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\* The information in the Annex is not audited



# 1 Financial Statements 2018 Vereniging Artsen zonder Grenzen

© Agnes Varraine-Leca/MSF

▲ Inside the MSF trauma hospital in Aden. Following the escalation of fighting between Ansar Allah troops and coalition-backed forces in 2015, the MSF hospital – almost the only surgical hospital functioning in Aden city at that time – mainly treated patients with war wounds. Complex cases or cases requiring specific medical/surgical care are frequently referred here from the MSF hospital in Mocha. Yemen, December 2018.

The Financial Statements 2018 include the financial information of the Association Artsen zonder Grenzen (MSF-Holland) 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 MSF-Holland. The Annual Report is published on the website ([www.artsenzondergrenzen.nl/jaarverslag](http://www.artsenzondergrenzen.nl/jaarverslag)) and includes the Board Accountability Statement for the year.

## MSF-Holland

The Association MSF-Holland is registered with the Amsterdam Chamber of Commerce under number 41215974 and has the ANBI status with RSIN number 006790264. The Association MSF-Holland 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-Holland" and "Operational Centre Amsterdam (MSF-OCA)".

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

MSF-Holland is part of the international network of Médecins Sans Frontières which in 2018 counted 24 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 and benefits resulting from their interdependencies.

In 2013 MSF-Holland established an office in New Delhi, India, MSF-India. In October 2018 the remaining participation of 8% of the issued share capital was fully transferred to MSF-India.

### **Reporting guidelines**

These Financial Statements have been prepared in accordance with Dutch GAAP (Generally Accepted Accounting Principles) and in particular with Guideline 650 for the Reporting of Fundraising Institutions (revised 2016) as published by the Dutch Accounting Standards Board (RJ 650, Raad voor de Jaarverslaggeving) in October 2016. 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 2018 there were no changes to accounting policies or accounting estimates.

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 effected by certain risks. The Board Accountability Statement elaborates our approach to risk management, internal controls and the extent of the exposure to certain risks. 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.

## MAIN FINANCIAL TRENDS 2018

### Reduced expenditure on operations

In 2018 our expenditure decreased by 7.8% compared to the previous year. The majority of this decrease was caused by the reduced expenditure on our medical emergency aid operations by € 25.3 million to € 227.2 million. This decrease is the combined effect of planned project closures, unexpected interruptions of emergency aid projects, substantial exchange rate effects and conscientiously managing emergency aid costs in line with uncertainty on income realisation prevailing right up to the end of the year. In 2018 the amount spent on association goals was 94.2% of the total expenditure (2017: 94.7%) and 92.3% of total income (2017: 100.3%).

### Average number of employees

In 2018 we employed 10,602 full time staff (2017: 10,965 full time staff) working in 104 emergency aid projects in 32 countries (2017: 111 projects in 32 countries) and at the head office.

### Significant impact of exchange rate developments

In 2018 exchange rate developments impacted our expenditure on emergency aid while having a lesser effect on our income. Due to the overall devaluation of the US dollar and other currencies used in our project countries, the euro value of our operations expenditure ended up substantially lower than anticipated. With stable exchange rates our expenditure on emergency aid would have been approximately € 14.3 million higher. On the income side, the impact of foreign currency movements on grants and donations in foreign currency was relatively small at € 0.4 million with an increase of income from the stronger US dollar rates prevailing when we signed grant contracts being partially offset by the devaluation of the British pound and the Swedish krona.

### Stable income

While our total expenditure decreased to € 273.9 million, our total income slightly decreased by 0.2% to € 279.8 million. In 2018 we continued to deliver essential emergency aid in some of the world's major humanitarian crises, including Yemen, Syria and the Mediterranean Sea, and remained at the forefront of responding to emergency needs for the Rohingya population in Cox's Bazar, Bangladesh. Overall, the media uptake of our programme activities turned out lower than in previous years. Our positioning on the refugee issue in Europe and the adverse publicity on staff behaviour in the development aid sector as a whole contributed to that. As a result, the growth of income from private donors stalled during the year while improving again in December.

As planned, due to the Board decision in 2016 to suspend acceptance of institutional funding from the EU and EU-member states, our institutional income further decreased from € 7.0 million to € 4.7 million bringing it down from a relative share of income of around 10% in 2015 to just 1.7% in 2018. The decision was a principled reaction to our analysis of the humanitarian impact of the agreements made between the EU and Turkey about Syrian refugees fleeing the war in their country.

### Financial position at year end

Instead of ending the year with a planned deficit, the overall operational developments for the year resulted in a financial surplus of € 4.6 million. The result has been added to the other free reserves. After including the result from 2018, MSF-Holland's overall reserves remained stable at the level of 6.8 months (2017: 6.6 months) in relation to the average total expenditure over the past two years (2017 and 2018) and the budget for the current year (2019).

For the period 2015-2019 we have outlined an ambitious medical and operations plan that involves investing in our emergency response capacity and expanding our medical and public health services. After two years of accelerated growth of our emergency aid and the associated programme support in 2015 and 2016, the growth slowed down in 2017 and reduced further in 2018. This was the result of planned project closures and transitioning of resources to new programmes which will take effect in 2019 and beyond. After the small surplus in 2018, deficit spending is projected for the years 2019, 2020 and 2021, but the Board and management will continue to ensure overall reserves do not fall below 5 months of total expenditure and to manage expenditure and income accordingly.

### Reserves and current balance sheet positions

Closing 2018, the realised surplus of € 4.6 million retained the overall reserves position at 6.8 months of operational expenditure (see note 3.10). No transfer was therefore needed to maintain the continuity reserves at the minimum 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 6.8 months of total expenditure we maintained a robust financial position.

Operating assets increased by € 7.0 million due to planned investments, while inventory reduced by € 0.9 million compared to 2017. Receivables decreased by € 11.8 million and provisions and liabilities increased by € 3.8 million, improving the liquidity position at year end. With substantial cash outflows planned in 2019 due to further investments in support systems along with the deficit spending foreseen for the coming years the more detailed cash flow planning introduced in 2018 will be continued to ensure 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 2018 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:

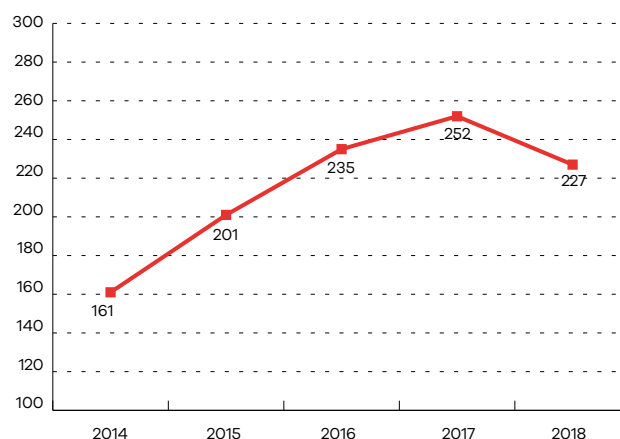
- the growth of our Emergency aid expenditure in euro;
- the total expenditure as a percentage of the total income;
- the delivery of emergency aid plus the direct support needed to realise it (total spent on Association goals) as a percentage of total expenditure;
- the cost of acquiring income as a 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 2018.

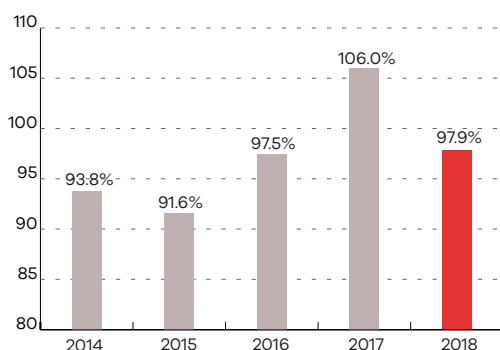
Balance sheet indicator:

- the development of our reserves measured in months' worth of total expenditure (see note 3.10);

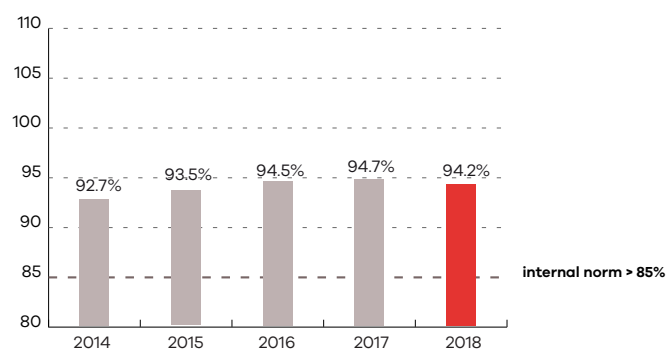
### EMERGENCY AID in euro millions



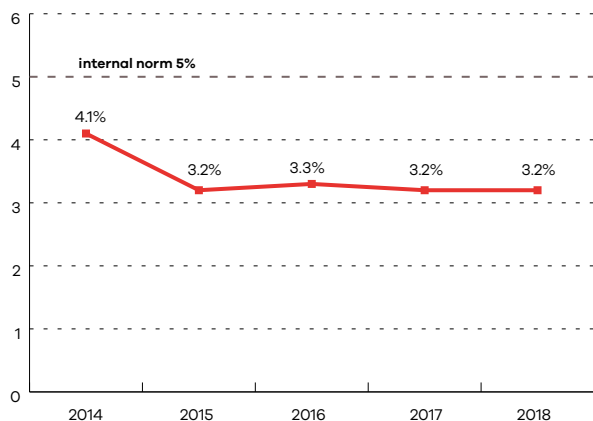
### TOTAL EXPENDITURE as percentage of total income



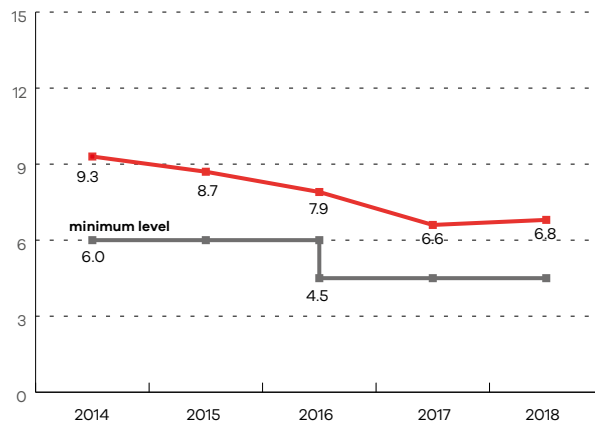
### EXPENDITURE ON ASSOCIATION GOALS as percentage of total expenditure



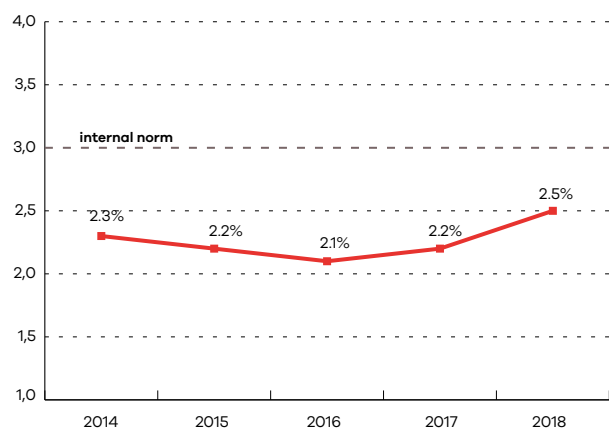
### COST OF ACQUIRING INCOME as percentage of total income



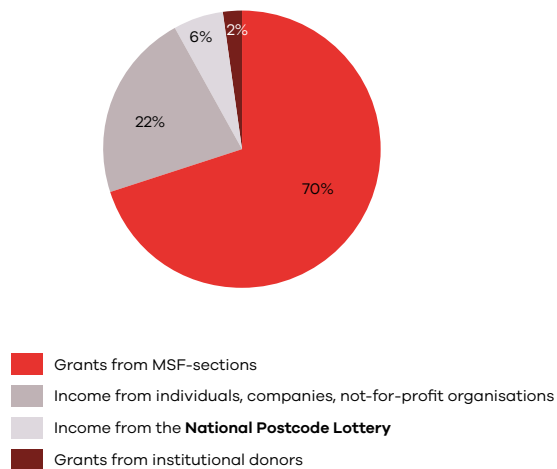
### MONTHS OF RESERVES related to total expenditure



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



### ORIGIN OF INCOME 2018



## Statement of Expenditure and Income for 2018 in euro thousands

| EXPENDITURE                                      | Explanatory notes | 2018           | budget 2018    | 2017           |
|--------------------------------------------------|-------------------|----------------|----------------|----------------|
| <b>Spent on Association goals</b>                |                   |                |                |                |
| Emergency aid                                    | 2.1               | 227,152        | 260,000        | 252,411        |
| Grants provided to third parties                 | 2.2               | 3,377          | 3,268          | 2,784          |
| Programme support                                | 2.3               | 24,445         | 24,649         | 23,182         |
| Information and awareness raising                | 2.4               | 3,170          | 3,210          | 2,856          |
| <b>Total spent on Association goals</b>          |                   | <b>258,144</b> | <b>291,127</b> | <b>281,233</b> |
| Cost of acquiring income                         | 2.5               | 9,064          | 9,862          | 9,079          |
| Management and administration                    | 2.6               | 6,741          | 7,814          | 6,671          |
| <b>Total expenditure</b>                         | 2.7               | <b>273,949</b> | <b>308,803</b> | <b>296,983</b> |
| <b>INCOME</b>                                    |                   |                |                |                |
| Income from individuals                          | 2.8               | 55,787         | 55,740         | 54,182         |
| Income from companies                            | 2.8               | 1,749          | 2,127          | 1,823          |
| Income from not-for-profit organisations         | 2.8               | 2,336          | 2,333          | 2,394          |
| Income from the <b>National Postcode Lottery</b> | 2.9               | 17,800         | 13,500         | 15,339         |
| Grants from MSF-sections                         | 2.10              | 196,871        | 214,135        | 199,167        |
| Grants from institutional donors                 | 2.11              | 4,702          | 5,685          | 6,997          |
| Other income                                     | 2.12              | 512            | 0              | 376            |
| <b>Total income</b>                              |                   | <b>279,757</b> | <b>293,520</b> | <b>280,278</b> |
| <b>Result operational activities</b>             |                   | <b>5,808</b>   | <b>-15,283</b> | <b>-16,705</b> |
| Net financial income and expenses                | 2.13              | -1,245         | 100            | -1,780         |
| <b>RESULT EXPENDITURE AND INCOME</b>             |                   | <b>4,563</b>   | <b>-15,183</b> | <b>-18,485</b> |
| <b>ALLOCATION OF THE RESULT</b>                  |                   |                |                |                |
| Additions to and withdrawals from the reserves   | 3.10              |                |                |                |
| Continuity reserves                              |                   | 0              | 0              | 0              |
| Other free reserves                              |                   | 4,741          | -15,183        | -19,448        |
| Appropriated funds                               |                   | -178           | 0              | 963            |
| <b>Total</b>                                     |                   | <b>4,563</b>   | <b>-15,183</b> | <b>-18,485</b> |



