

# **Financial Report 2019**

**(Including Annual Accounts)**

**Stichting IRC, International Water and Sanitation Centre**

**Bezuidenhoutseweg 2**

**2594 AV The Hague**



PricewaterhouseCoopers  
Accountants N.V.  
For identification  
purposes only

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# Board report

## 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 2019, Moriarty, Patrick Barré

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

	Accession or Reappointment in	Resignation, resp reappointment in
Mr. R. Bos (Chairman)	2013, 2017	2021
Mr. H. den Boer (Treasurer)	2014, 2018	2022
Ms. M. Metha	2014, 2018	2022
Mr. E. Wegelin	2016	2020
Mr. L. Boorstin	2017	2021
Ms. C. Brocklehurst	2017	2021

## Report of the Supervisory Board

Reflecting on events, progress and results of IRC's programme in 2019, the IRC Supervisory Board is pleased to refer to a string of highlights throughout the year, from the "All Systems Go!" Symposium in March to the ouvertures made towards creating a strategic alliance with Water for People in November. Unfortunately, the global outlook changed dramatically before the year ended: on the last day of 2019 the Government of China reported the emergence of a novel Corona virus, now referred to as SARS-CoV-2, able to cause a serious pathology now referred to as COVID-19. Governments first focused on the global public health crisis itself, soon to be declared a pandemic, and then on the economic repercussions of the public health measures designed to contain the crisis. Widespread socio-economic impacts can be expected for the years to come, including for IRC.

This is a new virus and knowledge about its characteristics and transmission continues to be generated. Currently, there is no evidence that contaminated drinking water or poor sanitation play a significant role in its transmission. There is strong evidence, however, that personal hygiene is critical to prevent the spread of COVID-19, implying that access to water and soap for handwashing is critical. This is particularly true in public spaces, and the absence of clean and safe water and sanitation facilities in health care centre has become a hot issue. Moreover, detecting viral genetic material in wastewater provides an important tool in the surveillance of virus activity in communities.

In brief, in these times of uncertainty, the one certainty is that COVID-19 has the potential to help raise awareness and perceptions of the importance of WASH from a global public health perspective.

In 2019 we built on the success of IRC's 50th anniversary in 2018. It is gratifying that our work is recognized increasingly in the countries where we are working and beyond. IRC's staff in the focus countries are the ambassadors carrying the important message of clean and safe water, adequate sanitation and enhanced hygiene for the health of everyone in the world.

The Supervisory Board met twice in 2019: virtually in May and face-to-face in The Hague in November.

Over the year several Board members had meetings with staff members in The Netherlands and in country offices. Board members visited Ethiopia (where the treasurer had a meeting with the auditor of the IRC country office and visited a local project in Hawassa), Ghana and Uganda..

Two Audit Committee meetings took place in preparation for the Supervisory Board meetings.

Within the Strategic Plan period of 2017-2021, 2019 has been another year for which the Supervisory Board is pleased to note that the Foundation's reserves could be strengthened.

Discussions of the Supervisory Board with the Works Council continue to take place in good spirits and are productive. The Supervisory Board appreciates the open discussions with IRC staff and management. In spite of "living in the times of Corona virus" (like everyone else) we are confident that IRC is in a position to continue its leading role in the efforts to provide sustainable access to safe drinking water and adequate sanitation to everyone.

Robert Bos  
Chair

## 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 and with the private sector, to develop Water, Sanitation and Hygiene 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.

2019 was the third year of IRC's, Sustainable Development Goal focussed, 2017-2030 Strategic Framework. Turnover of €11.85 million and a positive result of €97,471 were in line with expectations and pleasing continued indication that the changes implemented over the previous five years have made IRC into a more successful, robust and business-like organisation.

Fundraising targets for the year were met, with a total of €12.2 million of new business acquired. Leading in this was a grant of €6.85 million from DGIS that will contribute annual programmatic funding through 2024. This grant demonstrates the strong continuing relations between IRC and DGIS, and the value that is put on IRC's work.

With a total of €50.5 million raised since 2017, this means that overall fundraising towards IRC's five year (2017-2021) target of €58 million is well on track at 87%.

Continuing to progress our policy of district level decentralisation, we now have a permanent district presence in all four African focus countries: Ghana, Burkina Faso, Uganda and Ethiopia. Master plans were completed in Uganda and Ethiopia during the year, and good progress made in raising funds against these plans, especially in Burkina Faso and Ghana. Our All Systems Go! Symposium attracted more than 350 people from 52 countries and helped to cement our position as a thought leader within water and sanitation.

A positive annual result of €97,471 allowed us to continue to build up both general and earmarked reserves. This is the fifth consecutive year of positive results, which average out at 1.1% of turnover. The result, while lower than the annual plan target of €136,634 nevertheless provides continued proof of the fundamental soundness of our business model since the reforms of 2014-16. This is especially so as the result was achieved despite substantial unplanned expenditures on sick-leave cover and the Symposium.

As in 2018, we continue to see a substantial proportion of our portfolio consisting of projects where "full tariffs" (that fully cover indirect costs) are not permitted by donors. During the year we undertook a review of both project and programme management systems (including cost recovery models). Based on the findings of this review we have created a new senior project management position tasked with further adapting our project management systems and behaviours to reduce the risk of losses related to insufficient recover of indirect costs.

Based on five years positive results, IRC entered 2020 with a moderately increased risk appetite, represented through a somewhat larger than usual acquisition target for the year (18% versus an average of 12% in previous years). This higher ambition has now coincided with uncertainties caused by the global COVID-19 pandemic. Thorough project-level sensitivity analysis suggests that we will not achieve either our overall gross revenue targets or our desired operating result. Nevertheless, investments made in ICT infrastructure in 2019 allow us to work flexibly from lockdown, without compromising existing internal control frameworks. Flexible donors and the relevance of water and sanitation to COVID-19 all mean that we remain confident that the risks are manageable. Our current most-likely scenario is that the estimated €50,000 net loss can be absorbed by our earmarked reserves – on a reduced turnover target of €11.5 million.

With reference to the notes in the financial statements on subsequent events regarding the impact of the COVID-19 pandemic, *whilst uncertain, we do not believe, that the impact of COVID-19 would have a material adverse effect on our financial condition or liquidity.* It is expected that the COVID-19 pandemic may have some impact, though not significant, acknowledging as well that the pandemic may well bring new opportunities to IRC.

An important test for us is the renewal of the Watershed Strategic Partnership with the Dutch Government. At the time of writing, no changes have been made to the process of granting new Strategic Partnerships for the period 2021-2025 and IRC remains confident it will be able to start Watershed 2.0 in 2021.

## FINANCIAL REPORT

IRC ended the year with an Annual Result of €97,471. It was the third year of the IRC Strategy 2017-2021 and the fifth consecutive year with a positive Annual Result.

During 2019, IRC achieved its acquisition target, with a total of €12.2 million of new project work. With this, IRC had secured 87% of its target budget of €58 million for the 2017-2021 planning period. A highlight in business development during 2019 was the granting by DGIS of additional annual funding (until 2024) for Building WASH Systems to Deliver the Sustainable Development Goals. Other significant acquisitions were a European Union grant for technical support to the Ministry of WASH in Burkina Faso and funding from the Millennium Water Alliance for WASH systems change in Ethiopia.

