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# 1 Main Financial Trends and Statements

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▲ Dr. Jean-Paul Kasolwa Haraka is examining the 3 year-old girl Moraku Tabhu who is suffering from measles. Biringi Hospital, Democratic Republic of Congo, November 2019.

The Financial Statements 2019 include the financial information of the Association Artsen zonder Grenzen and the activities carried out under its direct responsibility. The Vereniging Artsen zonder Grenzen (Médecins Sans Frontières - Nederland) was founded September 7, 1984 and has its registered office and actual address at Plantage Middenlaan 14-16, 1018 DD Amsterdam, The Netherlands.

## **Our mission**

The organising of practical medical aid to people in disaster areas and crises worldwide, in accordance with the principles expressed in the Charter. Providing medical humanitarian aid to people in emergency situations, whether caused by conflict, social conflict or natural disaster is the core of what we do. Based on our medical work, we will also make every effort towards effective advocacy on behalf of the population that we assist.

The Charter and more comprehensive information about the organisation are published on our website [www.artsenzondergrenzen.nl](http://www.artsenzondergrenzen.nl) and in the Annual Report of Artsen zonder Grenzen. The Annual Report is published on the website ([www.artsenzondergrenzen.nl/jaarverslag](http://www.artsenzondergrenzen.nl/jaarverslag)) and includes the Board Report for the year.

## **Artsen zonder Grenzen**

Artsen zonder Grenzen is registered with the Amsterdam Chamber of Commerce under number 41215974 and is a Public Benefit Organisation (ANBI) with Legal Entities and Partnerships Identification Number (RSIN) or Tax Number 006790264. Artsen zonder Grenzen is a member of Goede Doelen Nederland and is a CBF recognised charity in the Netherlands (CBF-erkend goed doel).

Artsen zonder Grenzen (Médecins Sans Frontières Nederland) uses the trade names "Artsen zonder Grenzen"; "Médecins Sans Frontières The Netherlands (MSF-NL)"; "MSF-Holland" and "Operational Centre Amsterdam (MSF-OCA)".

In these Financial Statements Artsen zonder Grenzen is further referred to as 'MSF-Holland'.

### **MSF-Holland in the international movement Médecins Sans Frontières**

MSF-Holland is part of the international network of Médecins Sans Frontières, which in 2019 counted 25 institutional members (MSF-sections) worldwide. MSF-Holland works in particular together with the MSF-sections in Germany and the United Kingdom; together we take responsibility for the Operational Centre Amsterdam (MSF-OCA). In addition to MSF-OCA, four other MSF operational centres carry out projects independently and under the responsibility of their respective Boards.

Each of the MSF-sections is an independent economic and legal entity. The MSF-sections are united in the Swiss-based association Médecins Sans Frontières International. As the MSF-sections have become increasingly interdependent, these Financial Statements include a chapter Partnerships that further describes the international financial cooperation, the mutual agreements made, the governance between the MSF-sections and the risks resulting from their interdependencies.

### **Reporting guidelines**

These Financial Statements have been prepared in accordance with Dutch Accounting Standard 650 for the reporting of Fundraising Institutions as published by the Dutch Accounting Standards Board (RJ650, Raad voor de Jaarverslaggeving). The specific aim of the Guideline 650 is to provide insight into the acquisition of income, the realised expenditure, and the reserves and funds held by the organisation. The Guideline 650 emphasises that the Financial Statements should provide a transparent insight into the organisation's activities and the outcomes of its activities.

MSF-Holland further complies with established guidelines for fundraising organisations in The Netherlands including the governance code for fundraising organisations, the guidelines on the holding of financial reserves, and the guideline on remuneration for the director and the management. Furthermore, the MSF-sections apply commonly agreed principles of

interpretation and cost allocation that are consistent with the accounting policies applied in these Financial Statements.

### **Presentation of the Financial Statements**

Because we consider our activities and the related expenditures on the Association's goals to be our principle objective, we deviate from the prescribed model for the presentation of income and expenditure. These Financial Statements show our expenditures before our income. In addition, the Statement of Expenditure and Income is shown before the Balance Sheet.

The Accounting Policies and the basis used for the valuation of the expenditure and the assets are explained in chapter 4 of these Financial Statements. It is recommended that this be read before viewing the Statement of Expenditure and Income and the Balance Sheet. In 2019, the allocation of costs of procurement, storage and shipping of relief supplies purchased through the head office was moved from the cost category Programme Support to the cost category Emergency Aid. Where applicable, comparative figures of the previous year have been adjusted to the headers concerned in the Statement of Expenditure and Income. This change in cost allocation between cost categories does not affect the ratio of Spent on Association's goals. There were no other changes to accounting policies or accounting estimates.

In these Financial Statements are included relating to the impact of the COVID-19 pandemic and the measures taken to control this global health crisis by governments worldwide. In addition, in this section of the Financial Statements a separate paragraph on the impact of the pandemic on the organisation has been included.

In applying the principles and policies for drawing up these Financial Statements, management makes various estimates and judgments that may be essential to the amounts disclosed in the Financial Statements. The nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item in order to provide the transparency required under the Dutch Civil Code, article 362:1, Book 2.

### **Financial Risks and Forward Statement**

Our medical emergency aid operations and financial health could be adversely affected by certain risks. The Board Report elaborates our approach to risk management, internal controls and the extent of the exposure to certain risks. In the Board Report a specific



paragraph is included on the risk resulting from the COVID-19 pandemic. Financial risks are included in chapter 5 of these Financial Statements.

In Annex 1 Forward Statement on expenditure and income, the development of main reporting indicators is included. The forward-looking statements are linked to our strategic medical operational ambitions. By their nature, forward-looking statements relate to future events and circumstances and therefore contain uncertainty. Whereas for a part this is anticipated, actual results may differ materially from those presented in the forward-looking statements. In these Financial Statements the impact of the COVID-19 pandemic on the organisation is addressed in the paragraph below and in Chapter 7 Events after the Balance Sheet Date.

#### **The impact on our operations resulting from COVID-19**

Since February 2020, the COVID-19 pandemic has brought the global world economy to a standstill. With global medical shortages it is amplified that those with the means have access to scarce medical resources. It also amplifies the discrepancy in the quality of health systems, as well as in possibilities to protect yourself from being infected. As an emergency organisation, we have the capacity to respond to sudden emerging crises, but we have never been confronted with crises on a worldwide scale coinciding with disruptions to travel and supply systems in our entire emergency aid programmes, countries of operation and in our head offices. In our emergency aid operations we experience complications in sending (international) staff to operational areas, obstacles in export, import and transportation of supplies, difficulties with procurement of protective equipment and medicines and additional risks present for patients in our regular programming with co-morbidities (e.g. in our TB projects), occasionally delaying implementation.

Staff health, the continuity of patient care and the supply chain are the three central priorities of our mitigation strategy for operational risks associated with the pandemic.

In order to protect our staff and our patients from infection, we produced COVID19-specific guidelines on clinical management, infection prevention and control, protective equipment, laboratory diagnostics, nutrition, Water&Sanitation, waste management, facility design, health promotion and community engagement, mental health and staff health. This is updated weekly to keep pace with the rapid evolution of scientific evidence. We also follow the WHO guidelines for Personal Protective Equipment (PPE). Support is available to ensure the physical and mental well-being of our staff. From early

March, we ensured the return of those international staff at significant risk of COVID19-related complications. Our measures allowed for the continuation of all pre-outbreak existing projects. However, as a possible contingency and in-line with our staff health priority, we may have to consider the (temporary) closure of some activities.

We comply with all Government regulations and advice in each of the countries we work. We adapted to new ways of working. Most of our staff is working from home and for all staff travel restrictions are in place. We already had essential communications infrastructure, policies and procedures in place for this, as even in normal times we are used to working globally and provide support to our teams remotely. In the recent past, we invested in IT infrastructure, allowing for mobile internet communications and all files and SharePoint sites in the Cloud. These investments are now paying off, contributing to our ability to maintain unhampered support to the missions, regular internal control mechanisms and decision-making. This also enabled us to adapt existing decision making procedures and we established adapted management structures in the head office.

More detailed information about the financial impact of COVID19 on our organisation can be found in Chapter 7 Events after the Balance Sheet Date.

## MAIN FINANCIAL TRENDS 2019

### Increased expenditure on operations

In 2019, our expenditure increased by 16.3% compared to the previous year. The majority of this increase was caused by the increase of expenditure on our medical emergency aid operations by € 23.5 million to € 254.3 million and the (one-off) grants for emergency aid to other MSF-sections of in total € 19.9 million, bringing the combined total to € 274.1 million, which is in line with the emergency aid budget planned for the year. In 2019, the amount spent on association goals was 94.6% of the total expenditure (2018: 94.2%) and 94.6% of total income (2018: 92.3%).

### Average number of employees

In 2019 we employed 10,466 full time staff (2018: 10,602 full time staff) working in 111 emergency aid projects in 31 countries (2018: 104 projects in 32 countries) and at the head office.

### Moderate impact of exchange rate developments

Compared to recent years, in 2019, exchange rate developments had a moderate impact on expenditure on emergency aid and on our income. Mainly due to the overall appreciation of the US dollar, the euro value of our operations expenditure ended up slightly higher than budgeted. Compared to 2018, with stable exchange rates our expenditure on emergency aid would have been approximately € 4.7 million lower. On the income side, the impact of foreign currency movements on grants and donations in foreign currency resulted in a net improvement of € 2.5 million (or 1% of total income) with an increase of income from the stronger British Pound rates prevailing when we signed grant contracts and a further strengthening of the US Dollar and with a slight value decrease of the Swedish krona.

### Stable increase in income

Our total expenditure increased to € 318.5 million, with our total income increasing by 4.2% to € 291.7 million. In 2019, we continued to deliver essential emergency aid in some of the world's major humanitarian crises, including Ethiopia, Syria, Yemen and continuing in Bangladesh in our programmes for the Rohingya refugee population. After one year of relative stagnation in our growth of income in 2018, in 2019 a modest increase of 6.8% of income from private donors in the Netherlands and worldwide was realised while a 3% increase was projected.

In 2019, the Board decision in 2016 to suspend acceptance of institutional funding from the EU and EU-member states was maintained, further reducing our level of institutional income to € 3.4 million (2018: € 4.7 million) a relative share of income of only 1.2% in 2019. Maintaining the decision is a principled consequence of our analysis of the humanitarian impact of the agreements made between the EU and countries around the Mediterranean Sea (Turkey, Libya) about refugees and migrant people on the move.

### Financial position at year-end

The overall operational developments for the year resulted in a financial deficit of € 26.5 million. The result ended € 3.3 million above planning due the improved income at the end of the year. The result has been withdrawn from the other free reserves. After the withdrawal of the result from 2019, MSF-Holland's overall reserves remained healthy at the level of 5.8 months (2018: 6.8 months) in relation to the average total expenditure over the past two years (2018 and 2019) and the budget for the current year (2020).

The 2019 result and the end of year financial position are strongly impacted by agreements made within MSF-International at the end of 2018 and as disclosed in the subsequent events of the 2018 Financial Statements. After due consultation with MSF-International and the main MSF-sections the Board has agreed to make the requested amount of € 11.0 million available as grant to MSF-Spain. The full amount of the grant was paid during 2019. In addition, in 2019, the Board agreed to grant € 8.65 million to MSF-France as funding for their programme expenditure. The grant to MSF-France could be fully funded from income received from other MSF-sections that performed better than planned for the year and was within the planned budget for emergency aid for the year. As such, the grant to MSF-France was assessed not to have an additional effect on the financial position of MSF-Holland at the end of 2019. The payment is included in the current liabilities on the Balance Sheet.

In 2019, a new financial agreement for the period 2020-2023 has been negotiated between the MSF-sections. After the small surplus in 2018 and the deficit spending in 2019, deficit spending is projected to continue at diminishing rates in 2020 and 2021 but the Board and management will continue to ensure overall reserves do not fall below 4.5 months of total expenditure and to manage expenditure and income accordingly.



### Reserves and current balance sheet positions

The realised deficit for 2019 ended at € 26.5 million resulting in a lowered overall reserves position at 5.8 months of operational expenditure (see note 3.9). No transfer was required to maintain the continuity reserves at the desired level of 4.5 months of operational expenditure. The continuity reserves include a buffer capital of € 55.0 million to cover for the potential adverse financial impact of certain risks in our medical and operational activities or financial conditions. With an overall reserves position of 5.8 months of total expenditure we maintained a robust financial position.

Operating assets increased by a net amount of € 1.6 million due to planned investments and disinvestments in fully depreciated assets, with inventory increasing by € 3.5 million to in total € 13.5 million compared to 2018. The increase in inventory is partly due to delays occurring in shipping of relief supplies to our projects at the end of the year. Receivables increased by € 8.9 million and provisions and liabilities increased by € 6.0 million. Together with the planned investments in ICT support systems along with the deficit spending, the combination of movements in balance sheet positions resulted in significant outflow of cash. For the coming years, the forward cash flow planning indicates sufficient liquidity for the organisation.

### Main financial indicators

The financial indicators presented below give an overview of the main expenditure and income figures for the year 2019 and the perspective of the trends over the last 5 years. Our main financial reporting indicators concern the development of our operational expenditure and reserves:

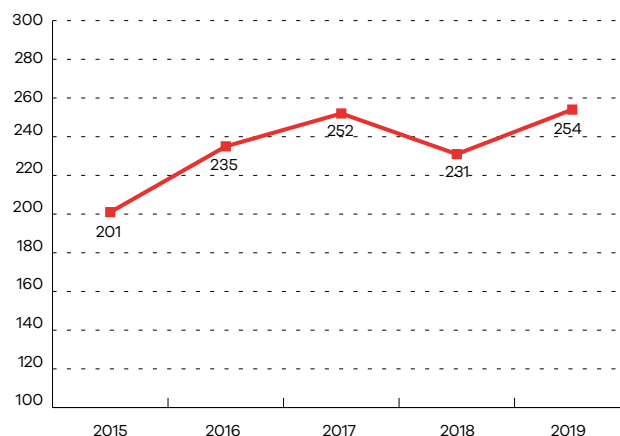
Expenditure and Income indicators:

- the growth of our emergency aid expenditure in euro;
- the total expenditure as a percentage of the total income;
- the delivery of emergency aid plus the direct support needed to realise it (total spent on Association goals) as a percentage of total expenditure;
- the cost of acquiring income as a percentage of the total income realised;
- the cost of management and administration as a percentage of the total expenditure; and
- the composition of income for the year 2019.

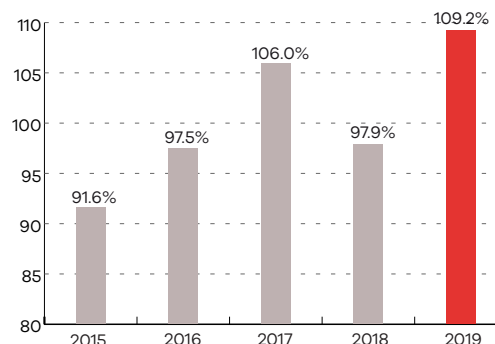
Balance sheet indicator:

- the development of our reserves measured in months' worth of total expenditure (see note 3.9);

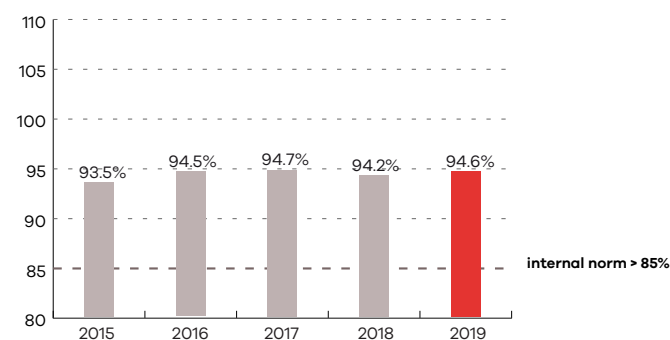
### EMERGENCY AID EXPENDITURE in euro millions



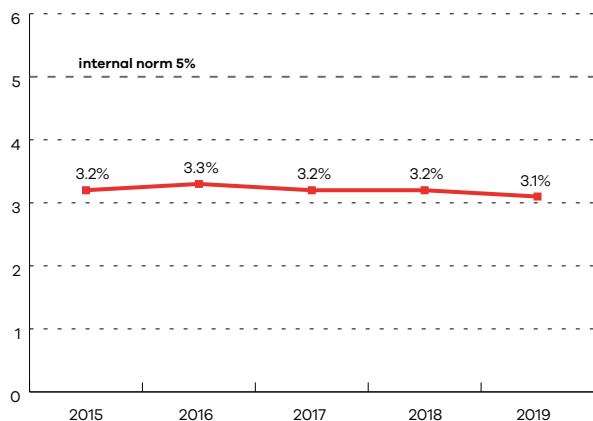
### TOTAL EXPENDITURE as percentage of total income



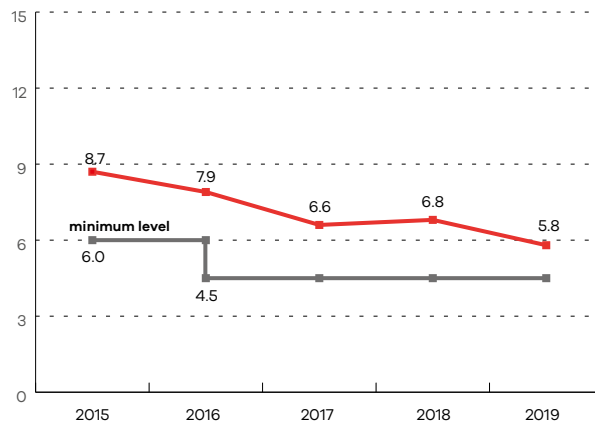
### EXPENDITURE ON ASSOCIATION GOALS as percentage of total expenditure



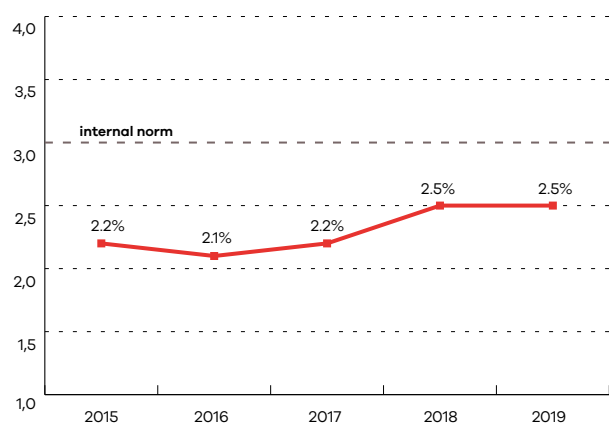
### COST OF ACQUIRING INCOME as percentage of total income



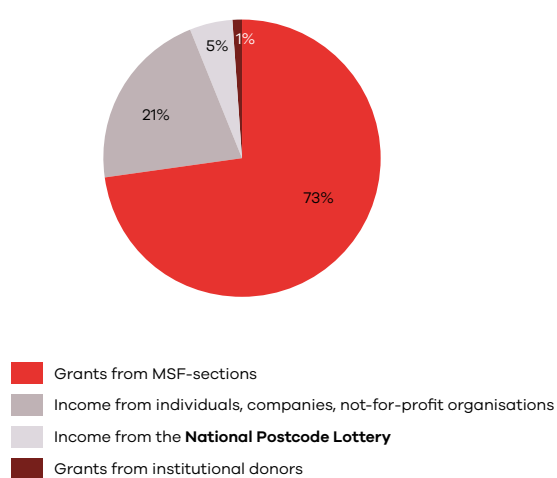
### MONTHS OF RESERVES related to total expenditure



### COST OF MANAGEMENT AND ADMINISTRATION as percentage of total expenditure



### ORIGIN OF INCOME 2019



## Statement of Expenditure and Income for 2019 in euro thousands

EXPENDITURE	Explanatory notes	2019	budget 2019	2018
<b>Spent on Association goals</b>				
Emergency aid	2.1	254,288	272,029	230,816
Grants provided to third parties	2.2	21,689	2,226	3,377
Programme support	2.3	22,785	22,047	20,781
Information and awareness raising	2.4	2,615	3,205	3,170
<b>Total spent on Association goals</b>		<b>301,377</b>	<b>299,507</b>	<b>258,144</b>
Cost of acquiring income	2.5	9,008	10,611	9,064
Management and administration	2.6	8,098	8,112	6,741
<b>Total expenditure</b>	2.7	<b>318,483</b>	<b>318,230</b>	<b>273,949</b>
<b>INCOME</b>				
Income from individuals	2.8	57,862	55,500	55,787
Income from companies	2.8	1,416	1,800	1,749
Income from not-for-profit organisations	2.8	1,941	2,500	2,336
Income from the National Postcode Lottery	2.9	13,500	13,500	17,800
Grants from MSF-sections	2.10	213,054	210,436	196,871
Grants from institutional donors	2.11	3,435	4,500	4,702
Other income	2.12	362	0	512
<b>Total income</b>		<b>291,570</b>	<b>288,236</b>	<b>279,757</b>
<b>Result operational activities</b>		<b>-26,913</b>	<b>-29,994</b>	<b>5,808</b>
Net financial income and expenses	2.13	410	200	-1,245
<b>RESULT EXPENDITURE AND INCOME</b>		<b>-26,503</b>	<b>-29,794</b>	<b>4,563</b>
<b>ALLOCATION OF THE RESULT</b>				
Additions to and withdrawals from the reserves	3.9			
Continuity reserves		0	0	0
Other free reserves		-26,335	-29,794	4,741
Appropriated funds		-168	0	-178
<b>Total</b>		<b>-26,503</b>	<b>-29,794</b>	<b>4,563</b>

