

Annual Accounts 2017

IRC

Bezuidenhoutseweg 2

2594 AV The Hague



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

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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 2017, 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 (Chairman)	2013, 2017	2021	
Mr. H. den Boer (Treasurer)	2014	2018	
Ms. M. Meijha	2014	2018	
Mr. A. de Wilde	2016	December 2017	(Resignation)
Mr. E. Wegelin	2016	2020	
Mr. L. Boorstin	August 2017	2021	
Ms. C. Brocklehurst	October 2017	2021	

Report of the Supervisory Board

The IRC Supervisory Board was confronted in March 2017 with the passing away of its member Piers Cross. He will remain in our memory as a very amiable person with great knowledge of the WASH sector. We will remember with great respect his contributions and his dedication to IRC.

In the course of 2017 Hans van Dord stepped down as the Board's Chairman after completing two terms. We are grateful to him especially because he headed the organisation in a skilful way during a difficult period. He was succeeded by Robert Bos. We are also thankful to Mrs Regien van der Sijp who stepped down after two terms as a Board member and as a dedicated trust person in the contacts between the Board and the Works Council. Antonie de Wilde stepped down as Supervisory Board member in December 2017.

Louis Boorstin and Clarissa Brocklehurst joined the Supervisory Board in 2017. The Supervisory Board met twice in 2017, with the presence of the CEO and CFO. There were a number of additional meetings during the year of Supervisory Board members and the CEO on various topics, and of 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 currently of six members.

During 2017, the Chair and the Treasurer of the Supervisory Board had three Audit Committee meetings with the CEO and CFO, in preparation for the formal Supervisory Board meetings. The Audit Committee meetings discussed finance-related issues.

In January 2017 the Chair and the Treasurer of the Supervisory Board visited the Burkina Faso Country Office. They participated in discussions about the Office's strategic plan, visited several organisations important for IRC Burkina and they also visited an IRC project in the field.

The Supervisory Board appreciates the transparency in the various discussions it had in the 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. Performing this role in an international environment 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 2017 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 his or her 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 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.

2017 was the first year of IRC's new, SDG focussed, Strategic Framework and also the first year full year of operation of our new business model without the benefit of DGIS 'core funds'. As such, both the record turnover of nearly €12 million and the modest positive result of €58,480 were pleasing and further indication that the changes implemented over the previous four years have made IRC into a more successful, robust and business-like organisation.

An important positive step taken at the start of the year was the agreement by staff in the Netherlands of a new collective labour agreement (CAO). Under this, staff agreed to give up three weeks of flexible leave and move to new salary scales, both with minimal compensation. This has allowed IRC to stabilise its fee structure at a competitive level whilst also creating more space for unfunded activities such as fundraising.

The 2016 CEO's statement highlighted how, at the end of 2016, IRC was awaiting confirmation of a new grant from DGIS, our leading supporter, of programmatic support for the period 2017-21. This grant, confirmed in July was a welcome indication of the continuing strong partnership with DGIS. At the same time, the fact that it only came online halfway through the year meant that delay was built up in implementing some elements of the new business plan, notably around updating financial management and IT systems. These will now be rolled into 2018.

At the end of 2017 IRC was in the process of finalising a new grant request to the Conrad N. Hilton foundation, building on existing planning grants awarded in 2016. This proposal totals US\$ 7.5 million for approximately four years and will start in April 2018. All indications at the time of writing are that this grant will be awarded. If this is indeed the case, the main scenarios outlined in 2015 for IRC's financial stability as a Think and Do tank will have been met until 2020.

With a total positive result for 2017 of €58,480 IRC fell some way short of its planned business result of €132,858 – or of the high positive result of nearly €300,000 achieved in 2016. This said, this smaller than desired result includes €93,000 of exchange rate losses and €17,000 of negative project results. The fact that despite these negative results, IRC nevertheless achieved a positive overall result and put money into our (earmarked) reserves, again demonstrates that the measures taken in 2015 and 2016 have created a more viable and realistic business model.

With the main building blocks now in place, the focus for the next few years will shift to rolling out our new strategy and deepening our commitment to our partner districts, continuing to build the strength and professionalism of our fundraising. In 2018 we will continue to seek to identify potential new focus countries for IRC's work, in line with our medium term goal to expand from our current six to ten countries. In addition, during 2018 we will update our IT and financial systems to further support the new business model.

Financial report

IRC ended the year 2017 positively with an Annual Result of €58,480. It was the first year of the new IRC Strategy (2017-2021) and the third consecutive year with a positive Annual Result. Following an encouraging and positive end evaluation of the previous Business Plan period (2012-2016), IRC received a grant from DGIS for the Building of WASH Systems to Deliver the Sustainable Development Goals. The granting of this programmatic funding had a central place in all funding scenarios for 2017, and IRC is grateful to DGIS for its renewed trust in the organization. The biggest financial challenges during 2017 were the low Euro to US Dollar exchange rate, and the increased portion in the project portfolio where IRC cannot sufficiently apply an indirect cost recovery strategy.