IRC's total gross revenue over the year was €11,85 million – largely in line with the Annual Plan and some €0.75 million higher than 2018. Contributing 45% of total income, DGIS remained IRC's largest donor. The Conrad N. Hilton Foundation was next at 18%. Portfolios of USAID, European Union and UNICEF funded work are also significant (8%, 5% and 4% respectively), providing a challenge to IRC as regards its indirect cost recovery strategy as none permit the use of full tariffs. In all, a total of 27 donors financed the 89 active projects during 2019.

To achieve its mission and ambition, as well as maintain organizational flexibility, IRC works with partner organizations, associates and consultants. Of total gross revenue in 2019, 24% went to partner organizations and 10% to associates or consultants. An additional 23% was spent on other project costs including: travel, meeting venues and equipment. In total, almost 58% of the gross revenue of €11.85 million went to third parties.

On December 31<sup>st</sup> 2019, IRC employed 84 staff members of which 47 (56%) were located in one of IRC's six focus countries. The total number of staff increased by nine (an increase of 12%), with total personnel costs increasing by a similar percentage to just over €4 million. The total amount of personnel-related provision decreased from €193,195 to €133,121. This provision mainly constitutes accrued employee leave rights.

IRC closed the year with a positive Annual Result of €97,471. Even though this Annual Result was some €40,000 lower than planned it is, nevertheless, encouraging considering the €70,000 investment in temporary capacity in Finance & Control and an overspend of €47,000 on the *All Systems Go!* Symposium in March. Half of the Annual Result has been allocated to the general reserves, the other half to the earmarked reserves. The latter are earmarked for unemployment and exchange rate risks, investments in ICT and financial systems, as well as office upkeep.

During 2019, a total of €37,485 was taken from the earmarked reserves for the migration to the Microsoft 365 Teams platform, as well as some additional unemployment benefits and a negative exchange change result. IRC's total reserves on December 31<sup>st</sup> 2019 were €1,273,032 – including €121,569 in earmarked reserves.

During 2019, the liquidity position of IRC narrowed with some €0.2 million. Nevertheless, with €5.4 million of cash and cash equivalents (December 31<sup>st</sup> 2019) IRC's liquidity remained adequate. IRC is able to meet all of its short-term financial obligations.

IRC entered 2020 with a moderately increased risk appetite, represented through a somewhat larger than usual acquisition target for the year. This higher ambition has now coincided with uncertainties caused by the global COVID-19 pandemic. Risks our organisation faces including the effects of the COVID-19 pandemic:

- uncertain how long different types of restrictions on domestic and international travel will remain could impact project execution (operational);
- The risk of losses related to insufficient recover of indirect costs (Financial). IRC has created a new senior project management position tasked with further adapting our project management systems and behaviours to reduce this risk;
- IRC has by nature a potential unemployment benefits (in the Netherlands) and end-of-service liability (in the country offices) of staff (operational). The earmarked reserves are kept for this purpose;
- IRC bears its own risk for the Sickness Benefits Act (Operational). 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%. Considering the COVID-19 pandemic, this risk might increase slightly, although no cases have occurred yet.
- Exchange rate risk as funds received are denominated in a different then funds spend (financial). These risks are not hedged.

## FORWARD LOOKING STATEMENT

Over the period 2012 to date, IRC has transformed itself from a Netherlands-based knowledge centre to a decentralised 'Think and Do Tank' with strong, respected and demanded presence globally and in its six focus countries. This transformation has included among others: the developing of a new brand and digital presence; opening of four country offices (and up to four more planned by 2021); the creation of IRC Consult as an advisory sub-brand; development of a new and simplified internal governance structure; adjusting of the Business Model; and agreeing with the union on new employment conditions. All these changes and measures were undertaken to make IRC more focussed and effective in the delivery of its mission whilst maintaining a sound financial bottom line.

IRC celebrated its 50<sup>th</sup> anniversary in December 2018. Starting with US\$5,000 agreement between WHO and the Dutch Government to provide Dutch expertise to WHO partners, IRC has evolved into a unique and valued 'think & do tank' with a global presence, country and district programs and an annual turnover of between €11-12 million. The international All Systems Go! Seminar on WASH Systems Change in March 2019 marked the end of a year of celebrations and reflections. IRC intends to increase its efforts during the next decade towards 2030, building sustainable WASH systems that support the Sustainable Development Goals. In that perspective, IRC will seek leverage for the development of District Master Plans and will explore new partnerships enabling going to scale.

A first review of the IRC Strategy 2017-2030 took place during 2019, informing the development of a new Strategic Framework 2021-2025 that will emphasise an ambition to go to scale and strengthen our advocacy efforts outside the WASH sector. During 2020, work that started on (ICT and financial) systems and organisational structures will continue, aiming to further improve organizational efficiency.

The Annual Plan 2020 (developed prior to the COVID-19 pandemic) assumes a budget of €12.7, with a predicted Annual Result of €90,505. As in previous years, the result will be split between 50% for the Earmarked Reserves, covering for potential unemployment benefits (in the Netherlands) and end-of-service liability (in the country offices) of staff, as well as necessary investments in website, ICT and financial systems; and 50% for the general reserves. In the Annual Plan we expect only limited investments in assets, no need for external financing and that our staff level will stay on the same level as 2019.

At the start of the year, 78% of the Annual Plan budget had been contracted – a percentage that is significantly lower than past years, resulting in a higher ambition to acquire new funding.

The COVID-19 pandemic has an impact on the assumed budget for 2020, as well as the anticipated business result. A review of the project budgets and planned indirect costs indicate a foreseen reduction of gross revenue to €11.5 million and a potential negative business result of nearly €50,000. This impact is particularly caused by a more conservative assumption in regards to new acquisition, while some planned activities in the project budgets cannot be undertaken due to travel and meeting restrictions. However, we expect the impact will be limited on investing activities and our staff level. The table below compares the two budgets for 2020.

Some 88% of the revised (COVID-19) budget of €11.5 million has been contracted by April 2020. WASH-related solutions are, or should be, an essential part of the fight against the Coronavirus. IRC is well-positioned to be part of new existing efforts to develop such solutions and strengthen underlying systems. As such, it is believed that although the operating environment is temporarily constrained, the pandemic will also provide new opportunities for IRC.

