



Annual Accounts 2013

IRC

Bezuidenhoutseweg 2

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Corporate information

Legal form:	Foundation
Corporate name:	Stichting IRC, International Water and Sanitation Centre
Statutory seat:	The Hague
Director:	January 1 st - August 30 Terra, Nicolaas Gerardus Maria September 1 st - December 31 Moriarty, Patrick Barre
Supervisory Board:	de Waal, Lodewijk Justus (Chairman until May 31st 2013) van der Sijp, Regina Nina Maria van Dord, Hans (Chairman starting at June 1st 2013) van den Top, Gerhard Martin Cross, Piers Edward Woodward Bos, Robert

Our vision - The world we want to see

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

Our Mission - How we achieve our vision

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

Directors report

The above vision and mission statement reflects how IRC sees its role as an international think and do tank in the WASH sector, driving change towards the delivery of sustainable water and sanitation services that last to all people, especially the poor. This is an ambition we share with our partners and is in line with the Millennium Development Goals for 2015 to which the wider community is committed.

For IRC, 2013 was the second year of our 2012-2016 Business Plan (and related DGIS funding period). We remain committed to our profile as an internationally recognised and relevant sector knowledge organisation with the overarching goal to change the focus of the sector from just providing hardware to using hardware as the basis of universal provision of services that last. Our strategy as described in our Business Plan includes further: internationalisation and decentralisation, identification of new financiers and increasing the organization's flexibility to respond more easily to fluctuations in funding.

This business plan and scope of work is based on a total estimated budget of €51 million for the period 2012-2016, being an estimate of the sum required to maintain our level of impact; our work on information management; our programmes in focus countries and regions, and our international programme. Of this total approximately 73% had been sourced by the end of 2013. This percentage is relatively as it includes budgets for third parties as well. The other 27% will be acquired by means of responding to tenders, proactive proposal development and strategic acquisition and fundraising. IRC is being supported in our current business plan by the Dutch government through a 5 years programmatic funding subsidy of € 10.4 million.

In the mean time the management team is intensively busy to prepare the organisation for the period after 2016 in a new Cost & Revenue Model, fitting an adapted Business Model. Introduction of this model will be implemented before 2016 as IRC anticipates a discrepancy to cover all the foreseen cost in the current business model.

Financial report

The revenues show a small decrease compared to 2012. The total revenues for 2013 amount to € 9,9 million what was € 10,1. The programmatic subsidy from the Dutch government accounts for 29% of the total revenues for 2013. This was 28% in 2012. Compared to the budget IRC spent € 1 million less. This is mainly caused by a delayed subgranting of 700k for partners and the result of a midyear replanning for 250k by Wa-WaSH.

The balance of 2013 ended with a negative result of € 660,067. This amount will be deducted of foundations reserves.

The negative result is mainly caused by; taking communication investment directly into costs instead of activating it on the balance, redundancy obligations that were not budgetted for and a provision for a possible VAT claim.

The Dutch government issued a disposition for the provision of a core programme subsidy totalling € 10.4 million for the period 2012-2016, which consists of € 9.67 million to be used for the core activities and programmes of IRC (programme subsidy) and € 0.75 million to be used for the execution of advisory assignments. The year 2013 therefore marks the second year of the subsidy by the Dutch government, which follows the programmatic framework agreed in the 2012-2016 Business Plan. Interest received on advance payments are allocated accordingly.

IRC has deliberately frontloaded to the first half of the business plan in order to leverage additional funding.

2013 marked the year that WASHcost closed, a five year project that was financed by the Bill & Melinda Gates Foundation. Triple S, the other financed by the Gates Foundation will be ending at the end of 2014.

Due to the ending of the above mentioned projects the liquidity position differs from previous years. The DGIS liquidity advance was received after closing the books in 2013. Consequence is a lower liquidity position comparing the situation as at end of 2013.

Miscellaneous

The Board members received a total allowance of € 17,164 in 2013.

The remuneration of the director(s) of IRC for 2013 amounts:

Nico Terra: € 83,073 which excludes an amount of € 12,338 for pension contribution.

Patrick Moriarty: € 37,018 which excludes an amount of € 4,828 for pension contribution.

Forward looking statement

Revenues	2014
Programmatic funding	€ 2,465,300
Project funding	<u>€ 7,377,300</u>
Total	€ 9,842,600
Expenditure	
Personnel expenses	€ 5,106,300
Programmatic expenses	€ 671,700
Project expenses	€ 3,609,400
Operating expenses	<u>€ 497,200</u>
Total	€ 9,884,600
Financial income	<u>€ -50,000</u>
Operating profit	€ 8,000

In 2014 we will be half way of the implementation of the current Business Plan. During the first half of this period we have focussed on strategy, designing and implementing of these investments. IRC expects this will result in a diversification of our donor base and an increased leverage of funding for our planned programmes.

Meanwhile IRC acknowledges that with the reduced availability of core programmatic funding it will need to further explore cost efficiencies and adaptations to its current business model where applicable.