## Balance Sheet as at 31 December 2018 in euro thousands

| <b>ASSETS</b>                               | <i>Explanatory notes</i> | <b>31 December 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------|--------------------------|-------------------------|-------------------------|
| Intangible assets                           | 3.1                      | 5,215                   | 2,885                   |
| <b>Tangible fixed assets</b>                |                          |                         |                         |
| Operating assets                            | 3.2 a                    | 23,027                  | 16,051                  |
| Assets held for sale                        | 3.2 b                    | 494                     | 450                     |
| <b>Financial assets</b>                     |                          |                         |                         |
| Loans and receivables                       | 3.3                      | 0                       | 285                     |
|                                             |                          | <b>28,736</b>           | <b>19,671</b>           |
| <b>Inventory</b>                            |                          |                         |                         |
| Stocks for emergency aid                    | 3.4                      | 10,021                  | 10,944                  |
| <b>Receivables and accrued income</b>       |                          |                         |                         |
| Grants receivable from MSF-sections         | 3.5                      | 15,929                  | 26,164                  |
| Grants receivable from institutional donors | 3.6                      | 4,811                   | 5,615                   |
| Receivables from inheritances               | 3.7                      | 11,566                  | 12,335                  |
| Other receivables and accrued income        | 3.8                      | 7,599                   | 7,631                   |
|                                             |                          | <b>39,905</b>           | <b>51,745</b>           |
| Cash at bank and in hand                    | 3.9                      | 120,559                 | 108,523                 |
| <b>Total assets</b>                         |                          | <b>199,221</b>          | <b>190,883</b>          |
| <b>LIABILITIES</b>                          |                          |                         |                         |
| <b>Reserves and funds</b>                   | 3.10                     |                         |                         |
| <b>Reserves</b>                             |                          |                         |                         |
| Continuity reserves                         | 3.10 a                   | 110,000                 | 110,000                 |
| Other reserves                              | 3.10 b                   | 52,910                  | 48,169                  |
|                                             |                          | <b>162,910</b>          | <b>158,169</b>          |
| <b>Funds</b>                                |                          |                         |                         |
| Restricted funds                            | 3.10 c                   | 1,083                   | 1,261                   |
|                                             |                          | <b>163,993</b>          | <b>159,430</b>          |
| Provisions                                  | 3.11                     | 1,732                   | 3,517                   |
| Long-term liabilities                       | 3.12                     | 943                     | 0                       |
| Short-term liabilities                      | 3.13                     | 32,553                  | 27,936                  |
| <b>Total liabilities</b>                    |                          | <b>199,221</b>          | <b>190,883</b>          |

## Cash Flow Statement for 2018 in euro thousands

| <b>CASH FLOW RECEIPTS FROM OPERATING ACTIVITIES</b>                                | <b>2018</b>    | <b>2017</b>    |
|------------------------------------------------------------------------------------|----------------|----------------|
| <i>Receipts from individuals, companies and not-for-profit organisations</i>       |                |                |
| Donations                                                                          | 40,812         | 40,684         |
| Inheritances                                                                       | 15,881         | 14,969         |
| Companies                                                                          | 1,749          | 1,823          |
| Not-for-profit organisations                                                       | 2,336          | 2,393          |
| <b>Total receipts from individuals, companies and not-for-profit organisations</b> | <b>60,778</b>  | <b>59,869</b>  |
| Receipts from the <b>National Postcode Lottery</b>                                 | <b>17,800</b>  | 13,525         |
| <i>Receipts from MSF-sections (concerning project grants)</i>                      |                |                |
| MSF-Germany                                                                        | 91,464         | 89,213         |
| MSF-USA                                                                            | 49,632         | 44,191         |
| MSF-United Kingdom                                                                 | 32,175         | 34,418         |
| MSF-Hong Kong                                                                      | 14,055         | 12,315         |
| MSF-Sweden                                                                         | 9,230          | 11,789         |
| MSF-Canada                                                                         | 8,418          | 12,668         |
| Other MSF-sections                                                                 | 2,709          | 2,731          |
| <b>Total received from MSF-sections</b>                                            | <b>207,683</b> | <b>207,325</b> |
| Receipts from institutional donors                                                 | <b>7,623</b>   | 7,179          |
| <i>Other receipts</i>                                                              |                |                |
| Interest received                                                                  | 240            | 326            |
| Received tax net and VAT                                                           | 465            | 503            |
| Received from MSF-sections for monies advanced                                     | 7,511          | 4,374          |
| Other receipts                                                                     | 198            | 51             |
| <b>Total other receipts</b>                                                        | <b>8,414</b>   | <b>5,254</b>   |
| <b>Total receipts</b>                                                              | <b>302,298</b> | <b>293,152</b> |

*continued to next page*

| <b>CASH FLOW PAYMENTS FROM OPERATING ACTIVITIES</b>        | <b>2018</b>    | <b>2017</b>    |
|------------------------------------------------------------|----------------|----------------|
| Payments made in project countries                         | <b>128,006</b> | 134,055        |
| Grants provided to third parties                           | <b>2,341</b>   | 3,218          |
| <b>Payments to MSF-sections</b>                            |                |                |
| MSF-Belgium                                                | 11,235         | 7,313          |
| MSF-USA                                                    | 2,734          | 3,065          |
| MSF-Germany                                                | 3,209          | 3,520          |
| MSF-Canada                                                 | 3,120          | 3,375          |
| MSF-United Kingdom                                         | 3,927          | 3,311          |
| MSF-International (including contributions)                | 1,810          | 1,267          |
| Other MSF-sections                                         | 8,620          | 7,787          |
| MSF-Supply and MSF-Logistique                              | 9,282          | 15,151         |
| <b>Total payments to MSF-sections</b>                      | <b>43,937</b>  | <b>44,789</b>  |
| <b>Payments at head office</b>                             |                |                |
| Suppliers of goods and services                            | 68,841         | 74,962         |
| Expatriate and head office personnel                       | 37,378         | 36,469         |
| <b>Total payments at head office</b>                       | <b>106,219</b> | <b>111,431</b> |
| <b>Total payments</b>                                      | <b>280,503</b> | <b>293,493</b> |
| <b>Total cash flow from operating activities</b>           | <b>21,795</b>  | <b>-341</b>    |
| <b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>                |                |                |
| Investments in intangible assets and tangible fixed assets | <b>9,954</b>   | <b>1,237</b>   |
| Receipts from disinvestments                               | <b>0</b>       | <b>0</b>       |
| <b>Total cash flow from investment activities (deduct)</b> | <b>9,954</b>   | <b>1,237</b>   |
| <b>Total cash flow from financing activities</b>           | <b>0</b>       | <b>0</b>       |
| <b>Total cash flow</b>                                     | <b>11,841</b>  | <b>-1,578</b>  |
| Adjustment to exchange rates at end of the financial year  | 195            | -3,505         |
| <b>MOVEMENT IN LIQUIDITY POSITION</b>                      | <b>12,036</b>  | <b>-5,083</b>  |
| <b>MOVEMENT IN LIQUIDITY POSITION</b>                      |                |                |
| Liquidity position at the end of the financial year        | 120,559        | 108,523        |
| Liquidity position at the beginning of the financial year  | 108,523        | 113,606        |
| <b>Movement in liquidity position</b>                      | <b>12,036</b>  | <b>-5,083</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.

Overall, with a spending of 97.9% of operational income the year ended with a positive cash flow from operating activities of € 12.0 million.

At the end of 2018 the relative part of payables, receivables and liquidity remained comparable to the 2017 end of year position. The movement in liquidity position is mostly explained by the surplus of income over expenditure, the decrease in receivables of € 11.8 million, the increase in provisions and liabilities of € 3.8 million offset by the planned increase in operating assets.

### 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 3.5 and note 3.6 of these Financial Statements.

The item Received 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 2018, MSF-Holland coordinated the cash flows of all MSF-sections working in Bangladesh which explains the increase.

### Payments

In 2018 payments made in the countries in which emergency aid programmes are being carried out totalled € 128.0 million (2017: € 134.1 million). Given the current organisation and location of the programmes, in recent years approximately 55% of the payments are made in the programme countries. In order of volume, payments to local personnel, locally purchased medical items and transport are the largest items. Payments made in project countries reduced in line with the overall decrease in emergency aid expenses. For the same reason payments made at the head office reduced compared to 2017.

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 € 10.3 million in 2018 (2017: € 6.7 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 2018, a total of € 10.1 million (2017: € 14.8 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 € 6.9 million, the replacement of the ERP-software of € 2.6 million, the Health Information System of € 0.3 million and purchase of ICT hardware of € 0.2 million explain the cash flow concerning investments.

## 2

# Notes to the Statement of Expenditure and Income for 2018



© Patrick Rohr

▲ A boy fetching water at a MSF water pump in the Rohingya refugee camp in Kutupalong. Inadequate access to water, sanitation and hygiene means there are frequent outbreaks of communicable diseases. MSF's activities include setting up water distribution systems, desludging old latrines and constructing new sustainable latrines. Bangladesh, May 2018.

In 2018, our total expenditure decreased by 7.8% compared to the previous year. This was primarily caused by the decrease of expenditure on our medical emergency aid by € 25.3 million to € 227.2 million. 56.5% of the decrease in Euro expenditure (€ 14.3 million) was due to the devaluation of a number of currencies as compared to 2017, namely the US dollar, Nigeria naira, Uzbekistan so'm, Yemeni rial and Ethiopian birr. The remaining decrease in expenditure on emergency aid was due largely to restructuring of the programme portfolio and a conscious decision to manage emergency aid costs in line with uncertainty around income projections, which prevailed right up to the end of the year. The overall expenditure concerning programme support, information and awareness raising, fundraising and management and administration increased by 3.9% to € 43.4 million. The share of expenditure spent on management and administration in 2018 was 2.5% of the total expenditure (2017: 2.2%). This increase should be seen relative to the lower expenditure on emergency aid.

Income decreased slightly by 0.2% to € 279.8 million, while compared to 2017 an increase of 4.7% was budgeted. Income in euro from private donors in MSF-Holland and the MSF-sections remained stable at € 256.7 million (2017: € 257.6 million). Exchange rates had a relatively small impact on income (€ 0.4 million overall) with an increase of income from the stronger US dollar rates prevailing when we signed grant contracts being partially offset by the devaluation of the pound sterling and the Swedish krona. Income from institutional donors decreased from € 7.0 million in 2017 to € 4.7 million, ending below the planned € 5.7 million. The total cost of acquiring income remained



stable and ended at 3.2% of the total income (2017: 3.2%), remaining steadily under the internal norm of 5% as set by the Board.

In 2018 the amount spent on Association goals was 94.2% of the total expenditure (2017: 94.7%) and 92.3% of the total income (2017: 100.3%). The total expenditure was 97.9% of the total income (2017: 106.0%). The growth of emergency

aid expenditure realised in 2016 and 2017 of 17.3% and 7.2% respectively was not sustained as planned in 2018. The careful approach to emergency aid expenditure was also a response to the uncertain funding environment, as witnessed by a second flat year in income development. For 2019 an increase in emergency aid expenditure is planned.

## EXPENDITURE

### 2.1 Emergency aid in euro thousands

In 2018, protracted conflict in countries as South Sudan, Yemen and Syria with direct attacks against healthcare providers and structures continued to affect our ability to deliver emergency medical care to people in distress. No new large emergency aid responses occurred in 2018 while we continued our vast response to the Rohingya refugee crises in Bangladesh and the Search and Rescue activities in the Mediterranean. In 2018, almost all country budgets showed sizeable variations compared to 2017. These variations are a combined effect of the instability of the contexts in which we operate, the consolidation of our programming that we started in 2017 as well as financial developments, mainly caused by exchange rate fluctuations. The main programme developments are summarised in this section.

#### **Protracted conflict and emergency response**

Five years of a protracted conflict have left dire humanitarian needs throughout South Sudan. In 2018, we responded to the healthcare needs of the South Sudanese population in four projects across the country, and additionally deployed emergency responses to support critical needs. In remote locations around Mundri, our teams provided basic health care through seven community-based health centers. In Mayendit and Leer counties, throughout April and May, thousands of civilians were caught between the frontlines of fighting. Many people fled their villages into swamp and bush areas, preventing the population from reaching basic health services and limiting our ability to provide medical assistance. In Bentiu poor living conditions, violence, and long-term consequences of the war severely affected the population. In our 160-bed hospital, our teams continued to provide the only advanced secondary healthcare including the only available surgical care in the area to this population. In Lankien, we responded to a malaria outbreak in the area, resulting in treatment of over 6,000 patients during the first two months of 2018, while continuing to provide treatment for HIV, TB and Kala Azar as well as obstetrics, nutrition, pediatrics and SGBV in our 80-bed hospital in Lankien. The total expenditure in South Sudan increased with € 3.2 million from € 18.9 million in 2017 to € 22.1 million in 2018.

Over one year since the mass exodus of Rohingya from Myanmar into Bangladesh, the future of this population

looks more uncertain than ever. MSF continued supporting the Rohingya population in Bangladesh and remained one of the leading health care providers in this crisis.

Our teams ran two hospitals and eight primary health centers in what has become one of the largest refugee camps in the world. Our teams also organized water trucking and constructed water networks, latrines and an innovative wastewater treatment plant in order to improve living conditions in the camps. The expenditure for the Rohingya emergency aid project totaled € 15.5 million in 2018 (€ 8.0 million emergency response expenditure in 2017).

Four years of war have left Yemen's health system in a state of collapse. The conflict escalated throughout 2018, with fast-changing frontlines and new outbreaks of violence across the country. We worked in 13 hospitals and health centers and provided support to more than 20 health facilities across 12 governorates. Our teams have been providing humanitarian medical assistance in Taiz, Houban and Ad Dhale. In response to the vast gap in services for women and children in particular, we are providing maternal and pediatric healthcare in Ad Dhale and Taiz governorates. In late November, we were forced to close our projects in Ad Dhale governorate, after our staff house was targeted with explosives twice in less than a week. Due to the operational constraints, the closure of Ad Dhale and a significant exchange rate impact, expenditure in Yemen reduced by € 6.0 million to € 14.9 million.

In the larger Middle East and Syria context, our programming followed the development of the context with shifts between activities in Iraq, Jordan, Turkey and Syria. In total we spent € 30.6 million in the Middle East/ Syria context, a reduction of € 4.3 million compared to 2017. In 2018, in Syria medical facilities continued to be hit in targeted or indiscriminate attacks. We continued to be one of the only organisations providing medical assistance inside the city of Raqqa, through a primary healthcare unit and a stabilisation point. In Tal Abyad National Hospital, we continued supporting all the hospital's main departments, including its paediatric, maternity, surgical, vaccination and mental health work.

In 2018, we renovated the maternity unit in the hospital. Tal Abyad, until today, remains the only referral hospital free of charge for severe surgical cases. In 2018, In Kobane/Ain Al Arab, the team built an outpatient department and supported the emergency room, intensive care unit, maternity ward, operating theatre and nursing activities at Kobanê maternity hospital with supervision, training and drug supplies.

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. Our teams have also provided humanitarian assistance in the displaced camps of Galkayo, nutritional support in Dollow in Dhusmareeb and have done punctual visits to Jubaland to support child healthcare and prepare for outbreaks in Dhobley, Bardhere and Garbaharey. Moreover, MSF teams conducted cataract surgery eye camps in collaboration with local agencies. In 2018 expenditure in Somalia increased by € 2.2 million to € 6.3 million.

#### **Continuing our commitment to our “People in Flight” objective**

In 2018, we sustained our commitment to our “people in Flight” Strategic Plan priority and continued our involvement in the Search and Rescue operation in the Central Mediterranean sea despite the numerous challenges. The Search and Rescue vessel MV Aquarius, operated by MSF OCA and SOS MEDITERRANEE, assisted 3,184 people in 2018. By the end of 2018, we were left with no choice but to end the rescue operations of the Aquarius. Throughout the year 2018, the Italian government kept intensifying its campaign to obstruct and criminalize MSF’s search and rescue operations. In these Financial Statements a provision for litigation of € 0.4 million is made. In total € 2.7 million was spend on Search and Rescue operations in 2018 compared to € 3.2 million in 2017.