## Concept Income Statement 2020

Concept Income Statement 2020

<u>INCOME</u>	Adjusted budget 2020 (re COVID)		Budget 2020	Actual 2019	Budget 2019			
DGIS Watershed Strategic Partnership	€	2.689.583	€	2.689.028	€	3.430.886	€	3.369.091
DGIS Building WASH Systems for SDG's	€	1.531.735	€	1.425.000	€	1.473.643	€	915.100
Other project funding (committed)	€	5.897.125	€	5.782.454	€	6.945.075	€	6.004.899
Other project funding (proposed)	€	1.403.086	€	2.783.170			€	1.766.571
<b>Total</b>	<b>€</b>	<b>11.521.529</b>	<b>€</b>	<b>12.679.652</b>	<b>€</b>	<b>11.849.604</b>	<b>€</b>	<b>12.055.661</b>
<u>EXPENSES</u>	COVID-19 impact 2020		Budget 2020	Actual 2019	Budget 2019			
Personnel costs	€	4.230.052	€	4.384.572	€	4.066.933	€	4.405.310
Other project related costs	€	7.106.609	€	8.019.325	€	7.275.265	€	7.073.342
General & administrative expenses	€	1.021.017	€	1.129.026	€	1.154.551	€	1.127.273
Recovered overhead expenses	€	-787.235	€	-943.776	€	-699.302	€	-696.898
<b>Total</b>	<b>€</b>	<b>11.570.443</b>	<b>€</b>	<b>12.589.147</b>	<b>€</b>	<b>11.797.447</b>	<b>€</b>	<b>11.909.027</b>
<b>Operating Result</b>	<b>€</b>	<b>-48.914</b>	<b>€</b>	<b>90.505</b>	<b>€</b>	<b>52.157</b>	<b>€</b>	<b>146.634</b>
Financial income and expenditure	€	-	€	-	€	45.313	€	-10.000
<b>Annual Result</b>	<b>€</b>	<b>-48.914</b>	<b>€</b>	<b>90.505</b>	<b>€</b>	<b>97.470</b>	<b>€</b>	<b>136.634</b>

The financial figures over the first four months of 2020 do not (negatively) deviate from the trend of the past years, while the business development pipeline is healthy – particularly for specific assignments through IRC Consult. With reference to the notes in the financial statements on subsequent events, the implications of the COVID-19 pandemic on IRC's business do not suggest a material uncertainty and the assumption of going concern remains. The possible direct impact of COVID-19 on the current project portfolio and acquisition of new work will continue to be monitored closely.

## Beyond 2020

The renewal of the Watershed Strategic Partnership with the Dutch Government is an equally important factor compared to the COVID-19 pandemic, and perhaps has more weight because Watershed 2.0 (for 2021-2025) will be instrumental in leveraging and going to scale. The Consortium for Watershed 2.0 has passed the threshold for the Strategic Partnerships, awaiting an invitation by end of May 2020 to submit a full proposal. Eventual granting of a new Strategic Partnership will take place between September and December 2020. IRC is confident that the Watershed Strategic Partnership will be renewed. A going concern statement is not dependent on Watershed alone, but failing a renewed Partnership will cause some future funding gaps in some (new) focus countries.

IRC's management has set ambitious growth targets for the coming years – linked to an intention to expand from the current six (and an additional two starting up in Mali and Niger) to ten focus countries by the end of 2021. The target for total turnover during the period 2017-2021 is €58 million, an increase from the €51 million in the previous five-year business plan (2012-2016). At the end of 2019, €50.5 million (87%) had been contracted for the aforementioned period, with a further €7 million of project contracts in the pipeline.

### **IRC is a going concern.**

The year 2019 ended with a positive annual result, for the fifth consecutive year. The reserves position of IRC has further improved but, at €1.3 million, remains too low in view of the preferred capital buffer of €2 million.

The COVID-19 pandemic necessitated a thorough project budget review, resulting in a 10% lower gross revenue ambition for 2020 and a likelihood of a negative business result of some €50,000. Considering the revised budget, 88% of the budget has been committed and the pipeline is active. Acknowledged is the fact that an already unpredictable donor landscape has become perhaps even more uncertain, but this may evolve in two directions; as a threat because of global recession and adjusted priorities with donors, and/or as an opportunity because of the essentiality of strong WASH systems to fight the Coronavirus.

With reference to the notes in the financial statements on subsequent events, going concern and the impact of the COVID-19 pandemic, *whilst uncertain, we do not believe, that the impact of COVID-19 would have a material adverse effect on our financial condition or liquidity.*



## ACKNOWLEDGEMENTS

IRC would like to thank all of its donors and partners in 2019: particularly 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; and, the Conrad N. Hilton Foundation for their partnership and leadership on water and sanitation systems strengthening. We are equally grateful to the 25 additional donors who share our vision and funded our work during the year, notably the Osprey Foundation, USAID, the European Union, Danida, and UNICEF.

Partnership is at the core of how IRC works and we acknowledge the many partners with whom we have worked during the year. We are especially appreciative of support and trust bestowed on us by the governments (local and national) of our focus countries and partner districts. Only through their leadership can our shared vision of a transformed WASH sector capable of bringing services to everyone be achieved.

IRC's primary asset in delivering 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 undaunted commitment to cutting edge and transformative change

The Hague, May 2020

Patrick Moriarty,  
CEO

## Annual Accounts

**Balance Sheet as at 31 December 2019**  
(After result appropriation)

		<u>31 December 2019</u>		<u>31 December 2018</u>	
		€	€	€	€
<b><u>ASSETS</u></b>					
<b>Non-current Assets</b>					
Tangible fixed assets	1	<u>26.977</u>	26.977	<u>30.444</u>	30.444
<b>Current assets</b>					
Accounts receivable services	2	492.541		605.962	
VAT receivable	3	2.542		19.696	
Other receivables	5	129.544		337.454	
Cash and cash equivalents	6	<u>5.385.215</u>	6.009.843	<u>5.599.713</u>	6.562.824
<b>Total assets</b>		<u><b>6.036.820</b></u>		<u><b>6.593.268</b></u>	
<b><u>LIABILITIES</u></b>					
<b>Reserves</b>					
Foundation's general reserves	7	1.151.462		1.065.241	
Earmarked reserves	8	<u>121.569</u>	1.273.031	<u>110.319</u>	1.175.560
<b>Provisions</b>					
Jubilee provision	9	6.785		9.000	
Other staff related provisions	10	<u>133.122</u>	139.906	<u>184.916</u>	193.915
<b>Current liabilities</b>					
DGIS Watershed Strategic Partnership	4a	2.989.247		3.744.564	
DGIS Building WASH systems	4b	993.862		917.504	
Short term net balance on projects	11	133.575		120.644	
Tax and Pension premiums payable	12	87.069		80.003	
Creditors services	13	195.741		137.326	
Other current liabilities	14	<u>224.389</u>	4.623.883	<u>223.752</u>	5.223.793
<b>Total liabilities</b>		<u><b>6.036.820</b></u>		<u><b>6.593.268</b></u>	

## Income Statement for 2019

	2019 Actual €	2019 Budget €	2018 Actual €
<b><u>INCOME</u></b>			
15 DGIS Watershed Strategic Partnership	3.430.886	3.369.091	3.657.782
16 DGIS Building WASH systems	1.473.643	915.100	1.280.945
17 Other project funding	6.945.076	7.771.470	6.145.917
<b>Total</b>	<b>11.849.605</b>	<b>12.055.661</b>	<b>11.084.644</b>
<b><u>EXPENSES</u></b>			
18 Personnel costs	4.066.933	4.405.310	3.589.901
19 Other project related costs	7.275.265	7.073.342	6.910.789
20 General & administrative expenses	1.140.189	1.127.273	999.117
21 Recovered overhead expenses	(684.939)	(696.898)	(596.742)
<b>Subtotal</b>	<b>11.797.447</b>	<b>11.909.027</b>	<b>10.903.065</b>
<b>Operating result</b>	<b>52.158</b>	<b>146.634</b>	<b>181.578</b>
22 Financial income and expenditures +/-	45.313	(10.000)	(69.431)
<b>23 Annual result</b>	<b>97.471</b>	<b>136.634</b>	<b>112.147</b>