The programmatic funding by the Dutch government and other institutional funding, is budgeted at € 2,45 million or 25% of the total budget.

The additional source of the Gates Foundation has been exhausted in 2013

The total budget for 2014 amounts to € 9.8 million, in line with the actuals of 2013.

IRC is more and more taking the lead in external projects. This increases our visibility in the sector, but at the same time we are executing these projects with a decreasing input of IRC own staff, cooperating as much as possible with partner organisations.

In three different countries, Uganda, Ghana and Burkina Faso IRC has formal presence. In Uganda, IRC took over the Triple S office to make it a IRC office in 2013. IRC expects that more and more projects will go through these offices in the future.

In 2013 IRC has invested to increase our control over risks by executing externally financed projects.

The aforementioned branch offices become more structured and implementation of procedures and administrative software took place.

All the HR basics like legal status, international staff contracts, tax issues and international labour conditions are further developed. In 2014 we will take the next step to accomplish national human resource manuals for the staff in the different countries as well.

The office running costs were lower than budgeted. This was mainly caused by the deduction on the housing costs and less expenditures in general on operating costs as well. For ICT purpose IRC made an extra investment during 2013. This is expressed in the tangible fixed assets overview.

Since 2013 IRC is consolidating the overhead costs of the country offices. This will be more and more expressed in the annual accounts as well. The current lease agreement for the International Water House was renewed with a 15% discount.

IRC will evaluate and decide on the housing in the second half year of 2014.

Acknowledgements

IRC is very grateful to the Dutch government for its continued support and thanks the Ministry of Foreign Affairs. Without this support IRC would not have been able to reach the unique position it now occupies in the sector, as witnessed by the great interest from the sector.

We are grateful that many other donors, almost 40, have funded our work.

The interest of the Bill & Melinda Gates Foundation and other donors in the concepts that IRC develops, can be reflected as spin-off of all the years the Dutch government has invested in IRC.

Last but not least, I would like to thank, also on behalf of the Supervisory Board, the national and international staff of IRC, for their great commitment with which they again dedicated themselves in 2013.

With the new direction IRC will continue to make a positive contribution in the future, to the improvement of the living conditions of the poorest in developing countries.

The Hague, 26 May 2014

Patrick Moriarty,
Director

Balance Sheet as at 31 December 2013

(After profit appropriation)

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

		<u>31 December 2013</u>		<u>31 December 2012</u>	
		€	€	€	€
<u>ASSETS</u>					
Non-current Assets					
Tangible fixed assets	1	188.748		112.514	
			188.748		112.514
Current assets					
Accounts receivable	2	698.277		537.686	
VAT receivable	3	74.714		74.614	
Other receivables (including subsidy)	4	422.684		156.326	
Loans to staff		-		25.000	
Tax WAO/WIA	5	15.837		-	
Cash and cash equivalents	6	7.980.264		12.336.023	
			9.191.775		13.129.649
Total assets			9.380.523		13.242.163
<u>LIABILITIES</u>					
Foundation's general reserves					
Foundation's general reserves	7	2.190.301		2.177.169	
Result current financial year		-660.067		13.132	
			1.530.234		2.190.301
Provisions					
Sabbatical leave provision	8	3.987		11.278	
Jubilee provision	9	51.101		58.729	
Other staff related provisions	10	325.624		67.553	
VAT previous years	11	334.942		-	
			715.655		137.560
Current liabilities					
Pre-invoiced on projects	12	6.087.304		8.538.183	
Accounts payable	13	405.754		312.172	
Subsidy advance	14	0		1.379.209	
Other current liabilities	15	641.577		684.738	
			7.134.635		10.914.302
Total liabilities			9.380.523		13.242.163

INCOME STATEMENT FOR 2013

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

	2013 Actual €	2013 Budget €	2012 Actual €	2012 Budget €
<u>INCOME</u>				
16 Core programme funding	2.958.088	3.063.600	3.092.551	3.322.348
17 Triple-S	3.290.306	3.329.227	3.037.500	2.834.139
18 WASHCost	402.443	361.619	1.897.181	1.568.789
19 Other projects	3.279.207	4.050.454	2.049.499	4.977.211
	<u>9.930.045</u>	<u>10.804.900</u>	<u>10.076.731</u>	<u>12.702.487</u>
<u>EXPENSES</u>				
20 Personnel costs	5.022.297	5.332.000	4.879.952	5.528.165
Core programme costs	741.235	745.000	595.029	815.831
Triple-S	2.369.619	1.809.055	2.037.502	1.940.000
WASHCost	251.042	162.257	1.201.804	922.000
Other projects	1.564.679	2.311.888	877.993	3.158.169
Provision VAT 2009 - 2013 DGIS *	286.515	0	0	0
	<u>10.235.387</u>	<u>10.360.200</u>	<u>9.592.280</u>	<u>12.364.165</u>
21 General & administrative expenses	397.119	495.000	458.851	458.851
Total expenses	10.632.506	10.855.200	10.051.131	12.823.016
Operating profit	<u>-702.461</u>	<u>-50.300</u>	<u>25.600</u>	<u>-120.529</u>
22 Financial income and expenditures	42.394	65.000	-12.468	-12.468
Annual result **	-660.067	14.700	13.132	-132.997

* During 2013 it became clear IRC had to include a provision for part of the charged VAT over the last 5 years. This amount is related to DGIS funded expenditures during this period.