IRC's gross revenue increased from €9.26 million in 2016 to €11.99 in 2017, well above the €11.23 budgeted for in the Annual Plan 2017. However, it should be noted that the total business volume in 2017 includes a total of some €600,000 from 2016, related to two projects in Ghana. These were reported late, with the result that they are reported in 2017. The financial results for both years are not affected by the late reporting and remain as presented in the financial statements, as cost and revenue are matched.

With 50% of the total income, DGIS remained IRC's main donor (was 49% during 2016). The EU and the Conrad N. Hilton Foundation follow with 15% and 14% respectively. The portfolio of USAID-funded projects is growing (7%), providing a challenge to IRC in regards to its indirect costs recovery using full cost tariffs. During 2017, IRC acquired new (multi-annual) project funding worth €10.3 million.

To achieve its mission and ambition, IRC works with partner organizations and Associates / consultants. From the total gross revenue in 2017, 35% went to partner organizations and 9% to consultants. An additional 21% was spent on other project costs like travel, meeting venues and equipment. In total, almost 68% of the gross revenue of €11.99 million went to third parties and was not available for IRC's indirect cost recovery.

On December 31st 2017, IRC employed 69 staff members of which 40 (58%) were located in one of IRC's six focus countries. Total personnel costs during 2017 were €3.34 million and remained within budget. Total net turnover of staff was zero, with eight people coming and going. The total amount of personnel-related provisions reduced from €191,901 to €170,142. These provisions mainly include employee leave rights, reservations for unemployment benefits and hypo-tax.

IRC closed the year 2017 with a positive Annual Result of €58,480 and with an encouraging gross operating result of €137,393. The Annual Result is highly influenced by the significant negative exchange rate results deriving from the US Dollar contracts. Half of the Annual Result is charged to the general reserves, the other half is put to the 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. In order to reduce the negative effects of the exchange rate result €36,296 was taken from the earmarked reserves and shifted to the general reserves. The amount equals the exchange rate gain during 2016. IRC's total reserves on December 31st 2017 were €1,063,412 – including €142,095 in the earmarked reserves.

During the past years IRC's liquidity position narrowed significantly, with the amount of cash and cash equivalents decreasing with almost €5 million during the period 2014-2016. During 2017, this trend initially continued, but partly due to an early disbursement from DGIS for the new grant the total cash and cash equivalents increased with some €1.8 million by the year's end. IRC remains capable to fulfill its short and long-time financial obligations, while it is currently merely pre-financing its activities as more donors are only refunding work that has been accomplished (€250,000 net balance on projects).

Forward Looking Statement

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 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 until 2020); 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 were to facilitate general acquisition and financial viability.

Just like the previous years, 2017 was yet another exceptional year. The significant exchange rate results deriving from the disbursements for the TripleS project were largely spent and there was anxiety over whether DGIS would continue funding IRC, specifically for its program Building WASH Systems to Deliver the Sustainable Development Goals – a program central and essential for IRC to achieve its WASH Systems change mission. In the summer, DGIS granted IRC funding for the said program and in total more than €10 million of project funding was acquired (for 2017 and subsequent years). The year ended with the highest gross revenue IRC achieved during its previous 49 years, providing a positive Annual Result for the third consecutive year.

In many ways, 2017 and 2018 are alike. It is hoped that in addition the DGIS-funding, IRC would be able to confirm a large grant from the Conrad N. Hilton Foundation during 2018 for district work. It would give IRC a critical mass of funding for the coming years to deliver its mission in the focus countries. There will be, like in 2017, a lot of consolidating on (business model) measures taken in the past and in implementing the IRC Strategy 2017-2021. As part of that Strategy, IRC will continue investing in its website (content) and explore improvements to the financial and ICT systems. During 2018, IRC's will celebrate its 50th anniversary and prepare for a seminar on WASH Systems Change in March 2019.

IRC is ever more seen as valuable partner because of its vision, its passionate professionals and its physical presence in the focus countries. IRC's brand, mission and messages resonate well in the WASH sector, which is confirmed by the very positive End of Program Evaluation from DGIS on the previous Business Plan, the feedback from the Conrad N. 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 2018 assumes a budget of €11.2, with a foreseen Annual Result of €219,409. The Result will for 50% be charged to 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. The Annual Plan 2018 assumes that the proposed district work will be granted by the Conrad N. Hilton Foundation. At the start of the year, nearly 90% of the Annual Plan budget had been contracted – a percentage that is comparable with the status a year ago.

Concept Income Statement 2018

INCOME	Budget 2018	Actual 2017	Budget 2017
Core program funding (Gates Foundation)	€0	€48,319	€0
DGIS Watershed Strategic Partnership	€3,310,273	€3,684,525	€3,358,100
DGIS Building WASH Systems for SDGs	€1,249,450	€1,401,551	€585,000
Other project funding (committed)	€3,513,737	€6,857,154	€4,445,617
Other project funding (proposed)	€3,088,825	€0	€2,840,915
Total	€11,162,285	€11,991,549	€11,229,632

EXPENSES	Budget 2018	Actual 2017	Budget 2017
Personnel costs	€3,685,518	€3,341,137	€3,420,355
Other project related costs	€6,105,129	€8,152,855	€6,824,004
General & administrative expenses	€1,152,229	€360,164	€892,415
Total	€10,942,876	€11,854,156	€11,136,774
Operating result	€219,409	€137,393	€92,858
Financial income and expenditures +/-	€0	-€78,913	€40,000
Annual Result	€219,409	€58,480	€132,858

Beyond 2018

Despite the relative positive signals for 2018, the period from 2019 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 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 2017, €33 million (57%) had been contracted for the aforementioned period, with a further €9 million of project contracts in the pipeline – including the district work potentially funded by the Conrad N. Hilton Foundation. IRC will have to acquire an average of some €8 million annually to fill the current gap for the full 2017-2018 period, which is considered realistic in relation to previous years.

