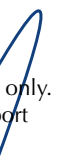




MERCY CORPS NETHERLANDS

Annual Report FY19

1 JULY 2018 – 30 JUNE 2019



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Executive Directors Message

Mercy Corps Netherlands (MCNL) is increasingly becoming an integral part of the global Mercy Corps organisation, which collectively reached nearly 29 million people in more than 40 countries this past financial year.

Despite the UK set to withdraw from the European Union in the near future, the EU will remain a significant foreign policy player and leading global influence on humanitarian and development affairs on a number of contexts and policy areas that are relevant to Mercy Corps' mission. Influencing the EU's policies, programmes and funding thus has the potential to have a positive impact on the lives of millions of people that we work for, and MCNL is a key part of our efforts to do so. At a time of substantial global turbulence and widespread humanitarian need, expanding our reach and increasing our impact has never been more important.

Progress has been made in expanding our presence and team capacity in The Hague as well as building partnerships for impact and innovation. This year, our partnership with the Dutch Relief Alliance (DRA) consortium members contributed to the development of the Systematic Cost Analysis (SCAN) tool that addresses the need for rapid and rigorous value for money analysis for humanitarian programmes.

With support from the Dutch Ministry of Foreign Affairs, we expanded our work to build support for legal reforms to enhance the religious freedom and protection of minorities in Myanmar, and in Nigeria, we provided emergency shelter, cash, agricultural training, support to farmers and short-term livelihood opportunities for those affected by conflict. This year also saw MCNL secure funding for a three-year programme that aims to equip young people in Tajikistan with the skills and knowledge to increase their employability and income generating opportunities. We thank all our donors, partners and other stakeholders who are working with us to cement MCNL's future.

I am excited about the opportunities that our growth in the Netherlands presents in terms of partnerships, programme support resources and the development of innovative solutions to some of the challenges that we aim to address through our work. I look forward to seeing MCNL's capacity increase over the next 12 months to help further position Mercy Corps as one of the leading humanitarian and development organisations in Europe.

I would like to thank our Management Board for their support and dedication to building MCNL's capacity, and working to strengthen our governance structure and establish increased global alignment and integration. My sincere gratitude to our MCNL team, and to all our team members in more than 40 countries around the world who every day strive to do more good.

Simon O'Connell
Executive Director, Mercy Corps¹

¹ Simon O'Connell left the organisation on 30 June 2020. Alexandra Angulo was appointed as the Interim Executive Director

Chair's Message

The expansion of Mercy Corps Netherlands (MCNL) is an exciting new chapter in the development of the global Mercy Corps organisation. Driven by the desire to strengthen our European presence and ensure the continued access to EU funding and support, MCNL is contributing to our mission by deepening our relationships with supporters and engaging in new partnerships in the Netherlands.

MCNL's second year saw us grow our profile and networks while working to increase capacity and streamline the governance and management structures for stronger alignment with the global agency. MCNL's programme portfolio supports our ability to address urgent needs as well as contribute to building stronger futures for the communities we serve. I am positive that the collective efforts of the team in the Netherlands, other HQ teams, and our field programmes will continue to generate ideas and mobilise resources to support our global mission.

As we look ahead, I am excited at the range of opportunities that we will be able to access through MCNL: influence and policy networks, private and institutional donors, and a community of organisations and individuals advancing the innovation agenda for the humanitarian and development sector. My commitment as the Board Chair is to continue to support the organisation as it pursues these opportunities and to ensure that governance and management setup and systems create a positive environment for growth as well as further integration with the global agency.

I would like to extend my deep gratitude to Simon, Marina and the team in the Netherlands, and to all our team members, for their unwavering commitment to improving the lives of some of the most vulnerable people around the world.

Adrienne Airlie
Chair ²

² Adrienne Airlie passed away in December 2019. Nick Blazquez served as the Board Chair from December. Roberto Bocca, the current Chair, was appointed in May 2020.

Mercy Corps

Who We Are

Mercy Corps is a global team of humanitarians who partner with communities, corporations and governments to transform lives around the world.

Our more than 5,500 team members work with people in the world's most vulnerable communities across over 40 countries. 87 per cent of our team is from the countries where they work.

We believe we must go beyond emergency aid to create more resilient communities, and we believe communities are the best agents of their own change. This year as a global organisation, our work saved and improved the lives of nearly 29 million people.