#### **Ending and starting mission**

In order to sustain a balanced and viable programme portfolio and in line with the strategic orientations in our Strategic Plan, we stopped our activities in the Centre de Reference des Urgences Obstetricales in Port au Prince, Haiti after seven years. In this center we provided care to women with obstetric complicated pregnancies as well as newborns with neonatal complications. Since 2011 a total of close to 120,000 women were seen and 37,000 babies were born in the center.

Since early 2018, Venezuela with its progressive deterioration of the economic and medical situation has been on the watch list of MSF OCA. In the second half of 2018, this resulted in several exploratory missions to Venezuela and neighboring Colombia. At the end of 2018 we started a medical humanitarian response which focused on provision of care for malaria patients.

In 2019 we will reduce some of our programmes. Costs related to the severance pay obligation for our national staff are provided for in these Financial Statements.

In our 2018 budget € 33.6 million was reserved for unplanned emergency aid. During the year, a net amount of € 1.5 million of this budget was allocated to existing and new emergency aid programmes. The favorable exchange rate development of approximately € 14.3 million was an important factor for not having to utilize the budget reservation for unplanned activities.

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 2017 | Budget 2018    | Costs emergency aid 2018 | Budget 2019*   |
|-----------------------------------------------------------|--------------------------|----------------|--------------------------|----------------|
| Afghanistan                                               | 11,599                   | 15,114         | <b>12,422</b>            | 17,248         |
| Bangladesh                                                | 10,069                   | 11,123         | <b>18,035</b>            | 16,046         |
| Belarus                                                   | 1,611                    | 2,273          | <b>2,067</b>             | 1,937          |
| Central African Republic                                  | 12,105                   | 10,611         | <b>10,794</b>            | 12,432         |
| Chad                                                      | 6,966                    | 4,368          | <b>4,222</b>             | 2,072          |
| Congo, Democratic Republic                                | 22,667                   | 22,570         | <b>22,918</b>            | 22,919         |
| Ethiopia                                                  | 19,488                   | 13,740         | <b>17,144</b>            | 13,617         |
| Germany                                                   | 175                      | 0              | <b>0</b>                 | 0              |
| Haiti                                                     | 11,614                   | 8,356          | <b>5,575</b>             | 3,363          |
| India                                                     | 4,624                    | 4,908          | <b>4,323</b>             | 5,401          |
| Iraq                                                      | 8,451                    | 4,663          | <b>6,226</b>             | 6,856          |
| Jordan                                                    | 9,377                    | 4,817          | <b>5,089</b>             | 5,226          |
| Kenya                                                     | 941                      | 897            | <b>912</b>               | 967            |
| Libya                                                     | 2,438                    | 1,915          | <b>5,520</b>             | 4,106          |
| Malaysia                                                  | 786                      | 1,503          | <b>1,392</b>             | 2,024          |
| Mediterranean Sea                                         | 3,150                    | 2,972          | <b>2,735</b>             | 646            |
| Myanmar                                                   | 14,393                   | 15,016         | <b>12,404</b>            | 12,010         |
| Nigeria                                                   | 8,157                    | 6,149          | <b>7,104</b>             | 8,813          |
| Pakistan                                                  | 7,420                    | 7,205          | <b>5,839</b>             | 7,273          |
| Russia                                                    | 3,525                    | 2,578          | <b>1,767</b>             | 1,456          |
| Sierra Leone                                              | 4,078                    | 4,000          | <b>3,737</b>             | 4,898          |
| Somalia                                                   | 4,096                    | 6,975          | <b>6,320</b>             | 8,267          |
| South Africa                                              | 743                      | 1,251          | <b>765</b>               | 1,302          |
| South Sudan                                               | 18,868                   | 21,703         | <b>22,135</b>            | 24,577         |
| Swaziland/Eswatini                                        | 3,374                    | 1,019          | <b>765</b>               | 0              |
| Syria                                                     | 13,914                   | 18,840         | <b>18,861</b>            | 12,813         |
| Tajikistan                                                | 2,251                    | 2,275          | <b>2,391</b>             | 2,441          |
| Turkey                                                    | 3,241                    | 749            | <b>473</b>               | 0              |
| Uganda                                                    | 6,831                    | 100            | <b>52</b>                | 0              |
| Uzbekistan                                                | 9,091                    | 8,225          | <b>8,771</b>             | 8,803          |
| Venezuela                                                 | 0                        | 0              | <b>83</b>                | 0              |
| Yemen                                                     | 20,911                   | 18,344         | <b>14,850</b>            | 13,794         |
| Zimbabwe                                                  | 3,899                    | 194            | <b>248</b>               | 0              |
| Reserved in the budget for unplanned emergency aid        |                          | 33,621         |                          | 43,368         |
|                                                           | <b>250,853</b>           | <b>258,074</b> | <b>225,939</b>           | <b>264,675</b> |
| Other costs and movements in provisions for emergency aid | 1,265                    | 1,193          | <b>747</b>               | 3,032          |
| Depreciation costs                                        | 293                      | 733            | <b>466</b>               | 293            |
| <b>Total emergency aid expenditure</b>                    | <b>252,411</b>           | <b>260,000</b> | <b>227,152</b>           | <b>268,000</b> |

\*budget 2019 is not audited

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

| Emergency aid per category                      | Costs emergency aid 2017 | Budget 2018    | Costs emergency aid 2018 | Budget 2019*   |
|-------------------------------------------------|--------------------------|----------------|--------------------------|----------------|
| Purchase of medical items                       | 44,739                   | 40,611         | <b>34,367</b>            | 35,493         |
| Purchase of non-medical items                   | 17,981                   | 16,250         | <b>14,545</b>            | 15,929         |
| Subcontracted services                          | 21,019                   | 25,244         | <b>20,809</b>            | 26,552         |
| Transport                                       | 28,089                   | 26,524         | <b>22,661</b>            | 28,455         |
| General and running costs                       | 12,020                   | 15,131         | <b>10,631</b>            | 14,180         |
| Miscellaneous and other costs                   | 904                      | 0              | <b>1,426</b>             | 0              |
| <b>Personnel costs</b>                          |                          |                |                          |                |
| Total costs expatriate staff posted in projects | 47,051                   | 50,900         | <b>47,043</b>            | 56,508         |
| Total costs national staff                      | 80,608                   | 85,340         | <b>75,670</b>            | 90,883         |
| <b>Total emergency aid expenditure</b>          | <b>252,411</b>           | <b>260,000</b> | <b>227,152</b>           | <b>268,000</b> |

\*Budget 2019 is not audited

Purchase of medical items decreased because of the overall reduction in programme expenditure driven by portfolio re-structuring and the favourable impact of exchange rates on costs (estimated € 14.3 million). 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 € 8.9 million (2017: € 9.8 million) and

payments for referral of patients and external laboratory testing of € 4.3 million (2017: € 3.8 million). Compared to both the 2017 realisation and to the 2018 budget, the costs in all emergency aid categories developed in line with the overall decrease in programme expenditure and the effect of the foreign exchange rates development. Personnel costs are further explained in the notes below.

## 2.1a Personnel costs and personnel emergency aid

in euro and full time equivalents

In 2018 we employed 10,602 staff in full time equivalents (2017: 10,965) working in 104 emergency aid programmes in 32 countries (2017: 111 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 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 | 2018              | Budget 2018 | 2017       |
|------------------------------------------|-------------------|-------------|------------|
| Salaries                                 | <b>11,835,879</b> | 11,528,250  | 11,159,881 |
| Social security contribution             | <b>533,391</b>    | 462,823     | 528,641    |
| Pension contributions                    | <b>1,441,272</b>  | 1,438,508   | 1,286,917  |



| Expatriate staff hired from other MSF-sections         | 2018       | Budget 2018 | 2017       |
|--------------------------------------------------------|------------|-------------|------------|
| Payroll costs expatriate staff hired from MSF-sections | 15,006,897 | 15,051,527  | 15,622,351 |

In 2018 the number of expatriate staff positions decreased by 1.8% compared to 2017 and ended at 766 staff in full time equivalents. This is below the originally planned budget of 827 FTE. This decrease compared to 2017 and underspending compared to the budget is directly linked to the planned closure of emergency aid projects. In addition, whereas in 2017 we responded to large scale emergencies in e.g. Uganda and Bangladesh,

in 2018 no new large scale responses were required and our emergency response capacity remained therefore underutilised. The category expatriate staff on Dutch contract terms increased to 363 FTE (2017: 352 FTE), while the category expatriate staff hired from MSF-sections decreased to 368 FTE (2017 389 FTE). The total number of departures decreased from 1,443 in 2017 to 1,306 in 2018.

| Expatriate staff (in FTE)                                                           | 2018       | Budget 2018 | 2017       |
|-------------------------------------------------------------------------------------|------------|-------------|------------|
| Emergency aid - expatriate staff on Dutch contract terms                            | 363        | 402         | 352        |
| Emergency aid - expatriate staff hired from MSF-sections                            | 368        | 382         | 389        |
| Emergency aid - (Amsterdam) office staff seconded to project countries              | 19         | 31          | 24         |
| <b>Total expatriate staff</b>                                                       | <b>750</b> | <b>815</b>  | <b>765</b> |
| Emergency aid - Non allocated FTE (paid in-between-mission leave, sick leave, etc.) | 16         | 12          | 15         |
| <b>Total expatriate staff</b>                                                       | <b>766</b> | <b>827</b>  | <b>780</b> |

| Expatriate staff departures                     | 2018         | Budget 2018  | 2017         |
|-------------------------------------------------|--------------|--------------|--------------|
| Medical                                         | 268          | 400          | 240          |
| Paramedical                                     | 438          | 425          | 508          |
| Logistics, administrative & other support       | 600          | 675          | 695          |
| <b>Number of departures of expatriate staff</b> | <b>1,306</b> | <b>1,500</b> | <b>1,443</b> |

|                                       |           |     |           |
|---------------------------------------|-----------|-----|-----------|
| Gender (women - men)                  | 45% - 55% | n/a | 47% - 53% |
| Gender heads of mission (women - men) | 60% - 40% | n/a | 47% - 53% |
| Nationality (Dutch - other)           | 10% - 90% | n/a | 9% - 91%  |
| Average age                           | 41        | 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 a pension scheme for all (expatriate) staff on a Dutch contract was entered into 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. The costs of the pension scheme remained in line with the budget 2018. 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>2018</b>  | <b>Budget 2018</b> | <b>2017</b>  |
|---------------------------------------------------------------|--------------|--------------------|--------------|
| Medical                                                       | <b>413</b>   | 414                | 437          |
| Paramedical                                                   | <b>3,827</b> | 3,925              | 4,074        |
| Non-medical project staff                                     | <b>523</b>   | 636                | 663          |
| Logistics, administrative & other support                     | <b>4,761</b> | 4,929              | 4,705        |
| <b>Total national staff employed in the project countries</b> | <b>9,524</b> | <b>9,904</b>       | <b>9,879</b> |

#### **National staff salaries**

|                                                                                 |                   |            |            |
|---------------------------------------------------------------------------------|-------------------|------------|------------|
| Salary costs national staff (including payroll taxes and social security costs) | <b>63,908,969</b> | 68,659,313 | 66,564,546 |
|---------------------------------------------------------------------------------|-------------------|------------|------------|

#### **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 decreased due to a change in composition of the total workforce and due to the effect of devaluation of the US dollar and other currencies.

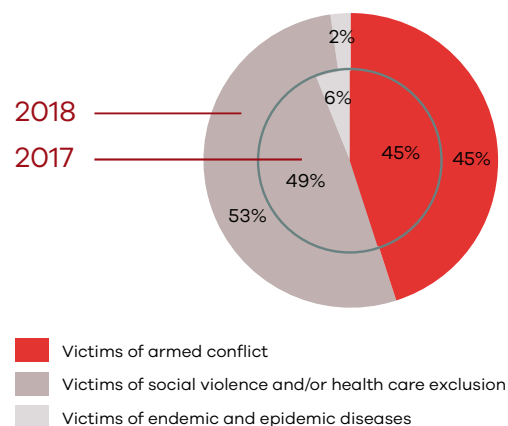
## 2.1b Typology of expenditure and funding of projects

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 2018 76.7% (2017: 70.2%) 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.

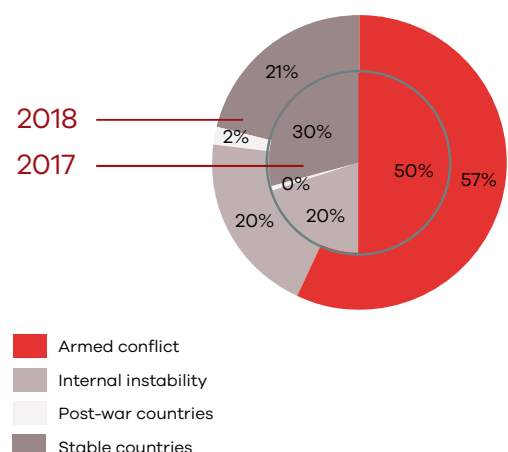
Compared to 2017 the share of funding of emergency aid by private donations increased by 1% to 98% in 2018.

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 2018 coordination costs amounted to 17.6% of the total spent on emergency aid (2017: 17.2%).

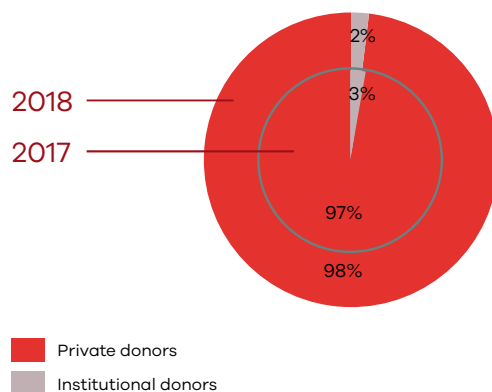
### WHO DID WE REACH? as percentage of emergency aid



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



### EMERGENCY AID FUNDING



## 2.2 Grants provided to third parties in euro thousands

|                                                                                               | 2018         | Budget 2018  | 2017         |
|-----------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Contribution to MSF-India                                                                     | 1,586        | 2,800        | 2,415        |
| Grant to MSF-France for Central African Republic                                              | 1,300        | 0            | 0            |
| Contribution to Drugs for Neglected Diseases initiative (DNDi) paid through MSF-International | 202          | 198          | 221          |
| Grant to Arq Psychotrauma Expert Group for a staff health research project                    | 100          | 0            | 0            |
| Grant to York University for the development of a safe water tool                             | 99           | 0            | 0            |
| Grant to MSF-Belgium for Indonesia (Tsunami response)                                         | 46           | 0            | 0            |
| Grant to the International Union against Tuberculosis and Lung Disease                        | 44           | 270          | 148          |
| <b>Total grants provided to third parties</b>                                                 | <b>3,377</b> | <b>3,268</b> | <b>2,784</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. Early 2018 it was decided to reduce the

ambition for fundraising for MSF-India and adjust the office budget accordingly. The grant to MSF-France was not foreseen and is the result of execution of the agreements made with MSF-International in the course of the year.