** The negative annual result has been subtracted from the foundation's general reserves

CASH FLOW STATEMENT FOR 2013

	2013		2012	
	€	€	€	€
Cash flows from operating activities				
Operating result		-702.461		-3.652
Adjustments for depreciation	45.112		37.332	
Movement in provisions	<u>578.095</u>		<u>57.896</u>	
		623.207		95.228
Changes in working capital				
Inventories	-2.450.879		2.317.326	
Receivables	-442.885		-199.074	
Current liabilities	<u>-1.328.788</u>		<u>3.527</u>	
		-4.222.552		2.121.779
Cash generated from operations		-4.301.807		2.213.355
Interest received	39.255		49.511	
Interest paid	<u>0</u>		<u>-1.277</u>	
		39.255		48.234
Net cash generated from operating activities		-4.262.552		2.261.589
Cash flows from investing activities				
Purchases of assets		-121.346		-13.409
Cash flows from financing activities				
Repayments of borrowings		<u>0</u>		<u>-14.155</u>
Net cash flow		-4.383.898		2.234.025
Currency exchange gains / loss		<u>-39.261</u>		<u>-20.259</u>
Net increase in cash & cash equivalents		-4.423.159		2.213.766

Basis of the Valuations

Objective

The foundation aims to support people in developing countries with the best affordable and sustainable water and sanitation supply possible. In doing so, it pays particular attention to knowledge generation and transfer related to fundamental and structural problems in the area of water supply and sanitation and related topics like hygiene education and the environment. It acts as a central link in an international network of regional and national institutes and consultants.

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 and liabilities 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 statement of assets and liabilities.

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.

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 in three years.

The telephone switchboard with accessories has been depreciated in five years.

Other durable business assets are depreciated over ten years.

No extra-ordinary depreciations or value adjustments have been determined at 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 programmes.

It consists of petty cash and the balances on the ABN AMRO bank accounts. Two types of bank accounts can be distinguished: non-interest bearing current accounts and interest-bearing deposit accounts.

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

Balances on 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 profit and loss account 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 size is uncertain but can be reasonably estimated.

The provisions should be valued at the nominal value of the expenses expected.

Pre-invoiced on projects

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

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

Project losses/gains are recognised upon completion. Provisions for expected losses 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 in the balance sheet.

Pensions 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 were 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

Liabilities are at face value.

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 the equipment 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 the Euro

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

Translations gains and losses are taken to the profit and loss account as expenditure.

Cash flow statement

The cash flow statement has been prepared according to the indirect method.

The cash flow is derived from the operating result (including depreciations and the movements in provisions) with adjustments 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, interest and currency exchange results.

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:

	<u>Balance</u>	<u>Office inventory</u>	<u>Computer inventory</u>
<u>Position as of 1 January 2013</u>			
Purchase price	411.949	191.858	220.091
Minus: Accumulated depreciation	-299.435	-99.508	-199.927
Book value	112.514	92.350	20.164
<u>Transactions during financial year</u>			
Additions	121.346		121.346
Minus: Depreciation	-45.112	-15.102	-30.010
Minus: Disposals	-28.100		-28.100
Plus: Accumulated depreciation disposals	28.100		28.100
Total transactions	76.234	-15.102	91.336
<u>Position as of 31 December 2013</u>			
Purchase price	505.195	191.858	313.337
Minus: Accumulated depreciation	-316.447	-114.610	-201.837
Book value	188.748	77.248	111.500

Loans to staff

The respective IRC employee has been posted abroad for three years as from July 2010.

This loan has been repaid as scheduled in July 2013

	<u>2013</u>	<u>2012</u>
	€	€
Position as of 1 January	25.000	30.499
Plus: addition to loan	0	0
Minus: repayment of loan	-25.000	-5.499
Position as of 31 December	0	25.000

2 Accounts receivable

The outstanding balance for accounts receivable amounts to € 698,277 as of 31 December 2013.

For the outstanding accounts receivable IRC uses the static method based on the age of outstanding accounts receivable and expected payment per debtor.

The total amount of the provision for uncollectable debts is zero as of 31 December 2013.

The only long outstanding amount is agreed to be settled in 2014.

