

# **CORDAID ANNUAL REPORT 2015**

## **FINANCIAL STATEMENTS**

# CORDAID'S 2015 FINANCIAL STATEMENTS

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# ANNUAL ACCOUNTS 2015

## Introduction

Cordaid, the Catholic Organization for Relief and Development Aid, has been providing emergency relief and fighting poverty and exclusion in the world's most fragile and conflict-affected situations for more than a century. All our actions are rooted in and inspired by Catholic social teachings: human dignity, solidarity, subsidiarity and care of the common good. Based on these points of departure, we have added social and economic justice and the promotion of peace to help us achieve in our mission: building flourishing communities.

These financial statements reflect a detailed accounting of Cordaid's activities in 2015 that are described in the previous sections of this annual report. The annual accounts are an integrated part of Cordaid's annual report.

The reporting year was a transitional period for Cordaid. The ending of the Millennium Development Goals and related co-financing system (MFS II) of funding from the Dutch government to achieve them has led Cordaid to review its activities and organizational structure. The new development landscape without MFS II prompted Cordaid to drastically restructure its activities and reduce its workforce by approximately 30%. At the same time, as it transitions from grant-giver to grant-seeker, Cordaid is now challenged to find new sources of funding while ensuring MFS II activities are properly finalized and projects still in progress are funded by other donors. The related transitional phases determined for 2015 were implemented according to plan - all with the continuous ambition of building flourishing communities in the most fragile areas of the world.

Total income in 2015 stands at €151.9m, a decrease of €36.6m compared to the previous year, due primarily to the decline in MFS II income. Unfavorable macroeconomic factors for our investment portfolio and a one-time write-off on outstanding loans are the main reasons for lower income from financial assets.

Overall spending on objectives amounts to €145.6m. This is €27.1m lower than in 2014. The larger share of this decrease is due to lower spending on MFS II activities in 2015. Higher spending on emergency programs in the Dutch Relief Alliance (established in April 2015) partially compensated for the lower spending on MFS II activities.

Costs of generating funds amount to €6.1m, which is €1.0m lower than in 2014 and budget. During the year and given the fact that project income would be below budget, placing the budgeted fundraising percentage at risk, it was decided to reduce spending on own fundraising.

Management and Administration costs grew from €4.2m in 2014 to €5.0 in 2015 (budget: €4.4m). The increase is due to the addition of a €2.4m redundancy provision that has been partly allocated to costs for management and administration.

The Statement of Income and Expenditure shows a negative net balance of €4.7m. The negative balance is caused by a one-off addition of the €2.4m redundancy provision, a net negative result on the Loans and Guarantees fund of €0.6m, and €1.7m in organizational costs not covered by organizational costs allowances on donor contracts and income from fundraising. An amount of €1.4m of uncovered organizational costs was budgeted as negative balance for 2015.

Looking ahead and in terms of income and recovery of organizational costs, the final phasing out of MFS II at year-end 2015 can currently only be partially offset by alternative funding. This will put pressure on future financial stability. Maintaining expenditure on and quality of objectives (programs and projects) means Cordaid still faces a very challenging task in increasing income and recovering costs in the near future.

The Hague, May 25, 2016

**BALANCE SHEET AS OF DECEMBER 31, 2015**

(after proposed appropriation of funds)

<b>X € 1,000</b>	<b>NOTE</b>	<b>DEC/31/2015</b>		<b>DEC/31/2014</b>	
<b>Assets</b>					
<i>Fixed assets</i>					
Tangible fixed assets	5		1,283		1,345
Financial fixed assets					
- Issued in connection with the objectives	6	55,279		52,179	
- Investments	7	19,825		35,024	
			75,104		87,203
<i>Current assets</i>					
Stocks for emergency aid	8		96		411
Receivables	9				
- Subsidies governments / organizations		22,593		46,321	
- Receivable from legacies		5,395		5,251	
- Other receivables		1,772		1,308	
- Interest receivables		753		1,354	
			30,513		54,234
Cash and Bank	10		73,128		67,680
<b>Total assets</b>			<b>180,124</b>		<b>210,873</b>

<b>X € 1,000</b>	<b>NOTE</b>	<b>DEC/31/2015</b>		<b>DEC/31/2014</b>	
<b>Liabilities</b>					
<i>Reserves</i>	11				
- Continuity reserve		9,875		12,275	
- Earmarked reserves		8,795		10,915	
- Other reserves		1,283		1,345	
			19,953		24,535
<i>Funds</i>	11				
- Restricted funds		1,470		3,979	
- Semi-restricted funds		8,859		5,798	
- Loans & guarantees fund		93,323		93,964	
			103,652		103,741
Provisions	12		2,456		1,269
Non-current liabilities	13				
- Project commitments			1,176		474
Current liabilities	13				
- Project commitments		35,155		54,853	
- Other current liabilities		17,732		26,001	
			52,887		80,854
<b>Total Liabilities</b>			<b>180,124</b>		<b>210,873</b>

**STATEMENT OF INCOME AND EXPENDITURE 2015**

<b>X € 1,000</b>	<b>NOTE</b>	<b>2015</b>	<b>BUDGET 2015</b>	<b>2014</b>
<b>Income</b>				
- Own fundraising	15	26,750	28,983	25,844
- Third party campaigns	16	12,414	14,908	11,055
- Government grants	17	109,573	104,924	138,917
- Gains on financial assets	18	2,133	3,342	8,655
- Investment income	19	211	0	3,517
- Other income	20	773	1,350	467
<b>Total incoming resources</b>		<b>151,855</b>	<b>153,507</b>	<b>188,455</b>
<b>Resources expended</b>				
<i>Spent on objectives</i>				
- Program costs:	21			
Healthcare		56,854	56,932	68,584
Child & education		5,394	7,003	7,313
Disaster response		41,929	24,608	26,346
Women's leadership		5,554	7,688	9,345
Extractives		3,612	5,366	6,226
Security & justice		5,557	4,443	12,122
Entrepreneurship		1,711	4,891	3,967
Urban matters		2,273	2,811	2,074
Cordaid Netherlands		12,184	11,181	12,195
Investments		2,650	4,755	7,769
Food Security		3,198	8,221	11,613
- Public information / awareness campaigns		4,561	5,395	5,743
- Other expenditure		-4	0	-734
		145,473	143,294	172,563
<b>Cost of generating funds</b>				
- Cost of own fundraising activities	22	4,561	5,395	5,789
- Cost of securing government grants	22	538	745	552
- Cost of obtaining income from 3 <sup>rd</sup> party campaigns	22	898	900	730
- Investment Costs	22	90	140	53
		6,087	7,180	7,124
<b>Management and administration</b>				
Management and administration cost	22	4,966	4,447	4,197
<b>Total resources expended</b>		<b>156,526</b>	<b>154,921</b>	<b>183,884</b>
<b>Balance of funds</b>		<b>-4,671</b>	<b>-1,414</b>	<b>4,571</b>
<i>TBD: Reuse of resources from loans and guarantees fund</i>		7,195	PM	13,144

## APPROPRIATION OF THE FUNDS

The funds were appropriated as follows:

X € 1,000	FOR THE YEAR ENDED DECEMBER 31, 2015		FOR THE YEAR ENDED DECEMBER 31, 2014	
<b>Reserves</b>				
- continuity reserve	-2,400		0	
- other reserves	-62		446	
- earmarked reserves	-2,120		183	
		-4,582		629
<b>Funds</b>				
- restricted funds	-2,509		-2,796	
- semi-restricted funds	3,061		-3,230	
- loans & guarantees fund	-641		9,968	
		-89		3,942
<b>Income from operating activities</b>		-4,671		4,571
		-4,671		4,571

## PERFORMANCE INDICATORS

In 2015, the following performance indicators were derived from the statement of income and expenditure:

PERFORMANCE INDICATORS	2015	BUDGET 2015	2014
- Income-to-spending ratio (% charitable activities vs. total incoming resources)	95.8%	93.3%	91.6%
- Program-to-spending ratio (% charitable activities vs. total resources expended)	92.9%	92.5%	93.8%
- Program management cost ratio (% program management cost vs. total program costs)	10.0%	8.5%	7.6%
- Fundraising ratio (% cost of generating funds vs. total incoming resources)	4.0%	4.7%	3.8%
- Dependency on MFS II grant (% MFS II vs. total income)	18.0%	30.1%	43.6%
- Own fundraising ratio (% cost of own fundraising activities vs. own fundraising)	17.1%	18.6%	22.4%
- Management and administration ratio (% vs. total resources expended)	3.2%	2.9%	2.3%

- **Income-to-spending ratio:** 95.8%. This is higher than in 2014 (91.6%) and budget (93.3%). The main factor is the spending of remaining balances in various prior-year funds and additional funding for emergency projects resulting in significantly higher expenditure in this area as well.
- **Program-to-spending ratio:** 92.9%. This ratio is marginally above budget, but slightly below 2014. Total organizational costs remained stable compared to 2014, while to expenditure on objectives (programs and projects) decreased due to the slowdown in MFS II activities in 2015.
- **Program management costs ratio:** 10.0% (budget: 8.5%). Cordaid insists on maintaining this ratio as an efficiency indicator, while the format of the Accounting Guideline 650 for Charities does not show direct program costs and program management costs separately. Cordaid considers this an important efficiency ratio. The program management costs in 2015 were above budget, mainly due to the costs of the reorganization announced in 2015, while direct program costs were in line with budget. Compared to 2014, program management costs increased, while direct program costs decreased. The slowdown of activities for MFS II-funded projects resulting in lower direct program costs. As all MFS II activities still have to be finalized and reported properly, program management costs could not yet be reduced.
- **Fundraising ratio:** 4.0% (budget: 4.7%). The improvement in this ratio compared to budget is the consequence of lower spending on own fundraising and higher income from government grants than budgeted. The drop in total income compared to 2014 explains the higher ratio compared to 2014.
- **Own fundraising ratio:** 17.1% (budget: 18.6%). The ratio is below budget as a consequence of the savings made in costs of own fundraising, amply offsetting the decline in income from own fundraising.
- **Dependency on MFS II grant:** 18.0% (budget: 30.1%). The share of income in Cordaid's total income sharply decreased as activities were being wound down towards the end of the MFS II period.
- **Management and administration ratio:** 3.2% (budget 2.9%). The Management and administration cost was above budget mainly as a consequence of the creation of the redundancy provision, while other expenditures were mainly in line with budget.

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>X € 1,000</b>	<b>NOTE</b>	<b>2015</b>		<b>2014</b>	
<b>Cash flows from operating activities</b>					
Incoming resources	15-20	151,855		188,455	
Resources expended	21-22	156,526		183,884	
			-4,671		4,571
<i>Adjustments for:</i>					
- depreciation fixed assets	5	391		403	
- changes in provisions	12	1,187		-507	
			1,578		-104
<i>Changes in working capital:</i>					
- Stocks for emergency aid	8	315		-59	
- Receivables	9	23,721		-16,604	
- Financial fixed assets (connected to the objectives)	6	-3,100		-11,274	
- Project commitments	13	-18,996		9,000	
- Investments	7	15,199		2,770	
- Other current liabilities	13	-8,269		6,956	
			8,870		-9,211
Cash flows from operating activities			5,777		-4,744
<b>Cash flows from investing activities</b>					
- Purchases of tangible assets	5	-329		-849	
Cash flows from investing activities			-329		-849
<b>Cash flows from financing activities</b>					
Receipts / repayments of long-term borrowings		0		0	
Cash flows from financing activities			0		0
Net increase/decrease in cash			5,448		-5,593

The movement of cash and cash equivalents is as follows:

<b>X € 1,000</b>	<b>2015</b>	<b>2014</b>
Balance at January 1	67,680	73,273
Changes	5,448	-5,593
<b>Balance at December 31</b>	<b>73,128</b>	<b>67,680</b>

# NOTES TO THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE

## 1. GENERAL NOTES

### 1.1 Activities

Rooted in the tradition of Catholic Social Teachings, Cordaid seeks to bring about a sustainable world and offer humanitarian aid through professional and efficient international development cooperation. Cordaid focuses on sustainable development relationships with partner organizations globally, regardless of faith, origin or political convictions. From this point of departure, Cordaid works in the fields of healthcare, disaster risk reduction, security and justice, education, economic opportunities, the provision of public information, lobbying and fundraising. Cordaid is open to cooperation with like-minded organizations.

**G4-4** Cordaid is a foundation. Its objectives as described in its Articles of Association (translated from the Dutch) are as follows:

**G4-3** *'In accordance with the evangelical message and inspired by the Catholic community in the Netherlands, the purpose of the foundation is to carry out activities focussed on:*

- a. providing emergency and refugee aid;
- b. providing aid to specific groups, such as the elderly, the disabled and children;
- c. providing medical aid; and
- d. all aspects related to structural poverty relief of subordinated groups, especially in developing countries, and in Central and Eastern Europe and the Netherlands.'

**G4-17** The consolidated annual accounts comprise the figures of the following foundations:

- Stichting Cordaid, The Hague
- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague (established February 12, 2015)
- Cordaid Investment Management BV, The Hague (established June 10, 2015)
- Corpav BV, The Hague (established June 17, 2015)

Stichting Cordaid Expats' objective is to employ expatriates working for Stichting Cordaid and has the same Board as Stichting Cordaid.