Taken together, the funding outlook for IRC remains 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. Central to these scenarios were the awarding of programmatic funding from DGIS (granted during 2017) and the Conrad N. Hilton Foundation (expected for 2018). These scenarios ranged 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;
- 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; and
- Building up the new philanthropic market.

IRC is a going concern.

The year 2017 ended with a positive annual result, for the third consecutive year, confirming IRC is on the right track in regards to the adjusted Business Model. The reserves position of IRC has further improved, but remains with too low in view of the preferred capital buffer.

IRC is clearly a 'going concern' in 2018, with almost 90% of its budget ambition already contracted work. It is assumed that IRC will be able to acquire the additional funding for 2018 during the year, as well as developing a portfolio of new contracts for at least €8 million for subsequent the years.

Exchange rate results were a major (negative) factor during 2017 and it is expected that IRC will remain vulnerable in its US\$ contracts. These contracts also provide a significant challenge in regards to the full recovery of indirect costs. The improved financial performance monitoring – developed during 2017 – and a more realistic budgeting for country (district) work should provide early warnings on emerging gaps and mitigate on financial consequences.

Improvements to IRC's financial system will be explored during 2018, foreseen to be operational as from 2019.

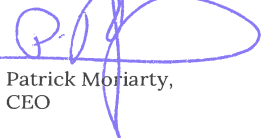
Acknowledgements

IRC would like to thank all of its donors and partners in 2017. 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 Conrad N. Hilton Foundation, USAID, UNICEF, the Netherlands Enterprise Agency (RVO) and the Osprey Foundation – as well as 32 others in 2017.

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 brining 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 2018



Patrick Moriarty,
CEO

Balance Sheet as at 31 December 2017

(After profit appropriation)

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

		<u>31 December 2017</u>		<u>31 December 2016</u>	
		€	€	€	€
<u>ASSETS</u>					
Non-current Assets					
Tangible fixed assets	1	<u>47,143</u>	47,143	<u>58,309</u>	58,309
Current assets					
Accounts receivable services	2	266,689		421,526	
VAT receivable	3	15,895		20,333	
DGIS Subsidy Agreement 2012 - 2016	4a	0		570,425	
DGIS programmatic funding 2017 - 2021	4c	1,551		0	
Short term net balance on projects	12	250,530		0	
Other receivables	5	231,139		191,801	
Cash and cash equivalents	6	<u>4,642,074</u>	5,407,878	<u>2,860,085</u>	4,064,170
Total assets		<u>5,455,021</u>		<u>4,122,479</u>	
<u>LIABILITIES</u>					
Reserves					
Foundation's general reserves	7	921,317		855,781	
Earmarked reserves	8	<u>142,095</u>	1,063,412	<u>149,151</u>	1,004,932
Provisions					
Jubilee provision	9	2,478		5,047	
Redundancy costs staff	10	0		6,619	
Other staff related provisions	11	<u>167,664</u>	170,142	<u>180,235</u>	191,901
Current liabilities					
DGIS Subsidy Agreement 2012 -2016	4a	575		0	
DGIS Watershed subsidy	4b	3,816,547		971,779	
Short term net balance Gates Foundation	4d	0		47,539	
Short term net balance on projects	12	0		1,430,652	
Tax and Pension premiums payable	13	72,545		70,945	
Creditors services	14	69,404		143,330	
Other current liabilities	15	<u>262,396</u>	4,220,891	<u>261,401</u>	2,925,646
Total liabilities		<u>5,454,445</u>		<u>4,122,479</u>	

Income Statement for 2017

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

	2017 Actual €	2017 Budget €	2016 Actual €	2016 Budget €
<u>INCOME</u>				
16 Core program funding (Gates Foundation)	48,319	0	2,632,486	2,368,536
17 DGIS Watershed programme	3,684,525	3,358,100	2,427,360	3,267,075
18 DGIS programmatic funding 2017 - 2021	1,401,551	585,000	0	0
19 Other project funding	6,857,154	7,286,532	4,197,982	5,758,152
Total	11,991,549	11,229,632	9,257,828	11,393,763
<u>EXPENSES</u>				
20 Personnel costs	3,341,137	3,420,355	3,400,306	3,809,733
21 Other project related costs	8,152,855	6,824,004	5,013,871	6,579,279
22 General & administrative expenses	816,368	892,415	758,631	760,657
22 Recovered overhead expenses	-456,204	0	-165,695	0
Subtotal	11,854,156	11,136,774	9,007,113	11,149,669
Operating result	137,393	92,858	250,715	244,094
23 Financial income and expenditures +/-	-78,913	40,000	47,586	40,000
24 Annual result	58,480	132,858	298,302	284,094