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

	<u>Balance</u>	<u>Provision</u>	<u>Original amount</u>
	€	€	€
Less than 6 months	683.569	0	683.569
6 to 12 months	14.707	0	14.707
12 to 18 months	0	0	0
More than 18 months	0	0	0
	698.277	0	698.277

At the end of 2012, the outstanding balance of accounts receivable amounted to € 537,686

3 VAT receivable

As of 31 December 2013, a VAT amount of € 74,614 can be claimed from the tax authorities .At the end of 2012 the refundable VAT amounted to € 74,614

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

	31-12-2013	31-12-2012
	€	€
VAT to be claimed 6%	706	1.616
VAT to be claimed 19%	0	2.794
VAT to be claimed 21%	79.692	81.458
VAT to be paid 19%	0	-4.831
VAT to be paid 21%	-5.684	-6.423
VAT declaration 4th quarter 2012	74.714	74.614

4 Other receivables

The item 'other receivables' amounts to € 163519 as of 31 December 2013.

At the end of 2012, the item 'other receivables' amounted to € 156,326

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

	31-12-2013	31-12-2012
	€	€
Interest receivable	107.008	101.536
IWH shared exploitation costs	8.187	12.582
Prepaid amounts	73.676	42.208
5 WAO/WIA	15.837	0
	204.708	156.326

Inventories

Any inventory of office supplies and paper at the balance sheet date is valued at zero.

There was no other inventory as of 31 December 2013

6 Cash in banks and in hand

The specification of cash at banks and in hand present as of 31 December 2013 is as follows:

	31-12-2013	31-12-2012
	€	€
ABN / AMRO Deposit Accounts	6.345.000	10.860.395
ABN / AMRO Current Account	256.460	292.335
ABN / AMRO Board Account	33.179	33.243
ABN / AMRO Capital Market Index accounts	1.150.000	1.150.000
Cash and Bank Burkina Fasso IRC office	17.764	0
Cash and Bank Ghana IRC office	177.396	0
Cash	464	50
	7.980.264	12.336.023

The money on the accounts and cash is unrestricted.

The balance is lower than last year which is caused by a lower prepayments received from the Bill & Melinda Gates Foundation for the Triple-S project before.

The interest on the deposit accounts is 1.4% as of 31 December 2013

The interest on the Capital Market Index accounts is 1.48 % as of 31 December 2013.

NOTE: Interest rates are decreased in comparison with 2013 when we received 1,9% on our deposit account and 2.1% on the Capital Market Index accounts.

LIABILITIES

7 Foundation's general reserves

The foundation's general reserves serve to cover general business risks without restrictions.
The loss for 2013 of € 660,067 is carried from the foundation's general reserves.

	€
Position as of 1 January 2013	2.190.301
Plus: result financial year 2013	-660.067
Position as of 31 December 2013	1.530.234

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

	€
Unemployment (WW) and disability (WIA) risk reserve allocation	325.624
Fixed asset equalization reserve	188.749
Other resistance equity	1.015.861
Total	1.530.234

8 Sabbatical leave provision

There is one IRC employee that still has rights with respect to sabbatical leave, which could be taken in the future.

The size of the sabbatical leave provision is based on the number of accrued days per member of staff and the individual daily pay as of 31 December 2005, including a raise for national insurance contributions.

As of 1 January 2006 it is no longer possible to accrue more after the introduction of the "life cycle plan".

The balance will be frozen until the time the sabbatical is taken.

In 2013 the employee took sabbatical leave amounting to €12,536 In 2012 the employee took leave amounting € 12,536

In 2014 the last 14 days will be taken as leave.

	31-12-2013	31-12-2012
	€	€
Position as of 1 January	11.278	23.814
Plus: addition to provision	0	0
Minus: releases from provision	-7.291	-12.536
Position as of 31 December	3.987	11.278

9 Jubilee provision

At 25 years employment with IRC, an employee is entitled to receive an extra allowance equal to one month salary.

The jubilee provision calculation is based on pro rata accrued number of working years at IRC for staff employed at balance sheet date. One IRC employee will reach 25 years' jubilee in 2013

Of this provision 47,272 euro qualifies as long-term

	31-12-2013	31-12-2012
	€	€
Position as of 1 January	67.553	55.850
Plus: addition to provision	925	11.703
Minus: releases from provision	-17.376	0
Position as of 31 December	51.101	67.553

10 Other staff related provision

In 2013 IRC has made arrangements with selected staff members of which the costs paid in 2014 are provided for in 2013

	31-12-2013	31-12-2012
	€	€
Position as of 1 January	58.729	0
Plus: addition to redundancy	326.536	58.729
Minus: releases from provision	-59.641	0
Position as of 31 December	325.624	58.729

11 VAT 2009 - 2013 provision

Due to a review of the interpretation of the VAT

regulation by external experts IRC decided to make a provision for part of the charged VAT over the last 5 years.

This provision was made for 334,942 euro. The proposal is still to be discussed with the Tax authorities.

