



MERCY CORPS NETHERLANDS

ANNUAL REPORT 19 DECEMBER 2017 UNTIL 30 JUNE 2018

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AUDITOR'S REPORT

Accountants



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To the board of directors
Mercy Corps Netherlands
Fluwelen Burgwal 58
2511 CJ THE HAGUE

Date

19 October 2018

Reference

1014718

Dear Sirs/Madams,

We hereby offer you the report concerning the annual report 19 December 2017 until 30 June 2018 for Mercy Corps Netherlands, The Hague

ACCOUNTANT'S COMPILATION REPORT

The financial statements of Mercy Corps Netherlands, The Hague, have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 30 June 2018 and the statement of income and expenses with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, 'Compilation engagements', which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of Mercy Corps Netherlands. We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the 'Verordening Gedrags- en Beroepsregels Accountants' (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

For further information on the nature and scope of a compilation engagement and the VGBA we refer you to www.nba.nl/uitleg-samenstellingsverklaring.

GENERAL

Incorporation foundation

The deed of incorporation of Mercy Corps Netherlands, executed by Mr. C. Holdinga, civil-law notary, shows that Mercy Corps Netherlands, an association, was incorporated on 17 December 2017.

Management

In the year 19 December 2017 until 30 June 2018 the management of Mercy Corps Netherlands consisted of:

- A.A. Airlie;
- N.B. Blazquez;
- S.D.S. O'Connell.

FINANCIAL POSITION

To provide insight in the development of the financial position of the Company we provide you with the following statements. These are based on the information from the annual report. Hereafter we provide you with the balance sheet as at 30 June 2018 in an abridged form.

Financial structure

	30-06-2018	
	€	%
Assets		
Receivables	513.954	95,9
Cash at bank and in hand	21.975	4,1
	<u>535.929</u>	<u>100,0</u>
Liabilities		
Net assets	135.727	25,3
Current liabilities and accruals and deferred income	400.202	74,7
	<u>535.929</u>	<u>100,0</u>

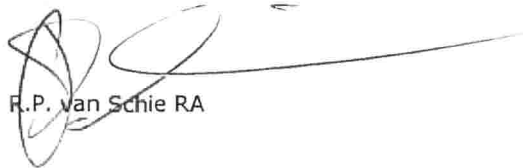
Analysis of the financial position

	30-06-2018
	€
Available on short term	
Receivables	513.954
Cash at bank and in hand	21.975
	<u>535.929</u>
Current liabilities and accruals and deferred income	-400.202
Liquidity surplus = working capital	<u>135.727</u>
Established for the long term	
Financed with on the long term available assets	<u>135.727</u>
Financing	
Net assets	<u>135.727</u>

Please do not hesitate to contact us if you require further details.

Yours sincerely,

Baker Tilly Berk N.V.



R.P. van Schie RA

Executive Director Report

General

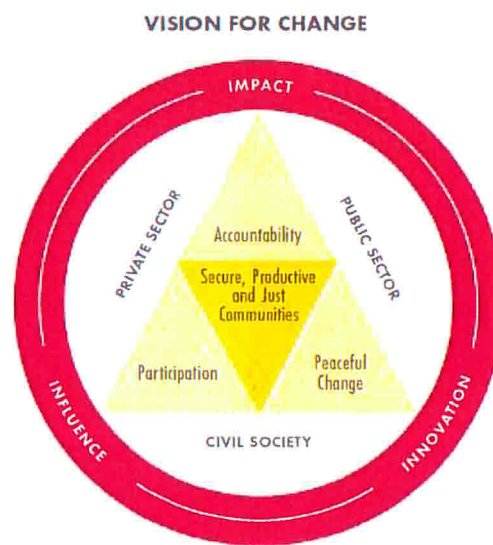
Mercy Corps Netherlands (MCNL) was established as an independent, non-profit association in December 2017. MCNL operates in collaboration with its sister organisations, Mercy Corps Global, registered in the US and Mercy Corps Europe, registered in the UK, as one global organisation. All three entities share the same mission, vision, core values and charitable objectives, as well as operational resources for the implementation of programme activities. MCNL is operating from the Hague Humanity Hub, joining a dynamic community of innovators in the humanitarian space.