Cash Flow Statement for 2017

	€	2017	€	€	2016	€
Cash flows from operating activities						
Annual result			58,480			298,302
Adjustments for:						
Depreciation		26,312			53,669	
Movement in provisions		-12,572			6,186	
Bad debts accrual		-534			534	
Interest income		-16,856			-20,707	
			-3,650			39,683
Changes in working capital						
Short-term net balance		1,685,497			-1,115,354	
Receivables		116,967			92,878	
Provisions		-9,188			-84,063	
Current liabilities		-71,331			-48,912	
Cash used in operations			1,721,945			-1,155,451
Interest received		20,360			36,235	
			20,360			36,235
Net cash used in operating activities			1,797,136			-781,231
Cash flows from investing activities						
Purchases of assets		-15,147			-31,259	
Net cash used in investing activities			-15,147			-31,259
Net cash flow			1,781,989			-812,490
Net increase in cash & cash equivalents			1,781,989			-812,490

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 are presented clearly separately after the audit opinion.

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

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 and the coffeemachine are 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 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.

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 '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 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	2017	2016
	€	€	€	€
Position as of 1 January 2017				
Purchase price	120,216	289,635	409,851	435,662
Minus: Accumulated depreciation	-92,452	-259,091	-351,543	-354,943
Book value	27,764	30,544	58,308	80,719
Transactions during financial year				
Additions	2,744	12,403	15,147	31,259
Minus: Depreciation	-12,387	-13,925	-26,312	-52,278
Minus: Disposals at cost	0	-4,816	-4,816	-57,070
Plus: Accumulated depreciation disposals	0	4,816	4,816	55,679
Total transactions	-9,643	-1,522	-11,165	-22,410
Position as of 31 December 2017				
Purchase price	122,960	297,222	420,182	409,851
Minus: Accumulated depreciation	-104,839	-268,200	-373,039	-351,542
Book value 31 December 2017	18,121	29,022	47,143	58,309

2 Accounts receivable services

The outstanding balance for accounts receivable amounts to € 266,689 as of 31 December 2017.

There is no provision for uncollectable debtors, as we expect that all outstanding invoices will be paid.

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

	Original amount	Provision	31 December 2017	31 December 2016
	€	€	€	€
Less than 6 months	266,689	0	266,689	349,991
6 to 12 months	0	0	0	0
12 to 18 months	0	0	0	71,535
Balance 31 December 2017	266,689	0	266,689	421,526

3 VAT receivable

As of 31 December 2017, a VAT amount of € 15,895 can be claimed from the tax authorities. At the end of 2016 the refundable

VAT amounted to € 20,333.

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

	2017	2016
	€	€
Position as of 1 January	20,333	25,257
Plus: Addition to receivable	0	0
Minus: receipt	-4,438	-4,924
VAT position 31 December 2017	15,895	20,333

In 2018 the amount of € 15,895 was received from the tax authorities.

4a DGIS Subsidy Agreement 2012 - 2016

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 received 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
	€	€
Subsidy received for 2012 - 2016	10,099,000	25,309
Final subsidy instalment received	571,000	-
	10,670,000	25,309
Subsidy DGIS spent in 2012 - 2016	10,694,733	
	10,694,733	
	31 December 2017	31 December 2016
	€	€
Total (received in advance)/prepaid by IRC	24,733	595,733
Received interest	-25,309	-25,309
Total (received in advance)/prepaid by IRC including received interest	-575	570,425

The balance of EUR 575 will be used for the ad-hoc advisory assignments.

4b DGIS Watershed programme

The Ministry of Foreign Affairs (DGIS) has granted a Strategic Partnership totaling € 16,352,500 for the period 2016 through 2020.

IRC is in the lead and has partnership agreements with AKVO, Simavi and Wetlands International.

	DGIS	Interest
	€	€
Funding instalment received for 2016 till 2018	9,927,607	825
Disbursement to the partners	5,835,361	
Available for IRC	4,092,246	825
Funding DGIS spent in 2016 and 2017 by IRC	1,776,104	
Funding DGIS spent in 2016 and 2017 by partners	4,335,781	
Total spent till end of 2017	6,111,885	
	31 December 2017	31 December 2016
	€	€
Total received in advance	3,816,547	970,954
Received interest	0	825
Total received in advance by IRC including received interest	3,816,547	971,779

4c DGIS programmatic funding 2017 -2021

The Ministry of Foreign Affairs (DGIS) has issued on 3 July 2017 a grant totaling €4,800,000 for the period 2017 through 2021. The grant is for the project "Building WASH systems to deliver the Sustainable Development Goals".

Funding instalment received for 2017	€ 1,400,000
Funding DGIS spent in 2017	1,401,551

	31 December 2017	31 December 2016
	€	€
Total prepaid by IRC	1,551	0
Received interest	0	0
Total prepaid by IRC including received interest	1,551	0

4d 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.

