



# Financial Statements 2016

Vereniging Artsen zonder Grenzen

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\* The information in the Annex is not audited

# Financial Statements 2016

## Vereniging Artsen zonder Grenzen



**'We are seeing very worrying situations. Malnutrition. Disease. There's a lack of clean water. Of food. Of everything, really.'**

**Martine Flokstra**

Operational advisor

The Financial Statements 2016 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. 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 section of the population that we assist.

The Charter and more comprehensive information about the organisation are published on the website of MSF-Holland ([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.

▲ A girl in the former hospital in Damboa where displaced people have sought refuge. Nigeria, August 2016.

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 2016 counted 24 institutional members (MSF-sections) worldwide. MSF-Holland cooperates in particular together with the MSF-sections in Germany and the United Kingdom in the Operational Centre Amsterdam (MSF-OCA). In addition to MSF-OCA four other MSF operational centres carry out projects independently and under the responsibility of their respective Boards.

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

In 2013 MSF-Holland established an office in India, MSF-India, in which it participated with 80% of the issued share capital. As of April 2016 MSF-Holland reduced its interest to 8% of the issued share capital.

### **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. The MSF-sections

make use of 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 2016 there were no changes to accounting policies or accounting estimates. The changes to the 2016 revised Guideline 650 have not resulted in a change in accounting policies. Where applicable, comparative figures of the budget and the previous year have been adjusted to the newly prescribed headers in the Statement of Expenditure and Income.

In applying the principles and policies for drawing up these Financial Statements, management makes different 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 statements.



## MAIN FINANCIAL TRENDS 2016

### Increased expenditure on operations

In 2016 our expenditure increased by 17.6% compared to the previous year. The majority of this increase was caused by the increase of expenditure on our medical emergency aid operations by € 34.7 million to € 235.5 million. In 2016 the amount spent on association goals was 94.5% of the total expenditure (2015: 94.4%) and 92.2% of total income (2015: 86.7%).

In 2016 we employed 9,887 full time staff (2015: 8,641 full time staff) working in 104 emergency aid projects in 34 countries (2015: 115 projects in 28 countries) and at the head office.

### Impact of exchange rate developments

In 2016 exchange rate developments impacted our expenditure on emergency aid as well as our income. Early in 2016 we estimated that maintaining the same emergency aid volume as in 2015 would be at equal euro value cost. However, the value of our operations expenditure ended approximately € 7.3 million lower due to significant devaluation of some of the local currencies we use for payments in our programmes (most notably Haiti, Nigeria and Yemen). On the income side, grants and donations in foreign currency were tempered (estimated at € 8.1 million less income) due to exchange rate effects during the year. The devaluation of the British Pound had a downward effect of approximately € 7.4 million (2.5% of total income) on the value of our income from MSF-United Kingdom.

### Income

While our total expenditure of € 276.0 million remained within the budgeted level for the year with a spending of 97.3%, we closed the year with a much higher income than anticipated as donations from private donors in Holland and from the other MSF-sections continued to grow. Total income increased by 10.8% compared to 2015 and ended at € 283.2 million. The increase of income in 2016 can be attributed to our continued intense engagement in some of the world's major humanitarian crises such as in Yemen, Syria and the Mediterranean Sea refugee crisis and the high visibility of our emergency aid in recent years. In addition, improving economic circumstances contributed to a higher income from private donors.

Early in the year the Board decided to suspend acceptance of institutional funding from the EU and EU-member states. The suspension followed our analysis of the humanitarian impact of the agreements made between the EU and Turkey with regards to Syrian refugees fleeing the war in their country. As a

consequence, institutional donor income decreased by € 10.8 million to € 9.7 million. We expect that institutional donor income will reduce further in the coming years, bringing its relative share in income from around 10% to about 2%.

### Financial position at year end

The overall operational developments for the year resulted in a financial surplus of € 9.1 million which represents an unexpectedly large deviation from the budgeted deficit for the year. The result has been added to the other reserves. After the addition of the result from 2016, MSF-Holland's overall reserves decreased to a level of 7.9 months (2015: 8.7 months) in relation to the average total expenditure over the past 2 years (2015 and 2016) and the budget for the current year (2017).

As part of the financial agreement concluded between the MSF-sections in 2015, a substantial amount of € 237.5 million of the combined total in reserves held between the MSF-sections was set aside to initiate new activities and initiatives to improve and expand our emergency aid operations for the period 2016-2019. A proposal to further invest in TB diagnostics and treatment was brought forward by MSF-OCA. The impact of this proposal on possible additional funding needs and the spending down of our reserves will be looked at in 2017.

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, the approved budget for 2017 includes a moderate planned increase in emergency aid expenditure (see note 2.1 and Annex 1 Forward Statement). For the years 2017, 2018 and 2019 deficit spending is projected. Board and management have agreed to ensure overall reserves will not fall below 4.5 months of total expenditure and to manage expenditure and income accordingly.

### Reserves and current balance sheet positions

Closing 2016, the realised surplus of € 9.1 million increased the overall reserves position. In line with our revised reserves policy, reserves have been streamlined (see note 3.10). Accordingly, a transfer of € 13.5 million from the continuity reserves was made in order to bring down the continuity reserves to the desired level of 4.5 months of operational expenditure. The continuity reserves include a buffer capital of € 55.0 million to cover for the potential adverse financial impact of certain risks in our medical

and operational activities or financial conditions. With an overall reserves position of 7.9 months of total expenditure we maintained a durable financial position.

Inventory and receivables increased by € 23.6 million while liabilities decreased by € 18.3 million, reducing the liquidity position at year end. In addition to this the balance sheet positions changed during the year due to investments in operating assets leading to a further decrease in liquidity. In 2016, the main investment concerned the purchase of the office building for € 15.9 million. The expansion of the organisation and our emergency aid programmes lead to a need for additional office space. The Board decided to purchase the office building after having carefully weighted the option of engaging in a new rental contract. The purchase was assessed to provide a considerable cost benefit in the long run.

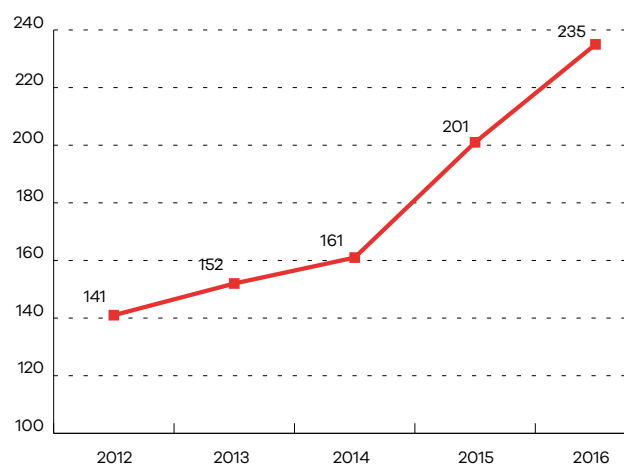
### Main financial indicators

The financial indicators presented below give an overview of the main expenditure and income figures for the year 2016 and the perspective of a five year trend. Our main financial reporting indicators concern the development of our operational expenditure and reserves:

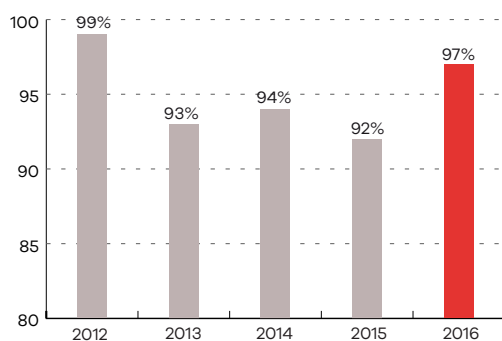
- the growth of our emergency aid expenditure in euro;
- the total expenditure as percentage of the total income;

- the delivery of emergency aid plus the direct support needed to realise that (association objectives) as percentage of total expenditure;
- the cost of acquiring income as percentage of the total income realised relative to the internal benchmark;
- the development of our reserves relative to the internal benchmarks;
- the cost of management and administration as percentage of the total expenditure; and
- the composition of income for the year 2016.

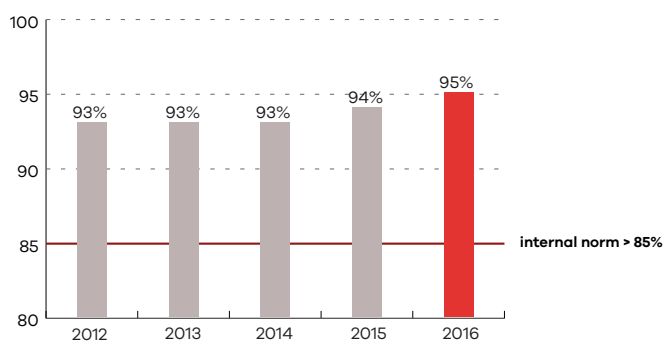
### EMERGENCY AID in euro millions



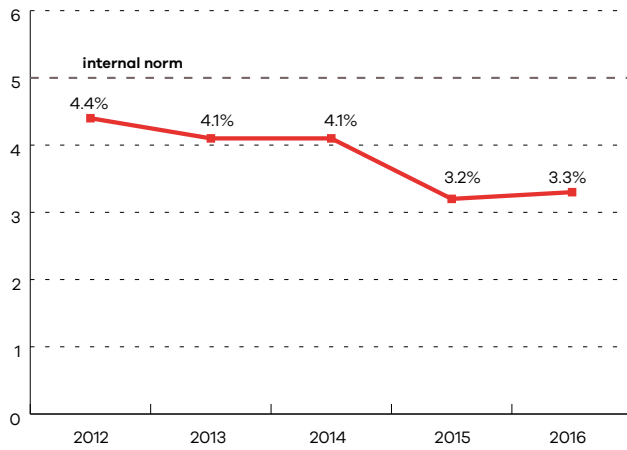
### TOTAL EXPENDITURE as percentage of total income



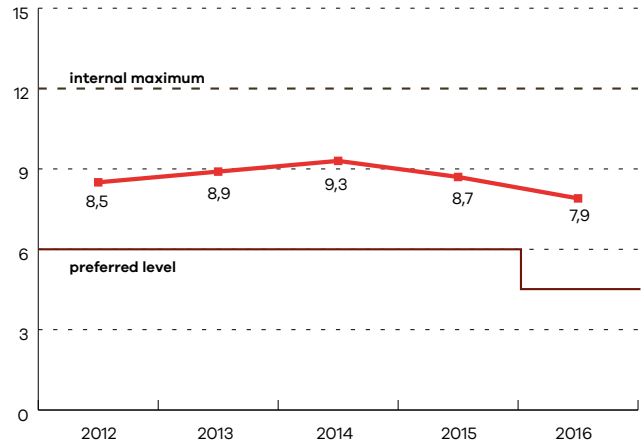
### EXPENDITURE ON ASSOCIATION OBJECTIVES as percentage of total expenditure



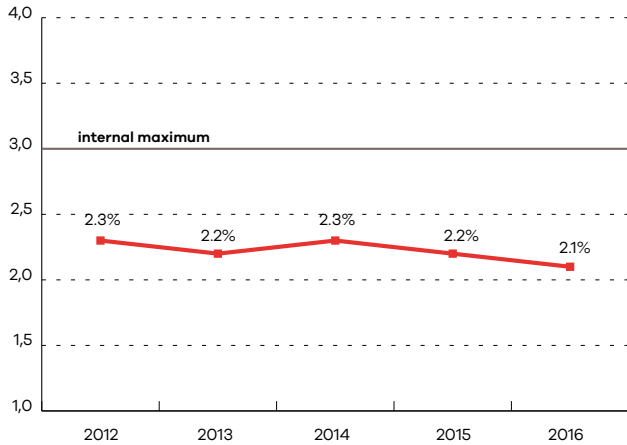
### COST OF ACQUIRING INCOME as percentage of total income



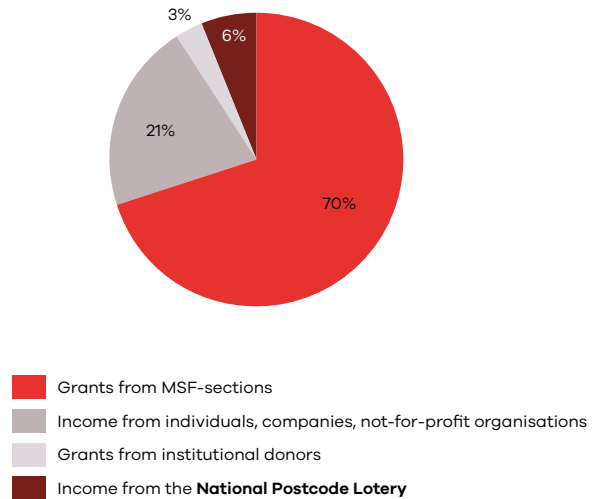
### MONTHS OF RESERVES related to total expenditure