The Stichting Social Business Incubator's objective is to find, stimulate and develop new ideas that provide sustainable solutions for environment problems, aimed at improving the quality of life of those people at the bottom of the income pyramid. The Chief Financial Officer of Stichting Cordaid is the chair of the Board of Stichting Social Business Incubator and has the final say in strategic decisions, according to the articles of the foundation. At the end of 2015, the Board of Stichting Social Business Incubator decided to terminate activities in 2016. Running projects will be finalized according to plan in 2016, but new activities will not be started.

Stichting Cordaid Participaties' objective is to invest through loans or participation in social enterprises worldwide. The foundation has the same Board of Directors as Stichting Cordaid.

Cordaid Investment Management BV has the objective to act as manager for one or more investment institutions. Currently Cordaid Investment Management BV manages the social impact investment portfolio of Stichting Cordaid. Stichting Cordaid holds 100% of the shares of Cordaid Investment Management BV.

Corpav BV makes direct and indirect investments in social enterprises all over the world. Stichting Cordaid Participaties is the only shareholder of Corpav BV.

The street address of all foundations and BVs is as follows: **G4-5**  
Lutherse Burgwal 10  
2512 CB The Hague  
The Netherlands

The Board of Cordaid bears ultimate responsibility for the general course of affairs at Stichting Cordaid. With the Supervisory Board, the Board is responsible for Cordaid's corporate governance structure and compliance with good governance rules. The composition of the Supervisory Board is such that its members are able to act critically and independently of one another, the Board and any particular interests. The Supervisory Board is responsible for supervising the Board and the general course of affairs at Cordaid.

The Board is tasked with managing the foundation, including running its day-to-day business and implementing its programs and activities. The budget, the Annual Report and the annual accounts that are prepared by the Board are subject to adoption by the Supervisory Board following advice from the Audit Committee. The Supervisory Board also adopts the strategic policy plan drafted by the Board, and approves the Annual Plan.

#### The board members of Stichting Cordaid at December 31, 2015 are:

- S.L.J.M. Filippini, CEO
- W.J. van Wijk, CFO

#### During 2015, the Supervisory Board members of Stichting Cordaid were:

- E.M.H. Hirsch Ballin, Chair
- C.E.G. van Gennip (until 15-07-2015)
- M.S. Menéndez
- J.J.A. de Boer
- M. van Beek
- B.L.J.M. van Dijk
- J.H.M. van Bussel, member Audit Committee
- L.C. Zevenbergen, member Audit Committee
- M.C.T. van de Coevering, member Audit Committee

The Board members of Stichting Cordaid Participaties and Stichting Cordaid Expats are the same as for Stichting Cordaid per December 31, 2015.

Stichting Cordaid Participaties is the only shareholder and Board member of Corpav B.V per December 31, 2015.

At December 31, 2015, L.J.E. Chibrac is the only Board member of Cordaid Investment Management BV. Stichting Cordaid is the only shareholder.

The Board members of Stichting Social Business Incubator at December 31, 2015 are:

- W.J. van Wijk, Chair
- B.P. Alberda, Treasurer
- B.P. Meijs, Secretary
- F.V. van der Have

## 1.2 Notes to the cash flow statement

The cash flow statement is prepared using the indirect method. The funds in the cash flow statement comprise cash and cash equivalents. Cash flows in foreign currencies are translated at an average rate. Exchange differences affecting cash items, interest paid and interest received are included in cash from operating activities.

### Cash flows from operating activities

The positive gross cash flow from operating activities was mainly driven by the decrease in receivables of €23.7m and the sale of an important part of the non-development investments (€15.2m).

Other factors were:

- provisions for back donors and redundancy that increased €1.2m. An actual cash outflow of €0.9m and a release of €0.3m was offset by an addition to the provisions of €2.4m for the redundancy provision;
- project commitments decreased €19.0m as a consequence of high payments on liabilities related to MFS II projects, which were all finalized at December 31, 2015;
- a net increase of the value of the portfolio of social impact investments (fixed financial assets related to the objectives) of €3.1m driven by new investments throughout the year from revolved funds in earlier years;
- other current liabilities decreased €8.3m. This can be related to the decrease in participations payable after fulfilling payment obligations for several participations. Additionally, the amount of grants received but not yet spent decreased €2.0m after spending a grant received at the end of 2014 during 2015.

### Cash flows from investing activities

Purchases of tangible assets came to €0.3m in 2015.

Investments for new IT systems formed the greater part of this cash outflow.

### Cash flows from financing activities

Cordaid has no non-current liabilities for financing its operations. The non-current liabilities on the balance sheet relate to long-term project financing, which are recognized as cash flows from operating activities.

## 1.3 Changes in accounting estimates

Cordaid made no changes to its policies for accounting estimates compared to the previous year.

## 1.4 Estimates

In applying accounting policies and standards for preparing annual accounts, the Board of Cordaid is required to make estimates and judgments that might significantly influence the amounts disclosed in the annual accounts. If necessary for the purposes of providing the view required under Section 362(1), Book 2 of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, are disclosed in the notes to the relevant items.

## 1.5 Consolidation

The consolidation includes the financial information of Stichting Cordaid and the entities in which it exercises control or whose central management it conducts. All entities in which Cordaid exercises control or whose central management it conducts are consolidated in full. The individual accounts of Stichting Cordaid are not presented separately in these annual accounts because the differences between the consolidated and individual accounts of Stichting Cordaid are not significant. The total value of eliminated intercompany positions in the consolidated balance sheet amounts to €240k. This mainly relates to an outstanding payment of part of the management fee from Stichting Cordaid to Cordaid Investment Management B.V. The balance of income and expenditure in the individual accounts of Stichting Cordaid is the same as on consolidated level. Stichting Social Business Incubator accounts for a negative result in 2015 of €307. All other entities included in the consolidated annual accounts of Stichting Cordaid present a financial result of 0 in 2015. Intercompany transactions, profits and balances among consolidated entities are eliminated, unless these results are realized through transactions with third parties. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary in order to align them to the prevailing group accounting policies.

The consolidated entities are listed below:

- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague (established February 12, 2015)
- Cordaid Investment Management BV, The Hague (established June 10, 2015)
- Corpav BV, The Hague (established June 17, 2015)

The Board of Stichting Cordaid and Stichting Cordaid Expats and Stichting Cordaid Participaties is the same as the Board of Stichting Cordaid.

The Chief Financial Officer of Stichting Cordaid is the chair of the Board of Stichting Social Business Incubator and has the final say in strategic decisions, according to the articles of the foundation.

Stichting Cordaid is 100% shareholder of Cordaid Investment Management BV.

Stichting Cordaid Participaties shares its Board with Stichting Cordaid and is 100% shareholder of Corpav BV.

## 2. ACCOUNTING PRINCIPLES

### 2.1 General

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The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. More specifically, the financial statements have been prepared in accordance with the Dutch Accounting Standard for Fundraising Institutions (RJ 650). The financial statements are prepared in euros. Balances and results in 2015 are compared with the budget as approved by the Supervisory Board and 2014 results and balances. Assets and liabilities are generally valued at acquisition cost, production cost or at current value. If no specific valuation method is indicated, the valuation is done at the acquisition price. References are included in the balance sheet and statement of income and expenses.

### 2.2 Comparison with previous year

The accounting principles used for valuation and recognition of income and expenditure are unchanged from the previous year.

### 2.3 Foreign currency

#### Functional currency

The financial statements are presented in euros, which is the functional and presentation currency of Cordaid.

#### Transactions, receivables and payables

Transactions in foreign currencies during the period are included in the financial statements at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate. The exchange differences arising from the settlement and translation are credited or charged to the statement of income and expenditure.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing at the dates of the transactions.

Translation differences on non-monetary assets such as equities held at fair value through income or expenditure are recognized through income or expenditure as part of the fair value gain or loss.

### 2.4 Tangible fixed assets

Buildings, IT equipment, furniture and fittings, vehicles and other assets are all valued at historical cost or manufacturing price including directly attributable expenditure, less straight-line depreciation over their estimated useful lives, and impairment losses. Grants are deducted from the acquisition or manufacturing cost of the assets to which they relate.

### 2.5 Financial fixed assets

*Issued in connection with the objectives:*

#### Loans, guarantees and participations

Loans and guarantees disclosed under financial assets are recognized initially at fair value of the amount owed net of any

provisions considered necessary. These receivables are subsequently measured at amortized cost.

Participations are valued at cost taking into account possible impairments at reporting date. These participations do not involve a structural commitment for the purposes of Cordaid's own operations.

*Investments:*

#### Bonds and shares

Bonds and shares are stated at fair market value. Any changes in value and transaction costs are recognized through income or expenditure. Transaction costs are charged directly to the statement of income and expenditure.

### 2.6 Non-current asset impairment

Cordaid assesses at each reporting date whether there is any evidence of assets being subject to impairment. If any such evidence exists, the recoverable amount of the relevant asset is determined. An asset is subject to impairment if its carrying amount is higher than its recoverable amount; the recoverable amount is the higher of net realizable value and value in use. If it is established that a previously recognized impairment loss no longer applies or has declined, the increased carrying amount of the asset in question is not set higher than the carrying amount that would have been determined had no impairment loss been recognized.

The net realizable value is determined based on the active market. An impairment loss is directly expensed in the income statement.

Cordaid assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

If an impairment loss has been incurred on an investment in an equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss

shall be reversed only if the evidence of impairment is objectively shown to have been removed.

## 2.7 Stocks

Stocks are valued at cost using the first in, first out method (FIFO). As soon as stocks are assigned to a project the related costs are recognized in the statement of income and expenditure as program costs. In case of obsolescence of stock costs are recognized as program management costs.

## 2.8 Receivables

Receivables are initially recognized at fair value and subsequently carried at amortized cost. Allowances for doubtful debts are deducted from the carrying amount of receivables.

## 2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits falling due in less than 12 months. Cash and cash equivalents are stated at face value.

## 2.10 Reserves and funds

The equity of Cordaid is divided into the following reserves and funds:

- The continuity reserve is created to ensure that Cordaid can meet its legal and moral obligations in case of a significant fall in income in the future.
- The tangible fixed assets reserve is created to set aside capital to finance necessary tangible fixed assets in the future.
- Earmarked reserves are earmarked for future spending on the objectives of Cordaid. The Board of Directors decides on the actual purposes of the reserves, based on internally agreed criteria.
- The restricted funds are earmarked for a specific project as agreed with third-party donors.
- Semi-restricted funds are earmarked for activities related to a certain topic, but not limited to specific projects.
- The loans and guarantees fund has been committed for loans, guarantees and equities connected to the objectives of Cordaid. The result on these financial assets and the costs of managing this portfolio reflect the changes in the fund in a year.

## 2.11 Provisions

Provisions are recognized for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which will probably require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

A maintenance provision for the future cost of maintenance of the building is not included in the financial statements. If and when costs for maintenance of the building occur, the costs will be directly charged to the statement of income and expenditure.

## 2.12 Liabilities

### General

Liabilities are initially recognized at fair value. Transaction costs directly attributable to the incurrence of the liabilities are included in the measurement on initial recognition. Liabilities are subsequently measured at amortized cost; this is the amount received plus or less any premium or discount and net of transaction costs.

### Operational lease

Liabilities under operating leases (such as the lease of premises) are accounted for in the statement of income and expenditure equally over the term of the contract, taking into account reimbursements received from the lessor.

### Project commitments

Project commitments are recognized as soon as a contract is issued or when a grant decision is communicated in writing or otherwise; they are stated at the fair value stated in the contract, net of any payments.

### 3. ACCOUNTING PRINCIPLES FOR THE STATEMENT OF INCOME AND EXPENDITURE

#### 3.1 General

Income and expenses are recognized in the statement of income and expenditure in the year to which they relate. The allocation is made consistently with previous years. The balance of funds is defined as the difference between income and expenses. Income is accounted for in the year it was realized and losses are accounted for as soon as they are identified.

#### 3.2 Income recognition

##### Income from own fundraising

Income from own fundraising involves gifts and donations, mailings, collections, legacies and the sale of materials. Income from gifts and donations, mailings and sales of materials are accounted for in the year in which they are received/in which the materials are sold. Exceptions are written undertakings that have been received before year-end as these can be accounted for in the current year.

Legacies are recognized based on a statement received from the executor in the year in which the amount can be determined reliably. The valuation of legacies with property is done based on the most recent correspondence and receipts are included up to the preparation of financial statements. The valuation is done prudently.

##### Income from third-party campaigns

Income from third parties is accounted as such when Cordaid carries no risk in the fundraising campaign. The income from third parties is recognized in the year in which the income is received or pledged.

##### Income from government grants

Grants and subsidies are recognized in the statement of income and expenditure in the year in which the subsidized costs were incurred. The grants are recognized where it is probable that they will be received and Cordaid will comply with all attached conditions.

##### Interest income and income from investments

The line item interest income and income from investments contains the (gross) interest, dividends and realized and unrealized capital gains. Interest income and expense are recognized time proportionally.

Interest income is recognized as investment income exclusive of interest received on loans and guarantees issued in the context of the Loans & Guarantees Program, which is recognized entirely as gains on financial assets issued in connection with the objectives.

##### Result of loans, guarantees and participations

The result of loans, guarantees and participations is made up of interest received on loans and guarantees under the Loan & Guarantee Program, realized and unrealized changes in the

valuation of loans and participations, dividend and fees for restructuring loans.