## ALLOCATION OF THE ANNUAL RESULT

The 2019 Annual Result is charged to the Foundation's reserves as follows:

Result 2019	97.471
Added to the general reserve 50%	48.735
Added to the earmarked reserves 50%	48.735

## Cash Flow Statement for 2019

	<u>2019</u>	<u>2018</u>
	€	€
<b>Cash flows from operating activities</b>		
Annual result	97.471	112.147
<b>Adjustments for:</b>		
Depreciation	20.055	28.991
Movement in provisions	(51.794)	17.251
Bad debts accrual	<u>-</u>	<u>(65.038)</u>
	(31.739)	(18.797)
<b>Changes in working capital</b>		
Short-term net balance	(666.029)	1.217.673
Receivables	320.732	(383.374)
Provisions	(2.215)	6.522
Current liabilities	<u>66.118</u>	<u>36.735</u>
<b>Cash used in operations</b>	(281.395)	877.555
Interest income	(4.509)	(17.826)
Interest received	<u>22.260</u>	<u>16.852</u>
	17.751	(974)
<b>Net cash used in operating activities</b>	<u><b>(197.911)</b></u>	<u><b>969.932</b></u>
<b>Cash flows from investing activities</b>		
Purchases of assets	<u>(16.588)</u>	<u>(12.293)</u>
<b>Net cash used in investing activities</b>	(16.588)	(12.293)
<b>Net cash flow</b>	<u><b>(214.498)</b></u>	<u><b>957.639</b></u>
<b>Cash and cash equivalents</b>		
Opening book year	5.599.713	4.642.074
Closure book year	5.385.215	5.599.713
Movement	<u><b>(214.498)</b></u>	<u><b>957.639</b></u>

## Notes to the balance sheet and the income statement

### General Notes

#### 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 RJ640 not-for-profit.

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 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.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

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 are presented clearly separately after the audit opinion.

The annual accounts of the branch offices are audited by local audit firms.

#### Estimates

In applying the principles and policies for drawing up the financial statements, the directors of IRC. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

#### Going concern

The present accounting policies of valuation and determination of results 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 and the coffeemachine are depreciated over five years.

Other durable business assets are depreciated over ten years.

No extra-ordinary depreciations, nor value adjustments or impairments have been determined at the balance sheet date.

#### Accounts receivable

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected income. When a receivable is uncollectible, it is written off against the allowance account for receivables.

#### Cash and cash equivalents

Cash and cash equivalents are at face value and at full disposal for IRC to execute its projects and programmes. 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 non interest bearing current accounts in the country offices.

The balances on the bank and deposit accounts are withdrawable on demand.

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.

#### Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

### **Net balance on projects**

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

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 recognized 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.

### **Cash flow statement**

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Interest paid and received are included in cash from operating activities.

## Principles for the determination of the result

### Result

The result is the difference between the realisable value of the services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised. The result is determined taking into account the recognition of unrealised changes in fair value of financial instruments.

### 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.

### Expenses

Selling expenses and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.



## 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	2019
	€	€	€
<u>Position as of 1 January 2019</u>			
Purchase price	122.960	305.020	427.981
Minus: Accumulated depreciation	(117.409)	(280.127)	(397.537)
Book value	5.551	24.893	30.444
<u>Transactions during financial year</u>			
Additions	-	16.588	16.588
Minus: Depreciation	(2.109)	(17.947)	(20.055)
Minus: Disposals at cost	-	-	-
Plus: Accumulated depreciation disposals	-	-	-
Total transactions	(2.109)	(1.358)	(3.467)
<u>Position as of 31 December 2019</u>			
Purchase price	122.960	321.609	444.569
Minus: Accumulated depreciation	(119.518)	(298.074)	(417.592)
<b>Book value 31 December 2019</b>	<b>3.442</b>	<b>23.535</b>	<b>26.977</b>

#### 2 Accounts receivable services

The outstanding balance for accounts receivable amounts to € 557.580 as of 31 December 2019 (2018: € 605.961)

The provision of € 65.038 concerns receivables from one donor, and originates from book year 2018.

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

	Original amount	Provision	31 December 2019
	€	€	€
Less than 6 months	489.095	-	489.095
6 to 12 months	3.447	-	3.447
12 to 18 months	65.038	65.038	-
<b>Balance 31 December 2019</b>	<b>557.580</b>	<b>65.038</b>	<b>492.541</b>

#### 3 VAT receivable

As of 31 December 2019, a VAT amount of € 2.543 can be claimed from the tax authorities. At the end of 2018 the refundable VAT amounted to € 19.696

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

	2019	2018
	€	€
Position as of 1 January	19.696	15.895
Plus: Addition to receivable	2.787	3.801
Minus: receipt	(19.940)	-
<b>VAT position 31 December</b>	<b>2.542</b>	<b>19.696</b>

In 2020 the amount of € 2.543 was received from the tax authorities.

#### 4a DGIS Watershed Strategic Partnership

The Ministry of Foreign Affairs (DGIS) has granted a Strategic Partnership totalling € 16,352,500 for the period 2016-2020. IRC is in the lead and has partnership agreements with AKVO, Simavi and Wetlands International.

	€
Funding instalment received for 2016 till 2019	16.188.975
Disbursement to other Consortium partners	10.279.850
Expense reported in 2016 till 2019 by IRC	4.108.176
Expense reported in 2016 till 2019 by partners	9.092.377
<b>Total spent till end of 2019</b>	<b>13.200.553</b>

	<u>31 December 2019</u>	<u>31 December 2018</u>
	€	€
<b>Current balance received in advance</b>	2.988.422	3.743.739
<b>Received interest</b>	825	825
<b>Current balance received in advance by IRC including received interest</b>	<b>2.989.247</b>	<b>3.744.564</b>

#### 4b DGIS Building WASH systems

The Ministry of Foreign Affairs (DGIS) has issued on 3 July 2017 a grant totalling €4,800,000 for the period 2017 through 2021. In a letter of 25 September 2019 the grant has been increased with € 6,850,000 to € 11,650,000 and the implementation of the activities need to be completed by 31 December 2024.

The grant is for the project "Building WASH systems to deliver the Sustainable Development Goals".

	€
Funding instalment received in 2017 till 2019	5.150.000
Expense reported in 2017 till 2019	4.156.138

	<u>31 December 2019</u>	<u>31 December 2018</u>
	€	€
<b>Total received in advance</b>	993.862	917.504
<b>Received interest</b>	-	-
<b>Total received in advance by IRC including received interest</b>	<b>993.862</b>	<b>917.504</b>

#### 5 Other receivables

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
	€	€
Interest receivable	76	17.827
Rent deposits for office rent in USA	6.658	6.658
Rent deposits for office HQ	28.708	-
Prepaid amount (invoices 2019 - expenses 2020)	61.741	312.969
To be claimed from NWP (housing expenses 2019)	32.362	-
<b>Other receivables 31 December</b>	<b>129.544</b>	<b>337.454</b>

#### 6 Cash and cash equivalents

Bank and cash in hand can be specified as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
	€	€
Current and savings accounts	4.270.554	5.142.339
Cash and Bank Burkina Faso office	883.616	301.221
Cash and Bank Ghana office	101.050	96.255
Cash and Bank Ethiopia office	34.208	579
Cash and Bank Uganda office	95.757	58.200
Cash in hand	30	1.119
<b>Balance 31 December</b>	<b>5.385.215</b>	<b>5.599.713</b>

The amounts on the bank accounts and cash in hand are unrestricted for regular activities.