Part of this provision can be covered by the Gates foundation (48,426 euro) and the other amount will be deducted from the foundations general reserves

	31-12-2013	31-12-2012
	€	€
Position as of 1 January	0	0
Plus: addition to provision	334.942	0
Minus: releases from provision	0	0
Position as of 31 December	334.942	0

Non-current liabilities

The item long-term liabilities relates to the annuity mortgage with NSI (previously Vastned) and a financial lease contract with 'Ask Roger' for the telephone switchboard and are both having a term of less than 5 years (non-current settlement in 2012). This means this is nil for the 2013 accounts

	31-12-2013	31-12-2012
	€	€
Annuity NSI/Vastned	0	14.155
Position as of 1 January	0	14.155
Repayments	0	0
Position as of 31 December	0	0

12 Pre-invoiced on projects

The item 'pre-invoiced on projects' amounts to € 14,578,688 as of 31 December 2013. It concerns amounts that were received and invoiced for projects that were not completed as of 31 December 2013. As of the end of 2012 this item amounted to € 17,206,112

The item work in progress amounts to € 8,452,958 as of 31 December 2013. This item includes the directly allocated salary expenses and other direct costs of externally financed projects that were not completed as of 31 December 2013. As of the end of 2012, the balance of the item work in progress amounted to € 8,667,929.

Currency exchange effects, interest income, and transitory items of the projects WASHCost and Triple-S are included in the work-in-progress. At the end of 2013 there was still an amount available of 2,5 Mi. which can be used after closing the project at the end of October 2014.

Furthermore, included in the work-in-progress is a provision of € 153,004 for expected future losses.

As of the end of 2012, a provision was created for an amount of € 371,374. The largest part of the risk concerns execution risks and match funding risks for IRC for the EU-funded and USAID-funded projects.

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

	Balance €	Pre - invoiced €	Work-in-progress €
WASHCost	-20.468	2.078.111	2.098.579
Triple-S	4.702.044	6.220.923	1.518.879
Other projects	1.405.728	6.328.080	4.922.352
Total	6.087.304	14.627.114	8.539.810

With the Bill & Melinda Gates Foundation it has been agreed that approval of the Annual Project Report provides endorsement of the expenses made for that period. It is therefore deducted from the work-in-progress and pre-invoiced amounts.

The Annual Cycle for Triple-S is 1 June - 31 May and for WASHCost 1 January - 31 December.

The endorsements for WASHCost is until 31 December 2011 and for Triple S until 31 May 2013.

	Balance € (EUR)	WASHCost \$ (USD)	Triple-S \$ (USD)
Available for the total project period	24.623.679	14.481.635	22.081.160
Minus: endorsed WIP 31/12/2011	-8.347.307	-11.382.189	-
Minus: endorsed WIP 31/05/2013	-10.097.940	-	-16.138.529
Project Balance	6.178.432	3.099.446	5.942.631

13 Accounts payable

The outstanding balance for accounts payable amounts to € 534,992 as of 31 December 2013.

[This amount includes the current liabilities of the Burkina and Ghana office (together 220,512 Euro)]

At the end of 2012, the item 'accounts payable' amounted to € 312,172

The aging of the outstanding items is as follows:

	31-12-2013	31-12-2012
	€	€
Less than 6 months	534.992	312.172
6 to 12 months	0	0
More than 12 months	0	0
	534.992	312.172

14 Subsidy advance

The Ministry of Foreign Affairs (DGIS) has issued a subsidy totalling € 10,420,000 for the period 2012 through 2016. Based upon the Business Plan 2012-2016 and Annual Plans, IRC will receive two instalments per year: in December (preceding year) and in June.

	Core activities	Advisory	Interest
	€	€	€
Subsidy instalment received for 2012	2.850.000	150.000	20.353
Subsidy instalment received for 2013	<u>2.370.000</u>	<u>150.000</u>	<u>4.271</u>
	5.220.000	300.000	24.623
Subsidy DGIS allocated 2012	2.751.143		
Subsidy DGIS allocated 2013	<u>2.727.293</u>		
	5.478.436		
Total pre paid by IRC advance as 31/12/2013	258.436		-24.623
Received interest	-24.623		
Total prefinanced by IRC including received interest	233.813		
Note: There was no advance as usual 2014 received in 2013			

15 Other current liabilities

The item other current liabilities amounts to € 641,577 as of 31 December 2013. At the end of 2012, the item 'other current liabilities' amounted to € 684,738

The other current liabilities are specified as follows:

	31-12-2013	31-12-2012
	€	€
Holiday allowance payable	159.966	162.827
Taxes payable	110.422	196.234
Pension premiums payable	129.238	61.507
Employee leave rights payable	86.555	99.471
Year-end allowance payable	19.070	19.678
Other payable items	<u>136.326</u>	<u>145.021</u>
	641.577	684.738

Contingencies and commitments not included in the balance sheet

Subsidy

The Ministry of Foreign Affairs (DGIS) had issued a disposition for the provision of a subsidy totalling € 10,420,000 for the period 2012 through 2016.

