



IRC

May 2017

Annual Accounts 2016

IRC



Supporting water sanitation
and hygiene services for life

IRC
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Corporate information

Legal form:	Foundation
Corporate name:	Stichting IRC, International Water and Sanitation Centre
Statutory seat:	The Hague, The Netherlands
Chamber of Commerce registration nr:	41151952
CEO:	1 January – 31 December 2016, Moriarty, Patrick Barré

Dates of (re)nomination of the Supervisory Board members:

	Accession or Reappointment in	Resignation, resp reappointment in	
Ms. R. van der Sijp	2007, 2011	May 2017	(Resignation)
Mr. H. van Dord (Chairman)	2009, 2013	May 2017	(Resignation)
Mr. P. Cross	2013	March 2017	(Deceased)
Mr. R. Bos	2013	2017	(Sabbatical as from March 2016)
Mr. H. den Boer (Treasurer)	2014	2018	
Ms. M. Meera	2014	2018	
Mr. A. de Wilde	2016	2020	
Mr. E. Wegelin	2016	2020	

Report of the Supervisory Board

The IRC Supervisory Board met three times during 2016, with the presence of the CEO and CFO. There were a number of additional meetings during the year among Supervisory Board members and the CEO on various topics and among the Treasurer and the CFO. The Chair and the dedicated trust person of the Supervisory Board had two meetings with the Works Council. The Supervisory Board consists of seven members.

During 2016, the Chair and the Treasurer of the Supervisory Board had three Audit Committee meetings with the CEO and CFO, in preparation of the formal Supervisory Board meetings. The Audit Committee meetings discussed finance-related issues.

In 2015 a member of the Supervisory Board visited the Ghana office. In January 2017 the Chair and the Treasurer of the Supervisory Board visited the Burkina Faso office. During the visit to the Burkina office they participated in discussions about their strategic plan, visited several organisations important for IRC Burkina and they also visited a project in the field.

The Supervisory Board appreciates the transparency in the different discussions it had in The Hague office as well as in Burkina Faso. The passionate and professional efforts of the staff of the whole organisation to implement IRC's mission are well noted and sincerely appreciated. The goal of sustainable WASH services for all is a human right which is not achieved in large parts of the world. IRC wants to continue to play a substantial and visible role in the sector. This role in an international environment also brings financial risks which grow with the expansion of the international part of the organisation. The Supervisory Board is very happy that it was possible in 2016 to strengthen the reserves of the Foundation. Therefore the Supervisory Board is confident that IRC will be able to continue to play its role in the near future.

Director's statement

At IRC, we want every person in the world to enjoy their human right to safe water, sanitation and hygiene, now and forever.

Our mission is to work with people in the poorest communities in the world, with local and national governments, with non-governmental organisations (NGOs) and with the private sector, to develop water, sanitation and hygiene (WASH) services that last not for years, but forever. We identify the barriers to making this happen and we tackle them. We help people to make the change from short-term interventions to long-term services that will transform their lives and their futures.

2016 delivered important proof of concept for IRC's new structure and business model with a large positive result. Nevertheless, the year was something of an exception and as such while welcome this result should be treated with caution and the business model requires further testing and strengthening in 2017.

After two years of negative results (2013, 2014) and a small positive one in 2015, the €298 thousand result for 2016 is welcome proof that a new and more realistic tariff calculation is working. Taken together with other aspects of a strengthened cost and revenue model, particularly a first full year of running individual Profit & Loss accounts at the country level, this is welcome confirmation that the restructuring and reform of IRC's business model is bearing fruit.

This said, 2016 was something of an exception, with a major new programme (Watershed: empowering citizens) starting up and an additional grant of €1 million from DGIS both arriving at a time while the last year of core funding from DGIS and the Bill and Melinda Gates Foundation still remained. As a result, the strong positive result posted can be seen as providing proof of concept for a reformed cost and revenue model – but not necessarily as indicative of performance in years to come.

2016 saw further developments in IRC's overall business model, with an entirely new business development team; incorporation of IRC Consult into IRC (having been run as a joint venture with Aguaconsult for the two previous years); recruitment of a staff member and establishment of a presence in the USA; and, formalisation of our country office in Ethiopia (together with posting of an expatriate member of staff). The sad and unexpected death of Ton Schouten, head of business development in May, caused a major shock to the whole organisation and put unprecedented pressure on a very new and untested business development team. Despite this, new projects worth €5.5 million were brought in during the year with a further €15.5 million in the pipeline for 2017-2021.

2016 was the final year in IRC's 2012-2016 business plan period, and saw an external End of Programme Evaluation carried out on the request of DGIS. This evaluation was strongly positive, finding that IRC had broadly succeeded in attaining its goals for the period while also identifying areas for further strengthening. The evaluation also gave a strong recommendation to DGIS to continue providing support to IRC for areas of its work that remain difficult to fund from the market. During the second half of the year, IRC developed an ambitious new strategic framework for the period 2017 to 2030 – aligned to the Sustainable Development Goals. Under this new Strategy IRC intends to both broaden (with the addition of up to four new focus countries in the next five years) and deepen (through the selection of partner districts) its Country Programmes with the aim of increasing its impact. At the same time, it will keep its International Influencing and Innovation Programme and IRC Consult as two other pillars of its business model.

The first year of the new strategy, 2017 will be a second crucial year in testing IRC's new business model with all core funding from the previous business period exhausted. At the time of writing IRC continues to await confirmation of five years of additional programmatic funding from DGIS. Once this is confirmed, IRC will be well on track to having achieved its financing goals for 2017 and will have reached approximately 50% of its overall goal of €58 million for the next five years. Priorities in the year include; opening an office in India; updating human resource management; documenting IRC's new business model; further consolidation of the decentralised profit and loss accounting; and, development of a new monitoring system to support the new strategy.

IRC conducted a risk assessment workshop in the fall of 2016, facilitated by PWC, in where it established the necessity of a capital buffer of €2 million (based on a probability of needing capital from a third party once every 10 years). In addition to reputational risks and political turmoil in project countries, IRC's main risks are not having sufficient flexible programmatic funding, a too high level of pre-financing obligations on projects (with a direct effect on liquidity) and the sudden unplanned departure of key staff. Besides, IRC remains own-risk bearer for unemployment benefits in the Netherlands. Based on the risk assessment workshop a Monte Carlo exercise was conducted to establish the financial consequences of the identified risks.

Financial report

The IRC income statement over 2016 shows the results of decisions made during previous years: IRC rebranded itself and invested in acquisition and business development (2013), a major cost reduction took place (2014), followed by internal restructuring (2015) and adjustments to the business model (2016). These changes came with investments, resulting in significant negative annual results during 2013 and 2014. The 'break-even' in 2015 was followed by a healthy – though planned – positive annual result over 2016. IRC has navigated itself through a bottleneck period, laying the foundation for an improved financial viability in times of increased unpredictability in funding streams.

IRC's gross revenue increased from €7.78 million in 2015 to €9.26 million in 2016, close to the desire to hit the €10 million again. The increase in revenue is due to a €1 million top up on the DGIS Subsidy Agreement and the start of the Watershed Strategic Partnership. Other major acquisition results were the awarding of a strategic planning grant from the Conrad Hilton Foundation and two USAID-funded projects, with a total contracted volume of €5.5 million.