## Balance Sheet as at 31 December 2019 in euro thousands

<b>ASSETS</b>	<i>Explanatory notes</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
Intangible assets	3.1	5,444	5,215
<b>Tangible fixed assets</b>			
Operating assets	3.2 a	24,586	23,027
Assets held for sale	3.2 b	562	494
		<b>30,592</b>	<b>28,736</b>
<b>Inventory</b>			
Stocks for emergency aid	3.3	13,526	10,021
<b>Receivables and accrued income</b>			
Grants receivable from MSF-sections	3.4	25,403	15,929
Grants receivable from institutional donors	3.5	2,453	4,811
Receivables from inheritances	3.6	12,740	11,566
Other receivables and accrued income	3.7	8,257	7,599
		<b>48,853</b>	<b>39,905</b>
Cash at bank and in hand	3.8	85,742	120,559
<b>Total assets</b>		<b>178,713</b>	<b>199,221</b>
<b>LIABILITIES</b>			
<b>Reserves and funds</b>	3.9		
<b>Reserves</b>			
Continuity reserves	3.9 a	110,000	110,000
Other reserves	3.9 b	26,575	52,910
		<b>136,575</b>	<b>162,910</b>
<b>Funds</b>			
Restricted funds	3.9 c	915	1,083
		<b>137,490</b>	<b>163,993</b>
Provisions	3.10	3,401	1,732
Long-term liabilities	3.11	0	943
Short-term liabilities	3.12	37,822	32,553
<b>Total liabilities</b>		<b>178,713</b>	<b>199,221</b>

## Cash Flow Statement for 2019 in euro thousands

<b>CASH FLOW RECEIPTS FROM OPERATING ACTIVITIES</b>	<b>2019</b>	<b>2018</b>
<i>Receipts from individuals, companies and not-for-profit organisations</i>		
Donations	41,369	40,812
Inheritances	15,360	15,881
Companies	1,416	1,749
Not-for-profit organisations	1,941	2,336
<b>Total receipts from individuals, companies and not-for-profit organisations</b>	<b>60,086</b>	<b>60,778</b>
Receipts from the National Postcode Lottery	<b>13,500</b>	17,800
<i>Receipts from MSF-sections (concerning project grants)</i>		
MSF-Germany	90,572	91,464
MSF-USA	46,226	49,632
MSF-United Kingdom	28,728	32,175
MSF-Hong Kong	13,651	14,055
MSF-Canada	12,225	8,418
MSF-Sweden	7,391	9,230
Other MSF-sections	3,011	2,709
<b>Total received from MSF-sections</b>	<b>201,804</b>	<b>207,683</b>
Receipts from institutional donors	<b>4,721</b>	7,623
<i>Other receipts</i>		
Interest received	206	240
Received tax net and VAT	409	465
Received from MSF-sections for monies advanced	6,016	7,511
Other receipts	267	198
<b>Total other receipts</b>	<b>6,898</b>	<b>8,414</b>
<b>Total receipts</b>	<b>287,009</b>	<b>302,298</b>

*continued to next page*

<b>CASH FLOW PAYMENTS FROM OPERATING ACTIVITIES</b>	<b>2019</b>	<b>2018</b>
Payments made in project countries	<b>118,613</b>	128,006
Grants provided to third parties	<b>2,027</b>	2,341
Grants to MSF-Spain and MSF-Belgium	<b>11,123</b>	0
<b>Payments to MSF-sections</b>		
MSF-Belgium	15,037	11,235
MSF-USA	3,248	2,734
MSF-Germany	3,574	3,209
MSF-Canada	2,658	3,120
MSF-United Kingdom	2,719	3,927
MSF-International (including contributions)	1,410	1,810
Other MSF-sections	9,881	8,620
MSF-Supply and MSF-Logistique	12,507	9,282
<b>Total payments to MSF-sections</b>	<b>51,034</b>	<b>43,937</b>
<b>Payments at head office</b>		
Suppliers of goods and services	88,274	68,841
Expatriate and head office personnel	45,758	37,378
<b>Total payments at head office</b>	<b>134,032</b>	<b>106,219</b>
<b>Total payments</b>	<b>316,829</b>	<b>280,503</b>
<b>Total cash flow from operating activities</b>	<b>-29,820</b>	<b>21,795</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Investments in intangible assets and tangible fixed assets	<b>4,891</b>	<b>9,954</b>
Receipts from disinvestments	<b>0</b>	<b>0</b>
<b>Total cash flow from investment activities (deduct)</b>	<b>4,891</b>	<b>9,954</b>
<b>Total cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Total cash flow</b>	<b>-34,711</b>	<b>11,841</b>
Adjustment to exchange rates at end of the financial year	-106	195
<b>MOVEMENT IN LIQUIDITY POSITION</b>	<b>-34,817</b>	<b>12,036</b>
<b>MOVEMENT IN LIQUIDITY POSITION</b>		
Liquidity position at the end of the financial year	85,742	120,559
Liquidity position at the beginning of the financial year	120,559	108,523
<b>Movement in liquidity position</b>	<b>-34,817</b>	<b>12,036</b>



## Explanatory notes to the cash flow statement

### Cash flow from operating activities

The Cash Flow Statement has been prepared according to the direct method in order to provide a clearer view of the different flows of funds in the organisation and in particular the cash flows between MSF-Holland and the other MSF-sections.

The movement in liquidity position is mostly explained by the deficit of income over operational expenditure of € 26.9 million, the increase of operating assets by 2.1 million and the increases in inventories and receivables of € 12.1 million that is largely off-set the increase in provisions and liabilities of € 5.6 million. Overall, with a spending of 109.2% of operational income the year ended with a sizeable but planned negative cash flow from operating activities. The operating deficit and subsequently the negative cash flow include an amount of € 11.0 million related to an one off extraordinary transfer to MSF-Spain (see note 2.2 Grants provided to third parties).

### Receipts

Receipts from the MSF-sections concern mainly project grants. Receipts from project grants (from MSF-sections and institutional donors) are explained in more detail in note 3.4 and 3.5 of these Financial Statements

The item Receipts from MSF-sections for monies advanced consists of receipts referring to employees of MSF-Holland who are seconded to another MSF-section and advances to other MSF-sections for emergency aid projects. In 2019, as in 2018, MSF-Holland coordinated the cash flows of all MSF-sections working in Bangladesh.

### Payments

Payments made in the project countries hosting emergency aid programs (excluding the Netherlands) totalled EUR 118.6 million in 2019 (2018: EUR 128.0 million). The organisation and location of the programmes resulted in proportionally less payments made in the project countries (2019: 47%; 2018: 55%), with a larger share executed at head office. In order of volume, payments to local personnel, locally purchased medical items, and transport are the sources of greatest local expenditure.

The payments to MSF-International concern contributions to the MSF-International office and internationally coordinated activities and projects such as the campaign Access to Essential Medicines.

The payments to the MSF-sections concern mainly remuneration for hired-in employees posted to and working in the programme countries and payments for joint projects. Furthermore, the cash flow to our emergency aid project in Afghanistan of € 14.1 million in 2019 (2018: € 10.3 million) is entirely through MSF-Belgium.

The payments to the purchasing organisations MSF-Supply (Belgium) and MSF-Logistique (France) are included as payments to MSF-sections. Mainly medicines, specialised medical supplies and vehicles are purchased through these procurement centres/depots of MSF-Belgium and MSF-France. Major advantages of scale are obtained through joint procurement, and stocks of aid supplies are more efficiently maintained within the international organisation. In 2019, a total of € 11.6 million (2018: € 10.1 million) was ordered from these purchasing organisations contributing to the reported cash flows.

### Cash flow from investment activities

Payments for the investment in the renovation of the office building of € 2.7 million, the replacement of the ERP-software of € 1.2 million, the replacement of the fundraising donor database of € 0.4 million, the Health Information System of € 0.3 million and purchase of ICT hardware of € 0.3 million explain the cash flow concerning investments.



# Notes to the Statement of Expenditure and Income for 2019

▲ Water and sanitation specialist Shaun Naylor and emergency coordinator Martine Flokstra at the cleaning of a well in Beira, Mozambique. The wells were flooded during cyclone Idai, April 2019.

In 2019, our total expenditure increased by 16.3% compared to the previous year. This was primarily caused by the increase of expenditure on our medical emergency aid by € 23.5 million to € 254.3 million. In addition, € 19.8 million was granted to other MSF-sections as extraordinary support to their emergency aid expenditure budgets. Exchange rate fluctuations had a modest upward impact on the expenses of estimated € 4.7 million. The overall expenditure concerning programme support, information and awareness raising, fundraising and management and administration increased by 6.9% to € 42.5 million. The share of expenditure spent on management and administration in 2019 was 2.5% of the total expenditure (2018: 2.5%). Corrected for the grants paid to other MSF-sections this share is increasing to 2.8%, which is a sounder reflection of the underlying trend.

Income increased by 4.2% to € 291.6 million, while compared to 2018 an increase of 3.0% was budgeted. Income in euro from private donors in MSF-Holland and the MSF-sections increased above projections with 6.8% to € 274.3 million (2018: € 256.7 million). Exchange rates had a relatively minor impact on income (plus € 2.5 million overall) with a modest increase of income from the stronger US dollar and British pound rates prevailing when we signed grant contracts. Income from institutional donors decreased from € 4.7 million in 2018 to € 3.5 million, ending below the planned € 4.5 million. The total cost of acquiring income remained stable and ended at 3.1% of the total income (2018: 3.2%), remaining steadily under the internal norm of 5% as set by the Board.

In 2019, the amount spent on Association goals was 94.6% of the total expenditure (2018: 94.2%) and 103.4% of the total income (2018: 92.3%). The total expenditure was 109.2% of the total income (2018: 97.9%). The growth of emergency aid expenditure in 2019 was possible due to

the conscientious management of the emergency aid portfolio and the related expenditure in line with income projections. For 2020 the total budget available for emergency aid expenditure is kept at a similar level as in 2019.

## EXPENDITURE

### 2.1 Emergency aid in euro thousands

In 2019, we expanded our emergency aid response in many of our programme countries in which we were confronted with the aftermath of floods due to heavy rainfall (South Sudan, Ethiopia, Somalia) or cyclones (Mozambique), the outbreak of epidemics of Measles, Ebola, Cholera and Kala-azar (Democratic Republic of Congo, Chad, South Sudan, Bangladesh, Yemen), protracted conflict in countries such as Yemen and Syria, and internal displacement in Northern Nigeria. Overall, emergency aid expenditure increased by € 23.5 million to € 254.3 million.

#### **Emergency response to epidemics, conflict and natural disaster**

With a total expenditure of € 32.0 million in 2019, an increase of € 9.0 million compared to last year, our programmes in the Democratic Republic of Congo (DRC) remained by far the largest in our emergency aid response. Especially Eastern DRC battled multiple epidemics in 2019, including the resurgence of an Ebola outbreak in North Kivu peaking at 120 cases per week in April. Our strategy was to provide non-Ebola care in virus transmission locations. We integrated Ebola care in broader primary health care, facilitating community engagement and early access to treatment. We designed, together with the community, the transit centres and a system that identified new Ebola cases. This approach provided a continuum of care and increased the trust of the population. Furthermore, the region was faced with Cholera and the worst Measles outbreak the country has seen since 2011 with high rates of case mortality for children under 5 years old. On top of this, the security situation in North Kivu and Ituri has deteriorated significantly with big consequences for the local population, for the humanitarian workers, and for access to the health services and humanitarian assistance they provide.

As in previous years, in the larger Middle East and Syria context, our programming followed the development of the context with shifts between activities in Iraq, Jordan and Syria. In total, we spent € 32.3 million in the Middle East/Syria context, an increase of € 2.1 million compared to 2018. Since 2012, we provided humanitarian assistance to the conflict affected population in North East Syria. North East Syria is a very dynamic and challenging context, reflected in the high turnover of projects opening and closing to address the most urgent humanitarian needs as well as the many location changes of the coordination office due to access and security issues. In October 2019, Turkish military operations forced the evacuation of staff to neighboring Erbil, Iraq. Our teams were able to remotely manage distributions of tents and non-food items, as well as continuing water and sanitation activities in Al Hol IDP camp, supplying 300,000 litres of water per day and providing basic health services and medical care in clinics to those most in need, regardless of religion, ethnic background or political affiliation.

Since our return to Somalia in May 2017, we further expanded our activities. We have been supporting the Bay Regional hospital in Baidoa and Mudug Regional Hospital in Galkayo. In 2019, our teams responded to high seasonal rainfall in the greater East Africa region, and especially those affecting Somalia. Beled Weyne town and surrounding areas in Somalia were particularly affected with an estimated 182,000 people displaced from their homes, as well as the destruction of many homes, farmland and other infrastructure. 2019 expenditure in Somalia increased by € 2.5 million to € 8.8 million, ending just above the planned € 8.3 million for the year.

South Sudan remains the second largest country by expenditure in our emergency aid response. In 2019, we responded to the healthcare needs of the South Sudanese population in four projects across the country and coordinated numerous additional emergency responses. The declaration of a national emergency due to floods in large parts of South Sudan highlighted the severity of the situation in the country. Our project team in Lankien walked many kilometers to access the villages affected and distribute over 1,900 non-food item kits. We opened a clinic in Leer, Unity district, after having left the community in 2016 following a severe outbreak of violence. Activities in Bentiu and Mundri continued throughout the year. In the Lankien area almost 400 new admissions of Kala-azar were reported during the first half of the year. Treatment of Kala-azar is one of the reasons for our presence in Lankien, and the project has responded to major increases in caseload over the years (especially in 2014 and 2017). The total expenditure in South Sudan increased by € 3.5 million from € 22.1 million in 2018 to € 25.6 million in 2019.

In 2019, we continued to respond to the medical humanitarian needs of one million Rohingya refugees having fled extreme violence in Myanmar in 2018. In the large camps in Bangladesh, we responded to outbreaks of water-borne and preventable diseases such as measles, acute watery diarrhoea and diphtheria with innovative water and sanitation, vaccination and health promotion activities. By the end of 2019, we were operating three hospitals, three primary health care centres, one health post, two specialised clinics and four outbreak response facilities. Throughout 2019, our teams focussed on improving quality and coverage, working closely with refugee communities. We also began adjusting our activities to ensure longer-term sustainability and handed over a number of facilities to local organisations, including an extensive water network using solar energy to power clean drinking water, an example of carbon footprint control. We expanded our mental health services in response to fast-evolving needs. In Cox's Bazar in Bangladesh, we remain the largest provider of specialised psychiatric care for Rohingya refugees and local Bangladeshis. Finally, we continued to lobby for access to Rakhine State in Myanmar, and for the remaining Rohingya population's access to health care. The 2019 expenditure for our emergency aid projects in the region totaled € 15.7 million in Bangladesh (2018: 18.0 million), € 11.1 million in Myanmar (2018: € 12.4 million) and € 2.1 million in Malaysia (2018: 1.4 million).

In Yemen, five years of protracted conflict have left their mark on the health system with devastating impact on the population. In 2019, it has been increasingly difficult

for our teams to continue providing humanitarian medical assistance in Taiz and Houban. Early in the year, we strengthened our cholera response efforts to reduce the outbreak scale and severity in the Taiz Governorate. Expenditure in Yemen increased by € 1.5 million to € 16.4 million.

The conditions in Venezuela are complex and worrying, with the infrastructure across the country deteriorating to a level where the health system is unable to meet the health needs of the population. At the same time, the crisis has impoverished much of the population creating a situation where many people cannot afford the costs associated with accessing healthcare. Given the challenges posed by this complicated crisis we opened a number of projects, engaging in rehabilitating hospitals and improving access to Malaria diagnosis and treatment in Sucre, supporting primary and secondary healthcare in Amazonas, and undertaking multi-vaccination campaigns on preventable diseases in the remote part of Delta Amacuro. In 2019, expenditure of € 4.3 million was realised in Venezuela.

#### **Resuming our Search and Rescue operation**

Nearly 1,000 people died in the first nine months of 2019, risking perilous journeys across the Mediterranean in search for safety, prompting the resumption of our Search and Rescue operation in the Central Mediterranean with a new Search and Rescue vessel MV Ocean Viking. As in 2018, we operated in a partnership with SOS MEDITERRANEE assisting 1,373 people in the last quarter of 2019. In total € 3.5 million was spend on Search and Rescue operations in 2019 compared to € 2.7 million in 2018.

#### **Improving tuberculosis treatment**

In 2019, we continued the major multi-drug resistant Tuberculosis trial, aiming to alleviate the suffering of thousands of people now depending on inadequate medicines and to advocate authorities including the World Health Organisation (WHO) and local governments to adjust their treatment protocols. In 2019, the trial is fully integrated in our programmes in Uzbekistan, Belarus and South Africa (through THINK). Equal to last year's expenditure we spent € 11.6 million in those countries combined.

#### **Ending and starting projects**

In 2019, we increased our total number of operational projects from 104 to 111. In this period, we opened 20 new projects, closed 11 projects, and 7 projects were both opened and closed within the year. In the Netherlands we supported a group of Eritrean migrants denied protection and access to the Dutch health care system. The project was an ad hoc project, in which we supported



the Code Rood Network with shelter and nutrition for a group of 50, mostly Eritrean, undocumented individuals until June 2019. € 0.1 million was spent on this project. With the change of the government in Sudan, at the end of 2019 we launched an exploratory mission to investigate the possibility to reestablish our presence in the country (after having been thrown out of the country in 2008). Due to the COVID19 developments in early 2020 we have postponed the decision to start activities.

Together with MSF-Switzerland and MSF-Belgium, we responded in Mozambique after cyclone Idai inundated a large part of the country. Collectively, we treated 3,800 cholera patients and delivered 12,000 consultations, whilst supplying 6,000 m3 of water and distributing non-food items to 23,000 families through very active community engagement. Total expenditure of the project was € 0.7 million.

In 2020, we will scale down or close projects in Ethiopia, Iraq, Myanmar, Syria, Tajikistan and Yemen. Costs related to the severance pay obligation for our national staff are provided for in these Financial Statements (see note 3.10 Provisions).

In our 2019 budget, € 43.4 million was reserved for unplanned emergency aid. During the year, a net amount of € 33.7 million of this budget was allocated to existing and new emergency aid programmes. At the end of 2019 and within the total budget available, € 8.7 million was granted to MSF-France for projects in the Central African Republic, Iran, Jordan, Libya, Nigeria and Yemen (see note 2.2 Grants provided to third parties).

As of 2019, we have changed the cost allocation of the procurement of supplies for our emergency aid to bring this in line with the accounting practices as agreed with MSF International. The costs of the Amsterdam Procurement are charged to emergency aid and mostly concern costs of procurement staff, warehousing, freight handling and quality control in the Netherlands. In 2019, expenditure was € 3.9 million, which is approximately 5% of the total value of the purchases.