Mercy Corps Compass provides an overview of Mercy Corps' vision, challenges and goals for our fiscal year. It presents our theory of change, explains the global challenges that drive our work and indicates our priority areas for the coming year. It is the key tool to help us navigate around the complexities of today's world as we strive to meet our mission.

Vision for Change

We believe that secure, productive and just communities emerge and endure when the private, public and civil society sectors interact with accountability, inclusive participation and mechanisms for peaceful change.

Transformational change occurs through the combination of: programmatic impact; the ability to influence changemakers at local and global levels; and a restlessness to innovate in search of better solutions.



MCNL Strategic Objectives

MCNL works to contribute to the agency's global priorities by focusing on the following strategic objectives:

1. Mercy Corps becomes a 'go to' organisation in Europe, shaping the agenda on responding to (and addressing the causes of) conflict, fragility and complex crises.
2. Mercy Corps effectively adapts to the shifting European landscape, by building new partnerships and relationships that further our reach as an innovative global organisation.
3. Mercy Corps' Netherlands contributes to the global growth and revenue in line with Mercy Corps' overall strategic objectives.
4. Mercy Corps Netherlands is integrated as a seamless value adding entity of Mercy Corps and eligible for European Commission funding by FY20/21.

Progress to Date

During the reporting year, efforts were concentrated on the operational setup of the agency including ANBI registration and the opening of a bank account with Rabobank. MCNL secured a 45,000 Euro grant from The Hague Municipality to support its operational setup costs over the next three years.

The governance structure was finalised at the board meeting at the end of June 2018. The key agreements reached and operationalised are:

- ★ Adherence to the existing governance agreement between Mercy Corps Europe and Mercy Corps Global, incorporating MCNL into the global Mercy Corps structure and providing access to global resources, including program country operations, policies and procedures, and operational support.
- ★ Memorandum of Agreement (MoU) between the three Mercy Corps entities setting out the key operational roles and responsibilities of each.
- ★ MCNL members voted to add new members in alignment with the global governance structure, and expanded the management board to include four new members while the Chairman of the Board resigned from the board and was appointed as the Executive Director of MCNL.
- ★ Neal Keny Guyer, Mercy Corps global CEO was appointed as the CEO of MCNL.

While the global governance structure was being finalised, MCNL entered into a separate implementation agreement with the sister agencies to allow it to undertake the management of a Shell funded program in Nigeria. This programme uses a two-pillar approach focused on 1) providing immediate humanitarian relief and 2) laying the foundation for recovery programmes. Mercy Corps is achieving the latter by increasing the resilience of communities to recurrent and future shocks, while also addressing the root causes of instability that impede sustainable development in North East Nigeria. The key objective of the response is to expand life-saving relief to the most vulnerable communities in the newly accessible Local Government Areas of Borno state, and to support those communities' transition to recovery.

Mercy Corps was represented in a number of events and forums in the Netherlands and continues to deepen existing relationships with donors and partners in the country, while actively pursuing new partnerships aligned with and in furtherance of our strategic objectives. An MoU with Wahaningen University is being finalised and will be signed in August 2018. Rabobank Foundation is contributing to Mercy Corps AgriFin initiative in East Africa.

Next 12 Months

MCNL will solidify and expand its presence in the Netherlands. An MCNL Director has been identified and will join the organisation on a permanent basis in September 2018. More staff members are expected to join from November, including a policy and advocacy officer, partnerships and fundraising manager, administrative and operational support staff, and potentially team members from Mercy Corps global technical support and emergency response teams.

MCNL will review and adopt where necessary the existing Mercy Corps policies and develop its own set of guidelines and policies as required to meet the legal requirements in the Netherlands and ensure full transparency and clarity of mission and purpose.