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



### ORIGIN OF INCOME 2016



## Statement of Expenditure and Income for 2016 in euro thousands

EXPENDITURE	Explanatory notes	2016	budget 2016	2015
<b>Spent on Association goals</b>				
Emergency aid	2.1	235,465	240,000	200,734
Grants provided to third parties	2.2	2,705	3,072	2,265
Preparation and programme support	2.3	20,172	20,672	15,827
Information and awareness raising	2.4	2,621	3,128	2,669
<b>Total spent on Association goals</b>		<b>260,963</b>	<b>266,872</b>	<b>221,495</b>
Cost of acquiring income	2.5	9,239	9,460	8,102
Management and administration	2.6	5,806	7,289	5,146
<b>Total expenditure</b>	2.7	<b>276,008</b>	<b>283,621</b>	<b>234,743</b>
<b>INCOME</b>				
Income from individuals	2.8	54,481	50,052	47,646
Income from companies	2.8	1,816	1,701	2,019
Income from not-for-profit organisations	2.8	3,252	2,051	2,154
Income from the <b>National Postcode Lottery</b>	2.9	16,033	16,208	20,162
Grants from MSF-sections	2.10	197,595	166,900	162,672
Grants from institutional donors	2.11	9,709	19,200	20,477
Other income	2.12	276	0	328
<b>Total income</b>		<b>283,162</b>	<b>256,112</b>	<b>255,458</b>
<b>Result operational activities</b>		<b>7,154</b>	<b>-27,509</b>	<b>20,715</b>
Net financial income and expenses	2.13	1,984	750	755
<b>RESULT EXPENDITURE AND INCOME</b>		<b>9,138</b>	<b>-26,759</b>	<b>21,470</b>
<b>ALLOCATION OF THE RESULT</b>				
<b>Additions to and withdrawals from the reserves</b>	3.10			
Continuity reserves		0	0	20,000
Appropriation reserves		0	0	2,840
Other free reserves		8,994	-26,759	-1,378
Appropriated funds		144	0	8
<b>Total</b>		<b>9,138</b>	<b>-26,759</b>	<b>21,470</b>



## Balance Sheet as at 31 December 2016 in euro thousands

<b>ASSETS</b>	<i>Explanatory notes</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Intangible assets	3.1	2,181	1,733
<b>Tangible fixed assets</b>			
Operating assets	3.2 a	16,491	671
Assets held for sale	3.2 b	450	450
<b>Financial assets</b>			
Loans and receivables	3.3	285	86
		<b>19,407</b>	<b>2,940</b>
<b>Inventory</b>			
Stocks for emergency aid	3.4	11,263	7,735
<b>Receivables and accrued income</b>			
Grants receivable from MSF-sections	3.5	33,270	6,697
Grants receivable from institutional donors	3.6	8,450	21,769
Receivables from inheritances	3.7	13,785	8,209
Other receivables and accrued income	3.8	6,053	4,842
		<b>61,558</b>	<b>41,517</b>
Cash at bank and in hand	3.9	113,606	162,772
<b>Total assets</b>		<b>205,834</b>	<b>214,964</b>
<b>LIABILITIES</b>			
<b>Reserves and funds</b>	3.10		
<b>Reserves</b>			
Continuity reserves	3.10 a	101,500	115,000
Appropriation reserves		0	10,589
Other reserves	3.10 b	76,117	43,034
		<b>177,617</b>	<b>168,623</b>
<b>Funds</b>			
Restricted funds	3.10 c	298	154
		<b>177,915</b>	<b>168,777</b>
Long-term liabilities	3.11	80	7,891
Short-term liabilities	3.12	27,839	38,296
<b>Total liabilities</b>		<b>205,834</b>	<b>214,964</b>

## Cash Flow Statement for 2016 in euro thousands

<b>CASH FLOW RECEIPTS FROM OPERATING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
<i>Receipts from individuals, companies and not-for-profit organisations</i>		
Donations	39,843	38,251
Inheritances	9,425	11,471
Companies	1,801	1,678
Not-for-profit organisations	3,275	2,166
<b>Total receipts from individuals, companies and not-for-profit organisations</b>	<b>54,344</b>	<b>53,566</b>
Receipts from the <b>National Postcode Lottery</b>	<b>13,500</b>	18,500
<i>Receipts from MSF-sections (concerning project grants)</i>		
MSF-Germany	69,389	64,262
MSF-USA	40,500	28,650
MSF-United Kingdom	27,225	28,197
MSF-Hong Kong	11,695	10,746
MSF-Sweden	10,355	7,975
MSF-Canada	9,681	15,944
Other MSF-sections	2,886	6,938
<b>Total received from MSF-sections</b>	<b>171,731</b>	<b>162,712</b>
Received from institutional donors	<b>9,738</b>	19,434
<i>Other receipts</i>		
Interest received	533	932
Received tax net and VAT	620	698
Received from MSF-sections for monies advanced	3,737	3,110
Other receipts	319	209
<b>Total other receipts</b>	<b>5,209</b>	<b>4,949</b>
<b>Total receipts</b>	<b>254,522</b>	<b>259,161</b>

*continued to next page*

<b>CASH FLOW PAYMENTS FROM OPERATING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
Payments made in project countries	<b>126,721</b>	103,379
Grants provided to third parties	<b>2,788</b>	2,188
<b>Payments to MSF-sections</b>		
MSF-Belgium	15,452	8,231
MSF-USA	4,327	3,120
MSF-Germany	3,240	2,725
MSF-Canada	3,070	2,293
MSF-United Kingdom	2,786	3,103
MSF-International (including contributions)	1,884	1,243
Other MSF-sections	6,558	6,119
MSF-Supply and MSF-Logistique	16,734	14,419
<b>Total payments to MSF-sections</b>	<b>54,051</b>	<b>41,253</b>
<b>Payments at head office</b>		
Suppliers of goods and services	72,018	62,680
Expatriate and head office personnel	31,255	27,733
<b>Total payments at head office</b>	<b>103,273</b>	<b>90,413</b>
<b>Total payments</b>	<b>286,833</b>	<b>237,233</b>
<b>Total cash flow from operating activities</b>	<b>-32,311</b>	<b>21,928</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Investments in tangible fixed assets and intangible assets	<b>16,938</b>	<b>294</b>
Receipts from disinvestments	<b>0</b>	<b>0</b>
<b>Total cash flow from investment activities (deduct)</b>	<b>16,938</b>	<b>294</b>
<b>Total cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Total cash flow</b>	<b>-49,249</b>	<b>21,634</b>
Adjustment to exchange rates at end of financial year	83	723
<b>MOVEMENT IN LIQUIDITY POSITION</b>	<b>-49,166</b>	<b>22,357</b>
<b>MOVEMENT IN LIQUIDITY POSITION</b>		
Liquidity position at the end of the financial year	113,606	162,772
Liquidity position at the beginning of the financial year	162,772	140,415
<b>Movement in liquidity position</b>	<b>-49,166</b>	<b>22,357</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.

In 2016 we ended the year with considerable shifts between payables, receivables and liquidity. The Movement in liquidity position and the Result expenditure and income are fully explained by the increase in receivables of € 20.1 million, the increase of inventories and operating assets of € 3.5 million and € 16.5 million respectively and the decrease in liabilities of € 18.3 million.

The shifts occurring in 2016 caused a negative cash flow from operating activities. The negative cash flow can largely be attributed to the shifting of receipt of income from MSF-sections, the reduced funds received in advance from institutional donors and a faster payment of creditors. The negative cash flow can be seen as a single combination of events.

### 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.

### Payments

In 2016 payments made in the countries in which emergency aid programmes are being carried out totalled € 126.7 million (2015: € 103.4 million). Given the current organisation and location of the programmes, an increasing part of the payments is made in the programme countries. In order of volume, payments to local personnel, locally purchased medical items and transport are the largest items.

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.

The payments to the purchasing organisations MSF-Supply (Belgium) and MSF-Logistique (France) are included as payments to MSF-sections.

Mainly vehicles, medicines and specialised supplies 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 2016, a total of € 15.8 million (2015: € 16.0 million) was ordered from these purchasing organisations.

### Cash flow from investment activities

The purchase of the Amsterdam office building (including transaction taxes) for € 15.9 million explains the larger part of the investment activities. The purchase of a Health Information System and IT hardware and software investments together make up the remaining € 1.0 million.

## 2

# Notes to the Statement of Expenditure and Income for 2016



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**‘What’s happening in Yemen is totally unacceptable. Since May 2015, MSF has treated more than 10,000 war-wounded patients in Taiz alone. In October, MSF-supported hospitals treated nearly 500 patients with violence-related injuries, 23 per cent of whom were women and children.’**

**Djoen Besselink**

Country coordinator in Yemen,  
November 2016

In 2016, our total expenditure increased by 17.6% compared to the previous year. This was primarily caused by the increase of expenditure on our medical emergency aid by € 34.7 million to € 235.5 million. Contrary to the previous year, this increase was tempered by approximately € 7.3 million due to exchange rate devaluations mainly occurring in Haiti, Nigeria and Yemen. The expenditure on emergency aid increased in line with the budget of € 240.0 million as approved by the Board. The overall expenditure concerning preparation and programme support, information and awareness raising, fundraising and management and administration increased by 19.2% to € 37.8 million. The share of expenditure spent on management and administration in 2016 was 2.1% of the total expenditure (2015: 2.2%).

Income increased by 10.8% to € 283.2 million, while compared to 2015 a comparable income level was foreseen. Income from private donors in MSF-Holland and MSF-sections increased by € 42.6 million to € 257.1 million (2015: € 214.5 million). Income from institutional donors decreased from € 20.5 in 2015 to € 9.7 million. The total cost of acquiring income remained stable and ended at 3.3% of the total income (2015: 3.2%). It remains substantially under the internal norm of 5% as set by the Board.

In 2016 the amount spent on Association goals was 94.5% of the total expenditure (2015: 94.4%) and 92.2% of the total income (2015: 86.7%). The total operational expenditure was 97.5% of the total income (2015: 91.9%). The Board anticipates that the growth of emergency aid expenditure realised in 2015 and 2016 of 24.5% and 17.3% respectively will slow down to maximum 8.0%. The 2017 budget available for emergency aid is set at € 260.0 million.

▲ The five-year-old Ishaq from Taiz was injured in his leg by a gunshot. He was operated on in the MSF-hospital.

## EXPENDITURE

### 2.1 Emergency aid in euro thousands

2016 has generally been a year of reinforcement of our emergency aid programmes. Throughout the year, we scaled down programmes in some contexts but responded to acute emergencies in others. We continued to address medical humanitarian emergencies that were already widely addressed in 2015. The Middle East context, with a total of € 48.0 million expenditure in various countries and DR Congo and South Sudan with respectively € 27.7 million and € 21.1 million of expenditure represent the largest missions in which we operate and where we kept responding to acute medical and humanitarian needs. In South Sudan and Yemen the conflicts were, and are still today, raging, with devastating effects on their population. Sadly, as in 2015, during the year 2016 attacks on hospitals and medical facilities again struck at the heart of our operations. We witnessed several attacks on health care facilities including ours in Leer, South Sudan and Taiz, Yemen. These attacks have impacted the delivery of aid, constraining our humanitarian and medical programmes.

We kept providing humanitarian assistance in Syria and neighboring countries. While facing numerous challenges, we scaled up our support to hospitals in North and South Syria. The expenditure for our humanitarian and medical programmes in the larger context of the Syria conflict amounted to € 28.9 million. In May we opened a project in the Berm, on the Syrian-Jordanian border, to provide primary health care to the affected population. This project was however forced to shut down in July following a deadly attack on the Jordan Armed Forces. The Ramtha surgical programmes caring for war wounded patients as well as the Zaatari primary health care programme were also forced to scale down their activities due to the closure of the Syrian-Jordan border and the thus limited numbers of arrivals in our health facilities. Throughout the year we sustained our communications and advocacy efforts to repeatedly address these humanitarian issues. In Yemen our emergency aid expenditure increased by € 10.6 million to € 19.1 million. Our support to Emergency Room patient

treatment in hospitals expanded and we established dialysis treatment and support.

As in 2015 we pursued our commitment to our "People in Flight" strategic plan priority. In Germany we engaged in a psycho-social care programme for refugees and we continued our involvement in the Search and Rescue (S&R) operation in the central Mediterranean in a new partnership with SOS Méditerranée that started in April carrying out a total of 6,665 rescues at sea during the year. In order to link sea and land we started working in Libya, the departure point for the vast majority of people rescued by the S&R vessel. Our operations in Libya focus on providing medical care to the refugees and migrants held under inhumane, overcrowded and unsanitary conditions in the detention centers there. The witnessing component is central in these joint Search & Rescue/ Libya operations as we speak out about the plight of this vulnerable population and demand a humane approach to migration management within Europe and elsewhere. The expenditure of the new Libya mission ended at € 0.8 million for the year, while € 2.1 million was spent on the S&R activities.

We continued responding to the plight of the Rohingya population in South East Asia. In early October an incident ignited tensions in Rakhine, Myanmar, and across the border in Bangladesh. Since then, 65,000 persons have crossed into Bangladesh (from Myanmar) with MSF clinics receiving many more patients including a doubling of direct victims of violence. Compared to last year the expenditure for Myanmar increased by € 2.5 million to € 16.1 million. Continuing on last years' permission to assist Eritrean refugees in the Tigray region in Ethiopia and the increasing refugee population fleeing South Sudan into the Gambela region of Ethiopia, medical operations in Ethiopia expanded by € 2.4 million to a total of € 15.2 million in 2016.



After the positive feedback from within the network Médecins Sans Frontières on our 2015 proposal to return to Somalia (Somalia: Return in Modesty) where we withdrew in despair in 2013 following a series of security incidents, we continued our efforts to re-engage into Somalia and further elaborated our emergency aid plan. We carried out an exploratory mission inside Somalia in July and throughout the year we held various rounds of internal discussions. The MSF-International Board approved our return to Somalia in October. We are now planning to start humanitarian and medical programmes in Galkayo in the first quarter of 2017.