## 2.3 Programme support in euro thousands

|                                        | <i>explanatory notes</i> | 2018          | Budget 2018   | 2017          |
|----------------------------------------|--------------------------|---------------|---------------|---------------|
| Direct costs                           | <i>note 2.7</i>          | 2,893         | 3,303         | 2,999         |
| Costs joint projects with MSF-sections | <i>note 2.7</i>          | 998           | 878           | 1,722         |
| Costs foreign offices                  | <i>note 2.7</i>          | 283           | 306           | 0             |
| Costs personnel head office            | <i>note 2.7</i>          | 14,331        | 14,172        | 13,644        |
| Attributed overhead costs              | <i>note 2.7</i>          | 5,940         | 5,990         | 4,817         |
| <b>Total Programme support</b>         |                          | <b>24,445</b> | <b>24,649</b> | <b>23,182</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. The Costs for joint projects with other MSF-sections decreased as the expenditures related to the Tuberculosis breakthrough project (2017: € 583,779) are no longer included in the MSF-Holland expenditures. Also included are the costs of support to the programmes'

administration software managed from MSF-Switzerland (€ 342,639) and the Health Information System project that is carried out from MSF-Germany (€ 645,237). 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<br/>notes</i> | <b>2018</b>  | <b>Budget 2018</b> | <b>2017</b>  |
|------------------------------------------------------------------------------------------------|------------------------------|--------------|--------------------|--------------|
| <b>Direct costs</b>                                                                            |                              |              |                    |              |
| Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies) |                              | <b>719</b>   | 618                | 635          |
| Contributions to the MSF-International campaign Access to Essential Medicines                  |                              | <b>272</b>   | 295                | 299          |
| General communications and information activities                                              |                              | <b>977</b>   | 1,096              | 853          |
| <b>Total direct costs</b>                                                                      |                              | <b>1,968</b> | <b>2,009</b>       | <b>1,787</b> |
| <b>Attributable costs</b>                                                                      |                              |              |                    |              |
| Costs personnel head office                                                                    | <i>note 2.7</i>              | <b>850</b>   | 844                | 790          |
| Attributed overhead costs                                                                      | <i>note 2.7</i>              | <b>352</b>   | 357                | 279          |
| <b>Total information and awareness raising</b>                                                 |                              | <b>3,170</b> | <b>3,210</b>       | <b>2,856</b> |

The total costs of Information and awareness raising increased in line with the budget.



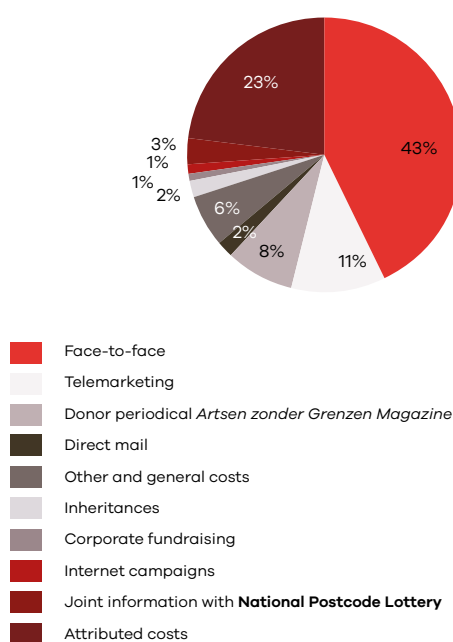
## 2.5 Cost of acquiring income in euro thousands

|                                                                                                | <i>explanatory<br/>notes</i> | <b>2018</b>  | <b>Budget 2018</b> | <b>2017</b>  |
|------------------------------------------------------------------------------------------------|------------------------------|--------------|--------------------|--------------|
| <b>Direct costs</b>                                                                            |                              |              |                    |              |
| Face-to-face                                                                                   |                              | <b>3,899</b> | 3,902              | 3,678        |
| Telemarketing                                                                                  |                              | <b>1,014</b> | 960                | 1,067        |
| Donor periodical Artsen zonder Grenzen Magazine (50%; see also chapter 4, Accounting Policies) |                              | <b>719</b>   | 619                | 635          |
| Inheritances                                                                                   |                              | <b>160</b>   | 234                | 164          |
| Direct mail                                                                                    |                              | <b>140</b>   | 218                | 255          |
| Corporate fundraising                                                                          |                              | <b>84</b>    | 297                | 147          |
| Internet campaigns                                                                             |                              | <b>81</b>    | 107                | 103          |
| Joint information activities in television broadcasts of the <b>National Postcode Lottery</b>  |                              | <b>259</b>   | 257                | 180          |
| Other and general costs of fundraising                                                         |                              | <b>590</b>   | 867                | 810          |
| <b>Total direct costs</b>                                                                      |                              | <b>6,946</b> | <b>7,461</b>       | <b>7,039</b> |
| <b>Attributable costs</b>                                                                      |                              |              |                    |              |
| Costs personnel head office                                                                    | <i>note 2.7</i>              | <b>1,497</b> | 1,688              | 1,508        |
| Attributed overhead costs                                                                      | <i>note 2.7</i>              | <b>621</b>   | 713                | 532          |
| <b>Total cost of acquiring income</b>                                                          |                              | <b>9,064</b> | <b>9,862</b>       | <b>9,079</b> |

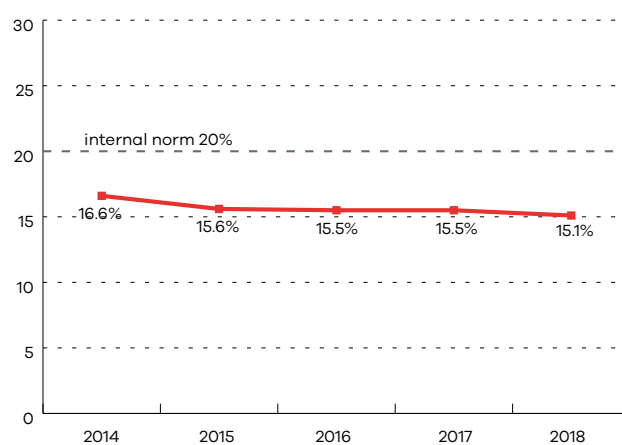
In 2018, 21 staff members (in FTE) worked on activities related to acquiring income (2017: 21 FTE). With some minor changes between the fundraising channels, the overall cost of acquiring income ended at the same level as the 2017 expenses.

Compared to the previous year the total cost of acquiring income from individuals, companies and not-for-profit organisations decreased to 15.1% 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 percentage of total cost of acquiring income



#### 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<br/>notes</i> | <b>2018</b>  | <b>Budget 2018</b> | <b>2017</b>  |
|--------------------------------------------|------------------------------|--------------|--------------------|--------------|
| Direct costs                               | <i>note 2.7</i>              | <b>1,257</b> | 1,930              | 1,368        |
| Contributions to MSF-International         | <i>chapter 6</i>             | <b>1,099</b> | 1,142              | 1,110        |
| Costs personnel head office                | <i>note 2.7</i>              | <b>3,100</b> | 3,333              | 3,099        |
| Attributed overhead costs                  | <i>note 2.7</i>              | <b>1,285</b> | 1,409              | 1,094        |
| <b>Total management and administration</b> |                              | <b>6,741</b> | <b>7,814</b>       | <b>6,671</b> |

The costs of management and administration amounted to 2.5% of the total expenditures in 2018 (2017: 2.2%) and are explained in more detail in note 2.7. In 2018 the composition of staff employed in management and administration changed but this had no effect on the overall personnel costs in this category. It is expected that

in 2019 an increase will be visible. 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 2018     | Budget 2018    | Total 2017     |
|-----------------------------------------------------------|----------------------------|----------------------------------|-------------------|-----------------------------------|--------------------------|-------------------------------|---------------------------|----------------|----------------|----------------|
|                                                           | 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                                             | 226,685                    |                                  |                   |                                   |                          |                               |                           | <b>226,685</b> | 259,268        | 252,118        |
| Costs joint projects with MSF-sections                    |                            |                                  | 998               |                                   |                          |                               |                           | <b>998</b>     | 878            | 1,722          |
| Costs foreign offices                                     |                            |                                  | 283               |                                   |                          |                               |                           | <b>283</b>     | 306            | 0              |
| Grants and contributions                                  |                            | 3,377                            |                   | 272                               |                          | 1,099                         |                           | <b>4,748</b>   | 4,706          | 4,193          |
| Publicity and communications                              |                            |                                  |                   | 891                               | 6,028                    |                               |                           | <b>6,919</b>   | 7,564          | 7,158          |
| Housing                                                   |                            |                                  |                   |                                   |                          |                               | 1,082                     | <b>1,082</b>   | 1,233          | 459            |
| Office and general costs                                  |                            |                                  | 362               | 685                               | 789                      | 220                           | 287                       | <b>2,343</b>   | 2,415          | 1,879          |
| ICT                                                       |                            |                                  | 58                | 65                                |                          | 11                            | 2,143                     | <b>2,277</b>   | 2,005          | 1,878          |
| Cost of inventory                                         |                            |                                  | 840               |                                   |                          |                               |                           | <b>840</b>     | 870            | 740            |
| Travel and accommodation                                  |                            |                                  | 928               | 55                                | 97                       | 201                           | 132                       | <b>1,413</b>   | 1,621          | 1,557          |
| Advice                                                    |                            |                                  | 106               |                                   |                          | 612                           | 252                       | <b>970</b>     | 1,323          | 1,188          |
| Evaluations, assessments and research                     |                            |                                  | 457               |                                   |                          |                               |                           | <b>457</b>     | 384            | 312            |
| Head office projects                                      |                            |                                  | 142               |                                   | 32                       |                               | 1,433                     | <b>1,607</b>   | 1,571          | 1,809          |
| Board and Association                                     |                            |                                  |                   |                                   |                          | 213                           |                           | <b>213</b>     | 231            | 208            |
| Depreciation and interest                                 | 467                        |                                  |                   |                                   |                          |                               | 838                       | <b>1,305</b>   | 1,761          | 978            |
| <b>Subtotal direct costs</b>                              | <b>227,152</b>             | <b>3,377</b>                     | <b>4,174</b>      | <b>1,968</b>                      | <b>6,946</b>             | <b>2,356</b>                  | <b>6,167</b>              | <b>252,140</b> | <b>286,136</b> | <b>276,199</b> |
| <b>Allocated employee costs for head office personnel</b> |                            |                                  |                   |                                   |                          |                               |                           |                |                |                |
| Salaries and social security                              |                            |                                  | 11,482            | 681                               | 1,200                    | 2,484                         | 1,627                     | <b>17,474</b>  | 19,212         | 17,219         |
| Pension contributions                                     |                            |                                  | 1,294             | 77                                | 135                      | 280                           | 184                       | <b>1,970</b>   | 2,116          | 1,935          |
| Other personnel costs                                     |                            |                                  | 1,555             | 92                                | 162                      | 336                           | 220                       | <b>2,365</b>   | 1,339          | 1,630          |
| <b>Subtotal all costs</b>                                 | <b>227,152</b>             | <b>3,377</b>                     | <b>18,505</b>     | <b>2,818</b>                      | <b>8,443</b>             | <b>5,456</b>                  | <b>8,198</b>              | <b>273,949</b> | <b>308,803</b> | <b>296,983</b> |
| Allocation of overhead                                    |                            |                                  | 5,940             | 352                               | 621                      | 1,285                         | -8,198                    |                |                |                |
| <b>Total all costs head office and emergency aid</b>      | <b>227,152</b>             | <b>3,377</b>                     | <b>24,445</b>     | <b>3,170</b>                      | <b>9,064</b>             | <b>6,741</b>                  | <b>0</b>                  | <b>273,949</b> | <b>308,803</b> | <b>296,983</b> |

### Overhead

The costs of overhead amounted to 3.0% of the total expenditure in 2018 (2017: 2.3%). The costs of overhead increased from € 6,722,010 in 2017 to € 8,197,811 in 2018. The costs off overhead have temporarily increased in 2018. This is mainly related to the head office renovation resulting in additional cost for temporary rent and

moving. Head office (ICT) projects remain significant in 2018 and are expected to decrease in 2019. With the depreciation of investments and changing software licensing models taking effect, management anticipates an overall structurally higher level of Overhead costs compared to previous years.

## 2.7a Personnel head office in full time equivalents

In 2018 we employed 10,602 staff in full time equivalents (2017: 10,965) 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 2018 the total number of designated FTE employed in the head office increased by 2.0% to 312. Increases in a number of departments were partly offset by a net reduction in programme support positions. This reduction corresponds to the decreased volume of emergency aid projects. In 2018 the illness percentage increased by 0.1% to 4.0% and remained above the policy target of 3.0%. The 4.0% is slightly below the average for the year in the Netherlands.

| Personnel head office                                                         | 2018       | Budget 2018 | 2017       |
|-------------------------------------------------------------------------------|------------|-------------|------------|
| Programme support                                                             | 213        | 224         | 214        |
| Information and awareness raising                                             | 12         | 12          | 11         |
| Fundraising                                                                   | 21         | 23          | 21         |
| Management and administration                                                 | 45         | 46          | 43         |
| Overhead                                                                      | 29         | 36          | 24         |
| Programme support staff charged from London and Berlin Offices                | 11         | 7           | 17         |
| Emergency aid - (Amsterdam) office staff seconded to emergency aid programmes | -19        | -35         | -24        |
| <b>Total personnel at head office</b>                                         | <b>312</b> | <b>313</b>  | <b>306</b> |
| Volunteers working at the head office in Amsterdam (# persons)                | 38         | n/a         | 29         |
| Volunteers working at the head office in Amsterdam (FTE)                      | 5          | n/a         | 4          |
| Gender (women - men)                                                          | 64% - 36%  | n/a         | 60% - 40%  |
| Gender senior management (women - men)                                        | 56% - 44%  | n/a         | 47% - 53%  |
| Nationality (Dutch - other)                                                   | 52% - 48%  | n/a         | 56% - 44%  |
| Average age                                                                   | 43         | n/a         | 43         |
| Employment (full time - part time)                                            | 58% - 42%  | n/a         | 60% - 40%  |
| Sickness rates                                                                | 4.0%       | < 3.0%      | 3.9%       |



## 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 2018, € 2,462,245 (2017: € 2,363,930). The total allocated personnel costs per full time equivalent increased by 2.9% from € 67,922 in 2017 to € 69,901 in 2018. 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 a pension scheme for all head office employees was entered into with the Premium Pension Institution Brand New Day and 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 2018 43.3 staff in full time equivalents (FTE) (2017: 35.5) were employed on Dutch contract terms but fully expensed to other MSF-sections, of which 23.1 staff in FTE were working abroad. The other 20.2 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 the MSF-section the staff is hired to.

## 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 2018 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 this management team. At the end of 2018 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. This 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 € 150,818 and € 129,559 maximum salaries respectively for 2018. Pension 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 €105,075 (2018).

In 2018 1 FTE was used for the position of General Director (2017: 1.5 FTE). In 2018 a total of €141,829 was spent on the general director's remuneration (see table below). In 2017 this was €269,325 for 1.5 FTE. The annual, full year, gross

salary including holiday allowance agreed with Nelke Manders is €116,575 (per 1-5-2018).