Mercy Corps Netherlands

Mercy Corps Netherlands (MCNL) was established in December 2017 as a separate legal entity with its own constitution operating as a part of the global organisation, Mercy Corps.

Mercy Corps consists of: Mercy Corps Global (MCG), a US entity registered in Washington State and its field operations, including branches and local organisations (located in approximately 40 countries); Mercy Corps Europe (MCE), a UK entity with offices in Edinburgh, London and Geneva; Mercy Corps Netherlands (MCNL) with an office in The Hague; other affiliated entities of the global organisation³.

Mercy Corps Netherlands shares the global organisation's mission, vision, core values, and charitable objectives, as well as operational resources for the implementation of program activities. MCNL maintains an independent governance structure and decision making in relation to those programs for which it is directly responsible⁴. Mercy Corps Netherlands contributes to the strategic objectives of the global Mercy Corps organisation through effective stewardship and management of resources, raising income, building influence and demonstrating impact.

³ Consolidated affiliates include: Mercy Corps Corporate Fund (MCCF), Kompanion Development Institution, Kompanion Bank, Kompanion Invest, MC Nigeria LTD/GTE (Nigeria), Mercy Corps China Holdings (dissolved February 2020), LLC, Mercy Corps Development Holdings, LLC, Mercy Corps India, and CIT Services, LLC.

⁴ In this Report we use "Mercy Corps" to refer to the global organisation and MCNL, MCE, and MCG to refer to these individual legal entities.

STRATEGIC FRAMEWORK

OUR MISSION



Mercy Corps exists to alleviate suffering, poverty and oppression by helping build secure, productive and just communities.

We partner with communities as they move from a place of fragility to resilience, meeting urgent needs while addressing root causes – always powered by the belief that a better world is possible.

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.

WHAT WE DO

Three core strategies guide our work:

We empower people to find opportunity during times of crisis. In moments of transition – disaster, conflict, political upheaval, economic collapse – the status quo is challenged and windows of opportunity for change emerge. We often enter during a humanitarian crisis, move rapidly to recovery, and then build long-term resilience to recurring shocks and stresses.

We catalyse locally-owned solutions. Local leaders and communities must co-create, lead and ultimately own anything we do, engaging markets and promoting good governance.

We seek breakthrough innovations that transform lives. New technology, business models and creative partnerships provide transformational opportunities for overcoming poverty and suffering. We leverage our robust global program platform to identify breakthrough ideas, test them in the field and take them to scale.

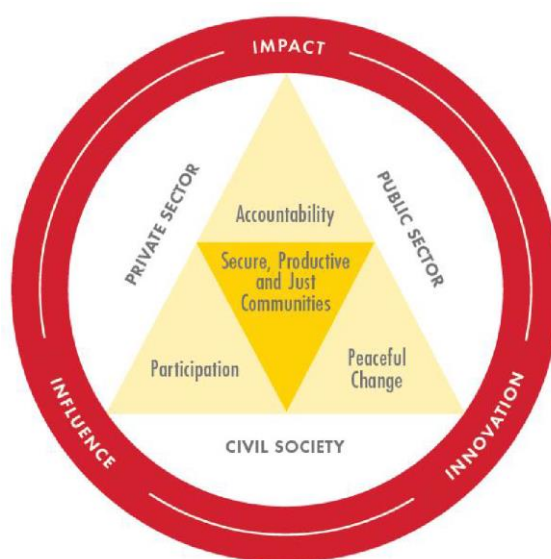
OUR GUIDING PRINCIPLES

We tackle complex challenges by taking an integrated, adaptive, multi-sector approach, understanding that there are no easy or fast fixes.

We work in partnerships to create sustainable change at scale, knowing no single group can solve the world's toughest challenges alone.

We believe in evidence and learning. We use data to manage our programs more effectively, understand the impact of our work and influence others.

We use a gender lens. Understanding the role of gender – especially making the right investments in girls and women – is critical to building strength from within.



We are inspired by the potential of young people. Deepening our engagement with young women and men acknowledges their current and future roles as drivers of a more stable and resilient future.

OUR OBJECTIVES

The Objectives of Mercy Corps are:

- The relief of poverty;
- The advancement of health;
- The advancement of community development;
- The saving of lives;
- The advancement of human rights, conflict resolution or reconciliation; and
- The advancement of environmental protection.