## **LIABILITIES**

### **7 Reserves**

The foundation's general reserves serve to cover general business risks without restrictions.

The annual result of 2019 of € 97.471 is allocated as follows:

	€
Result 2019	97.471
Added to the general reserve 50%	48.735
Added to the earmarked reserves 50%	48.735

	<b><u>2019</u></b>	<b><u>2018</u></b>
	€	€
Foundation's general reserves on 1 January	1.065.241	921.317
Addition to the general reserves	48.735	56.074
From earmarked reserves	37.485	87.850
<b>Position 31 December</b>	<b>1.151.462</b>	<b>1.065.241</b>

### **8 Earmarked reserves**

At the end of 2016 it was decided to create an earmarked reserve. The addition to this reserve is 50% of the annual result.

This earmarked reserve is to be used for unemployment benefits (IRC is own risk bearer for unemployment benefits) and exchange rate fluctuations, as well as to invest in rebranding, the website and investments in ICT and financial systems.

	<b><u>2019</u></b>	<b><u>2018</u></b>
	€	€
Earmarked reserves on 1 January	110.319	142.095
Addition to the earmarked reserves	48.735	56.074
Taken from the earmarked reserves	(37.485)	(87.850)
<b>Position 31 December</b>	<b>121.569</b>	<b>110.319</b>

The total IRC reserves on 31 December 2019 amount to € 1.273.231

### **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 guideline of the new labour agreement (CAO). According the 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.

	<b><u>2019</u></b>	<b><u>2018</u></b>
	€	€
Position as of 1 January	9.000	2.478
Changes in provision	(2.215)	6.522
<b>Position 31 December</b>	<b>6.785</b>	<b>9.000</b>

## 10 Other staff related provisions

At the end of 2019 IRC has taken into account a provision for outstanding leave days, hypotax and unemployment benefits for two members of staff.

	<b>Hypotax</b>	<b>Provision unemployment</b>	<b>Employe leave rights payable</b>	<b>Total</b>
	€	€	€	€
<b>Position as of 1 January 2019</b>	28.556	33.690	122.670	<b>184.916</b>
Addition / Release during the book year	(28.556)	(24.637)	1.399	<b>(51.794)</b>
<b>Book value 31 December 2019</b>	<b>-</b>	<b>9.053</b>	<b>124.069</b>	<b>133.122</b>

## 11 Short term net balance on projects

The item 'short term net balance on projects' amounts to € 133.576 as of 31 December 2019. It concerns amounts that were received and invoiced for projects that were not completed as of 31 December 2019. As of the end of 2018 this item amounted to €120,644

The total for the 'Work in progress' (total amount of all the ongoing projects) was € 14.311.947 in 2019, this is € 2.535.361 higher then the total of € 11.776,586 at the end of 2018

The Net balance shows the difference of these total amounts minus the part that is executed at that moment, € 14.445.523. 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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	€	€
Other external financed projects	133.575	120.644
<b>Total Net Balance</b>	<b>133.575</b>	<b>120.644</b>

## 12 Tax and Pension premiums payable

	<b>2019</b>	<b>2018</b>
	€	€
Employer Tax and Pension premiums payable	87.069	80.003
<b>Balance 31 December</b>	<b>87.069</b>	<b>80.003</b>

The outstanding balance was paid in January 2020 to Tax and Pension authorities.

## 13 Creditors services

The aging of the outstanding items is as follows:

	<b>2019</b>	<b>2018</b>
	€	€
Less than 6 months	195.741	137.326
6 to 12 months	-	-
<b>Balance 31 December</b>	<b>195.741</b>	<b>137.326</b>

## 14 Other current liabilities

<u>The other current liabilities are specified as follows:</u>	<b>Holiday allowance</b>	<b>Year-end allowance</b>	<b>Other payable items</b>	<b>Total</b>
	€	€	€	€
<b>Position as of 1 January 2019</b>	98.863	12.090	112.799	223.752
Additions	138.374	140.091	0	278.465
Released/paid	(125.913)	(136.975)	(14.940)	(277.828)
<b>Book value 31 December 2019</b>	<b>111.324</b>	<b>15.206</b>	<b>97.859</b>	<b>224.389</b>

All current liabilities fall due within one year.

## Contingencies and Commitments not included in the balance sheet

### Fictitious unemployment (WW) commitments

IRC is a so-called B3-entity and as such responsible for it owns potential unemployment commitments.

### 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 2019

The number of employees working from the Netherlands as per 31 December 2019 is 37 (35.1 FTE), which is an increase of 5 (5.0 FTE)  
The number of employees working from the branch offices as per 31 December 2019 is 47 (46.5 FTE), an increase of 4 (3.5 FTE)

### 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 2019.

### Rental and lease agreement

With regard to the housing in the International Water House, IRC together with NWP had renewed her rental agreement with NSI/Vastned for a period of 3,5 years effective as from 1 August 2019.

The bank guarantee regarding the rental agreement with "Stichting Netherlands Water Partnership "and "NSI/Vastned" amounts to € 28.708

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 2.616,84 as per 1 January 2020, Exchange rate as per 31 December 2019 is USD 1,1214

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

	€
Rent obligations up to 1 year office in The Netherlands	68.156
Rent obligations up to 1 month office in USA	2.334
Rent obligation up to 1 year copiers	4.436
Rent obligations > 1 year office	68.156
Rent obligation > 1 year copier	2.102
<b>Lease/rent obligations total</b>	<b>145.184</b>

## 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 (e.g. travel expenses, consultants and contributions to partner organizations) and project results that derived from subsequent calculation of projects at completion.

The total income from projects can be specified as follows:

### Income

#### 15 DGIS Watershed Strategic Partnership

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
	€	€	€
Programme 2016 -2020	3.430.886	3.369.091	3.657.782

#### 16 DGIS Building WASH systems

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
	€	€	€
Programme 2017 - 2021 (expanded to 2024)	1.473.643	915.100	1.280.945

#### 17 Other project funding

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
	€	€	€
Other IRC projects	6.937.912	7.771.470	5.947.485
Result on closed projects	7.164	0	198.432
	6.945.076	7.771.470	6.145.917

The total revenue from projects for the financial year 2019 amounts to € 11.849.605 which is only 2% below budget

## Expenses

### 18 Personnel costs

The total personnel costs for 2019 were € 4.066.933. This is 8% less than budgeted. The reduced personnel cost are specifically caused by unplanned staff departure and delays in recruitment. Additionally, two vacant positions were not filled.

The former country director of Ethiopia was seconded from the Netherlands. The Related personnel costs were budgeted under Ethiopia, but the actual expenses attributed to the Netherlands. The country director Ethiopia was replaced in April.