More information on our emergency aid is published on our website [www.artsenzondergrenzen.nl](http://www.artsenzondergrenzen.nl)



Costs emergency aid per country	Costs emergency aid 2018	Budget 2019	Costs emergency aid 2019	Budget 2020*
Afghanistan	12,422	17,248	15,565	17,274
Bangladesh	18,035	16,046	15,717	13,985
Belarus	2,067	1,937	1,821	1,797
Central African Republic	10,794	12,432	13,674	12,117
Chad	4,222	2,072	2,766	2,247
Congo, Democratic Republic	22,918	22,919	31,960	25,985
Ethiopia	17,144	13,617	13,627	11,054
Haiti	5,575	3,363	2,689	3,652
India	4,323	5,401	5,455	5,714
Iraq	6,226	6,856	7,929	8,261
Jordan	5,089	5,226	6,366	3,780
Kenya	912	967	1,140	934
Libya	5,520	4,106	5,435	6,347
Malaysia	1,392	2,024	2,097	2,146
Mediterranean Sea	2,735	646	3,498	3,643
Mozambique	0	0	739	0
Myanmar	12,404	12,010	11,115	10,758
Netherlands	0	0	111	0
Nigeria	7,104	8,813	9,798	8,288
Pakistan	5,839	7,273	6,094	6,809
Russia	1,767	1,456	1,165	1,412
Sierra Leone	3,737	4,898	4,706	5,171
Somalia	6,320	8,267	8,795	8,031
South Africa	765	1,302	1,245	2,057
South Sudan	22,135	24,577	25,575	26,075
Sudan	0	0	4	0
Swaziland	765	0	0	0
Syria	18,861	12,813	17,975	2,030
Tajikistan	2,391	2,441	2,446	1,979
Turkey	473	0	0	0
Uganda	52	0	0	0
Uzbekistan	8,771	8,803	8,575	9,278
Venezuela	83	0	4,268	4,924
Yemen	14,850	13,794	16,393	14,847
Zimbabwe	248	0	0	0
Reserved in the budget for unplanned emergency aid		43,368		28,262
	<b>225,939</b>	<b>264,675</b>	<b>248,743</b>	<b>248,857</b>
Other costs and movements in provisions for emergency aid	747	2,582	1,053	400
Depreciation costs	466	743	590	743
Procurement Unit costs	3,664	4,029	3,902	4,609
<b>Total emergency aid expenditure</b>	<b>230,816</b>	<b>272,029</b>	<b>254,288</b>	<b>254,609</b>

\*budget 2020 is not audited

The composition of the expenditure for emergency aid in main categories is as follows:

Emergency aid per category	Costs emergency aid 2018	Budget 2019	Costs emergency aid 2019	Budget 2020*
Purchase of medical items	34,367	35,493	<b>31,653</b>	29,942
Purchase of non-medical items	14,545	15,929	<b>18,528</b>	13,736
Subcontracted services	20,809	26,552	<b>20,123</b>	26,540
Transport	22,661	28,455	<b>26,657</b>	21,529
General and running costs	10,631	14,180	<b>13,057</b>	14,470
Miscellaneous and other costs	3,181	2,014	<b>2,761</b>	2,613
<b>Personnel costs</b>				
Total costs expatriate staff posted in projects	47,043	56,508	<b>52,162</b>	56,063
Total costs national staff	75,670	90,883	<b>87,425</b>	87,720
Total costs staff Procurement unit	1,909	2,015	<b>1,922</b>	1,996
<b>Total emergency aid expenditure</b>	<b>230,816</b>	<b>272,029</b>	<b>254,288</b>	<b>254,609</b>

\*Budget 2020 is not audited

Purchase of medical items decreased because of temporary operational delays occurring in the supply of relief items to the emergency aid projects. Transport cost in particular increased because of accelerated replacement of vehicles in a number of our emergency aid programmes, the switch from trucking to air transport in Yemen and the total costs of air transport for the Somalia programme being burdened to MSF-Holland in view of agreements made within MSF International. As of 2020 these costs will be on-charged to the responsible MSF-section. Included in the item Subcontracted services are

the payments of incentives to staff working in emergency aid programmes but employed by the Ministry of Health of the project country of € 10.9 million (2018: € 8.9 million) and payments for referral of patients and external laboratory testing of € 3.5 million (2018: € 4.3 million).

Compared to both the 2018 realisation and to the 2019 budget, the costs in all emergency aid categories, with the exception of Purchase of medical items developed in line with the overall increase in programme expenditure. Personnel costs are further explained in the notes below.

## 2.1a Personnel costs and personnel emergency aid

in euro and full time equivalents

In 2019 we employed 10,466 staff in full time equivalents (2018: 10,602) working in 111 emergency aid programmes in 31 countries (2018: 104 emergency aid programmes in 32 countries) and at the head office. In this note 2.1a, personnel costs and information on personnel in emergency aid projects are explained. In note 2.7a and 2.7b the personnel at head office is further explained.

Costs of personnel posted in emergency aid programmes are charged directly to the emergency aid expenditure. Costs included in the Total costs expatriate staff posted

in projects include personnel costs related to salaries, per diem allowances, housing, international travel, training and preparation for departure and posting. Included are costs of personnel to whom the provisions of Dutch labour law apply as well as costs of personnel posted from other MSF-sections. For the staff employed under Dutch contract terms, the components of salaries, social security and pension costs included in the Costs expatriate staff posted in projects (emergency aid) are as follows:

Expatriate staff on Dutch contract terms	2019	Budget 2019	2018
Salaries	13,810,905	12,946,290	11,835,879
Social security contribution	526,116	560,865	533,391
Pension contributions	1,343,245	1,631,679	1,441,272

Expatriate staff hired from other MSF-sections	2019	Budget 2019	2018
Payroll costs expatriate staff hired from MSF-sections	15,348,902	15,549,173	15,006,897

In 2019 the number of expatriate staff positions increased by 2.7% compared to 2018 and ended at 787 staff in full time equivalents. This is in line with the originally planned budget of 775 FTE. The category expatriate staff on Dutch contract terms increased to 405 FTE (2018: 363 FTE), while the category expatriate staff hired from MSF-sections decreased to 351 FTE (2018: 368 FTE). The total number of departures remained stable with 1,304 in 2019 compared

to 1,306 in 2018. The salary costs per FTE for expatriate staff on Dutch contract and expatriate staff hired from MSF-sections increased as a result of adjustments to the remuneration package that are agreed within the International MSF-network. The lower costs for social security and pension contributions are explained by having more foreign nationals on Dutch contracts.

Expatriate staff (in FTE)	2019	Budget 2019	2018
Emergency aid - expatriate staff on Dutch contract terms	405	374	363
Emergency aid - expatriate staff hired from MSF-sections	351	359	368
Emergency aid - (Amsterdam) office staff seconded to project countries	20	34	19
<b>Total expatriate staff</b>	<b>776</b>	<b>767</b>	<b>750</b>
Emergency aid - Non allocated FTE (paid in-between-mission leave, sick leave, etc.)	11	8	16
<b>Total expatriate staff</b>	<b>787</b>	<b>775</b>	<b>766</b>

Expatriate staff departures	2019	Budget 2019	2018
Medical	202	396	268
Paramedical	481	407	438
Logistics, advocacy, administrative & other support	621	697	600
<b>Total expatriate staff departures</b>	<b>1,304</b>	<b>1,500</b>	<b>1,306</b>

Gender (women - men)	46% - 54%	n/a	45% - 55%
Gender heads of mission (women - men)	39% - 61%	n/a	60% - 40%
Nationality (Dutch - other)	7% - 93%	n/a	10% - 90%
Average age	42	n/a	41

### Remuneration policy expatriate personnel

The remuneration policies for expatriate staff are fully aligned between the MSF-sections. The remuneration for expatriate staff is based on two layers: a principled indemnity for the first 12 months of volunteer employment and a modest salary after 12 months of employment. There are two components that determine the salary. The salary is benchmarked to the cost of living of the resident country of the expatriate and takes into account local labour market conditions. In addition, the remuneration grid for expatriate staff is composed of six main categories of responsibility. During their posting

expatriate staff receive a basic per diem allowance that is based on the indexed cost of living of the country to which they are posted.

### Pension contributions expatriate staff

As of 1 January 2013, all staff on a Dutch contract are enrolled in a pension scheme with the Premium Pension Institution Brand New Day. The pension premium is fully paid by MSF-Holland to the statutory maximum of 1.875% savings. For more information on the pension scheme for staff see note 2.7b and the chapter 4 Accounting Policies.

<b>National staff employed in the project countries</b>	<b>2019</b>	<b>Budget 2019</b>	<b>2018</b>
Medical	410	381	413
Paramedical	3,640	3,894	3,827
Non-medical project staff	344	274	523
Logistics, administrative & other support	4,961	5,084	4,761
<b>Total national staff employed in the project countries</b>	<b>9,355</b>	<b>9,633</b>	<b>9,524</b>

### National staff salaries

Salary costs national staff (including payroll taxes and social security costs)	71,902,361	65,936,000	63,908,969
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### Remuneration policy national staff

National staff employed in the project countries are remunerated in accordance with MSF's international reference function grid and according to benchmark evaluations performed to ensure a fair and competitive pay in the country in which they are employed. In addition, the MSF-Holland standardised terms and conditions of employment adjusted to the local laws and

customs apply. MSF-Holland does not have any obligations from foreign pension plans for national staff other than applicable mandatory social security contributions. The average cost per national employee increased due to a changes in local market conditions and subsequent alignment of remuneration policies.

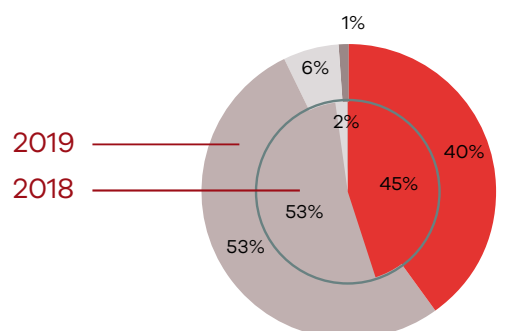
## 2.1b Typology of expenditure and funding of projects

In the Strategic Plan 2015–2019 that is established by the Board we envisage the majority of our portfolio consisting of programmes responding to situations of conflict and other types of humanitarian crises, in which we address unmet medical needs. The objectives set out in the Strategic Plan can be related to the expenditure on emergency aid, the typology of our expenditure on emergency aid and the source of financing of our operational expenditures. In 2019 80.1% (2018: 76.7%) of our projects were situated in contexts of armed conflict or internal instability. In addition, the graphics indicate which groups of beneficiaries were impacted by our programmes.

Compared to 2018 the share of funding of emergency aid by private donations increased by 1% to 99% in 2019.

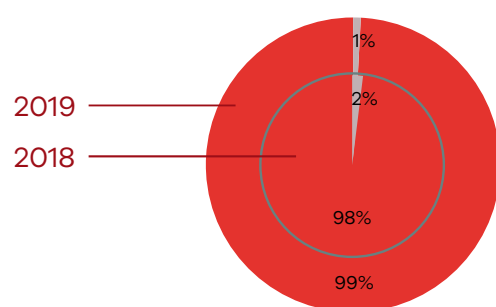
Within the expenditure on emergency aid we aim at a share of about 15% to be spent on the costs for medical, logistical and administrative coordination. In 2019 coordination costs amounted to 18.3% of the total spent on emergency aid (2018: 17.6%).

### WHO DID WE REACH? as percentage of emergency aid



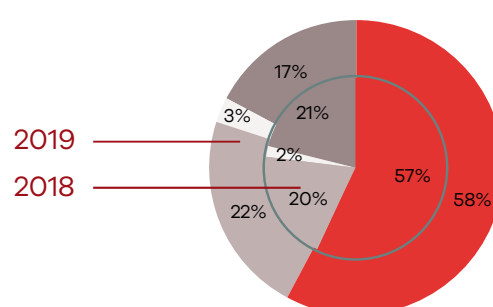
- Victims of armed conflict
- Victims of social violence and/or health care exclusion
- Victims of endemic and epidemic diseases
- Victims of natural disasters

### EMERGENCY AID FUNDING



- Private donors
- Institutional donors

### WHERE DID WE WORK? as percentage of emergency aid



- Armed conflict
- Internal instability
- Post-war countries
- Stable countries

## 2.2 Grants provided to third parties in euro thousands

	2019	Budget 2019	2018
Grant to MSF-Spain for projects in the Central African Republic, Mali, Niger, Nigeria and Somalia	11,000	0	0
Grant to MSF-France for projects in the Central African Republic, Iran, Jordan, Libya, Nigeria and Yemen	8,650	0	0
Contribution to MSF-India	1,548	1,843	1,586
Contribution to Drugs for Neglected Diseases initiative (DNDi) paid through MSF-International	216	211	202
Grant to MSF-Belgium for a project in the Democratic Republic of Congo	123	0	0
Grant to Arq Psychotrauma Expert Group for a staff health research project	100	100	100
Grant to York University for the development of a safe water tool	52	72	99
Grant to MSF-France for Central African Republic	0	0	1,300
Grant to MSF-Belgium for Indonesia (Tsunami response)	0	0	46
Grant to the International Union against Tuberculosis and Lung Disease	0	0	44
<b>Total grants provided to third parties</b>	<b>21,689</b>	<b>2,226</b>	<b>3,377</b>

Grants and contributions to third parties concern general funding of initiatives supporting the Association's goals. The contribution to MSF-India is based on their annual plan budget and in line with their long term strategic planning. In 2019, extraordinary grants were agreed with MSF-International for the support of emergency aid programmes carried out by MSF-Spain and MSF-France. At the end of 2018 an amount of € 11,000,000 was already

disclosed as a subsequent event to the 2018 Financial Statements. Further agreements made with MSF-International in the course of the year, resulted in an increase of this amount to € 19,650,000. The grants to MSF-Spain and MSF-France have been used to implement emergency aid programs in the countries mentioned above.



## 2.3 Programme support in euro thousands

	<i>explanatory notes</i>	<b>2019</b>	<b>Budget 2019</b>	<b>2018</b>
Direct costs	<i>note 2.7</i>	<b>1,670</b>	2,196	1,929
Costs joint projects with MSF-sections	<i>note 2.7</i>	<b>1,259</b>	930	998
Costs foreign offices	<i>note 2.7</i>	<b>311</b>	330	283
Costs personnel head office	<i>note 2.7</i>	<b>13,683</b>	12,476	12,422
Attributed overhead costs	<i>note 2.7</i>	<b>5,862</b>	6,115	5,149
<b>Total Programme support</b>		<b>22,785</b>	<b>22,047</b>	<b>20,781</b>

The increase in the expenditure for Programme support is explained by the increasing costs of Overhead and the costs of hired-in personnel that is mainly deployed in this category. Also included are the costs of support to the programmes' administration software managed from MSF-Switzerland (€ 331,232) and the Health Information System project that is carried out from MSF-United

Kingdom (€ 927,892). Costs foreign offices concern a programme support office and position in Amman, Jordan supporting our programmes' communication in the region and in Arabic in general and the recruitment of staff from Tunis, Tunisia.

## 2.4 Information and awareness raising in euro thousands

	<i>explanatory notes</i>	<b>2019</b>	<b>Budget 2019</b>	<b>2018</b>
<b>Direct costs</b>				
Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies)		<b>330</b>	570	719
Contributions to the MSF-International campaign Access to Essential Medicines		<b>313</b>	312	272
General communication and information activities		<b>760</b>	985	977
<b>Total direct costs</b>		<b>1,403</b>	<b>1,867</b>	<b>1,968</b>
<b>Attributable costs</b>				
Costs personnel head office	<i>note 2.7</i>	<b>848</b>	898	850
Attributed overhead costs	<i>note 2.7</i>	<b>364</b>	440	352
<b>Total information and awareness raising</b>		<b>2,615</b>	<b>3,205</b>	<b>3,170</b>

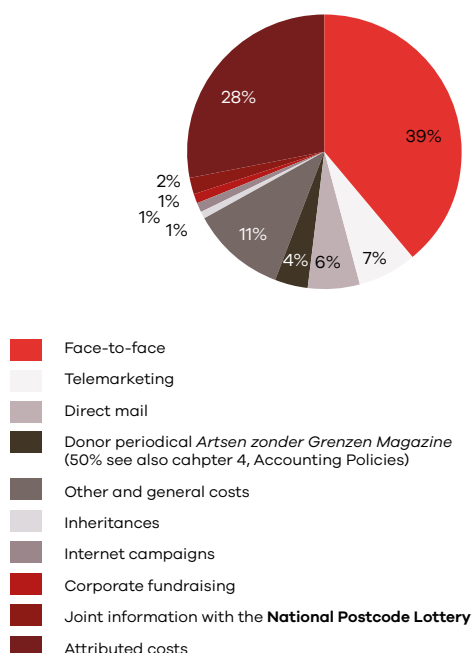
The total costs of Information and awareness raising decreased compared to 2018 and ended also lower than the budget. In 2019 less activities than planned were executed and only 3 donor periodicals (2018: 4) were distributed in a lower circulation than in previous years.

## 2.5 Cost of acquiring income in euro thousands

	<i>explanatory notes</i>	<b>2019</b>	<b>Budget 2019</b>	<b>2018</b>
<b>Direct costs</b>				
Face-to-face		<b>3,494</b>	3,978	3,899
Telemarketing		<b>641</b>	889	1,014
Direct mail		<b>529</b>	120	140
Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies)		<b>330</b>	570	719
Inheritances		<b>112</b>	320	160
Internet campaigns		<b>91</b>	105	84
Corporate fundraising		<b>47</b>	402	81
Joint information activities in television broadcasts of the <b>National Postcode Lottery</b>		<b>226</b>	226	259
Other and general costs of fundraising		<b>1,003</b>	933	590
<b>Total direct costs</b>		<b>6,473</b>	<b>7,543</b>	<b>6,946</b>
<b>Attributable costs</b>				
Costs personnel head office	<i>note 2.7</i>	<b>1,775</b>	2,059	1,497
Attributed overhead costs	<i>note 2.7</i>	<b>760</b>	1,009	621
<b>Total cost of acquiring income</b>		<b>9,008</b>	<b>10,611</b>	<b>9,064</b>

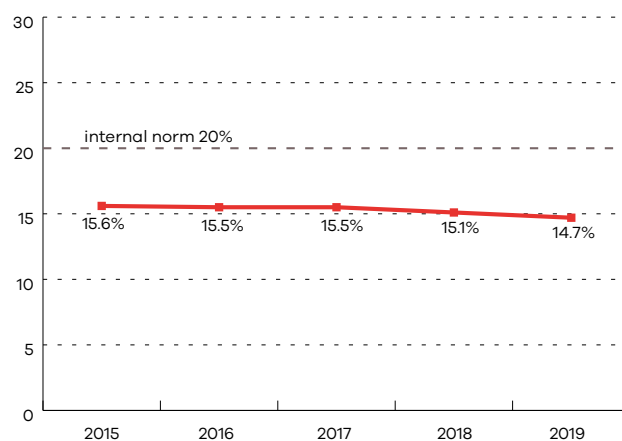
In 2019, 24 staff members (in FTE) worked on activities related to acquiring income (2018: 21 FTE). The costs of the additional staff is offset in large part by lower realized direct costs. Overall the cost of acquiring income ended at the same level as the 2018 expenses. In response to the developments on the fundraising market changes between the different fundraising channels were made.

#### COST OF ACQUIRING INCOME as percentage of total cost of acquiring income



Compared to the previous year the total cost of acquiring income from individuals, companies and not-for-profit organisations decreased to 14.7% of the income raised. MSF-Holland strives to keep this percentage below 20%. The weight of the various components of the cost of acquiring income and the overall cost effectiveness of the cost of acquiring income are shown below.

#### COST OF ACQUIRING INCOME as a percentage of total income from individuals, companies and not-for-profit organisations



## 2.6 Management and administration in euro thousands

	<i>explanatory notes</i>	<b>2019</b>	<b>Budget 2019</b>	<b>2018</b>
Direct costs	<i>note 2.7</i>	<b>1,209</b>	1,682	1,257
Contributions to MSF-International	<i>chapter 6</i>	<b>1,117</b>	1,095	1,099
Costs personnel head office	<i>note 2.7</i>	<b>4,041</b>	3,580	3,100
Attributed overhead costs	<i>note 2.7</i>	<b>1,731</b>	1,755	1,285
<b>Total management and administration</b>		<b>8,098</b>	<b>8,112</b>	<b>6,741</b>

The costs of management and administration amounted to 2.5% of the total expenditures in 2019 (2018: 2.5%) and are explained in more detail in note 2.7. In 2018 the composition of staff employed in management and administration changed having a full effect as planned in 2019. In total 9 full time equivalent positions were added

in this category. A table showing the composition of the direct costs and personnel costs of management and administration can be found in chapter 4, Accounting Policies.

## 2.7 Total expenditure: specification of cost allocation and personnel costs in euro thousands

The total of all costs and the cost allocations over the six principal expenditure destinations reported upon plus the category Overhead are explained on the following pages. In the table on the next page the overhead costs are also specified as a separate expenditure destination: To be attributed overhead. The total costs of the expenditure destinations include the direct costs of the destination, the allocated personnel costs and the attributed overhead costs. First the costs of head office employees are allocated to the six expenditure

destinations and to the category Overhead in proportion of the number of full time equivalents (FTE) employed at head office in those destinations and in the activities included in the category Overhead. Thereafter the total overhead costs are attributed, again according to the proportion of FTE. The principles and policies applied to the allocation of costs per destination are explained further in chapter 4, Accounting Policies.