##### Gifts in kind

Gifts in kind are stated at their fair market value in the Netherlands. Where items involving gifts in kind are sent directly to emergency areas, their value is recognized as a gift and as an expended resource. Cordaid accounts for gifts in kind if the discount/gift has a connection with the nature of Cordaid's activities and objectives and Cordaid would have purchased the services or goods if the gift/discount had not been received.

#### 3.3 Exchange rate differences

Transactions denominated in foreign currencies conducted during the reporting period are recognized in the annual accounts at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are recognized through income or expenditure. Non-monetary assets and liabilities stated at cost and denominated in foreign currencies are translated at the rate of exchange at the transaction date (or the approximate rate of exchange).

#### 3.4 Depreciations on tangible fixed assets

Tangible assets are carried at cost less straight-line depreciation over their estimated useful lives. Tangible assets are depreciated from the time they are taken into use over their estimated useful lives. Future depreciation is adjusted if the estimate of future useful life changes. Gains and losses on the sale of tangible fixed assets are included in depreciation.

#### 3.5 Employee benefits

##### Short-term employee benefits

Salaries, wages and social security contributions are recognized in the statement of income and expenditure based on the pay and benefits package to the extent that they are payable to employees.

##### Pensions

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund, a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state-pension offset. The pension fund endeavors to index-link any accrued pension entitlements and pensions in payment based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have a retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from the return on plan assets. The coverage ratio was 97% at 31 December 2015.

Contributions are recognized as employee benefits expense as soon as they are payable. Prepaid contributions are recognized within prepayments and accrued income if they entail a refund or a reduction in future payments. Contributions payable are disclosed as liabilities in the balance sheet.

### 3.6 Financial income and expenses

#### Interest paid and received

Interest paid and received is recognized on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

#### Changes in financial instruments at fair value

Changes in the value of the following financial instruments are recognized directly through profit or loss:

- financial assets and liabilities that are held for trading;
- purchased loans, bonds (unless held to maturity) and equity instruments that are quoted in an active market;
- Decreases in value of financial instruments at fair value are recognized through profit or loss.

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 4.1 Market risk

#### Currency risk

Cordaid operates in the European Union, Africa, Asia, Latin-America and the United States. The currency risk for Cordaid largely concerns positions and future transactions in US dollars and currencies whose rate is closely related to the US dollar. Management has determined that the cost of hedging these currency risks does not outweigh the benefits. Natural hedges exist because receivables and liabilities are often related.

#### Price risk

Cordaid invests its temporary cash balances according to a defensive to neutral strategy compared to a very conservative policy in previous years. As a consequence Cordaid faces a limited market risk related to its portfolio of bonds and shares that is valued at market value.

#### Interest rate and cash flow risk

Cordaid incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets and cash).

#### Credit risk

Cordaid does not have any significant concentrations of credit risk. Receivables mainly relate to grants from solid governments or multilateral institutions.

#### Liquidity risk

Cordaid uses several banks in order to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

## 5. TANGIBLE FIXED ASSETS

Movements of the tangible fixed assets are as follows:

X € 1,000	BUILDINGS	IT EQUIPMENT	FURNITURE AND FITTINGS	VEHICLES	OTHER ASSETS	TOTAL
<b>Balance at January 1, 2015</b>						
Cost	1,895	4,537	1,470	28	283	8,213
Accumulated depreciation	-1,397	-3,838	-1,328	-22	-283	-6,868
<b>Carrying value at January 1, 2015</b>	<b>498</b>	<b>699</b>	<b>142</b>	<b>6</b>	<b>0</b>	<b>1,345</b>
<b>Changes</b>						
Purchases	0	258	71	0	0	329
Disposals	0	0	0	0	0	0
Depreciation	-63	-284	-39	-5	0	-391
Depreciation on disposals	0	0	0	0	0	0
<b>Total changes</b>	<b>-63</b>	<b>-26</b>	<b>32</b>	<b>-5</b>	<b>0</b>	<b>-62</b>
<b>Balance at December 31, 2015</b>						
Cost	1,895	4,795	1,541	28	283	8,542
Accumulated depreciation	-1,460	-4,122	-1,367	-27	-283	-7,259
<b>Carrying value at December 31, 2015</b>	<b>435</b>	<b>673</b>	<b>174</b>	<b>1</b>	<b>0</b>	<b>1,283</b>
Depreciation percentages	10%	33%	20%	33%	33%	

Total investments in 2015 amounted to €329k. The main investments were related to investments in IT systems replacing the current project administration, a new CRM system and the integration of the IT systems at all Cordaid country offices. In addition, some small investments were made to complete the new Cordaid workspace, enabling staff to work more easily in project teams worldwide.

All assets are held for business operations.

## 6. FINANCIAL FIXED ASSETS ISSUED IN CONNECTION WITH THE OBJECTIVES

Outstanding loans, participations and guarantees are recognized as financial assets issued in connection with the objectives. This relates to loans issued to and a number of participations in partner organizations for the purposes of funding usually small-scale economic activities (e.g. through microfinance institutions), for which partner organizations find it difficult or impossible to secure finance from commercial banks. Interest rates on these loans are determined by country and by customer.

Movements in financial assets were as follows in 2015:

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
<b>Value of portfolio at January 1, 2015</b>	<b>25,774</b>	<b>1,706</b>	<b>26,432</b>	<b>53,912</b>
Provision at 1 January 2015	-1,733	0	0	-1,733
<b>Carrying amount January 1, 2015</b>	<b>24,041</b>	<b>1,706</b>	<b>26,432</b>	<b>52,179</b>
<b>Changes in value of the portfolio</b>				
Loans and guarantees issued	12,126	2,000	0	14,126
Loans and guarantees repaid	-7,686	-1,333	0	-9,019
Participations acquired/committed	0	0	-471	-471
Participations sold/commitments withdrawn	0	0	-1,491	-1,491
Impaired loans and guarantees (write-offs)	-861	0	0	-700
Revaluation of participations	0	0	-1,426	-1,426
Currency gains and losses	1,383	108	1,218	2,709
<b>Value of portfolio at December 31, 2015</b>	<b>30,736</b>	<b>2,481</b>	<b>24,262</b>	<b>57,479</b>
<b>Changes in the provision</b>				
Impaired loans and guarantees (write-offs)	861	0	0	861
Allocated to/withdrawn from provision for loans and guarantees	-1,328	0	0	-1,328
<b>Provision at December 31, 2015</b>	<b>-2,200</b>	<b>0</b>	<b>0</b>	<b>-2,200</b>
<b>Value of the portfolio at December 31, 2015</b>	<b>30,736</b>	<b>2,481</b>	<b>24,262</b>	<b>57,479</b>
Provision at December 31, 2015	-2,200	0	0	-2,200
<b>Carrying amount December 31, 2015</b>	<b>28,536</b>	<b>2,481</b>	<b>24,262</b>	<b>55,279</b>

The provision on loans and guarantees increased by €1.3m in 2015 as a consequence of one loan that was prudently valued at zero after the discovery of a fraud case and resulting in an addition of €0.8m.

### Loans and guarantees

Loans and guarantees will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
<1 year	2,813	0	2,813
1-5 years	26,548	2,481	29,029
> 5 year	1,375	0	1,375
	<b>30,736</b>	<b>2,481</b>	<b>33,217</b>

### Participations

Cordaid takes a prudent approach to the valuation of its participations. They are carried at cost or at fair value if significantly lower. Participations that have appreciated in value are measured at cost. Previously recognized impairments can be (partially) reversed, if the original reasons for impairment are no longer valid as long as the value does not become higher than original cost. Payments in foreign currencies are recorded at the current rate. Cordaid has the policy of selling all foreign currencies, besides US dollars, directly upon receipt. At the end of 2015 there was no currency hedging.

List of participations (in €1,000):

NAME OF ORGANISATION	CITY	COUNTRY	PARTICIPATION	OPENING BALANCE 2015	PURCHASED / COMMITTED	CURRENCY GAINS AND LOSSES	REVALUATION	SOLD	CLOSING BALANCE 2015	ACTIVITIES
Aavishkar	Mumbai	India	17.5%	1,292					1,292	Investment fund SME in India
Afrinut	Llongwe	Malawi	10.4%	-					0	Nut processor
Bank Andarra via Hivos Triodos Fonds	Jakarta	Indonesia	4.7%	569		-2	-106		461	Loan related to investment in Indonesia
Dia Vikas	Gurgaon (Uttar Pradesh)	India	0.0%	2,500					2,500	Investment fund in MFIs India
Dia Vikas	Gurgaon (Uttar Pradesh)	India	6.0%	1,447		95	-218		1,324	Investment fund in MFIs India
Finance South Sudan	Juba	South Sudan	74.0%	-					0	MFI
FPM SA	Kinshasa	DRC	17.2%	3,100					3,100	Investment fund for Financial Institutions DR Congo
InReturn B.V.	Rotterdam	Netherlands	21.6%	349				-36	313	Investment fund SME Africa
Kuyichi International B.V.	Den Haag	Netherlands	0.0%	-					0	SME
Liberation	Londen	UK	19.9%	170					170	Nut producer association
Oikocredit	Amersfoort	Netherlands	0.0%	330				-330	0	Investment social investor
PEAK II LP	Moshi	Tanzania	21.0%	722	-100		-30		592	Leasing fund SME Africa
PEAK I	Dar-es-Salam	Tanzania	0.0%	110	-110				0	Investment fund SME Africa
PEF	Manila	Philippines	0.0%	960		67	-	-1,027	0	Investment fund SMEs in the Philippines
Progression Capital Africa LTD	Port Louis	Mauritius	11.2%	3,371				-9	3,362	Investment fund in MFIs
PYME Capital	Panama City	Panama	62.4%	1,386		377	-382		1,381	Investment fund SMEs Latin America
Rabo Rural Fund	Utrecht	Netherlands	20.0%	2,454					2,454	Small producers trade finance fund
SICSA	Panama City	Panama	15.2%	454					454	Investment fund in MFIs Central America
SIDI	Parijs	France	0.0%	89				-89	0	Investment social investor
SME Impact Fund CV	Amsterdam	Netherlands	21.0%	980			-57		923	Investment fund SME Tanzania
Stromme Microfinance East Africa Limited	Kampala	Uganda	19.4%	1,000					1,000	Investment fund in MFIs Africa
WAVF	Port Louis	Mauritius	25.0%	3,500		681	-683		3,498	Investment fund SME Sierra Leone / Liberia
WMF	Accra	Ghana	26.0%	1,650	-261		50		1,439	Investment fund in MFIs Ghana
				26,432	-471	1,218	-1,426	-1,491	24,262	

Debt investments carrying the same risk as equity participations are included in the list of participations. For these investments the percentage of the participation is stated as 0.0%.

At December 31, 2015, the number of participations decreased to 18 and the total value of the portfolio of participations decreased from €26.4m in 2014 to €24.3m. Cordaid did not invest in new participations in 2015.

Three participations have been decommitted:

- €101k in PEAK II was de-committed and a devaluation of €30k was recorded because the investment period was finished, disbursements were lower than the committed amounts and through exchange rate differences.
- €110k was de-committed in PEAK I because of delays in the set up of the fund and a change in fund structure that made the Cordaid investment no longer necessary.
- €261k was de-committed from WMF and a revaluation of €50k was recorded because of the close of the investment period and currency gains resulting in a lower commitment amount in euro.

InReturn paid back €35k from its exits.

The last part of the non-strategic participation in SIDI was sold at cost price for €89k.

The last of two PEF outstanding loans with equity component (interest rate payments are directly correlated to profit and losses of the organization) were reimbursed for €1.0m, resulting in a currency gain of €67k and leaving no outstanding balance on PEF.

Progression Capital Africa LTD paid €9k from its first exits.

The Oikocredit participation was sold for €330k, including an amount of €37k as stock dividend. At Oikocredit's request it was decided to keep a participation of one share (€200) to retain voting rights as a like-minded investor.

A number of revaluations have taken place reflecting the improvement or worsening of the situation of some of our equity participations and the variations in currency rates.

The total revaluations of intrinsic values amounted to losses of €1.4m:

- Cordaid sold its participation in the Indonesian Bank Andarra to the Hivos Triodos Fund and no longer has a direct connection with Bank Andarra. Instead, a loan has been granted to the Hivos Triodos Fund. The valuation of this loan is directly related to the performance of Bank Andarra. To reflect this risk, the loan is included in the list of participations and replaces the sold participation in Bank Andarra. The intrinsic value of the loan has further decreased by €106k resulting in a closing value of €461k.
- The participation in PYME Capital was depreciated by €382k to reflect the increased risk concerning one of its biggest investments but benefited from a €377k currency gain, leading to final a valuation of €1.4m.
- Dia Vikas, a microfinance investment fund in India: the intrinsic value decreased by €218k and currency gains led to an appreciation of €95k, resulting in a closing value of €1.3m. At year-end 2015, the €2.5m convertible loan committed in 2012 had been disbursed, but had not yet been received in Dia Vikas' account Cordaid was not exposed to any financial risk on this additional participation at the end of the closing period.
- Rabo Rural Fund, a global small producer's fund in the Netherlands: Cordaid founded this fund with the Rabobank Foundation and has a 20% participation. In 2015, the increased risk concerning one of its investments led to depreciation in US dollars. Because the effect of the appreciated dollar would more than offset the depreciation, the valuation in euros was unchanged.
- The SME Impact Fund, offering funding to BDS-trained SMEs in Tanzania, was depreciated by €57k to reflect the slower-than-expected pace of realization of the investments, leading to a valuation of €923k.
- West African Venture Fund, a SME fund targeting Sierra Leone and Liberia, was heavily impacted by the Ebola outbreak in West Africa, resulting in a revaluation of the fund's portfolio companies and a depreciation of the intrinsic value by €683k in Cordaid's books. As unrealized currency gains of €681k mostly offset the depreciation, the closing value of €3.5m equals the value recorded in 2014.