By the end of 2016, IRC had a total contracted volume for 2016 of €11.32 million – which is 99% of the budgeted €11.39 million. The total budget uptake on the contracted volume was 82%, which is mainly because of a lower than planned budget exhaustion in the Watershed Partnership (i.e. 74%), and lower uptake of (partner) budgets in five large multi-annual projects in Ghana, Burkina Faso, Ethiopia and the International Program. In most cases, the unspent budgeted volume will be allocated in future year(s).

To achieve its mission and ambition, IRC works with partner organizations and Associates / consultants. From the total gross revenue in 2016, 28% went to partner organizations and 9% to consultants. An additional 18% was spent on other project costs like travel, meeting venues and equipment. In total, 54% of the gross revenue of €9.26 million went to third parties and was not available for IRC's indirect cost recovery.

Total personnel-related expenses during 2016 were €3.40 million, of which €3.26 million were formation costs – some 10% lower than budgeted due to unforeseen staff departures (without them being replaced). From the formation costs, 71% are for staff in IRC the Netherlands. The gross general administrative expenses were €735,456 – some 23% lower than budgeted. The gross general administrative expenses are inclusive of €142,521 personnel-related general administrative expenses (like training, pay-roll, insurances and ARBO).

The total amount of personnel-related provisions reduced from €269,777 to €191,901. These provisions mainly include employee leave rights, reservations for unemployment benefits and hypo-tax.

IRC closed the year 2016 with a positive annual result of €298,302 – inclusive of a financial income (a.o. exchange rate results) of some €47,586. The encouraging annual result is slightly above the planned result of €284,091. Half of the annual result will be added to the foundation's general reserves, while the other half will form a first build-up of earmarked reserves. These reserves are earmarked for unemployment and exchange rate risks, investments in ICT and financial systems, and a potential office move in 2019.

During 2016, IRC benefited from a total of €1,750,814 of programmatic core funding from DGIS (19 % of total income), which is part of IRC's five- year funding agreement with DGIS for a total of €10,670,000 during the Business Plan period 2012-2016. In February 2016, DGIS made available an additional €1,000,000 as a supplement to the funding agreement. This agreement has come to an end in 2016.

IRC's liquidity position is narrowing further. During the past years the amount of cash and cash equivalents decreased significantly, with €2 million annually in 2014 and 2015. During 2016, the cash and cash equivalents further decreased with € 812.490. IRC remains however capable to fulfill its short and long-time financial obligations. The need for IRC to pre-finance its work is increasing, as more donors are only refunding work that has been accomplished. As such, it becomes even more important for IRC to monitor its cash position to ensure short term obligations can continue to be fulfilled.

Forward looking statement

Just like the previous year, 2017 will be yet another exceptional year. The long-standing DGIS Subsidy Agreement has ended and the significant exchange rate results from the Gates Foundation (TripleS project) have been largely spent. Both of these represented large portions of funding that was so well aligned to IRC's programmatic needs that it could effectively be considered as 'core' funding. While IRC has managed to maneuver itself through a first 'bottleneck period' in 2015, it will now have to continue to adapt itself to a new medium-term reality of continuing unpredictable funding streams, reduced liquidity and a sub-optimal level of strategic reserves.

Over the period 2012 to date IRC has largely transformed itself from a Netherlands-based knowledge centre to a decentralised 'Think and Do Tank' with strong, respected and demanded presence both globally and in its focus countries. This transformation has included among others: the developing of a new brand and digital presence; opening of four country offices (and two more planned in 2017); the developing of IRC Consult as a consultancy sub-brand; creating a new internal governance structure; adjusting further the Business Model; and agreeing with the union on new employment conditions. All these changes and measures are to facilitate general acquisition and financial viability.

IRC is seen as valuable partner because of its vision, its passionate professionals and its physical presence in a number of its focus countries. Its brand, mission and messages resonate well in the WASH sector – confirmed by the very positive End of Program Evaluation from DGIS on the previous Business Plan, the feedback from the Hilton Foundation, the requests to join consortia for USAID-proposals and, above all, the growing movement under the Agenda for Change that was launched in 2015 together with like-minded organisations. The Agenda for Change will form the guiding framework under which IRC will position its offer to the global WASH sector in the new era of the Sustainable Development Goals.

The Annual Plan 2017 includes the IRC ambition to grow again to an organization with more than €10 million of gross revenue. The foreseen Annual Result over 2017 will be about half of the realized Result over 2016; i.e. €132,858. Though positive, this lower Result will be due to an increased budget component for partners and consultants, a planned increase in formation costs and a remaining gap in work to be contracted. The Annual Plan 2017 assumes however that DGIS will grant IRC ongoing programmatic funding of approximately €1 million up to 2021.

Of the IRC ambition of €10 million for 2017, almost 95% has been contracted by April – a percentage that is comparable with the status a year ago.

Beyond 2017

Despite the relative positive signals for 2017, the period from 2018 onwards remains uncertain. IRC's management has set ambitious growth targets for the coming years – linked to an intention to expand from the current six to ten focus countries by 2020. The target for total turnover in the upcoming five-year period is €58 million, an increase from the €51 million in the previous five-year business plan (2012-2016). At present, €24 million (41%) has been contracted for the period 2017-2021, with a further €4.8 million under negotiation with DGIS and expected to be contracted by mid-2017. This would mean an average annual fundraising target of some €7.5 million to fill the gap, which is considered realistic in relation to previous years.

Taken together, the funding outlook for IRC is uncertain with a range of possible outcomes. To cater to this uncertainty, IRC developed a set of outline scenarios to guide their thinking and action during 2017. These range from broad achievement of fundraising targets under an ideal scenario, to only incremental increase on what has already been acquired in the worst case. A number of priority actions have been identified to ensure that regardless of the scenario, IRC is in a position to continue as an organisation and to achieve as many as possible of its ambitions.

These include:

- Further improving, consolidating and documenting the business model (including the cost and revenue model) and streamlining financial administrative systems;
- DGIS and the Conrad N. Hilton Foundation are **business critical drivers** – and a focus for action;
- Continued success in **building partnerships** and attracting funds from the market underpin all scenarios, with particular attention to the **funding for focus countries** and the ‘difficult to finance activities’ (e.g. communication, innovation, business development, project control)
- **Strengthening IRC’s Strategic Partnerships department** (formerly known as Fundraising and Business Development department); and
- **Building up the new philanthropic market.**

IRC is a going concern.

The year 2016 ended with a significant positive annual result, leaving behind the ‘bottleneck period 2014–2015’ and laying the foundation for the years to come. The reserves position of IRC has improved but remains too low in view of the preferred capital buffer. Adjustments made in the cost and revenue model should facilitate the full recovery of indirect costs and provide the potential for an increase in equity.

IRC is clearly a ‘going concern’ in 2017, with almost 95% of its (decreased) budget ambition already contracted work. It is assumed that IRC will attract new DGIS programmatic funding and becoming a grantee for the Hilton Foundation.