We aim to achieve these objectives by:

- Helping people build secure, productive, and just communities across the globe;
- Providing international relief, development and economic opportunity to meet the needs of people around the world, with a special emphasis on support to countries in transition, refugees and world hunger;
- Educating and informing the public as to the causes of chronic poverty, conflict, suffering, homelessness, hunger and injustice;
- Providing and inspiring innovative, sustainable solutions to climate change and the global challenges arising out of chronic poverty, conflict, suffering, homelessness, hunger and injustice;
- Empowering people to better manage their differences, learn skills that promote peace, and achieve lasting, positive change; and
- To cooperate in any way with organizations with similar objectives and achievements.

Activities and Results in FY19

In FY19, MCNL continued to focus on engagement with donors, policy makers, and peer networks and alliances. At the same time, we invested in developing our operational and financial capacity and pursuing new programme opportunities and partnerships. Our key accomplishments have included the securing of four new grants and the joining of these Dutch NGO alliances - the [Dutch Coalition for Humanitarian Innovation](#) (DCHI), WO = MEN, the [Dutch Gender Platform](#), and [Partos](#) (the Dutch association of development organisations).

Results in FY19

URGENT NEEDS

In an increasingly unstable world, more communities are vulnerable to suffering and poverty. And when disaster strikes, the effects can be devastating. Whenever and wherever suffering is dire, Mercy Corps strives to be there. We are well-positioned to provide urgent lifesaving relief and meet people's basic needs — helping them help themselves. And from the earliest days, we work toward integrated, long-term solutions.

Nigeria

The northeast of Nigeria has a history of marginalization, under-development and poor governance, resulting in greater fragility, poverty, and violence than in the rest of the country. The rise of Boko Haram is causing wide-scale displacement and devastation for already vulnerable communities, particularly women and young people. Civilians continue to bear the brunt of a conflict between the military and violent extremist organizations (VEOs) that is now in its tenth year and showing no signs of abating. A fresh round of attacks at the end of 2018 and start of 2019 has displaced hundreds of thousands more women, children and men. With well over 7 million people in need of urgent lifesaving assistance, the region remains fraught with a crisis of massive proportions, and is set to face high levels of insecurity for the foreseeable future.



Since 2012, Mercy Corps has been working in some of the most hard-to-reach places in Nigeria to deliver urgent, lifesaving assistance and build the resilience of Nigerian communities. We partner with communities to help them recover and rebuild, while addressing the root causes of conflict, insecurity, and inequality. Using Mercy Corps' community-led, market-driven, multi-sectoral approach, our Humanitarian Response Team has prioritized food assistance, livelihoods and income generation, protection and water/sanitation (WASH) to enable displaced people and vulnerable host communities to pivot as quickly as possible from relief to recovery.

Mercy Corps partnered with Shell to complete the **Relief to Resilience programme** in North East Nigeria using a two-pillar approach focused on providing immediate humanitarian relief and laying the foundation for recovery programmes. The programme components contributing to the key objective of the response - 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 - are:

Non-Food Items: 1,000 kits containing a tear-proof sleeping mat, a blanket, jerry cans for storing and collecting water, bathing soap, laundry soap, a solar-rechargeable torch, two cooking pots, a drinking cup, a durable carrier bag, kitchen utensils, a kettle and a foldable mattress were distributed.

Shelter: 401 transitional shelters for the IDPs were constructed in Ajari Camp, Dikwa for some of the most vulnerable families. In total, 621 families and 2,425 individuals currently occupy the shelters.



Yagana Ali, a mother and head of household from the Malmaja community on the outskirts of Dikwa, told the Mercy Corps team how the shelter had changed her life:

“We left our community three years ago when armed groups took over our town. I came here with my family of seven and stayed in the reception centre with poor shelter for two weeks before going to the host community where we had to stay in a dilapidated building exposed to all weather conditions. I am grateful to Mercy Corps for this shelter as we now feel at home even better than where we came from. Being in this camp has meant we also could benefit from help with food, cash and other items that we would not have been targeted for in the host community.”

Unconditional Cash Transfers: Multipurpose cash transfers were distributed to 973 households, intended for them to cover their basic needs including food, rent, school fees, and basic household commodities.

The recovery and resilience building activities of this programme were divided into two objectives - to supply beneficiaries with the skills, tools, and seeds needed for basic agriculture and cultivation practices and to drive beneficiary households towards food self-sufficiency, and to improve sanitation facilities and promote good hygiene practices.

Water, Sanitation & Hygiene (WASH): Mercy Corps employed 100 beneficiaries (75 men and 25 women) in Sanitation Brigades across ten communities. The workers were employed on the cleaning of drainage channels and hygiene promotion activities within their communities.