In order to stabilize our operation's growth and relieve the strain on our human resources, we closed two of our medical operations programmes in 2016. The Papua New Guinea operations ended in March and the programme in the Katanga province in DR Congo closed in September. Other emergency projects opened and closed in the same year of 2016. In Mtendeli, Tanzania we engaged in a 10 month response to refugees from Burundi, spending € 1.9 million. We engaged in a sizeable malnutrition response in Bokoro, Chad with a total expenditure of € 4.8 million. And in Barradères, Haiti a 2.5 month response to the population affected by the hurricane Matthew was carried out with an expenditure of € 0.7 million.

In the budget of 2016 an amount of € 29.0 million was reserved for unplanned emergency aid. During the year € 24.4 million of this budget was allocated to existing and new emergency aid programmes.

In 2013 we started an ambitious Tuberculosis breakthrough project with the aim to radically improve the treatment of extreme drug resistant tuberculosis through the application of innovative treatment methods and new drug regimens. The initial phase of this project started in 2013 and will continue into 2017. The expenditures of the Tuberculosis breakthrough project are included in both Preparation and programme support (€ 495,350) and the expenses of the project in Uzbekistan (€ 2,037,851). In total we spent € 4,976,987 on the Tuberculosis breakthrough project in the period 2013-2016. The Tuberculosis breakthrough project is funded by the **National Postcode Lottery Dream Fund**.

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 2015	Budget 2016	Costs emergency aid 2016	Budget 2017*
Afghanistan	9,787	14,594	11,104	13,500
Bangladesh	3,650	4,098	4,353	4,373
Belarus	633	1,539	1,371	1,426
Central African Republic	10,837	10,219	9,885	10,234
Chad	7,704	9,481	12,389	5,634
Congo, Democratic Republic	27,915	27,604	27,695	23,595
Ethiopia	12,781	14,235	15,223	16,264
Germany	0	0	53	199
Haiti	9,097	10,177	10,551	11,535
India	4,749	4,949	4,981	5,741
Iraq	2,051	5,895	6,363	8,422
Jordan	10,229	12,330	12,262	7,028
Kenya	571	612	762	832
Libya	0	0	753	1,896
Malaysia	287	511	462	732
Mediterranean Sea	1,554	0	2,107	2,716
Myanmar	13,609	14,804	16,069	17,220
Nepal	1,966	0	0	0
Nigeria	6,189	6,485	7,958	6,275
Pakistan	6,829	7,970	7,411	7,860
Papua New Guinea	3,609	1,150	696	0
Russia	3,488	4,563	3,280	3,932
Sierra Leone	6,624	4,348	4,743	4,595
Somalia	182	529	639	2,125
South Africa	0	0	0	700
South Sudan	25,255	17,172	21,079	20,871
Swaziland	3,735	4,400	4,024	3,272
Syria	3,098	5,254	7,142	8,811
Tajikistan	1,795	2,145	1,988	2,190
Tanzania	0	0	1,922	0
Turkey	1,814	2,095	3,086	2,415
Uzbekistan	7,923	9,099	9,943	9,218
Yemen	8,491	10,318	19,132	19,839
Zimbabwe	3,876	4,473	5,509	3,944
Various exploratory projects	52	0	47	0
Reserved in the budget for unplanned emergency aid		28,951		32,606
	<b>200,380</b>	<b>240,000</b>	<b>234,982</b>	<b>260,000</b>
Other costs and movements in provisions for emergency aid	207	0	190	0
Depreciation costs	147	0	293	0
<b>Total emergency aid expenditure</b>	<b>200,734</b>	<b>240,000</b>	<b>235,465</b>	<b>260,000</b>

\*Budget 2017 is not audited

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

Emergency aid per category	Costs emergency aid 2015	Budget 2016	Costs emergency aid 2016	Budget 2017*
Purchase of medical items	34,087	42,776	<b>42,454</b>	45,035
Purchase of non-medical items	14,899	17,357	<b>17,533</b>	16,530
Subcontracted services	12,315	16,248	<b>18,263</b>	25,463
Transport	27,835	28,111	<b>27,848</b>	27,252
General and running costs	9,239	11,053	<b>9,924</b>	13,301
Miscellaneous and other costs	329	0	<b>503</b>	0
<b>Personnel costs</b>				
Costs expatriate staff posted in projects	44,225	50,079	<b>46,527</b>	46,868
Costs national staff	57,805	74,376	<b>72,413</b>	85,551
<b>Total emergency aid expenditure</b>	<b>200,734</b>	<b>240,000</b>	<b>235,465</b>	<b>260,000</b>

\*Budget 2017 is not audited

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 € 7,387,546 (2015: € 4,623,401) and

payments for referral of patients and external laboratory testing of € 3,937,994 (2015 € 2,366,097). Personnel costs are further explained in the notes below.

## 2.1a Personnel costs and personnel emergency aid

in euro and full time equivalents

In 2016 we employed 9,887 staff in full time equivalents (2015: 8,641) working in 104 emergency aid programmes in 34 countries (2015: 115 emergency aid programmes in 28 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	2016	Budget 2016	2015
Salaries	<b>10,777,189</b>	12,028,779	10,764,590
Social security contribution	<b>573,254</b>	582,019	539,321
Pension contributions	<b>1,317,506</b>	1,468,693	1,287,041
Costs expatriate staff hired from MSF-sections	<b>14,912,129</b>	15,607,389	14,237,894

In 2016 the number of expatriate staff positions showed a growth of 3% compared to 2015 and ended at 765 staff in full time equivalents. This is well below the originally planned budget of 845 FTE. The growth in FTE is mainly visible in the category expatriate staff hired from MSF-sections which increased to 392 FTE (2015 375 FTE).

The total number of departures decreased from 1,450 in 2015 to 1,363 in 2016. Following the development of our programmes and namely the Middle East context in which we work fewer medical expatriate staff departed while expatriate paramedical staff and medical national staff increased.

Expatriate staff	2016	Budget 2016	2015
Emergency aid - expatriate staff on Dutch contract terms	336	412	329
Emergency aid - expatriate staff hired from MSF-sections	392	388	375
Emergency aid - (Amsterdam) office staff seconded to project countries	19	29	11
<b>Total expatriate staff</b>	<b>747</b>	<b>829</b>	<b>715</b>
Emergency aid - Non allocated FTE (paid in-between-mission leave, sick leave, etc.)	18	16	25
<b>Total expatriate staff</b>	<b>765</b>	<b>845</b>	<b>740</b>

Expatriate staff departures	2016	Budget 2016	2015
Medical	246	465	397
Paramedical	485	450	376
Logistics, administrative & other support	632	630	677
<b>Number of departures of expatriate staff</b>	<b>1,363</b>	<b>1,545</b>	<b>1,450</b>
Gender (women - men)	48% - 52%	n/a	46% - 54%
Gender heads of mission (women - men)	41% - 59%	n/a	46% - 54%
Nationality (Dutch - other)	12% - 88%	n/a	12% - 88%
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 6 main categories of responsibility. During their posting expatriate staff receive a basic per diem allowance that is indexed according to the 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 2016. 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>2016</b>	<b>Budget 2016</b>	<b>2015</b>
Medical	<b>423</b>	378	321
Paramedical	<b>3,480</b>	3,660	2,994
Non-medical project staff	<b>703</b>	874	769
Logistics, administrative & other support	<b>4,254</b>	4,308	3,591
<b>Total national staff employed in the project countries</b>	<b>8,860</b>	<b>9,220</b>	<b>7,675</b>

#### **National staff salaries**

Salaries national staff (including taxes and social security costs)	<b>61,602,672</b>	<b>58,836,000</b>	49,918,407
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#### **Remuneration policy national staff**

National staff employed in the project countries are remunerated in accordance with MSF's international reference function grid and according to benchmark evaluations performed to ensure a fair and competitive pay in the country in which they are employed. In addition, the MSF-Holland standard terms and conditions of employment apply. MSF-Holland does not have any obligations from foreign pension plans for national staff other than mandatory social security contributions.

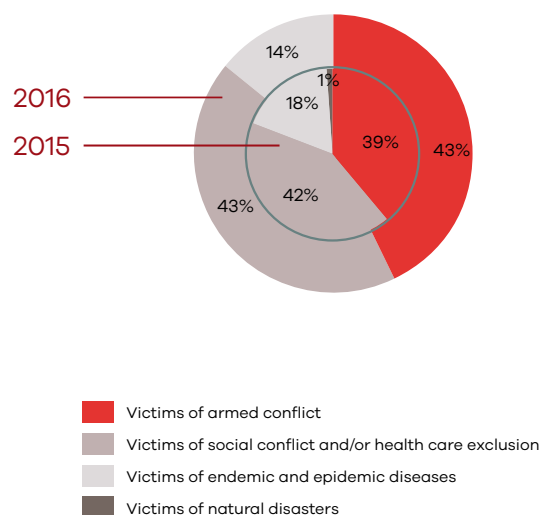
## 2.1b Typology of expenditure and funding of projects

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 2016 68% (2015: 66%) of our projects were situated in contexts of armed conflict and internal instability. In addition, the graphics indicate which groups of beneficiaries have been reached by MSF-Holland/OCA.

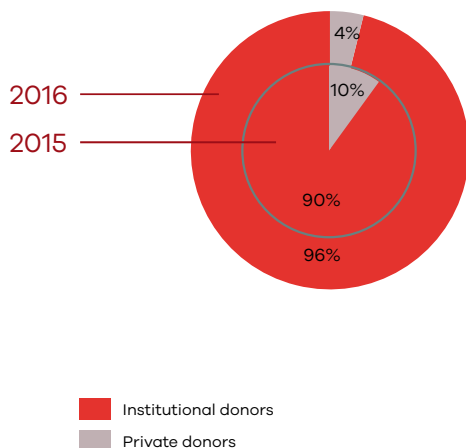
Early 2016 we suspended the grants from the EU and EU-member states for the funding of operations. As a result we did not achieve our target to fund 10% of the expenditure on emergency aid with grants from institutional donors. Compared to 2015, funding of emergency aid by private donations increased by 6% to 96% in 2016.

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 2016 coordination costs amounted to 17.2% of the total spent on emergency aid (2015: 15.9%). Compared to the total expenditure of € 276.0 million in 2016, 14.6% was spent on coordination activities (2015: 13.6%).

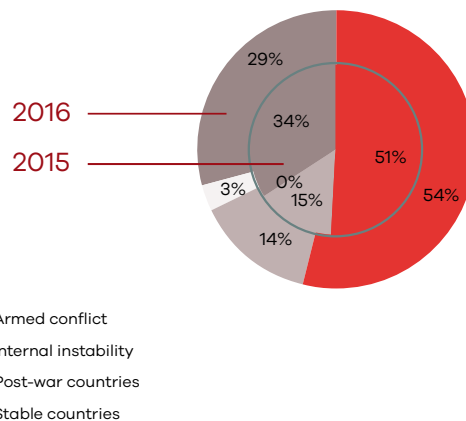
**WHO DID WE REACH?**  
as percentage of emergency aid



**EMERGENCY AID FUNDING**



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





## 2.2 Grants provided to third parties in euro thousands

	2016	Budget 2016	2015
Contribution to MSF-India	2,396	2,822	1,954
Contribution to Drugs for Neglected Diseases initiative (DNDi) paid through MSF-International	229	250	233
Grant to Dutch Association for Tropical Medicine (NVTG)	80	0	45
Contributions to the MSF-International Fund for Innovative Projects	0	0	33
<b>Total grants provided to third parties</b>	<b>2,705</b>	<b>3,072</b>	<b>2,265</b>

Grants and contributions to third parties concern general funding of initiatives supporting the Association's goals. In 2013 MSF-Holland established an office in India, MSF-India, in order to promote and support the Association's objectives in India. As of April 2016 MSF-Holland reduced its interest from 80% to 8% of the issued share capital in MSF-India. The contribution to MSF-India is based on their annual plan budget and in line with their long term strategic planning.

## 2.3 Preparation and programme support in euro thousands

	<i>explanatory notes</i>	2016	Budget 2016	2015
Direct costs	<i>note 2.7</i>	2,578	2,603	1,791
Costs joint projects with MSF-sections	<i>note 2.7</i>	1,018	2,340	1,344
Costs personnel head office	<i>note 2.7</i>	12,313	11,509	9,701
Attributed overhead costs	<i>note 2.7</i>	4,263	4,220	2,991
<b>Total preparation and programme support</b>		<b>20,172</b>	<b>20,672</b>	<b>15,827</b>

The increase in the expenditure for preparation and programme support is explained by the addition of 36 FTE employed in this category. Of the total increase in FTE in this category 9 FTE are in temporary improvement projects. The Public Health department and the newly created Learning and Development department increased by 6 FTE each, as was foreseen in setting out the Strategic Plan ambitions. Due to the continued increase in emergency aid activities another 5 FTE were added to the logistics support capacity. For more detailed

information see note 2.7a as well. Included in Costs for joint projects with other MSF-sections are expenditures amounting to € 442,421 (2015: € 779,786) related to the Tuberculosis breakthrough project which is coordinated by MSF-United Kingdom. The direct costs increased due to an increase of inventory held for emergency aid inducing higher costs for warehousing and handling and an increase in travel supporting the emergency aid programmes.