IRC has developed three scenarios for the near future, hoping that it can continue as mission-driven Think and Do Tank. To achieve this, it will need to secure additional programmatic funding (assumed to come from DGIS and the Hilton Foundation). With only partial success, IRC will still be able to pursue its mission and continue with most of its country programs (the ‘Do Tank’). In this scenario, it will however find it more difficult to sustain funding for international influencing, communications and thematic innovation.

IRC realizes that the future has become ever more unpredictable, necessitating adequate reform in its cost and revenue model – including the adjustments made to primary and secondary labor conditions in the new Collective Labor Agreement (CAO). The decentralization process is developing well, with the various (country) business units further maturing. IRC has positioned itself as an attractive partner in the WASH sector with an Agenda for Change that is well understood. The general context may have become more unpredictable for IRC, it is however confident that it can be instrumental in facilitating change in the WASH sector the years the come.

Acknowledgements

IRC would like to thank all of its donors and partners in 2016. In particular we are grateful to the Dutch government for its continued flexible support to our programmes, essential to allow us to remain innovative and flexible in the face of rapid sector change. We are equally grateful to the many other donors who have funded our work, notably the European Union, the Bill and Melinda Gates Foundation, UNICEF and the Conrad N. Hilton Foundation - as well as 45 others in 2016.

Partnership is at the core of how IRC works and we acknowledge the many partners with whom we have worked during the year, particularly the governments of our focus countries who we have striven to support and without whom our vision of a transformed WASH sector capable of bringing services to everyone cannot be achieved.

IRC's primary contribution to our mission is our people and the knowledge, skills and passion they bring to their work. I would like to thank all IRC staff for their continued commitment during another year of change and challenges - during which they continued their commitment to cutting edge and transformative work.

The Hague, May 2017

Dr. P. B. Moriarty,
CEO

Balance Sheet as at 31 December 2016

(After profit appropriation)

(For further explanation please see chapter "Notes to the balance sheet")

		<u>31 December 2016</u>		<u>31 December 2015</u>	
		€	€	€	€
ASSETS					
Non-current Assets					
Tangible fixed assets	1	<u>58.309</u>		<u>80.717</u>	
			58.309		80.717
Current assets					
Accounts receivable services	2	421.526		550.135	
VAT receivable	3	20.333		25.257	
DGIS subsidy	4a	570.425		0	
Other receivables	5	191.801		167.209	
Cash and cash equivalents	6	<u>2.860.085</u>		<u>3.672.575</u>	
			4.064.170		4.415.176
Total assets		<u>4.122.479</u>		<u>4.495.893</u>	
LIABILITIES					
Reserves					
Foundation's general reserves	7	855.781		706.630	
Earmarked reserves	8	<u>149.151</u>		<u>0</u>	
			1.004.932		706.630
Provisions					
Jubilee provision	9	5.047		31.559	
Redundancy costs staff	10	6.619		64.169	
Other staff related provisions	11	<u>180.235</u>		<u>174.049</u>	
			191.901		269.777
Current liabilities					
DGIS Watershed subsidy	4b	971.779		0	
DGIS subsidy	4a	0		51.379	
Short term net balance Gates Foundation	4c	47.539		929.211	
Short term net balance on projects	12	1.430.652		2.014.309	
Tax and Pension premiums payable	13	70.945		73.416	
Creditors services	14	143.330		157.061	
Other current liabilities	15	<u>261.401</u>		<u>294.110</u>	
			2.925.646		3.519.486
Total liabilities		<u>4.122.479</u>		<u>4.495.893</u>	

INCOME STATEMENT FOR 2016

(For further explanation please see chapter "Notes to the income statement")

	2016 Actual €	2016 Budget €	2015 Actual €	2015 Budget €
INCOME				
16 Core program funding (DGIS and Gates Foundation)	2.632.486	2.368.536	2.598.581	1.900.000
17 DGIS Watershed programme	2.427.360	3.267.075		
17 Other project funding	4.197.982	5.758.152	5.185.637	5.118.266
Total	9.257.828	11.393.763	7.784.218	7.018.266
EXPENSES				
18 Personnel costs	3.400.306	3.809.733	2.930.544	3.498.353
19 Other project related costs	5.013.871	6.579.279	4.622.814	3.011.000
20 General & administrative expenses	592.936	760.657	279.020	528.913
Subtotal	9.007.112	11.149.669	7.832.378	7.038.266
Operating result	250.716	244.094	-48.160	-20.000
21 Financial income and expenditures +/-	47.586	40.000	49.241	20.000
22 Annual result	298.302	284.094	1.081	0

CASH FLOW STATEMENT FOR 2016

	2016		2015	
	€	€	€	€
Cash flows from operating activities				
Annual result		298.302		1.081
Adjustments for:				
Depreciation	53.669		80.733	
Movement in provisions	6.186		-60.440	
Bad debts accrual	534		7.401	
Interest income	<u>-20.707</u>		<u>-37.179</u>	
		39.683		-9.485
Changes in working capital				
Short-term net balance	-1.115.354		-1.385.070	
Receivables	92.878		34.134	
Provisions	-84.063		-626.694	
Current liabilities	<u>-48.912</u>		<u>-117.156</u>	
Cash used in operations		-1.155.451		-2.094.786
Interest received	<u>36.235</u>		<u>74.687</u>	
		36.235		74.687
Net cash used in operating activities		<u>-781.231</u>		<u>-2.028.503</u>
Cash flows from investing activities				
Purchases of assets	<u>-31.259</u>		<u>0</u>	
Net cash used in investing activities		-31.259		0
Net cash flow		<u>-812.490</u>		<u>-2.028.503</u>
Net decrease in cash & cash equivalents		<u>-812.490</u>		<u>-2.028.503</u>

Basis of the Valuations

Objective

Our mission is to work with people in the poorest communities in the world, with local and national governments, with non-governmental organisations (NGOs) and with the private sector, to develop water, sanitation and hygiene (WASH) services that last not for years, but forever. We identify the barriers to make this happen and we tackle them. We help people to make the change from short-term interventions to long-term services that will transform their lives and their futures.

To realize its goals, the foundation works together with partner organisations in developing countries as well as other agencies and individuals within and outside the Netherlands that work in the same areas of focus.

General

The annual accounts have been prepared in accordance with Guideline RJ640.

Assets are at face value and all amounts are in Euro (functional currency), unless specified otherwise. If assets and liabilities are expressed in foreign currencies, conversion takes place against the official exchange rate at the balance sheet date. The resulting exchange rate results are included in the income statement.

All current assets and liabilities are due within one year, while all non-current assets and liabilities are due after one year.

The basis for the valuations has not changed in comparison to previous years.

In the appendices separate information is given on branch offices abroad. The financial figures are an integral part of IRC's financial statements, since IRC operates as one entity.

Note: These appendices are not part of this audit and clearly separated behind the audit opinion.

Going Concern

The present accounting policies of valuation and determination of result used are based on the assumption of going concern.

Tangible fixed assets

The tangible fixed assets are valued at the historic purchase price less straight-line depreciation over the estimated useful economic life. The residual value of the tangible fixed assets is set at zero.

Computer equipment is depreciated over three years.

The telephone switchboard with accessories is depreciated over five years.

Other durable business assets are depreciated over ten years.

No extra-ordinary depreciations or value adjustments have been determined at the balance sheet date.