Agriculture and Livelihoods: 375 farmers were trained on conventional dry season farming and suitable crop varieties, incorporating organic farming techniques. The farmers were further supported with cash grants to procure farming inputs such as seeds, hoes, seedlings and also to contribute some money among themselves (in groups) to purchase items like water pumping machines for dry season farming or irrigation. In addition, Mercy Corps was able to successfully leverage resources from Christian Aid, who drilled a borehole close to the largest shared irrigation farm in Dikwa.

FARMER TESTIMONIAL

The head farmer in Shuwari farm, Musa Idris:

“Before this intervention we practiced small scale dry season farming with only 34 farmers, now we are 115 farmers currently farming on this land as we have extended the farm. With the training and cash support given to us, we were able to contribute money to purchase fertilisers and seeds that we did not cultivate before like carrot, spinach, cabbage, and lettuce. Now the crops are growing rapidly and we plan to sell some of them as before now, we only planted seeds for personal consumption. We also bought equipment like water pumping generator and hand sprayer and kept the remaining money for purchase of the fuel needed to pump water into the farm. We are so grateful to Mercy Corps as this is the second agricultural intervention provided by Mercy Corps and the first of its kind for nine years in Dikwa”

Global Initiatives

Supporting Systematic Cost Analysis (SCAN) in the Humanitarian Sector. Mercy Corps is part of a consortium of five humanitarian agencies (IRC, Mercy Corps, Save the Children, Action Against Hunger Spain, CARE USA) who are developing a multi-agency SCAN tool that works with the data systems of main humanitarian agencies and will generate high-quality Value for Money evidence to inform programme learning and action. The SCAN approach was adopted by the Grand Bargain work stream on Cash as the “official” way of analysing programme cost-efficiency, and we will feed results from SCAN 2.0 field pilots into that work stream to inform more agencies about the capabilities of the SCAN tool.



Access to Fuel and Energy

With support from Shell, Mercy Corps is co-chairing the Global Safe Access to Fuel and Energy Working Group and participating as a member of a steering committee of the Global Plan of Action for Sustainable Energy Solutions in Situations of Displacement (GPA). The partnership supports our global technical experts on energy related work.

STRONGER TOMORROWS

Even in the most challenging contexts, Mercy Corps innovates and invests in programmes that help connect people to the resources that enable them to recover, rebuild and flourish in the aftermath of crisis. We seek to tackle what we call the 3Gs – past grievances, inequitable economic growth and poor governance – in order to tackle the root causes of conflict and violence, which are the primary drivers of suffering in the world today.

Myanmar

Myanmar has a long history of inter-communal conflict and violence, fueled by the policy landscape, legal framework, and institutional frameworks which are designed and practiced to protect the majority from the minority. Specifically, the use and misuse of Myanmar's legal framework is a key driver of discrimination against religious minorities and violations of religious freedom. The failure to protect the rights of religious minorities violates fundamental human rights, constrains access to justice, leads to problems accessing services and economic opportunities, and creates the preconditions for inequity and instability.



Mercy Corps first entered Myanmar in 2008 to deliver humanitarian assistance to victims of Cyclone Nargis. We have since developed an integrated portfolio of development projects that support responsive governance, peacebuilding and conflict resolution, and economic growth as a means to build resilience against future shocks and stresses—political, social, ecological or otherwise.

In partnership with a local organization, Loka Ahlinn (LA), Mercy Corps Netherlands implements a two-year €200,000 project entitled Religious Freedom Initiative Plus (RFI+) funded by the Netherlands MoFA in Myanmar's Magway and Sagaing regions. The project leverages Mercy Corps' best practices and complements existing

efforts aimed at building support for legal reforms to enhance religious freedom and protection of religious minority rights in Myanmar.

The project links human rights defenders (HRDs) already trained by Mercy Corps to young people in order to work to broaden the understanding of religious minority rights through a series of media and youth-driven initiatives. Activities include the development of innovative and participatory short form documentaries for religious or belief awareness campaigns; the organising of sports events with awareness raising messages about individual freedoms and identities; and providing communities with information on laws that hinder freedom of religion and belief to amplify the voices of local HRDs and moderate leaning religious leaders.

Following an inception phase, 15 HRDs have been trained on freedom of religion and belief, and human rights and 1,370 booklets on freedom of religion and belief have been printed and distributed during awareness-raising events on religious freedom, minorities' rights, and human rights.