Cordaid reviewed and revalued all its participations at December 31, 2015. However, unrealized gains and losses are only included in the valuation of impaired participations. The revaluations resulted in a currency gain in 2015 of €1.2m.

## 7. INVESTMENTS

Until June 30, 2015, Schretlen & Co and ASN managed Cordaid's investment portfolio according to a very defensive policy and ensuring that the principal amount of a portfolio investment is highly guaranteed.

At the beginning of 2015, Cordaid decided to make some changes in its investment policy, aiming at a higher return on investments without exposing the invested funds to unacceptable risks.

From July 1, 2015, Cordaid selected ING and Van Lanschot as their asset managers and reduced the invested portfolio from approximately €35m to €20m. All investments under management with Schretlen and ASN were sold per the same date. The remaining amount was kept in cash. The reduction in the invested amount was made so that Cordaid would have more cash directly available to pre-finance projects and to absorb unforeseen cash outflows.

Both asset managers were instructed to invest following a defensive to neutral profile. The investment strategy has a 5-to-10 year horizon. Both asset managers receive a fee based on the invested amount only and no performance based fee.

Portfolio investments must meet strict sustainability criteria. Cordaid invests in businesses that have sound staff policies in place, that protect the environment and that respect human rights. Cordaid applies the UN Global Compact and the Standard for Financial Management of Fundraising Institutions of the Dutch Association of Fundraising Institutions (VFI), as well as a range of supplementary product and process criteria based on ASN Bank criteria.

The current portfolio investments can be specified as follows:

X € 1,000	31/DEC/2015	31/DEC/2014
<b>Bonds</b>		
Government bonds	3,596	17,779
Corporate bonds	7,216	3,382
Other bonds	2,484	13,863
Shares	6,529	0
	<b>19,825</b>	<b>35,024</b>

The portfolio is carried at fair value. The fair value of the portfolio decreased €15.2m. An amount of €15m was turned into directly available cash after the sale of all investments managed by Schretlen and ASN. The originally invested amount of the current portfolio is €20m. The fair value of the portfolio is determined based on the known market prices for the specific bonds and shares in the portfolio.

## 8. STOCKS FOR EMERGENCY AID

In 2014 Cordaid kept stocks of emergency aid goods in Uganda and South Sudan. The stocks are kept so Cordaid can act quickly in case of an emergency in the region. During 2015, the stock in Uganda was brought to 0. Cordaid now only maintains stocks in South Sudan. Per December 31, 2015, the stock can be specified as follows:

X € 1,000	31/DEC/2015	31/DEC/2014
<b>Stocks for emergency aid</b>		
- Tarps	49	111
- Khanga cloth, blankets, bed nets & bags	9	130
- Sanitary Kits	38	88
- Kitchen sets	0	82
	<b>96</b>	<b>411</b>

During 2015, Cordaid only spent €77k on new items. The value of distributed items in 2015 amounted to approximately €250k, another €239k was sold to peer organizations. Although the turnover rate of the stocks is relatively low, a provision for obsolete stock was unnecessary as all items are non-perishable and can be kept for several years without losing their value for Cordaid's operations.

## 9. RECEIVABLE

All receivables have a remaining maturity of less than one year.

X € 1,000	31/DEC/2015	31/DEC/2014
<b>Receivables</b>		
- Dutch Government	6,548	31,083
- Other governments and organizations	16,254	15,447
- Provision uncollectable receivables from governments	-209	-209
- Receivable from inheritances	5,395	5,251
- Interest receivables	753	1,354
- Other receivables	1,772	1,308
	<b>30,513</b>	<b>54,234</b>

Contracts with back donors lead to a receivable if subsidized costs incurred are higher than advances received from the donor. As a consequence of the slowdown of activities for the MFS II program, the receivable on the Dutch government decreased by €24.5m. The receivable for projects funded by other governments and organizations remained stable. For more details on government grants refer to section 17.

The receivable from inheritances in 2015 was €5.4m (2014: €5.3m). In 2015, a lower number of legacies was unsettled compared to 2014 (141 vs 185). This was compensated by a higher average amount receivable per legacy.

**INTEREST RECEIVABLES**

X € 1,000	31/DEC/2015	31/DEC/2014
<b>Interest receivables</b>		
- Banks & deposits	229	355
- Bonds	40	497
- Loans & guarantees (relief efforts)	484	502
	<b>753</b>	<b>1,354</b>

Interest receivables relates to the bonds in the investment portfolio, outstanding deposits, savings deposits and outstanding loans and guarantees relating to Cordaid's objectives. The receivable decreased €0.6m because the number of bonds was significantly reduced after the change in investment strategy. The continuous decrease in interest rates is another important factor in the decrease of the receivable.

**OTHER RECEIVABLES**

X € 1,000	31/DEC/2015	31/DEC/2014
<b>Other receivables</b>		
- Security deposit	55	55
- Prepayments	630	310
- Other receivables	1,087	943
	<b>1,772</b>	<b>1,308</b>

The other receivables increased €0.5m mainly as a consequence of various small prepaid amounts.

An invoice of €0.7m for the Vastenaktie, prepaid rent of €0.3m and donations receivable of €0.2m are the main receivables.

**10. CASH AND BANK**

Cash and bank comprise cash and bank balances of the Cordaid office in The Hague, in the country offices abroad and deposits falling due in less than one year. Cash and cash equivalents increased from €67.7m at December 31, 2014 to €73.1m at the end of 2015. The reduction of the investment portfolio is the main reason for the increase of cash, in spite of the negative balance in 2015. The other main factors in changes in Cash and bank are explained in section 1.2, Notes to the cash flow statement.

All cash is at Cordaid's free disposal, except for the guarantee for the rent agreement of €0.2m (one guarantee).

## 11. RESERVES AND FUNDS

X € 1,000	CONTINUITY RESERVE	EARMARKED RESERVES	OTHER RESERVES	RESTRICTED FUNDS	SEMI-RESTRICTED FUNDS	RESTRICTED FUND LOANS & GUARANTEES	TOTAL RESERVES AND FUNDS
<b>Opening balance January 1, 2015</b>	12,275	10,915	1,345	3,979	5,798	93,964	128,276
<i>Changes</i>							
Extraction	-2,400	-2,120	-62	-2,509	0	-641	-7,732
Dotations	0	0	0	0	3,061	0	3,061
<b>Closing balance December 31, 2015</b>	<b>9,875</b>	<b>8,795</b>	<b>1,283</b>	<b>1,470</b>	<b>8,859</b>	<b>93,323</b>	<b>123,605</b>

### Continuity reserve

The continuity reserve is designed to create a sufficiently large buffer to enable Cordaid to complete ongoing programs appropriately, including staffing them with our own people, if one or more key sources of funding were to dry up unexpectedly, and with due observance of existing legal and moral obligations.

Due to the ending of the MFS II program after 2015, Cordaid was obliged to cut its costs for 2016. As a consequence, staff was reduced with approximately 30%. An amount of €2.4m was withdrawn from the continuity reserve to create a redundancy provision. This amount represents the total costs necessary to compensate redundant staff according to the Social Plan agreed between the Board of Directors and the labor unions.

A new addition to the continuity reserve was not made in 2015. The necessary continuity reserve will be calculated again in 2016 based on a new analysis of the stability of income and the cost levels of Cordaid following the reorganization. The continuity reserve amounts to €9.9m at December 31, 2015. This amount is well below the Centraal Bureau Fondsenwerving (CBF) requirement of no more than 1.5 times total operating expenses.

### Earmarked reserves

Earmarked reserves are comprised of interest income, income from investments financed with temporary surpluses of semi-restricted funds, other income and income which is not earmarked for specific topics, but granted to Cordaid as an organization. The reserves are earmarked for spending on objectives. The allocation of these reserves to different themes, programs and objectives is subject to a decision by the Board of Directors. Decision-making is based on internally agreed criteria.

The total amount of earmarked reserves per December 31, 2015 is €8.8m. Net income from non-development investments, unrestricted interest income and unrestricted donations amounting to €2.0m was added to the earmarked reserves. Program expenditure of €2.3m was deducted. Organizational costs of €1.8m could not be covered from organizational cost allowances from donors and semi-restricted funds. Therefore, this amount was deducted from that part of the earmarked reserves that came from non-program related income such as interest and other income.

### Other reserves

The only other reserve is a restricted reserve to enable replacement of current tangible fixed assets when fully written off and always has the same value as the tangible fixed assets in the balance sheet.

### Restricted funds

Restricted funds are funds received for an earmarked purpose, such as incoming resources for specific SHO campaigns or other funds specifically allocated to one or more projects.

Restricted funds decreased €2.5m to €1.5m. The decrease is due mainly to spending of funds raised for the SHO campaigns Stop ebola! and The Philippines resulting in a decrease of funds of €2.9m.

Incoming resources and expenditures through SAN! are also disclosed in the restricted project fund. The partner payment for 2015 was a gross amount of €500k. Net of €50k in overheads, an amount of €450k was added to the SAN! fund. Program costs for SAN! projects in 2015 amounted to €379k (2014: €674k).

X € 1,000	OPENING BALANCE JANUARY 1, 2015	INCOMING RESOURCES	OVERHEAD FEE	PROJECT RESOURCES EXPENDED	CLOSING BALANCE DECEMBER 31, 2015
<b>Mensen in Nood</b>					
SHO campaign Stop de ebola-ramp	808	210	-14	-1,004	0
SHO campaign Philippines	2,141	12	-177	-1,976	0
SHO Nepal	0	2,301	-161	-2,012	128
Adoptions	623	241	-27	-331	506
	3,572	2,764	-379	-5,323	634
<b>Kinderstem</b>					
Adoptions	0	313	-36	-198	79
Personalized fund - van Kasteren	7	40	0	-43	4
	7	353	-36	-242	83
<b>Memisa</b>					
Adoptions	549	117	-13	-300	353
Personalized fund - Local Heroes	20	0	0	-20	0
Stop Aids Now!	206	500	-50	-379	277
Ineke Feitz Foundation	-375	986	-81	-407	123
	400	1,603	-145	-1,105	753
	3,979	4,720	-560	-6,669	1,470

## Personalized funds

The item 'personalized funds' relates to:

- Local Heroes fund of originally €50k. The agreement was to use these resources in five annual installments. In 2015, the final €20k was committed for program activities that were partly executed in 2015 and will be finalized in 2016.
- Van Kasteren fund of €40k per year for the years 2014-2018. During 2015, the second €40k amount was received. An amount of €43k was spent on objectives, resulting in a remaining balance of €4k.

**SHO PHILIPPINES**

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns			-			6,731,594
Intrest			11,646			14,486
<b>Total incoming resources</b>			<b>11,646</b>			<b>6,746,080</b>
Preparation and coordination costs			177,435			422,526
<b>Total available for charitable activities</b>			<b>165,789-</b>			<b>6,323,554</b>
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	(20,541)	-	(20,541)	1,019,459	-	1,019,459
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	-	1,995,528	1,995,528	-	5,304,095	5,304,095
	(20,541)	1,995,528	1,974,987	1,019,459	5,304,095	6,323,554
<b>Available commitment capacity</b>						<b>0</b>

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	-	-	-	1,019,459	-	1,019,459
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	-	3,107,708	3,107,708	-	5,286,895	5,286,895
<b>Total transferred</b>	<b>-</b>	<b>3,107,708</b>	<b>3,107,708</b>	<b>1,019,459</b>	<b>5,286,895</b>	<b>6,306,354</b>
Breakdown of resources expended locally						
- support offered through local relief providers	-	-	-	1,019,459	-	1,019,459
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	-	3,124,908	3,124,908	-	5,304,095	5,286,895
<b>Total resources expended</b>	<b>-</b>	<b>3,124,908</b>	<b>3,124,908</b>	<b>1,019,459</b>	<b>5,304,095</b>	<b>6,323,554</b>

**SHO STOP EBOLA!**

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns			206,384			1,564,358
Intrest			3,304			3,304
<b>Total incoming resources</b>			<b>209,688</b>			<b>1,567,662</b>
Preparation and coordination costs			13,718			102,557
<b>Total available for charitable activities</b>			<b>195,970</b>			<b>1,465,105</b>
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	323,479	275,861	599,340	383,436	275,861	659,297
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	323,479	404,855	404,855	370,891	434,917	805,808
		680,716	1,004,195	754,327	710,778	1,465,105
<b>Available commitment capacity</b>			<b>(808,225)</b>			<b>0</b>

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	383,436	275,861	659,297	383,436	275,861	659,297
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	342,194	404,855	747,049	370,891	434,917	805,808
<b>Total transferred</b>	<b>725,630</b>	<b>680,716</b>	<b>1,406,346</b>	<b>754,327</b>	<b>710,778</b>	<b>1,465,105</b>
Breakdown of resources expended locally						
- support offered through local relief providers	383,436	275,861	659,297	383,436	275,861	659,297
- support offered through international umbrella organisation	-	-	-	-	-	-
- support offered through participant	361,762	404,855	766,617	370,891	434,917	805,808
<b>Total resources expended</b>	<b>745,198</b>	<b>680,716</b>	<b>1,425,914</b>	<b>754,327</b>	<b>710,778</b>	<b>1,465,105</b>