Accounts receivable

Receivables are at face value less a provision for possibly uncollectable amounts. The provision for uncollectable amounts is calculated by using the static method (expected non-payment per debtor).

Cash and cash equivalents

Cash and cash equivalents are at face value and at full disposal for IRC to execute its projects and programs. It consists of petty cash and the balances on the ABN AMRO bank accounts in The Netherlands. Two types of bank accounts can be distinguished: non-interest bearing current accounts and interest-bearing deposit accounts. There are only local non interest bearing current accounts in the country offices.

The balances on the bank and deposit accounts are withdrawable on demand, whereas the balances on the deposit accounts have a maximum of one month interest maturity.

Balances in the foreign currency accounts (U.S. Dollars and British Pounds) have been converted to Euro at the official exchange rate at the balance sheet date.

Inventory

Inventory of publications is not included in the balance sheet; the production costs of these publications are externally financed or are charged to the income statement in the year of production.

Purchase costs of paper, office supplies, etc. are included in the expenses in the year they were incurred. Any inventory of paper and office supplies at the balance sheet date is valued at zero.

Any other inventory present at the balance sheet date is at face value.

Provisions

Provisions are calculated to cover specific risks that exist at the balance sheet date of which the timing is uncertain but the amount can be reasonably estimated.

The provisions are valued at the nominal value of the expected costs.

Net balance on projects

The 'pre-invoiced on projects' comprises amounts that were already received or billed to external clients for projects that were not completed at the balance sheet date.

Projects in progress are valued on the basis of the directly attributable salary expenses at the rates applicable for the reporting year, plus other direct expenses.

Project losses/gains are recognised upon completion except for provisions related to expected losses that are made at the moment they are foreseeable and are deducted from the work in progress balance.

Work in progress is balanced with the item 'pre-invoiced on projects' and is shown on a net basis in the balance sheet as long as the individual amounts meet the criteria for netting.

Pension benefits

IRC operates a defined benefit pension plan at ABP. This provides defined pension benefits to staff upon reaching retirement age. The amount depends on age, years of service and compensation. IRC has accounted for the multi-employer defined benefit plan as if it was a defined contribution plan. IRC has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods other than higher future contributions.

Liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised costs price. This is usually the nominal value. All current liabilities fall due within one year unless mentioned otherwise.

Income from projects

Income from projects comprises the hours spent per employee on the basis of time registration at the rates applicable in the reporting year, increased by other costs that can be charged to clients. This is consistent with the 'percentage of completion method'.

Exchange rate results

The currency used throughout this report is Euro.

Transactions denominated in foreign currency are translated into the relevant functional currency of the company at the exchange rate applying on the transactions date.

Translation gains and losses are recognised in the income statement.

Cash flow statement

The cash flow statement has been prepared using the indirect method.

The cash flow is derived from the operating result adjusted for non cash items, for the changes in working capital and the cash generated from investing and financing activities such as purchases of assets, repayment and collection of debts and interest.

The result of the cash flow statement matches the change in the balance of cash and cash equivalents as compared to the previous year.

Notes to the Balance Sheet

ASSETS

1 Tangible fixed assets

The movement in the tangible fixed assets can be specified as follows:

	Office Equipment	Computer Equipment	2016	2015
	€	€	€	€
<i>Position as of 1 January 2016</i>				
Purchase price	126.538	309.024	435.662	463.257
Minus: Accumulated depreciation	-84.925	-270.018	-354.943	-301.806
Book value	41.713	39.006	80.719	161.451
<i>Transactions during financial year</i>				
Additions	0	31.259	31.259	0
Minus: Depreciation	-12.557	-39.721	-52.278	-70.827
Minus: Disposals at cost	-6.421	-50.649	-57.070	-27.594
Plus: Accumulated depreciation disposals	5.030	50.649	55.679	17.658
Total transactions	-13.948	-8.461	-22.410	-80.733
<i>Position as of 31 December 2016</i>				
Purchase price	120.216	289.635	409.851	435.663
Minus: Accumulated depreciation	-92.452	-259.091	-351.542	-354.946
Book value 31 December 2016	27.765	30.544	58.309	80.717

2 Accounts receivable services

The outstanding balance for accounts receivable amounts to € 421,526 as of 31 December 2016.

The total amount of the provision for uncollectable debts is € 16,261 as of 31 December 2016.

The outstanding amounts older than 12 months have been settled in the beginning of 2017.

The aging of the outstanding receivables can be specified as follows:

	Original amount	Provision	31 December 2016	31 December 2015
	€	€	€	€
Less than 6 months	366.252	-16.261	349.991	549.310
6 to 12 months	0	0	0	825
12 to 18 months	71.535	0	71.535	0
Balance 31 December	437.787	-16.261	421.526	550.135

3 VAT receivable

As of 31 December 2016, a VAT amount of € 20,333 can be claimed from the tax authorities. At the end of 2015 the refundable VAT amounted to € 25,257. An amount of € 24,202 was received in February 2016. The remaining amount of € 1,055 was received in July 2016.

The item 'VAT receivable' can be specified as follows:

	2016	2015
	€	€
Position as of 1 January	25.257	2.841
Plus: Addition to receivable	0	25.257
Minus: receipt	-4.924	-2.841
VAT position 31 December	20.333	25.257

In 2017 the amount of € 20,333 was received from the tax authorities.

4 DGIS subsidy

The Ministry of Foreign Affairs (DGIS) has issued a Subsidy Agreement totaling € 11,420,000 for the period 2012 through 2016.

This subsidy consist of € 10,670,000 for core activities and € 750,000 to be used for ad-hoc advisory assignments.

Based upon the Business Plan 2012-2016 and Annual Plans, IRC will receive two instalments per year: in January

and in July. In 2016 a € 1,000,000 additional funding was received from DGIS on top the original amount of € 10,420,000

	Core activities	Interest	31 December 2016	31 December 2015
	€	€	€	€
Subsidy instalment received for 2012	2.850.000	20.353		
Subsidy instalment received for 2013	2.370.000	4.271		
Subsidy instalment received for 2014	2.450.000	400		
Subsidy instalment received for 2015	1.300.000	275		
Subsidy instalment received for 2016	1.129.000	10		
	10.099.000	25.309		
Subsidy DGIS spent in 2012	2.751.144			
Subsidy DGIS spent in 2013	2.727.293			
Subsidy DGIS spent in 2014	2.468.769			
Subsidy DGIS spent in 2015	996.713			
Subsidy DGIS spent in 2016	1.750.814			
	10.694.733			
Total (received in advance)/prepaid by IRC			595.733	-26.080
Received interest			-25.309	-25.299
Total (received in advance)/prepaid by IRC including received interest			570.425	-51.379

4b DGIS Watershed programme

The Ministry of Foreign Affairs (DGIS) has granted a Strategic Partnership totaling € 16,352,500 for the period 2010 through 2020. IRC is in the lead and has partnership agreements with AKVO, Simavi and Wetlands International.