**Average of FTE's in the Netherlands 2019**

**34,9**

**Average of FTE's in the country offices 2019**

**42,3**

The specification of personnel costs is as follows:

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
	€	€	€
<u>Salary expenses</u>			
Gross salaries including vacation allowance	2.230.611		1.996.819
National insurance contributions	228.293		210.907
Pension premium contributions	279.801		255.170
Formation costs The Netherlands	2.738.705	2.822.383	2.462.896
Salary expenses paid from provision	0	0	0
Other	140.197	0	122.765
Formation costs Ghana	236.908	260.447	228.159
Formation costs Burkina Faso	210.722	238.684	205.416
Formation costs Uganda	246.838	236.795	203.922
Formation costs Ethiopia	208.118	323.395	107.865
Formation costs New Focus countries, incl. India and Honduras	69.422	181.094	32.246
Formation costs Bangladesh	23.750	248.012	40.120
Total salary expenses	3.874.660	4.310.810	3.403.389
<u>Other personnel costs</u>			
Temporary employees	70.842	0	0
Recruitment	2.613	0	1.690
Foreign posting costs	41.127	0	90.287
Training and education	29.060	50.000	43.893
Personnel administration	10.601	12.000	12.787
Health expenses and health support	9.772	5.000	9.292
Travel free weeks and social events	11.437	12.500	16.239
Personnel insurances	16.116	12.500	12.116
Miscellaneous	706	2.500	208
	192.274	94.500	186.512
<b>Total personnel costs</b>	<b>4.066.933</b>	<b>4.405.310</b>	<b>3.589.902</b>

### 19 Other project related costs

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>
	€	€	€
<b>Total project related costs</b>	<b>7.275.265</b>	<b>7.073.342</b>	<b>6.910.789</b>

Other project related costs are contributions to partners, consultants, travel, meetings and other direct project costs..

## 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 € 1.154.551 in the year 2019, some € 27.278 more spent than originally budgeted for. From the total G&A costs an amount of € 684.839 could be recovered on projects (and where Full cost Tariffs were not used). This recovering take place for some projects, where expenses may be increased by indirect or G&A expenses.

Information Technology costs were some € 24,000 higher then budgeted, partially because of the move to office 365 (TEAMS). Management and PR/marketing costs were some € 38.000 higher then budgeted for due to a new campaign and the rebranding of the website.

The specification of the G&A is as follows:

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>	<b>Budget 2018</b>
	€	€	€	€
Housing	209.075	202.500	198.444	200.000
Depreciation expenses	20.055	25.000	28.916	25.000
Information Technology	108.457	85.000	108.750	85.000
Office inventory	-	0	517	0
Office supplies	3.137	5.000	2.717	5.000
Printing	7.120	15.000	10.829	15.000
Communication, postage	9.259	10.000	9.914	10.000
Supervisory Board	21.480	25.000	25.365	30.000
Auditor	49.820	50.000	55.610	50.000
Management, marketing, PR and Advisory	72.620	67.500	85.692	47.500
Fundraising & Business Development	52.945	50.000	49.455	50.000
IRC Consult	-	12.500	385	7.000
Tax & legal consultancy	2.596	10.000	8.609	10.000
Professional Indemnity Insurance	-	0	2.672	5.000
Expenses ICT systems	31.973	0	0	0
Literature & Works Council	14.182	2.500	4.141	2.500
General & Administrative expenses Netherlands	602.719	560.000	592.016	542.000
General & Administrative expenses Ghana	126.923	128.100	103.407	115.530
General & Administrative expenses Burkina Faso	167.888	136.414	115.852	70.602
General & Administrative expenses Ethiopia	91.112	148.778	66.695	53.220
General & Administrative expenses Uganda	123.677	103.838	91.573	149.034
General & Administrative expenses USA	25.525	44.500	25.530	15.000
General & Administrative expenses New Focus countries incl Ir	546	5.645	1.298	6.557
General & Administrative expenses Honduras	1.800	0	2.746	5.286
Total gross General & Administrative expenses	1.140.189	1.127.273	999.117	957.229
<b>21 Recovered overhead expenses</b>	-684.939	-696.898	-596.742	-455.040
<b>Total net General &amp; Administrative expenses</b>	<b>455.249</b>	<b>430.375</b>	<b>402.375</b>	<b>502.189</b>

### Remuneration of the Supervisory Board

The members of the Supervisory Board received a total allowance of € 12,000. 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. A specification of the allowances paid are mentioned under the remuneration.



## 22 Financial income / expenditures and extra-ordinary income / expenditures

Financial income & expenditures in 2019 amounts to an income of € 45.313 mainly caused due to a release of foreseen lost on projects.

Financial income & expenditures can be specified as follows:

	<b>Actual 2019</b>	<b>Budget 2019</b>	<b>Actual 2018</b>	<b>Budget 2018</b>
	€	€	€	€
Interest deposit Accounts	4.509	0	17.827	0
Bank costs	-9.721	-10.000	-9.520	-10.000
Accrual bad debts	0	0	-65.038	0
Currency exchange result	-3.801	0	-1.638	0
Release of foreseen losses on projects	37.921	0	0	0
Result former years	16.326	0	-11.234	0
Cash & payment differences	79	0	174	0
<b>Total financial income &amp; expenditures</b>	<b>45.313</b>	<b>-10.000</b>	<b>-69.430</b>	<b>-10.000</b>

## 23 Annual result

The result of 2019 of € 97.471 is allocated in the following way:

	€
Result 2019	97.471
Added to the general reserve 50%	48.735
Added to the earmarked reserves 50%	48.735

## Remuneration for the CEO of IRC

Name	<b>Dr. Patrick Moriarty</b>		
Job position	<b>CEO</b>		
	<b>Year</b>	<b>2019</b>	<b>2018</b>
Type of contract			
hours		40	40
Part time percentage		100	100
Period		01/01 - 31/12	01/01 - 31/12
Salary (€)			
Annual Income, gross			
Gross salary		93.512	92.284
Holiday allowance		7.342	7.316
Year end allowance		7.617	7.590
Variable income		0	0
<b>Gross employee income</b>		<b>108.471</b>	<b>107.189</b>
Employers Social Security costs		8.926	8.498
Taxable disbursement		0	0
Employers Pension Contribution		19.198	17.765
Other (future) benefits		0	0
Severance Entitlement		0	0
<b>Total Remuneration CEO</b>		<b>136.595</b>	<b>133.452</b>
<b>Remuneration of the Supervisory Board members</b>	<b>€</b>		
Mr. R. Bos		4.000	
Ms. C. Brocklehurst		1.600	
Mr. H. den Boer		1.600	
Mr. L. Boorstin		1.600	
Ms. M. Metha		1.600	
Mr. E. Wegelin		1.600	
<b>Total Remuneration Supervisory Board members</b>		<b>12.000</b>	

### Subsequent events after balance date

The COVID-19 pandemic emerged and rapidly spread in the Netherlands and all IRC's focus countries in March 2020. In addition to high infection and case fatality rates, the pandemic significantly influences economic activity worldwide. In all the countries where IRC is present, restrictions were enforced affecting mobility and crowd gathering. As a result, the IRC offices were temporary closing, (international) travel was suspended and planned larger meetings postponed.

IRC's immediate response has been three-fold: 1) Organisation-wide coordination ensured that all 85 staff was able to work from home, no matter the country of work. Because IRC was already accustomed to virtual collaboration, the process to have everybody working from home was a smooth one. A central Coordination Team met daily to guide the organisation into the new reality, 2) Business continuity was assessed, enhanced (through budget shifts and some cost reductions) and is being monitored closely, and 3) Scenario exercises informed short and mid-term program adaptation to adjust to a new operational reality caused by the COVID-19 pandemic. With the starting point that "a health response is a WASH response", IRC sees new opportunities emerging that support its core mission to strengthen water, sanitation and hygiene systems.