MCNL will grow its partnership network by engaging with communities of practice in the fields of humanitarian innovation, agrifinance, peacebuilding and conflict mitigation, refugees and migration, and climate change.

MCNL will contribute to the growth of Mercy Corps' global capacity by expanding our donor base in the Netherlands and growing our existing relationships with the goal to raise and spend a minimum of 2M Euro in FY19, and ultimately increasing the scope and reach of Mercy Corps global programming resulting in an increased number of people provided with opportunities to build secure, productive and just communities.

Risk Management

Mercy Corps works in fast-changing, often insecure and high-risk environments, delivering its mission in some of the toughest and riskiest places in the world, which means that risks are inherent in how we operate. The problems we seek to address are often entrenched and require innovative approaches which inherently carry risks. We believe the potential opportunities are worth the risks, so managing opportunities and risk must permeate everything we do. In order to operate effectively, bring about the changes we aim for, and safeguard our team members and the people we work with, we examine and respond to the risks we face. Risk management is therefore embedded at various levels throughout Mercy Corps.

It begins with security and risk management assessments of our field programmes and related training programmes for our team members. Additionally, as part of the Annual Planning Cycle, key risks are identified for each of our countries of operation by their relevant teams. Mitigating strategies are subsequently developed and managed throughout the year. Risk management is also a key component of "Programme Management at Mercy Corps" and programmes designated complex, either by virtue of size, nature or location, are subject to additional rigour. Most Mercy Corps programmes develop programme risk registers as part of the good project governance and are required by most of our donors.

In line with the agency's global approach to risk management, MCNL will develop a Corporate Risk Register that will feed into a consolidated Mercy Corps Global Risk Matrix and Process. While this process is being completed, MCNL will monitor external and internal events that could affect its ability to deliver on its mission and objectives and prepare plans to mitigate the negative effects of such events.

MCNL operations will inevitably be affected by the ongoing political developments in the UK, with Brexit presenting both operational challenges and opportunities for growth. MCNL will be prepared to expand its capacity in order to undertake additional program management responsibilities and act as the primary contracting agency for future EC funding opportunities and at the same time work on developing new funding streams to compensate for any loss of resources that could arise from a hard Brexit.

MCNL shares in Mercy Corps global efforts to prevent and handle challenges related to safeguarding and staff safety, as well as the risk associated with data protection regulations.



Simon O'Connell

Executive Director

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 30 JUNE 2018
(After distribution of result)

			30-06-2018
		€	€
ASSETS			
CURRENT ASSETS			
Receivables			
Receivables from associated entities	1		513.954
Cash at bank and in hand	2		21.975
Total assets			<u>535.929</u>
EQUITY AND LIABILITIES			
NET ASSETS			
Designated Funds	3		
	4	33.640	
Accumulated surplus / deficit	5	102.087	
			<u>135.727</u>
CURRENT LIABILITIES AND ACCRUALS AND DEFERRED IN-COME			
Liabilities to group entities	6	394.202	
Other liabilities and accrued expenses	7	6.000	
			<u>400.202</u>
Total liabilities			<u>535.929</u>

STATEMENT OF INCOME AND EXPENSES FOR THE PERIOD 19-12-17 UNTIL 30-06-18

		<u>19-12-17 / 30-06-18</u>	
		€	€
Benefits	8		
Other government grants and subsidies	9		20.000
Donations and benefits from companies	10		688.188
Financial income - Unrealised gains on exchange	11		33.641
			<u>741.829</u>
Expenses			
Other operating expenses	12		606.102
Surplus / deficit			<u>135.727</u>

Appropriation of result

STATEMENT OF DISTRIBUTION OF EXPENSES

	<u>2017-2018</u>
	€
General reserves	102.087
Designated fund - unrealised	33.640
Total	<u>135.727</u>