## 2.4 Information and awareness raising in euro thousands

	<i>explanatory notes</i>	<b>2016</b>	<b>Budget 2016</b>	<b>2015</b>
<b>Direct costs</b>				
Donor periodical <i>Artsen zonder Grenzen Magazine</i> (50%; see also chapter 4, Accounting Policies)		<b>646</b>	691	261
Contributions to the MSF-International campaign Access to Essential Medicines		<b>292</b>	339	258
General communications and information activities		<b>759</b>	1,113	1,210
<b>Total direct costs</b>		<b>1,697</b>	<b>2,143</b>	<b>1,729</b>
<b>Attributable costs</b>				
Costs personnel head office	<i>note 2.7</i>	<b>686</b>	721	718
Attributed overhead costs	<i>note 2.7</i>	<b>238</b>	264	222
<b>Total information and awareness raising</b>		<b>2,621</b>	<b>3,128</b>	<b>2,669</b>

In 2016 cost allocation keys were reviewed and brought in line with the current operational practice of the organisation. As a result a higher percentage of the donor periodical *Artsen zonder Grenzen Magazine* is allocated to Information and awareness raising. The cost of general

communications and information activities decreased compared to 2015 due to a change in the division of media purchase and production expenditure between Information and awareness raising and the cost of acquiring income.

## 2.5 Cost of acquiring income in euro thousands

	<i>explanatory notes</i>	<b>2016</b>	<b>Budget 2016</b>	<b>2015</b>
<b>Direct costs</b>				
Face-to-face		<b>3,776</b>	3,707	3,663
Telemarketing		<b>857</b>	972	710
Direct mail		<b>765</b>	542	548
Donor periodical <i>Artsen zonder Grenzen Magazine</i> (50%; see also chapter 4, Accounting Policies)		<b>646</b>	765	783
Inheritances		<b>201</b>	220	96
Internet campaigns		<b>111</b>	80	85
Corporate fundraising		<b>91</b>	122	46
Joint information activities in television broadcasts of the <b>National Postcode Lottery</b>		<b>214</b>	257	225
Other and general costs of fundraising		<b>568</b>	758	251
<b>Total direct costs</b>		<b>7,229</b>	<b>7,423</b>	<b>6,407</b>
<b>Attributable costs</b>				
Costs personnel head office	<i>note 2.7</i>	<b>1,493</b>	1,490	1,296
Attributed overhead costs	<i>note 2.7</i>	<b>517</b>	547	399
<b>Total cost of acquiring income</b>		<b>9,239</b>	<b>9,460</b>	<b>8,102</b>

In 2016 cost allocation keys were reviewed and brought in line with the current operational practice of the organisation. As a result, as of 2016, the bank costs related to fundraising activities are included in the Other and general costs of fundraising. The division of media purchase and production expenditure between Information and awareness raising and the cost of acquiring income changed, increasing the expenditure of the applicable fundraising activities. Expenditure on the periodical *Artsen zonder Grenzen Magazine* decreased compared to 2015 as a higher percentage was allocated to Information and awareness raising.

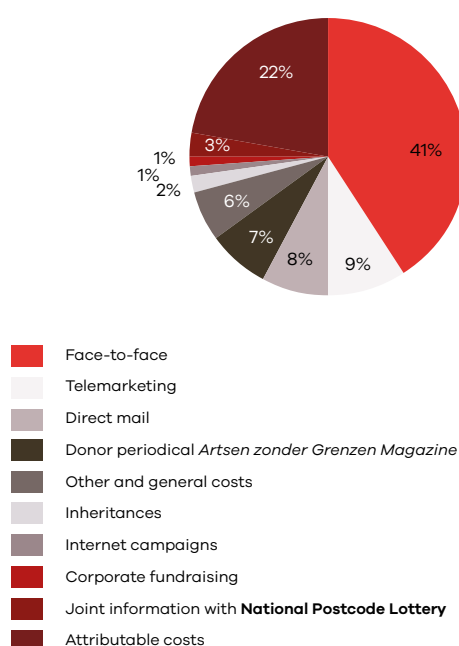
In 2016, 20 staff members (in FTE) worked on activities related to acquiring income (2015: 19 FTE).

The cost of acquiring income is further illustrated in the graphs on the next page.

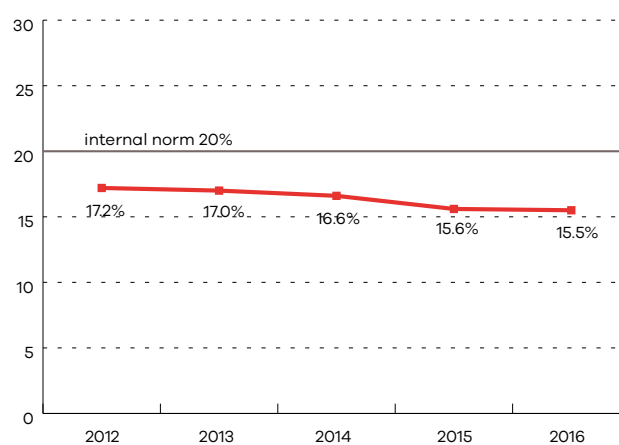
The weight of the various components of the cost of acquiring income and the cost effectiveness of the cost of acquiring income are shown below.

Compared to the previous year the total cost of acquiring income from individuals, companies and not-for-profit organisations decreased by 0.1% to 15.5% of the income raised. MSF-Holland strives to keep this percentage below 20%.

#### COST OF ACQUIRING INCOME 2016 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 notes</i>	<b>2016</b>	<b>Budget 2016</b>	<b>2015</b>
Direct costs	<i>note 2.7</i>	<b>1,547</b>	2,377	1,698
Contributions to MSF-International	<i>chapter 6</i>	<b>847</b>	1,104	664
Costs personnel head office	<i>note 2.7</i>	<b>2,535</b>	2,786	2,128
Attributed overhead costs	<i>note 2.7</i>	<b>877</b>	1,022	656
<b>Total management and administration</b>		<b>5,806</b>	<b>7,289</b>	<b>5,146</b>

The costs of management and administration amounted to 2.1% of the total expenditures in 2016 (2015: 2.2%) and are explained in more detail in note 2.7. In 2016 cost allocation keys were reviewed and brought in line with current operational practice of the organisation. The decrease in the direct costs of management and

administration can be explained by the change in the division of bank costs between this category and the cost of acquiring income. A table showing the composition of the direct 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 2016	Budget 2016	Total 2015
	Emergency aid	Grants provided to third parties	Preparation and programme support	Information and awareness-raising	Cost of acquiring income	Management and administration	To be attributed Overhead			
<b>Direct costs</b>										
Emergency aid	235,172							<b>235,172</b>	240,000	200,587
Costs joint projects with MSF-sections			1,018					<b>1,018</b>	2,340	1,344
Grants and contributions		2,705		292		847		<b>3,844</b>	4,515	3,187
Publicity and communications			4	774	6,305			<b>7,083</b>	7,467	6,598
Housing							1,308	<b>1,308</b>	1,388	1,119
Office and general costs			470	502	767	281	214	<b>2,234</b>	2,409	2,337
ICT			89	74		70	1,453	<b>1,686</b>	1,931	1,211
Cost of inventory			749					<b>749</b>	596	507
Travel and accommodation			993	55	120	204	124	<b>1,496</b>	1,351	1,100
Advice			186			870	122	<b>1,178</b>	1,551	820
Head office projects			87		37		801	<b>925</b>	1,305	404
Board and Association						122		<b>122</b>	105	62
Depreciation and interest	293						330	<b>623</b>	445	360
<b>Subtotal direct costs</b>	<b>235,465</b>	<b>2,705</b>	<b>3,596</b>	<b>1,697</b>	<b>7,229</b>	<b>2,394</b>	<b>4,352</b>	<b>257,438</b>	<b>265,403</b>	<b>219,636</b>
<b>Allocated employee costs for head office personnel</b>										
Salaries and social security			9,811	547	1,190	2,020	1,229	<b>14,797</b>	15,264	12,328
Pension contributions			1,138	63	138	234	143	<b>1,716</b>	1,795	1,519
Pension settlement contract Zwitterleven			309	17	37	64	39	<b>466</b>	0	0
Other personnel costs			1,055	59	128	217	132	<b>1,591</b>	1,159	1,260
<b>Subtotal all costs</b>	<b>235,465</b>	<b>2,705</b>	<b>15,909</b>	<b>2,383</b>	<b>8,722</b>	<b>4,929</b>	<b>5,895</b>	<b>276,008</b>	<b>283,621</b>	<b>234,743</b>
Allocation of overhead			4,263	238	517	877	-5,895			
<b>Total all costs head office and emergency aid</b>	<b>235,465</b>	<b>2,705</b>	<b>20,172</b>	<b>2,621</b>	<b>9,239</b>	<b>5,806</b>	<b>0</b>	<b>276,008</b>	<b>283,621</b>	<b>234,743</b>

### Overhead

The costs of overhead amounted to 2.1% of the total expenditure in 2016 (2015: 1.8%). The costs of overhead increased from € 4.268,600 in 2015 to € 5.894,722 in 2016. The increase in overhead costs can be explained by head office projects that started in 2016 and the related increase in FTE that were envisaged in the OCA Strategic

Plan 2015-2019. Due to the overall expansion of activities the costs of housing increased by 16.9% in 2016. With the purchase of the office, housing costs are expected to go down in 2017. The ICT costs increased by 39.2% as result of the expansion of the activities and the implementation of ICT improvements as set out in the Strategic Plan.



## 2.7a Remuneration, social security and personnel costs head office in full time equivalents

In 2016 we employed 9,887 staff in full time equivalents (2015: 8,641) 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 2016 the total number of designated FTE employed in the head office increased by 15.9% to 262. This increase occurred

mostly in Preparation and programme support to which 36 FTE were added. The increased volume of emergency aid projects has led to an FTE increase in all departments directly supporting our emergency aid projects.

In 2016 some cases of long term illness continued from 2015 and some new cases occurred during the year, increasing the illness percentage.

Personnel head office	2016	Budget 2016	2015
Preparation and programme support	189	193	153
Information and awareness raising	10	10	10
Fundraising	20	22	19
Management and administration	35	40	31
Overhead	21	24	18
Preparation and programme support staff charged from London and Berlin Offices	6	16	6
Emergency aid - (Amsterdam) office staff seconded to emergency aid programmes	-19	-29	-11
<b>Total personnel at head office</b>	<b>262</b>	<b>276</b>	<b>226</b>
Volunteers working at the head office in Amsterdam (# persons)	38	24	25
Volunteers working at the head office in Amsterdam (FTE)	3	2	3
Gender: women - men	57% - 43%	n/a	58% - 42%
Gender senior management: women - men	50% - 50%	n/a	56% - 44%
Nationality: Dutch - other	55% - 45%	n/a	61% - 39%
Average age	43	n/a	42
Employment: full time - part time	57% - 43%	n/a	52% - 48%
Sickness rates	3.7%	< 3.0%	2.6%

## 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 2016, € 2,118,234 (2015: € 1,742,667). The total personnel costs per full time equivalent increased from € 62,817 in 2015 to € 64,530 in 2016. 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. In 2016 the item Other personnel costs increased by € 331,522 mainly due to an increase of temporary staff to replace staff on long term leave, temporarily filling of vacancies and the overall growth of the organisation.

### 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. In 2016 the final settlement with Zwitserleven (Vivat) for the pension contracts that ended at 31 December 2012 was concluded and included in the personnel costs. No future liabilities are expected to arise from these pension schemes.

### Personnel contracted on behalf of MSF-sections

During 2016 27.9 staff (2015:19.4) in full time equivalents (FTE) were employed on a Dutch contract but fully expensed to other MSF sections, of which 12.6 staff in FTE were working abroad. The other 15.3 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-sections they have been hired to.

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

MSF-Holland applies the Advisory Scheme for the Remuneration of Directors of the Dutch charity branch organisation Goede Doelen Nederland. The Advisory Scheme sets criteria for determining the level of responsibility required for executive positions and sets maximum annual income standards. The Board has assessed the remuneration of the General Director and the Management Team based on the criteria described in the Advisory Scheme, arriving at a total of 570 points out of the total possible of 600. In the management model of MSF-Holland the General Director is rated at 92% (524 points)

while each member of the Management Team is rated 80% (456 points). On the basis of full time employment these ratings correspond to € 145,000 and € 129,559 maximum salaries according to the Advisory Scheme applicable for 2016. According to the scheme, pension and employer's costs are not included in these salary figures. The Advisory Scheme relates the maximum remuneration including pension and employer's costs to the WNT (Wet Normering Topinkomens): € 179,000 for 2016. The function-remuneration grid of MSF-Holland results in directors' salaries under the maximum allowable in the scheme.

MSF-Holland does not pay any pension premium above the fiscal maximum of € 101,519 (2016).

MSF-Holland has a titular General Director who chairs the multi-member management team. In 2016 this position was occupied by Arjan Hehenkamp. In 2016 1 FTE was used for the position of General Director (2015: 1 FTE). The

General Director is supported by a management team of 4 directors. In 2016 a total of € 659,694 was spent on the directors' and management team remuneration (see table below) for 5 FTE. In 2015 this was € 641,225 for 5 FTE. In the table below the employment contracts and the remuneration of the General Director and the Management Team are specified.