In the table below the employment, contract and the remuneration of the General Director and Management team are specified:

| Employment              | Position                | Employment period in 2018 | 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>31-07-21</b>           |
| <b>Management Team</b>  |                         |                           |                   |                           |
| Marcel Langenbach       | Director Operations     | 01/01 - 31/12             | indefinite        | 30-06-19                  |
| Sid Wong                | Medical Director        | 01/01 - 31/12             | indefinite        | 31-12-19                  |
| Mihaela Ionasc          | Director Staff          | 17/12- 31/12              | fixed term        | 31-03-21                  |
| Huub Haverhals          | Director Resources      | 01/01 - 31/12             | interim services  | 01-07-19                  |
| Katrien Coppens         | Delegate Director       | 01/01- 31/12              | indefinite        | 15-01-19                  |

|                         | Remuneration                               |                   |                                     | Other employment costs |                       |                                   |
|-------------------------|--------------------------------------------|-------------------|-------------------------------------|------------------------|-----------------------|-----------------------------------|
|                         | Gross per year excluding holiday allowance | Holiday allowance | Salary according to advisory scheme | Pension contributions  | Social security costs | Total salary costs directors 2018 |
| <b>General Director</b> |                                            |                   |                                     |                        |                       |                                   |
| <b>Nelke Manders</b>    | <b>106.892</b>                             | <b>8.552</b>      | <b>115.444</b>                      | <b>16.675</b>          | <b>9.710</b>          | <b>141.829</b>                    |
| <b>Management Team</b>  |                                            |                   |                                     |                        |                       |                                   |
| Marcel Langenbach       | 105.852                                    | 8.468             | 114.320                             | 23.602                 | 9.710                 | <b>147.632</b>                    |
| Sid Wong                | 108.752                                    | 5.928             | 114.680                             | 10.459                 | 9.710                 | <b>134.849</b>                    |
| Mihaela Ionasc          | 3.424                                      | 274               | 3.698                               | 772                    | 405                   | <b>4.875</b>                      |
| Huub Haverhals          | n/a                                        | n/a               |                                     | n/a                    | n/a                   | <b>138.760</b>                    |
| Katrien Coppens         | 82.188                                     | 6.575             | 88.763                              | 16.156                 | 9.710                 | <b>114.629</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 2018 Huub Haverhals took the responsibilities of the Director Resources in the position of interim Director. The total fee paid to him in 2018 was € 138,760 (excl.VAT). Mihaela Ionasc joined the organisation as of 1 April 2018 in the position of Head of Department HRM and was promoted into the new Director Staff position as of 17 December 2018. As at 31 January 2018 the contract of Els Niehaus who was Director Resources from 01 February

2014 ended. A total of € 40,680 was paid to her in 2018, including the transition allowance of € 28,943. Expatriate tax regulations (30% ruling) have been applied to the salary of the Medical Director Sidney Wong.

#### 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. The Delegate Director, Katrien Coppens, is a non-voting board member of MSF-Hong Kong Limited and the Executive Director of the MSF-Holland India Trust (New Delhi, India), both occupations were for the full year and CEO of the Private Limited Company Doctors Without Borders India until 1 May 2018. None of the occupations were remunerated. 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:

|                                                              | 2018       | Budget 2018 | 2017       |
|--------------------------------------------------------------|------------|-------------|------------|
| Costs MSF-OCA Council (see chapter 6.2)                      | 104        | 116         | 110        |
| Costs of the Association and General Assembly                | 96         | 101         | 91         |
| Costs of carrying out supervisory responsibilities           | 53         | 63          | 45         |
| Costs of International representation within the network MSF | 7          | 10          | 11         |
| Remuneration president Unni Karunakara                       | 30         | 41          | 0          |
| Remuneration president Wilna van Aartsen                     | 10         | 10          | 25         |
| Volunteer allowances board members                           | 7          | 7           | 7          |
| <b>Total Board costs and expenses paid to board members</b>  | <b>307</b> | <b>348</b>  | <b>289</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 € 72,600 is included for the full year of 2018. In addition costs were incurred for the development of the governance of the partnership.

On the first of January 2018 Wilna van Aartsen stepped down as president of MSF-Holland. She was succeeded by Unni Karunakara. The remuneration paid to Wilna van Aartsen in 2018 was related to her Board activities in 2016 as was disclosed in the 2017 Financial Statements under this header. For the time spent in fulfilling the duties concerned with international governance the MSF-Holland president, Unni Karunakara, received an amount of € 30,000 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 2018.

In 2018, 10 board members (2017: 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 small expenses. In 2018 an amount of € 7,100 (2017: € 6,600) 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, 2018 the Board of the Association MSF-Holland had 7 board members (2017: 11). 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 Accountability Statement for the year at [www.artsenzondergrenzen.nl](http://www.artsenzondergrenzen.nl).

## 2.7e Auditors costs in euro thousands

In 2018 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 2018 additional work was performed on the statutory audit 2017 specifically related to more extensive sampling of programme costs and intensified regulatory compliance auditing procedures. The number of contracts of institutional donors which required audited grant reports remained at 2 contracts in 2018.

The following fees were paid to auditors:

| Allocated to:                                                |                      | 2018       | Budget 2018 | 2017       |
|--------------------------------------------------------------|----------------------|------------|-------------|------------|
| PwC audit of the Financial Statements 2018                   | Advice - head office | 210        | 230         | 178        |
| PwC audit of the Financial Statements (additional work 2017) | Advice - head office | 28         | 0           | 48         |
| PwC audit contracts institutional donors                     | Advice - head office | 11         | 11          | 11         |
| Deloitte operational audit procurement unit                  | Advice - head office | 0          | 0           | 83         |
| <b>Total Auditors costs</b>                                  |                      | <b>249</b> | <b>241</b>  | <b>320</b> |

## INCOME

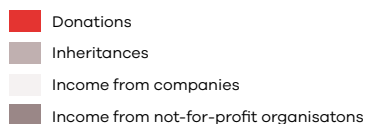
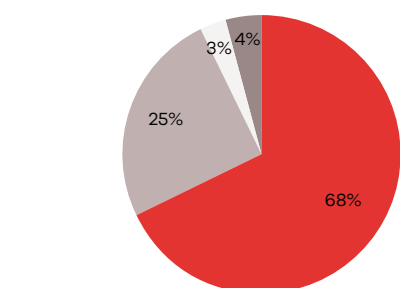
Overall income for the year remained stable and with € 279.8 million at the same level as in 2017 (€ 280.3 million). The income from individuals, companies and not-for-profit organisations increased by € 1.5 million from € 58.4 million in 2017 to € 59.9 million in 2018. Within this category income from inheritances increased by € 1.6 million from € 13.5 million in 2017 to € 15.1 million in 2018. The income

from Inheritances shows an increase as in 2018 several exceptional receipts occurred. The cost of acquiring income in the Netherlands remains with € 9.1 million at the same level as in 2017. In 2018 MSF-Holland was awarded an extraordinary contribution of € 4,300,000 from the extra draw of the **National Postcode Lottery**.

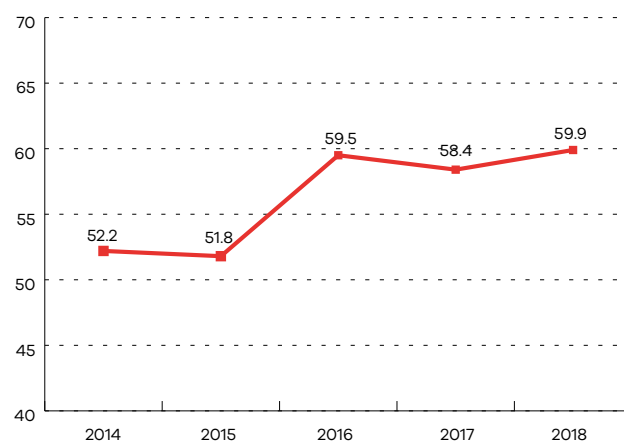
### 2.8 Income from individuals, companies and not-for-profit organisations in euro thousands

|                                                                                  | 2018          | Budget 2018   | 2017          |
|----------------------------------------------------------------------------------|---------------|---------------|---------------|
| Donations                                                                        | 40,690        | 43,735        | 40,682        |
| Inheritances                                                                     | 15,096        | 12,000        | 13,495        |
| Membership fees from Association members                                         | 1             | 5             | 5             |
| <b>Income from individuals</b>                                                   | <b>55,787</b> | 55,740        | 54,182        |
| Income from companies                                                            | 1,749         | 2,127         | 1,823         |
| Income from not-for-profit organisations                                         | 2,336         | 2,333         | 2,394         |
| <b>Total income from individuals, companies and not-for-profit organisations</b> | <b>59,872</b> | <b>60,200</b> | <b>58,399</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 2018 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 2018. Compared to the previous years, fewer spontaneous one-time donations were received. These donations are very dependent on our emergency response visibility which was substantially lower in 2018.

|                                                       | 2018           | 2017    | 2016    | 2015    | 2014    |
|-------------------------------------------------------|----------------|---------|---------|---------|---------|
| Number of different private donors giving in the year | <b>447,195</b> | 454,214 | 449,834 | 447,685 | 467,074 |
| Private donors recruited in the year                  | <b>36,337</b>  | 45,405  | 44,885  | 43,600  | 60,612  |
| Active cancellations                                  | <b>2,427</b>   | 2,487   | 2,740   | 2,818   | 2,079   |
| Donors with a direct debit mandate                    | <b>316,762</b> | 320,577 | 317,991 | 311,807 | 309,197 |

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

(see also note 3.10c; restricted funds)

The earmarked income is specified as follows:

|                                                               | Receipts<br>in 2018 | Expenditures<br>in 2018 | Not spent<br>in 2018 |
|---------------------------------------------------------------|---------------------|-------------------------|----------------------|
| Bangladesh                                                    | <b>1,132</b>        | -1,132                  | <b>0</b>             |
| Yemen                                                         | <b>714</b>          | -714                    | <b>0</b>             |
| Uzbekistan                                                    | <b>328</b>          | -328                    | <b>0</b>             |
| Nigeria                                                       | <b>100</b>          | -100                    | <b>0</b>             |
| South Africa                                                  | <b>100</b>          | -100                    | <b>0</b>             |
| Syria                                                         | <b>119</b>          | -119                    | <b>0</b>             |
| Central African Republic                                      | <b>75</b>           | -75                     | <b>0</b>             |
| South Sudan                                                   | <b>72</b>           | -72                     | <b>0</b>             |
| Congo, Democratic Republic                                    | <b>71</b>           | -71                     | <b>0</b>             |
| Indonesia                                                     | <b>46</b>           | -46                     | <b>0</b>             |
| Jordan                                                        | <b>17</b>           | -17                     | <b>0</b>             |
| Haiti                                                         | <b>12</b>           | -12                     | <b>0</b>             |
| Libya                                                         | <b>11</b>           | -11                     | <b>0</b>             |
| various countries                                             | <b>3</b>            | -3                      | <b>0</b>             |
| <b>Subtotal earmarked donations</b>                           | <b>2,800</b>        | -2,800                  | <b>0</b>             |
| Donations for endowment funds                                 | <b>0</b>            | 0                       | <b>0</b>             |
| Donations for the Stone fund (training of national employees) | <b>34</b>           | -34                     | <b>0</b>             |
| <b>Total as at 31 December moved to restricted funds</b>      | <b>2,834</b>        | <b>-2,834</b>           | <b>0</b>             |

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

|                                                        | 2018          | Budget 2018   | 2017          |
|--------------------------------------------------------|---------------|---------------|---------------|
| <b>National Postcode Lottery</b> , regular draw        | <b>13,500</b> | 13,500        | 13,500        |
| <b>National Postcode Lottery</b> , extra draw          | <b>4,300</b>  | 0             | 25            |
| <b>National Postcode Lottery Dream fund</b>            | <b>0</b>      | 0             | 1,814         |
| <b>Total income from the National Postcode Lottery</b> | <b>17,800</b> | <b>13,500</b> | <b>15,339</b> |

In 2018 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. In 2018 MSF-Holland was awarded an extraordinary contribution of €4,300,000 from the extra draw of the National Postcode Lottery.

## 2.10 Grants from MSF-sections in euro thousands

|                                       | 2018           | Budget 2018    | 2017           |
|---------------------------------------|----------------|----------------|----------------|
| MSF-Germany                           | <b>88,772</b>  | 101,314        | 88,264         |
| MSF-USA                               | <b>43,792</b>  | 46,989         | 44,971         |
| MSF-United Kingdom                    | <b>28,482</b>  | 29,223         | 28,323         |
| MSF-Hong Kong                         | <b>14,019</b>  | 12,413         | 12,478         |
| MSF-Canada                            | <b>11,355</b>  | 12,377         | 11,473         |
| MSF-Sweden                            | <b>8,014</b>   | 9,509          | 10,581         |
| MSF-Ireland                           | <b>2,310</b>   | 2,310          | 2,310          |
| MSF-Italy                             | <b>60</b>      | 0              | 244            |
| MSF-Denmark                           | <b>36</b>      | 0              | 406            |
| MSF-Switzerland                       | <b>18</b>      | 0              | 0              |
| MSF-Norway                            | <b>9</b>       | 0              | 0              |
| MSF-Belgium                           | <b>4</b>       | 0              | 0              |
| MSF-South Korea                       | <b>0</b>       | 0              | 78             |
| MSF-South Africa                      | <b>0</b>       | 0              | 25             |
| MSF-Czech Republic                    | <b>0</b>       | 0              | 14             |
| <b>Total grants from MSF-sections</b> | <b>196,871</b> | <b>214,135</b> | <b>199,167</b> |



With an overall decrease of 1.1% the income from grants from MSF-sections remained at about the same level as in 2017 and 2016. In the budget an overall optimistic target income performance was targeted. For the second consecutive year, in 2018 this optimistic target income target was not achieved. The grant received from MSF-Germany ended just below budget as their private fundraising income decreased, albeit not to the extent as anticipated in the course of the year. As in previous years the grant received from MSF-United Kingdom was

negatively affected by the volatility of the British pound although the main effect already materialised in 2017. While MSF-United Kingdom granted an additional £ 349,125, overall € 264,351 less was realised compared to applying 2017 exchange rates. The income from MSF-USA and MSF-Hong Kong was positively impacted by favourable exchange rates at contract signing dates, realising € 1,494,957 additional income in euro while grants themselves diminished.

## 2.11 Grants from institutional donors in euro thousands

|                                               | 2018         | Budget 2018  | 2017         |
|-----------------------------------------------|--------------|--------------|--------------|
| Canadian government (DFATD, IHA)              | 2,202        | 630          | 1,741        |
| Global Fund (GFATM)                           | 1,813        | 3,351        | 4,292        |
| Japanese Government (MOFA)                    | 724          | 500          | 0            |
| Ontario government                            | 0            | 0            | 318          |
| European Union (ECHO and EU)                  | -3           | 0            | 0            |
| UNITAID                                       | -34          | 1,204        | 646          |
| <b>Total grants from institutional donors</b> | <b>4,702</b> | <b>5,685</b> | <b>6,997</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

|                           | 2018       | Budget 2018 | 2017       |
|---------------------------|------------|-------------|------------|
| Other income              | 512        | 0           | 376        |
| <b>Total other income</b> | <b>512</b> | <b>0</b>    | <b>376</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

|                                                                      | 2018          | Budget 2018 | 2017          |
|----------------------------------------------------------------------|---------------|-------------|---------------|
| Realised exchange results from transactions in non-euro currencies   | -1,569        | 0           | -153          |
| Unrealised exchange results from transactions in non-euro currencies | 43            | 0           | -1,820        |
| Interest income                                                      | 237           | 100         | 193           |
| Unrealised value gain Vierhouten (see 3.2b)                          | 44            | 0           | 0             |
| <b>Total net financial income and expenses (-)</b>                   | <b>-1,245</b> | <b>100</b>  | <b>-1,780</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. In 2018 a negative realised exchange result of € 1,321,138 was recognised on grant contracts mostly stemming from rates at the time of realising cash receipt differing from the contract rates. 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 2018 the average balance on the deposit accounts remained well above the 2017 levels. Interest income increased as interest rates on mainly short term US Dollar money market deposits increased while overall interest rates remained stable. 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 € 743,129 in 2018 (2017: € 725,290).