Tajikistan

Tajikistan faces many challenges in what is a fragile region including inter-ethnic tensions, conflict over natural resources, and deteriorating security along the Tajik-Afghan border. Tajikistan's economy has been adversely affected by internal and external shocks, including the economic downturn in Russia. Reliance on remittances, lack of economic diversity, the slow pace of reform and corruption threaten growth and risk economic and political reversal. Tajikistan is frequently cited as the poorest former Soviet republic, with one of the world's lowest GDPs per capita. Tajikistan's people are disproportionately affected by lack of quality health services, low economic opportunities, food insecurity, natural disasters, and climate change.

Since 1994, Mercy Corps has been working with Tajikistan communities to build stability, improve health outcomes, promote economic development, and strengthen community disaster preparedness. Mercy Corps' programs are community led emphasizing the importance of public, private and civic sector partnerships in boosting accountability, participation, and peaceful change. Mercy Corps Netherlands supports these efforts through a Dubai Cares Foundation funded Making Youth Future Ready: **Introducing New Vocational Educational Skills Training (INVEST) Programme.**



Young people in Tajikistan face significant challenges with gaining meaningful and market-appropriate skills, employment and entrepreneurship opportunities. Women and youth see the lowest representation in Tajikistan's labour force, and the country has an overwhelmingly young population: over 70% of the population is under age 30, and the median age is 24.5 years. The World Bank estimates up to 57% of the working age population is not engaged in the workforce, and the majority of those working are in low-skilled jobs in the informal sector, often as seasonal or temporary labour. Entrepreneurship is also constrained by a lack of business skills and access to finance and business development services.

To address these challenges to youth socioeconomic success, the three-year INVEST programme, which is currently in its inception phase, aims to equip young Tajiks with the skills and knowledge demanded by the Tajikistan economy. The programme will provide young people with links and support to take up economic opportunities, and provide support to ensure that TVET services are upgraded and market-driven. In this way, the Tajik government and private sector will be incentivized to scale up this approach to skills training provision.

PROGRESS UPDATE

Financial Update

- MCNL FY18 Annual Audit Report and accounts prepared by Baker Tilly was finalised and approved by the MCNL Board and the General Meeting.
- Four new grant agreements have been signed and another project has been secured and will start in FY20.
- MCE board approved an unrestricted gift donation to MCNL totalling 1.6 million Euro.

Governance and Management Structure

Board appointments were finalised and confirmed in the MCNL board meeting held in October 2018. Adrienne Airlie was confirmed as the Board Chair, Nicholas Blazquez as the Treasurer of MCNL Board and Simon O'Connell as the Executive Director.

HR and Staffing

The MCNL team has grown to include the following team members based in The Hague: MCNL Director; a Policy and Advocacy Officer; a Policy and Advocacy intern; an Administrative and Operational Assistant;

and Senior Partnership Manager. A team member from the global Humanitarian Leadership Team was transferred to MCNL. Capacity building is continuing with more team additions planned during FY20.

Profile Building and Engagement in the Netherlands

The team in The Hague, with support from visiting technical support and programme team members, worked to boost the organisational profile and pursue partnership opportunities by participating in and hosting thematic events, and through the direct engagement with donors, potential donors and partners.

We made great strides towards raising visibility and profile in the Netherlands for the work Mercy Corps does around the world. We secured speaking roles for Mercy Corps experts at three major and high-level conferences: The World Humanitarian Studies Conference in August 2018, the Knowledge Platform Security & Rule of Law Annual Conference in September 2018, and the Planetary Security Conference in February 2019.

We also participated in and organised several smaller events such as an Experts Roundtable on the topic of advancing the triple nexus (humanitarian- development-peacebuilding) held in May at the Humanity Hub, facilitated by our Policy and Advocacy Officer. The roundtable gathered INGOs, academics and the Dutch Ministry of Foreign Affairs (MoFA) representatives to discuss ways to operationalise the triple nexus and served to raise our profile as an expert of the triple nexus approach in the Netherlands.



During this financial year we joined several networks, platforms, and communities of practice further strengthening our profile as a key humanitarian and peacebuilding actor in the Netherlands. We became a member of Partos - the umbrella organisation for Dutch development NGOs - the Dutch Gender Platform, the Dutch Coalition for Humanitarian Innovation, the Common Effort Community - a group of policymakers, security officials and civil society organisations working together for an integrated approach to peace and stability - as well as the Community of Practice on Food and Stability, where we have been promoting Mercy Corps' innovative market-based programming approaches. This focus on external engagement allowed us to lay the foundations for building strong relationships with potential strategic and reliable partners in the Netherlands as well as with key Dutch donors and policymakers.