The total of all costs and the breakdown of the costs is as follows:

Expenditure destination	Spent on Association goals							Total 2019	Budget 2019	Total 2018
	Emergency aid	Grants provided to third parties	Programme support	Information and awareness-raising	Cost of acquiring income	Management and administration	To be attributed Overhead			
<b>Direct costs</b>										
Emergency aid	249,796							<b>249,796</b>	267,257	226,685
Costs joint projects with MSF-sections			1,259					<b>1,259</b>	930	998
Costs foreign offices			311					<b>311</b>	330	283
Grants and contributions		21,689		313		1,117	124	<b>23,243</b>	3,696	4,748
Publicity and communications			1	755	5,133	1		<b>5,890</b>	7,559	6,919
Housing							1,149	<b>1,149</b>	708	1,082
Office and general costs			374	195	936	198	212	<b>1,915</b>	2,313	2,343
ICT			22	93	34	9	3,309	<b>3,467</b>	3,458	2,277
Cost of inventory	1,049							<b>1,049</b>	895	840
Travel and accommodation	107		766	47	100	226	111	<b>1,357</b>	1,535	1,413
Advice			97			593	112	<b>802</b>	999	970
Evaluations, assessments and research			305					<b>305</b>	499	457
Head office projects			105		247		950	<b>1,302</b>	1,459	1,607
Board and Association						182		<b>182</b>	238	213
Depreciation and interest	590				23		1,589	<b>2,202</b>	2,788	1,305
<b>Subtotal direct costs</b>	<b>251,542</b>	<b>21,689</b>	<b>3,240</b>	<b>1,403</b>	<b>6,473</b>	<b>2,326</b>	<b>7,556</b>	<b>294,229</b>	<b>294,664</b>	<b>252,140</b>
<b>Allocated employee costs for head office personnel</b>										
Salaries and social security	1,549		11,031	684	1,431	3,258	1,601	<b>19,554</b>	19,923	17,474
Pension contributions	166		1,180	73	153	348	171	<b>2,091</b>	2,157	1,970
Other personnel costs	207		1,472	91	191	435	213	<b>2,609</b>	1,486	2,365
<b>Subtotal all costs</b>	<b>253,464</b>	<b>21,689</b>	<b>16,923</b>	<b>2,251</b>	<b>8,248</b>	<b>6,367</b>	<b>9,541</b>	<b>318,483</b>	<b>318,230</b>	<b>273,949</b>
Allocation of overhead	824		5,862	364	760	1,731	-9,541			
<b>Total all costs head office and emergency aid</b>	<b>254,288</b>	<b>21,689</b>	<b>22,785</b>	<b>2,615</b>	<b>9,008</b>	<b>8,098</b>	<b>0</b>	<b>318,483</b>	<b>318,230</b>	<b>273,949</b>

#### Overhead

The costs of overhead amounted to 3.0% of the total expenditure in 2019 (2018: 3.0%). The costs of overhead increased from € 8,197,811 in 2018 to € 9,541,127 in 2019. This trend is expected to continue in 2020 .

## 2.7a Personnel head office in full time equivalents

In 2019 we employed 10,466 staff in full time equivalents (2018: 10,602) working in emergency aid programmes and at the head office. Personnel posted in emergency aid programmes are charged directly to the emergency aid expenditures. The associated personnel costs and other personnel information are explained in note 2.1. In this note 2.7 Personnel at head office is explained.

In 2019 the total number of designated FTE employed in the head office increased by 3.8% to 324 with a main increase in the category Management and administration.

In 2019 the illness percentage increased by 0.1% to 4.1% and remained above the policy target of 3.0%. The 4.1% is slightly below the average for the year in the Netherlands.

Personnel head office	2019	Budget 2019	2018
Programme support	189	185	186
Procurement Unit allocated to emergency aid	26	27	27
Information and awareness raising	11	12	12
Fundraising	24	27	21
Management and administration	54	47	45
Overhead	27	33	29
Programme support staff charged from London and Berlin Offices	13	14	11
Emergency aid - (Amsterdam) office staff seconded to emergency aid programmes	-20	-34	-19
<b>Total personnel at head office</b>	<b>324</b>	<b>311</b>	<b>312</b>
Volunteers working at the head office in Amsterdam (# persons)	34	n/a	38
Volunteers working at the head office in Amsterdam (FTE)	5	n/a	5
Gender (women - men)	60% - 40%	n/a	64% - 36%
Gender senior management (women - men)	52% - 48%	n/a	56% - 44%
Nationality (Dutch - other)	48% - 52%	n/a	52% - 48%
Average age	42	n/a	43
Employment (full time - part time)	63% - 37%	n/a	58% - 42%
Sickness rates	4.1%	< 3.0%	4.0%



## 2.7b Remuneration, social security and personnel costs head office

### Remuneration policy

Our remuneration policy for the Amsterdam head office personnel is benchmarked with the remuneration of the public sector and the not-for profit sector in the Netherlands combined. The remuneration reference is the 1st quartile, implying that 75% of staff with a comparable position in the reference sector earn more than staff employed by MSF-Holland. Scaling of employees is based on a function grid. The function-remuneration grid applied by MSF-Holland has 12 scales and features a decreasing growth for management positions, including the Management Team.

### Personnel cost head office staff

Under the header Allocated employee costs for head office personnel, the item Salaries and social security of head office personnel exclusively consists of the gross salaries, taxed reimbursement of expenses and associated social security costs in 2019, € 2,727,789 (2018: € 2,462,245). The personnel costs measured per full time equivalent increased by 71% from € 69,901 in 2018 to € 74,861 in 2019. Of the total increase 3.2% is within salary expenses. This change is explained by changes in the composition of the workforce adding positions that require higher qualified personnel. Of the increase 2.2% can be explained by improvements in provisions for inactive staff and untaken leave days. The remaining part is explained by higher costs for temporary hired-in staff that is not on the payroll. The cost of recruitment and development of head office personnel, canteen costs and

the costs of temporary staff are included in the item Other personnel costs.

### Pension contributions

As of 1 January 2013, all staff on a Dutch contract are enrolled in a pension scheme with the Premium Pension Institution Brand New Day, to which the provisions of the Dutch Pension Act apply. The pension scheme is based on the 3% rate (staffel) model. The pension premium is fully paid by MSF-Holland to the statutory maximum of 1.875% savings and is calculated over 12x the monthly salary plus the holiday allowance. The pension premium is calculated using the minimum allowable deductible for both the retirement and the survivors pension scheme. MSF-Holland does not pay any pension premium above the fiscal maximum. Included in the pension scheme is a survivors pension insurance that is indexed at 2%. Pension premiums are recognised in personnel costs when they are due. No future liabilities are expected to arise from these pension schemes.

### Personnel contracted on behalf of MSF-sections

During 2019 41.0 staff in full time equivalents (FTE) (2018: 43.3) were employed on Dutch contract terms but fully expensed to other MSF-sections, of which 24.5 staff in FTE were working abroad. The other 16.5 staff in FTE were mainly working from the Amsterdam office in MSF-International positions. While our remuneration policies apply, costs and FTE are fully reported in the Financial Statements of each staff's respective hiring MSF-section.

## 2.7c Employment and remuneration of the Executive Directors in euro

### General Director

MSF-Holland has a titular General Director that carries delegated end responsibility. In 2019 this position was occupied by Nelke Manders. The General Director is supported by a management team of functional directors. In December 2018 a Staff Director was added to the management team. At the end of 2019 the management team consisted of a Director Operations, Medical Director, Director Resources, Staff Director and Delegate Director.

### Directors' remuneration

MSF-Holland applies the Advisory Scheme for the Remuneration of Directors of the Dutch charity branch organisation Goede Doelen Nederland as published 12 October 2017 and valid as of 1 January 2018. The advisory scheme sets criteria for determining the level of responsibility required for executive positions and sets maximum annual income standards, as well as standards for severance payments to directors.

Annually the Board evaluates the remuneration of the General Director based on the criteria described in the Advisory Scheme, arriving at a total of 585 points out of the total possible of 600. In the management model of MSF-Holland the General Director is rated at 92% (538 points) while each member of the Management Team is rated 80% (468 points), with € 156,754 and € 138,020 maximum salaries respectively and as applicable from 1 July 2019. Pension contributions and employer's costs are not included in these salary figures. The function-remuneration grid of MSF-Holland results in all of its directors' salaries under the maximum allowable in the

Advisory Scheme. MSF-Holland does not pay any pension premium above the fiscal maximum of € 107,593 (2019).

In 2019 1 FTE was used for the position of General Director (2018: 1 FTE). In 2019 a total of € 148,969 (2018: € 141,829) was spent on the general director's remuneration (see table below). The annual, full year, gross salary including holiday allowance agreed with Nelke Manders is € 123,327 (per 1-5-2019).

In the table below the employment contract and the remuneration of the General Director and the members of the management team are specified:

Employment	Position	Employment period in 2019	Type of contract	End of current assignment
<b>General Director</b>				
<b>Nelke Manders</b>	<b>General Director</b>	<b>01/01 - 31/12</b>	<b>fixed term</b>	<b>04-05-2023</b>
<b>Management team</b>				
Marcel Langenbach	Director Operations	01/01 - 09/08	indefinite	ended
Oliver Behn	Director Operations	01/06 - 31/12	fixed term	31-05-2022
Sid Wong	Medical Director	01/01 - 15/09	ended	ended
Melissa McRae	Medical Director	06/09 - 31/12	indefinite	14-09-2022
Mihaela Ionasc	Director Staff	01/01 - 31/12	fixed term	31-03-2021
Huub Haverhals	Director Resources	01/01 - 01/07	interim services	ended
Shekhar Pula	Director Resources	15/05 - 31/12	fixed term	14-05-2022
Katrien Coppens	Delegate Director	01/01 - 31/07	ended	ended
Frido Herinckx	Delegate Director	07/01 - 31/12	fixed term	15-02-2020 - ended
Martje van Nes	Delegate Director	15/12 - 31/12	indefinite	14-07-2020

	Remuneration			Other employment costs			
	Gross per year excluding holiday allowance	Holiday allowance	Salary according to advisory scheme	Pension contributions	Social security costs	Transition allowance	Total salary costs directors 2019
<b>General Director</b>							
<b>Nelke Manders</b>	<b>112,837</b>	<b>9,027</b>	<b>121,864</b>	<b>16,837</b>	<b>10,268</b>	<b>0</b>	<b>148,969</b>
<b>Management Team</b>							
Marcel Langenbach	65,680	5,255	70,935	14,385	6,226	0	<b>91,546</b>
Oliver Behn	61,749	3,446	65,195	7,004	5,989	0	<b>78,188</b>
Sid Wong	78,305	4,299	82,604	7,498	7,273	18,421	<b>115,796</b>
Melissa McRae	28,890	1,616	30,506	2,250	2,995	0	<b>35,751</b>
Mihaela Ionasc	95,598	7,648	103,246	21,875	10,268	0	<b>135,389</b>
Huub Haverhals	n/a	n/a	n/a	n/a	n/a	n/a	<b>65,000</b>
Shekhar Pula	66,522	5,322	71,844	11,730	6,503	0	<b>90,077</b>
Katrien Coppens	49,053	3,924	52,977	9,500	5,990	49,582	<b>118,049</b>
Frido Herinckx	83,357	6,669	90,026	13,950	10,162	0	<b>114,138</b>
Martje van Nes	3,200	256	3,456	388	415	0	<b>4,259</b>

The General Director and members of the management team all worked full time (100% labour percentage), which is 40 hours a week. There are no payments made for any other remuneration or other taxable disbursements other than mentioned in the table above. No loans or guarantees and no advance payments were provided to the general director or any of the management team members.

During the period 1 January 2019 to 1 July 2019 Huub Haverhals took the responsibilities of the Director Resources in the position of interim Director. The total fee paid to him in 2019 was € 65,000 (excl.VAT). As of 9 August 2019, Marcel Langenbach ended his position as Director Operations continuing his employment in another position in the organisation. Delegate Director Katrien Coppens left the organisation after 22 years of

employment at the end of her term and handed over to Frido Herinckx, who left the organisation at the end of 2019. Martje van Nes was appointed in the position starting mid-December 2019.

Expatriate tax regulations (30% ruling) are applied to the salary of the Medical Director Sidney Wong, the Medical Director Melissa McRae and the Director Operations Oliver Behn.

#### Other information directors

The MSF-Holland policy applying to all directors' positions is that the director is appointed to her or his position for an initial period of three years, with the option of a three years extension. Shekhar Pula is a Board member of Foundation Stop Ecocide and partner in TeqTam B.V.. None of these occupations were remunerated in 2019. The other directors did not have secondary occupations.

## 2.7d Board costs and expenses paid to board members

in euro thousands

The Board of the Association MSF-Holland supervises the organisational policies as carried out by the General Director who has been appointed by the Board. With the exception of the president the board members receive no remuneration for their supervisory function.

The General Assembly is the highest supervisory body of the Association and is held once per year at a minimum.

The Board and Association costs shown here concern the following:

	2019	Budget 2019	2018
Costs MSF-OCA Council (see chapter 6.2)	73	90	104
Costs of the Association and General Assembly	82	109	96
Costs of carrying out supervisory responsibilities	70	59	60
Remuneration president Marit van Lenthe	64	70	0
Remuneration president Unni Karunakara	10	0	30
Volunteer allowances board members	7	7	7
Remuneration president Wilna van Aartsen	0	0	10
<b>Total Board costs and expenses paid to board members</b>	<b>306</b>	<b>335</b>	<b>307</b>

In accordance with the memorandum of understanding governing the MSF-OCA partnership (see chapter 6.2) the chair of the OCA Council receives a monthly supervisory board remuneration for the essentially full time occupation. In Costs MSF-OCA Council an amount of € 37,120 is included for a period of 6 months in 2019 (2018: € 72,600 for a full year). For the second half of the year, the MSF-Holland president is also the chair of the OCA-Council. The total of her remuneration is disclosed below.

On the first of January 2019 Unni Karunakara stepped down as president of MSF-Holland. He was succeeded by Marit van Lenthe. The remuneration paid to Unni Karunakara in 2019 was related to his Board activities in 2018. For the time spent in fulfilling the duties concerned with international governance and as chair of the OCA-Council, the MSF-Holland president, Marit van Lenthe, received a salary (including holiday allowance, pension contributions and social security) of € 63,778 in

compensation. The remuneration of Board members is in line with the MSF-Holland statutes and the applicable Standards Accreditation regulation (Normen Erkenningsregeling) and has been evaluated by the Board remuneration committee in 2019.

In 2019, 9 board members (2018: 10 board members) made use of the expense policy allowing board members to apply for a volunteer allowance of € 100 per month with a maximum of € 1,000 a year to cover expenses. In 2019 an amount of € 7,000 (2018: € 7,100) was paid as volunteer allowance to these board members. No loans or guarantees and no advance payments were provided to any of the board members.

As at December 31, 2019 the Board of the Association MSF-Holland had 9 board members (2018: 7). The minimum number of board members required according to the statutes of the Association is 7.

Information on the composition of the Board, activities of the Board and association are published in the Board for the year at [www.artsenzondergrenzen.nl](http://www.artsenzondergrenzen.nl).

## 2.7e Auditors costs in euro thousands

In 2019 PricewaterhouseCoopers Accountants N.V. (PwC) were our independent auditors. In accordance with our policy no non-audit services were acquired from our independent auditors or associated business units. In 2019 additional work was performed on the statutory audit 2018 specifically related to more extensive auditing of personnel costs and intensified regulatory compliance auditing procedures. The number of contracts of institutional donors which required audited grant reports increased to 3 contracts in 2019.

The following fees were paid to auditors:

Allocated to:		2019	Budget 2019	2018
PwC audit of the Financial Statements	Advice - head office	239	230	210
PwC audit of the Financial Statements (additional work prior year)	Advice - head office	58	0	28
PwC audit contracts institutional donors	Advice - head office	17	11	11
<b>Total auditors costs</b>		<b>314</b>	<b>241</b>	<b>249</b>

## INCOME

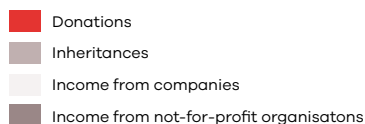
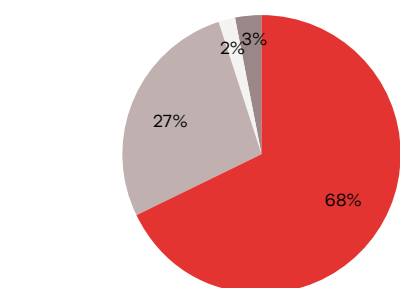
Overall income for the year increased by € 11.8 million from € 279.8 million in 2018 to € 291.6 million in 2019. The income from individuals, companies and not-for-profit organisations increased by € 1.3 million from € 59.9 million in 2018 to € 61.2 million in 2019. Within this category income from inheritances increased by € 1.4 million from € 15.1 million in 2018 to € 16.5 million in 2019. As in the

previous year the income from Inheritances shows an increase as several exceptional receipts occurred. The cost of acquiring income in the Netherlands remains with € 9.0 million at the same level as in 2018. Based on the composition of total income and agreements and contracts made an overall estimate of at minimum 75% of total income is considered structural income.

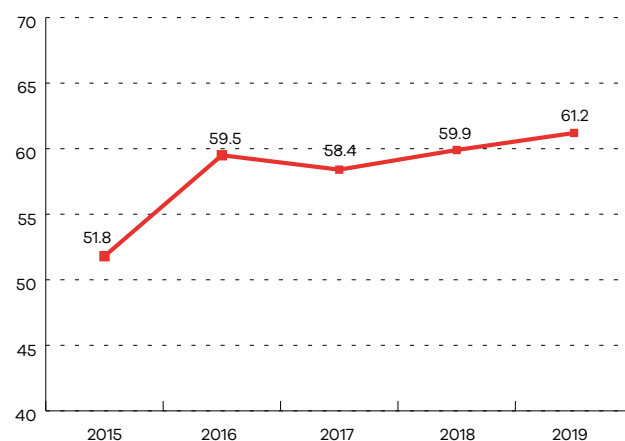
### 2.8 Income from individuals, companies and not-for-profit organisations in euro thousands

	2019	Budget 2019	2018
Donations	41,351	42,499	40,690
Inheritances	16,509	13,000	15,096
Membership fees from Association members	2	1	1
<b>Income from individuals</b>	<b>57,862</b>	55,500	55,787
Income from companies	1,416	1,800	1,749
Income from not-for-profit organisations	1,941	2,500	2,336
<b>Total income from individuals, companies and not-for-profit organisations</b>	<b>61,219</b>	<b>59,800</b>	<b>59,872</b>

#### INCOME AS A PERCENTAGE OF TOTAL INCOME FROM INDIVIDUALS, COMPANIES AND NOT-FOR-PROFIT ORGANISATIONS



#### INCOME FROM INDIVIDUALS, COMPANIES AND NOT-FOR-PROFIT ORGANISATIONS IN EURO MILLIONS



**Private donors**

In 2019 the number of donors decreased with our donor attrition rates going up slightly. Consistently the number of private donors with a direct debit mandate decreased somewhat in 2019. This decrease is in line with current

strenuous market conditions for fundraising in our sector. Compared to the previous year the number of one-time donations increased due to emergency response visibility around hurricane Idai.

	2019	2018	2017	2016	2015
Number of different private donors giving in the year	<b>442,675</b>	447,195	454,214	449,834	447,685
Private donors recruited in the year	<b>33,750</b>	36,337	45,405	44,885	43,600
Active cancellations	<b>2,864</b>	2,427	2,487	2,740	2,818
Donors with a direct debit mandate	<b>310,118</b>	316,762	320,577	317,991	311,807

**Structural income from individuals, companies and not-for-profit organisations**

The income from donors with direct debits, donations with a notarial deed and a large part of the income acquired from legacies and inheritances can be

considered structural income. Measured over a 5-year period, 2014-2019, an estimate of 75% of income from individuals is considered structural income.