#### 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 2018     |
|---------------------------------------------|----------------|------------------------------|------------------|---------------------------------|---------------------------------|-----------------------------|----------------------|----------|----------------|
| United Nations (WFP)                        | 345,353        |                              |                  | 1,152                           |                                 |                             |                      |          | 346,505        |
| ICRC                                        | 43,935         | 95,238                       |                  | 335                             | 1,092                           |                             | 70,021               |          | 210,621        |
| Ministries of Health                        | 99,278         | 117                          |                  | 492                             | 1,018                           |                             |                      |          | 100,905        |
| United Nations (Unicef)                     |                | 2,674                        | 35,041           | 466                             |                                 |                             |                      |          | 38,181         |
| National TB Program Myanmar (NAP)           | 32,504         |                              |                  |                                 |                                 |                             |                      |          | 32,504         |
| United Nations (UNFPA/UNHCR/WHO )           | 777            | 4,983                        | 5,403            | 150                             |                                 |                             |                      |          | 11,313         |
| Others                                      | 1,415          | 440                          | 757              | 488                             |                                 |                             |                      |          | 3,100          |
| <b>Total donations in kind per category</b> | <b>523,262</b> | <b>103,452</b>               | <b>41,201</b>    | <b>3,083</b>                    | <b>2,110</b>                    | <b>-</b>                    | <b>70,021</b>        | <b>-</b> | <b>743,129</b> |

#### DONATIONS IN KIND PER PROJECT COUNTRY

|                                            | Total 2018     |
|--------------------------------------------|----------------|
| Central African Republic                   | 548,059        |
| Afghanistan                                | 139,159        |
| Myanmar                                    | 32,504         |
| South Sudan                                | 10,128         |
| Ethiopia                                   | 7,193          |
| Congo, Democratic Republic                 | 2,930          |
| Bangladesh                                 | 2,119          |
| India                                      | 1,037          |
| <b>Total donations in kind per country</b> | <b>743,129</b> |

### Donations in kind head office

In 2018 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.

An overview will be disclosed in 2019 with the closure of the project. At the end of 2018 an amount of approximately 9,462 Blue Bizz air miles were outstanding (2017: 16,092). Air miles are used in the short term.

### 3 Notes to the Balance Sheet

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▲ Sisters Sedar (4 years old), Dumua (5), Butul (6), Arimas (9) and Lamis (13)) were on the rooftop of their house in Dhiban when they were severely injured by a booby-trap. Sedar underwent a partial amputation of both legs, and Lamis (seen in the picture here) of one leg. Syria, April 2018.

With a modest surplus of € 4.6 million, MSF-Holland maintained a robust financial position in 2018. Expenditure on emergencies decreased compared to the prior year, while income remained at the same levels as in 2017 and 2016, contributing to the realisation of a surplus at year end. Accordingly, reserves levels remained stable at a solid level of 6.8 months.

The total cash position at balance sheet date increased by € 12.0 million while the total receivables position decreased by € 11.9 million with the relative distribution of payables, receivables and liquidity remaining comparable to the 2017 end of year position. Primarily as a consequence of the realised surplus, the overall balance sheet total increased by € 8.3 million thus maintaining solid solvency ratios.

Assets and inventory increased by € 8.1 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. Inventories did not further increase as in prior years as the current levels are assessed sufficient to effectively supply our emergency aid programmes.

Overall reserves and funds increased due to the addition of the surplus result of € 4.6 million. Restricted funds were slightly lower at € 1.1 million. Provisions decreased by just over 50% as payments due to employees in projects that were planned to close in 2018 were exercised. Short-term liabilities increased by 16.5% to € 32.6 million as budgetary commitments increased.

### 3.1 INTANGIBLE ASSETS in euro thousands

|                                                   | Software     |
|---------------------------------------------------|--------------|
| <b>Purchase value</b>                             |              |
| Balance as at 1 January 2018                      | 4,784        |
| Purchases                                         | 3,111        |
| Disinvestments                                    | 0            |
| <b>Balance as at 31 December 2018</b>             | <b>7,895</b> |
| <b>Depreciation</b>                               |              |
| Balance as at 1 January 2018                      | 1,899        |
| Depreciation                                      | 781          |
| Disinvestments                                    | 0            |
| <b>Balance as at 31 December 2018</b>             | <b>2,680</b> |
| <b>Balance sheet value as at 31 December 2018</b> | <b>5,215</b> |

In 2018 the first releases of a Health Information System for use in our emergency aid projects and the replacement of the head office ERP system were delivered and depreciation commenced. The build of both software projects continued in 2018 and further delivery is planned for 2019. The depreciation of these phases will commence at delivery. At balance sheet date a part of the intangible assets of € 3,623,588 is under development. The entire intangible assets are used for the realisation of the association goals. As at 31 December 2018 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 2018                      | 5,730        | 10,170        | 544                    | 1,209        | <b>17,653</b> |
| Purchases                                         | 0            | 5,646         | 1,707                  | 145          | <b>7,498</b>  |
| Disinvestments                                    | 0            | 0             | 0                      | -9           | <b>-9</b>     |
| <b>Balance as at 31 December 2018</b>             | <b>5,730</b> | <b>15,816</b> | <b>2,251</b>           | <b>1,345</b> | <b>25,142</b> |
| <b>Depreciation</b>                               |              |               |                        |              |               |
| Balance as at 1 January 2018                      | 0            | 339           | 544                    | 719          | <b>1,602</b>  |
| Depreciation                                      | n/a          | 339           | 0                      | 183          | <b>522</b>    |
| Disinvestments                                    | 0            | 0             | 0                      | -9           | <b>-9</b>     |
| <b>Balance as at 31 December 2018</b>             |              | <b>678</b>    | <b>544</b>             | <b>893</b>   | <b>2,115</b>  |
| <b>Balance sheet value as at 31 December 2018</b> | <b>5,730</b> | <b>15,138</b> | <b>1,707</b>           | <b>452</b>   | <b>23,027</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 2018 no costs for maintenance were made and no provisions for major repairs to the building were created as a major renovation and upgrade of the building started in 2018 and will be finalised in the first quarter of 2019. At balance sheet date a part of the purchases of the tangible assets of €7,353,376 is related to the renovation of the building, including office interior fixtures which at

balance sheet date are under development. Depreciation will commence in the 2nd quarter of 2019.

The purchase of hardware concerns investments related to the growth of FTE in the Amsterdam office and replacements due to software upgrades. At balance sheet date, based on market conditions there were 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

|                                               | 2018       | 2017       |
|-----------------------------------------------|------------|------------|
| Property and buildings Vierhouten             | <b>494</b> | 450        |
| <b>Estimate sales value as at 31 December</b> | <b>494</b> | <b>450</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 2019. On the balance sheet date a value gain of € 44,000 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 value loss of € 47,000 .

### 3.3 Loans and Receivables in euro thousands

|                                           | 2018     | 2017       |
|-------------------------------------------|----------|------------|
| Loan to SOS Méditerranée                  | 0        | 285        |
| <b>Redemption value as at 31 December</b> | <b>0</b> | <b>285</b> |

The interest-free loan to SOS Méditerranée that is used in the joint search and rescue operations for the chartering of the MV Aquarius was fully redeemed in 2018.

### 3.4 Stock for emergency aid in euro thousands

|                                               | 2018          | 2017          |
|-----------------------------------------------|---------------|---------------|
| Medical materials                             | 7,238         | 8,275         |
| Other materials                               | 2,352         | 2,394         |
| Transport equipment                           | 1,041         | 1,020         |
| <b>Inventory as at 31 December</b>            | <b>10,631</b> | <b>11,689</b> |
| Value adjustment for obsolescence             | -610          | -745          |
| <b>Net realisable value as at 31 December</b> | <b>10,021</b> | <b>10,944</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 2018 amounts to € 3,015,287 (2017: € 4,011,707). 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.

As at 31 December an estimate value of inventory of € 1,392,841 was in shipped by suppliers under Free Carrier Incoterms but not received in the warehouse (2017: € 1,407,300). This amount is not included in the net realisable value as presented on the balance sheet.

The entire inventory is held for the realization of the Association goals.

In 2018, 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 2018 a reported value of € 29,575,412 (2017: € 30,315,827) of medical supplies was held available for immediate use in our emergency aid projects or was on international transport.



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

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

|                                                         | 2018          | 2017          |
|---------------------------------------------------------|---------------|---------------|
| Balance as at 1 January                                 | 26,164        | 33,270        |
| Project grants awarded                                  | 196,871       | 199,167       |
| Project grants received                                 | -205,768      | -207,323      |
| Exchange results on grants received                     | -1,393        | 1,332         |
| End of year revaluation of outstanding contract amounts | 55            | -282          |
| <b>Balance as at 31 December</b>                        | <b>15,929</b> | <b>26,164</b> |

The remaining receivables concern project grant contracts which ended in 2018. The receivables from MSF-sections decreased as more grants agreed for the

year were transferred before the year end. All receivables from MSF-sections are short-term and are expected to be received in the first quarter of 2019.

### 3.6 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:

|                                                         | 2018         | 2017         |
|---------------------------------------------------------|--------------|--------------|
| Balance as at 1 January                                 | 5,615        | 8,450        |
| Project grants awarded                                  | 6,959        | 6,105        |
| Project grants received                                 | -7,620       | -7,179       |
| Exchange results on grants received                     | -707         | 450          |
| Non-allocated project grants                            | -389         | -839         |
| End of year revaluation of outstanding contract amounts | 953          | -1,372       |
| <b>Balance as at 31 December</b>                        | <b>4,811</b> | <b>5,615</b> |

The receivables are as follows:

|                                                                                |              |              |
|--------------------------------------------------------------------------------|--------------|--------------|
| Receivables from project grant contracts ended in the reporting year           | 439          | 1,555        |
| Receivables from project grant contracts running into the next reporting year  | 4,372        | 4,060        |
| Receivables from project grant contracts running after the next reporting year | 0            | 0            |
| <b>Balance as at 31 December</b>                                               | <b>4,811</b> | <b>5,615</b> |

As a consequence of the 2016 Board decision to suspend the grants from the EU and EU-member states for the funding of emergency aid the receivables from institutional donors further decreased. The currency revaluation of outstanding contract amounts is high as this item concerns multi year contracts of Global Fund and UNITAID in US dollar that fluctuated significantly

between the date of signing, the 2017 balance sheet date and the 2018 balance sheet date. The long-term receivables are counterbalanced by the long-term budgetary commitments as specified in note 3.12. As at 31 December all receivables from project grant contracts are short term.

### 3.7 Receivables from inheritances in euro thousands

|                                  | 2018          | 2017          |
|----------------------------------|---------------|---------------|
| Receivables from inheritances    | 11,566        | 12,335        |
| <b>Balance as at 31 December</b> | <b>11,566</b> | <b>12,335</b> |

Receivables from inheritances represent the estimated valuation of the accepted inheritances for which settlement is in progress. As at 31 December 2018 receivables from inheritances include 43 properties (2017: 45 properties) that are held for sale.

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

|                                                        | 2018         | 2017         |
|--------------------------------------------------------|--------------|--------------|
| Prepayments and accrued income                         | 4,992        | 4,303        |
| Other receivables from MSF-sections                    | 2,522        | 3,114        |
| Taxes and social security contributions to be received | 44           | 159          |
| Debtors                                                | 41           | 55           |
| <b>Balance as at 31 December</b>                       | <b>7,599</b> | <b>7,631</b> |

All Other receivables and accrued income are short-term. All amounts receivable concern the normal course of operations. The increase in prepayments and accrued income is mainly caused by prepayments for software licenses used in our project countries and a prepayments

for goods to be delivered in February 2019. The decrease in the other receivables from MSF-sections is mainly caused by a lower balance of outstanding settlements of costs incurred between projects. As in 2017, in 2018 no allowance for uncollectable receivables was needed.

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

|                                                    | 2018           | 2017           |
|----------------------------------------------------|----------------|----------------|
| Balance of cash at bank and in hand at head office | 14,759         | 13,445         |
| Balance of cash at bank and in hand at projects    | 12,268         | 11,619         |
| Balance of savings accounts at head office         | 93,532         | 83,459         |
| <b>Balance as at 31 December</b>                   | <b>120,559</b> | <b>108,523</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. Included in the Balance of cash at bank held at projects is Cash in transit of € 660,611 that was at balance sheet date in the clearing process in banks in several project countries and not yet released. The total amount was released in January 2019.

The main savings accounts held at head office are held in euro at the ABN AMRO (81%), Rabobank (10%), ING (6%) and ASN Bank (3%) and are immediately available funds. Overall the main euro savings account balances increased due to a lower receivables position at year end. At 31 December savings accounts included short term US dollar deposits as follows:

| Start date | Amount        | Interest | Interest at maturity | Maturity date |
|------------|---------------|----------|----------------------|---------------|
| 28-11-2018 | USD 5,000,000 | 2,40%    | USD 21,339           | 31-01-2019    |
| 30-11-2018 | USD 3,000,000 | 2,28%    | USD 6,265            | 02-01-2019    |
| 30-11-2018 | USD 2,000,000 | 2,33%    | USD 5,172            | 09-01-2019    |
| 19-12-2018 | USD 3,000,000 | 2,43%    | USD 5,676            | 16-01-2019    |
| 19-12-2018 | USD 3,000,000 | 2,44%    | USD 7,110            | 23-01-2019    |
| 19-12-2018 | USD 4,000,000 | 2,45%    | USD 11,434           | 30-01-2019    |

### 3.10 Reserves and funds in euro thousands

|                                  | Continuity reserves | Other reserves | Restricted funds | Total 2018     | Total 2017     |
|----------------------------------|---------------------|----------------|------------------|----------------|----------------|
| Balance as at 1 January          | 110,000             | 48,169         | 1,261            | 159,430        | 177,915        |
| Allocation of the result         | 0                   | 4,741          | -178             | 4,563          | -18,485        |
| <b>Balance as at 31 December</b> | <b>110,000</b>      | <b>52,910</b>  | <b>1,083</b>     | <b>163,993</b> | <b>159,430</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 6.8 months of total

expenditure (2017: 6.6 months) and 73.5% of the reserves were retained in cash at hand and in bank (2017: 68.1%). 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. The 2018 result and the amount released from the Restricted funds were added to the other reserves as shown in the table above. Within the total of reserves an amount of € 28,880 is considered for unrealised benefits related to legacies encumbered with usufruct.

### 3.10a 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 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 (2017 and 2018) plus the budget for the coming year (2019).

A risk based buffer capital provision is included in the continuity reserves calculated at € 55,000,000 corresponding to 20.1% 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 level of the total of reserves.

The Continuity reserve is calculated as follows:

|                                                                  | Expenditure<br>2017 | Expenditure<br>2018 | Budget<br>2019 | 4.5-month<br>average |
|------------------------------------------------------------------|---------------------|---------------------|----------------|----------------------|
| Total expenditure                                                | 296,983             | 273,949             | 318,230        | 111,145              |
| <b>Deduct:</b>                                                   |                     |                     |                |                      |
| Depreciation costs                                               | 978                 | 1,305               | 2,802          | 636                  |
| Contributions                                                    | 4,193               | 4,748               | 3,524          | 1,558                |
| <b>Target continuity reserves (4.5 months) as at 31 December</b> |                     |                     |                | <b>108,951</b>       |
| <b>Actual continuity reserves as at 31 December 2018</b>         |                     |                     |                | <b>110,000</b>       |
| <b>Buffer capital included in the continuity reserves</b>        |                     |                     |                | <b>55,000</b>        |

### 3.10b Other reserves

In total an amount of € 4,740,810 was added to the Other reserves. In addition to the 2018 result of € 4,563,380, through the allocation of the 2018 result an amount of € 177,430 was removed from the restricted funds and added to the other reserves.