**SHO NEPAL**

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third-party campaigns			2,300,000			2,300,000
Intrest			548			548
<b>Total incoming resources</b>			<b>2,300,548</b>			<b>2,300,548</b>
Preparation and coordination costs			161,000			161,000
<b>Total available for charitable activities</b>			<b>2,139,548</b>			<b>2,139,548</b>
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	756,849	983,597	1,740,446	1,740,446	-	1,740,446
- support offered through international umbrella organisation	50,000		50,000	50,000	-	50,000
- support offered through participant	96,012	124,777	220,789	220,789	-	220,789
	<b>902,861</b>	<b>1,108,374</b>	<b>2,011,235</b>	<b>2,011,235</b>	<b>-</b>	<b>2,011,235</b>
<b>Available commitment capacity</b>			<b>128,313</b>			<b>128,313</b>

X € 1	2015			UP TO AND INCLUDING 2015		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	658,113	855,280	1,513,393	658,113	855,280	1,513,393
- support offered through international umbrella organisation	50,000	-	50,000	50,000	-	50,000
- support offered through participant	96,012	124,777	220,789	96,012	124,777	220,789
<b>Total transferred</b>	<b>804,125</b>	<b>980,057</b>	<b>1,784,182</b>	<b>804,125</b>	<b>980,057</b>	<b>1,784,182</b>
Breakdown of resources expended locally						
- support offered through local relief providers	820,504	-	820,504	820,504	-	820,504
- support offered through international umbrella organisation	50,000	-	50,000	50,000	-	50,000
- support offered through participant	96,012	-	96,012	96,012	-	96,012
<b>Total resources expended</b>	<b>966,516</b>	<b>-</b>	<b>966,516</b>	<b>966,516</b>	<b>-</b>	<b>966,516</b>

The funds for activities in The Philippines and for Stop ebola! were fully expended in line with action planning. The amount of resources expended for the action in Nepal is based on the report received from our partner organizations and the local Cordaid Office.

For activities in Nepal a commitment capacity of €128k is available for reconstruction. The Reconstruction phase started in November 2015, but per December 31 actual expenditure was not yet reported. Therefore, the expended amount is stated at zero. A full report of expenditure and activities in the reconstruction phase can be found on the website of Samenwerkende Hulporganisaties ([www.samenwerkendehulporganisaties.nl](http://www.samenwerkendehulporganisaties.nl)).

### Semi-restricted funds

Semi-restricted funds are accruals on own fundraising that are not earmarked for a specific purpose or are earmarked for a broadly defined purpose (usually linked to program purposes). The increase in semi-restricted funds is mainly a result of unspent balances for Cordaid Mensen in Nood related to income from unsettled legacies. The income is recognized, but because the actual cash is not yet received, expenditure is recorded later as well.

### Loans & Guarantees fund

The Loans & Guarantees Fund comprises the resources that have been accrued within the scope of the Loans & Guarantees Program. The resources for the Loans & Guarantees Fund stem from the co-financing program and from own resources. Because no new social impact investments were started with MFS II funds in 2015, a net deduction was made from the fund instead of an addition as in previous years. The addition to the provision for bad loans is another reason for the negative result on the Loans & Guarantees fund in 2015.

X € 1,000	TOTAL
<b>Opening balance January 1, 2015</b>	<b>93,964</b>
Income from financial assets issued for objectives	2,133
Investment income	-295
Income from cash and cash equivalents	92
Recharged overhead fee	60
Direct costs	-1,645
Recharged indirect costs	-934
Grant approvals	-52
<b>Closing balance December 31, 2015</b>	<b>93,323</b>

## 12. PROVISIONS

The composition of, and movements in, the provisions were as follows:

X € 1,000	REDUNDANCY PROVISION	BACKDONOR PROJECTS	JUBILEE AND FAREWELL PROVISION	TOTAL
<b>Opening balance January 1, 2015</b>	<b>344</b>	<b>910</b>	<b>15</b>	<b>1,269</b>
<i>Changes</i>				
- Allocated	2,400	0	0	2,400
- Withdrawn	-344	-572	-15	-931
- Released	0	-282	0	-282
<b>Closing balance December 31, 2015</b>	<b>2,400</b>	<b>56</b>	<b>0</b>	<b>2,456</b>

The financial settlement of the reorganization that started in 2012 was finalized at the beginning of 2015. Based on the financial prospects for Cordaid without MFS II funding, Cordaid decided on a new reorganization by the end of 2015. The total estimated costs for transition, transition fees and redundancy fees for the redundant staff is estimated at €2.4m.

In 2014, Cordaid identified four finished projects funded by institutional donors where re-audits revealed omissions in Cordaid's compliance with the donor's grant requirements. For two projects these re-audits led to an actual repayment of funds to the donor. The total amount repaid in 2015 amounts to €572k and represents for the greater part costs incurred in line with project objectives, but whose supporting documentation was not in line with donor requirements. The other part related to a possible fraud case where, due to circumstances, an audit could not be carried out.

On the other two projects, the re-audits showed that all supporting documents were in order, leading to a release of €282k. A discussion on the validity of the supporting documents on a smaller amount of €56k is still ongoing. The related project results are not under discussion. Cordaid believes that the resources of the back donor were spent in line with the original objectives of the projects concerned. Compliance with formal rules, however, is under discussion.

The jubilee and farewell provision was formed to cover jubilee and farewell benefits. Given the fact that the allowance for jubilees is not part of the new collective labor agreement, a provision for these costs is no longer necessary.

At present, no legal proceedings are pending for which a provision should be formed.

All provisions are expected to be settled within one year.

## 13. CURRENT AND NON-CURRENT LIABILITIES

The composition of, and movements in, the current and non-current liabilities are as follows:

X € 1,000	31/DEC/2015	31/DEC/2014
Non-current liabilities		
Project commitments	1,176	474
	1,176	474
Current liabilities		
Project commitments	35,155	54,853
Deferred grants from Dutch government	1,519	5,864
Deferred grants from other governments	6,114	3,767
Accounts Payables	2,113	2,044
Taxes and social security contributions	1,459	1,333
Reservation for leave days and holiday allowance	1,664	1,712
Participations payable	4,454	10,607
Other accruals and deferred income	408	674
	<b>52,887</b>	<b>80,854</b>

Outstanding project commitments decreased €19.0m compared to 2014 as a consequence of finalizing many projects within the MFS II program. Only small final payments related to MFS II projects were included for 2015.

Deferred grants declined to €7.6m (2014: €9.6m). The main reason was the receipt of an amount of €5.4m just before year-end in 2014 and spent in 2015. This effect was partially offset by the receipt of funding for the new phase of a project in DR Congo from the Global Fund of which an amount of €2.6m had not yet been spent at the end of 2015.

All current liabilities are payable within one year. All non-current liabilities fall due in less than five years.

## 14. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

### Off-balance sheet rights

#### Financing contracts with donors

Cordaid signed several large financing contracts or received guarantees for carrying out specific projects in 2012-2015. Cordaid recognizes the incoming resources from these financing contracts and grant decisions in accordance with Dutch Accounting Standard 274. This means that incoming resources are recognized at the time resources are actually expended. The difference between the income recognized and the actual amount received in the form of contributions from donors is recorded in the balance sheet. This results in a receivable if more resources have been expended than received or in a deferred grant if incoming resources are greater than those expended. Therefore the full amount of the contract is not disclosed in the annual accounts. Note: the Dutch accounting standards and therefore the accounted cost can differ from what was reported to the related donors as a consequence of these differences in accounting standards.

What follows is a list of financing contracts and grant decisions where the amount to be spent is above €0.5m at December 31, 2015:

X € 1,000									
FUNDING ORGANISATION	DESCRIPTION OF THE PROJECT	DURATION	CONTRACT VALUE	INCOME 2012	INCOME 2013	INCOME 2014	INCOME 2015	CUMULATIVE INCOME	BALANCE TO BE SPENT
Global Fund	Scale up HIV-AIDS prevention, care and treatment in 354 health zones in DR Congo	Jul 2015 - Dec 2017	72,501	-	-	-	9,250	9,250	63,251
European Union	Enhancing the Food Security and Disaster Resilience of vulnerable communities in Upper Nile State, South Sudan	Dec 2015 - Nov 2018	2,389	-	-	-	119	119	2,270
World Bank/Ministry of Health Cameroon	Results based financing of public healthcare in Cameroon	Jul 2012 - Jun 2016	8,188	224	1,687	3,116	998	6,025	2,163
European Union	Support of reconstruction of basic health systems in Bangassou and Bossangoa	Feb 2015 - Jul 2016	3,619	-	-	-	1,852	1,852	1,767
VNG International <sup>(1)</sup>	Interlinking peacebuilding, decentralization and development	Jul 2014 - Jun 2017	1,859	-	-	354	391	745	1,114
Dutch Ministry of Foreign Affairs <sup>(2)</sup>	Provision of effective sexual and reproductive health services for next generations in Burundi, Rwanda and DR Congo	Jan 2013 - Jun 2016	29,644	-	10,310	9,427	8,883	28,620	1,024
Royal Tropical Institute (KIT) <sup>(3)</sup>	Reducing maternal mortality and improving accessibility of reproductive health care in South Sudan	Jan 2013 - Dec 2015	1,953	-	15	23	903	941	1,012
European Union	Supporting resilience in drought prone areas in Borana Zone	Apr 2015 - Jun 2016	2,200	-	-	-	1,212	1,212	988
Adam Smith International	Enhancing community resilience through improved access to education in Samburu County	May 2015 - March 2016	1,122	-	-	-	225	225	897
European Union	Building resilience in drought prone areas of Liben zone	Apr 2015 - Jun 2016	1,600	-	-	-	792	792	808
Dutch Ministry of Foreign Affairs	Monitoring Women's Peace and Security in Afghanistan	July 2015 - Dec 2017	3,878	-	-	-	3,128	3,128	750
World Vision <sup>(4)</sup>	Dutch Relief Alliance: Joint response Ethiopia	Nov 2015 - May 2016	787	-	-	-	55	55	732
Health Pooled Fund	Torit Hospital	Jan 2015 - Mar 2016	1,751	-	-	-	1,067	1,067	684
World Bank	Support for DRM framework in Ethiopia	Sept 2015 - Dec 2016	602	-	-	-	-	-	602
World Bank	Reinforcing social accountability of health services in DR Congo	Nov 2014 - Oct 2018	642	-	-	-	70	70	572
Dutch Ministry of Foreign Affairs <sup>(5)</sup>	Dutch Relief Alliance: Joint response Central African Republic	May 2015 - March 2016	5,939	-	-	-	5,378	5,378	561
Dutch Ministry of Foreign Affairs <sup>(6)</sup>	Results based financing of government services in Burundi and the DR Congo	Oct 2012 - Dec 2015	4,353	1,146	827	864	1,065	3,902	451
<b>Grand total</b>			<b>143,027</b>	<b>1,370</b>	<b>12,839</b>	<b>13,784</b>	<b>35,388</b>	<b>63,381</b>	<b>79,646</b>

1. VNG is the lead agent in a consortium of VNG, Cordaid and PAX for Peace. The grant was awarded by the Dutch Ministry of Foreign Affairs.
2. The proposal was made in an Alliance with Cordaid as lead agency. The other alliance members are Swiss TPH, I+ Solutions and HDP Rwanda.
3. The contract is part of a grant awarded by the Dutch Ministry of Foreign Affairs. The Royal Tropical Institute is the lead agency of the Alliance that made the project proposal. Due to the ongoing civil war in South Sudan, project implementation was seriously delayed in 2013 and 2014. In 2015, the project came partially back up to speed following the negotiation of an extension of the project period.
4. The Dutch Relief Alliance is a consortium of 13 Dutch NGOs including CARE, Dorcas, HealthNet-TPO, ICCO & Kerk in Actie, OXFAM-Novib, Stichting Vluchteling, TEAR Foundation, Terre des Hommes, Save the Children, War Child, World Vision and ZOA working together in emergency situations. The Dutch Ministry of Foreign Affairs funds the Dutch Relief Alliance. The consortium is led by a different lead agency per situation. For the response in Ethiopia, World Vision is the lead agency.
5. This project is also a grant for the Dutch Relief Alliance funded by the Dutch Ministry of Foreign Affairs. Cordaid is the lead agency for the response in the Central African Republic.
6. The grant request was made in cooperation with Vereniging van Nederlandse Gemeenten (VNG) and the Center for International Legal Cooperation (CILC). Included in the total awarded grant is an amount of €550k reserved for VNG and €568k for CILC.

**Other off-balance sheet rights**

Cordaid has 17 legacies estimated at €0.5m which are still subject to usufruct at the reporting date and therefore are not reported as income in the statement of income and expenditure.

X € 1,000	USUFRUCT
Receivable:	
- in less than 1 year	0
- between 1 and 5 years	527
- in more than 5 years	0
<b>Total</b>	<b>527</b>

**Off-balance sheet commitments**

At December 31, all project commitments were recognized on the balance sheet. The last payments for the MFS II Alliance to Alliance members are already recognized as a liability in the balance sheet. No conditional project commitments exist. For organizational costs, Cordaid's policy wherever possible is to avoid long-term contracts with suppliers that include fixed commitments. Almost all contracts can be terminated within 1 year or amounts payable are based on actual usage. Contracts for office rent are the only exceptions.