	19-12-17 / 30-06-18
	€
CASH FLOW STATEMENT FOR THE PERIOD 19-12-17 UNTIL 30-06-18	
Cash flow from operating activities	
Operating result	135.727
Changes in working capital	
Movements accounts receivable	-513.954
Accounts receivable (excluding banks)	400.202
	-113.752
Cash flow from operating activities	21.975
Movements cash	21.975
Turnover movement cash and cash equivalents	
Balance as at beginning of financial year	-
Movements during financial year	21.975
Balance at financial year end	21.975

NOTES TO THE FINANCIAL STATEMENTS

ENTITY INFORMATION

Registered address and registration number trade register

The registered and actual address of Mercy Corps Netherlands is Fluwelen Burgwal 58, 2511 CJ in 's-Gravenhage The Netherlands. Mercy Corps Netherlands is registered with the Dutch Trade Register (registration number 70333564).

GENERAL NOTES

The activities of the entity

The activities of Mercy Corps Netherlands consist mainly of providing of international development (aid) and economic opportunities for the needs of the poor around the world with a special attention of supporting the countries in development, refugees and world hunger.

The location of the actual activities

The registered address of Mercy Corps Netherlands is Fluwelen Burgwal 58, 2511 CJ in The Hague.

GENERAL ACCOUNTING PRINCIPLES

The accounting standards used to prepare the financial statements

The financial statement are drawn up in accordance with the provisions of the Guideline for the 650 Fundraising Institutions will apply.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

Foreign currency translation for the balance sheet

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date with all foreign currency transactions for the year being translated at the official EC monthly rate. The exchange difference resulting from the restatement of the opening reserves denominated in foreign currencies, as at 30 June 2018, has been taken to the appropriate reserves.

All transfers between foreign currency bank accounts are reflected in the financial statements at the average monthly rates applicable. Exchange gains or losses are treated as unrestricted except where restricted by contract and taken to the statement of financial activities and income and expenditure account.

Foreign exchange gains and losses are taken to the Statement of Financial Activities in the year in which they arise.

Exceptional items

Exceptional items are items of income and expense from ordinary activities or transactions, but which need to be disclosed separately on the basis of the nature, size or incidental character of the item for reasons of comparability.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

ACCOUNTING PRINCIPLES

Receivables

Receivables are initially valued at the fair value of the consideration to be received. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. Provisions for bad debts are deducted from the carrying amount of the receivable.

Cash and cash equivalents

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

Current assets

Current assets are initially valued at the fair value of the consideration to be received. Trade receivables are subsequently valued at the amortised cost price. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. Provisions for bad debts are deducted from the carrying amount of the receivable.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Provided subsidies and gifts

This comprises grants and contracts which are recognised using the performance model. Funds are recognised as income from charitable activities once there is entitlement, reasonable probability of receipt and the amount can be measured with sufficient reliability. Many projects are funded on the basis of claims made for actual expenditure incurred and are subject to post-project operational and financial reports. There remains the probability that certain expenditure may be disallowed and all income may not be spent.

Cash flow statement

The cash flow statement has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result is adjusted for those items in the statement of income and expenses, and changes in balance sheet items, which do not result in actual cash flows during the year.

The cash in the cash flow statement are made of liquid funds.

NOTES TO THE BALANCE SHEET

CURRENT ASSETS

	<u>30-06-2018</u> €
1 Receivables from associated entities	
Intercompany Mercy Corps Europe	513.954
	<u>513.954</u>
	19-12-2017 / 30-06- 2018 €
Intercompany Mercy Corps Europe	
Balance as at 19 December	-
Other changes	513.954
Balance as at 30 June	<u>513.954</u>

There is not an agreement about the redemption and interest of the Intercompany Mercy Corps Europe.

	<u>30-06-2018</u> €
2 Cash at bank and in hand	
Rabobank	21.975
	<u>21.975</u>

The cash at bank and hand are free disposal of the company.