## 2.8a Earmarked income from individuals, companies and not-for-profit organisations

in euro thousands

(see also note 3.9c; restricted funds)

The earmarked income is specified as follows:

	Receipts in 2019	Expenditures in 2019	Not spent in 2019
Mozambique	<b>738</b>	-738	<b>0</b>
Bangladesh	<b>504</b>	-504	<b>0</b>
Yemen	<b>377</b>	-377	<b>0</b>
DRC	<b>352</b>	-352	<b>0</b>
Chad	<b>50</b>	-50	<b>0</b>
Uzbekistan-Tajikistan	<b>50</b>	-50	<b>0</b>
Myanmar	<b>42</b>	-42	<b>0</b>
Syria North	<b>18</b>	-18	<b>0</b>
Malaysia	<b>14</b>	-14	<b>0</b>
Nigeria	<b>10</b>	-10	<b>0</b>
South Sudan	<b>8</b>	-8	<b>0</b>
Libya / SAR	<b>5</b>	-5	<b>0</b>
Sierra Leone	<b>3</b>	-3	<b>0</b>
Jordan	<b>2</b>	-2	<b>0</b>
Others	<b>1</b>	-1	<b>0</b>
<b>Subtotal earmarked donations</b>	<b>2,174</b>	-2,174	<b>0</b>
Donations for the Stone fund (training of national employees)	<b>38</b>	-34	<b>4</b>
<b>Total as at 31 December moved to restricted funds</b>	<b>2,212</b>	<b>-2,208</b>	<b>4</b>

## 2.9 Income from the National Postcode Lottery in euro thousands

	2019	Budget 2019	2018
<b>National Postcode Lottery</b> , regular draw	<b>13,500</b>	13,500	13,500
<b>National Postcode Lottery</b> , extra draw	<b>0</b>	0	4,300
<b>Total income from the National Postcode Lottery</b>	<b>13,500</b>	<b>13,500</b>	<b>17,800</b>

In 2019 MSF-Holland received a contribution of €13,500,000 from the regular draw of the **National Postcode Lottery**. This is the maximum possible annual contribution to MSF-Holland according to the five-year

agreement. At the end of 2017 the National Postcode Lottery awarded MSF-Holland a new five-year agreement that will run until 31 December 2022.

## 2.10 Grants from MSF-sections in euro thousands

	2019	Budget 2019	2018
MSF-Germany	<b>95,702</b>	96,500	88,772
MSF-USA	<b>48,149</b>	48,663	43,792
MSF-United Kingdom	<b>31,482</b>	28,170	28,482
MSF-Hong Kong	<b>13,634</b>	14,105	14,019
MSF-Canada	<b>11,712</b>	11,634	11,355
MSF-Sweden	<b>9,435</b>	8,494	8,014
MSF-Ireland	<b>2,871</b>	2,870	2,310
MSF-Norway	<b>43</b>	0	9
MSF-Austria	<b>14</b>	0	0
MSF-Switzerland	<b>8</b>	0	18
MSF-Italy	<b>4</b>	0	60
MSF-Denmark	<b>0</b>	0	36
MSF-Belgium	<b>0</b>	0	4
<b>Total grants from MSF-sections</b>	<b>213,054</b>	<b>210,436</b>	<b>196,871</b>

With an overall increase of 8.2% compared to 2018, the income from grants from MSF-sections ended €2.6 million above the planned budget for 2019. The grants received from MSF-Germany, MSF-USA and MSF-Hong Kong ended just below budget while the other sections ended above budget. The grant received from MSF-United Kingdom was positively affected

by the volatility of the British pound resulting in an additional income of €1,493,971 compared to applying the 2018 rates. The income from MSF-USA and MSF-Hong Kong was also positively impacted by favourable exchange rates at contract signing dates, realising €1,425,386 additional income in euro.

## 2.11 Grants from institutional donors in euro thousands

	2019	Budget 2019	2018
Canadian government (DFATD, IHA)	1,894	2,180	2,202
Global Fund (GFATM)	1,152	1,500	1,813
Japanese Government (MOFA)	389	820	724
European Union (ECHO and EU)	0	0	-3
UNITAID	0	0	-34
<b>Total grants from institutional donors</b>	<b>3,435</b>	<b>4,500</b>	<b>4,702</b>

The project grants from institutional donors refer to the realised portion of the grants awarded that concern activities carried out in the financial year. The grants from institutional donors are all used to cover operating expenses.

## 2.12 Other income in euro thousands

	2019	Budget 2019	2018
Other income	362	0	512
<b>Total other income</b>	<b>362</b>	<b>0</b>	<b>512</b>

Other income mainly consists of reimbursements of shared costs for hosting staff from MSF-sections, mainly MSF-International, in the office.



## 2.13 Net financial income and expenses in euro thousands

	2019	Budget 2019	2018
Realised exchange results from transactions in non-euro currencies	215	0	-1.569
Unrealised exchange results from transactions in non-euro currencies	-65	0	43
Interest income	192	200	237
Unrealised value appreciation Vierhouten (see 3.2b)	68	0	44
<b>Total net financial income and expenses (-)</b>	<b>410</b>	<b>200</b>	<b>-1.245</b>

The unrealised exchange results concern the value dating of the foreign currency bank balances, contract obligations, still to be received monies from institutional donors and MSF-sections, and accounts payable and receivable balances in non-euro currency. All exchange rate differences recognised are included in the financial income and expenses. It is MSF-Holland policy not to make use of financial instruments to control currency risk on various foreign currencies. In 2019 the average balance

on the deposit accounts decreased compared to previous years. Interest income decreased slightly as interest rates on mainly short term US Dollar money market deposits decreased while overall interest rates on other savings accounts were almost nil. The development of the amount of interest received over the past five years is shown in note 5.2. MSF-Holland has no contractual obligations on which interest is due.

## 2.14 Donations in kind in euro

In addition to receiving financial support, MSF-Holland also receives donations in kind and enters into contracts which do not involve payment but goods and services in kind. In particular, these donations in kind concern the delivery of medicines and food and are accepted in project countries to support MSF-Holland's nutrition and health programs. These donations in kind are not registered in the bookkeeping and are also not recognised in the result as the reliability of the current registration systems is too limited.

### Donations in kind for emergency aid

MSF-Holland accepts and registers the use of goods made available by third parties if these would have been purchased if they were not made available to the organisation. The best estimate of the total value of these goods received was € 405,533 in 2019 (2018: € 743,129).

#### DONATIONS IN KIND PER DONOR AND PER CATEGORY

	Medicines	Medical material & equipment	Food & nutrition	Laboratory material & equipment	Vaccines & vaccination material	Water & sanitation material	Relief items / Other	Flights	Total 2019
United Nations (WFP)	27,431	299	2,309	48,240					78,279
ICRC	6,252	59,389	7,085	2,886	6,536				82,148
United Nations (Unicef)	1,068	2,775	59,258	31,961			103		95,165
National TB Program Myanmar (NAP)	92,367								92,367
United Nations (UNFPA/UNHCR/WHO/UNMISS)	4,125	18,876		1,386			544		24,931
Others	19,830	2,521		10,292					32,643
<b>Total donations in kind per category</b>	<b>151,073</b>	<b>83,860</b>	<b>68,652</b>	<b>94,765</b>	<b>6,536</b>	<b>-</b>	<b>647</b>	<b>-</b>	<b>405,533</b>

#### DONATIONS IN KIND PER PROJECT COUNTRY

	Total 2019
Central African Republic	131,241
Somalia	78,174
Uzbekistan	74,750
Congo, Democratic Republic	66,041
Myanmar	17,724
India	16,176
South Sudan	9,335
Syria	6,567
Bangladesh	5,302
Haiti	122
Libya	75
Nigeria	26
<b>Total donations in kind per country</b>	<b>405,533</b>

### Donations in kind head office

In 2019 donations in kind received for the head office mainly concerned pro bono legal services from various law firms. Donations in kind and trade discounts were also received for the renovation of the office building

comprising of, amongst others, donated furniture (Amsterdam City Council) and trade discounts (Desso). At the end of 2019 an amount of approximately 4,743 Blue Bizz air miles were outstanding (2018: 9,462). Air miles are used in the short term.

### 3

## Notes to the Balance Sheet



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▲ Surgeon Ryuichi Takigami (left), during a surgery on a child who fell from a roof. Al Salakhana hospital, Yemen, April 2019.

While realising a deficit of € 26.5 million, MSF-Holland maintained a solid financial position in 2019. Expenditure on emergency aid increased compared to the prior year, with income growth picking up after two years of relative slowing down of the growth. Although reserves levels decreased, a sound level of 5.8 months of expenditure is maintained.

The total cash position at balance sheet date decreased by € 34.8 million while the total receivables position increased by € 8.9 million with the relative distribution of receivables compared to payables increasing compared to the 2018 end of year position. Primarily because of the realised deficit, the overall balance sheet total decreased by € 20.5 million while overall maintaining strong solvency ratios.

Assets and inventories held for emergency aid increased by € 5.6 million. In accordance with the ambitions set out in our Strategic Plan 2015-2019 investments in assets that are used for the objectives of the Association were initiated in 2017 whereas major capital expenditure was incurred as planned during 2018 and with some carry over into 2019. In 2019 all main capital investments projects were delivered. Inventories did (temporarily) increase due to operational delays occurring in shipping of relief supplies to our projects at the end of the year.

Overall reserves and funds decreased due to the withdrawal of the deficit result of € 26.5 million. Restricted funds were slightly lower at € 0.9 million. Provisions nearly doubled to € 3.4 million due to payment obligations to employees in emergency aid projects that are planned to close in 2020 and payroll tax assessment estimates by management. Short-term liabilities increased by 16.2% to € 37.8 million as payables to MSF-sections increased as a result of exceptional grants agreed at the end of the year.

### 3.1 INTANGIBLE ASSETS in euro thousands

	Software
<b>Purchase value</b>	
Balance as at 1 January 2019	7,895
Purchases	1,478
Disinvestments	-797
<b>Balance as at 31 December 2019</b>	<b>8,576</b>
<b>Depreciation</b>	
Balance as at 1 January 2019	2,680
Depreciation	1,249
Disinvestments	-797
<b>Balance as at 31 December 2019</b>	<b>3,132</b>
<b>Balance sheet value as at 31 December 2019</b>	<b>5,444</b>

In 2019 the second release of a Health Information System for use in our emergency aid projects and the replacement of the head office ERP system were fully delivered and depreciation commenced. Furthermore a new donor management system was delivered in September and depreciation commenced. The formerly used ERP system and donor management system were decommissioned and disinvested. Both were fully depreciated in previous years. As at 31 December 2019 no impairment was applied to the intangible assets.

## 3.2 TANGIBLE FIXED ASSETS

### 3.2a Operating assets in euro thousands

	Land	Buildings	Furniture and fixtures	Hardware	Total
<b>Purchase value</b>					
Balance as at 1 January 2019	5,730	15,816	2,251	1,345	<b>25,142</b>
Purchases	0	1,713	582	216	<b>2,511</b>
Disinvestments	0	0	-544	-505	<b>-1,049</b>
<b>Balance as at 31 December 2019</b>	<b>5,730</b>	<b>17,529</b>	<b>2,289</b>	<b>1,056</b>	<b>26,604</b>
<b>Depreciation</b>					
Balance as at 1 January 2019	0	678	544	893	<b>2,115</b>
Depreciation	n/a	527	227	198	<b>952</b>
Disinvestments	0	0	-544	-505	<b>-1,049</b>
<b>Balance as at 31 December 2019</b>		<b>1,205</b>	<b>227</b>	<b>586</b>	<b>2,018</b>
<b>Balance sheet value as at 31 December 2019</b>	<b>5,730</b>	<b>16,324</b>	<b>2,062</b>	<b>470</b>	<b>24,586</b>

Land and Buildings are located at Plantage Middenlaan 14-16, Amsterdam, and in use for the offices. The value of the land is recognised according to market value with value reference date 31 December 2017 and as established by an independent valuator. Land is not depreciated. In 2019 no costs for maintenance were made. A provision for maintenance to the building was created for an amount of € 43,750 (see chapter 3.10). The major renovation and upgrade of the building that started in 2018 was finalised at the end of the first quarter of 2019. At balance sheet date a part of the purchases of the tangible assets of € 2,294,802 is related to the renovation of the building, including office interior fixtures. In total, in 2018 and 2019 combined, € 9,648,178 was invested in these categories of operating assets. Depreciation commenced as of mid

April 2019. The purchase of hardware concerns investments related to the growth of FTE in the Amsterdam office and the planned replacement of the ICT infrastructure as a result of the renovation of the building. After completion of the reconstruction works and moving back to the office building, formerly used operating assets have been disinvested. All were fully depreciated in previous years.

At balance sheet date, based on an assessment that was carried out by a registered valuator there are no indications for impairment of operating assets. To date no value impairment has been recognised for any of the operating assets. The entire operating assets are used for the realisation of the association goals.

### 3.2b Assets held for sale in euro thousands

	2019	2018
Property and buildings Vierhouten	<b>562</b>	494
<b>Estimate sales value as at 31 December</b>	<b>562</b>	<b>494</b>

In 2010 MSF-Holland acquired real estate in Vierhouten from an inheritance. The property will be sold as soon as a reasonable offer is received in 2020. On the balance sheet date a value appreciation of € 68,000 was recognised as unrealised financial income. The annual property tax

value assessment is used as the basis for this valuation. The sum of revaluations since the property was acquired is a net value gain of € 21,000.

### 3.3 Stock for emergency aid in euro thousands

	2019	2018
Medical materials	9,834	7,238
Other materials	3,395	2,352
Transport equipment	741	1,041
<b>Inventory as at 31 December</b>	<b>13,970</b>	10,631
Value adjustment for obsolescence	-444	-610
<b>Net realisable value as at 31 December</b>	<b>13,526</b>	<b>10,021</b>

#### Inventory held in transit in the Netherlands

Included in the inventory on the Balance Sheet are stocks for emergency aid that are kept in transit in the Netherlands (see also chapter 4, Accounting Policies). The value of the inventory in transit at the warehouse in the Netherlands as at 31 December 2019 amounts to € 3,648,143 (2018: € 3,015,287). The other stocks at the warehouse have not yet been allocated to aid programmes and concern free stocks and emergency supply stocks. The item Other materials consists mainly of emergency housing materials (tents, tools, etc.) and water and sanitation equipment for the emergency aid programmes. The entire inventory is held for the realisation of the Association goals.

As at 31 December an estimate value of inventory of € 714,780 was shipped by suppliers under Free Carrier Incoterms but not received in the warehouse (2018: € 1,392,841). This amount is not included in the net realisable value as presented on the balance sheet.

In 2019, as in previous years, a value adjustment has been made for obsolescence. The estimate for the value adjustment is based on expiry dates and expected turnover of items held in stock as at 31 December. Stock loss may also occur during the year on new items procured.

#### Inventory held in emergency projects

In accordance with our accounting policies inventory held in our emergency projects is fully expensed at the time it is shipped to the project countries. For internal supply management purposes the estimated value of those inventories is recorded. At the end of 2019 a reported value of € 25,052,161 (2018: € 29,575,412) of medical supplies was held available for immediate use in our emergency aid projects or was on international transport.

### 3.4 Grants receivable from MSF-sections in euro thousands

The receivables from MSF-sections throughout the year developed as follows:

	2019	2018
Balance as at 1 January	15,929	26,164
Project grants awarded	213,055	196,871
Project grants received	-203,723	-205,768
Exchange results on grants received	-12	-1,393
End of year revaluation of outstanding contract amounts	154	55
<b>Balance as at 31 December</b>	<b>25,403</b>	<b>15,929</b>

The remaining receivables concern project grant contracts which ended in 2019. The receivables from MSF-sections increased as more grants agreed for the

year were signed at year end. All receivables from MSF-sections are short-term and are expected to be received in the first quarter of 2020.

### 3.5 Grants receivable from institutional donors in euro thousands

Receivables from institutional grants comprise receivables from both awarded project grants still running and those that have already ended.

Developments of these in the financial year were as follows:

	2019	2018
Balance as at 1 January	4,811	5,615
Project grants awarded	2,282	6,959
Project grants received	-4,721	-7,620
Exchange results on grants received	149	-707
Non-allocated project grants	0	-389
End of year revaluation of outstanding contract amounts	-68	953
<b>Balance as at 31 December</b>	<b>2,453</b>	<b>4,811</b>

The receivables are as follows:

Receivables from project grant contracts ended in the reporting year	0	439
Receivables from project grant contracts running into the next reporting year	2,453	4,372
Receivables from project grant contracts running after the next reporting year	0	0
<b>Balance as at 31 December</b>	<b>2,453</b>	<b>4,811</b>

The 2016 Board decision to suspend the grants from the EU and EU-member states for the funding of emergency aid was maintained during 2019. As a consequence the receivables from institutional donors further decreased.

The long-term receivables are counterbalanced by the long-term budgetary commitments as specified in note 3.11. As at 31 December all receivables from project grant contracts are short term.



### 3.6 Receivables from inheritances in euro thousands

	2019	2018
Receivables from inheritances	12,740	11,566
<b>Balance as at 31 December</b>	<b>12,740</b>	<b>11,566</b>

Receivables from inheritances represent the estimated valuation of the accepted inheritances for which settlement is in progress. As at 31 December 2019 receivables from inheritances include 28 properties (2018: 43 properties) that are held for sale.

### 3.7 Other receivables and accrued income in euro thousands

	2019	2018
Prepayments and accrued income	3,738	4,992
Other receivables from MSF-sections	4,404	2,522
Taxes and social security contributions to be received	115	44
Debtors	0	41
<b>Balance as at 31 December</b>	<b>8,257</b>	<b>7,599</b>

All Other receivables and accrued income are short-term. All amounts receivable concern the normal course of operations. The decrease in prepayments and accrued income is mainly caused by a reduction of prepayments due to the investments in operating assets being finalised and office rent obligations having stopped. The increase

in the other receivables from MSF-sections is mainly caused by of outstanding settlements of costs incurred between projects and costs charged to MSF International. As in 2018, in 2019 no allowance for uncollectable receivables was needed.

### 3.8 Cash at bank and in hand in euro thousands

	2019	2018
Balance of cash at bank and in hand at head office	13,903	14,759
Balance of cash at bank and in hand at projects	13,042	12,268
Balance of savings accounts at head office	58,797	93,532
<b>Balance as at 31 December</b>	<b>85,742</b>	<b>120,559</b>

MSF-Holland holds its main operating cash management accounts at ABN AMRO and one at ING (NL13 INGB 0000 0040 54) which is used for public fundraising.

The main savings accounts held at head office are held in euro at ABN AMRO (74%), Rabobank (12%), ING (10%) and ASN Bank (4%) and are immediately available funds.

Overall, the main euro savings account balances decreased due to a higher receivables position at year and the funding of the deficit. At 31 December, savings accounts included short term US dollar deposits as follows:

Start date	Amount	Interest	Interest at maturity	Maturity date
10-12-2019	USD 5,000,000	1.65%	USD 11,199	28-01-2020
10-12-2019	USD 2,000,000	1.66%	USD 5,166	04-02-2020
17-12-2019	USD 3,000,000	1.72%	USD 3,004	07-01-2020
17-12-2019	USD 4,000,000	1.65%	USD 5,133	14-01-2020
17-12-2019	USD 3,000,000	1.61%	USD 4,840	22-01-2020
27-12-2019	USD 3,000,000	2.31%	USD 1,349	03-01-2020

### 3.9 Reserves and funds in euro thousands

	Continuity reserves	Other reserves	Restricted funds	Total 2019	Total 2018
Balance as at 1 January	110,000	52,910	1,083	163,993	159,430
Allocation of the result	0	-26,335	-168	-26,503	4,563
<b>Balance as at 31 December</b>	<b>110,000</b>	<b>26,575</b>	<b>915</b>	<b>137,490</b>	<b>163,993</b>

Reserves and funds held by MSF-Holland have been built up over the years by retaining surpluses of income over expenditure. Our reserves aim to maintain a capital structure that enables us to achieve our strategic objectives and daily operational needs, to safeguard our ability to continue as a going concern and to meet our current obligations. Our reserves are quantified to cover working capital needs, provide for a risk based buffer capital, finance operating assets investment, fund sudden emergencies and allow for short-term fluctuations in expenditure or income. For the total of the reserves and funds a maximum of 12 months of total expenditure has been set. At balance sheet date the level of reserves was equivalent to 5.8 months of total

expenditure (2018: 6.8 months) and 62.4% of the reserves were retained in cash at hand and in bank (2018: 73.5%). In line with our reserves policy we aim to keep a flexible liquidity position of current assets (inventory, receivables and cash at bank and in hand).

In accordance with Dutch GAAP Guideline 650 a continuity reserve is maintained next to the other reserves. At balance sheet date, the Board has assessed no additions or withdrawals to the continuity reserves are required. Within the total of reserves an amount of € 116,005 is considered for unrealised benefits related to legacies encumbered with usufruct.

### 3.9a Continuity reserves in euro thousands

In accordance with reserves policies that have been agreed between the MSF-sections, in 2016, the Board decided to reduce the continuity reserves target from 6 months to 4.5 months of total operational activities. Our costs of operational activities are the direct emergency aid expenditure including the related supporting activities and the cost of fundraising. Depreciation costs, contributions and one-off items are not included. Payable grants to third parties are short-term liabilities and are also not included. The amount of the Continuity reserves needed for MSF-Holland has been set at the average amount of expenditure needed to ensure the unimpeded progress of medical care in our projects and the related supporting activities for a 4.5 month period. We calculate

the average amount over the total expenditure of the past two years (2018 and 2019) plus the budget for the coming year (2020).