A business continuity scan conducted in April 2020 suggests a potential reduction of some 10% on total gross revenue for the year, particularly caused by delays in business development for new acquisitions. However, even with large parts of the world still in 'lockdown' there are a number of signals that there is demand for COVID-19 related research in the WASH sector and the focus remains on the importance of WASH systems change. More than 60% of IRC's project portfolio is considered 'programmatic funding', being pre-financed and with a high level flexibility to adjust to contextual changes. The foreseen reduction in gross revenue is compensated by some specific reduction of general administrative costs and putting on hold recruitment. Consequently, the foreseen financial business result over 2020 may be a €50,000 loss as compared to the budgeted €90,000 positive financial result. The extent of the potential negative business result, however, will not directly influence IRC's ability to continue as a going concern.

Considering the significant global impact of the COVID-19 pandemic, the direct consequences on IRC operations are material but appear financially manageable. However, it remains uncertain how the pandemic evolves and what the consequences are for the operating environment in IRC's project countries. The pandemic has highlighted though the importance of water, sanitation and hand hygiene – all supported by robust and sustainable systems. In this context, the COVID-19 pandemic also provides opportunities and demand for the 'think-and-do' services IRC provides.

IRC's operations are affected but with only limited negative effects on result. Even though the further consequences of the pandemic may be unpredictable, management is of the opinion that the impact of the COVID-19 pandemic would not have a material adverse effect on our financial condition or liquidity.

Approved and signed in the Supervisory Board Meeting on May 27th 2020

*The Hague, May 27th, 2020*

*The Hague, May 27th, 2020*

**Patrick Moriarty**  
**CEO**  
**IRC**  
**Bezuidenhoutseweg 2**  
**2594 AV The Hague**

**Robert Bos**  
**Chairman Supervisory Board**  
**IRC**  
**Bezuidenhoutseweg 2**  
**2594 AV The Hague**



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## Other Information



## *Independent auditor's report*

To: the director and the supervisory board of IRC International Water and Sanitation Centre

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### *Report on the annual accounts 2019*

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#### *Our opinion*

In our opinion, the annual accounts of IRC International Water and Sanitation Centre ('the Foundation') give a true and fair view of the financial position of the Foundation as at 31 December 2019, and of its result for the year then ended in accordance with the Guideline for financial reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

#### *What we have audited*

We have audited the accompanying annual accounts 2019 of IRC International Water and Sanitation Centre, Den Haag.

The annual accounts comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

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

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#### *The basis for our opinion*

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

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

#### *Independence*

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

MPHYJSC2D7YT-2010797497-42

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

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

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

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

- the board report;
- annexes.

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

- is consistent with the annual accounts and does not contain material misstatements;
- contains the information that is required by the Guideline for financial 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 annual accounts 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 annual accounts.

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

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### ***Responsibilities for the annual accounts and the audit***

#### ***Responsibilities of the director and the supervisory board for the annual accounts***

The director is responsible for:

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



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

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

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### ***Our responsibilities for the audit of the annual accounts***

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

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.

Rotterdam, 30 June 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M. Gaasterland RA

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## ***Appendix to our auditor's report on the annual accounts 2019 of IRC International Water and Sanitation Centre***

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

### ***The auditor's responsibilities for the audit of the annual accounts***

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

- Identifying and assessing the risks of material misstatement of the annual accounts, 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 the director.
- Concluding on the appropriateness of the director'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 annual accounts 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 annual accounts 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 annual accounts, including the disclosures, and evaluating whether the annual accounts 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.

## Annexes



## Branch office IRC Burkina Faso

### Balance Sheet as at 31 December 2019

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	EUR	EUR	EUR	EUR
<b><u>Assets</u></b>				
<b>Non-current Assets</b>				
<b>Current assets</b>				
Prepayments	37.740		37.976	
Advances to partners	74.067		51.353	
Cash and Bank Balance	843.429		301.221	
		<u>955.236</u>		<u>390.550</u>
<b>Total assets</b>		<b>955.236</b>		<b>390.550</b>
<b><u>Liabilities</u></b>				
<b>Current liabilities</b>				
Accounts payable	63.381		8.240	
		<u>63.381</u>		<u>8.240</u>
		<b>63.381</b>		<b>8.240</b>
<b>Provisions</b>				
Employees - end of contract benefits	14.174		6.914	
		<u>14.174</u>		<u>6.914</u>
		<b>14.174</b>		<b>6.914</b>
<b>Net Assets</b>		<u>877.681</u>		<u>375.396</u>
<b>Financed by</b>				
Accumulated Fund		<u>877.681</u>		<u>375.396</u>

## Income and Expenditure for 2019

	<b><u>2019</u></b> <b>EUR</b>	<b><u>2018</u></b> <b>EUR</b>
<b>Income</b>		
Transfer IRC NL to Burkina Faso	404.116	900.498
Transfer other projects	1.682.039	732.194
Other resources	0	0
Other contribution	519.611	338.815
	<b><u>2.605.766</u></b>	<b><u>1.971.507</u></b>
<b>Expenditures</b>		
Project costs DGIS	27.339	44.700
Project costs EC EDV/Somgo Lam	32.202	0
Project costs EC WHH/Kele Kine	38.915	0
Project costs DGIS WaterWorx	4.111	0
Project costs SaniEst	0	37.752
Project costs Unicef	93.053	110.874
Project costs Fas Eau	517.263	490.332
Project costs Speak Up Africa	30.567	0
Project costs BRAVE	38.197	63.044
Project costs Ficol	3.080	0
Project costs Watershed	55.281	53.621
Project costs CEMEAU	280.647	7.965
Project costs Unicef Rural Wash	4.669	0
Project costs REACH	21.483	19.211
Project costs Hilton Burkina Faso	235.870	377.554
Project costs Hilton Niger	96.690	75.504
Project costs Hilton Mali	113.117	228.065
Project costs ASWA IPME	4.466	3.026
Project costs LRDD	173.227	117.073
Project costs Faso toilettes	15.504	4.132
Project costs GL NL	1.694	0
Project costs SH US private donor UNC	924	0
	<b><u>1.788.298</u></b>	<b><u>1.632.854</u></b>
Overhead formation costs	167.888	140.177
Overhead admin costs	147.295	119.514
Total expenses	<b><u>2.103.481</u></b>	<b><u>1.892.545</u></b>
Surplus transferred to accumulated	<b><u>502.285</u></b>	<b><u>78.962</u></b>
Balance carried forward	<b><u>502.285</u></b>	<b><u>78.962</u></b>

## Branch office IRC Ghana

Amounts in Cedis

### Balance Sheet as at 31 December 2019

		<u>31 December 2019</u>		<u>31 December 2018</u>
	GHS	GHS	GHS	GHS
<b>Assets</b>				
<b>Non-current assets</b>		678.138		256.912
<b>Current assets</b>				
Prepayments	238.610		505.799	
Cash and Bank Balance	523.297		532.361	
		<u>761.907</u>		<u>1.038.160</u>
<b>Total current assets</b>		<u>761.907</u>		<u>1.038.160</u>
<b>Total Assets</b>		<b>1.440.045</b>		<b>1.295.072</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	118.348		107.952	
IRC Netherlands	832.914		833.157	
		<u>951.262</u>		<u>941.109</u>
<b>Net Current Assets</b>	-189.355	-189.355	97.051	97.051
<b>Net Assets</b>		<u><u>488.783</u></u>		<u><u>353.963</u></u>
<b>Financed by</b>				
Accumulated Fund		<u><u>488.783</u></u>		<u><u>353.964</u></u>