	€
Funding instalment received for 2016	3.398.314
Disbursement to the partners	<u>2.391.688</u>
Available for IRC	1.006.626
Funding DGIS spent in 2016 by IRC	786.660
Funding DGIS spent in 2016 by partners	<u>1.640.700</u>
Total spent in 2016	2.427.360

	31 December 2016	31 December 2015
	€	€
Total received in advance	970.954	0
Received interest	825	0
Total received in advance by IRC including received interest	<u>971.779</u>	<u>0</u>

4c Core Program Funding: Gates Foundation

During the execution of TripleS (funded by the Gates Foundation) accumulated exchange rate gains and interest were included in the work-in-progress on an annual basis. At the end of 2014 IRC closed the TripleS project. The amount available at the end of 2014 was € 2,5 mio. The Gates Foundation agreed to use these amount in line with the project objectives.

	€
Balance amount to use during 2016	929.211
Minus: Expenditure 2016	<u>-881.672</u>
Balance amount to use during 2017	47.539

5 Other receivables

The item 'other receivables' can be specified as follows:

	31 December 2016	31 December 2015
	€	€
Interest receivable	20.356	35.885
Rent deposits for office rent in India and USA	6.598	0
Prepaid amount	<u>164.847</u>	<u>131.324</u>
Other receivables December 31	191.801	167.209

6 Cash and cash equivalents

Bank and cash in hand can be specified as follows:

	31 December 2016	31 December 2015
	€	€
ABN / AMRO One month Deposit	0	100.000
Current and savings accounts	2.597.781	3.399.472
Cash and Bank Burkina Faso office	18.262	39.739
Cash and Bank Ghana office	105.970	25.068
Cash and Bank Ethiopia office	78.004	28.735
Cash and Bank Uganda office	58.616	79.225
Cash in hand	552	336
Balance December 31	<u>2.860.085</u>	<u>3.672.575</u>

The money on the bank accounts and cash in hand are unrestricted for regular activities. There is one deposit bank account with a one month notice period.

LIABILITIES

7 Reserves

The foundation's general reserves serve to cover general business risks without restrictions. The profit of 2016 of € 298,302 is allocated in the following way:

Result 2016	298.302
Added to the general reserve 50%	149.151
Added to the earmarked reserves 50%	149.151

	31 December 2016	31 December 2015
	€	€
Foundation's general reserves	706.630	705.549
Addition to the general reserves	149.151	1.081
Position 31 December	<u>855.781</u>	<u>706.630</u>

The general reserves can be split into the following designated reserves allocations:

	€	€
Fixed asset equalization reserves	58.309	80.717
Other resistance equity	<u>797.472</u>	<u>625.913</u>
	855.781	706.630

8 At the end of 2016 it has been decided to create an earmarked reserve. The donation of this reserve is 50% of the annual result. This earmarked reserve is to reduce the risks for unemployment, as IRC is own riskbarrier for the WW, and exchange rate fluctuations. As well as to invest in rebranding, the website and invest in ICT systems in the near future and possible move of office location.

	31 December 2016	31 December 2015
Earmarked reserves	149.151	0

The total IRC reserves on 31 December 2016 amount to €1,004,932

9 Jubilee provision

At 12.5, 25 and 40 years employment with IRC, each employee is entitled to receive an extra allowance equal to respectively 25%, 70% and 100% of one month salary including holiday allowance and end of year allowance. The jubilee provision calculation is based on the guidelines of the new labour agreement (CAO). According to the new CAO, only after ten years of service employees are entitled to the build up provision. In previous years, the provision was formed from the starting date of service.

	2016	2015
	€	€
Position as of 1 January	31.559	38.011
Changes in provision	-26.512	-6.452
Position 31 December	5.047	31.559

10 Redundancy costs staff

In 2014 IRC agreed on a Social Plan with the FNV labour union regarding the redundancy of staff in the organisation. The related costs amount to a total of € 837,697. IRC is own risk carrier for unemployment benefits, directly influencing the costs to the different options in the social plan. The provision includes the contribution to ABP for 2015 and 2016.

	2016	2015
	€	€
Position as of 1 January	64.169	684.411
Minus: Used from provision redundancy 2015	0	-620.242
Minus: Used from provision redundancy 2016	-57.550	0
Position 31 December	6.619	64.169

11 Other staff related provisions

At the end of 2016 IRC has taken into account a provision for outstanding leave days, hypotax and unemployment benefits for one member of staff not involved in the redundancy.

The other staff related provisions are specified as follows:

	31 December 2016	31 December 2015
	€	€
Hypotax	49.931	70.750
Minus: Used from provision hypotax	-14.831	-64.136
Provision unemployment	87.268	108.394
Release provision for unemployment	-56.268	-21.126
One-off payment to staff	17.447	0
Employee leave rights payable	96.688	80.167
Balance 31 December	180.235	174.049

12 Net balance on projects

The item 'Net balance on projects' amounts to € 1,430,652 as of 31 December 2016. It concerns amounts that were received and invoiced for projects that were not completed as of 31 December 2016. As of the end of 2015 this item amounted to € 2,014,309.

The total for the 'Work in progress' (total amount of all the running projects) was € 11,626,981 in 2016, similar to the total of € 11,638,439 at the end of 2015.

The Net balance shows the difference of these total amounts minus the part that is executed at that moment.

On the other side of this balance there are prepaid amounts to partners, including the partners of the DGIS Watershed programme.

In the balance sheet the items 'pre-invoiced on projects' and 'work in progress' have been netted in the following overview.

	31 December 2016	31 December 2015
	€	€
Other external financed projects	1.430.652	2.014.309
Total Net Balance	1.430.652	2.014.309

13 Tax and Pension premiums payable

	31 December 2016	31 December 2015
	€	€
Employer Tax and Pension premiums payable	70.945	73.416
Balance 31 December	70.945	73.416

The outstanding balance was paid in January to Tax and Pension authorities.

14 Creditors for services

The aging of the outstanding items is as follows:

	31 December 2016	31 December 2015
	€	€
Less than 6 months	143.330	157.061
6 to 12 months	0	0
More than 12 months	0	0
Balance 31 December	143.330	157.061

15 Other current liabilities

The other current liabilities are specified as follows:

	31 December 2016	31 December 2015
	€	€
Holiday allowance payable	93.001	85.591
Year-end allowance payable	10.964	10.556
Other payable items	157.436	197.963
Balance 31 December	261.401	294.110

All current liabilities fall due within one year.

Contingencies and commitments not included in the balance sheet

Fictitious unemployment (WW) commitments

IRC is responsible for the potential unemployment commitments of its own personnel.

The maximum unemployment commitment amounts for which IRC could be held responsible in the event of fictitious liquidation is as follows:

Maximum unemployment commitment nominal as of 31 December 2016	€ 2.258.828
--	----------------

The calculated maximum unemployment commitment is based on the number of years of service at IRC.

Sick pay

IRC bears its own risk for the Sickness Benefits Act. The costs of continued salary payments to personnel in the event of illness are to be borne entirely by IRC. The costs in the first year of illness is 100% whereas in the second year, it is 70%.

Number of employees as per 31 december 2016

The number of employees working from the Netherlands as per 31 December is 29 (27,4 FTE) in 2015 was this respectively 32 (30,9 FTE)
The number of employees working from the branch offices as per 31 December is 35 (35,0 FTE) in 2015 was this respectively 37 (37,0)

Risk carrier for disability (WIA)

As per 1-1-2013 IRC has insured disability risk (WIA). There are no risks outstanding associated from before 31 December 2016.