This subsidy consisted of the following parts:

- €9,670,000 to be used for the core activities and programmes of IRC (programme subsidy)
- € 750,000 to be used for the execution of ad-hoc advisory assignments for DGIS by IRC

The programme subsidy is partially spent per the end of 2012 as follows:

	Core activities	Advisory	Total
<u>Basic subsidy</u>	€	€	
Available for the period 2012 - 2016	9.670.000	750.000	10.420.000
Minus: expenditures in 2012	-2.648.847	-102.296	-2.751.143
Minus: expenditures in 2013	-2.727.293	-187.546	-2.914.839
Balance	4.293.860	460.158	4.754.018

The income and expenses in the context of the programme subsidy are accounted for in the Profit and Loss Account. Interest received on advance payments are allocated and included.

Additional subsidy in regard to ad-hoc advisory assignments DGIS

For the current business plan period IRC received no additional funding for ad-hoc advice.

The subsidy assigned to IRC by DGIS is inclusive an amount for ad-hoc advise assignments

Additional subsidy with respect to maintaining innovative strength and professionalisation processes and systems IRC

The Bill & Melinda Gates Foundation made an amount of 2,000,000 USD available with respect to the professionalisation of systems and processes within IRC and to maintain innovative strength.

The year 2013 was the final year of this dedicated budget of the BMGF.

	\$ (USD)	€ (EUR)
Available for the period 2008 - 2013	2.000.000	1.265.823
Revaluation receipt of funds	0	183.453
Minus: expenditure 2008	-59.144	-42.858
Minus: expenditure 2009	-478.937	-347.056
Minus: expenditure 2010	-456.576	-330.852
Minus: expenditure 2011	-224.788	-162.890
Minus: expenditure 2012	-349.244	-253.075
Minus: expenditure 2013	-431.311	-312.544
Balance	0	0

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, effective 1 January 2014 are as follows:

	€
Maximum unemployment commitment nominal as of 31-12-2013	3.004.862

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%.

Risk carrier for disability (WIA)

As per 1-1-2013 IRC has insured this risk.

There are no risks outstanding associated from before 31-12-2013

Rental 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 2 years and 7 months, effective as from 1 jan 2013.

The rent was renegotiated with a discount amounting to 15% in kind.

The actual expenditures are included in the profit and loss account under the item Housing.

The future rent and lease obligations can be specified as follows

Lease obligations up to 1 year	113.686
Lease obligations > 1 year	61.369
Lease obligations total	175.055

Exchange rate gains and interest fund Gates foundation

During the execution of the projects funded by the Gates foundation IRC exchange rate gains and interest is yearly included in the work-in-progress. At the end of 2013 there was an amount available of 2,5 Mi. euro. The Gates foundation agreed to use this money in line with the project objectives. It is only at the end of the project IRC can show the exact amount for this fund. IRC will make plans to use this money as the Gates foundation requires.

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 equipment costs charged (for projects with a rate based on direct costs), out-of-pocket expenses on projects (particularly travel expenses and costs of partners) and project results that are derived from subsequent calculation of projects at completion.

The total income from projects can be specified as follows:

	Actual 2013	Budget 2013	Actual 2012
	€	€	€
16 Core programme funding (DGIS+BMGF)	2.958.088	3.063.600	3.092.551
17 Triple-S	3.290.306	3.329.227	3.037.500
18 WASHCost	402.443	361.619	1.897.181
19 Other IRC projects	3.278.809	4.050.454	2.218.317
Result on closed projects	26.672	0	707
Additions / releases project accruals	-26.275	0	-169.525
	9.930.045	10.804.900	10.076.731

The income from projects for the financial year 2013 amounts to € 9,930,045 which is 1.5% less than in 2012.

The income derived from hours executed by IRC staff members decreased from € 5,167,338 in 2012.

to € 4,753,515 in 2013. The income from projects were budgeted at € 10,804,600 . The 9% variance is mainly caused by less 'sr' hours and an amount of banking service when IRC transfers money via our bank from donor to partners

Subsidy

Programmatic funding comprises the part of the five-year subsidy (2012-2016) from the Ministry of Foreign Affairs (DGIS) and the balance of the Core Funding from the Bill & Melinda Gates Foundation (BMGF). An amount of € 2,727,293 is attributed to the subsidy income in 2013.

EXPENSES

20 Personnel costs

The total personnel costs for 2013 amounts to € 5,011,302. Less then the budget mainly due to outstanding vacancies

The personnel costs are higher than in 2012, when the total personnel costs amounted to € 4,879,952 .

An amount of € 392,000 was budgetted for other personnel costs. The deviation compared to the actuals of 495,269 can be explained by higher Temporary staff. This means less Gross salary and other costs and more temporary staff.