### Income and Expenditure for 2019

	<u>2019</u>	<u>2018</u>
	¢	¢
<b>Income</b>		
Core Programme funding	2.727.611	2.619.442
Other projects	1.086.411	430.206
Exchange differences	<u>0</u>	<u>29.590</u>
	<b>3.814.022</b>	<b>3.079.238</b>
<b>Expenditures</b>		
Personnel Costs	1.251.760	1.115.379
Housing Costs	302.113	272.774
Administrative costs	385.593	233.649
RCN	31.856	15.248
Other projects	<u>1.707.880</u>	<u>1.353.309</u>
	<b>3.679.202</b>	<b>2.990.359</b>
<b>Surplus for the year</b>	<u><u>134.820</u></u>	<u><u>88.880</u></u>
<b>Balance brought forward</b>	353.963	265.083
<b>Balance carried forward</b>	<u><u>488.783</u></u>	<u><u>353.963</u></u>
currency rate 31 December 2019	6,36873	

**Branch office IRC Uganda**

Amounts in Ugandan Shillings

**Balance Sheet as at 31 December 2019**

	31st December 2019		31st December 2018	
	UGX	UGX	UGX	UGX
<b>ASSETS</b>				
Current Assets				
Cash and Bank Balance	383.749.667		245.849.134	
Staff Working Advances	55.186.110		54.436.530	
		438.935.777		300.285.664
<b>TOTAL ASSETS</b>		<b>438.935.777</b>		<b>300.285.664</b>
<b>LIABILITIES</b>				
Account payable				
PAYE Payable	328.400		4.347.273	
Withholding Tax	3.119.360		77.820	
Project Accruals	30.992.690		0	
		34.440.450		4.425.093
<b>TOTAL LIABILITIES</b>		<b>34.440.450</b>		<b>4.425.093</b>
<b>NET CURRENT ASSETS</b>		<b>404.495.327</b>		<b>295.860.571</b>
<b>Financed by</b>				
Fund balance		<b>404.495.327</b>		<b>295.860.571</b>

**Statement of income and expenditure for 2019  
January through December 2019**

	2019		2018	
	UGX	UGX	UGX	UGX
<b>Income</b>				
Transfer from IRC- NL	2.315.122.934		2.246.554.223	
Water Aid	-		-	
Donor income	472.084.479		111.261.354	
Other income	102.120.660		8.057.427	
<b>Total Income</b>		<b>2.889.328.073</b>		<b>2.365.873.004</b>
<b>Expenses</b>				
Office Costs	278.632.726		215.235.634	
Capital expenses	165.857.115		229.666.175	
Communication	94.039.400		43.697.293	
Transport & Travel	478.969.756		183.363.972	
Personnel Expenses	939.609.642		798.579.125	
Partners & Consultants	445.203.282		277.566.684	
Programme costs	378.381.396		566.540.564	
<b>Total Expense</b>		<b>2.780.693.317</b>		<b>2.314.649.447</b>
<b>Balance carried forward</b>		<b>108.634.756</b>		<b>51.223.557</b>

currency rate 31 December 2019 4.067,27

## Branch office IRC Ethiopia - Liaison Office

### Balance Sheet as at 31 October 2019

	31st October 2019		31st December 2018	
	Birr	Birr	Birr	Birr
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	78.080		103.777	
<b>Current assets</b>				
Receivables	88		91.202	
Cash and bank balance	-		18.581	
	<b>88</b>		<b>109.783</b>	
<b>Total assets</b>		<b>78.168</b>		<b>213.560</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Capital	2.070.990		2.070.990	
Fund balance	(1.992.910)		(2.043.878)	
<b>Total Equity</b>	<b>78.080</b>		<b>27.112</b>	
<b>Current liabilities</b>				
Accounts Payable	88		186.448	
<b>Total equity and liabilities</b>		<b>78.168</b>		<b>213.560</b>
<b>Financed by</b>				
Fund balance		<b>(1.992.910)</b>		<b>(2.043.878)</b>

### Income and Expenditure for 2019

	2019		2018	
	Birr	Birr	Birr	Birr
<b>Income (Transfer from Head office)</b>		7.241.923		8.695.134
<b>General and Admin. Expenses</b>				
Office costs	510.173		853.295	
Survey costs	419.483		66.116	
Communication	98.753		90.450	
Challenge fund subsidy	-		-	
Transport and Travel	1.679.519		1.933.838	
Meetings and events	1.330.196		1.259.871	
Personal expenses	1.933.461		3.619.579	
Other personnel expenses	617.491		844.863	
Exhibition	105.000		-	
Partners and consultants	368.000		384.100	
Bank service charge	1.180		950	
License and registration	28.148		5.061	
Newspaper translation and printing	-		19.500	
Depreciation	25.697		30.836	
Miscellaneous	81.460		8.026	
<b>Total expenditure</b>		<b>7.198.561</b>		<b>9.116.485</b>
<b>DEFICIT OF INCOME OVER EXPENDITURE</b>		<b>43.362</b>		<b>(421.351)</b>
<b>Prior period adjustment</b>		<b>7.606</b>		<b>-</b>
<b>FUND BALANCE BROUGHT FORWARD</b>		<b>(2.043.878)</b>		<b>(1.622.527)</b>
<b>FUND BALANCE CARRIED FORWARD</b>		<b>(1.992.910)</b>		<b>(2.043.878)</b>

currency rate 31 December 2019

35,44310



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## Branch office IRC Ethiopia - NGO

### Balance Sheet as at 31 December 2019

	31st December 2019		31st December 2018	
	Birr	Birr	Birr	Birr
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	419.929		-	
<b>Current assets</b>				
Receivables	140.547		-	
Cash and bank balance	-		-	
	<b>140.547</b>		<b>-</b>	
<b>Total assets</b>		<b>560.476</b>		<b>-</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Retained earnings	-		-	
Fund balance	644.254		-	
<b>Total Equity</b>	<b>644.254</b>		<b>-</b>	
<b>Current liabilities</b>				
Accounts Payable	1.056.465		-	
<b>Total equity and liabilities</b>		<b>1.700.719</b>		<b>-</b>
<b>Financed by</b>				
Fund balance		<b>644.254</b>		<b>-</b>

### Income and Expenditure for 2019

	2019		2018	
	Birr	Birr	Birr	Birr
<b>Income / Revenue</b>				
IRC - Head quarter NL	9.061.493		-	
In-kind donation (liaison office)	78.078		-	
		9.139.571		-
<b>Other income (exchange gain)</b>		219.118		-
<b>Direct expenditures</b>		5.205.008		-
<b>General and Admin. Expenses</b>		3.509.427		-
<b>FUND BALANCE CARRIED FORWARD</b>		<b>644.254</b>		<b>-</b>

currency rate 31 December 2019

35,44310