At year-end, off-balance sheet liabilities for overheads were as follows:

X € 1,000	OFFICE LEASE THE HAGUE	OFFICE LEASE KINSHASA	TOTAL
Payable:			
- in less than 1 year	996	110	1,106
- between 1 and 5 years	2,822	0	2,822
- in more than 5 years	0	0	0
<b>Total</b>	<b>3,818</b>	<b>110</b>	<b>3,928</b>

During the reporting period, lease payments amounting to €987k are included in the statement of income and expenditure.

Cordaid has sublet a section of its office space to Mensen met een Missie and Melania. The rent charged by Cordaid is in line with current market prices for office rent. Transactions are done at arm's length.

**15. OWN FUNDRAISING**

X € 1,000	CORDAID GENERAL	MENSEN IN NOOD	KINDER-STEM	MEMISA	MICRO CREDIT	BZN	TOTAL 2015	TOTAL 2014
Donations and gifts	302	5,511	4,389	6,252	308	372	17,134	18,447
Mailing campaigns	0	124	2	84	10	0	220	260
Legacies	1,518	3,251	90	4,518	0	9	9,386	7,058
Materials sold	0	0	0	4	0	6	10	79
<b>Total 2015</b>	<b>1,820</b>	<b>8,886</b>	<b>4,481</b>	<b>10,858</b>	<b>318</b>	<b>387</b>	<b>26,750</b>	<b>25,844</b>
<b>Total 2014</b>	<b>1,321</b>	<b>7,625</b>	<b>4,897</b>	<b>11,171</b>	<b>387</b>	<b>443</b>		<b>25,844</b>

Income from own fundraising amounted to €26.8m, €2.2m under budget, but €0.9m higher than in 2014.

The main cause for the increase compared to 2014 is the higher income from legacies and inheritances, offsetting to a significant extent the decrease in donations and gifts. The number of legacies did not grow, but some high amounts made the average amount per inheritance increase sharply.

Compared to budget, the results were below target especially on legacies and major donors. Income from individual gifts was in line with budget, although the number of individual donors is still declining.

Net revenue from materials sold amounted to €10k; costs of materials sold were €34k, resulting in a net loss on sales of materials of €24k.

## 16. THIRD-PARTY CAMPAIGNS

X € 1,000	2015	2014
SHO – Nepal	2,300	-
SHO - Stop de ebola-ramp	206	1,358
SHO – Philippines	0	883
SHO – Haiti	0	17
Nationale Postcode Loterij	2,700	2,700
Stichting Bisschoppelijke Vastenactie	2,509	2,258
Stop Aids Now!	500	500
Other organizations	4,199	3,339
<b>Total income third-party campaigns</b>	<b>12,414</b>	<b>11,055</b>

Incoming resources from third-party campaigns increased €1.4m to €12.4m. Higher income from SHO campaigns, from the Vastenactie fund and more project adoptions are the reasons for the rise. Compared to budget, the income for third parties was under budget, due mainly to disappointing results of fundraising in the US.

Incoming resources via Stop Aids Now! (SAN!) amounted to €0.5m (2014: €0.5m) and the contribution from the Dutch National Postcode Lottery (NPL) was €2.7m in 2015 (2014: €2.7m); Cordaid did not receive any additional contributions in 2015. Part of the income in the amount of €2.5m (2014: €2.6m) recorded in third-party campaigns came from the BU Netherlands matching fund. Various Dutch public interest organizations raise funds for this matching fund and Cordaid matches their donations. Cordaid and the public interest organizations then work together to donate these funds to common charitable causes.

## 17. GOVERNMENT GRANTS

X € 1,000	2015	2014
Dutch Government - MFS II	27,335	82,162
Dutch Government – Alliances	2,561	4,595
Dutch Government – Other	39,997	10,933
World bank	528	9,382
Global Fund	16,483	10,633
European Union	4,794	706
Other	17,875	20,506
<b>Total government grants</b>	<b>109,573</b>	<b>138,918</b>

Government grants comprise programs income under the Dutch government's co-financing program and project funding provided by such bodies as the European Union, the Dutch government, the Global Fund and various United Nations organizations. Incoming resources from government grants totaled €109.6m in 2015, down €29.3m on 2014. Compared to budget the income from government grants was up by €4.7m.

The lower income recognized from the Dutch government's co-financing program is the main cause for the lower income. The lower income is a consequence of lower expenditure towards the end of the MFS II program.

Excluding this effect, income from government grants rose €25.3m compared to the previous year, reflecting the relatively high success rate Cordaid achieves in tenders. The increase is due mainly to higher income from the thematic funding by the Dutch Government (especially related to the Dutch Relief Alliance), higher income from the Global Fund project in DR Congo and more project funding from the European Union.

Cordaid has signed a number of very large contracts with other institutional donors over the past three years. Income from these grants is only recognized if subsidized costs are incurred or if a legal payment obligation towards partner organizations exists. An overview of income per contract or the contract with a total value above €1.0m can be found in note 14.

## 18. GAINS ON FINANCIAL ASSETS

Gains and losses on financial assets issued in connection with objectives comprise interest and commission received on loans and participations, as well as project income and currency gains and losses.

X € 1,000	2015	2014	2013
Approved MFS II grants	-439	4,439	6,645
Interest received on loans and guarantees	2,520	1,983	1,507
Income from dividends/provision guarantees	101	-136	189
Revaluation of participations	-1,426	228	-1,032
Currency gains and losses	2,705	2,861	-2,450
Allocated to/withdrawn from provision for loans and guarantees	-1,328	-720	-715
	<b>2,133</b>	<b>8,655</b>	<b>4,144</b>

This item comprises operating gains and losses on the Loans & Guarantees program. The gains on financial assets went down from €8.7m in 2014 to €2.1m in 2015. As no new investments were made with MFS II funding, the contribution from these funds was €0.4m negative (2014: €4.4m positive). A negative result on revaluation of participations and a net addition of €1.3m to the provision for bad loans and guarantees are the other reasons for the decrease in gains on financial assets.

## 19. INVESTMENT INCOME

Investment income includes interest and other income from bond loans, interest earned on the bank account and currency gains and losses. What follows is a five-year summary of this item:

X € 1,000	2015	2014	2013	2012	2011
Interest received on bonds	551	954	1,385	1,104	1,077
Interest received on cash and cash equivalents	457	508	810	969	973
Realized capital gains and losses	-680	860	-157	-189	-129
Unrealized capital gains and losses	-117	1,233	-1,189	869	77
<b>Gross investment income</b>	<b>211</b>	<b>3,555</b>	<b>849</b>	<b>2,753</b>	<b>1,998</b>
Investment costs	-90	-53	-51	-43	-38
	<b>121</b>	<b>3,502</b>	<b>798</b>	<b>2,710</b>	<b>1,960</b>

Compared to 2014, the income from investments decreased to €0.1m. This disappointing result can be explained as follows: The historically low interest rate throughout the year lowered the income from bonds and liquid assets throughout the year. In addition, Cordaid's portfolio of bonds managed by Schretlen decreased in value between January and the moment the portfolio with Schretlen was sold in July 2015 by approximately €0.7m. Given the low interest rates and disappointing market for bonds (also in the longer term) Cordaid decided to adjust its investment strategy towards a slightly higher risk profile, although still within the category defensive to neutral. ING and Van Lanschot were appointed as asset manager to implement this new investment strategy. Unfortunately, the stock market performed badly in the second half of the year, just after the switch to a more stock-based portfolio, resulting in €0.1m unrealized capital losses at the end of 2015.

## 20. OTHER INCOME

X € 1,000	2015	2014
- VAT refund	193	0
- Consultancies	553	173
- Other	27	294
	<b>773</b>	<b>467</b>

In 2015, Cordaid received a one-off VAT refund for the years 2011 and 2012. In its search for new sources of funding, Cordaid performs more consultancy services in areas closely related to development aid. The income from these consultancy services grew to €553k in 2015. Cordaid aims to further increase income from this source in the near future.

## 21. SPENT ON OBJECTIVES

Comparison of 2015 program costs and program management costs with the budget

X € 1,000	ACTUAL 2015			BUDGET 2015		
	PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL 2015	PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL BUDGET 2015
Healthcare	54,335	2,519	56,854	54,801	2,131	56,932
Child & education	4,735	659	5,394	6,137	866	7,003
Disaster response	39,743	2,186	41,929	22,652	1,956	24,608
Women's leadership	4,579	975	5,554	7,068	619	7,687
Extractives	3,232	380	3,612	5,160	206	5,366
Security & justice	4,789	768	5,557	4,038	406	4,444
Entrepreneurship	1,101	610	1,711	4,405	486	4,891
Urban matters	1,286	987	2,273	2,185	625	2,810
Cordaid Netherlands	10,809	1,375	12,184	10,099	1,082	11,181
Investments	-72	2,722	2,650	2,222	2,532	4,754
Food Security	2,258	940	3,198	7,445	777	8,222
Other expenditure	-4	0	-4	0	0	0
<b>Total cost of programs</b>	<b>126,791</b>	<b>14,121</b>	<b>140,912</b>	<b>126,212</b>	<b>11,686</b>	<b>137,898</b>

Program costs in 2015 amounted to €126.8m, €0.6m above budget. The main difference is due to greater expenditure on disaster response. The high number of crises-affected areas in 2015 made it necessary to increase efforts in this field. The various programs implemented with the Dutch Relief Alliance consortium, funded by the Ministry of Foreign Affairs, boosted expenditure further. Expenditure in other fields was behind on budget. Lower spending on MFS II programs and limited new other funds for themes like Entrepreneurship, Food Security, Extractives and Urban Matters constrained expenditure compared to budget.

Expenditure on Investments is negative due to the exclusive use of reused funds for new investments as MFS II funds are no longer available and MFS II program-related activities had to be ended before December 31, 2015. Few contracts were cancelled, resulting in a net negative expenditure. Expenditure with reused funds amounted to €7.2m, but is not included in the statement of income and expenditure.

Total program management costs in 2015 stood at €14.1m, €2.4m above budget. Lower allocation of costs to direct program costs and additional costs for the reorganization are the causes for this overrun.

## 22. COST ALLOCATION TO THE DIFFERENT ACTIVITIES

Cordaid uses different allocation keys to allocate costs, making allowance where possible for the recommendations of VFI, the Dutch Association of Fundraising Institutions. Costs are allocated in two stages.

1. First, costs relating directly to programs, fundraising and management & administration are recognized directly within these items. This involves the costs of the business units (programs), marketing & communication (public information and fundraising), the Board of Directors (management & administration) and Finance & Control (management & administration). Costs incurred by the Tender Desk are fully allocated to costs to secure government grants.
2. Other costs allocated to programs, fundraising and management & administration include the costs of the departments defined as head-office departments, such as the Corporate Strategy Unit, Corporate Communication and Services (Human resource management, IT and Facility management). FTEs are used as allocation key here.

For the 2015 budget, public information and fundraising costs were categorized and a list was prepared for each category outlining the specifics of the percentage of costs that should be allocated to fundraising (FR) and to public information (PI).

What follows is a list of key activities/costs.

- **Category 100% FR / 0% PI:** Fundraising activities focusing fully on generating donations. For instance: door-to-door collections, notarial deeds for legacies.
- **Category 75% FR / 25% PI:** Activities focusing on both existing and new donors. These activities involve a clear request for donations, with a limited public information campaign about the programs/themes in question.

For instance: direct dialogue (street/door/verification calls), online donor campaigns, emergency relief mailing, partnerships (attracting business donors).

- **Category 50% FR / 50% PI:** Activities involving a request for donations, where equal weight is attributed to the fundraising and the public information components. For instance: events, TV donor recruitment, Margriet magazine.
- **Category 25% FR / 75% PI:** Activities focusing primarily on public information/awareness, but also involving a request for donations. For instance: donor magazine, written ads/TV and radio ads.
- **Category 0% FR / 100% PI:** Activities with no fundraising aims and no request for donations. For instance: thank-you campaigns, online information campaigns, Annual Reports, TV information campaigns, education, public information events.
- **Activity-based category:** Any costs incurred for an activity-based category are allocated to this category as soon as they are incurred. For instance: house-style materials (e.g. design in DM house style, donor magazine or Annual Report), memberships (e.g. of VFI, DDMA), market research (e.g. donor satisfaction survey, result analysis).

The above list of key activities/costs was used to decide on the 2015 budget for both fundraising costs and public information. The relative division between the two activities was:

1. Fundraising Cost: 50.0% (2014: 50.2%);
2. Public Information: 50.0% (2014: 49.8%)

These percentages were used to allocate the total 2015 marketing & funding budgets over the two activities.