	General Director	Management Team			
	Arjan Hehenkamp	Marcel Langenbach	Els Niehaus	Sidney Wong	Katrien Coppens
Function		Director Operations	Director Resources	Medical Director	Delegate Director
Employment details					
Type of contract	indefinite	indefinite	fixed term	indefinite	indefinite
End of current assignment	15-11-2017	15-11-2018	31-01-2018	31-03-2019	31-08-2018
Hours	40	40	40	40	40
Labour percentage	100%	100%	100%	100%	100%
Employment period in 2016	01/01-31/12	01/01 - 31/12	01/01-31/12	01/01-31/12	01/01- 31/12
Remuneration					
Gross per year excluding holiday allowance	103,368	102,540	102,540	105,306	79,620
Holiday allowance	8,269	8,203	8,203	5,742	6,370
Other taxable allowances	0	0	0	0	0
Variable income	0	0	0	0	0
<b>Subtotal (salary according to advisory scheme)</b>	<b>111,637</b>	<b>110,743</b>	<b>110,743</b>	<b>111,048</b>	<b>85,990</b>
Other costs					
Pension contributions	16,828	22,379	16,696	9,000	16,195
Pension compensation	0	0	0	0	0
Social security costs	9,687	9,687	9,687	9,687	9,687
Taxable disbursements	0	0	0	0	0
Other (future) benefits	0	0	0	0	0
Severance pay	0	0	0	0	0
<b>Total salary costs directors 2016</b>	<b>138,152</b>	<b>142,809</b>	<b>137,126</b>	<b>129,735</b>	<b>111,872</b>

The MSF-Holland policy applying to all directors positions is that the director is appointed to his or her position for an initial period of three years, with the possibility of a maximum three years extension. In 2017 the General Director, Arjan Hehenkamp will leave his position. All other directors are expected to stay in their position during 2017.

Expatriate tax regulations have been applied to the salary of the Medical Director Sidney Wong. No loans or

guarantees and no advance payments were provided to any of the directors.

The Delegate Director, Katrien Coppens, is a non-voting board member of MSF-Hong Kong Limited, the Executive Director of the MSF-Holland India Trust (New Delhi, India) and CEO of the Private Limited Company Doctors Without Borders India. All occupations were for the full year 2016 and all were not remunerated.

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

in euro thousands

The Board of the Association MSF-Holland supervises the organizational 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:

	2016	Budget 2016	2015
Costs MSF-OCA Council (see chapter 6.2)	67	0	0
Costs of the Association and General Assembly	62	81	34
Costs carrying out supervisory responsibilities	30	48	53
Costs of International representation within the network MSF	24	20	17
Remuneration president Wilna van Aartsen	15	15	15
Volunteer allowance board members	6	8	7
<b>Total Board costs and expenses paid to board members</b>	<b>204</b>	<b>172</b>	<b>126</b>

In 2016 a new memorandum of understanding governing the MSF-OCA partnership (see chapter 6.2) was concluded. As of 2016 costs related to the MSF-OCA Council are reported separately. In line with the memorandum from September 2016 onward 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 € 24,200 is included for 2016. In addition costs were made for the development of the governance of the partnership.

For the time spent in fulfilling the duties concerned with international governance the president, Wilna van Aartsen, received an amount of € 15,000 (2015: € 15,000) in compensation. The time spent on these specific governance activities is comparable to 0.37 FTE (2015: 0.47 FTE). The remuneration paid is in accordance with the maximum remuneration approved by the General Assembly. In total the president spent in 2016 at least 1,351 hours (2015: 1,650 hours) on fulfilling her board duties.

In 2016, 7 board members (2015: 9 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 2016 an amount of € 6,500 (2015: € 7,000) 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, 2016 the Board of the Association MSF-Holland had 9 board members (2015: 10). 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 2016 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 2016 no specific audits were performed. Due to the decrease in institutional donor grants the number of contracts of institutional donors which required audited grant reports decreased further from 3 contracts in 2015 to 1 contract in 2016. As a result the auditors had to shift their audit test work. In addition regulatory auditing requirements intensified which was not foreseen.

The following fees were paid to auditors:

Allocated to:		2016	Budget 2016	2015
PwC audit of the Financial Statements	Advice - head office	142	100	130
PwC audit contracts institutional donors	Advice - head office	6	20	16
<b>Total Auditors costs</b>		<b>148</b>	<b>120</b>	<b>146</b>

## INCOME

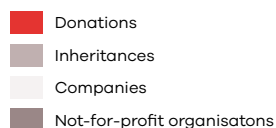
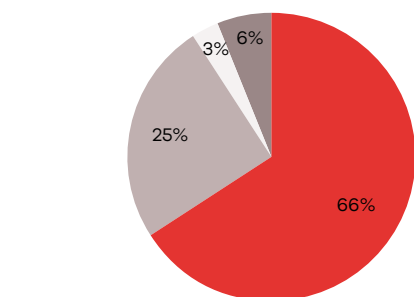
The income from individuals, companies and not-for-profit organisations increased by € 7.7 million from € 51.8 million in 2015 to € 59.5 million in 2016. Within this category income from inheritances increased by € 5.7 million from € 9.3 million in 2015 to € 15.0 million in 2016. The increase in income from inheritances is explained by

an increase in the number received, an increase in average value and coincidental receipt of inheritances at the end of the year. Furthermore income from companies and not-for-profit organisations increased by € 0.9 million. The cost of acquiring income in the Netherlands increased by € 1.1 € to € 9.2 million (2015: € 8.1 million).

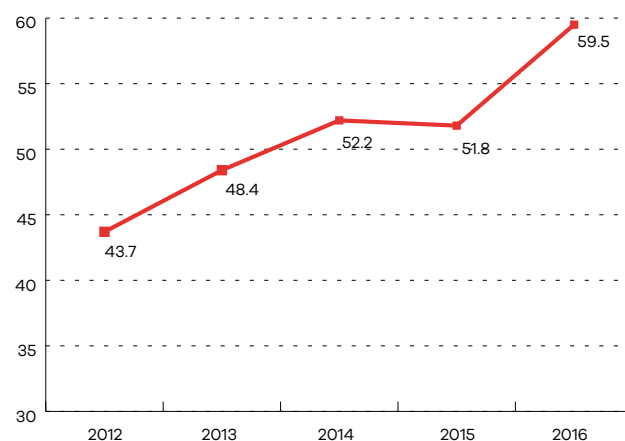
### 2.8 Income from individuals, companies and not-for-profit organisations in euro thousands

	2016	Budget 2016	2015
Donations	39,501	40,048	38,326
Inheritances	14,973	10,000	9,313
Membership fees from Association members	7	4	7
<b>Subtotal Income from individuals</b>	<b>54,481</b>	50,052	47,646
Income from companies	1,816	1,701	2,019
Income from not-for-profit organisations	3,252	2,051	2,154
<b>Total income from individuals, companies and not-for-profit organisations</b>	<b>59,549</b>	<b>53,804</b>	<b>51,819</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 2016 the number of one time spontaneous donations increased and the donor attrition rates stabilised.

Consistently the number of private donors with a direct debit mandate increased again in 2016.

	2016	2015	2014	2013	2012
Number of different private donors giving in the year	<b>449,834</b>	447,685	467,074	463,789	451,007
Private donors recruited in the year	<b>44,885</b>	43,600	60,612	51,995	40,847
Active cancellations	<b>2,740</b>	2,818	2,079	2,124	4,788
Donors with a direct debit mandate	<b>317,991</b>	311,807	309,197	304,118	304,170

## 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 in 2016	Expenditures in 2016	Not spent in 2016
Donations for Haiti	<b>442</b>	-442	0
Donations for Jordan	<b>325</b>	-325	0
Donations for Iraq	<b>304</b>	-304	0
Donations for Sierra Leone	<b>216</b>	-216	0
Donations for Syria	<b>174</b>	-174	0
Donations for India	<b>162</b>	-162	0
Donations for Nigeria	<b>110</b>	-110	0
Donations for South Sudan	<b>33</b>	-33	0
Donations for Yemen	<b>20</b>	-20	0
Donations for Swaziland	<b>15</b>	-15	0
Donations for Ethiopia	<b>11</b>	-11	0
Donations for Uzbekistan	<b>10</b>	-10	0
Donations for various countries	<b>12</b>	-12	0
<b>Subtotal earmarked donations</b>	<b>1,834</b>	-1,834	0
Donation for the reserves	<b>111</b>	0	111
Donation for field software implementation	<b>100</b>	-100	0
Donations for endowment funds	<b>20</b>	0	20
Donations for the Stone fund (training of national employees)	<b>33</b>	0	33
<b>Total as at 31 December moved to restricted funds</b>	<b>2,098</b>	<b>-1,934</b>	<b>164</b>

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

	2016	Budget 2016	2015
<b>National Postcode Lottery</b> , regular draw	<b>13,500</b>	13,500	13,500
<b>National Postcode Lottery</b> , extra draw	<b>0</b>	0	5,000
<b>National Postcode Lottery Dream fund</b>	<b>2,533</b>	2,708	1,662
<b>Total income from the National Postcode Lottery</b>	<b>16,033</b>	<b>16,208</b>	<b>20,162</b>

In 2016 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 contract. The current contract with the **National Postcode Lottery** is valid for five years and runs until 31 December 2017. The **National Postcode Lottery Dream fund** awarded MSF-Holland a contribution of €6,791,000 as funding for the

Tuberculosis breakthrough project in the period 2013-2017. The income recognised in the Statement of Expenditure and Income is equal to the maximum eligible costs incurred in the book year (see Chapter 4, Accounting Policies). In total €4,967,987 of the contribution was spent over the period 2013-2016. The outstanding funds are specified in Chapter 3, paragraph 3.12 Short-term liabilities.

## 2.10 Grants from MSF-sections in euro thousands

	2016	Budget 2016	2015
MSF-Germany	<b>80,013</b>	64,300	58,689
MSF-USA	<b>43,365</b>	35,400	28,789
MSF-United Kingdom	<b>36,571</b>	36,000	32,683
MSF-Sweden	<b>13,360</b>	10,600	7,905
MSF-Hong Kong	<b>11,565</b>	11,700	10,458
MSF-Canada	<b>10,680</b>	8,900	17,139
MSF-Ireland	<b>1,540</b>	0	885
MSF-Denmark	<b>268</b>	0	215
MSF-Spain	<b>180</b>	0	0
MSF-Japan	<b>41</b>	0	0
MSF-Luxembourg	<b>11</b>	0	0
MSF-Italy	<b>1</b>	0	2
MSF-Austria	<b>0</b>	0	5,898
MSF-Czech	<b>0</b>	0	4
MSF-Brazil	<b>0</b>	0	3
MSF-Norway	<b>0</b>	0	1
MSF-Greece	<b>0</b>	0	1
<b>Total grants from MSF-sections</b>	<b>197,595</b>	<b>166,900</b>	<b>162,672</b>

The income from grants from MSF-sections increased and ended €34,922,743 higher than in 2015. In all MSF-sections the private income from fundraising was much higher than expected leading to higher grants. The grant received from MSF-Canada ended above budget but reduced compared to 2015 as a result of the lower share of

net income to MSF-Holland (see Chapter 6.4). The grant received from MSF-United Kingdom was negatively effected by the devaluation of the GBP. With a stable rate (2015 contract rates) income in euro from MSF-United Kingdom would have arrived at approximately €44.0 million.

## 2.11 Grants from institutional donors in euro thousands

	2016	Budget 2016	2015
Global Fund (GFATM)	3,469	3,469	3,469
European Union (ECHO and EU)	3,000	6,900	7,380
UNITAID	1,396	1,431	411
Dutch government (BUZA)	700	5,500	5,000
Canadian government (DFATD, IHA)	516	500	1,324
Swedish government (Sida)	422	650	792
Irish government (Irish Aid)	179	750	1,222
Swiss government (SDC)	27	0	0
Danish government (DANIDA)	0	0	879
<b>Total grants from institutional donors</b>	<b>9,709</b>	<b>19,200</b>	<b>20,477</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. Early 2016 we suspended the grants from the EU and EU-member states for the funding of emergency aid. As a result we did not achieve the target to fund 10% of the expenditure on

emergency aid with grants from institutional donors. In the coming years we expect a decrease in the amount of income from institutional donors. The grants from institutional donors are all used to cover operating expenses.

## 2.12 Other income in euro thousands

	2016	Budget 2016	2015
Other income	276	0	328
<b>Total other income</b>	<b>276</b>	<b>0</b>	<b>328</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

	2016	Budget 2016	2015
Realised exchange results from transactions in non-euro currencies	1,574	0	-1.247
Unrealised exchange results from transactions in non-euro currencies	18	0	1.084
Interest income	392	750	918
<b>Total net financial income and expenses</b>	<b>1,984</b>	<b>750</b>	<b>755</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 2016 a positive realised exchange result was recognised on the currency exchanges in project countries and the receivables from grant contracts. On the purchase of goods a small negative realised exchange difference was recognised. 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 2016 the average balance on the deposit accounts was significantly lower than in 2015. In addition interest rates continued to decrease during the year leading to a lower amount of interest received in 2016. The development of the amount of interest received over the past 5 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. It is expected that from the reporting year 2017 donations in kind registration can be fully integrated in the Statement of expenditure and income.