A risk based buffer capital provision is included in the continuity reserves calculated at € 55,000,000 corresponding to 17.3% of the total expenditure. The buffer capital is based on our risk management and a quantification and statistical analysis of the possible financial impact if adverse events would occur. The buffer capital included in the continuity reserves determines the lower bound of the total of reserves.

The Continuity reserve is calculated as follows:

	Expenditure 2018	Expenditure 2019	Budget 2020	4.5-month average
Total expenditure	273,949	318,483	304,024	112,057
<b>Deduct:</b>				
Depreciation costs	1,305	2,202	2,802	789
Contributions	4,748	23,243	3,524	3,939
<b>Target continuity reserves (4.5 months) as at 31 December</b>				<b>107,329</b>
<b>Actual continuity reserves as at 31 December 2019</b>				<b>110,000</b>
<b>Buffer capital included in the continuity reserves</b>				<b>55,000</b>

### 3.9b Other reserves

In total an amount of € 26,334,208 was withdrawn from the Other reserves. In addition to the 2019 result of € 26,502,805, through the allocation of the 2019 result an amount of € 168,597 was removed from the restricted funds and added to the other reserves.

### 3.9c Restricted funds in euro thousands

The Restricted funds contain donations that have been earmarked by donors for a specific purpose and which have not yet been spent. Note 2.8a gives an indication of the volume of earmarked monies that were received and spent during the year.

The balance of the restricted funds is calculated as follows:

	Unused at year end 2018	Receipts in 2019	Withdrawals in 2019	Unused at year end 2019
<b>Earmarked income from individuals, companies and not-for-profit organisations:</b>				
Donations for various countries	0	2,174	-2,174	<b>0</b>
Earmarked endowment funds	910	42	-199	<b>753</b>
Stone Fund (training of national employees)	43	38	-34	<b>47</b>
Donation for reserves	111			<b>111</b>
<b>Subtotal (see also note 2.8 a)</b>	<b>1,064</b>	<b>2,254</b>	<b>-2,407</b>	<b>911</b>
Earmarked from inheritance property Vierhouten	19	0	-15	<b>4</b>
<b>Balance as at 31 December</b>	<b>1,083</b>	<b>2,254</b>	<b>-2,422</b>	<b>915</b>

The earmarked funds from inheritance concern the maintenance and use of the property in Vierhouten. The endowment fund is comprised of two components:

(a) An amount of € 100,000 may be spent on building a hospital facility before the end of 2021. In 2019 the full amount has been allocated to hospital construction in Kandahar, Afghanistan.

(b) In 2017 an endowment restricted inheritance was received which was initially recognised at an estimate value of € 900,000. In 2019, the estimate has been adjusted to € 942,000. Starting 2018, 10% of the value of the endowment plus the total interest realised may be spent per calendar year. In the period 2018-2019, an amount of € 188,400 was spent from this endowment.

### 3.10 Provisions in euro thousands

	2018	Reversals	Additions	2019
Severance pay due to employees in view of planned project closures	292	-292	1,035	1,035
Payroll taxes national staff South Sudan due to currency conversion	827	0	14	841
Income Tax assessment India	99	-99	0	0
Litigation procedures Search & Rescue operations	410	0	0	410
Payroll taxes assessment Zimbabwe	44	-44	0	0
Employment dispute Kenya	60	-30	0	30
Payroll tax assessment Iraq	0	0	670	670
Taxation procedures Jordan	0	0	62	62
Illness and disability of personnel	0	0	309	309
Maintenance building Plantage Middenlaan 14, Amsterdam	0	0	44	44
<b>Balance as at 31 December</b>	<b>1,732</b>	<b>-465</b>	<b>2,134</b>	<b>3,401</b>

In the annual plan for 2020 decisions have been made to scale down or close projects in Ethiopia, Iraq, Myanmar, Syria, Tajikistan and Yemen for which provisions have been made. In South Sudan a payroll currency conversion from South Sudan pounds to US dollar is likely leading to additional retrospective statutory obligations for which provisions have been made. This provision can be classified as non-current (longer than one year). During 2019 management has assessed the potential tax obligation for personnel employed in Iraq to have become likely to be realised. The other provisions included here are based on formal (tax) assessments or litigation notifications received and for which procedures

are ongoing and that have been assessed by management.

The provision for illness and disability of personnel is made in view of obligations to continue payment of remuneration (including transition allowances) to personnel who are expected to remain permanently, wholly or partially, unable to perform work due to illness or disability on the balance sheet date. As of 2019, after the completion of the reconstruction work of the office building (see note 3.1) a provision for future maintenance is formed. The provision is based on a 20-year maintenance plan.

### 3.11 Long-term liabilities in euro thousands

	2019	2018
Long-term budgetary commitments institutional donors	0	943
<b>Balance as at 31 December</b>	<b>0</b>	<b>943</b>

The long-term budgetary commitments concern the portions of multi-year project grants and contributions that are expected to be spent in 2020.

The movement in long-term liabilities is shown in note 3.12a.

## 3.12 Short-term liabilities in euro thousands

	2019	2018
Payables to MSF-sections	18,212	12,888
Accounts payables	6,204	5,547
Taxes to be paid	3,509	3,197
Payables to head office staff and expatriate staff	3,095	3,103
Payables to suppliers in project countries	2,553	2,466
Payables to national staff employed in the project countries	960	855
Other liabilities	2,109	1,117
Project grants from MSF Sections received in advance	0	1,916
Budgetary commitments (see specification in note 3.12a)	1,180	1,464
<b>Balance as at 31 December</b>	<b>37,822</b>	<b>32,553</b>

The item Payables to head office and expatriate staff primarily concerns accruals for unused leave days, the accrual for leave pay and pension premiums payable. Included in this item are transition and severance payments due to personnel for which agreements were entered into at balance sheet date. The item Payables to national staff employed in the project countries includes payable net salary and accrual of unused leave days.

The Payables to MSF-sections increased as a grant to MSF-France of € 8,650,000 was entered into at year end. The grant to MSF-France will be paid within one year and in three quarterly instalments of € 3,000,000, € 3,000,000 and € 2,650,000 respectively. The other payables to MSF-sections are expected to be settled with

the first quarter of 2020. No interest or securities are applied.

Budgetary commitments are commitments arising from awarded project grants for which the total eligible costs in or up to 2019 are lower than the total grant awarded. The balance concerns the portion of the project grants that have yet to be implemented by MSF-Holland.

All Short-term payables are expected to be paid within one year.

### 3.12a Movement in budgetary commitments in euro thousands

The item Budgetary commitments developed in the year as follows:

	2019	2018
Balance as at 1 January	1,464	311
Listed under long-term liabilities as at 1 January	943	0
Project grants awarded by MSF-sections in this financial year (see also note 3.4)	213,055	196,871
Project grants awarded by institutional donors in this financial year (see also note 3.5)	2,282	6,959
End of year revaluation of outstanding contracts	-74	229
<b>Subtotal grants awarded</b>	<b>217,670</b>	<b>204,370</b>
Project grants realized from MSF-sections (see also note 2.10)	-213,055	-196,871
Project grants realized from institutional donors (see also note 2.11)	-3,435	-4,702
<b>Subtotal project grants realised</b>	<b>-216,490</b>	<b>-201,573</b>
Non-allocated project grants	0	-390
Listed under long-term liabilities as at 31 December	0	-943
<b>Balance as at 31 December</b>	<b>1,180</b>	<b>1,464</b>

The budgetary commitments at the end of the 2019 financial year refer entirely to the implementation of projects in 2019 and are thus short-term commitments. Long term budgetary commitments at the end of 2019 are specified under paragraph 3.11, long-term liabilities.

### 3.13 Commitments and contingencies not included in the Balance Sheet

#### Office rent agreements

Starting 1 March 2013 a rental contract for nine years was entered into for the rental of the office of MSF-India. The total commitment arising from this rental agreement is € 524,619 for the period 2020-2022. Of this amount, € 242,132 refers to 2020, € 242,132 to the year 2021 and € 40,355 to the year 2022.

#### Lease agreements in project countries

The value of lease contracts held in project countries for a period of > 12 months as of 1 January 2020 is € 5,162,428 at balance sheet date. These lease contracts concern rent of offices, warehouses, clinics and staff housing. Of this amount, € 2,744,228 refers to 2020, € 2,358,910 to the years 2021-2024, € 6,150 to the year 2025 and one very long term lease agreement for a clinic extending up to 2037 with a value of € 53,140 for the period 2026-2037.

#### Other agreements

Together with MSF-Belgium and MSF-Switzerland, MSF-Holland has engaged in a five-year operational leasing contract of VSAT installations with ITC Global. The commitment for MSF-Holland depends on the number of installations. For 2019 an average of 29 installations is foreseen, implying a fixed cost of € 797,500 for the year.

#### Litigation

In a number of countries in which MSF-Holland implements projects, litigation procedures are pending. MSF-Holland maintains a litigation register. In these Financial Statements, provisions are made for a total of € 502,113 (2018: € 470,000). Based on legal advice obtained and the provisions made, we do not expect that any further significant financial liabilities will arise out of these procedures.

#### Taxation

In the instable environments in which we work tax and regulatory legislation is subject to varying interpretations, and changes, that can occur frequently. The relevant local governments or authorities may challenge our interpretation of such legislation as applied to programme activities and the associated transactions. As a result additional taxes, penalties and interest may be assessed. Under these volatile circumstances, fiscal periods for review may remain open for longer periods.

As at 31 December 2019 management believes that its interpretation of the relevant legislation is appropriate. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Financial Statements. In these Financial Statements, provisions are made for a total of € 1,510,642 (2018: € 969,638). Based on legal and fiscal advice obtained and the provisions made we do not expect that any further significant financial liabilities will arise out of our positions taken.







▲ An MSF boat loaded with emergency goods on its way to areas that have been heavily affected by floods in Ponor, South Sudan, November 2019.

These Financial Statements have been prepared in accordance with Dutch Accounting Standard 650 for the reporting of Fundraising Institutions as published by the Dutch Accounting Standards Board (RJ650, Raad voor de Jaarverslaggeving). These Financial Statements are prepared in accordance with the accounting policies as further explained below. The valuation principles and method of determining the result are the same as those used in the previous year.

Assets and liabilities are accounted for at historical costs and unless stated otherwise are shown at the value at which they were acquired or incurred. Expenditure and income are allocated to the period to which they relate and in accordance with the principles below.

#### **Foreign currency and currency translation differences**

These Financial Statements are presented in euro, which is the functional and reporting currency of MSF-Holland. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency based on the closing exchange rates at balance sheet date. Non-monetary assets (inventory) valued at cost in a foreign currency are translated at the exchange rate at the transaction date. Translation differences resulting from settlement and conversion are processed through the Statement of Expenditure and Income in the period that they are realised. Transactions denominated in foreign currencies are translated at the exchange rates prevailing at the transaction date.

**Going Concern**

The Financial Statements are drawn up on the assumption that the entity is a going concern. Whilst uncertain, we do not believe that the impact of the COVID-19 crisis will have an effect on our going concern assumption. For further information we refer to the 'events after the balance sheet date' paragraph (Chapter 7).

**Operational leasing**

MSF-Holland has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of, nor incurred by MSF-Holland. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the Statement of Expenditure and Income for the duration of the contract.

**Cash flow statement**

The Cash Flow Statement has been prepared according to the direct method in order to provide better insight into the flows of funds of MSF-Holland and the MSF-sections. Cash flows denominated in foreign currencies have been

translated into euro at the exchange rate prevailing at the transaction date. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received are included in cash from operating activities.

**Events after the balance sheet date**

An event after the balance sheet date that provides further information about the actual situation as at the balance sheet date and appear up to the date of the preparation of the Financial Statements will be adjusted in the Financial Statements for the current year.

An event after the balance sheet date that does not provide further information about the actual situation as at the balance sheet date will not be adjusted in the Financial Statements for the current year. In these Financial Statements significant events that occurred after the balance sheet date are disclosed.

## 4.1 Accounting policies on the valuation of assets and liabilities

**Intangible assets**

Acquired intangible assets are recognised if they yield measurable economic benefits for the organisation over several years. In these Financial Statements software is recognised as intangible assets. Intangible assets are recognised at historical cost less depreciation. Intangible assets are valued at acquisition cost or at production cost, at most, less depreciation. Operating systems are capitalized as part of the hardware they belong to. Intangible assets are depreciated taking into account their estimated useful life but not exceeding a five-year period and with a residual value of NIL.

- Software is depreciated applying the straight-line method at a rate of 20%.

On the balance sheet date, management assesses and establishes whether intangible assets may be subject to impairment. Impairment losses may lead to additional write-offs that will subsequently be charged to the result of the period. At balance sheet date no impairment was applied.

**Tangible fixed assets****Land**

The plot of land forming part of Plantage Middenlaan 14, Amsterdam is valued at fair value. In these Financial Statements, the plot is initially recognised according to market value with value reference date 31 December 2017 and as established by an independent valuator.

The value includes non-refundable transaction taxes. The plot of land is in own use and held as an operating asset. Land is not depreciated. Land will be tested for value impairment or value appreciation every three years. The next value evaluation will be as at 31 December 2022.

**Building**

The building forming part of Plantage Middenlaan 14, Amsterdam, is valued at actual acquisition price, added non-refundable transaction costs and less depreciation. Future investments in the building may be added to the actual cost price. Depreciation is calculated according to the straight-line method based on expected economic life and considering an expected residual value at the end of the useful life.

- The useful life of the building is set at 30 years and with a residual value of NIL.
- The building is depreciated applying the straight-line method at a rate of 3.33%.
- The investments made as part of making the building fit for purpose have been added to the actual cost price of the building.
- The depreciation of the useful life of these investments has been aligned with the useful life of the building itself resulting in a depreciation of 3.6% per year applying the straight-line method.
- At balance sheet date, a formal value impairment evaluation was exercised. Considering general developments in the local (Amsterdam) real estate market there were no indications for impairment of the office building.
- The next value impairment evaluation will be as at 31 December 2022.

#### Operating assets

Operating assets comprise of furniture, fixtures and IT-hardware. Subsequent to initial recognition, operating assets in use are valued at acquisition or production cost less accumulated depreciation and impairment. Depreciation is calculated according to the straight-line method based on expected economic life and considering the expected residual value at the end of the useful life.

- IT hardware are depreciated applying the straight-line method at a rate of 20%.
- Furniture and fixtures are depreciated applying the straight-line method at a rate of 20%.
- At balance sheet date based on market conditions there were no indications for impairment of operating assets.

#### Impairment

On the balance sheet date, for each (sub) category of assets, management assesses and establishes whether there is objective evidence that a tangible fixed asset or a group of tangible fixed assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the statement of expenditure and income. Impairment losses may lead to additional write-offs that will subsequently be charged to the result of the period.

#### Fixed assets in use in the project countries

Purchase costs of tangible fixed assets used in the project countries are expensed to project costs. After completion of the projects these assets are generally transferred to the beneficiaries. MSF-Holland does not own any real estate in the countries in which emergency aid projects are carried out.

#### Assets held for sale

Real estate held for sale is valued at fair value in the current real estate market. The annual property tax value assessment is used as the basis for this valuation. On the balance sheet date, management assessed the value of property held for sale. The value appreciation is recognised in the statement of expenditure and income.

#### Financial Assets

Financial Assets on the balance sheet concern loans and other receivables that are held to maturity. When there is no open market, these financial assets are recognised at the redemption value and, if lower at fair value and subsequently at amortised cost. If the fair value as at balance sheet date is lower than the redemption value, the difference is recognised in the Statement of Expenditure and Income. No financial assets were held at balance sheet date.

#### Inventory

Stocks centrally held in the Netherlands are stated at average historical cost or lower realisable value. In determining the realisable value the obsolescence of the inventory is taken into account. The costs of the stocks are expensed to the emergency aid at the time they are shipped to the project countries. The cost price of the stocks is calculated based on average costing while the movement of physical stock is according to the first-in-first-out principle and first-expiry-first-out principle for medicines. The costs incurred in order to bring the inventories to their current location are included in so far these can be attributed directly.

An estimated value of the medical stocks held in the project countries is explained in text in the notes to these Financial Statements under the header Inventory.

#### Accounts receivable

Receivables are recognised initially at fair value subsequently measured at amortised cost. When a receivable is uncollectable it is written off against the allowance account for receivables.

#### Cash at bank and in hand, cash equivalents

Cash at bank and in hand is carried at nominal value. Cash at bank and in hand represents the balances of all accounts held for head office and projects, both in the Netherlands and abroad, and deposits with terms of less than twelve months. Cash and bank balances denominated in foreign currencies are valued at the exchange rates prevailing at year end date.

### Pensions and pension provision

MSF-Holland has a number of pension schemes to which the provisions of the Dutch Pension Act are applicable. Premiums are paid on a contractual basis. Premiums are recognised as personnel cost when they are due. Contributions due but not yet paid are presented as liabilities. Such pension schemes apply to employees for which the provisions of Dutch labor law apply.

(A) As of 1 January 2013 a pension scheme for employees was entered into with a Premium Pension Institution (PPI). In this pension scheme employees accrue a pension capital by investing the monthly available premium that is fully paid by MSF-Holland. The premium is based on the career average system (middelloon pensioen stoffel) with a maximum build-up of 1.875%. All contributions have been paid in full.

The accrued invested pension capital is designated for the purchase of a retirement pension and partner pension at retirement age. Under this pension plan employees by default invest in SRI-funds. Within statutory limitations employees have full freedom to alter their investment profile. The investment risk is fully with the employees. A 2% indexed survivors pension is part of the pension scheme.

(B) The pension schemes set up for the employees and valid until 31 December 2012 have been based on a career-average plan with conditional indexation. All schemes have been placed with a life insurance company and, in view of the nature of the contracts with the insurer, future obligations are unlikely to arise from these pension schemes. This means that MSF-Holland's commitment towards its employees, under the former insurance contract concluded with the life insurance company, are limited to the contributions paid to the insurance company. All contributions and agreed settlements have been recognised in full.

MSF-Holland does not have any pension plan for national staff in mission countries. At balance sheet date there were no pension provisions.

### Reserves

Reserves are divided into continuity reserves held to ensure the unimpeded implementation of emergency aid projects and other reserves. Reserves are held to provide working capital, to finance assets and future investments and to fund (sudden) emergency aid projects. In accordance with policies agreed within the network Médecins Sans Frontières continuity reserves are held at a level of around 4.5 months of operational expenditures while the total of reserves should not exceed the level of 12 months of operational expenditures. Within the continuity reserves a risk based buffer capital is provided for.

### Restricted funds

Restricted funds are held for donations for which the donor designated the use and which could not be spent in the reporting period or were intended to be spent over a longer period. Donor restricted funds are assessed regularly.

### Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is likely that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured at the most likely amount that is necessary to settle the obligation as per the balance sheet date. Provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

Provisions have been formed for the liabilities existing on the balance sheet date in respect of the following:

- (A) The planned closure or reorganisation of emergency aid projects and the associated severance payments due to personnel.
- (B) Claims resulting from pending disputes and litigations.
- (C) Potential liability of income and payroll taxes in project countries.
- (D) Obligations existing on the balance sheet date to continue payment of remuneration (including transition allowances) to personnel who are expected to remain permanently wholly or partly unable to perform work due to illness or disability on the balance sheet date.
- (E) Maintenance of the office building at Plantage Middenlaan 14-16, 1018 DD Amsterdam. The addition to the provision for future maintenance of the building is formed based the expected amounts of maintenance as captured in a multi-year maintenance plan.

### Liabilities

Current and long-term liabilities are recognised initially at fair value subsequently measured at amortised cost price. Unless otherwise stated this usually is the nominal value. Accruals (such as for unused leave days and leave pay) are included and further disclosed in the current and long-term liabilities.

### Financial assets and liabilities

Unless explicitly disclosed otherwise, the fair value of the financial assets, receivables, cash and liabilities approximates to the carrying amounts given the mid to short term nature of the claims and that, where necessary, provisions for bad debts are formed

**Commitments and contingencies not included in the Balance Sheet**

Commitments and contingencies not included in the Balance Sheet are understood to include:

- Multi-year financial commitments, such as long term agreements, of which the consideration is exercised in future years.
- Contingent liabilities arising from events up to and including the balance sheet date for which it is not likely that settlement will result in an outflow of funds or of which an amount cannot reliably established; or,
- Contingent liabilities arising from events up to and including the balance sheet and whose existence depends on uncertain events that may or may not occur in the future.

Eventual risks associated with ongoing procedures are disclosed in the Commitments and contingencies not included in the Balance Sheet.