Number of FTE's in the Netherlands 31/12/2013

47

Number of FTE's Foreign 31/12/2013

13

The specification of personnel costs is as follows:

	Actual 2013	Budget 2013	Actual 2012	
	€	€	€	
<u>Salary expenses</u>				
Gross salaries including vacation allowance	3.306.878	-	3.589.783	
National insurance contributions	601.676	-	330.427	
Pension premium contributions	515.149	-	484.034	
Other	103.325	-	152.489	
Subtotal	4.527.028	-	4.556.733	
Other salary items to be deducted	0	-	-6.111	
Total salary expenses	4.527.028	4.940.000	4.550.622	
	Actual 2013	Budget 2013	Actual 2012	Budget 2012
	€	€	€	€
<u>Other personnel costs</u>				
Temporary employees	295.661	160.000	206.299	100.000
Reimbursement pregnancy leave	-17.961	0	-35.997	0
Recruitment	10.074	20.000	8.364	35.000
Foreign posting costs	33.341	30.000	66.014	23.000
Training and education	71.580	100.000	22.224	94.000
Personnel administration	23.447	20.000	17.915	20.000
Health expenses and health support	11.708	25.000	11.639	15.000
Travel free weeks and social events	25.408	7.000	15.915	16.000
Personnel insurances	18.347	25.000	20.535	15.000
Miscellaneous	23.664	5.000	-3.578	5.000
	495.269	392.000	329.330	323.000
Total personnel costs	5.022.297	5.332.000	4.879.952	323.000

DGIS-funded Programmes

DGIS-funded programmes are set up as projects, for which only a small amount or no direct external funding takes place. The costs related to these projects are charged directly to the basic subsidy from the Ministry of Foreign Affairs.

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

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

	Actual 2013	Budget 213	Actual 2012	Budget 2012
	€	€	€	€
Programme personnel costs	2.106.511	2.017.523	2.268.955	2.287.000
Information and Global Services	34.376	63.000	58.832	244.250
Innovation Programme	5.324	33.000	22.759	79.150
Regional and Country Programmes	568.799	551.000	386.185	455.781
Programme and general management	12.283	20.000	14.413	93.500
	2.727.293	2.684.523	2.751.144	3.159.681

The expenditures for the DGIS-funded programmes for 2013 (the second year of 5-year subsidy 2012-2016) were budgeted at € 2,684,523. Due to the impact of the IRC symposium event the total uptake was higher than budgeted but at the same time lower than the total uptake in 2012. IRC actively managed the use of the DGIS funds to a lower level after a lower assignment of subsidy (amounting to approx € 2 million) for the period 2012-2016. This line of management was started in 2012 and successfully prolonged in 2013.

General & administration expenses (G&A)

G&A concerns all office related expenses and expenses related to the management and operational costs of the organisation. G&A amounts to € 397,119 in the year 2013. Comparing to the budget there is a € 102,000 less spent than there was originally budgeted for.

Maintenance and Accommodation was € 42,500 less compared to the budget what was caused by less expenditures for office rent (deduction in new contract and less money spent of facilities Support Waterhouse.)

Office costs: Less Communication costs (€ 15,000) as the planned introduction for more mobiles was not implemented

Representation costs: Less € 11,000 as Supervisory Board costs were higher budgeted.

Advisory costs: Are in line. € 17,000 more on PR and Marketing and the same amount less on Legal Consultancy

Recovered overhead expenses: Here IRC succeeded to recover € 22,000 more than expected at the beginning of the year

21 The specification of the G&A is as follows:

	Actual 2013	Budget 2013	Actual 2012	Budget 2012
	€	€	€	€
Housing	195.092	240.000	245.966	258.000
Information Technology	105.181	115.000	106.446	100.000
Office inventory	17.273	5.000	17.250	19.000
Office supplies	7.164	10.000	8.477	12.000
Printing	13.792	15.000	16.516	14.000
Postage	1.322	0	1.201	5.000
Communication	10.144	25.000	13.393	20.000
Supervisory Board	17.226	25.000	20.780	15.000
Auditor	32.120	30.000	67.808	29.000
Management, marketing, PR and Advisory	88.862	80.000	108.779	74.000
Tax & legal consultancy	9.712	25.000	33.156	50.000
Literature & WorksCouncil	1.597	5.000	3.301	4.000
Equipment & supplies invoiced to projects	-102.366	-80.000	-184.222	-120.000
	397.119	495.000	458.851	480.000

22 Financial income & expenditures

Financial income & expenditures in 2013 amounts to € 42,394 gain which is less than the budget. The interest was lower than expected due to lower rates and IRC could release an accrual for bad debtors. Furthermore there was also a positive currency exchange rate.

Due to the same release of the bad debtor the difference with 2012 is explained as well.

Financial income & expenditures can be specified as follows:

	Actual 2013	Budget 2013	Actual 2012	Budget 2012
	€	€	€	€
Capital market index accounts	23.586	25.000	24.792	41.000
Deposit Accounts	15.669	35.000	24.719	24.000
Bank costs	-8.049	-10.000	-7.429	-8.000
Interest annuity (NSI/Vastned)	0	0	-1.277	-2.000
Accrual bad debts	50.733	15.000	-31.258	0
Currency exchange result	-39.261	0	-20.259	-5.000
Cash & payment differences	-284	0	-1.756	0
	42.394	65.000	-12.468	50.000

Remuneration of the Supervisory Board

€

The members of the Supervisory Board received a total allowance of € 17,164 There are no loans, advances or guarantees provided to the director or one of the Supervisory Board members.