	31 December €	31 December €
Balance amount to use during 2017	47,539	929,211
Minus: Expenditure 2017	-47,539	-881,672
Balance amount to use during 2018	0	47,539

5 Other receivables

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

	31 December 2017	31 December 2016
	€	€
Interest receivable	16,852	20,356
Rent deposits for office rent in USA	6,658	6,598
Prepaid amount	207,628	164,847
Other receivables December 31 2017	231,139	191,801

6 Cash and cash equivalents

Bank and cash in hand can be specified as follows:

	31 December 2017	31 December 2016
	€	€
Current and savings accounts	4,204,680	2,597,781
Cash and Bank Burkina Faso office	238,912	18,262
Cash and Bank Ghana office	136,542	105,970
Cash and Bank Ethiopia office	16,819	78,904
Cash and Bank Uganda office	43,723	58,616
Cash in hand	1,398	552
Balance December 31	4,642,074	2,860,085

The cash 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 profit of 2017 of € 58,480 is allocated as follows:

	€
Result 2017	58,480
Added to the general reserve 50%	29,240
Added to the earmarked reserves 50%	29,240

	31 December 2017	31 December 2016
	€	€
Foundation's general reserves	855,781	706,630
Addition to the general reserves	29,240	149,151
From earmarked reserves, for exchange rate results	36,296	0
Position 31 December 2017	921,317	855,781

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

	€	€
Fixed asset equalization reserves	47,143	58,309
Other resistance equity	874,174	797,472
	921,317	855,781

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 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 and financial systems in the near future and possible move of office location.

	31 December 2017	31 December 2016
	€	€
Earmarked reserves	149,151	0
Addition to the earmarked reserves	29,240	149,151
Taken from the earmarked reserves for exchange rate results	-36,296	0
Position 31 December	142,095	149,151

The total IRC reserves on 31 December 2017 amount to € 1,063,412.

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 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.

	2017	2016
	€	€
Position as of 1 January	5,047	31,559
Changes in provision	-2,569	-26,512
Position 31 December 2017	2,478	5,047

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 amounts 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.

	2017	2016
	€	€
Position as of 1 January	6,619	64,169
Minus: Used from provision redundancy 2016	0	-57,550
Minus: Used from provision redundancy 2017	-6,619	0
Position 31 December 2017	0	6,619

11 Other staff related provisions

At the end of 2017 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 2017	31 December 2016
	€	€
Hypotax	35,100	49,931
Minus: Used from provision hypotax	-18,120	-14,831
Provision unemployment	31,000	87,268
Addition/Release provision for unemployment	5,316	-56,268
One-off payment to staff	0	17,447
Employee leave rights payable	114,367	96,688
Balance 31 December 2017	167,664	180,235

12 Net balance on projects

The item 'Net balance on projects' amounts to € -250,530 as of 31 December 2017. It concerns amounts that were received and invoiced for projects that were not completed as of 31 December 2017. As of the end of 2016 this item amounted to € 1,430,652

The total for the 'Work in progress' (total amount of all the running projects) was € 14,123,342 in 2017, this is € 2.5 million higher than the total of € 11,626,981 at the end of 2016.

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 2017	31 December 2016
	€	€
Other external financed projects	-250,530	1,430,652
Total Net Balance	-250,530	1,430,652

13 Tax and Pension premiums payable

	31 December 2017	31 December 2016
	€	€
Employer Tax and Pension premiums payable	72,545	70,945
Balance 31 December 2017	72,545	70,945

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 2017	31 December 2016
	€	€
Less than 6 months	69,404	143,330
6 to 12 months	0	0
More than 12 months	0	0
Balance 31 December 2017	69,404	143,330

15 Other current liabilities

The other current liabilities are specified as follows:

	31 December 2017	31 December 2016
	€	€
Holiday allowance payable	91,130	93,001
Year-end allowance payable	11,285	10,964
Other payable items	159,981	157,436
Balance 31 December 2017	262,396	261,401

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 2017	1,813,019

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 2017

The number of employees working from the Netherlands as per 31 December is 29 (27,1 FTE) in 2016 was respectively 29 (27,4 FTE)

The number of employees working from the branch offices as per 31 December is 40 (40,0 FTE) in 2016 was this respectively 35 (35,0)

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 2017.

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 2017.

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 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 3,150 as per 1 January 2018, Exchange rate as per 31 December 2017 is USD 1,1977

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 1 month office in USA	2,630
Lease obligation up to 1 year copiers	13,514
Rent obligations > 1 year office	47,044
Lease/rent obligations total	143,835

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

16 Core program funding

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Core program funding (Gates Foundation)	48,319	0	2,632,486	2,368,536
In 2016 also a part came from DGIS				
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		

The difference between the balance of EUR 47,539 and the income of EUR 48,319 is booked as a negative project result.

17 DGIS Watershed program 2016 - 2020

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
DGIS Watershed	3,684,525	3,358,100	2,427,360	3,267,075

18 DGIS programmatic funding 2017 - 2021

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
DGIS programmatic funding	1,401,551	585,000	0	0

The budget was much lower as at the time of drawing the budget 2017 it was not clear whether the funding would actually be received. Eventually, the grant was awarded in July 2017.