## 4.2 Accounting policies on the expenditure and income

In 2019, cost allocation keys have been changed. The costs associated with the procurement, storage and shipping of relief supplies purchased through the head office previously allocated to Programme support costs are allocated to Emergency aid costs. Comparative figures for 2018 have been adjusted. The costs remain visible in the prescribed disclosure note 2.7 Total expenditure: specification of cost allocation and personnel costs. The cost allocation keys are consistently applied within the network Médecins Sans Frontières.

### Emergency aid costs

Costs of emergency aid relate to the costs of the aid projects undertaken by MSF-Holland. This concerns any on-site costs incurred by the projects, as well as the costs of medical and logistic personnel posted and the costs of relief supplies bought via head office and transported to the projects. The cost of handling the purchase, storage and shipping of relief supplies are included in this category.

Relief supplies purchased through head office are expensed to the projects at the time they are sent to the project country. Supplies delivered to the warehouse and being readied for transport are accounted for as project-related stocks and are included in the Balance Sheet. Outstanding orders for purchases are not included in the accounts. Outstanding orders are internally reported as budget commitments.

### Grants provided to third parties

Grants issued to third parties are stated as costs on the awarding date.

### Programme support costs

Costs of programme support relate to the costs incurred by head office for the direct support of aid projects managed by MSF-Holland. Relevant costs include costs of departments handling the provision of medical advice, programme administration and the recruitment and posting of staff. The costs of the Operations Director and the Medical Director are included in this category.

For aid projects in a number of countries, programme support activities have been (partly) outsourced to the sections with which MSF-Holland works collaboratively. The costs of the activities outsourced to support the projects directly in MSF-Germany and MSF-UK are reported in chapter 6, Partnerships. These costs are not included in the Statement of Expenses and Income.

### Information and awareness raising costs

Costs of information and awareness raising relate to the costs of advocacy within the framework association goals. The primary purpose of advocacy is to increase the public's awareness and to bring about a change of attitude and behavior. The allocation of costs for information and awareness raising and the categories stated below are amongst others based on the following basis:

- 50% of the costs of the donor periodical Artsen zonder Grenzen Magazine goes to information and awareness raising and 50% to the costs of acquiring income (fundraising).

### Cost of acquiring income

The cost of acquiring income relates to all costs of activities with the direct or indirect purpose to encourage people and institutions to donate money or time and attention for one or more goals of the Association. Apart from costs that can be attributed directly, the following cost allocations are applied:

- 50% of the costs of the donor periodical Artsen zonder Grenzen Magazine have been allocated to fundraising costs and 50% goes to information and awareness raising;
- The bank costs which correspond to specific fundraising activities are included in this category;
- The automation costs related to the registration and communications with (potential) donors are included here as well;
- The costs of acquiring government grants are included in so far as these costs were incurred at head office. This particularly concerns part of the personnel costs incurred in the project administration department.

### Management and administration costs

Management and administration costs relate to the costs incurred for directing and managing the organisation. The costs of recruiting personnel to work at the head office and also the costs of performing general financial administration, planning and control, the general legal expenses, as well as the costs of the Board and the Association are included in this category.

Overhead costs relate to the costs of facility support for housing, ICT, general insurances and other office facilities and include depreciation costs, with the exception of the depreciation costs of the donor database which are included in the costs of acquiring income.

The table on the next page describes how the main Management and administration costs are allocated by MSF-Holland.

EXPENDITURES	Management & administration	Overhead	Explanations
Board and Association	100%	-	
General Director, Director Resources, Staff Director, Delegate Director	100%	-	The Medical Director and Director Operations are attributed to programme support
Heads of department of the Directors Office, Finance and HRM	100%	-	
Administrative support to all directors and all heads of department	100%	-	
ICT at head office	-	100%	Including integrated services that are delivered to and for emergency aid projects
Housing, facilities and office materials and supplies	-	100%	
Head of department Program Management Office, PMO officer, general costs	-	100%	Expenses of improvement projects are directly attributed to the relevant category
Head of department Learning & Development	50%	-	Other 50% to programme support
Reporting & Analytics, information management, data privacy and IT security functions at head office	-	100%	
Control, compliance and internal audit	100%	-	
Website development and maintenance	-	100%	
Annual report, corporate communication	100%	-	
Bank costs	100%	-	Bank costs related to fundraising activities are allocated to cost of acquiring income
Financial administration	100%	-	
Emergency aid projects administration at head office	-	-	To programme support
Head office staff salary and personnel contract administration	100%	-	
Salaries and personnel costs	Pro rata	Pro rata	As much as possible attributed to actual deployment
Depreciation	-	100%	Depreciation for assets deployed in emergency aid projects is indirectly attributed to emergency aid
General insurances	-	100%	
Audit costs	100%	-	Audit costs for grants towards emergency aid projects are attributed to emergency aid
Costs of settlement and administration of acquired inheritances	-	-	All to costs of acquiring income including their direct legal expenses
Legal counsel	50%	-	Other 50% to programme support
Legal (external advice) expenses head office	100%	-	Costs of document legalisations are directly attributed to emergency aid
Contribution to general costs MSF-International	100%	-	



### **Personnel costs, overhead costs and allocation**

Personnel costs (salaries, social security contributions, pension premiums, transition allowances etc.) for staff employed in emergency aid programmes are presented as separate items in the Statement of Expenditure and Income.

Personnel costs at head office are divided over the main expenditure destinations and the Overhead to be attributed in proportion to the number of allotted full-time equivalents (FTE) of personnel at head office. After the allocation of personnel costs the overhead costs are attributed in the same way to the different destinations. Note 2.7 in these Financial Statements explains the divisions of these costs after the allocation of the personnel costs.

All salaries, wages and social security contributions are charged to the Statement of Expenditure and Income based on the terms of employment when they are due to employees and the tax authorities respectively. For pensions the premium payable during the financial year is charged to the result. See under Pensions above.

### **Donations**

Direct donations from the public, from companies and from not-for-profit organisations are recognised as income upon receipt. Donations and gifts for which the use is designated by the donor (or, in the case of a legacy or bequest, by the donor's will) to specific purposes, or is restricted in time, or is required to be invested and retained rather than expended, are designated "earmarked income". Other income earned from restricted revenues such as interests earned from the investment of restricted funds is also considered as restricted with the same designation as the original funds, unless otherwise specified by the donor.

### **Inheritances**

Inheritances are recognised on an accrual basis for the estimated value based on the available documentation relating to an inheritance. Adjustments to valuations are made on developments and finally at the time of receipt of settlement of the inheritance.

### **Membership fees**

Membership fees are not obligatory. Any membership fees from members of the Association are accounted for on a cash basis.

### **Grants from individuals, companies and not-for-profit organisations**

Grants from individuals, companies and not-for-profit organisations are recognised as income in the respective sub-categories in the same year as the related project expenditure can be declared to the donor.

### **Income from lottery organisations**

Income from lottery organisations concerns income from the National Postcode Lottery. Income from the National Postcode Lottery is recognized at the time of the allocation. The proceeds from the National Postcode Lottery are based on contracts and on contractually valid financial regulations.

### **Grants and income from MSF-sections**

Project grants allocated to MSF-Holland and the subsequent budgetary obligations arising from grants from within the network Médecins Sans Frontières are shown in the Balance Sheet from the contract date. These grants are accounted for as income in the Statement of Expenditure and Income for the maximum eligible costs according to the contract and as incurred in the book year.

### **Grants and income from institutional donors**

Project grants from governmental institutions awarded to MSF-Holland and the related budgetary obligations are shown in the Balance Sheet from the contract date. These grants are accounted for as income in the Statement of Expenditure and Income in the same year as the related project costs can be declared to the donor.

### **Interest income**

Interest income is recognised on a pro rata basis.

### **Donations in kind**

Donations in kind received are not recognised as income and/or expenditure. Donations in kind are disclosed for information purposes in the explanatory notes in the Statement of Expenditure and Income as far as they concern goods that are essential to MSF-Holland to be able to execute our aid projects and, had they not been made available to us, would have been purchased. An explanation is given regarding received donations in kind for which a reporting obligation is required. An estimated total of the current purchase price of the received goods is shown in these Financial Statements. Donations from other MSF-sections are not included in the explanatory notes.



## 5

# Financial Risks

© Alexis Huguet/MSF

▲ During a large bed net distribution campaign MSF collaborated with the National Malaria Programme to offer rapid malaria tests to people. If they were tested positive, they were treated on the spot. Bolivar State, Venezuela, February 2019.

Our operational and fundraising activities result in exposure to a variety of financial risks. MSF-Holland has identified the following financial risks: credit risk, concentration risk, interest rate risk and foreign currency risk. Management policies have been established to identify and monitor these risks, and to set appropriate risk mitigation measures.

MSF-Holland assesses its overall risk appetite to financial risk as risk-averse, avoiding risk and uncertainty. For the foreign currency risk exposure, the risk appetite is cautious, preferring safe options that have a low degree of risk but accepting that with working worldwide some uncertainty may be expected.

Furthermore, financial risk exposure may arise from tax and regulatory legislation, which in the unstable environments in which we work is subject to varying interpretations, and changes, that can occur frequently. In our programmes we accept a minimal up to cautious level of risk towards local (tax) laws and regulations. Where management has assessed it is probable that a position on the interpretation of relevant legislation cannot be sustained, an appropriate amount has been included in the provisions in these Financial Statements.

Financial risk management is carried out in accordance with our treasury policy. The written principles and policies are reviewed annually by the Audit Committee. In our risk management activities non-financial risks are also reviewed; more information on those can be found in our Annual Report and the Board Report.

## 5.1 Credit funds and concentration risks in euro thousands

Credit fund risks are primarily associated with the cash and cash equivalents we hold at financial institutions and to some extent from receivables relating to our institutional donor grants.

Cash balances held in Amsterdam are held at a minimum of 80% with banks that have a credit risk rating of at least 'A-', as rated by an acknowledged rating agency. In accordance with our treasury policy smaller maximised cash balances are held with banks that have a credit risk rating of BB+ and BBB+. In our projects cash balances are held to an operating minimum. Risk is mitigated by assessment of the available financial institutions and by planning the frequency of cash transfers to our projects in line with payment patterns.

Cash and cash equivalents held in Amsterdam are spread over four banks: ABN AMRO, ASN Bank, ING and Rabobank. Although we aim to avoid significant concentration of our exposure to a single financial

institution, currently about 63% (2018: 72%) of our funds are held at ABN AMRO. As at 31 December 2019 approximately 56% of the shares of ABN AMRO were state owned. The 3-year cash management agreement with ABN AMRO that started 1 January 2017 was extended with 3 years at the end of 2019 and is now valid till 31 December 2022.

The development of the savings deposits over a period of five years is shown below. The realised interest per year is also shown. MSF-Holland has no investments and its main savings deposits are held in euro. Subsequently there are no investments or exchange results included in this overview. In 2017 the investment policy for MSF-Holland was adopted by the Board. In view of the market conditions it has been decided not to invest at this time.

Credit funds savings deposits	2019	2018	2017	2016	2015
Balance as at 1 January	93,532	83,459	78,711	136,613	113,875
Balance as at 31 December	58,797	93,532	83,459	78,711	136,613
<b>Movement during the year</b>	<b>-34,735</b>	<b>10,073</b>	<b>4,748</b>	<b>-57,902</b>	<b>22,738</b>
Net result cash at bank (income from interest)	192	237	193	392	918

Our exposure to institutional donor grants credit fund risk has remained immaterial as the amount of institutional income was kept at approximately 1% of total income. At the end of 2019 no provisions related to institutional donor grants credit risk were required.

## 5.2 Interest risks

Interest income is received on the cash balances based on market rates for the corporate sector. In the current market, our intention to safeguard capital preservation and to earn a reasonable interest income using plain instruments that guarantee the principal amount such as bank deposits and money market fund investments,

cannot be fully realised. In 2019 bank savings deposits and short term currency deposits (for the US dollar) were used. The estimated realised interest over a period of five years on the average of the savings deposits as shown above was as follows:

	2019	2018	2017	2016	2015
Percentage of interest received on the average of savings deposits	0.3%	0.3%	0.2%	0.4%	0.7%

The interest realised is in line with market interest rates but not sufficient to ensure capital preservation in real terms and to make up for inflation. Although inflation in the euro zone was around 1.3% over 2019, average inflation world-wide and specifically in the countries where we work is higher. As banking policies towards

corporate savings stay restrictive interest income stayed low in the short term. Based on the information received from our main banks we expect to receive negative interest on our savings accounts from the 1st of April 2020. Currently we expect an average negative interest of 0.5%.

## 5.3 Foreign currency risk in euro thousands

As we operate internationally we work with multiple currencies on a daily basis. Income from MSF-sections is realised in euro, pound sterling, the US dollar, the Canadian dollar, Swedish krona and other currencies and does not necessarily match our expenditure which is largely in euro and the US dollar. These are in turn converted into other currencies as applicable in our project countries. Our foreign currency exposures relate mainly to project funding grants, purchasing of medical goods, and payments that are denominated in currencies other than our functional currency: the euro.

We manage our foreign currency transaction risk from the point of view that the foreign currency incomes largely represent a natural hedge in comparison to our expenditure. Balances held in other currencies than the euro or US dollar are as much as needed exchanged into US dollar. The majority of our income is in euro and in US dollar or US dollar pegged currencies. In 2019 52.6% (2018:

64.8%) of the expenditure in US dollar was covered by income in the same currency which lessens the impact of foreign currency risk exposure. Foreign currency needed in our project countries is as much as possible purchased centrally while balances are kept to a minimum. In 2019 about 41.8% (2018: 38.2%) of the total expenditures were in euro. A total of approximately 99 million US dollar was used for payments and transfers to project countries. In project countries part of these US dollars were exchanged into local currencies. About 29.7% (2018: 26.1%) of the total expenditure was in US dollars. Various other foreign currencies make up the remainder of 28.5% (2018: 35.7%) of the total expenditures. In 2019 MSF-Holland did not use financial instruments to control currency risk on various foreign currencies.

The exchange results over a period of five years compare as follows:

	2019	2018	2017	2016	2015
Realised exchange results from transactions in non-euro currencies	215	-1,569	-153	1,574	-1,247
Unrealised exchange results from transactions in non-euro currencies	-65	43	-1,820	18	1,084
<b>Total exchange result from transactions during the year</b>	<b>150</b>	<b>-1,526</b>	<b>-1,973</b>	<b>1,592</b>	<b>-163</b>
negative amounts represent exchange losses					

### Foreign currency risk on the balance positions

A sensitivity of 2.5% strengthening or weakening of the euro as at 31 December 2019 against our main contract currencies would have increased (decreased) our end of year result by the amount shown below. The sensitivity of the currency valuation in this overview affects the unrealised exchange results as stated in the table above and takes into account the cash and bank position and the receivable and payable positions.

Compared to 2018 the total exposure slightly increased from € 30.4 million to € 30.6 million). The balance in USD decreased while the balances in GBP and HKD increased. The relatively high receivable of the US dollar and the inherent currency exchange risk is short-term. The overall balance in US dollar remains high as this is a principle currency used in our projects.

Currency	FX balance sheet exposure in currency at 31-12	Exchange rate at 31-12	FX balance sheet exposure in euro at 31-12	Strengthening	Weakening
AUD	-89,858	0.6252	-56,179	-1,404	1,404
CAD	4,370,035	0.6850	2,993,474	74,837	-74,837
CHF	-616,915	0.9213	-568,364	-14,209	14,209
DKK	-87,418	0.1338	-11,697	-292	292
GBP	5,751,535	1.1754	6,760,354	169,009	-169,009
HKD	34,723,893	0.1143	3,968,941	99,224	-99,224
JPY	-2,931,401	0.0082	-24,037	-601	601
NOK	311,508	0.1014	31,587	790	-790
SEK	15,449,971	0.0957	1,478,562	36,964	-36,964
USD	18,056,586	0.8902	16,073,973	401,849	-401,849
ZAR	-186,096	0.0634	-11,798	-295	295
			30,634,816	765,872	-765,872

#### Foreign currency risk on operational expenses and result

In 2019, overall exchange rate developments had a moderate impact on our expenditure on emergency aid with a minor effect on our income. At the end of 2018 we anticipated that exchange rates of the currencies we operate in would remain volatile. The US dollar, which is the currency with the highest impact on our expenditure, appreciated to the euro. Other operating currencies fluctuated in opposite directions throughout the year. In 2019 the main impact on the euro value of the expenditure on emergency aid was caused by currency movements in Bangladesh (BDT), Pakistan (PKR) and Yemen (YER). As a result, overall expenditure on emergency aid increased by an estimated € 4.7 million. Realised income from the MSF-sections and from institutional donors ended approximately € 2.5 million (or 1%) higher due to the exchange rate effects. The share of the US dollar and British pound accounted for an estimated € 2.5 million of the higher income while the

share of the Swedish Krona accounted for an estimated € 0.3 million lower income, which was fully compensated by an equally higher income from Hong Kong. For the short-term we assume that the main exchange rates will continue to develop in the same directions as they have developed in 2019. We have taken this as starting point for our budgeting scenarios taking year end 2019 rates as the basis for our forward financial planning (see Annex 1, Forward statement).

### Result Sensitivity

The sensitivity analysis illustrates the estimated impact of the various changes and trends on our income, emergency aid expenses and the result, as well as the possible impact of exchange rate and interest development. In the forward financial planning and the budgeting for 2020 this sensitivity analysis is taken into account in the decision making.

Sensitivity analysis	Change	Estimated impact in euro	On	Assumption
Income, total	<b>+/- 5%</b>	+/- 14.2 million	result	No change in planned expenditure
Income, from MSF-sections	<b>- 5%</b>	-10.3 million	result	Consolidation with some level of uncertainty
Emergency aid expenditure	<b>- 5%</b>	-12.7 million	result	No change in income and continuation of trend
USD	<b>+/- 10%</b>	+/- 3.1 million	result	Stable income from MSF-USA and MSF-Hong Kong, no change in cost base emergency aid
GBP	<b>+/- 10%</b>	+/- 2.6 million	result	Stable income from MSF-UK no change in cost base.
Other operating currencies	<b>+/- 5%</b>	+/- 3.1 million	result	No change in cost base emergency aid
Interest rate	<b>- 500bp</b>	-0.25 million	result	Average interest percentage received decreases to -0.5%





## 6 Partnerships

© Pablo Garrigos/MSF

▲ Medical and hygienist staff get dressed with protective equipment to get into the high risk zone of the Ebola Transit Center in Bunia, Democratic Republic of Congo, June 2019.

MSF-Holland is a member of the international network of Médecins Sans Frontières, in which 25 institutional members (MSF-sections) and a number of associated entities are active. All MSF-sections are united in the Swiss-based association Médecins Sans Frontières International. Every MSF-section is an independent economic and legal entity. The association Médecins Sans Frontières International can make decisions that, in practice, are binding to the individual organisations. The association Médecins Sans Frontières International oversees the organisation's objectives and identity, promotes mutual cooperation, and coordinates the growth of the associated organisations and the sharing and allocation of available resources.

The cooperation within the international network Médecins Sans Frontières is a continuous and structural partnership, although none of the participating entities can be viewed as a formal principal. Consequently there is no formal obligation to draw up consolidated accounts. Annually the MSF-network publishes audited Combined Financial Statements. The 2019 Combined Financial Statements are published after publication of the MSF-Holland Financial Statements and can be viewed at <http://www.msf.org/international-financial-reports>. The anticipated publication date is 9 June 2020.



## 6.1 Médecins Sans Frontières international network

The association Médecins Sans Frontières International is governed by the International Board, which in turn is supervised by the International General Assembly. MSF-Holland is an institutional member. The association Médecins Sans Frontières International also has private members. More information can be found on [www.msf.org/msf-movement](http://www.msf.org/msf-movement).

- MSF-Holland appoints two of the 50 institutional delegates of the General Assembly of the Association Médecins Sans Frontières International.

- The annual contribution to the expenditures of the MSF-International office is based on the private income from the previous year. In 2019, MSF-Holland's share was 5.39% (2018: 5.04%) of the total expenditures of the association Médecins Sans Frontières International. In 2019 the contribution totalled € 1,100,154 (2018: € 1,080,191).

In 2018 the expenditure of MSF-Holland was 17.0% (2017: 18.3%) of the total expenditure of the MSF-network combined.

## 6.2 Operational Centre Amsterdam partnership

MSF-Holland works together with the MSF-sections in Germany and the United Kingdom in a collaborative partnership. These MSF-sections contribute, each in their own way, actively to the supervisory function, policy setting and to the executive level of the Association MSF-Holland. The collaboration in the Operational Centre Amsterdam (OCA) only concerns the execution and the programme support of emergency aid. There is no formal private organisation constituted.

