 9 beneficiaries were able to pay back their loans. The amount of the 2011 unpaid loans is \$9,700 and concerns the following national Subud organisations:

2011	Annual payment
Subud Mexico – Tlaxcala	400
Subud Brazil - Sao Paulo	1,000
Subud Congo RDC – Matadi	300
Subud Congo RDC - Kinshasa	4,000
YMS - Adi Puri	4,000
Total	9,700

This highlights the need for a better follow-up of the loans and for a closer back up of and communication with the beneficiaries. MSF needs also to understand clearly the reasons for

the defaults on the loans re-payments in order to adjust its loan policy and the criteria for loan eligibility.

6.4. CONCLUSIONS AND RECOMMENDATIONS

During the year 2011, MSF received three grant requests and a loan request for the Subud Houses Program. The MSF board of trustees proposed to convert one loan request to a grant (Subud RDC) and one grant request to a loan (Subud Argentina).

The total amount of the grants that MSF awarded during the reporting period is \$32,300.

Grants (Subud Houses)	Budget	Award grant
Subud Houses Program	50,000	
Washington DC Group		20,000
Subud RDC		12,300
Balance		17,700
Total	50,000	50,000

The interest-free loans that have been awarded for Subud Houses during the year 2011 amounts to \$33,000 as indicated in the table below.

Loans (Subud Houses)	Award grant
Washington DC Group	20,000
Subud Argentina	13,000
Total	33,000

Considering the strong link between the grants and the loans in the Subud Houses program, it is recommended that the MSF accounting system be reviewed in order to include grants and loans in the Subud houses program accounting system.

7. KEDJIWAAN PROGRAM

During the year 2011, a grant of \$30,000 has been awarded to WSA for "kedjiwaan" related activities. Consequently, MSF did not directly manage and support "kedjiwaan" projects and activities.

Because of the current strengthening process of the complementary relations between MSF and WSA programs, it is recommended that such a MSF "kedjiwaan" Program be integrated into the Support to Subud International Organisations / WSA program.

8. CAPACITY BUILDING

During the year 2011, MSF did not undertake any activities or projects directly related to the capacity building program.

However, in most of its grant awards, MSF has been attentive to introduce a capacity building component. This is especially the case with SDIA and SICA.

9. SUPPORT TO INTERNATIONAL SUBUD ORGANISATIONS

Strategic goal (N° 7): The Foundation seeks to support the programs of the various Subud organizations that foster and nurture the social, educational, caring expressions that spontaneously arise out of the practice of the latihan within each individual for the improvement of human life and the development of the noble qualities of human beings.

Policy: In providing grants to national and international Susila Dharma organizations and social projects, to the Subud International Cultural Association (SICA) and the World Subud Association and its members, the Foundation is aiming at stimulating and promoting democratic governance, good practices in management, mutual respect in gender issues, building capacity in conflict resolution and respect of human rights.

Guidelines for policy: To enhance capacity building for the long term development of the Subud organizations that support members' projects and activities. To search for higher synergy between the Subud organizations through a complementary approach that discourages competitiveness. To acknowledge and support the missions of the Subud organizations in such a way that the Foundation does not interfere in their policies, strategies and decision-making process. Finally, to facilitate the design of innovative strategies for the long-term development of Subud.

Criteria for applicant's eligibility:

To provide grants to and through those Subud organizations, in line with MSF mission and according to MSF procedures:

1. To practice a democratic governance without any racial, gender, generational discriminations
2. To be able to solve and manage major conflicts
3. To give evidence of sustainable management capacity of the organization and its project(s)
4. To have successfully closed any previous grant and/or loan agreements, contracts for the current social project application
5. To be identified or to be working in coordination with SDIA, SICA or WSA.

9.1. SUPPORT TO SOCIAL PROJECTS AND SDIA

9.1.1. First call of proposals (May 2011)

The total available envelope for this call of proposals was USD 54,000 funded by \$27,000 from the social projects funds and \$27,000 from the WSA social support funds.

In May 2011, MSF received one grant requests from a social project and two grant requests from SDIA. The total amount of the grant requests was \$41,325.

On July 30th, 2011, a conference call meeting took place, in line with the Foundation bylaws. The grant applications were assessed in view of the Foundation strategic goal and the current policy for the Support to Subud Organizations and Projects Program. Basic criteria for the applicant's eligibility were used as well.

At the end of the evaluation process MSF was not able to accept those grant applications and consequently the 2 grant applications from SDIA (USA) and the one from Paula Hallett Wisma Mulia Trust (Great Britain) were rejected.

9.1.2. Implementation of the MSF – SDIA Memorandum of Understanding (MoU)

Background

A Memorandum of Understanding was signed between SDIA and MSF on August 7th, 2010 by which MSF and SDIA agree to three (3) types of annual funding from MSF to SDIA: Core Funding, Funding for Services, and Social and Humanitarian (S&H) Projects Funding as described in the above-mentioned MoU:

“1. MSF Core Funding to SDIA

Recognising the importance of the role that SDIA plays in supporting, coordinating and promoting social and humanitarian activities of Subud members by their project leaders, members of SD national teams, or Subud members at large, MSF and SDIA agree to discuss annually with WSA the possibility that MSF provide a portion of SDIA's core funding. By so doing, MSF helps ensure the continuity of SDIA work from year to year. (...)