In FY19 Mercy Corps Netherlands' Team also focused on deepening their understanding and expertise of Dutch development cooperation policies and processes. Following this work we have developed a series of useful briefs that Mercy Corps Country Offices and other HQ teams can use to better understand how to engage with the Netherlands or access Dutch funding opportunities.

Governance

The relationship between MCG, MCE and MCNL is regulated by a MoU and a Governance Agreement. These governing documents give MCNL access to global resources and operational and financial support from MCE and MCG.

MCNL's legal form is an association, made up of nine Members. Together, they form a General Meeting. The General Meeting has the overall authority over MCNL and it appoints the Board members.

The Members during the reporting period were:

- Adrienne Airlie (passed away on 5 December 2019)
- Nicholas Blazquez (resigned on 13 March 2020)
- Thomas Murray
- Allen Grossman
- Linda Mason
- Bob Newell (resigned 8th October 2019)
- Melissa Waggener Zorkin (resigned 12th October 2019)
- David Mahoney
- Neal Keny-Guyer (resigned 11th October 2019).

The nine Members are also the same nine Members of MCG and of MCE.

MCNL Board reports to the General Meeting. It nominates Board members and is responsible for the management of organisation. The Board composition during the reporting period was:

- Adrienne Airlie, Board Chair (passed away on 5 December 2019)
- Nicholas Blazquez, Treasurer (served as Board Chair from 19 December 2019; resigned 13 March 2020)
- Roberto Bocca (appointed as Board Chair on 22 May 2020)
- Elsie Kanza (resigned 28th June 2019)
- Thomas Murray
- Neal Keny-Guyer, who also served as the common CEO of MCNL, MCE and MCG (resigned on 11 October 2019).

The Board appointed Simon O'Connell as Executive Director (ED), responsible for providing strategic and operational leadership. The Executive Director reports to the MCNL Board and the CEO. The ED does not serve on the board of MCNL. Simon resigned as the Executive Director on 30 June 2020. Alexandra Angulo was appointed as an Interim Executive Director.

MCNL activities in the Netherlands are managed by Marina Antunovic, MCNL Director, who reports to the Executive Director.

Our Remuneration Policy

Mercy Corps Netherlands compensation package is designed to both attract and retain high-calibre, diverse, high-performing individuals at all levels. As the team grows, MCNL will evaluate external market data and internal organisational context on a regular basis to ensure that our compensation packages are competitive, equitable and represent responsible stewardship of organisational resources.

No remuneration can be granted to the Management Board members. Expenses will be reimbursed to the Management Board members on production of the necessary supporting documentation.

Board of Directors Code of Conduct

Modern Slavery Statement

We are committed to the prevention of modern slavery and human trafficking in our supply chains.

Safeguarding Statement

As a global humanitarian organisation working with some of the world's most vulnerable communities, we have an immense responsibility to our programme participants, donors and team members across the over 40 countries in which we work. At Mercy Corps, we strive to create an inclusive and safe work environment, where everyone is treated with dignity and respect. Central to this commitment is our emphasis on protecting our programme participants and team members from all forms of harm, including any physical, emotional or sexual abuse.

Mercy Corps' key Code of Conduct policies can be found at <https://www.mercycorps.org.uk/about-us/ethics-and-policies>.

Communication with Stakeholders

One of our priorities in the Netherlands has been the raising of our profile with peer agencies, donors, partners and other stakeholders. The MCNL team, with support from our colleagues from country programmes, technical support units and other parts of the global agency, has taken every opportunity to engage with communities of practice in different fields, participate in meetings and events as well as host meetings to showcase and disseminate learnings from our work. We have taken a more direct approach with key donors and potential and current supporters and shared our vision and accomplishments in meetings and through written materials.

We have also used social media to interact with our stakeholders. Our web site contains basic information such as the Policy Plan and Board of Directors details and links to the Mercy Corps Europe website for further information. A new MCNL website will be designed and launched in FY20.

Plans for the Next Fiscal Year

In furtherance of MCNL objectives, plans are in place to further enhance and build operational capacity as the UK departs from the EU. MCE will continue to provide critical support and services as needed as this capacity is being developed.