Rental and lease agreement

With regard to the housing in the International Water House, IRC together with NWP renewed her rental agreement with NSI/Vastned for a period of 1 year and 7 months, effective as from 1 July 2016.
Since October 2016 IRC reduced the squaremeters from 605m2 to 530m2, reducing the rental costs.
The actual expenditures are included in the income statement under the item Housing.

The bank guarantee regarding the rental agreement with "Stichting Netherlands Water Partnership" and "NSI/Vastned" amounts to € 21,000.

Since 1 April 2016 an office space is rented in New Dehli, India for the duration of one year.

Termination of the contract is possible with 2 months notice.

The monthly fee is INR 59.500, Exchange rate as per 31 December 2016 is INR 71,62

Since 1 December 2016 an office space is rented in Washington, USA

Termination of the contract is possible with 1 months notice.

The monthly fee is USD 2.220, Exchange rate as per 31 December 2016 is USD 1,0555

The future rent and lease obligations can be specified as follows:

	€
Rent obligations up to 1 year office in The Netherlands	80.647
Rent obligations up to 2 months office in India	1.662
Rent obligations up to 1 month office in USA	2.103
Lease obligation up to 1 year copiers	13.375
Rent obligations > 1 year office	47.044
Lease/rent obligations total	144.831

Notes to the income statement

Income from projects

The income from projects consists of the paid days spent by IRC employees on externally financed projects (at the current external rates), increased by other costs charged (for projects with a rate based on direct costs), out-of-pocket expenses on projects (particularly travel expenses, consultants and contributions to partner organizations) and project results that are derived from subsequent calculation of projects at completion.

The total income from projects can be specified as follows:

Income	Actual	Budget	Actual	Budget
	2016	2016	2015	2015
	€	€	€	€
16 Core program funding (DGIS and Gates Foundation)	2.632.486	2.368.536	2.598.581	1.900.000

Core Program funding: DGIS

The Core Program funding of DGIS comprises the part of the five-year subsidy agreement (2012-2016) from the Ministry of Foreign Affairs. An amount of € 1.750.814 is attributed to the subsidy income in 2016.

The Ministry of Foreign Affairs (DGIS) had issued a disposition for the provision of a subsidy totaling € 11,420,000 for the period 2012 through 2016.

This subsidy consisted of the following parts:

- € 10,670,000 to be used for the core activities and programs of IRC (program subsidy).
- € 750,000 to be used for the execution of ad-hoc advisory assignments for DGIS by IRC.

The program subsidy is spent per the end of 2016 as follows:

Basic subsidy	Core activities	Advisory	Total
	€	€	
Available for the period 2012 - 2016	10.670.000	750.000	11.420.000
Interest received on the core program funding	25.309	0	25.309
Minus: Expenditures in 2012	-2.751.144	-102.296	-2.853.440
Minus: Expenditures in 2013	-2.727.293	-187.546	-2.914.839
Minus: Expenditures in 2014	-2.468.769	-223.957	-2.692.726
Minus: Expenditures in 2015	-996.713	-148.087	-1.144.800
Minus: Expenditures in 2016	-1.750.814	-63.646	-1.814.460
Balance as of 31 December	576	24.468	25.044

The income and expenses in the context of the program subsidy are accounted for in the income statement.

The interest received on advance payments are allocated and included in the core funding.

Additional funding in regards to ad-hoc advisory assignments DGIS

The DGIS subsidy agreement includes an amount for ad-hoc advise assignments of € 150,000 per year.

It was agreed with the Ministry to use the remaining € 24,468 in 2017.

DGIS-funded Core Programs

DGIS-funded core programs are set up as projects, for which only a small amount or no direct external funding takes place.

The costs related to these projects are charged directly to the basic subsidy from the Ministry of Foreign Affairs.

The direct costs of the DGIS-funded programs are charged to the result in the year to which they apply.

The specification of expenditures for DGIS-funded programs is as follows (in accordance with the division used in the business plan 2012 - 2016):

	Actual	Budget	Actual	Budget
	2016	2016	2015	2015
	€	€	€	€
Program personnel costs	1.213.376	993.323	711.693	642.200
Information and Global Services	76.827	38.500	97.754	120.000
Innovation Program	144.987	119.500	28.608	51.900
Regional and Country Programs	158.071	129.914	121.952	103.600
Program and general management	157.553	52.500	36.706	82.300
	1.750.814	1.333.737	996.713	1.000.000

The expenditures for the DGIS-funded programs for 2016 (the last year of 5-year subsidy 2012-2016) were originally budgeted at € 1,333,737. The expenditures during the year 2016 were in total of € 1,750,814. During the year 2016 DGIS granted an additional € 1,000,000 Top Up to the original subsidy agreement. This was already partially taken into account in the budget 2016.

IRC managed to use the total subsidy.

Core Program Funding: Gates Foundation

Balance amount to use during 2016	929,211
Minus: Expenditure 2016	-881,673
Balance amount to use during 2017	47,539

	<u>Actual 2016</u>	<u>Budget 2016</u>	<u>Actual 2015</u>	<u>Budget 2015</u>
	€	€	€	€
17 Other project funding				
DGIS Watershed	2,427,360	3,267,075	0	0
Other IRC projects	4,124,230	5,758,152	5,232,504	5,118,266
Result on closed projects	73,752	0	-46,867	0
	<u>6,625,342</u>	<u>9,025,227</u>	<u>5,185,637</u>	<u>5,118,266</u>

On the project strengthening capacity of water integrity in Mozambique, funded by Water Integrity Network an amount of € 22,143 was spent in 2016.

The total revenue from projects for the financial year 2016 amounts to € 9,257,828 which is 19% lower than budgeted. An explanation is provided in the Financial Report

Expenses

18 Personnel costs

The total personnel costs for 2016 were € 3,400,306. This is 11% less than the budgeted. The reduction is particularly due to an (unplanned) decrease in staff overall.

An amount of € 188,000 was budgeted for other personnel costs. The actual expenses were € 142,521. The reduction is due to a much lower spending than planned on Temporary Staff and Training, off-set however with unplanned foreign posting costs.