19 Other project funding

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Other IRC projects	6,838,377	7,286,532	4,124,230	5,758,152
Result on closed projects	18,777	0	73,752	0
	6,857,154	7,286,532	4,197,982	5,758,152

The total revenue from projects for the financial year 2017 amounts to €11,991,549 which is 7% higher than budgeted.

Expenses

20 Personnel costs

The total personnel costs for 2017 were € 3,341,137. This is 2% less than the budgeted.

An amount of € 114,000 was budgeted for other personnel costs. The actual expenses were € 133,460. The increase is due to higher foreign posting costs off-set with no temporary employees.

Number of FTE's in the Netherlands 31/12/2017 27.1

Number of FTE's in the country offices 31/12/2017 40.0

The specification of personnel costs is as follows:

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Salary expenses				
Gross salaries including vacation allowance	2,050,000		2,228,268	
National insurance contributions	193,924		190,115	
Pension premium contributions	223,255		211,708	
Formation costs The Netherlands	2,467,180	2,339,834	2,630,091	2,557,085
Salary expenses paid from provision	0	0	-24,359	0
Other	46,102	18,000	53,765	64,415
Formation costs Ghana	182,777	240,443	171,312	304,727
Formation costs Burkina Faso	158,977	187,306	111,210	225,050
Formation costs Uganda	157,084	190,306	151,829	182,575
Formation costs Ethiopia	121,320	245,441	99,672	227,983
Formation costs India	29,545	38,982	32,158	41,721
Formation costs Honduras	44,692	46,043	32,107	18,177
Total salary expenses	3,207,676	3,306,355	3,257,785	3,621,733
Other personnel costs				
Temporary employees	0	25,000	6,643	75,000
Recruitment	195	0	6,847	5,000
Foreign posting costs	66,708	0	56,853	0
Training and education	30,126	30,000	12,233	40,000
Personnel administration	11,016	17,500	13,591	20,000
Health expenses and health support	3,724	10,000	5,583	15,000
Travel free weeks and social events	9,004	16,500	19,194	15,500
Personnel insurances	12,348	15,000	11,886	12,500
Miscellaneous	340	0	9,691	5,000
	133,460	114,000	142,521	188,000
Total personnel costs	3,341,137	3,420,355	3,400,306	3,809,733

21 Other project related costs

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Total project related costs	8,152,855	6,824,004	5,013,871	6,579,279

The other project related costs relate to partner contributions, Associates / consultants, travel, etc. - a totalling more than € 8 million

(or 68% of the gross revenue). The actual expenses were over budget, mainly because in the budget the DGIS program was only partly accounted for.

22 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 € 816,368 in the year 2017, some € 76,000 less spent than originally budgeted for. Since 2016, the G&A expenses from the country offices were also taken into account. From the total G&A costs an amount of € 456,024 could be recovered on projects. These recovered overhead expenses were not budgeted for. Information Technology costs were some € 12,000 higher then budgeted, 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 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Housing	198,669	197,000	205,899	227,500
Depreciation expenses	26,088	25,000	51,994	60,000
Information Technology	87,022	75,000	90,268	65,000
Office inventory	0	0	564	5,000
Office supplies	3,770	12,500	3,204	10,000
Printing	15,456	15,000	14,976	15,000
Communication, postage	8,210	17,500	8,535	20,000
Supervisory Board	28,554	17,500	25,406	17,500
Auditor	48,712	39,000	48,857	35,000
Management, marketing, PR and Advisory	45,279	50,000	26,774	55,000
Fundraising & Business Development	34,988	60,000	0	0
IRC Consult	5,149	15,000	0	0
Tax & legal consultancy	3,274	10,000	38,716	15,000
Professional Indemnity Insurance	34,535	25,000	15,125	0
Literature & WorksCouncil	4,326	2,500	4,975	2,500
General & Administrative expenses Netherlands	544,033	561,000	535,293	527,500
General & Administrative expenses Ghana	88,102	111,183	74,015	68,600
General & Administrative expenses Burkina Faso	24,016	27,923	38,463	28,679
General & Administrative expenses Ethiopia	76,374	71,612	41,579	53,094
General & Administrative expenses Uganda	69,892	96,635	60,494	75,441
General & Administrative expenses USA	7,817	0	0	0
General & Administrative expenses India	5,085	14,675	7,418	4,804
General & Administrative expenses Honduras	1,049	9,387	1,369	2,539
Total gross General & Administrative expenses	816,368	892,415	758,631	760,657
Recovered overhead expenses	-456,204	0	-165,695	0
Total net General & Administrative expenses	360,164	892,415	592,936	760,657

Remuneration of the Supervisory Board

The members of the Supervisory Board received a total allowance of € 12,133. 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.

23 Financial income & expenditures

Financial income & expenditures in 2017 amounts to a € 78,913 loss due to the unfavourable USD exchange rates.