MCNL will seek to establish new partnerships in order to increase the overall reach and impact of its activities and expanding fundraising to support our global mission. We will continue to build strong relationships with Dutch donors, partners and allies, and raise awareness of our work and expertise with the aim of becoming a "go to" organisation on our priority thematic areas which include preventing and reducing conflict and violence, youth employment and entrepreneurship in fragile context, driving for effective market-based responses to complex crises, climate adaptation, and innovation in humanitarian response.

Our fundraising efforts will continue to be directed at institutional donors in the first half of the next fiscal year and extend to foundations, trusts and private sector partners during the second part of the year.

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. This means that risks are inherently ingrained in our operations - the problems we seek to address are often entrenched and therefore require innovative approaches, many of which carry risks. However, we believe the potential opportunities these solutions offer

are worth the risks, and Risk Management is therefore embedded throughout Mercy Corps, across all levels of the organisation. 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.

Mercy Corps operates as one global organisation, with common exposure to financial, operational, reputational and external risks. We therefore work closely with MCE and MCG to ensure we identify, mitigate and manage risks in our challenging operating environments. MCNL is exposed to the same or similar risks as MCE as relevant risks to home office development and field operations are shared. MCE maintains a Corporate Risk Register that includes risks relevant to both MCE and MCNL.

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 as 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 the period after the end of the fiscal year, risk management has been especially heightened due to two key events which have had a significant impact on the global agency: (1) the failure by Mercy Corps to properly re-examine in 2018 the investigation undertaken in 1993 of reports of abuse carried out by one of Mercy Corps Global’s co-founders (now deceased) and the impact this had externally and internally with the subsequent resignation of some long term employees and Board Directors; and (2) the global COVID-19 pandemic, which has continued to spread around the world and affect all of Mercy Corps’ offices, as well as our programmes. Further information about the resulting enhanced risks and relevant additional mitigations will be covered in the FY20 report.

Key Risks and Mitigation Measures

Risk	Mitigation Action
External Risks	
MCNL operations will inevitably be affected by the ongoing political developments in the UK, with Brexit presenting both operational challenges and opportunities for growth.	<p>MCNL will be prepared to expand its capacity to undertake additional programme 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.</p> <p>Regular communications are sent to our country teams to ensure a common language and a consistent approach in our engagement with the EU in the field and to ease any future transition of programmes from MCE to MCNL.</p>
Operational Risks	
<p>Safeguarding</p> <p>The impact of this risk includes significant physical and/or</p>	<p>We have continued our work to increase awareness around safeguarding, set clear expectations for individual accountability, and built in-country capacity for awareness,</p>

<p>psychological harm to participants and or team members and loss of Mercy Corps reputation in the communities where we work, with the public and with key donors.</p>	<p>prevention, reporting, response and investigation when issues arise.</p> <p>New or revised Ethics policies have been adopted globally, together with policy guidance documents. Interactive mandatory online courses related to our Code of Conduct and Ethics policies have been rolled out across the agency.</p>
<p>Safety and Security Team members are placed at risk and/or harm to beneficiaries.</p>	<p>Robust and up-to-date security policies and procedures are in place. Guidelines, training opportunities and technical support are also available to all team members to ensure that they are equipped to identify and manage risks inherent within the local context where they work.</p> <p>Health and safety procedures for our work in the Netherlands are evaluated and updated on a regular basis.</p>
<p>Fraudulent activity including diversion of aid leads to financial and reputational damage.</p>	<p>Comprehensive anti-corruption and anti-bribery policies are in place with robust internal controls.</p> <p>A global policy on Prohibited Parties is currently being revised. Due diligence process is in place to ensure a robust approach to selecting overseas partners, which includes programmatic and financial risks.</p> <p>A global ethics team is in place that supports or directly investigates reported incidents. An online integrity hotline is now in place for reporting allegations and works alongside the integrity email, complaints boxes and Community Accountability and Reporting Mechanism (CARM) systems.</p>
<p>Failure to comply with GDPR and Data Protection.</p>	<p>Protection policies, procedures and training in are in place, and refresher trainings are run on an annual basis.</p> <p>An agency-wide Data Protection Working Group has been set up and meets regularly, and a global Data Protection policy has been adopted.</p> <p>Online training modules on IT security are available for all team members, some of which are mandatory.</p> <p>The policies will need to be reviewed for compliance with Dutch and EU specific regulations post Brexit.</p>
<p>Financial</p>	