### 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 € 562,384 in 2016 (2015: € 598,103).

**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 2016
Global Alliance for TB drug Development	348,754	-	-	-	-	-	-	-	<b>348,754</b>
National TB Program Myanmar (NAP)	91,012	81	-	-	-	-	-	-	<b>91,093</b>
United Nations (WFP)	-	-	55,054	-	-	-	-	-	<b>55,054</b>
Ministries of Health	2,565	6,881	29,323	-	3,886	-	-	-	<b>42,655</b>
Nutriset	-	-	7,875	-	-	-	-	-	<b>7,875</b>
United Nations (UNHAS)	-	-	-	-	-	-	-	5,106	<b>5,106</b>
International Medical Corps (IMC)	-	3,296	-	-	-	-	-	-	<b>3,296</b>
United Nations (UNFPA/UNHCR/WHO )	-	2,517	-	-	-	-	-	-	<b>2,517</b>
International Rescue Committee (IRC)	-	2,442	-	-	-	-	-	-	<b>2,442</b>
Qatar Red Crescent	-	1,367	-	-	-	-	-	-	<b>1,367</b>
Others	1,359	38	338	-	-	-	490	-	<b>2,225</b>
<b>Total donations in kind per category</b>	<b>443,690</b>	<b>16,622</b>	<b>92,590</b>	<b>-</b>	<b>3,886</b>	<b>-</b>	<b>490</b>	<b>5,106</b>	<b>562,384</b>

**DONATIONS IN KIND PER PROJECT COUNTRY**

	Total 2016
Uzbekistan	348,754
Myanmar	91,402
South Sudan	59,483
Ethiopia	42,646
Nigeria	7,875
Bangladesh	7,557
Jordan	2,897
Libya	1,367
India	403
<b>Total donations in kind per country</b>	<b>562,384</b>

**Donations in kind head office**

As in 2015, in 2016 we received no donations in kind for the head office.



**'The past weeks our rescue teams have seen far too many men, women and children dying. Sea rescue operations are becoming a race through a maritime graveyard. 2016 is expected to soon be declared the deadliest year on record in the central Mediterranean Sea.'**

**Stefano Argenziano**

operational manager, Mediterranean Sea,  
October 2016

▲ A young woman clings on to the railing of the Aquarius, in a joint rescue operation between MSF and SOS Méditerranée Search and Rescue, Mediterranean Sea, December 2016.

Continuing from previous years, MSF-Holland maintained a durable financial position in 2016. Both the expenditures on emergency aid and income increased proportionally and significantly, allowing the financial position to develop in line with the overall growth of the operational expenditure and commitments.

The total cash position at balance sheet date decreased mainly due to the investment in operating assets, namely the purchase of the Amsterdam office building, and the increased income balances receivable at year end, mainly from the MSF-sections. The overall balance sheet total decreased by € 9.1 million to € 205.8 million while solvency ratios improved.

Assets and inventories held for emergency aid increased compared to the previous year. In accordance with the ambitions set out in our Strategic Plan 2015-2019 an increase in investments in assets that are used for the objectives of the Association has been initiated and is further anticipated for in the forward planning. Inventories increased again in 2016 as we are adjusting the approach we take towards supplying our emergency aid programmes.

Overall reserves and funds increased through the allocation of the positive result of € 9.1 million. The Board decided to decrease the continuity reserves by € 13.5 million in accordance with the reserves policy as agreed within the network Médecins sans Frontières. The Board has further decided to streamline reserves and merge the appropriation reserves into the other free reserves. Liabilities on the short and long term show a significant decrease due to the strong reduction of institutional funding commitments following the decision of the Board to suspend funding from the EU and EU-member states.

### 3.1 INTANGIBLE ASSETS in euro thousands

	<b>Software</b>
<b>Purchase value</b>	
Balance as at 1 January 2016	2,788
Purchases	871
Disinvestments	0
<b>Balance as at 31 December 2016</b>	<b>3,659</b>
<b>Depreciation</b>	
Balance as at 1 January 2016	1,055
Depreciation	423
Disinvestments	0
<b>Balance as at 31 December 2016</b>	<b>1,478</b>
<b>Balance sheet value as at 31 December 2016</b>	<b>2,181</b>

In 2016 the conversion of the existing medical data tools into a new Health Information System for use in our emergency aid projects started. The delivery of the software is planned for 2018. The depreciation will commence at delivery. The entire intangible assets are used for the realisation of the association goals. In 2016 no impairment was applied to the intangible assets.

## 3.2 TANGIBLE FIXED ASSETS

### 3.2a Operating assets in euro thousands

	Land and Building	Furniture and fixtures	Hardware	Total
<b>Purchase value</b>				
Balance as at 1 January 2016	175	544	1,108	<b>1,827</b>
Purchases	15,900	0	120	<b>16,020</b>
Disinvestments	-175	0	-138	<b>-313</b>
<b>Balance as at 31 December 2016</b>	<b>15,900</b>	<b>544</b>	<b>1,090</b>	<b>17,534</b>
<b>Depreciation</b>				
Balance as at 1 January 2016	175	544	437	<b>1,156</b>
Depreciation	0	0	200	<b>200</b>
Disinvestments	-175	0	-138	<b>-313</b>
<b>Balance as at 31 December 2016</b>	<b>0</b>	<b>544</b>	<b>499</b>	<b>1,043</b>
<b>Balance sheet value as at 31 December 2016</b>	<b>15,900</b>	<b>0</b>	<b>591</b>	<b>16,491</b>

At 30 November 2016 the office building located at Plantage Middenlaan 14-16, Amsterdam, was purchased. The value of the land and building is recognised at purchase price including non-refundable property transaction tax. In 2016 no costs for maintenance were made and no provisions for major repairs to the building were formed. The purchase of hardware concerns investments related to the growth of FTE in the Amsterdam office.

The disinvestments concern computer hardware that has been replaced and leasehold improvements that were decommissioned with the purchase of the office in 2016. Both were fully depreciated. The entire operating assets are used for the realisation of the association goals. In 2016 no impairment was applied to the operating assets.

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

	2016	2015
Property and buildings Vierhouten	<b>450</b>	450
<b>Estimate sales value as at 31 December</b>	<b>450</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 favourable market situation arises. In 2016 no impairment was applied for the property.



### 3.3 Loans and Receivables in euro thousands

	2016	2015
Government bonds Zimbabwe	0	86
Loan to SOS Méditerranée	285	0
<b>Redemption value as at 31 December</b>	<b>285</b>	<b>86</b>

The compulsory Zimbabwe government treasury bills resulting from the seizure of our bank balances held in the country in 2007 have been sold at a discounted rate of 86% of the redemption value. The interest-free loan to SOS Méditerranée is used in the joint search and rescue operations for the chartering of the MV Aquarius and is due December 2018 at the latest.

### 3.4 Stock for emergency aid in euro thousands

	2016	2015
Medical materials	7,773	5,074
Other materials	2,482	1,927
Transport equipment	1,119	949
<b>Inventory as at 31 December</b>	<b>11,374</b>	<b>7,950</b>
Value adjustment for obsolescence	-111	-215
<b>Net realisable value as at 31 December</b>	<b>11,263</b>	<b>7,735</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 in the warehouse in the Netherlands as at 31 December 2016 amounts to € 4,679,743 (2015: € 3,013,171). The other stocks at the warehouse have not yet been allocated to aid programmes and concern free stocks and emergency supply stocks. The item Other materials consists mainly of emergency housing materials (tents, tools, etc.) and water and sanitation equipment for the emergency aid programmes. The entire inventory is held for the realisation of the association goals.

In 2016, 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. In 2016 the actual write-off on inventory was € 288,397.

#### 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 2016 a reported value of € 24,452,671 (2015: € 18,649,975) 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:

	2016	2015
Balance as at 1 January	6,697	8,130
Project grants awarded	197,595	162,562
Project grants received	-171,731	-162,712
Exchange results on grants received	411	-1,130
End of year revaluation of outstanding contract amounts	298	-153
<b>Balance as at 31 December</b>	<b>33,270</b>	<b>6,697</b>

The remaining receivables concern project grant contracts which ended in 2016. All receivables are short-term and are expected to be received in the first

quarter of 2017. The receivables from MSF-sections increased as more grants agreed for the year were concluded at year-end.

### 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:

	2016	2015
Balance as at 1 January	21,769	7,269
Project grants awarded	5,560	32,758
Project grants suspended by MSF	-9,300	0
Project grants received	-9,739	-19,430
Exchange results on grants received	326	482
Project grants unspent	-5	-2
End of year revaluation of outstanding contract amounts	-161	692
<b>Balance as at 31 December</b>	<b>8,450</b>	<b>21,769</b>

The receivables are as follows:

Receivables from project grant contracts ended in the reporting year	600	1,780
Receivables from project grant contracts running into the next reporting year	7,770	13,737
Receivables from project grant contracts running after the next reporting year	80	6,252
<b>Balance as at 31 December</b>	<b>8,450</b>	<b>21,769</b>

In early 2016 the Board decided to suspend the grants from the EU and EU-member states for the funding of emergency aid. This resulted in a decrease of the receivables from institutional donors, including

the multi-year grant from the Dutch ministry of Foreign Affairs. The long-term receivables are counterbalanced by the long-term budgetary commitments as specified in note 3.11.

### 3.7 Receivables from inheritances in euro thousands

	2016	2015
Receivables from inheritances	13,785	8,209
<b>Balance as at 31 December</b>	<b>13,785</b>	<b>8,209</b>

Receivables from inheritances represent the valuation of the accepted inheritances for which settlement is in progress. As at December 31 receivables from inheritances include 47 properties (2015: 24 properties) that are held for sale.

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

	2016	2015
Prepayments and accrued income	4,287	3,580
Other receivables from MSF-sections	1,532	1,089
Taxes and social security contributions to be received	186	132
Debtors	48	41
<b>Balance as at 31 December</b>	<b>6,053</b>	<b>4,842</b>

All Other receivables and accrued income are short-term. All amounts receivable concern the normal course of operations. The increase in the item Prepayments and accrued income can mainly be explained by an increase of € 610,081 in the open position of confirmed orders to

suppliers for which invoices have been received but goods not yet received in the warehouse. As in 2015, in 2016 no allowance for uncollectable receivables was needed.

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

	2016	2015
Balance of cash at bank and in hand at head office	25,011	18,966
Balance of cash at bank and in hand at projects	9,884	7,193
Balance of savings accounts at head office	78,711	136,613
<b>Balance as at 31 December</b>	<b>113,606</b>	<b>162,772</b>

MSF-Holland holds its main operating cash management accounts at ABN AMRO and one at ING (NL13 INGB 0000 0040 54) which is used for public fundraising. The Balance of cash at bank held at the head office increased as higher US dollar balances are held in line with the growth of our emergency aid expenditure. In addition a 12-months' savings deposit of € 5,000,000 matured at year-end which was not renewed. Balances of cash at bank and in hand at projects increased proportionally

with the number of countries we operate in and the increased expenditure. The savings accounts held at head office are funds immediately available. Savings accounts are held in euro at the ABN AMRO (74%), Rabobank (15%), ING (8%), and ASN Bank (3%). Overall savings account balances decreased due to investments in operating assets and a higher receivables position at year-end. See also Chapter 5, Financial Risks.

### 3.10 Reserves and funds in euro thousands

	Continuity reserves	Appropriation reserves	Other reserves	Restricted funds	Total 2016	Total 2015
Balance as at 1 January	115,000	10,589	43,034	154	168,777	147,307
Movements in reserves	-13,500	-10,589	24,089	0	0	0
Allocation of the result	0	0	8,994	144	9,138	21,470
<b>Balance as at 31 December</b>	<b>101,500</b>	<b>0</b>	<b>76,117</b>	<b>298</b>	<b>177,915</b>	<b>168,777</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 investments in assets, 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 7.9 months of total expenditure (2015: 8.7

months) and 64.0% of the reserves were retained in cash at hand and in bank (2015: 96.5%). In line with our reserves policy we aim to keep a flexible liquidity position of about 25% of the current assets (inventory, receivables and cash at bank and in hand).

In order to streamline reserves and align reserves with our current operational volume and practice the Board has decided to merge the Appropriation reserves into the Other reserves. In accordance with Dutch GAAP Guideline 650 a continuity reserves is maintained next to the other reserves. The 2016 result was added to the Other reserves and Restricted funds as shown in the table above.

### 3.10a Continuity reserves in euro thousands

In accordance with reserves policies that have been agreed between the MSF-sections the Board has 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 (2015 and 2016) plus the budget for the

coming year (2017).

A risk based buffer capital provision is included in the continuity reserves calculated at € 55,000,000 corresponding to 20% 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.

In line with the intended reduction of the continuity reserves to 4.5 months the Board allocated € 13,500,000 from the Continuity reserves to the Other reserves.

The extent of the Continuity reserve is calculated as follows:

	Expenditure 2015	Expenditure 2016	Budget 2017	4.5-month average
Total expenditure	234,743	276,008	306,619	102,171
<b>Deduct:</b>				
Depreciation costs	360	623	600	198
Contributions	3,187	3,844	4,792	1,478
<b>Target continuity reserves (4.5 months) as at 31 December</b>				<b>100,495</b>
<b>Actual continuity reserves as at 31 December 2016</b>				<b>101,500</b>
<b>Buffer capital included in the continuity reserves</b>				<b>55,000</b>

### 3.10b Other reserves in euro thousands

An amount of € 33,083,363 was added to the Other reserves. This comprised the result of movements between reserves and the allocation of the 2016 result through which an amount of € 8,994,252 was added. An

amount of € 13,500,000 was transferred from the Continuity reserves. Furthermore the total of the Appropriation reserves of € 10,589,111 was transferred following the decision to streamline reserves.