### 3.10c 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<br>year end 2017 | Receipts<br>in 2018 | Withdrawals<br>in 2018 | Unused at<br>year end 2018 |
|---------------------------------------------------------------------------------------|----------------------------|---------------------|------------------------|----------------------------|
| <b>Earmarked income from individuals, companies and not-for-profit organisations:</b> |                            |                     |                        |                            |
| Donations for various countries                                                       | 0                          | 2,800               | -2,800                 | 0                          |
| Donation for Central African Republic hospital renovation                             | 50                         | 0                   | -50                    | 0                          |
| Earmarked endowment funds                                                             | 1,000                      | 0                   | -90                    | 910                        |
| Stone Fund (training of national employees)                                           | 59                         | 34                  | -50                    | 43                         |
| Donation for reserves                                                                 | 111                        | 0                   | 0                      | 111                        |
| <b>Subtotal (see also note 2.8 a)</b>                                                 | <b>1,220</b>               | <b>2,834</b>        | <b>-2,990</b>          | <b>1,064</b>               |
| Earmarked from inheritance property Vierhouten                                        | 41                         | 0                   | -22                    | 19                         |
| <b>Balance as at 31 December</b>                                                      | <b>1,261</b>               | <b>2,834</b>        | <b>-3,012</b>          | <b>1,083</b>               |

The earmarked funds from inheritance concern the maintenance and use of the property in Vierhouten. The endowment fund comprises of two components. An amount of € 100,000 may be spent on building a hospital facility before the end of 2021. In 2017 an endowment

restricted inheritance with an estimate value of € 900,000 was received. Of the endowment, starting 2018 each year an amount of 10% plus the total interest realised may be spent. In 2018 an amount of 90,000 was spend from this endowment.

### 3.11 Provisions in euro thousands

|                                                                     | 2017         | Amount used<br>and reversed | New and<br>additional | 2018         |
|---------------------------------------------------------------------|--------------|-----------------------------|-----------------------|--------------|
| Severance pay due to employees in view of planned project closures  | 2,628        | -2,628                      | 292                   | 292          |
| Payroll taxes national staff South Sudan due to currency conversion | 819          | 0                           | 8                     | 827          |
| Income Tax assessment India                                         | 0            | 0                           | 99                    | 99           |
| Litigation procedures Search & Rescue operations                    | 0            | 0                           | 410                   | 410          |
| Payroll taxes assessment Zimbabwe                                   | 0            | 0                           | 44                    | 44           |
| Employment dispute Kenya                                            | 0            | 0                           | 60                    | 60           |
| Disability payment personnel Swaziland                              | 70           | -70                         | 0                     | 0            |
| <b>Balance as at 31 December</b>                                    | <b>3,517</b> | <b>-2,698</b>               | <b>913</b>            | <b>1,732</b> |

In the annual plan for 2019 decisions have been made to scale down or close projects in Congo Democratic Republic, Haiti, Myanmar, Sierra Leone and Iraq 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). The other provisions included here are based on formal (tax) assessments or notifications received and for which procedures are ongoing and that have been assessed by management.

### 3.12 Long-term liabilities in euro thousands

|                                                      | 2018       | 2017     |
|------------------------------------------------------|------------|----------|
| Long-term budgetary commitments institutional donors | 943        | 0        |
| <b>Balance as at 31 December</b>                     | <b>943</b> | <b>0</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 3.13a. The long-term

budgetary commitments institutional donors concerns a multiyear agreement concluded with the Global Fund.

### 3.13 Short-term liabilities in euro thousands

|                                                              | 2018          | 2017          |
|--------------------------------------------------------------|---------------|---------------|
| Payables to MSF-sections                                     | 12,888        | 12,693        |
| Accounts payables                                            | 5,547         | 5,534         |
| Taxes to be paid                                             | 3,197         | 3,396         |
| Payables to head office staff and expatriate staff           | 3,103         | 2,827         |
| Payables to suppliers in project countries                   | 2,466         | 1,505         |
| Payables to national staff employed in the project countries | 855           | 884           |
| Other liabilities                                            | 1,117         | 786           |
| Project grants from MSF-sections received in advance         | 1,916         | 0             |
| Budgetary commitments (see specification in note 3.13a)      | 1,464         | 311           |
| <b>Balance as at 31 December</b>                             | <b>32,553</b> | <b>27,936</b> |

The item Payables to head office and expatriate staff primarily concerns payable vacation days, the accrual for vacation allowance, pension premiums payable, per diem and net salary for head office and expatriate staff. Included in this item are transition and severance payments due to personnel for which agreements were concluded at balance sheet date. The increase is in line with staff growth in the office. The item Payables to national staff employed in the project countries includes payable net salary and accrual of vacation days.

Payables to suppliers in project countries increased mostly due to costs of referral clinics in Libya that accumulated throughout the year and were fully paid in January 2019. Payables to MSF-Sections include payable positions held in Bangladesh on behalf of MSF-France of

€ 525,807 for which MSF-Holland has a formal responsibility.

Budgetary commitments are commitments arising from awarded project grants for which the total eligible costs in or up to 2018 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. The increase can be explained by having entered into a new three year contract with The Global Fund.

### 3.13a Movement in budgetary commitments in euro thousands

The item Budgetary commitments developed in the year as follows:

|                                                                                           | 2018            | 2017            |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|
| Balance as at 1 January                                                                   | 311             | 2,141           |
| Listed under long-term liabilities as at 1 January                                        | 0               | 80              |
| Project grants awarded by MSF-sections in this financial year (see also note 3.5)         | 196,871         | 199,167         |
| Project grants awarded by institutional donors in this financial year (see also note 3.6) | 6,959           | 6,105           |
| End of year revaluation of outstanding contracts                                          | 229             | -179            |
| <b>Subtotal grants awarded</b>                                                            | <b>204,370</b>  | <b>207,314</b>  |
| Project grants realized in 2018 from MSF-sections (see also note 2.10)                    | -196,871        | -199,167        |
| Project grants realized in 2018 from institutional donors (see also note 2.11)            | -4,702          | -6,997          |
| <b>Subtotal project grants realised</b>                                                   | <b>-201,573</b> | <b>-206,164</b> |
| Non-allocated project grants                                                              | -390            | -839            |
| Listed under long-term liabilities as at 31 December                                      | -943            | 0               |
| <b>Balance as at 31 December</b>                                                          | <b>1,464</b>    | <b>311</b>      |

The budgetary commitments at the end of the 2018 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 2018 are specified under paragraph 3.12, long-term liabilities.

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

#### Office rent agreements

Starting 1 March 2013 a rental contract for nine years was concluded for the rental of the office of MSF-India. The total commitment arising from this rental agreement is € 764,383 for the period 2019-2022. Of this amount, € 236,756 refers to 2019, € 487,040 to the years 2020-2021 and € 40,587 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 January 1, 2019 is € 2,076,794 at balance sheet date. These lease contracts concern rent of offices, warehouses, clinics and staff housing. Of this amount € 815,868 refers to 2019 and € 1,167,180 to the years 2020-2023, € 34,982 to the year 2024 and one very long term lease agreement for a clinic extending up to 2037 with a value of € 58,764 for the period 2025-2037.

#### 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 € 329,400 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 € 470,000 (2017: € 70,000). 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 2018 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 € 969,638 (2017: € 819,645). 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.

# 4

## Accounting Policies



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▲ Once a week, severely malnourished children are screened at the Elevage health centre in Bambari. In collaboration with the Ministry of Health, MSF teams ensure their follow-up and provide them with the requisite treatment and nutritional supplements. Between January and August 2018, more than 760 severely malnourished children were treated by MSF in Bambari. Central African Republic, August 2018.

These Financial Statements have been prepared in accordance with Dutch Civil Code, Title 9, Book 2, and in particular with the Guideline 650 for the Reporting of Fundraising Institutions (revised 2016), as published by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) in October 2016. These Financial Statements are prepared on an accrual accounting, historical cost basis in accordance with the accounting principles of matching and prudence consistently applied and fairly presented and 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.

**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.

## 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.

- 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 every three years. The next value impairment evaluation will be as at 31 December 2020.

**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%.
- At balance sheet date, based on general developments in the local (Amsterdam) real estate market there were no indications for impairment of the office building.
- As at 31 December 2019 a value impairment evaluation will be exercised.

**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 10%.
- 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 that the property held for sale was impaired. The value gain 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.

**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 planned closure of emergency aid projects and the associated severance payments due to personnel. Furthermore, provision have been formed pending disputes and litigations and the settlement of income and payroll taxes in project countries.

A provision for major maintenance of the office building is not yet formed. This will be considered after completion of the renovation works in 2019.

### **Liabilities**

Current and long-term liabilities are recognised initially at fair value subsequently measured at amortised cost price which usually is the nominal value.

### **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.

### **Events after the reporting period**

An event after the reporting period is disclosed when it results in significant commitments or downward revaluation of assets. In these Financial Statements a subsequent event is included in chapter 7, Other information.

## 4.2 Accounting policies on the expenditure and income

In 2018, cost allocation keys have not been changed. The cost allocation keys are consistently applied within the network Médecins Sans Frontières. For 2019, a change in the allocation of costs associated with relief supplies purchased through the head office is foreseen.

### 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.

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, handling the purchase of relief supplies, 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 Expenditure 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 functions at head office | -                           | 100%     |                                                                                                      |
| Control, 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%                        | -        | Including auditors costs for grants towards emergency aid projects or programme support functions    |
| 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 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. As an exception of the above principle, the contribution from the National Postcode Lottery Dream Fund is accounted for as income in the Statement of Expenditure and Income for the maximum eligible costs as incurred in the book year.

### 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



▲ On a nightmarish day on the Mediterranean, 99 survivors from a sinking rubber boat were rescued by the Aquarius, a search and rescue vessel run by Médecins Sans Frontières and SOS MEDITERRANEE. An unknown number of men, women and children were missing, presumably drowned; two women were confirmed dead. Mediterranean Sea, January 2018.

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, natural hedges are employed to keep this risk constrained, 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 Accountability Statement.

## 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 72% (2017: 70%) of our funds are held at ABN AMRO. As at 31 December 2018 approximately 56% of the shares of ABN AMRO were state owned. A 3-year cash management agreement with ABN AMRO started 1 January 2017.

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.

With the decrease in expenditure of our emergency aid and in spite of the planned investment in operating assets, cash and cash equivalents have increased at year end.

| Credit funds savings deposits                  | 2018          | 2017         | 2016           | 2015          | 2014          |
|------------------------------------------------|---------------|--------------|----------------|---------------|---------------|
| Balance as at 1 January                        | 83,459        | 78,711       | 136,613        | 113,875       | 92,198        |
| Balance as at 31 December                      | 93,532        | 83,459       | 78,711         | 136,613       | 113,875       |
| <b>Movement during the year</b>                | <b>10,073</b> | <b>4,748</b> | <b>-57,902</b> | <b>22,738</b> | <b>21,677</b> |
| Net result cash at bank (income from interest) | 237           | 193          | 392            | 918           | 1,058         |

Our exposure to institutional donor grants credit fund risk has remained immaterial as the amount of institutional income was kept at approximately 2% of total income. At the end of 2018 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. It is 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 that are governed

by our treasury policy. In 2018 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:

|                                                                    | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------------------------------------|------|------|------|------|------|
| Percentage of interest received on the average of savings deposits | 0.3% | 0.2% | 0.4% | 0.7% | 1.0% |

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 1.6% over 2018, 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 current agreements with the banks and the distribution of savings we expect similar interest rates on our savings accounts in 2019.

## 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 2018 64.8% (2017:

84.1%) 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 2018 about 38.2% (2017: 36.9%) of the total expenditures were in euro. A total of approximately 85 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 26.1% (2017: 20.0%) of the total expenditure was in US dollars. Various other foreign currencies make up the remainder of 35.7% (2017: 43.1%) of the total expenditures. In 2018 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:

|                                                                      | 2018          | 2017          | 2016         | 2015        | 2014         |
|----------------------------------------------------------------------|---------------|---------------|--------------|-------------|--------------|
| Realised exchange results from transactions in non-euro currencies   | -1,569        | -153          | 1,574        | -1,247      | 108          |
| Unrealised exchange results from transactions in non-euro currencies | 43            | -1,820        | 18           | 1,084       | 1,561        |
| <b>Total exchange result from transactions during the year</b>       | <b>-1,526</b> | <b>-1,973</b> | <b>1,592</b> | <b>-163</b> | <b>1,669</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 2018 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 2017 the total exposure increased from € 23.2 million to € 30.4 million. This is primarily caused by a higher balance in short term deposits in the US dollar. 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<br>sheet exposure<br>in currency at<br>31-12 | Exchange rate<br>at 31-12 | FX balance<br>sheet exposure<br>in euro at 31-12 | Strengthening | Weakening |
|----------|---------------------------------------------------------|---------------------------|--------------------------------------------------|---------------|-----------|
| AUD      | -271,160                                                | 0,6165                    | -167,170                                         | -4,179        | 4,179     |
| CAD      | 5,289,558                                               | 0,6408                    | 3,389,549                                        | 84,739        | -84,739   |
| CHF      | -467,994                                                | 0,8874                    | -415,298                                         | -10,382       | 10,382    |
| DKK      | 197,683                                                 | 0,1339                    | 26,470                                           | 662           | -662      |
| GBP      | 3,690,270                                               | 1,1179                    | 4,125,353                                        | 103,134       | -103,134  |
| HKD      | 644,807                                                 | 0,1115                    | 71,896                                           | 1,797         | -1,797    |
| JPY      | -4,120,923                                              | 0,0079                    | -32,555                                          | -814          | 814       |
| NOK      | -22,809                                                 | 0,1005                    | -2,292                                           | -57           | 57        |
| SEK      | 4,485,714                                               | 0,0975                    | 437,357                                          | 10,934        | -10,934   |
| USD      | 26,347,451                                              | 0,8734                    | 23,011,864                                       | 575,297       | -575,297  |
|          |                                                         |                           | 30,445,174                                       | 761,131       | -761,131  |

### Foreign currency risk on operational expenses and result

In 2018 exchange rate developments had a significant impact on our expenditure on emergency aid with a much lesser effect on our income. At the end of 2017 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, marked a devaluation to the euro as from April with a further decrease in November. Similarly, some of our main operating currencies followed these fluctuations. In 2018 the main impact on the euro value of the expenditure on emergency aid was caused by substantive local currency devaluations in Ethiopia (ETB), Uzbekistan (UZS) and Yemen (YER) that occurred late in the year. As a result, overall expenditure on emergency aid was tempered by an estimated € 14.3 million. Realised income from the MSF-sections and from institutional donors ended approximately € 0.4 million higher due to the exchange rate effects. The share of the US dollar and Hong Kong

dollar accounted for an estimated € 1.0 million of the higher income while the share of the income of the British pound and the Swedish Krona accounted for an estimated € 0.6 million lower income. For the short-term we remain of the view that the main exchange rates as they have developed in 2018 will remain volatile. We have taken this as starting point for our budgeting scenarios taking year end 2018 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 2019 this sensitivity analysis is taken into account in the decision making.

| Sensitivity analysis       | Change  | Estimated impact | On     | Assumption                                                                         |
|----------------------------|---------|------------------|--------|------------------------------------------------------------------------------------|
| Income, total              | +/- 5%  | +/- 14.4 million | result | No change in planned expenditure                                                   |
| Income, from MSF-sections  | - 5%    | -10.5 million    | result | Consolidation with some level of uncertainty                                       |
| Emergency aid expenditure  | - 5%    | -13.4 million    | result | No change in income and continuation of trend                                      |
| USD                        | +/- 10% | +/- 2.4 million  | result | Stable income from MSF-USA and MSF-Hong Kong, no change in cost base emergency aid |
| GBP                        | +/- 10% | +/- 2.2 million  | result | Stable income from MSF-UK no change in cost base.                                  |
| Other operating currencies | +/- 5%  | +/- 4.2 million  | result | No change in cost base emergency aid                                               |
| Interest rate              | + 100bp | 0.1 million      | result | Average interest percentage received increases to 0.4%                             |





## 6 Partnerships

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▲ Supply officer Urshula Edwards helps direct MSF plane landings and take-offs at the airstrip adjacent to the Doro refugee camp in Maban County. In the camp, Médecins Sans Frontières offers medical aid and psychosocial care to refugees who have fled the violence in the area. South Sudan, March 2018.