Costs incurred by the Cordaid departments by the cost categories disclosed in the statement of income and expenditure:

RESOURCES EXPENDED (X € 1,000)	PUBLIC INFORMATION / AWARENESS CAMPAIGNS	PROGRAM COSTS	COST OF OWN FUNDRAISING ACTIVITIES	COSTS OF OBTAINING INCOME FROM THIRD PARTY CAMPAIGN	COST OF SECURING GOVERNMENT GRANTS	INVESTMENT COSTS	MANAGEMENT AND ADMINISTRATION COST	ACTUAL 2015	BUDGET 2015	ACTUAL 2014
Grants and contributions	0	114,266	0	0	0	0	0	114,266	119,242	142,062
Publicity and communication	2,532	336	2,532	898	10	0	67	6,375	9,087	8,867
Staff	1,703	19,972	1,703	0	451	0	3,177	27,006	20,943	24,742
Travel and accommodation	11	2,018	11	0	8	0	118	2,166	798	2,236
Housing	88	799	88	0	24	0	158	1,157	1,411	1,365
Office & General	227	3,522	227	0	45	0	1,445	5,466	3,300	4,559
Investment costs	0	0	0	0	0	90	0	90	140	53
<b>Total</b>	<b>4,561</b>	<b>140,913</b>	<b>4,561</b>	<b>898</b>	<b>538</b>	<b>90</b>	<b>4,966</b>	<b>156,526</b>	<b>154,921</b>	<b>183,884</b>
<b>Budget 2015</b>	<b>5,395</b>	<b>137,899</b>	<b>5,395</b>	<b>900</b>	<b>747</b>	<b>140</b>	<b>4,447</b>		<b>154,921</b>	
<b>Actual 2014</b>	<b>5,743</b>	<b>166,820</b>	<b>5,789</b>	<b>730</b>	<b>552</b>	<b>53</b>	<b>4,197</b>			<b>183,884</b>

The overall costs in 2015 come in at €1.6m over budget and €27.4 below the previous year. The largest deviations from budget were:

- Grants and contributions were €5.0m below budget due to lower spending on programs and a shift from non-operational costs to operational costs.
- Costs for publicity and communication were €2.7m below budget. During the year the decision was taken to reduce spending on fundraising and communication to keep costs in line with the income from own fundraising.
- Staff costs were €6.1m over budget. The main additional costs came from costs for the redundancy provision and costs for redundant staff paid throughout the year. The slight decrease in average FTEs was offset by the increase in salary costs in line with the new collective labor agreement. Furthermore, a shift between non-operational program costs and operational program costs caused a higher cost for staff in 2015 compared to budget.
- Travel and accommodation costs are €1.4m higher than budget. The number of monitoring and technical assistance visits was increased and more journeys were made to enhance cooperation between Country Offices and Head Office as a consequence of the more important role of Country Offices in Cordaid's operations. Additionally, more partners were visited in relation to the termination of the relationship as a consequence of the end of MFS II.

Office, general and administrative expenses include costs incurred for telecommunications, IT, advisory services and field offices. In addition to these costs, office, general and administrative expenses also include fees charged by PricewaterhouseCoopers Accountants N.V., our independent auditor. Total audit and advisory fees charged by PricewaterhouseCoopers Accountants N.V. stood at €398k in 2015 (2014: €403k). These fees can be broken down as follows:

- audit fees for the Annual Report and annual accounts for 2015: €195k;
- audit fees for the execution of project audits: €98k;
- tax advisory fees involving VAT (refer to section other income) and income tax: €105k;
- fees for other non-audit services: €0k

The fees above relate to all the work performed at Stichting Cordaid and entities included in the consolidated accounts by the audit firms and auditors mentioned in article 1, section 1 Wta (Wet toezicht accountantsorganisaties) and the fees charged by the network of the audit firm. The fees relate to the fiscal year 2015, although the related work can be executed in other years. Additionally, €159k was spent on local audits and audits of partner organizations. These audits were carried out by audit firms other than PricewaterhouseCoopers Accountants N.V.

### Fundraising activities

Own fundraising cost was under budget due to cost reductions made throughout the year to keep the fundraising cost in line with the projected income from own fundraising. The cost of securing government grants is €0.2m below budget due to less time spent on securing these funds than expected.

### Management and Administration

The cost of management and administration was €0.5m over budget. Costs relating to the reorganization, including the addition to the redundancy provision, caused this overrun.

## 23. COST OF STAFF

TOTAL STAFF	2015	2014
Head count in The Hague	250.0	288.0
Head count expats at field offices (working abroad)	41.0	47.0
<b>Total head count</b>	<b>291.0</b>	<b>335.0</b>
Program staff	142.7	144.0
Fundraising and awareness staff	28.5	31.9
Other departments	74.6	70.7
<b>Total average number of FTEs in The Netherlands</b>	<b>245.8</b>	<b>246.6</b>

At year-end 2015, Cordaid had a headcount of 291 (2014: 335), of whom were 168 women and 123 men.

X € 1,000	2015	2014
- Salaries and wages	19,565	18,633
- Social security contributions	2,293	2,095
- Pension costs	1,616	1,580
- Temporary staff	396	438
- Cost of training and education	520	561
- Other personnel expenses	2,617	1,435
	<b>27,007</b>	<b>24,742</b>

Salary costs was relatively stable in 2015 compared to 2014, except for the effect of additional costs incurred through the reorganization. The average number of FTE was only 0.8 FTE below last year. The average salary costs rose somewhat because of the general salary rise that was agreed upon in the collective labor agreement. Throughout the year additional costs for the reorganization were made in preparation of this reorganization and a few redundancy payments had already been made. Furthermore, the creation of a redundancy provision of €2.4m increased other personnel costs considerably.

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund, a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state-pension offset. The pension fund endeavors to index-link any accrued pension entitlements and pensions in payment based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have a retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from the return on plan assets. The coverage ratio was 97% at 31 December 2015.

Contributions are recognized as employee benefits expense as soon as they are payable. Prepaid contributions are recognized within prepayments and accrued income if they entail a refund or a reduction in future payments. Contributions payable are disclosed as liabilities in the balance sheet.

## 24. RELATED PARTIES

### Introduction

As part of Cordaid's transition to a more social entrepreneurial approach, Cordaid wants to help develop new ideas for start-ups aimed at social impact. In addition, Cordaid wants to professionalize the management of its social impact investments further and aims to increase its impact by finding external investors. To facilitate these changes Cordaid established two foundations and two private limited companies (BVs). Stichting Cordaid has full control of all these entities and they are therefore classified as related parties. In addition, on December 31, 2014 Cordaid established a foundation to pay salaries to expats working for Stichting Cordaid.

Cordaid identified the following related parties:

- Stichting Cordaid Expats, The Hague
- Stichting Social Business Incubator, The Hague
- Stichting Cordaid Participaties, The Hague (established February 12, 2015)
- Cordaid Investment Management BV, The Hague (established June 10, 2015)
- Corpav BV, The Hague (established June 17, 2015)

### Related party transaction:

During 2015, all transactions with related parties noted above were done at arm's length. The nature of the transactions is mainly funding of the activities of the different entities by Stichting Cordaid. The Social Business Incubator develops ideas for social enterprises, Cordaid Investment Management BV manages the Loans & Guarantees fund of Stichting Cordaid and Stichting Participaties holds the shares of Corpav BV. Corpav BV holds shares in one local investment in South Sudan (Finance South Sudan), which is part of the financial fixed assets on Cordaid's consolidated balance sheet.

During 2015, the members of the Board were:

	S.L.J.M. FILIPPINI CEO	H.L. VAN EEGHEN COO	W.J. VAN WIJK CFO
<b>Employment contract</b>			
Duration	permanent	permanent	permanent
Number of hours	36	36	36
part-time percentage	100	100	100
Period	1/1 - 12/31	1/1 - 9/30	1/9 - 12/31
Gross salary	103,374	78,831	32,042
Holiday allowance	8,270	6,306	2,296
Year-end allowance	9,266	7,066	2,573
Variable pay	300	0	300
<b>Total annual income</b>	<b>121,210</b>	<b>92,203</b>	<b>37,211</b>
Social security contributions (employer's share)	9,943	7,141	3,515
Taxable allowances (Public transport abonnement)	80	4,751	844
Pension costs (employer's share)	11,073	8,311	3,677
	21,096	20,203	8,036
<b>Total remuneration for 2015</b>	<b>142,306</b>	<b>112,406</b>	<b>45,247</b>
<b>Total remuneration for 2014</b>	<b>142,029</b>	<b>153,566</b>	<b>0</b>

## 25. EXECUTIVE REMUNERATION/ 'WET NORMERING TOPINKOMENS' (WNT) REPORT

### Executive remuneration

The Supervisory Board has adopted an executive remuneration policy including the level of executive remuneration and other pay and benefits. The policy is updated periodically and was evaluated most recently in 2011. In determining the remuneration policy and adopting the remuneration level, Cordaid follows the recommendations for fundraising institutions issued by the VFI and the Wijffels Code (see [www.vfi.nl](http://www.vfi.nl)). The recommendations use weighting criteria to set a maximum for an executive's annual income. The most recent VFI standard (January 1, 2012) is used to determine these weighting criteria, which is a responsibility of Cordaid's Controller. This has resulted in a so-called BSD score of 496 points for the CEO, with a maximum annual income of €140,046, and 456 points for the COO/CFO, with a maximum annual income of €124,233. The actual executive remuneration for 2015 stood at €121,210 per year for the CEO, Simone Filippini (based 1 FTE for a full year); at €122,939 per year for the COO until September 30, 2015, Henri van Eeghen (based on 1 FTE for a full year); and €111,633 for the CFO, who joined on September 1, 2015, Willem Jan van Wijk (based on 1 FTE for a full year). In other words, their remuneration is well within the maximum amounts defined by VFI.

Executive remuneration is comprised of gross salary costs inclusive of holiday allowance, social security contributions, pension costs, expense allowances and year-end allowance. As a rule, all employees receive a year-end allowance. The cost of the Supervisory Board consists of expenses for general and special meetings and travel costs. In 2015 these costs were €11,029 (2014: €20,847).

**Report for 'Wet normering topinkomens (WNT)'**

Starting January 1, 2013, the Dutch 'Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)' Act applies for Stichting Cordaid. The report below is prepared in line with the applicable regulation for Cordaid. As of 2015, the WNT-maximum for development aid applies.

The maximum remuneration according to the WNT for Cordaid in 2015 is €163,000 for executives. The reported maximum amount per person and function is calculated based on the full-time equivalent in the labor agreement of the executive concerned. The full-time equivalent can never exceed 1.0. For members of the Supervisory Board, a maximum of 15.0% (chairman) or 10.0% (other members) of the maximum remuneration of €163,000 for executives applies.

**EXECUTIVES**

AMOUNT IN €1	EXECUTIVES		
	S.L.J.M. FILIPPINI	H.L. VAN EEGHEN	W.J. VAN WIJK
<b>Employment</b>			
Function	Chief Executive Officer	Chief Operations Officer	Chief Financial Officer
Duration employment in 2015 (days)	365	273	122
Full time equivalent during the year	1.0	1.0	1.0
Former executive?	No	No	No
(Fictive) employment	Yes	Yes	Yes
<b>Remuneration</b>			
Remuneration	120,910	92,203	36,911
Taxable allowances	80	4,751	844
Provisions for future payments	11,073	8,311	3,677
Variable pay	300	0	300
<b>Total remuneration for WNT</b>	<b>132,363</b>	<b>105,265</b>	<b>41,732</b>
<b>Applicable maximum</b>	<b>163,000</b>	<b>121,915</b>	<b>54,482</b>

The remuneration for Henri van Eeghen in 2015 concerns nine months. The remuneration of Willem Jan van Wijk concerns four months in 2015. Henri van Eeghen was the Chief Operations Officer of Cordaid. Just before his departure he was replaced by Willem Jan van Wijk who was appointed as Chief Financial Officer. The former COO, Henri van Eeghen, did not receive any payment on termination of employment.

**SUPERVISORY BOARD**

AMOUNT IN €1	SUPERVISORY BOARD		
	E.M.H. HIRSCH BALLIN	B.L.J.M. VAN DIJK	C.E.G. VAN GENNIP
Function	Chair	Member	Member
Duration of function in 2015 (days)	365	365	195
<b>Remuneration</b>			
Remuneration	o	o	o
Taxable allowances	o	o	o
Provisions for future payments	o	o	o
<b>Total remuneration for WNT</b>	<b>o</b>	<b>o</b>	<b>o</b>
<b>Applicable maximum</b>	<b>24,450</b>	<b>16,300</b>	<b>8,708</b>
AMOUNT IN €1	M.S. MENÉNDEZ	J. VAN BUSSEL	L.C. ZEVENBERGEN
Function	Member	Member Audit Committee	Member Audit Committee
Duration of function in 2015 (days)	365	365	365
<b>Remuneration</b>			
Remuneration	o	o	o
Taxable allowances	o	o	o
Provisions for future payments	o	o	o
<b>Total remuneration for WNT</b>	<b>o</b>	<b>o</b>	<b>o</b>
<b>Applicable maximum</b>	<b>16,300</b>	<b>16,300</b>	<b>16,300</b>
AMOUNT IN €1	M.C.T. VAN DE COEVERING	S. DE BOER	M. VAN BEEK
Function	Member Audit Committee	Member	Member
Duration of function in 2015 (days)	365	365	365
<b>Remuneration</b>			
Remuneration	o	1.563	o
Taxable allowances	o	o	o
Provisions for future payments	o	o	o
<b>Total remuneration for WNT</b>	<b>o</b>	<b>1.563</b>	<b>o</b>
<b>Applicable maximum</b>	<b>16,300</b>	<b>16,300</b>	<b>16,300</b>

No employees or temporary staff of Cordaid received remuneration above the WNT-maximum in 2015. Nor was remuneration paid that was or had to be disclosed based on the WOPT or WNT in previous years. In 2015, Cordaid did not pay termination of employment payments to former employees that should be reported in these annual accounts based on the WNT.