### 3.10c Restricted funds in euro thousands

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

The balance of the restricted funds is calculated as follows:

	Unused at year end 2015	Receipts in 2016	Withdrawals in 2016	Unused at year end 2016
<b>Earmarked income from individuals, companies and not-for-profit organisations:</b>				
Donations for various countries	0	1,834	-1,834	0
Donation for field software implementation	0	100	-100	0
Earmarked endowment fund	80	20	0	100
Stone Fund (training of national employees)	0	33	0	33
Donation for reserves	0	111	0	111
<b>Subtotal (see also note 2.8 a)</b>	<b>80</b>	<b>2,098</b>	<b>-1,934</b>	<b>244</b>
Earmarked from inheritance property Vierhouten	74	0	-20	54
<b>Balance as at 31 December</b>	<b>154</b>	<b>2,098</b>	<b>-1,954</b>	<b>298</b>

The earmarked funds from inheritance concern the maintenance and use of the property in Vierhouten. In 2017 the endowment fund of € 100,000 will be spent on building a hospital facility. The donation for reserves received in 2016 is kept in restricted funds in this reporting year.

### 3.11 Long-term liabilities in euro thousands

	2016	2015
Long-term budgetary commitments <b>National Postcode Lottery Dream Fund</b>	0	1,639
Long-term budgetary commitments institutional donors	80	6,252
<b>Balance as at 31 December</b>	<b>80</b>	<b>7,891</b>

The Long-term budgetary commitments concern the portions of multi-year project grants and contributions that are expected to be spent in 2018. The movement in long-term liabilities is shown in note 3.12a. The Long-term budgetary commitments institutional donors concerns a multiyear agreement concluded with UNITAID.

## 3.12 Short-term liabilities in euro thousands

	2016	2015
Payables to MSF-sections	7,858	14,477
Accounts payables	5,443	3,766
Payables to head office staff and expatriate staff	3,267	2,520
Taxes to be paid	3,151	2,080
Budgetary commitments (see specification in note 3.12a)	2,141	9,761
Payables to national staff employed in the project countries	1,873	625
Budgetary commitments <b>National Postcode Lottery Dream Fund</b>	1,814	2,708
Payables to suppliers in project countries	1,145	1,250
Other liabilities	1,147	1,109
<b>Balance as at 31 December</b>	<b>27,839</b>	<b>38,296</b>

The decrease in the item Payables to MSF-sections can mainly be explained by a more timely settlement of costs paid by MSF-Belgium for jointly managed projects being carried out in Afghanistan and the more timely settlement of invoices from the joint purchasing organisations MSF-Supply (Belgium) and MSF-Logistique (France).

Budgetary commitments are commitments arising from awarded project grants for which the total eligible costs in or up to 2016 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 decrease can be explained by the decision to suspend EU-member state contracts which ran into 2017.

The item Payables to head office and expatriate staff primarily concerns payable vacation days, the accrual for vacation allowance, pension premium payable, per diem and net salary for head office and expatriate staff. The item Payables to national staff employed in the project countries includes payable net salary, accrual of vacation days and accrued severance pay.

The balance of the Budgetary commitments **National Postcode Lottery Dream Fund** concerns the portion of the total contribution that is expected to be spent in 2017.

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

The item Budgetary commitments developed in the year as follows:

	2016	2015
Balance as at 1 January	9,761	3,390
Listed under long-term liabilities as at 1 January	6,252	0
Project grants awarded by MSF-sections in this financial year (see also note 3.5)	197,595	162,562
Project grants awarded by institutional donors in this financial year (see also note 3.6)	5,560	32,758
Project grants suspended by MSF in this financial year (see also note 3.6)	-9,300	0
End of year revaluation of outstanding contracts	-338	455
Project grants realized in 2016 from MSF-sections (see also note 2.10)	-197,595	-162,672
Project grants realized in 2016 from institutional donors (see also note 2.11)	-9,709	-20,478
<b>Total project grants</b>	<b>-207,304</b>	<b>-183,150</b>
Non-allocated project grants	-5	-2
Listed under long-term liabilities as at 31 December	-80	-6,252
<b>Balance as at 31 December</b>	<b>2,141</b>	<b>9,761</b>

The budgetary commitments at the end of the 2016 financial year refer entirely to the implementation of projects in 2016 and 2017 and are thus short-term commitments.

Long-term budgetary commitments at the end of 2016 are specified under paragraph 3.11 Long-term liabilities.

### 3.13 Commitments not included in the Balance Sheet

#### Office rent agreements

Starting 1 March 2013 a rental contract for 9 years was concluded for the rental of the office of MSF-India. The total commitment arising from this rental agreement is € 1,303,243 for the period 2017-2022. Of this amount, € 225,996 refers to 2017, € 1,032,048 to the years 2018-2021 and € 45,199 to the year 2022.

#### Litigation and taxation

In a number of countries in which MSF-Holland implements projects, taxation and litigation procedures are pending. MSF-Holland maintains a litigation register. In these Financial Statements accruals are made for a total of € 70,000 (2015: € 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.





**‘As international staff we work here temporarily. But our Afghan colleagues live here, they cannot escape the war. I have endless admiration for their efforts, dedication and boundless solidarity with the people they help.’**

**Samantha Hardeman**

Nurse. Afghanistan, June 2016

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 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 of the functional currency 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.

▲ A father sits at his daughter's bedside in the women's ward of the MSF hospital in Helmand. Afghanistan, June 2016.

**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.

## 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 costs less depreciation. Costs of intangible assets are valued at acquisition cost or at production cost, at most. Intangible assets are depreciated taking into account their estimated useful life but not exceeding a five year period.

- Software is depreciated 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**

Subsequent to initial recognition, tangible fixed assets kept for 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. The following depreciation percentages are used for the operating assets:

- Land and buildings: land and buildings were acquired as at 30 November 2016 and are valued at acquisition costs including non-refundable transaction taxes. Management considers separating the valuation of the land and the building. In 2017 the future valuation

and the depreciation method and percentages will be established.

- All other operating assets (furniture and fixtures and ICT-hardware) are depreciated at a rate of 20%.

On the balance sheet date, management assesses and establishes whether fixed 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.

Purchase costs of 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 assesses and establishes whether fixed assets may be subject to impairment. At balance sheet date no impairment was applied.

**Financial assets**

Financial Assets on the balance sheet concern loans and other receivables that will be held to maturity. As there is no open market these financial assets are recognised at 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 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.

### 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.

### 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 no significant events occurred after the reporting period which should be included.

### Pensions and pension provision

MSF-Holland has a number of pension schemes to which the provisions of the Dutch Pension Act are applicable. Such pension schemes apply to employees for which the provisions of Dutch labour law applies. 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.

(A) As of 1 January 2013 a pension scheme for employees was entered into with a Premium Pension Institution (PPI). All contributions have been paid in full. 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 staffel) with a maximum build-up of 1.875%. 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 in 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.

### 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 the carrying amounts given the mid to short term nature of the claims and that, where necessary provision for bad debts are formed.

## 4.2 Accounting policies on the expenditure and income

In 2016 cost allocation keys were reviewed and brought in line with current operational practice of the organisation. The cost allocation keys are consistently applied within the network Médecins Sans Frontières. The overall impact of the changes between cost categories is limited. Significant changes within cost categories are further disclosed in the notes to these Financial Statements where they are apparent.

### 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 and contracts provided to third parties are stated as costs on the awarding date.

### Preparation and programme support costs

Costs of preparation and 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 project 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, preparation and 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 are reported in chapter 6, Partnerships. These costs are not included in the MSF-Holland Financial Statements.

### 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 conduct.

The allocation of costs for information and awareness raising and the categories stated below are amongst others based on the following guideline:

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

### Cost of acquiring income

As of the reporting year 2016 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 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;
- 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 made 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 made 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 own fundraising.

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

EXPENDITURES	Management & administration	Overhead	Explanations
Board and association	100%	-	
General Director, Director Resources, Delegate Director	100%	-	The Medical Director and Director Operations are attributed to preparation and programme support
Heads of department 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 preparation and 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 preparation and 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
Costs of settlement and administration of acquired inheritances	-	-	All to cost acquiring income fundraising including their direct legal expenses
Legal counsel	50%	-	Other 50% to preparation and 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. Deviations from this estimate are processed at the time of receipt of settlement of the inheritance.

### Membership fees

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

### 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 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



© Charlotte Morris

**‘From the moment I get to the malnutrition ward I’m really busy, I don’t stop. If you waste any time, this can have terrible consequences. A malnourished child can fall into death very quickly.’**

**Benedicte La-Toumbayle**

Nurse, Chad, August 2016

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 tot financial risk as risk-averse, avoiding risk and uncertainty. For its foreign currency exposure the risk appetite is cautious, having preference for sale options that have a low degree of risk but accepting that with working worldwide some uncertainty may be expected.

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.

▲ Zenaba (left) with her two children in the intensive care unit of the MSF hospital in Bokoro. Her youngest daughter has malaria and is severely malnourished. Chad, August 2016.

## 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. Since the end of 2015 we have a credit risk exposure for one bank in the Democratic Republic of Congo to a total amount of USD 45,801 due to pending bankruptcy.

Cash and cash equivalents held in Amsterdam are spread over five banks: ABN AMRO, ASN Bank, ING, Rabobank and Van Lanschot. Although we aim to avoid significant concentration of our exposure to a single financial institution, currently about 69% (2015: 70%) of

our funds are held at ABN AMRO. As at 31 December 2016 approximately 70% of the shares of ABN AMRO were state owned. We renewed the cash management agreement with ABN AMRO for a 3-year period starting 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 all savings deposits are held in euro. Subsequently there are no investments or exchange results included in this overview. Limited progress has been made in further developing an investment policy for MSF-Holland. In view of the interdependencies with the other MSF-sections it has been decided to await an overall investment policy framework at the level of MSF-International.

With the shifts in funding of our emergency aid and the increased investment in operating assets, cash and cash equivalents have diminished at year end and on average during the year, thus reducing our liquidity risk exposure.

<b>Credit funds savings deposits</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	<b>136,613</b>	113,875	92,198	81,945	82,350
Balance as at 31 December	<b>78,711</b>	136,613	113,875	92,198	81,945
<b>Movement during the year</b>	<b>-57,902</b>	<b>22,738</b>	<b>21,677</b>	<b>10,253</b>	<b>-405</b>
Net result cash at bank (income from interest)	<b>392</b>	918	1,058	1,371	1,584

Our exposure to institutional donor grants credit fund risk has reduced compared to previous years as the amount of institutional income decreased to about 3% of total income. At the end of 2016 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 2016 only bank savings deposits 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:

	2016	2015	2014	2013	2012
Percentage of interest received on the average of savings deposits	0.4%	0.7%	1.0%	1.6%	1.9%

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 1.1% over 2016, average inflation world-wide and specifically in the countries where we work is higher. In the short-term, banking policies towards corporate savings are becoming more restrictive and are resulting in a downward pressure on interest income. Based on the current agreements with the banks and the

distribution of savings we do not anticipate we will realise any negative interest rates on our savings accounts in 2017. Capital preservation and the assumed low interest rates in the mid-term have been considered in the cost-effectiveness analysis of the purchase of the office building, reducing the risk on holding credit funds and realising cost savings.

## 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 kroner 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 2016 85% 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 2016 about 36% (2015: 38%) of the total expenditures were in euro. A total of approximately 74 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 20% (2015: 21%) of the total expenditure was in US dollar. Various other foreign currencies make up the remainder of 44% (2015: 41%) of the total expenditures. In 2016 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:

	2016	2015	2014	2013	2012
Realised exchange results from transactions in non-euro currencies	1,574	-1,247	108	-1,185	204
Unrealised exchange results from transactions in non-euro currencies	18	1,084	1,561	-650	-26
<b>Total exchange result from transactions during the year</b>	<b>1,592</b>	<b>-163</b>	<b>1,669</b>	<b>-1,835</b>	<b>178</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 2016 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 2015 the total exposure increased from €19.8 million to €39.3 million. This is caused by the much higher receivables from MSF-UK in pound sterling and MSF-USA in US dollar. The relatively high receivable of GBP and the inherent currency exchange risk are short-term. The balance in US dollar remains high as this is a principle currency used in our projects.

Currency	FX balance sheet exposure in currency at 31-12	Exchange rate at 31-12	FX balance sheet exposure in euro at 31-12	Strengthening	Weakening
AUD	-258,840	0.6851	-177,331	-4,433	4,433
CAD	1,637,215	0.7048	1,153,909	28,848	-28,848
CHF	-308,665	0.9312	-287,429	-7,186	7,186
DKK	-19,792	0.1345	-2,662	-67	67
GBP	10,156,308	1.1680	11,862,568	296,564	-296,564
HKD	-62,764	0.1223	-7,676	-192	192
JPY	-5,190,859	0.0081	-42,046	-1,051	1,051
NOK	-342,042	0.1101	-37,659	-941	941
SEK	25,973,250	0.1047	2,719,399	67,985	-67,985
USD	25,418,295	0.9487	24,114,336	602,858	-602,858
			<b>39,295,410</b>	<b>982,385</b>	<b>-982,385</b>

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

In 2015 exchange rate developments had a significant impact on our expenditure on emergency aid as well as our income. At the end of 2015 we anticipated that the main exchange rates would fluctuate in the same bandwidth in 2016. The US dollar, which is the currency with the highest impact on our income and expenditure, developed in 2016 in line with this outlook. Some of our local currencies showed more fluctuations. In 2016 the main impact on the euro value of the expenditure on emergency aid was caused by substantive local currency devaluations in Haiti (HTG), Nigeria (NGN) and Yemen (YER). As a result, expenditure on emergency aid was tempered by an estimated € 7.3 million. Realised income from the MSF-sections and from institutional donors ended approximately € 8.1 million lower due to the

exchange rate effects. The share of the British Pound accounted for an estimated € 7.4 million of the lower income. For the short-term we remain of the view that the main exchange rates as they have developed in 2016 will remain around current values and bandwidth and have taken these as starting point 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 2017 this sensitivity analysis is taken into account in the decision making.