Number of FTE's in the Netherlands 31/12/2016	27,4
Number of FTE's Foreign 31/12/2016	35,0

The specification of personnel costs is as follows:

	<u>Actual 2016</u>	<u>Budget 2016</u>	<u>Actual 2015</u>	<u>Budget 2015</u>
	€	€	€	€
Salary expenses				
Gross salaries including vacation allowance	2,228,268		2,648,809	2,923,864
National insurance contributions	190,115		209,415	263,148
Pension premium contributions	211,708		282,303	409,341
Formation costs The Netherlands	2,630,091	2,557,085	3,140,527	3,596,353
Salary expenses paid from provision	-24,359	0	-423,647	-425,000
Other	53,765	64,415	71,728	100,000
Formation costs Ghana	171,312	304,727		
Formation costs Burkina Faso	111,210	225,050		
Formation costs Uganda	151,829	182,575		
Formation costs Ethiopia	99,672	227,983		
Formation costs India	32,158	41,721		
Formation costs Honduras	32,107	18,177		
Total salary expenses	<u>3,257,785</u>	<u>3,621,733</u>	<u>2,788,608</u>	<u>3,271,353</u>
Other personnel costs				
Temporary employees	6,643	75,000	59,065	100,000
Recruitment	6,847	5,000	148	5,000
Foreign posting costs	56,853	0	6,672	0
Training and education	12,233	40,000	14,864	45,000
Personnel administration	13,591	20,000	21,700	20,000
Health expenses and health support	5,583	15,000	5,049	17,500
Travel free weeks and social events	19,194	15,500	13,293	17,000
Personnel insurances	11,886	12,500	16,806	12,500
Miscellaneous	9,691	5,000	4,339	10,000
	<u>142,521</u>	<u>188,000</u>	<u>141,936</u>	<u>227,000</u>
Total personnel costs	3,400,306	3,809,733	2,930,544	3,498,353

19 Other project related costs

	<u>Actual 2016</u>	<u>Budget 2016</u>	<u>Actual 2015</u>	<u>Budget 2015</u>
	€	€	€	€
Total project related costs	5,013,871	6,579,279	4,622,814	3,011,000

The other project related costs relate to partner contributions, Associate / consultants, travel, etc. -a totalling more than € 5 million (or 55% of the gross revenue). The actual expenses remain under budget, mainly because of partner underspending in Watershed.

20 General & administrative expenses (G&A)

G&A concerns all office related expenses as well as management and operational costs of the organisation. G&A amounts to € 592,936 in the year 2016, some € 168,000 less spent than originally budgeted for. In 2016, the G&A expenses from the country offices were also taken into account. As these expenses were directly charged to different projects in previous years, it is not possible to compare these figures with previous years. For India and Honduras there are no annual statements, as these are not (yet) branch offices.

Total housing expenses (in The Hague) were € 21.600 less then budgeted, caused by reduction in office space. The rental contract with NWP was adjusted in September 2016.

Information Technology costs were some € 25,000 higher then budgetted, partially because of the purchase of additional equipment. This overspending was off-set by savings on office supplies and communication/mail.

Management and PR/marketing costs were well within budget, while the overspending in tax & legal consultancy is due to additional expenses on the implementation of the new employment conditions (CAO).

The specification of the G&A is as follows:

	Actual 2016	Budget 2016	Actual 2015	Budget 2015
	€	€	€	€
Housing	205.899	227.500	251.623	248.000
Depreciation expenses	51.994	60.000	70.827	55.000
Information Technology	90.268	65.000	68.268	60.000
Office inventory	564	5.000	2.583	5.000
Office supplies	3.204	10.000	3.729	10.000
Printing	14.976	15.000	16.014	15.000
Communication, postage	8.535	20.000	10.863	25.000
Supervisory Board	25.406	17.500	19.255	20.000
Auditor	48.857	35.000	43.045	35.000
Management, marketing, PR and Advisory	26.774	55.000	57.448	80.000
Tax & legal consultancy	38.716	15.000	5.772	30.000
Professional Indemnity Insurance	15.125	0	0	0
Literature & WorksCouncil	4.975	2.500	3.023	5.000
General & Administrative expenses Netherlands	535.293	527.500	552.451	588.000
General & Administrative expenses Ghana	74.015	68.600	0	0
General & Administrative expenses Burkina Faso	38.463	28.679	0	0
General & Administrative expenses Ethiopia	41.579	53.094	0	0
General & Administrative expenses Uganda	60.494	75.441	0	0
General & Administrative expenses India	7.418	4.804	0	0
General & Administrative expenses Honduras	1.369	2.539	0	0
Total gross General & Administrative expenses	758.631	760.657	552.451	588.000
Recovered overhead expenses	-165.695	0	-273.431	-59.087
Total net General & Administrative expenses	592.936	760.657	279.020	528.913

Remuneration of the Supervisory Board

The 8 members of the Supervisory Board received a total allowance of € 14,400. There are no loans, advances or guarantees provided to the Director or one of the Supervisory Board members. Hotel costs and flights to attend meetings were paid on invoice basis for the Supervisory Board members.

21 Financial income & expenditures

Financial income & expenditures in 2016 amounts to a € 47,586 gain, in line with the budget

Financial income & expenditures can be specified as follows:

	Actual 2016	Budget 2016	Actual 2015	Budget 2015
	€	€	€	€
Deposit Accounts	20.707	25.000	37.179	30.000
Bank costs	-9.080	-10.000	-8.430	-10.000
Accrual bad debts	-3.627	0	-7.401	0
Currency exchange result	36.296	0	-1.456	0
Other financial charges	0	25.000	48.426	0
Result former years	4.615	0	660	0
Discount IRC Consult UK	0	0	-17.637	0
Cash & payment differences	-1.325	0	-2.100	0
Total financial income & expenditures	47.586	40.000	49.241	20.000

22 Annual result

The profit of 2016 of € 298,302 is allocated in the following way:

	€
Result 2016	298.302
Added to the general reserve 50%	149.151
Added to the earmarked reserves 50%	149.151
	€
Foundation's general reserves	706.630
Result financial year	<u>149.151</u>
Position 31 December 2016	855.781
	€
Foundation's earmarked reserves	0
Result financial year	<u>149.151</u>
Position 31 December 2016	149.151

Remuneration for the Director of IRC

Name	Patrick Moriarty		
Job position	CEO		
	Year	2016	2015
Type of contract			
hours		36	36
Part time percentage		100	100
Period		01/01 - 31/12	01/01 - 31/12
Salary (€)			
Annual Income, gross			
Gross salary		90.110	87.542
Holiday allowance		7.019	7.003
Year end allowance		7.282	7.266
Variable income		0	0
Gross employee income		104.411	101.812
Employers Social Security costs		7.635	7.277
Taxable disbursement		0	0
Employers Pension Contribution		14.257	14.575
Other (future) benefits		0	0
Severance Entitlement		0	0
Total Remuneration Director		126.303	123.664

Remuneration of the Supervisory Board members	€
Mr. H. van Dord (Chairman)	4.000
Mr. H. den Boer	1.600
Ms. M. Meera	1.600
Mr. P. Cross	1.600
Mr. R. Bos	800
Ms. R. van der Sijp	1.600
Mr. E. Wegelin	1.600
Mr. A. de Wilde	1.600
Total Remuneration Supervisory Board members	14.400

Approved and signed in the Supervisory Board Meeting on May 19th 2017

The Hague, May 19th, 2017

Patrick Moriarty
CEO
IRC
Bezuidenhoutseweg 2
2594 AV The Hague

The Hague, May 19th, 2017

Hans van Dord
Chairman Supervisory Board
IRC
Bezuidenhoutseweg 2
2594 AV The Hague



Independent auditor's report

To: supervisory board of IRC International Water and Sanitation Centre

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of IRC International Water and Sanitation Centre as at 31 December 2016, and of its result for the year then ended in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

What we have audited

We have audited the accompanying financial statements 2016 of IRC International Water and Sanitation Centre, The Hague ('the foundation').

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The basis for our opinion

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

Independence

We are independent of IRC International Water and Sanitation Centre in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0402286

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Report on the other information included in the annual report

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

- the director's report.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

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

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

Management is responsible for the preparation of the other information, including the director's report pursuant to the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the foundation's financial reporting process.