2 - MSF financial support to SDIA Services

MSF and SDIA agree to annually review funding needs for services SDIA provides to SDIA members and the Subud membership at large and, budget permitting, for MSF to provide funding as possible. These shall be funds restricted for services, based on an annual written request from SDIA to MSF. These funds shall cover SDIA activities that include, but shall not be limited to, building the long-term capacity of Subud members and SD projects to carry out effective and sustainable social and humanitarian work. (...)

3. - MSF financial support for Social and Humanitarian (S & H) Projects

It is agreed that MSF will consider providing funding, through SDIA, for S&H projects that are members of SDIA. These shall be restricted funds, based on written proposals from SDIA to MSF outlining the costs involved for each project and the share of the costs being requested of MSF. Such proposals will be prepared on a schedule to be established (...)

The MoU also gives guidelines for the annual review of the funding needs for services. This review will take place not later than the second week of September each year for funding proposals to be implemented in the following year, and a decision shall be rendered by MSF by the end of September.

SDIA grants request

On October 13th, 2011, SDIA sent a grants request for the years 2011 and 2012 of \$30,000 for each year, totaling \$60,000. This SDIA grants request was considered by the MSF task force for SDIA consisting of 3 MSF trustees that prepared recommendations to the MSF board of trustees, mainly about the following:

- To respect the MoU guidelines that required the submission and the agreement of the SDIA grant request in September for its implementation the following year.
- To consider a 2 year grant in order to limit the long process of agreeing to the annual grant
- To formalize the MSF – SDIA grant agreement by a signed agreement that will be specific to each MSF grant, with actions description and budget as requested by the MoU.
- To structure the management of the grant in terms of period of implementation, actions description, budget, installment payments, reporting, etc.

On December 3rd, 2011, the MSF board of trustees had an official conference meeting and agreed on the MSF task force for SDIA and on awarding a 2 year \$40,000 grants (conference call minutes available on request).

Later on December 17th, 2011, the board of trustees had another CC to consider an extra grant request of \$10,000 for the year 2011 (conference call minutes available on request). The MSF BoT confirmed the MSF grant policy by which grants cannot be awarded for past and occurred expenses. Nevertheless, the MSF BoT agreed to increase by \$10,000 the 2 year grant of \$40,000 awarded to SDIA on December 3rd, 2011. The MSF 2 years grant to SDIA was thus, decided to be \$50,000.

During the year 2012, the MSF task force to SDIA first and then the MSF – SDIA task force have been working on the preparation of a grant agreement for this 2 year grant to SDIA. The annexes includes 1) the description of the action and its activities to be implemented by SDIA with the MSF co-funding and 2) a budget.

The main structure of the grant is the following (agreement):

1. A two years grant starting at the signing of the grant agreement
2. An implementation period of 24 months during which the expenses must be spent
3. The ineligibility of the expenses if spent before and/or after the implementation period
4. The unused funds at the end of the implementation period will be returned to MSF
5. A first installment of 40% of the grant will be transferred as soon as the grant agreement is signed
6. The second installment of 40% will be paid upon request when 70% of the first installment is spent and upon the approval of the interim narrative and financial report
7. The balance of 20% will be paid after the implementation period upon the approval of the final narrative and financial report; this balance represents a cash flow to bring any further grants (from MSF or other donors) for the continuation of the actions co-funded by MSF.

This structure has been approved by the MSF – SDIA task force during a conference call of the task force that took place in May, 14th, 2012.

The description of the action and activities and the budget has not been agreed upon by both SDIA and MSF at the end of the reporting period.

A meeting between MSF and SDIA is scheduled on June 29th, 2012 in Vancouver, to finalise the agreement and to review the current MSF – SDIA Memorandum of Understanding

9.2. SUPPORT TO SICA

9.2.1. Second call of proposals (November 2011)

The Subud International Cultural Association (SICA) requested in February 5th, 2012, a capacity building grant in the amount of \$14,000.00 to bring SICA to the next level of operational, programmatic, financial, and organizational maturity in order to more effectively and efficiently fulfill its mission.

The request supports the first year of a three-year plan to ensure that SICA is on sound footing, with a clear and compelling mission, vision, and values — and a strong support

network to accomplish its mission as well as a stronger understanding among Subud members worldwide of SICA's role in the world — by the next world congress.

In the first year, 2012, SICA will have an AGM at the Americas Gathering in Vancouver. This will be a working meeting of the SICA board together with key national SICA chairs and SICA workers.

This meeting will determine the parameters and goals of a larger meeting, a SICA Summit, in Cilandak in 2013. The Summit will produce a four-year strategy for taking SICA into and through the next Subud World Congress. In the third year, at Subud World Congress 2014, the full SICA AGM convenes to formally adopt the strategic plan and select the officers for the next term.