Financial income & expenditures can be specified as follows:

	Actual 2017	Budget 2017	Actual 2016	Budget 2016
	€	€	€	€
Deposit Accounts	16,856	25,000	20,707	25,000
Bank costs	-11,109	-10,000	-9,080	-10,000
Accrual bad debts	16,261	0	-3,627	0
Currency exchange result	-93,227	0	36,296	0
Other financial charges	0	25,000	0	25,000
Result former years	-6,819	0	4,615	0
Cash & payment differences	-877	0	-1,325	0
Total financial income & expenditures	-78,913	40,000	47,586	40,000

24 Annual result

The profit of 2017 of € 58,480 is allocated in the following way:

	€
Result 2017	58,480
Added to the general reserve 50%	29,240
Added to the earmarked reserves 50%	29,240

	€
Foundation's general reserves	855,781
Result financial year	29,240
Exchange rate result 2016	36,296
Position 31 December 2017	921,317

	€
Foundation's earmarked reserves	149,151
Result financial year	29,240
Exchange rate result 2016	-36,296
Position 31 December 2017	142,095

Remuneration for the CEO of IRC

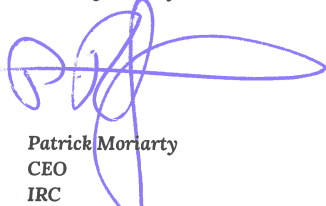
Name	Dr. Patrick Moriarty		
Job position	CEO		
	Year	2017	2016
Type of contract			
hours		40	36
Part time percentage		100	100
Period		01/01 - 31/12	01/01 - 31/12
Salary (€)			
Annual Income, gross			
Gross salary		91,308	90,110
Holiday allowance		7,237	7,019
Year end allowance		7,509	7,282
Variable income		0	0
Gross employee income		106,054	104,411
Employers Social Security costs		8,189	7,635
Taxable disbursement		0	0
Employers Pension Contribution		16,441	14,257
Other (future) benefits		0	0
Severance Entitlement		0	0
Total Remuneration CEO		130,685	126,303

Remuneration of the Supervisory Board members	€
Mr. H. van Dord (Chairman till 31 May)	1,667
Ms. C. Brocklehurst (for 3 months)	400
Mr. H. den Boer	1,600
Ms. M. Metha	1,600
Mr. R. Bos (chairman from 1 June 2017)	3,000
Ms. R. van der Sijp (for 5 months)	667
Mr. E. Wegelin	1,600
Mr. A. de Wilde	1,600
Total Remuneration Supervisory Board members	12,133

Mr. L. Boorstin abandoned from any remuneration.


Approved and signed in the Supervisory Board Meeting on May 24th 2018

The Hague, May 24th, 2018



Patrick Moriarty
CEO
IRC
Bezuidenhoutseweg 2
2594 AV The Hague

The Hague, May 24th, 2018



Robert Bos
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 2017

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 2017, 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 2017 of IRC International Water and Sanitation Centre, The Hague ('the foundation').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- 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 assurance-opdrachten' (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.

KNVHQMRYVJ-678502693-36

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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 directors' 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 directors' 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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, 24 May 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M. van Ginkel RA

Appendix to our auditor's report on the financial statements 2017 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

amounts in Euros

Balance Sheet as at 31 December 2017

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	EUR	EUR	EUR	EUR
<u>Assets</u>				
Non-current Assets				
Current assets				
Prepayments	8,246		2,826	
Advances to partners	69,389		-	
Cash and Bank Balance	238,912		18,262	
		316,547		21,088
Total assets		316,547		21,088
<u>Liabilities</u>				
Current liabilities				
Accounts payable			-	
Outstanding cheques	13,808		2,237	
		13,808		2,237
		13,808		2,237
Provisions				
Employees - end of contract benefits	6,304		3,374	
		6,304		3,374
		6,304		3,374
Net Assets		296,435		15,477
Financed by				
Accumulated Fund		296,435		15,477

Income and Expenditure for 2017

	2017 EUR	2016 EUR
Income		
Transfer IRC NL to Burkina Faso	1,284,103	729,119
Transfer other projects	425,084	105,098
Other ressources	19,456	42,266
Other contribution	572,981	283,281
	2,301,624	1,159,764
Expenditures		
Project costs DGIS	65,205	41,711
Project costs DGIS Advisory	0	3,470
Project costs DGIS 9 Countries M&E	11,352	6,173
Project costs ERG	0	32,079
Project costs SaniEst	1,194,750	697,938
Project costs Unicef	58,223	0
Project costs Fas Eau	23,123	0
Project costs SaniEst Helvetas	214,520	214,816
project costs BRAVE	46,972	36,627
project costs COWI Niger	2,322	2,580
project costs Watershed	38,216	37,710
project costs HydroConseil	0	828
project costs Trackfin	45,804	11,757
project costs Visit Hilton	0	3,912
Project costs Hilton Burkina Faso	171,894	0
Project costs Hilton Niger	55,928	0
Project costs Hilton Mali	11,964	0
Project Oxfam	0	54,686
Project LRDD	16,266	0
Project Faso toilettes	2,195	
Project Regis ER	6,759	
Project AJDD	536	
	1,966,028	1,144,287
Overhead formation costs	17,404	
Overhead admin costs	21,757	
Total expenses	2,005,189	
Surplus transferred to accumulated	296,435	15,477
Balance carried forward	296,435	15,477