## 26. BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE FOR BUSINESS UNIT INVESTMENTS

An important part of Cordaid's activities is related to non-grant projects. Instead of providing a grant to partner organizations, Cordaid provides loans or guarantees to its partners or it participates in social entrepreneurship with the same objectives as Cordaid. The partner organizations involved are different from Cordaid's regular partner organizations. Rather than NGOs or grass-roots organizations, Cordaid mainly supports Microfinance institutions, local banks or social funds. Until June 30, 2015, these activities were managed by the Investments Business Unit, which was an integral part of Stichting Cordaid. In order to increase the impact of this social impact portfolio, Cordaid decided to separate the management of this portfolio from the regular activities of Stichting Cordaid and founded Cordaid Investment Management B.V.. The main objective of the separate entity is to further professionalize fund management and to increase the impact of these social impact investments by finding new external investors to increase the scale of the activities.

As stakeholders interested in Cordaid's social impact investment portfolio and the work of Cordaid Investment Management B.V. can have information needs other than the information disclosed in Cordaid's financial statements,

Cordaid presents a separate statement of income and expenditure and balance sheet for activities related to the Loans & Guarantees Fund.

All figures originate from the figures in Cordaid's financial statements. The principles for valuation of assets and liabilities and revenue recognition are the same in the statements below, only the classification and presentation of several items differ. The costs for managing the fund incurred by Cordaid Investment Management B.V. are included in the statement of income and expenditure and charged to the Loans & Guarantees Fund in full as long as Cordaid is Cordaid Investment Management B.V.'s only client.

All items in this financial overview can be traced to items in the figures presented above, except for cash and investments. Cash and investments are allocated to the Loans & Guarantees Fund based on the division made in Cordaid's financial administration. The fund has separate and designated bank accounts, and investments are administered separately.

The right-hand column in the statements below refers to the notes where the corresponding item can be found in Cordaid's full financial statements.

### BALANCE SHEET INVESTMENTS BUSINESS UNIT AS OF DECEMBER 31, 2015

X €1,000	NOTE	31/DEC/15	31/DEC/14	ITEM IN CORDAID FS
<b>Assets</b>				
<i>Net financial fixed assets issued for objectives</i>				
- Debt		31,682	30,673	
- Equity		24,262	26,432	
- Guarantees		2,481	4,651	
	1	58,425	61,756	
- Undisbursed loans and guarantees	3	-946	-7,844	
- Loan Losses	4	-2,200	-1,733	
		-3,306	-9,577	
Net financial fixed assets issued for objectives	5	55,279	52,179	6
<i>Net financial floating assets</i>				
Current account Cordaid	6	2,322	-750	
Non-Development investments		9,915	18,838	7
Cash and bank		30,609	34,315	10
Net financial floating assets		42,846	52,403	
<b>Total Assets</b>		<b>98,125</b>	<b>104,582</b>	
<b>Equity and liabilities</b>				
<i>Equity (Loans &amp; Guarantees Fund)</i>				
Fund Loans & Guarantees until prior year	7	93,964	83,996	
Capital contributions fiscal year	8	-439	4,439	
Operating income fiscal year	9	-262	4,578	
Recharged overhead fee fiscal year	10	60	951	
	11	93,323	93,964	11
<i>Liabilities</i>				
Current liabilities		348	10	
Undisbursed Equity participations		4,454	10,608	13
		4,802	10,618	
<b>Total Equity and liabilities</b>		<b>98,125</b>	<b>104,582</b>	

- Total Debt, Equity and Guarantees:** Gross amount of all Cordaid Investments commitments at year-end, distributed over various instruments. The overall level has decreased from €61.8m in 2014 to €58.6m in 2015. New commitments on all instruments did not surpass de-commitments, repayments and write offs in the year. Downward revaluation of equity was another factor in the overall decrease.
- Equity:** Equity investments have decreased because no new fund participations were closed in 2015. The net revaluation of the equity led to a decrease in value of €0.2m and equity was sold for an amount of €1.4m.
- Undisbursed loans and guarantees:** This refers to the undisbursed amounts of the debt and guarantee instruments.

4. **Loan Losses:** The amount of €2.4m loan losses equals total provisioning for loans and guarantees. Provisioning is made in line with the Provisioning and write-off policies of Cordaid Investment Management B.V.
5. **Total net financial assets issued for objectives:** Total net financial assets, as per the table, increased €3.1m to approximately €55.3m, mainly because of the fall in undisbursed loans and guarantees.
6. **Current account Cordaid:** This amount consists of interest receivables of cash held by Stichting Cordaid offset by costs paid by Stichting Cordaid on behalf of Cordaid Investment Management B.V. As activities and transactions will be further separated in 2016, this current account will be settled during 2016.
7. **Loans & Guarantees Fund until year-end 2014:** Accumulated capital position of the fund at the beginning of 2015 amounting to €94.0m.
8. **Capital contributions fiscal year:** Outflow of de-committed 'MFS' investments and other Cordaid Funds over 2015 (see note 11 of the statement of income and expenditure).
9. **Operating income fiscal year:** Retained earnings over the reporting period (see note 10 of the statement of income and expenditure).
10. **Recharged overhead fee fiscal year:** The overhead fee allocated to the income of the fund is a percentage of the spending on 'MFS' objectives. The fee is a compensation for overhead costs to manage the fund. With the end of MFS II and the separation of Stichting Cordaid and Cordaid Investment Management B.V. this overhead fee will not be added to the fund in the future (see note 12 of the statement of income and expenditure).
11. **Equity (Loans & Guarantees Fund):** Total value of the fund is €93.3m, a small decrease in comparison to the previous year. The decrease is mainly due to the negative capital contributions (€0.4m), a high addition to provision for bad loans (€1.3m) and relatively high operating expenses due to investments in new IT systems for Cordaid Investment Management B.V. (€0.3m).
12. **Undisbursed equity participations:** This refers to the undisbursed tranche of equity investment. It decreased by €6.1m because of the fulfillment of commitments of new participations committed but not yet paid up in 2014. Please note that this has been considered a liability since 2010, in line with Dutch accounting principles.

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 2015 FOR THE LOANS & GUARANTEES FUND

X €1,000	NOTE	2015	2014	ITEM IN CORDAID FS
<i>Financial income</i>				
Interest income & fees	1 + 2	2,520	1,983	18
Dividends	1 + 2	101	-136	
Capital gains	3	0	0	
Income from non-development investments and cash	4	-203	2,295	19
		2,418	4,142	
<i>Financial expenses</i>				
Additions Loan Losses	5	1,328	720	18
Revaluation Investments	6	1,426	-228	18
Currency results	7	-2,705	-2,861	18
		49	-2,369	
<i>Margin on financial activities</i>				
		2,369	6,511	
<i>Operating expenses</i>				
Operating expenses direct	8	1,645	1,138	11
Operating expenses indirect	9	934	795	11
		2,579	1,933	
<b>Financial result from investing activities</b>		<b>-210</b>	<b>4,578</b>	
<i>Non-operating income</i>				
Capital contributions	10	-439	4,439	18
Recharged overhead fee	11	60	951	11
		-379	5,390	
<b>Net result Loans &amp; Guarantees Fund</b>	<b>12</b>	<b>-589</b>	<b>9,968</b>	<b>11</b>
Approvals grant reserve		-52	0	
<b>Net result</b>		<b>-641</b>	<b>9,968</b>	

- 1+2. **Interest Income & Fees + Dividends:** These items refer to interest income on senior/subordinated debt, guarantee fees and dividends received. The overall level increased in comparison to 2014.
3. **Capital Gains:** This item relates to capital gains or losses on realized equity exits. No gains or losses were realized in 2015.
4. **Income non-development investments and cash/cash equivalents:** This item refers to income on long and short-term excess liquidity, which is out of the scope of the managed portfolio by Cordaid Investment Management B.V. More information on the disappointing result of non-development can be found in note 19 tot the financial statements.
5. **Additions loan losses:** This reflects the net addition to the loan losses in the portfolio. The amount stated is the net result of the release of provisions and the actual impaired loans and guarantees or write-offs. Due to a possible fraud case, a considerable addition to the provision was made at the end of 2015. As a consequence, the provision as a percentage of the gross loan portfolio was 7.6% at the end of 2015, compared to 6.7% at the end of 2014.
6. **Revaluations Investments:** This refers to the annual revaluation of the equity participations. Cordaid Investments values equity participations conservatively using the lower value of a) acquisition price, or b) the value of the Cordaid share as per the end of 2015.
7. **Currency results:** The euro weakened again against most currencies in 2015, most notably against the US dollar. This has resulted in a currency gain of €2.7m of which €1.4m relates to unrealized currency gains on equities that were revalued downward in local currency in 2015.
8. **Staffing direct:** This refers to the total salary costs of the Business Unit Investments and Cordaid Investment Management B.V. plus other operational cost (such as training, legal advice and consultancy). The increase in cost compared to prior year relates to higher number of FTE and costs for the renewal of IT systems used by Cordaid Investment Management B.V.
9. **Staffing indirect:** This refers to the Cordaid corporate overhead costs charged to Cordaid Investments which are allocated pro rata to Cordaid Investments' FTEs in the total Cordaid FTEs. In 2015, only 80% of the total allocated costs was charged to the Loans & Guarantees Fund; the other 20% is charged to grant activities of the Investments Unit, which are not included in this statement of income and expenditure and administratively separated from the investment activities presented in this statement.
10. **Capital Contributions:** This refers to the inflow of funds as a result of de-commitments of MFS II projects and other Cordaid Funds. In order to enhance transparency on the performance of Cordaid Investments this amount has been included as a separate source.
11. **Recharged overhead fee:** The overhead fee awarded to the fund is a fee for the management of MFS II activities within the Loans & Guarantees Fund. The fee is a compensation for overhead costs. In order to enhance transparency in the performance of Cordaid Investments this amount has also been included as a separate source.
12. **Net result Loans & Guarantees Fund:** Net Income is negative mainly due to a disappointing result on non-development investments, the high addition to the provision for bad loans, the negative capital contribution from MFS II funds and the costs for renewal of the IT systems.

## OTHER INFORMATION

### Provision in the constitution governing the appropriation of balances

According to article 11.4 of the constitution of Cordaid, the Supervisory Board adopts the annual accounts drawn up by the Board of Directors. Included in the annual accounts is a proposal for the appropriation of positive or negative financial balances in the fiscal year concerned. The appropriation of the balance takes into account the imposed restrictions on spending by third parties.

### Appropriation of result

Included in these annual accounts is the proposed appropriation of the negative balance of €4.8m as follows:

X € 1,000	FOR THE YEAR ENDED 31 DECEMBER 2015		FOR THE YEAR ENDED 31 DECEMBER 2014	
<b>Appropriation of funds</b>				
The balance of funds was appropriated as follows:				
<i>Reserves</i>				
- continuity reserve	-2,400		0	
- other reserves	-62		446	
- earmarked reserves	-2,120		183	
		-4,582		629
<i>Funds</i>				
- restricted funds	-2,509		-2,796	
- semi-restricted funds	3,061		-3,230	
- loans & guarantees fund	-641		9,968	
		-89		3,942
<i>Income from operating activities</i>		-4,671		4,571
		-4,671		4,571

### Country offices

At the end of 2015 Cordaid had 13 branches in 12 countries. The country offices monitor and/or implement the programs of different Business Units in these countries. The branches are in the following countries:

- Burundi
- Kenya
- Democratic Republic Congo (Kinshasa and Bukavu)
- Ethiopia
- Afghanistan
- Central-African Republic
- Haiti
- Zimbabwe
- Sierra Leone
- South Sudan
- Philippines
- Netherlands

### Subsequent events

Cordaid did not identify any subsequent events affecting the annual accounts as presented.

# INDEPENDENT AUDITORS' OPINION



## *Independent auditor's report*

To: the board of directors and supervisory board of Stichting Cordaid

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### *Report on the financial statements 2015*

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#### *Our opinion*

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Cordaid as at 31 December 2015, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

#### *What we have audited*

We have audited the accompanying financial statements 2015 of Stichting Cordaid, Den Haag ('the foundation').

The financial statements comprise:

- the statement of financial position as at 31 December 2015;
- the statement of income and expenditure 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 650 'Charity organisations' of the Dutch Accounting Standards Board.

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#### *The basis for our opinion*

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

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

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

Ref.: e0380164

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### ***Responsibilities of the board of directors and the supervisory board***

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with the Guideline for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board; and for
- such internal control as the board of directors 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, the board of directors is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so. The board of directors 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.

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### ***Our responsibilities for the audit of the financial statements***

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

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

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### ***Announcement with respect to the directors' report***

We have read the directors' report in order to identify material inconsistencies, if any, with the audited financial statements. Based on reading the directors' report we confirm, to the extent we can assess, that the directors' report is consistent with the information in the financial statements and that the directors' report contains all information required by Guideline for annual reporting 650 'Charity Organisations' of the Dutch Accounting Standards Board. We have not audited or reviewed the information in the directors' report.

Utrecht, 25 May 2016  
PricewaterhouseCoopers Accountants N.V.

Original signed by M.H.A. Bauman RA

Stichting Cordaid – Ref.: e0380164

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## ***Appendix to our auditor's report on the financial statements 2015 of Stichting Cordaid***

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In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the 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 others 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 the board of directors.
- Concluding on the appropriateness of the board of directors' 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.

*Stichting Cordaid – Ref.: e0380164*

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