The MSF board of trustees approved a \$10,000 grant to SICA during an official skype board meeting on April 13th, 2012 (conference call minutes available on request). Unfortunately, the MSF board of trustees was not able to award the full requested grant to SICA because the remaining available 2012 budget for the "support of the wings" program was, indeed, \$10,000.

The grant agreement between MSF and SICA was signed on May 9th, 2012.

9.3. SUPPORT TO WSA

On January 16th, 2010, a Memorandum of Understanding (MoU) was signed between WSA and MSF. The MoU aims at strengthening the cooperation between WSA and MSF through a close working relationship between the WSA executive and the MSF executive.

Concerning the MSF grant to WSA, the MoU stipulates that "the MSF board and officers will consult with the relevant WSA executive (...) when applying a grant to a WSA program". On this basis, MSF awarded to WSA a \$60,000 grant in 2011 and a \$50,000 grant in year 2012.

9.3.1. Year 2011

The WSA directors approved the MSF 2011 budget of \$60,000 for WSA for the support of the following WSA activities:

2011 WSA grant	Award grant
International helpers	30,000
International archives	15,000
History of Subud	5,000
Subud Emergency Fund	10,000
Total	60,000

In June 2011 in Rungan Sari, WSA decided to transfer the implementation of the External Relation program to SICA for which MSF awarded a \$4,000 grant in 2010. Consequently, the WSA executive asked MSF on August 25th, 2011 if the above-mentioned grant could be transferred to SICA. MSF agreed.

According to a past WSA – MSF agreement, WSA does not provide a narrative and financial report about the use of the MSF grant. This has been a recent concern of the MSF board of trustees for its reporting activities and its accountability to the Subud membership.

During the Rungan Sari meeting in June 2011, the MSF board of trustees reviewed the policy and the strategy for grant programs. It was decided to strengthen the complementarity of the various Subud international organizations through two principles:

1. Principle 1 : To support the Subud International organizations' operational responsibilities in leading the activities and projects funded by MSF, i.e. more autonomy
2. Principle 2 : To reinforce the planning and reporting of those activities for a better transparent relationship, i.e. more detailed description of the MSF funded activities and their related budgets

In order to implement these two principles, MSF decided to generalize the practices to other grant programs, by which MSF is funding legally registered Subud organizations. As a consequence, grant requests will now come directly from those legally registered international organizations and not from their respective activities, projects or sub-committees.

Consequently, MSF has been working on that issue with WSA (and SDIA) during the first part of the 2012 year.

9.3.1. Year 2012

The 2012 MSF budget includes a MSF grant to WSA for the amount of \$50,000. In January 2012, MSF received two grant requests:

2011 WSA grant	Award grant
WSA/ Care support group / Subud Education Fund	7,000
Subud Canada on behalf of SYA	10,000
Total	17,000

Those two grant requests concern WSA because both SEF and SYA are sub-committees / activities of WSA.

On February 17th, 2012, the MSF board of trustees held a conference call and decided to Contact WSA to discuss the implementation of the above-mentioned 2 principles.

The discussions that took place between the WSA chair, the WSA executive chair and the MSF chair concluded that it is correct to implement those principles immediately. It was also agreed that the two grant requests need to be sent to the WSA executive, and if required, the WSA Executive would apply directly for extra MSF grants.

Later, the WSA executive informed MSF that WSA would be able to fund those two activities from the 2012 MSF grant to WSA. Then, Subud Canada withdrew its grant application and MSF was able to reject the SEF grant application during the conference call that took place on April 13th, 2012.

On May 29th, the WSA executive sent a grant release request and informed MSF that the 2012 MSF \$50,000 grant will be used for the following activities:

2012 WSA grant	
Kedjiwaan activities	30,000
Care support group / SEF	7,000
SYAI projects	3,000
History of Subud	5,000
Publication of Bapak volume in Spanish	5,000
Total	50,000

In its letter, WSA indicated how the MSF funds will be used. That will enable MSF to understand that the MSF funding is supporting WSA activities that are in line with the MSF mission of objectives. It will also help MSF to answer members' question on how MSF funds are used.

This type of transparency in the WSA – MSF collaboration needs to be strengthened, by integrating a more detailed grant procedure in the WSA – MSF MoU.

9.4. CONCLUSIONS AND RECOMMENDATIONS

The role of the Muhammad Subuh Foundation in supporting the Subud International Organizations is the core of the MSF mission. Because MSF has not the direct responsibility of fulfilling the Subud community's present needs, which is the mission of the Subud International Organizations, MSF could assess the future needs of the Subud community and tailor its support accordingly.

The Muhammad Subuh Foundation is therefore, not only a Subud financial institution but an operational partner that looks after the progress of the future capacities of the Subud organizations.

In that perspective, it is recommended:

1. To discuss with SICA the possibility having a Memorandum of Understanding between SICA and MSF
2. To review on a regular basis the Memorandum of Understanding signed with SDIA, with WSA, and later when required, with SICA
3. To define the most appropriate procedures for the implementation of the MoUs, especially regarding MSF funding support