Sensitivity analysis	Change	Estimated impact	On	Assumption
Income	<b>+/- 5%</b>	+/- € 14 million	result	No change in planned expenditure
Income from MSF sections	<b>+ 5%</b>	+ € 11 million	result	Continuation of trend
Emergency aid expenditure	<b>- 5%</b>	+ € 13 million	result	No change in income and continuation of trend
USD	<b>+/- 10%</b>	+/- € 1.4 million	result	Stable income from MSF-USA and MSF-Hong Kong, no change in cost base emergency aid
GBP	<b>+/- 10%</b>	+/- € 2.6 million	result	Stable income from MSF-United Kingdom no change in cost base
Other operating currencies	<b>+/- 5%</b>	+/- € 6 million	result	No change in cost base emergency aid
Interest rate	<b>- 400bp</b>	- € 0.3 million	result	Interest rates to 0% but not below 0%

## 6 Partnerships



© Rogier Jaarsma

**'The refugee camp is in the grounds of the UN mission in the region. I've worked in many distressing places, but I've never been anywhere as bad as this. When it rains, you're up to your knees in mud. Yet at the same time it's boiling hot and there's far too little food and water.'**

**Evita Looijen**

Nurse, South Sudan, June 2016.

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 2016 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 2017.

▲ An estimated 110,000 displaced people are living in the United Nations camp in Bentiu. The MSF hospital is the only hospital in the area. South Sudan, June 2016.

## 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 2 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 2016, MSF-Holland's share was 5.74% (2015: 5.83%) of the total expenditures of the association Médecins Sans Frontières International. In 2016 the contribution totalled € 646,700 (2015: € 663,606).

In 2015 the expenditure of MSF-Holland was 18.3% (2014: 18.8%) 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 an operational 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 Operation Centre Amsterdam (OCA) only concerns the execution and direct 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 6 voting members, 3 co-opted non-voting members designated from MSF-Canada, MSF-Sweden and MSF-South Asia and a co-opted 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 voting members;
- The treasurers of the OCA-partners plus the treasurer of MSF-Canada are members of the Audit Committee that is chaired by an independent expert chairperson;
- The chair of the Audit Committee is a non-voting

member of the OCA-Council and reports to the MSF-Holland Board meetings;

- 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-UK actively participate in the day-to-day management of the project execution. Together with four 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 is run by the individual MSF-sections.

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

<b>in euro thousands</b>	<b>2016</b>	<b>2015</b>	<b>FTE 2016</b>	<b>FTE 2015</b>
MSF-Holland preparation and programme support costs	<b>20,172</b>	15,827	<b>189</b>	153
Costs outsourced activities MSF-Germany	<b>1,510</b>	1,593	<b>18</b>	18
<b>Total preparation and programme support costs</b>	<b>21,682</b>	<b>17,420</b>	<b>207</b>	<b>171</b>
<i>(as a % of the total spent on Association goals - policy standard is 8%-10%)</i>	<i>8.3%</i>	<i>7.9%</i>		

## 6.3 Contributions

- In 2016 MSF-Holland contributed € 291,825 (2015: € 258,243) to the MSF-International campaign Access to Essential Medicines. In 2016 the share of MSF-Holland was 5.74% (2015: 5.83%) of the expenditure of the campaign.
- In 2016 MSF-Holland contributed € 229,600 (2015: € 233,200) to the grant of MSF-International to the Drugs for Neglected Diseases initiative (DNDi). MSF-Holland's contribution represented 5.74% (2015: 5.83%) of the total grant of MSF-International to DNDi.
- In 2016 MSF-Holland contributed € 2,395,631 (2015: € 1,954,010) 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 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 2017 a contribution of € 2,325,352 is conditionally committed.



## 6.4 International financial cooperation

Within the network Médecins Sans Frontières agreements were made 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 5 operational centres, the

relative share of the net income from some of the MSF-sections that MSF-Holland relies on for part of its funding changed compared to the previous agreement (2012-2015). As the overall income of MSF-Germany, MSF-United Kingdom and MSF-USA is growing relatively fast MSF-Holland retains a solid income from the MSF-sections.

Share of net income to MSF-Holland	2012-2015	2016-2019	Currency
MSF-Canada	70%	40%	CAD
MSF-Germany	70%	70%	EUR
MSF-United Kingdom	70%	70%	GBP
MSF-Hong Kong	30%	30%	EUR
MSF-Austria	30%	0%	EUR
MSF-United States	variable	16%	USD
MSF-Sweden	20%	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 local 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.
- In a number of countries where MSF has emergency aid projects, insurance coverage is limited as specific risks are not covered in the market. For these, further agreements have been made between the MSF-sections.
- 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 2016 will be published after the publication of the MSF-Holland Financial Statements. The anticipated publication date is 22 May 2017. As of the reporting year 2015 the Combined Financial Statements are audited against Swiss GAAP-FER. The Combined Financial

Statements for 2015 are accompanied by an unqualified opinion issued by *KPMG SA* and *Ernst & Young SA*, Geneva, Switzerland. The Combined Financial Statements can be found on MSF-Holland's website [www.artsenzondergrenzen.nl](http://www.artsenzondergrenzen.nl) or [www.msf.org](http://www.msf.org).



**‘The most badly hit area is the department of Grand-Anse. Our aid workers are providing aid there and in the whole of south-west Haiti. Many roads are impassable and bridges have been washed away. We are particularly focusing on the areas where people have received no help at all.’**

**Annemarie Loof**

Operational manager, October 2016

The Financial Statements are prepared by the management of MSF-Holland. On the condition of obtaining an unqualified opinion of the independent auditor the Financial Statements were unanimously adopted by the Board of the Association MSF-Holland in its meeting of 8 April, 2017. The Financial Statements will be presented for approval to the General Assembly to be held 20 May 2017.

Amsterdam, 8 April 2017

**The Association Board and the General Director**

▲ A helicopter has flown in materials for a hospital and mobile clinics used by MSF to provide medical aid to victims of the hurricane. Haiti, November 2016.



## Independent auditor's report

# Annex 1

## Forward Statement



© Ton Koene

**'A good day is when 8 out of 10 patients survive. When injured children recover. When patients get the best possible care.'**

**Alison Buchanan**

Nurse. Iraq, May 2016

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 and income in 2014 which continued in 2015, the forward planning cycle was changed into a rolling forecast that is evaluated and agreed every year. As a result, budget projections are adjusted regularly allowing better steering of expenditure, income and reserves 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 2017, 2018 and 2019 deficit spending is projected. Management and Board have agreed to ensure overall reserves will not fall below 4.5 months of total expenditure and will manage expenditure and income accordingly.

▲ Nurse Alison Buchanan at work in the emergency department of the Sulimaniya hospital. Iraq, May 2016.

## A.1.1 Development of staffing in fulltime equivalents

	Actual 2015	Actual 2016	Budget 2017	Projections 2018	Projections 2019
Expatriate staff	740	765	780	832	865
Office staff Amsterdam	226	262	291	303	313
National staff in projects	7,675	8,860	10,126	10,900	11,500
<b>Total staff</b>	<b>8,641</b>	<b>9,887</b>	<b>11,197</b>	<b>12,035</b>	<b>12,678</b>

## A.1.2 Emergency aid development

With emergency aid programmes in 34 countries in 2016, we exceeded our expectation to operate 25-27 missions. We continue planning based on the assumption that each mission will have an average of 3 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 8% per year.

To enable us to deliver our medical and operational plans and our ambitious increases in private fundraising, we started improving our management capability and the

service delivery of our headquarters' support to the field. The anticipated steep growth of headquarters based programme support, and management and administration indeed started in 2015 and accelerated in 2016. As many of the improvement projects will start delivering in the course of 2017, a slowing down is expected in the following years. The income is projected to grow at an average of 5% per year in the next years, with the share of income from institutional donors decreasing to about 2% of the expenditure on emergency aid.

## A.1.3 Investments

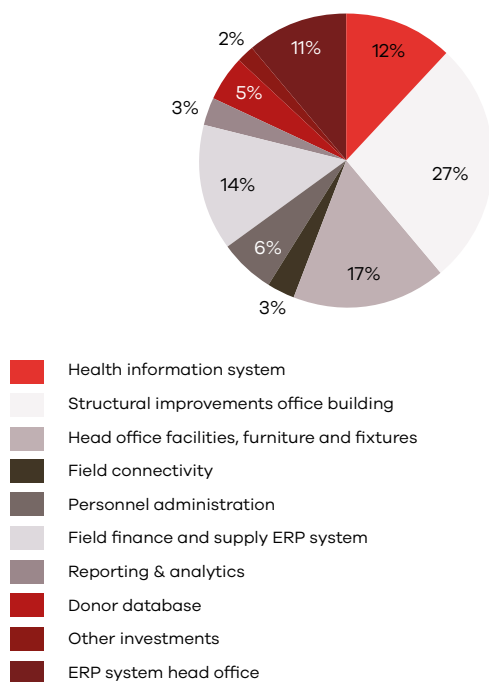
Investments in our support capacity and our systems to increase the effectiveness and efficiency of our operations as envisaged in the OCA Strategic Plan 2015-2019 are well under way.

The Health Information System dealing with the increasing complexity of our medical programming which requires accurate and complete patient data to be readily available is under development.

Preliminary work on replacing the 13 year old ERP system in order to optimise our supply chain, financial accountability and the management of over 10,000 staff

was completed. A new system has been selected and will be implemented for a large part in 2017. The ongoing improvements to field connectivity and standardisation of automation will continue in 2017 and 2018. Reporting & analytics improvements are already yielding results and will further develop in 2017. For the donor database a mapping of requirements was completed. The head office facilities upgrade is in execution planning phase, in conjunction with overdue maintenance work and structural improvements to the building. 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 2015	Actual 2016	Budget 2017	Projections 2018	Projections 2019
<i>Spent on Association goals</i>					
Emergency aid	200,734	<b>235,465</b>	<b>260,000</b>	280,800	303,264
Grants provided to third parties	2,265	<b>2,705</b>	<b>3,250</b>	3,593	4,122
Preparation and programme support	15,827	<b>20,172</b>	<b>22,740</b>	22,332	23,113
Information and awareness raising	2,669	<b>2,621</b>	<b>3,087</b>	3,229	3,251
<b>Total spent on Association goals</b>	<b>221,495</b>	<b>260,963</b>	<b>289,077</b>	<b>309,954</b>	<b>333,750</b>
<i>(in % of total income - target is &gt; 85%)</i>	<i>87%</i>	<i>92%</i>	<i>100%</i>	<i>101%</i>	<i>101%</i>
<i>(in % of total expenditure - target is &gt; 90%)</i>	<i>94%</i>	<i>95%</i>	<i>94%</i>	<i>94%</i>	<i>95%</i>
Cost of acquiring income	8,102	<b>9,239</b>	<b>10,097</b>	10,425	10,552
<i>(as a % of the total income - target is &lt; 5%)</i>	<i>3.2%</i>	<i>3.3%</i>	<i>3.5%</i>	<i>3.4%</i>	<i>3.2%</i>
Management and administration	5,146	<b>5,806</b>	<b>7,445</b>	8,190	8,393
<i>(in % of total expenditure - target is max 3%)</i>	<i>2.2%</i>	<i>2.1%</i>	<i>2.4%</i>	<i>2.5%</i>	<i>2.4%</i>
<b>Total expenditure</b>	<b>234,743</b>	<b>276,008</b>	<b>306,619</b>	<b>328,569</b>	<b>352,695</b>
<i>(as a % of the total of income)</i>	<i>92%</i>	<i>97%</i>	<i>106%</i>	<i>107%</i>	<i>107%</i>
<b>INCOME</b>					
Income from individuals, companies and not-for-profit organisations	51,819	<b>59,549</b>	<b>57,336</b>	60,705	62,633
Income from <b>National Postcode Lottery</b>	18,500	<b>13,500</b>	<b>13,500</b>	13,500	13,500
Income from <b>National Postcode Lottery Dream Fund</b>	1,662	<b>2,533</b>	<b>1,814</b>	0	0
Grants from MSF-sections	162,672	<b>197,595</b>	<b>212,400</b>	225,500	247,500
Grants from institutional donors	20,477	<b>9,709</b>	<b>5,000</b>	6,000	6,000
<i>(as a % of the emergency aid expenses)</i>	<i>10%</i>	<i>4%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>
Other income	328	<b>276</b>	<b>0</b>	0	0
<b>Total Income</b>	<b>255,458</b>	<b>283,162</b>	<b>290,050</b>	<b>305,705</b>	<b>329,633</b>
Result from operational activities	20,715	<b>7,154</b>	<b>-16,569</b>	-22,864	-23,062
Net financial income and expenses	755	<b>1,984</b>	<b>150</b>	150	150
<b>RESULT EXPENDITURE AND INCOME</b>	<b>21,470</b>	<b>9,138</b>	<b>-16,419</b>	<b>-22,714</b>	<b>-22,912</b>

## Colophon

### Publication

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Cover photo: The clinic that MSF runs in the UN protection of civilians camp in Bentiu. South Sudan, 2016. © Rogier Jaarsma