Annual result


The annual result for 2013 is negative and amounts to € 660,066. This amount will come from foundation's general reserves.

Remuneration for the Director of IRC

	Nico Terra	Patrick Moriarty
Name		
Job position	Director	Director
Type of contract		
hours	36	36
Part time percentage	100	100
Period	01/01 - 30/08	01/09/ - 31/12
Salary (EUR)		
Annual Income, gross		
Gross salary	59.383	29.981
Holiday allowance	8.845	2.399
Year end allowance	5.462	2.297
Variable income	4.705	0
	78.395	34.677
Employers Social Security costs	4.682	2.341
Taxable disbursement		
Employers Pension Contribution	12.338	4.828
Other (future) benefits		
Severance Entitlement		
Total Remuneration 2013	95.414	41.846
Total Remuneration 2012	127.792	0

Approved and signed in the Supervisory Board Meeting on 26 May 2014

The Hague, 2014



P Moriarty
Director

IRC International Water and Sanitation Centre
Bezuidenhoutseweg 2
2594 AV The Hague

The Hague, 2014



H van Dord

Chairman Supervisory Board
IRC International Water and Sanitation Centre
Bezuidenhoutseweg 2
2594 AV The Hague



Independent auditor's report

To: the Supervisory Board of IRC International Water and Sanitation Centre

We have audited the accompanying financial statements 2013 of IRC International Water and Sanitation Centre, The Hague, which comprise the balance sheet as at 31 December 2013, the income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of IRC International Water and Sanitation Centre as at 31 December 2013, 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.

Amsterdam, 5 June 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.A. Wink RA MBA

Branch office IRC Burkina Fasso

Balance Sheet as at 31 December 2013

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	EUR	EUR	EUR	EUR
<u>Assets</u>				
Non-current Assets				
Current assets				
Prepayments	542			
Cash and Bank Balance	17.764		1.764	
		18.306		-
Total assets		18.306		1.764
<u>Liabilities</u>				
Current liabilities				
Accounts payable	188		-	
Outstanding cheques	12.518		-	
		12.706		
		12.706		-
Net Current Assets				
		-		
Net Assets		5.600		1.764
Financed by				
Accumulated Fund		5.600		1.764

Income and Expenditure as at 31 December 2013

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	EUR		EUR	
<u>Income</u>				
Transfer IRC NL to Burkina Faso		154.082		27.961
Transfers Eau-Vive to IRC BF		0		6.098
		154.082		34.059
<u>Expenditures</u>				
Personnel Costs DGIS		15.424		152
Personnel Costs WaWash		21.532		274
Personnel Costs WashCost				274
Administrative costs & housing		56.709		22.059
Project costs DGIS		16.398		1.378
Project costs Triple S Ghana		137		
Project costs WashCost		3.923		6.766
Project costs WaWash		36.125		1.390
		150.247		32.295
Surplus transferred to accumulated		3.836		1.764
Balance 01/01/2013		1.764		
Balance 31/12/2013		5.600		

Branch office IRC Ghana

Balance Sheet as at 31 December 2013

(amounts in Cedi)

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	₵	₵	₵	₵
<u>Assets</u>				
Non-current Assets		95.466		2.391
Current assets				
Prepayments	62.027		113.246	
Cash and Bank Balance	443.491		140.793	
		<u>505.518</u>		<u>254.039</u>
Total assets		505.518		254.039
<u>Liabilities</u>				
Current liabilities				
Accounts payable	255.001		9.065	
IRC Netherlands	250.517		244.974	
		<u>505.518</u>		<u>254.039</u>
Net Current Assets	-	-	0	0
Net Assets		<u><u>95.466</u></u>		<u><u>2.391</u></u>
Financed by				
Accumulated Fund		<u><u>95.466</u></u>		<u><u>2.391</u></u>

Income and Expenditure as at 31 December 2013

	<u>31 December 2013</u>	<u>31 December 2012</u>
	₵	₵
<u>Income</u>		
Core Programme funding	758.375	414.849
Other projects	<u>11.514</u>	<u>0</u>
	769.889	414.849
<u>Expenditures</u>		
Personnel Costs	310.825	230.200
Housing Costs	65.471	13.550
Administrative costs	112.386	41.710
RCN	112.306	126.998
Other projects	<u>75.826</u>	<u>0</u>
	676.814	412.458
Surplus transferred to accumulated	<u>93.075</u>	<u>2.391</u>
Funds Account		
Balance 01/01/2013	2.391	
Balance 31/12/2013	<u><u>95.466</u></u>	