The OCA is governed by a Memorandum of Understanding that is signed by the Board of MSF-Holland, together with the Boards of the MSF-sections in Germany, the United Kingdom, Canada, Sweden and South-East Asia.

Together they have established a supervisory umbrella organ: the OCA-Council. At 31 December 2019 the OCA-Council had eleven members.

- The president of MSF-Holland is the Chair of the OCA-Council;
- The Board of MSF-Holland delegates two of its members to the OCA-Council. The president of MSF-Holland is one of the delegates. Both are mandated voting members;

- The treasurers of MSF-Germany and MSF-UK plus the treasurer of MSF-Canada are members of the Audit Committee that is chaired by the MSF-Holland treasurer;
- The chair of the Audit Committee is member of the OCA-Council;
- The OCA Council approves the medical and operational strategic plan for the OCA and approves the operational annual plan, including the annual plan of the programme support departments;
- At the executive level, the General Directors of MSF-Germany and MSF-United Kingdom actively participate in the day-to-day management of the project execution. Together with five members of the MSF-Holland Management Team they form the OCA Management Team. The General Director of MSF-Holland is the chair of the OCA Management Team;
- The management of the MSF-section's office organisations and private fundraising activities are run by the individual MSF-sections.

In the total of MSF-Holland's costs for programme support that are disclosed in note 2.3 of these Financial Statements, the costs of activities that are carried out by MSF-Germany and MSF-United Kingdom are not included. These costs will be shown in their financial statements. The costs and FTE usage including outsourced activities are as follows:

<b>in euro thousands</b>	<b>2019</b>	<b>2018</b>	<b>FTE 2019</b>	<b>FTE 2018</b>
MSF-Holland programme support costs	<b>22,785</b>	23,182	<b>215</b>	213
Costs outsourced activities MSF-Germany	<b>2,008</b>	1,702	<b>23</b>	22
Costs outsourced activities MSF-United Kingdom	<b>3,750</b>	3,575	<b>27</b>	29
<b>Total programme support costs</b>	<b>28,543</b>	<b>28,459</b>	<b>265</b>	<b>264</b>
<i>(as a % of the total spent on Association goals - policy standard is &lt; 10%)</i>	<i>9.5%</i>	<i>11.0%</i>		

## 6.3 Contributions

- In 2019 MSF-Holland contributed € 312,940 (2018: € 272,229) to the MSF-International campaign Access to Essential Medicines. In 2019 the share of MSF-Holland was 5.39% (2018: 5.04%) of the expenditure of the campaign.
- In 2019 MSF-Holland contributed € 124,084 (2018: 18,737) to MSF-International for the set-up of a shared IT-Services centre. In 2019 the share of MSF-Holland in the total cost was 5.39% (2018: 5.04%).
- In 2019 MSF-Holland contributed € 17,001 (2018: NIL) to the MSF Transformational Investment Fund. In 2019 the share of MSF-Holland in the total cost was 5.39%.
- In 2019 MSF-Holland contributed € 215,600 (2018: € 201,600) to the grant of MSF-International to the Drugs for Neglected Diseases initiative (DNDi). MSF-Holland's contribution represented 5.39% (2018: 5.04%) of the total grant of MSF-International to DNDi.
- In 2019 MSF-Holland contributed € 1,547,485 (2018: € 1,585,716) to MSF-India. MSF-Holland established MSF-India in 2013 on behalf of MSF-International. MSF-Holland has committed to support MSF-India in developing its governance and management, and to provide financial support for the coming years. The strategic plan and the annual budget of MSF-India are approved by MSF-Holland. Based on the approval the contribution for the year is set. For 2020 a contribution of € 2,175,030 is conditionally committed.

## 6.4 International financial cooperation

Within the network Médecins Sans Frontières a Memorandum of Understanding has been established for the period 2016-2019 regarding the division of fundraising revenue that is available for aid projects after the deduction of costs for offices and the contributions to MSF-International in order to proportionally distribute the total income from the MSF-sections to the five operational centres.

Share of net income to MSF-Holland	2016-2019	Contract Currency
MSF-Canada	40%	CAD
MSF-Germany	70%	EUR
MSF-United Kingdom	70%	GBP
MSF-Hong Kong	30%	HKD
MSF-United States	16%	USD
MSF-Sweden	20%	SEK

For the period 2020-2023 an new financial agreement has been negotiated within the network Médecins Sans Frontières. Of the total funds raised and after the deduction of costs for fundraising, offices and the contributions to MSF-International the share of the net-total for MSF-Holland is set at 22.75%. The distribution of income flows will be according to the above table with the addition of 5% of MSF-Japan and the contribution rate of MSF-Canada lowering to 33.3%. According to the new agreement the MSF-USA contribution may vary from year to year in order to balance the allocated income share.

### Other agreements

- The terms of employment and the remuneration structure for expatriate personnel have been aligned to both the ratio of the country of permanent residence cost of living as well as the social security standards.
- All posted staff are insured and covered by a worldwide health and disability insurance policy.
- A worldwide Directors and Officers liability insurance has been taken out covering all MSF-entities, including the Ethical Review Board.
- A worldwide medical malpractice liability cover has been arranged that covers all MSF-sections. Based on its operational volume MSF-Holland contributes 25% towards the premium of that cover.

## 6.5 Combined Financial Statements

The MSF-network has published Combined Financial Statements since 2003. The Combined Financial Statements 2019 will be published after the publication of the MSF-Holland Financial Statements. The publication date is delayed due to the COVID-19 measures taken in a number of countries. The Combined Financial

Statements are audited against Swiss GAAP-FER. The Combined Financial Statements for 2018 are accompanied by an unqualified opinion issued by *KPMG SA and Ernst & Young SA, Geneva, Switzerland*. The Combined Financial Statements can be found on MSFs international website [www.msf.org](http://www.msf.org).



# 7

## Events after the Balance Sheet Date

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▲ Our team in the MSF COVID-19 centre in Caracas carefully checks the protocols every day to prevent the spreading of the virus. Venezuela. Photo: MSF, May 2020.

The COVID-19 pandemic has rapidly developed in the first months of 2020. Measures taken by different governments to mitigate the public health risks of the crisis have had a significant impact on the economy and on the organisation. In the early stage of the crisis, we have taken several measures to monitor and prepare for the effects of the COVID-19 virus with a focus on health and safety measures for our staff.

We make every effort to ensure the adequate procurement of essential medicines for our patients and Personal Protection Equipment (PPE) for our staff in our medical humanitarian programmes, despite the challenges posed by strained global supply chains. Many countries have declared export limitations of both PPE and essential medicines. The demand for the specific supplies we need in our medical programmes is overall high and global airfreight and sea transport are severely disrupted. Passenger airline transport is restricted due to landing bans and overall limited availability.

We have been able to absorb additional costs for programme adaptation and specific COVID-19 activities in our budget and emergency provisions. Anticipating that this may change in the (near) future (as of 2021), we have launched an international MSF emergency fundraising campaign for an additional € 150 million for COVID-19 related activities. We will design the campaign in ways that comply with government regulations (e.g. more online and TV advertisement instead of face-to-face and canvassing). A major part (over 50%) of our fundraising income is from direct debits, regular giving and legacies and inheritances, which we expect to continue. We are acutely aware of the gravity of the

situation and future economic prospects, but do not foresee challenges to the continuity of the organisation and our ability to operate in 2020 and beyond. We are confident that we, in collaboration with the other members of MSF International, are in a strong position to develop our collective income, and manage our solvency and liquidity position, in line with our ability to scale our emergency aid expenditure in accordance with available funding.

The development of income and expenditure since the emergence of the COVID pandemic further serves to underline our ability to respond to major emergencies, within the framework of our existing budgets. We have not seen any significant financial impact on the income and expenditure patterns in 2020 year to date. We also do not anticipate any consequences for personnel or investments based on the income and expenditure patterns seen in 2020 up to the date of signing these Financial Statements.

With the aim of preserving adequate emergency response capacity throughout the year, a significant amount in the budget is reserved for unplanned emergency aid (see note 2.1). At the start of 2020, € 28.3 million or 11% of the budget was reserved. The Board has decided to only gradually release these funds. The release of funds is assessed on a bi-weekly basis and is made conditional on the realisation of income with € 8.0 million of the currently held reserves being available until July 2020. As we are used to, even in normal times, our programme expenditures retain essential features of variable cost that can scale quickly as management directs priorities.

The Board has drawn up a contingency plan describing the governance, process and a variety of measures that can be taken to maintain cash flow and realize cost reductions when necessary and within the required period.

#### **Income sensitivity analysis**

We have performed a stress test on the sensitivity of our organisation to reductions in income to assess the degree of uncertainty on the financial strength of the organisation. For the stress test we looked at different scenarios including 'as is' with income and expenses levels developing according to the initial Annual Plan and budget, and scenario's with a reduction of income with 10%, 35% and 50% respectively. In this stress test we applied a reduction of our expenses with 10%, 35%, 50% and 60% following the reduction of income. In applying the reduction of expenses, we count with a conservative estimate of 5 months delay between income reduction and expenses reduction measures to take effect.

Based on this stress test, a reduction of income by 10% can be absorbed. Any further reduction in income up to 35%, followed by an equally large reduction in expenses within 5 months, will not lead to a liquidity shortage. A reduction of income by more than 35% requires a proportionally higher reduction of expenses within 5 months on order to prevent liquidity shortages.

In the opinion of the management, developments taking into account more than 20% reduction in income are highly unlikely scenarios. Evaluating the current development of our income we expect that the 'as is' scenario is the most likely scenario. In our planning, we take the scenario of a 10% reduction of income with no reduction of expenses as the worst-case scenario.

#### **Impact on financial position**

At this stage, the impact on our financial position and result is limited. In recent years, at least 75% of our income has come from structural sources (see note 2.8 of these Financial Statements). At balance sheet date, MSF-Holland carries no long-term debt and our ratio of current assets to current liabilities represents a strong liquidity position (of 3.62 to 1). Along with our ability to scale our emergency aid expenditure in line with available funding, the management expresses confidence in the continuity of the organisation. Even with these assurances, we recognise that the impact of COVID-19 on our programmes will be significant and of a scale which we have not encountered previously. We will continue to follow the various national institutes' policies and advice, and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our staff. We are adapting our programmes and shifting priorities to be as prepared as possible to maintain our primary and secondary health services and to cope with the effects of the pandemic.

While we recognise that the COVID-19 crisis brings increased levels of uncertainty, our financial position and the income sensitivity analysis performed, give the management confidence in the organisation's ability to continue meeting the goals of the Association.



# 8

## Other Information



▲ In a refugee camp in the Jebel Harem area, Syria, an adolescent and a young girl go back to their tent carrying mattresses and a bucket that they received during an MSF distribution, January 2020.

### 8.1 Signing

The Financial Statements are prepared by the management of MSF-Holland and have been audited by PricewaterhouseCoopers Accountants N.V. (see the independent auditor's report below). The Financial Statements were extensively discussed with the auditors by the Audit Committee in the presence of the management in April 2020. On the condition of obtaining an unqualified opinion of the independent auditor the Financial Statements were unanimously adopted by the full Board of the Association MSF-Holland in its meeting of 16 May 2020. As such, the Board recommends that the General Assembly of Members, in its annual meeting to be held on June 13, 2020, adopt the Financial Statements.

Amsterdam, 8 June 2020

**The Association Board and the General Director**



## *Independent auditor's report*

To: the General Assembly and the Board of Vereniging Artsen zonder Grenzen

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### *Report on the financial statements 2019*

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#### *Our opinion*

In our opinion, the financial statements of Vereniging Artsen zonder Grenzen ('the organisation') give a true and fair view of the financial position of the organisation as at 31 December 2019, and of its result for the year then ended in accordance with the Guideline for annual 650 'Charity organisations' of the Dutch Accounting Standards Board.

#### *What we have audited*

We have audited the accompanying financial statements 2019 of Vereniging Artsen zonder Grenzen, Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the statement of expenditure and income for 2019;
- the cash flow statement for 2019; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Vereniging Artsen zonder Grenzen in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have

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complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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### ***Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)***

We draw attention to note 7 "Events after the balance sheet date" in the financial statements in which management has described the possible impact and consequences of the coronavirus (COVID-19) on the organisation and the environment in which the organisation operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

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### ***Report on the other information included in the annual report***

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the board report;
- main financial trends 2019;
- financial risks;
- partnerships;
- other information,
- Annex 1 Forward statement.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board report pursuant to the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.






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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of management and the Board for the financial statements***

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the organisation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the organisation's ability to continue as a going concern in the financial statements.

The Board is responsible for overseeing the organisation's financial reporting process.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 8 June 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W. Poot RA



## ***Appendix to our auditor's report on the financial statements 2019 of Vereniging Artsen zonder Grenzen***

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organisation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





# Annex 1

## Forward Statement

© Anna Pantelia/MSF

▲ Doctor Mattias, is examining the 4 year-old Sahel who is suffering from common cold and a recent head injury in MSF clinic outside Moria camp in Lesbos. Greece, February 2020.

By their nature, forward-looking statements relate to future events and circumstances and therefore contain uncertainty. The Forward Statement of Expenditure and Income in these Financial Statements are highly influenced by the events after the balance sheet date as a result of the COVID-19 pandemic. The budgets presented here for the year 2020 are to be read as reference budgets. The budgets for the year 2020, as well as the projections for the years 2021 and 2022 were drawn up by management at the end of 2019. They were based on the medical and operational ambitions laid out in the OCA Strategic Plan 2020-2023 and the multiyear financial agreement as agreed between the MSF-sections at the end of 2019. It is expected that actual results may differ materially from those presented here as the COVID-19 pandemic is likely to have an impact on all of our emergency aid projects and the associated expenditure. In addition, the economic depression that is predicted following the measures taken by governments world-wide, may have an impact on our overall income. Specifically the composition of our income from private donors world-wide may change as face-to-face fundraising has come to a temporary standstill and new channels are being explored. Overall, and considering our financial position at the end of 2019, to date, we do not anticipate major changes to the total budget available for emergency aid in 2020, while adjustments may be needed in future years. Nevertheless, the Board and management are closely monitoring the development of income and evaluating several contingency measures to ensure the future emergency aid capacity of the association.

## A.1.1 Development of staffing in fulltime equivalents

	Actual 2018	Actual 2019	Reference Budget 2020	Projections 2021	Projections 2022
Expatriate staff	766	<b>787</b>	<b>787</b>	818	850
Office staff Amsterdam	312	<b>324</b>	<b>328</b>	335	335
National staff in projects	9,524	<b>9,355</b>	<b>9,455</b>	9,833	10,211
<b>Total staff</b>	<b>10,602</b>	<b>10,466</b>	<b>10,570</b>	<b>10,986</b>	<b>11,396</b>

## A.1.2 Development of emergency aid and programme support

The forward budget and planning were following the anticipated trend in growth in income and the overall objective to have a minimal deficit or to break-even at the end of 2021 and beyond. Between 2019 and 2020 a consolidation of income available to the association is expected, with a considerable planned growth (9% and 6% respectively) in 2021 and 2022. The anticipated growth in income will be realised from investments in fundraising that are agreed between the MSF-sections. The emergency aid budgeting is based on a modest growth of 4% per year. Given normal inflation and mainly staff costs development this growth percentage is considered sufficient to maintain the emergency aid programmes in

25 to 27 programme countries and maintain our current emergency response capacity. The head office based programme support and management and administration are expected to stabilise after 2020. As anticipated, with the investments in improvement projects in the past years, the cost structure for the head office has increased with the expected benefits materialising in future years.

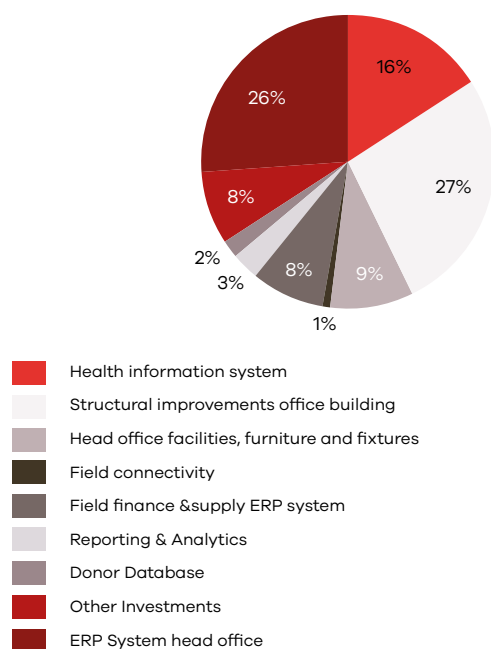
## A.1.3 Investments

Investments in our support capacity and our systems to increase the effectiveness and efficiency of our operations as envisaged in the OCA Strategic Plan 2015-2019 have largely been completed. Deployment of the first phase of the Health Information System enabling accurate and complete patient data to be readily available was completed and the second phase is well under way. The New ERP-System (MicroSoft Dynamics 365) successfully launched into full production on 1 July 2019, replacing the 18-year-old former ERP system to optimise our supply chain, financial registration, and staff management. As a joint investment in HR-systems of the MSF-sections was cancelled, additional investments in the HR part of this system will be needed in the near future. In 2019, the donor database was

successfully migrated into a new system as well. The ongoing improvements to field connectivity and standardisation of automation could not be fully completed and will continue in 2020. The head office facilities upgrade works in conjunction with overdue maintenance and structural improvements to the building were completed and delivered in April 2019. In total we expected to invest between € 20 million and € 25 million in support systems and improvement projects during the strategic plan period 2015-2019.

For the period, the total of investments ended at € 19.0 million capital expenditure and € 8.4 million associated operational expenditure. From 2020 onward investments are strongly reduced and mainly limited to ongoing enhancements of the systems in use.

### INVESTMENTS 2015-2019



## A.1.4 Forward Statement of Expenditure and Income

in euro thousands

EXPENDITURE	Actual 2018	Actual 2019	Reference Budget 2020	Projections 2021	Projections 2022
<i>Spent on Association goals</i>					
Emergency aid	227,152	<b>254,288</b>	<b>254,609</b>	264,793	275,385
Grants provided to third parties	3,377	<b>21,689</b>	<b>2,412</b>	2,460	2,509
Programme support	24,445	<b>22,785</b>	<b>24,562</b>	25,053	25,554
Information and awareness raising	3,170	<b>2,615</b>	<b>2,952</b>	3,011	3,071
<b>Total spent on Association goals</b>	<b>258,144</b>	<b>301,377</b>	<b>284,535</b>	<b>295,317</b>	<b>306,519</b>
<i>(in % of total income - target is &gt; 85%)</i>	92%	103%	100%	95%	93%
<i>(in % of total expenditure - target is &gt; 90%)</i>	94%	95%	94%	94%	94%
Cost of acquiring income	9,064	<b>9,008</b>	<b>10,141</b>	10,344	10,551
<i>(as a % of the total income - target is &lt; 5%)</i>	3.2%	3.1%	3.6%	3.3%	3.2%
Management and administration	6,741	<b>8,098</b>	<b>9,348</b>	9,488	9,868
<i>(in % of total expenditure - target is max 3%)</i>	2.5%	2.5%	3.1%	3.0%	3.0%
<b>Total expenditure</b>	<b>273,949</b>	<b>318,483</b>	<b>304,024</b>	<b>315,149</b>	<b>326,938</b>
<i>(as a % of the total of income)</i>	98%	109%	107%	101%	99%
<b>INCOME</b>					
Income from individuals, companies and not-for-profit organisations	59,872	<b>61,219</b>	<b>60,970</b>	62,169	63,398
Income from National Postcode Lottery	17,800	<b>13,500</b>	<b>13,500</b>	13,500	13,500
Grants from MSF-sections	196,871	<b>213,054</b>	<b>205,594</b>	230,796	247,551
Grants from institutional donors	4,702	<b>3,435</b>	<b>4,500</b>	5,000	5,000
<i>(as a % of the emergency aid expenses)</i>	2%	1%	2%	2%	2%
Other income	512	<b>362</b>	<b>0</b>	0	0
<b>Total income</b>	<b>279,757</b>	<b>291,570</b>	<b>284,564</b>	<b>311,465</b>	<b>329,449</b>
Result from operational activities	5,808	<b>-26,913</b>	<b>-19,460</b>	-3,684	2,511
Net financial income and expenses	-1,245	<b>410</b>	<b>0</b>	0	0
<b>RESULT EXPENDITURE AND INCOME</b>	<b>4,563</b>	<b>-26,503</b>	<b>-19,460</b>	<b>-3,684</b>	<b>2,511</b>





# Colophon

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Cover photo: Medical Doctor Amira Jaouadi taking care of a young patient in the measles ward of Bossangoa Hospital, Central African Republic. Photo: James Oatway, March 2020.