3 Net assets

Movements in equity were as follows:

	Designated Funds	Accumulated surplus / deficit	Total
	€	€	€
Balance as at 19 December 2017	-	-	-
Appropriation of result	33.640	102.087	135.727
Balance as at 30 June 2018	<u>33.640</u>	<u>102.087</u>	<u>135.727</u>

	<u>30-06-2018</u> €
4 Designated Funds	
Foreign Exchange results	33.640
	<u>19-12-2017</u> <u>/ 30-06-</u> <u>2018</u> €
Foreign Exchange results	
Balance as at 19 December	-
Appropriation of result	33.640
Balance as at 30 June	<u>33.640</u>
	<u>19-12-2017</u> <u>/ 30-06-</u> <u>2018</u> €
5 Accumulated surplus / deficit	
Balance as at 19 December	-
Appropriation of result	102.087
Balance as at 30 June	<u>102.087</u>
CURRENT LIABILITIES AND ACCRUALS AND DEFERRED INCOME	
	<u>30-06-2018</u> €
6 Liabilities to group entities	
Subsidies received in advance	373.834
Intercompany Mercy Corps Global	20.368
	<u>394.202</u>
	<u>19-12-2017</u> <u>/ 30-06-</u> <u>2018</u> €
Intercompany Mercy Corps Global	
Balance as at 19 December	-
Other changes	20.368
Balance as at 30 June	<u>20.368</u>

There is not an agreement about the redemption and interest of the Intercompany Mercy Corps Global.

	<u>30-06-2018</u>
	€
7 Other liabilities and accrued expenses	
Professional fees	6.000
	<u><u> </u></u>

NOTES TO THE STATEMENT OF ACTIVITIES

Mercy Corps Netherlands is founded on December 19th, 2017. In the process of incorporation of the Dutch entity management decided not to prepare a budget for the first financial year 2017/2018 since many external factors were very uncertain.

	19-12-17 / 30-06-18 €
8 Benefits	
Other government grants and subsidies	20.000
Donations and benefits from companies	688.188
Financial income - Unrealised gains on exchange	33.641
	<u>741.829</u>
9 Other government grants and subsidies	
Other government grants and subsidies	20.000
	<u>20.000</u>
10 Donations and benefits from companies	
Donations and benefits from fundraising	688.188
	<u>688.188</u>
11 Financial income - Unrealised gains on exchange	
Financial income	33.641
	<u>33.641</u>
Average number of employees	
19-12-17 / 30-06-18	Number
Average number of employees	-
	19-12-17 / 30-06-18 €
12 Other operating expenses	
Housing expenses	869
General expenses	6.809
Expenditure projects	598.424
	<u>606.102</u>
Housing expenses	
Rent expenses	869
	<u>869</u>
General expenses	
Professional fees	6.000
Travelling and hotel expenses	714
Other general expenses	95
	<u>6.809</u>

Overview expenses

	Expenditures spent on objectives	Acquisition costs	Governance costs	Total expenses 2017-2018	Budget 2017-2018	Total expenses 2016-2017
Provided subsidies and project contributions	598.424			598.424	600.000	-
Payments to third party organisations	...		6.000	6.000	6.000	...
Purchases and acquisitions	...			-
Cost of work contracted out	-
Communication expenses	-
Other staff expenses	714	714	1.500	...
Housing expenses	-
Office and general expenses	964	964	2.500	...
Depreciations	-
Total	598.424	-	7.678	606.102	610.000	-

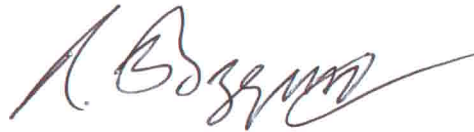
MERCY CORPS NETHERLANDS
THE HAGUE

The Hague,
Mercy Corps Netherlands

These financial statements were approved by the Board of Directors on 22 October 2018 and signed on their behalf by:

A handwritten signature in dark ink, appearing to be 'S.D.S O'Connell', written in a cursive style.

S.D.S O'Connell
Executive Director

A handwritten signature in dark ink, appearing to be 'N.B Blazquez', written in a cursive style.

N.B Blazquez