Branch office IRC Ghana

Amounts in Cedis

Balance Sheet as at 31 December 2017

		<u>31 December 2017</u>		<u>31 December 2016</u>
	GHS	GHS	GHS	GHS
<u>Assets</u>				
Non-current assets		104,773		146,571
Current assets				
Prepayments	240,931		125,234	
Cash and Bank Balance	739,339		472,808	
		980,270		598,042
Total current assets		980,270		598,042
Total Assets		1,085,043		744,613
<u>Liabilities</u>				
Current liabilities				
Accounts payable	117,051		82,107	
IRC Netherlands	702,910		467,048	
		819,961		549,155
Net Current Assets	160,309	160,309	48,887	48,887
Net Assets		<u>265,083</u>		<u>195,458</u>
Financed by				
Accumulated Fund		<u>265,083</u>		<u>195,458</u>

Income and Expenditure for 2017

	<u>2017</u>	<u>2016</u>
	€	€
<u>Income</u>		
Core Programme funding	1,589,328	966,116
Other projects	580,815	676,770
Exchange differences	51,254	0
	<u>2,221,397</u>	<u>1,642,886</u>
<u>Expenditures</u>		
Personnel Costs	788,431	750,109
Housing Costs	165,845	171,911
Administrative costs	179,650	206,279
RCN	23,859	27,626
Other projects	993,987	485,282
	<u>2,151,772</u>	<u>1,641,208</u>
Surplus for the year	<u>69,625</u>	<u>1,677</u>
Balance brought forward	195,458	193,781
Balance carried forward	<u>265,083</u>	<u>195,458</u>
currency rate 31 December 2017	5.41474	

Branch office IRC Uganda

Amounts in Shiling

Balance Sheet as at 31 December 2017

	31st December 2017		31st December 2016	
	UGX	UGX	UGX	UGX
ASSETS				
Current Assets				
Cash and Bank Balance	189,124,520		219,416,582	
Staff Working Advances	59,633,168		3,898,074	
		248,757,688		223,314,656
TOTAL ASSETS		248,757,688		223,314,656
LIABILITIES				
Account payable				
Salaries payables	0		20,000	
Withholding Tax	4,120,674		0	
		4,120,674		20,000
TOTAL LIABILITIES		4,120,674		20,000
NET CURRENT ASSETS		244,637,014		223,294,656
Financed by				
Fund balance		244,637,014		223,294,656

Statement of income and expenditure for 2017 January through December 2017

	2017		2016	
	UGX	UGX	UGX	UGX
Income				
Transfer from IRC- NL	1,328,332,880		1,018,148,927	
Water Aid	51,000,000		-	
Donor income	74,255,030		180,072,373	
Other income	57,578,339		4,068,291	
Total Income		1,511,166,249		1,202,289,591
Expenses				
Office Costs	130,461,363		118,848,080	
Capital expenses	12,015,000		13,025,000	
Communication	21,246,160		23,034,200	
Transport & Travel	143,590,423		157,473,753	
Personnel Expenses	627,863,443		550,907,766	
Partners & Consultants	227,385,369		220,485,848	
Program costs	327,262,133		163,441,780	
Total Expense		1,489,823,891		1,247,216,427
Balance carried forward		21,342,358		(44,926,836)

currency rate 31 December 2017 4,325.490

Branch office IRC Ethiopia

Amounts in Birr

Balance Sheet as at 31 December 2017

	31st December 2017		31st December 2016	
	Birr	Birr	Birr	Birr
ASSETS				
Non-current assets				
Property, plant and equipment	134,613		9,498	
Current assets				
Receivables	97,724		10,637	
Cash and bank balance	548,013		1,833,146	
	645,737		1,843,783	
Total assets		780,350		1,853,281
EQUITY AND LIABILITIES				
Equity				
Capital	2,070,990		2,070,990	
Fund balance	(1,622,527)		(297,627)	
Total Equity	448,463		1,773,363	
Current liabilities				
Accounts Payable	331,887		79,918	
Total equity and liabilities		780,350		1,853,281
Financed by				
Fund balance		(1,622,527)		(297,627)

Income and Expenditure for 2016

	2017		2016	
	Birr	Birr	Birr	Birr
Income (Transfer from Head office)		7,539,989		5,752,853
General and Admin. Expenses				
Office costs	716,006		316,596	
Survey costs	433,156		377,544	
Communication	77,042		65,085	
Challenge fund subsidy	891,022		-	
Transport and Travel	1,353,734		404,855	
Meetings and events	428,022		421,334	
Personal expenses	4,005,855		2,415,566	
Other personnel expenses	111,778		108,982	
Insurance	219,859		5,218	
Partners and consultants	517,119		351,390	
Bank service charge	852		950	
License and registration	7,369		3,209	
Newspaper translation and printing	71,760		-	
Depreciation	13,636		1,676	
Miscellaneous	17,679		5,347	
Total expenditure		8,864,889		4,477,752
DEFICIT OF INCOME OVER EXPENDITURE		(1,324,900)		1,275,101
FUND BALANCE BROUGHT FORWARD		(297,627)		(1,572,728)
FUND BALANCE CARRIED FORWARD		(1,622,527)		(297,627)

currency rate 31 December 2017

32.58300