MSF-Holland is a member of the international network of Médecins Sans Frontières, in which 24 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 2018 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 22 May 2019.

## 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 48 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 2018, MSF-Holland's share was 5.04% (2017: 5.53%) of the total expenditures of the association Médecins Sans Frontières International. In 2018 the contribution totalled € 1,080,191 (2017: € 1,110,486).

In 2017 the expenditure of MSF-Holland was 18.3% (2016: 18.9%) 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 and the United Kingdom as primary partners. Together they have established a supervisory umbrella organ: the OCA-Council. The OCA-Council has six voting members, three co-opted non-voting members designated from MSF-Canada, MSF-Sweden and MSF-South Asia and a co-opted non-voting member with strong financial expertise.

- 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 the OCA-partners 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 a non-voting 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>2018</b>   | <b>2017</b>   | <b>FTE 2018</b> | <b>FTE 2017</b> |
|---------------------------------------------------------------------------------------|---------------|---------------|-----------------|-----------------|
| MSF-Holland programme support costs                                                   | <b>24,445</b> | 23,182        | <b>213</b>      | 214             |
| Costs outsourced activities MSF-Germany                                               | <b>1,702</b>  | 1,780         | <b>22</b>       | 22              |
| Costs outsourced activities MSF-United Kingdom                                        | <b>3,575</b>  | 2,430         | <b>29</b>       | 19              |
| <b>Total programme support costs</b>                                                  | <b>29,722</b> | <b>27,392</b> | <b>264</b>      | <b>255</b>      |
| <i>(as a % of the total spent on Association goals - policy standard is &lt; 10%)</i> | <i>11.5%</i>  | <i>9.7%</i>   |                 |                 |

## 6.3 Contributions

- In 2018 MSF-Holland contributed € 272,229 (2017: € 298,767) to the MSF-International campaign Access to Essential Medicines. In 2018 the share of MSF-Holland was 5.04% (2017: 5.53%) of the expenditure of the campaign.
- In 2018 MSF-Holland contributed € 18,737 (2017: NIL) to MSF-International for the set-up of a shared IT-Services centre. In 2018 the share of MSF-Holland in the total cost was 5.04%.
- In 2018 MSF-Holland contributed € 201,600 (2017: € 221,200) to the grant of MSF-International to the Drugs for Neglected Diseases initiative (DNDi). MSF-Holland's contribution represented 5.04% (2017: 5.53%) of the total grant of MSF-International to DNDi.
- In 2018 MSF-Holland contributed € 1,585,716 (2017: € 2,414,758) 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 2019 a contribution of € 1,843,000 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               |

The financial agreement 2016-2019 includes further agreements on the amount and location of the financial reserves of the MSF-sections. The bandwidths for the growth of the expenditures on emergency aid projects and support structures are also included in the agreement.

### 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 2018 will be published after the publication of the MSF-Holland Financial Statements. The anticipated publication date is 22 May 2019. The Combined Financial Statements are audited against Swiss GAAP-FER.

The Combined Financial Statements for 2017 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 Other Information



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▲ Fatima, who was disfigured by Noma as a child, spends most of her days alone crafting traditional products, which she sells at the market. “When you sit close to someone you notice the look on their face, you notice that they are thinking: ‘Oh, she is not a human being!’,” says Fatima. She lives on a farm on the outskirts of Sokoto with her husband Dahiru, who is also a Noma survivor. Nigeria, November 2018.

### 7.1 Subsequent events

Starting in September 2018, MSF-Holland has held discussions with other MSF-sections, under the coordination of MSF-International, in view of the collective programme expenditure exceeding expected income for the year and going forward into 2019. In February 2019 MSF-International recommended that MSF-Holland make € 11.0 million available in order to support the field operations managed by MSF-France and MSF-Spain. After due consultation with MSF-International and the main MSF-sections, the Board agreed to make the requested amount available from the Other Reserves (see note 3.10). The funds will be made available to MSF-France and/or MSF-Spain in the course of 2019 through Grants provided to third parties and towards direct programme expenditure only.

This event has a direct effect on the financial position of the association MSF-Holland as presented in these Financial Statements. The Other Reserves will reduce from € 52.9 million to € 41.9 million. The overall reserves in months of total expenditure (see chapter 1) will reduce from 6.8 months to 6.2 months. With granting this funding, the Board is confident it maintains a robust financial position and is satisfied that the grants will support essential field operations to support MSF-Holland’s mission and objectives.

## 7.2 Signing

The Financial Statements are prepared by the management of MSF-Holland and have been audited by PricewaterhouseCoopers Accountants N.V. (see the 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 2019. 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 12 April 2019. As such, the Board recommends that the General Assembly of Members, in its annual meeting to be held on June 14, 2019, adopt the Financial Statements.

Amsterdam, 22 May 2019

**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 2018*

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#### *Our opinion*

In our opinion, Vereniging Artsen zonder Grenzen's financial statements give a true and fair view of the financial position of Artsen zonder Grenzen as at 31 December 2018, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

#### *What we have audited*

We have audited the accompanying financial statements 2018 of Vereniging Artsen zonder Grenzen, Amsterdam ('the organisation').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of expenditure and income for 2018; 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 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), '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 complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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

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

- the board report;
- financial risks;
- partnerships;
- other information.

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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all 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, 22 May 2019  
PricewaterhouseCoopers Accountants N.V.

J.L. Sebel RA




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## ***Appendix to our auditor's report on the financial statements 2018 of Vereniging Artsen zonder Grenzen***

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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 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. 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

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▲ Arnal Lual, 13, was bitten in the leg when she stepped on a puff adder while playing outside her neighbour's house one evening. Her brother-in-law drove her to the hospital, but their vehicle got stuck in the mud. With Arnal in pain and her leg continuing to swell, they ended up walking two hours to reach the Agok hospital. At the hospital Arnal received antivenom and underwent several operations. South Sudan, November 2018.

Our Forward Statement of Expenditure and Income is based on the medical and operational ambitions laid out in the OCA Strategic Plan 2015-2019 and the multiyear financial agreements as agreed between the MSF-sections. Following the steep increase in both emergency aid expenditure in previous years, the forward planning cycle was changed into a rolling forecast that is evaluated and agreed twice every year. As a result, budget projections are adjusted regularly allowing better steering of expenditure, income and reserves and cash flow positions.

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 built in, actual results may differ materially from those presented here.

For the period 2015-2019 we have outlined an ambitious medical and operational plan that involves investing in our emergency response capacity and expanding our medical and public health services. At the core of our activities are our staff. We will invest in their capacity and competency as well as in the expected gradual increase in staff numbers in our projects. We will also invest in our support systems to ensure the sustainability of effective and viable emergency aid.

For the years 2019 and 2020 deficit spending is budgeted and projected. Management and Board have agreed to ensure overall reserves will not fall below 5 months of total expenditure and will manage expenditure and income accordingly. While in the forward statement also for 2021 a deficit is projected, management aims to take measures realising a balanced budget.



## A.1.1 Development of staffing in fulltime equivalents

|                            | Actual<br>2017 | Actual<br>2018 | Budget<br>2019 | Projections<br>2020 | Projections<br>2021 |
|----------------------------|----------------|----------------|----------------|---------------------|---------------------|
| Expatriate staff           | 780            | <b>766</b>     | <b>763</b>     | 794                 | 824                 |
| Office staff Amsterdam     | 306            | <b>312</b>     | <b>311</b>     | 310                 | 310                 |
| National staff in projects | 9,879          | <b>9,524</b>   | <b>9,634</b>   | 10,019              | 10,404              |
| <b>Total staff</b>         | <b>10,965</b>  | <b>10,602</b>  | <b>10,708</b>  | <b>11,123</b>       | <b>11,538</b>       |

## A.1.2 Emergency aid development

With emergency aid programmes in 27 countries at the end of 2018, we realised our expectation to operate 25-27 missions. We continue planning based on the assumption that each mission will have an average of three regular projects and include an overall capacity of 25% for emergency responses. Increases in staff costs and our medical operational ambitions are expected to result in a growth of expenses not exceeding 4% per year. Following the development of income this means a conscious downward adjustment to our anticipated growth by 4%. To enable us to deliver our medical and operational plans and our ambitious increases in private fundraising, we continued improving our management capability and the service delivery of our headquarters' support to the

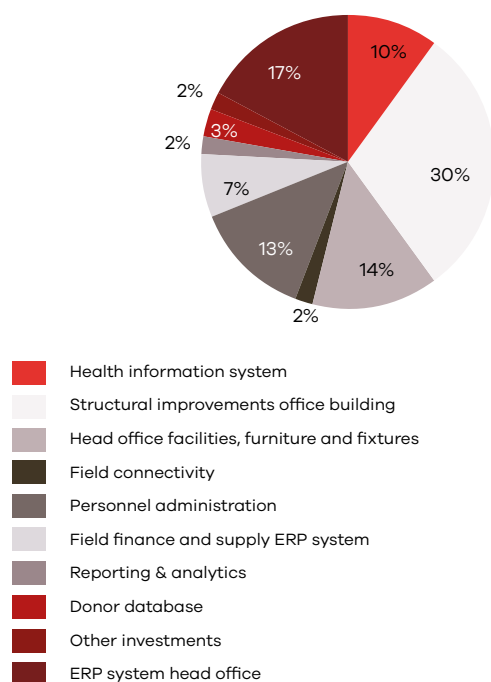
field. The anticipated growth of headquarters based programme support, and management and administration indeed started in 2015 and continued into 2018. Many of the improvement projects that were started in the course of 2017 reached an investment peak in 2018. Slowing down of the investments is expected as of 2019 leaving a mark on the cost structure for the head office. As of 2019 we expect to see the depreciation cost to come on-stream with office projects cost going down as well as realising the (future) benefits of our investments. The income projections have been revised following the 2017 and 2018 outcomes. Income is expected to grow modestly at 3% in 2019 and as a result of our marketing investments improve to 6% as of 2020.

## 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 are well under way. Deployment of the first phase of the Health Information System dealing with the increasing complexity of our medical programming which requires accurate and complete patient data to be readily available started in 2018. The build of a new system replacing the 18 year old ERP system in order to optimise our supply chain, financial accountability and the management of over 10,000 staff is ongoing, however with some delays. The HRM part was taken into use as of July 2018 and further improvements are planned for 2019.

The ongoing improvements to field connectivity and standardisation of automation continued in 2018. For the donor database the supplier selection was completed. The head office facilities upgrade works in conjunction with overdue maintenance and structural improvements to the building started in March 2018. The works are on schedule and completion is due in March 2019. In total we expect to invest between € 20 million and € 25 million in support systems and improvement projects during the strategic plan period 2015-2019.

### INVESTMENTS 2015-2019



## A.1.4 Forward Statement of Expenditure and Income

in euro thousands

| EXPENDITURE                                                         | Actual<br>2017 | Actual<br>2018 | Budget<br>2019 | Projections<br>2020 | Projections<br>2021 |
|---------------------------------------------------------------------|----------------|----------------|----------------|---------------------|---------------------|
| <i>Spent on Association goals</i>                                   |                |                |                |                     |                     |
| Emergency aid                                                       | 252,411        | <b>227,152</b> | <b>268,000</b> | 278,720             | 289,869             |
| Grants provided to third parties                                    | 2,784          | <b>3,377</b>   | <b>2,054</b>   | 2,014               | 2,023               |
| Programme support                                                   | 23,182         | <b>24,445</b>  | <b>26,248</b>  | 26,642              | 27,707              |
| Information and awareness raising                                   | 2,856          | <b>3,170</b>   | <b>3,205</b>   | 3,253               | 3,383               |
| <b>Total spent on Association goals</b>                             | <b>281,233</b> | <b>258,144</b> | <b>299,507</b> | <b>310,629</b>      | <b>322,982</b>      |
| <i>(in % of total income - target is &gt; 85%)</i>                  | 100%           | 92%            | 104%           | 101%                | 98%                 |
| <i>(in % of total expenditure - target is &gt; 90%)</i>             | 95%            | 94%            | 94%            | 94%                 | 94%                 |
| Cost of acquiring income                                            | 9,079          | <b>9,064</b>   | <b>10,611</b>  | 10,770              | 11,201              |
| <i>(as a % of the total income - target is &lt; 5%)</i>             | 3.2%           | 3.2%           | 3.7%           | 3.5%                | 3.4%                |
| Management and administration                                       | 6,671          | <b>6,741</b>   | <b>8,112</b>   | 8,234               | 8,563               |
| <i>(in % of total expenditure - target is max 3%)</i>               | 2.2%           | 2.5%           | 2.5%           | 2.5%                | 2.5%                |
| <b>Total expenditure</b>                                            | <b>296,983</b> | <b>273,949</b> | <b>318,230</b> | <b>329,633</b>      | <b>342,746</b>      |
| <i>(as a % of the total of income)</i>                              | 106%           | 98%            | 110%           | 107%                | 104%                |
| <b>INCOME</b>                                                       |                |                |                |                     |                     |
| Income from individuals, companies and not-for-profit organisations | 58,399         | <b>59,872</b>  | <b>59,800</b>  | 61,483              | 62,695              |
| Income from National Postcode Lottery                               | 13,525         | <b>17,800</b>  | <b>13,500</b>  | 13,500              | 13,500              |
| Income from National Postcode Lottery Dream Fund                    | 1,814          | <b>0</b>       | <b>0</b>       | 0                   | 0                   |
| Grants from MSF-sections                                            | 199,167        | <b>196,871</b> | <b>210,436</b> | 227,395             | 248,924             |
| Grants from institutional donors                                    | 6,997          | <b>4,702</b>   | <b>4,500</b>   | 5,000               | 5,000               |
| <i>(as a % of the emergency aid expenses)</i>                       | 3%             | 2%             | 2%             | 2%                  | 2%                  |
| Other income                                                        | 376            | <b>512</b>     | <b>200</b>     | 200                 | 200                 |
| <b>Total income</b>                                                 | <b>280,278</b> | <b>279,757</b> | <b>288,436</b> | <b>307,578</b>      | <b>330,319</b>      |
| Result from operational activities                                  | -16,705        | <b>5,808</b>   | <b>-29,794</b> | -22,055             | -12,427             |
| Net financial income and expenses                                   | -1,780         | <b>-1,245</b>  | <b>0</b>       | 0                   | 0                   |
| <b>RESULT EXPENDITURE AND INCOME</b>                                | <b>-18,485</b> | <b>4,563</b>   | <b>-29,794</b> | <b>-22,055</b>      | <b>-12,427</b>      |

## Colophon

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Cover photo: Foais, two and a half years old, with his mother Moor in consultation with MSF Dr Mitali Tribara. Foais was referred to the MSF clinic in Kutupalong from a MSF health post in the Rohingya refugee camp with severe dehydration. Bangladesh, June 2018. Photo: Patrick Rohr