Our responsibilities for the audit of the financial statements

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

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

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

The Hague, 19 May 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M. van Ginkel RA

Appendix to our auditor's report on the financial statements 2016 of IRC International Water and Sanitation Centre

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

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

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

Branch office IRC Burkina Faso

Balance Sheet as at 31 December 2016

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	EUR	EUR	EUR	EUR
<u>Assets</u>				
Non-current Assets				
Current assets				
Prepayments	2.826		12.313	
Cash and Bank Balance	18.262		39.739	
		21.088		52.052
Total assets		21.088		52.052
<u>Liabilities</u>				
Current liabilities				
Accounts payable			30	
Outstanding cheques	2.237		3.234	
		2.237		3.264
		2.237		3.264
Provisions				
Employees - end of contract benefits	3.374		17.640	
		3.374		17.640
		3.374		17.640
Net Assets		15.477		31.147
Financed by				
Accumulated Fund		15.477		31.147

Income and Expenditure for 2016

	<u>2016</u>	<u>2015</u>
	EUR	EUR
Income		
Transfer IRC NL to Burkina Faso	729.119	785.223
Transfer other projects	105.098	350.272
Other resources	42.266	
Other contribution	283.281	
	1.159.764	1.135.495
Expenditures		
Project costs DGIS	41.711	41.380
Project costs DGIS Advisory	3.470	
Project costs DGIS 9 Countries M&E	6.173	
Project costs ERG	32.079	
Project costs WaWash		266.518
Project costs SaniEst	697.938	477.204
Project costs SaniEst Communes		94.465
Project costs SaniEst Helvetas	214.816	197.315
project costs BRAVE	36.627	
project costs COWI Niger	2.580	
project costs Watershed	37.710	
project costs HydroConseil	828	
project costs Trackfin	11.757	
project costs Visit Hilton	3.912	
Project costs Danida BF prg		4.186
Project costs CTB Projet de renforcement des capacités BF		2.966
Project costs Helvetas water Study BF		9.159
Project Oxfam	54.686	11.032
Project Unicef KM & SL		122
	1.144.287	1.104.348
Surplus transferred to accumulated	15.477	31.147
Balance 31/12/2016 - 31/12/2015	15.477	31.147

Branch office IRC Ghana

Amounts in Cedis

Balance Sheet as at 31 December 2016

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	€	€	€	€
Assets				
Non-current assets		146.571		152.287
Current assets				
Prepayments	125.234		297.398	
Cash and Bank Balance	472.808		96.510	
		<u>598.042</u>		<u>393.908</u>
Total current assets		598.042		393.908
Total Assets		744.613		546.195
Liabilities				
Current liabilities				
Accounts payable	82.107		104.122	
IRC Netherlands	467.048		248.292	
		<u>549.155</u>		<u>352.414</u>
Net Current Assets	48.887		41.494	
		48.887		41.494
Net Assets		<u>195.458</u>		<u>193.781</u>
Financed by				
Accumulated Fund		<u>195.458</u>		<u>193.781</u>

Income and Expenditure for 2016

	<u>2016</u>		<u>2015</u>	
	€	€	€	€
Income				
Core Programme funding		966.116		1.178.186
SKMI/UNICEF project		0		178.983
Other projects		676.770		389.979
		<u>1.642.885</u>		<u>1.747.148</u>
Expenditures				
Personnel Costs		750.109		603.463
Housing Costs		171.911		124.472
Administrative costs		206.279		287.482
RCN		27.626		18.576
Other projects		485.282		695.900
		<u>1.641.208</u>		<u>1.729.893</u>
Surplus for the year		<u>1.677</u>		<u>17.255</u>
Balance brought forward		193.781		176.526
Balance carried forward		<u>195.458</u>		<u>193.781</u>

currency rate 31 December 2016 4,46170

Branch office IRC UGANDA

Amounts in Shiling

Balance Sheet as at 31 December 2016

	31st December 2016		31st December 2015	
	UGX	UGX	UGX	UGX
ASSETS				
Current Assets				
Cash and Bank Balance	219,416,582		272,406,753	
Staff Working Advances	3,898,074		9,542,813	
		223,314,656		281,949,566
TOTAL ASSETS		223,314,656		281,949,566
LIABILITIES				
Account payable				
Salaries payables	20,000		7,422,060	
Withholding Tax	0		90,001	
		20,000		7,512,061
TOTAL LIABILITIES		20,000		7,512,061
NET CURRENT ASSETS		223,294,656		274,437,505
Financed by				
Fund balance		223,294,656		274,437,505

Statement of income and expenditure for 2016
January through December 2016

	2016		2015	
	UGX	UGX	UGX	UGX
Income				
Transfer from IRC- NL	1,018,148,927		580,619,125	
Triple S	-		75,926,276	
Donor income	180,072,373		441,101,481	
Other income	4,068,291		47,657,181	
Total Income		1,202,289,591		1,145,304,063
Expenses				
Office Costs	118,848,080		105,765,062	
Capital expenses	13,025,000		-	
Communication	23,034,200		25,048,434	
Transport & Travel	157,473,753		151,602,991	
Personnel Expenses	550,907,766		388,817,435	
Partners & Consultants	220,485,848		31,278,472	
Program costs	163,441,780		168,354,164	
Total Expense		1,247,216,427		870,866,558
Balance carried forward		(44,926,836)		274,437,505

currency rate 31 December 2016 3,743,310

Branch office IRC Ethiopia

Amounts in Birr

BALANCE SHEET as at 31 December 2016

	31st December 2016		31st December 2015	
	Birr	Birr	Birr	Birr
ASSETS				
Non-current assets				
Property, plant and equipment		9,498		
Current assets				
Receivables		10,637		
Cash and bank balance		1,833,146	653,115	
		1,843,783		
Total assets			1,853,281	653,115
EQUITY AND LIABILITIES				
Equity				
Capital		2,070,990	2,070,990	
Fund balance		(297,627)	(1,572,728)	
Total Equity		1,773,363	498,262	
Current liabilities				
Accounts Payable		79,918	154,853	
Total equity and liabilities			1,853,281	653,115
Financed by				
Fund balance			(297,627)	(1,572,728)

Income and Expenditure for 2016

	2016		2015	
	Birr	Birr	Birr	Birr
Income (Transfer from Head office)		5,752,853		-
General and Admin. Expenses				
Office costs	316,596		56,718	
Survey costs	377,544		205,125	
Communication	65,085		13,130	
Transport and Travel	404,855		156,113	
Meetings and events	421,334		179,170	
Personal expenses	2,524,548		686,377	
Insurance	5,218		62,159	
Partners and consultants	351,390		212,244	
Bank service charge	950		523	
License and registration	3,209		1,169	
Depreciation	1,676			
Miscellaneous	5,347			
Total expenditure		4,477,752		1,572,728
DEFICIT OF INCOME OVER EXPENDITURE		1,275,101		(1,572,728)
FUND BALANCE BROUGHT FORWARD		(1,572,728)		-
FUND BALANCE CARRIED FORWARD		(297,627)		(1,572,728)

currency rate 31 December 2016

23,23270