<p><i>Lack of unrestricted income generating cash availability stops European Operations</i></p>	<p>Measures in place include tracking retention on projects to ensure more efficient cash management; holding unrestricted reserves at adequate levels; long-term cash tracking tools are being put in place.</p> <p>Under our agency wide agreement MCG provides project working capital until the time of settlement.</p>
<p><i>Increased FX loss exposure</i></p>	<p>We have continued to naturally hedge currencies by keeping funds in donor currency. Monthly Budget vs Actuals (BvAs) have a foreign exchange (FX) analysis tab which highlights adjustments / actions required on a project level.</p>

Financial Review

The annual accounts have been prepared primarily in accordance with the Guideline RJ650 in combination with other applicable accounting standards for providing the required insight, which applies to Dutch fundraising organisations. The applicable accounting policies are set out on pages 26-29.

Mercy Corps Netherlands (MCNL) is registered in the Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. The relationship between Mercy Corps Europe (MCE) and MCNL is governed by a Governance Agreement and Memorandum of Understanding (MOU) that also includes Mercy Corps Global (MCG) and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs.

Income

With the second year of trading total income (excluding foreign exchange gains and losses) increased to €2.1m (FY 2018:€0.7m). This is made up of grants from Shell, Dutch Municipality and Dutch Government. An unrestricted donation was received from MCE to further the objectives of MCNL as it develops its capacity and profile in the Netherlands.

Full detail on sources of income by charitable activity and donor are provided in notes 5, 6 and 7 in the accounts.

Charitable Expenditure

Programme expenditure in the year was €430k (FY 2018: €603k) with the majority of funds deployed to assist the significant numbers of people who are in need of humanitarian assistance and those who have been displaced from their homes, both internally and as refugees in North East Nigeria.

Indirect costs incurred at headquarters have been attributed completely to the charitable activities which they support. Total headquarters core costs have increased to €161k (FY 2018: €23k). Including cost sharing and support given to country operations, this includes investment in our team resources across MCNL compared to the prior year, when personnel cost were borne by MCE.

Financial Risk and Cash

Financial risk is managed by continuously monitoring the cash flow sensitivity resulting from timely delivery of international programmes and timely recognition of unrestricted income. We monitor our global risks closely with oversight by the Enterprise Risk Management Committee and Board oversight.

MCNL holds cash in current and deposit accounts with Rabobank. Cash is held in donor currencies and the equivalent Euro holdings stand at €1,703k (FY 2018: €22k).

MCG advances cash for Europe donor funded programmes, and is subsequently reimbursed by MCNL after the field spends and accounts for the advances. As at 30 June 2019 there is an intercompany balance due to MCNL of €103k from MCG for this field spend advance. There were intercompany receivable balances of €109k due from MCE and €32k due from MCG for expenditures by MCE on behalf of MCNL related to HQ and payroll costs.

Reserves

Further robustness to cash flow risk is provided by the annual review of the reserves and the setting of our working capital level.

The charity has in place best practice management of the reserves. It aims to hold reserves to manage the risk against unexpected losses and long-term concern of the organisation and any other unanticipated financial risks.

As at 30 June 2019, total reserves stand at €1,634k (FY 2018: €225k). The coverage will meet the short term liabilities (restricted) amount to €326k (FY 2018: €432k). There was a significant increase in general reserves at €1,410k (FY 2018: €225k), with the majority of that increase coming from the donation received from MCE.

The Board of Directors has examined the requirement for general funds. In arriving at a decision for continuity reserves, the Directors have considered the following points:

- The nature of our work and the vulnerability of grants, contracts, and donation funding flows.
- Quick response to emergencies where immediate mobilisation funds are needed.
- Adequate working capital to meet cash flow needs.
- Cover for potential long term commitments relating to staff and leases.
- Funders' viability criteria.

The Directors are mindful of current global economic conditions and instability, particularly with regards to the outcome of the UK exiting the EU and foreign exchange markets. Consequently, they wish to adopt a prudent approach to reserves. The Management Board has set up a continuity reserve minimum requirement, based on a risk assessment to an equivalent of six months of total operational expenditure; currently this is equal to €500k.

This Strategic Report and Accounts was approved by the Board of Directors on 03 November 2020 and signed on their behalf by:



Roberto Bocca
Chair, on behalf of the Board

Balance sheet as at 30 June 2019

(after proposed appropriation of result)

		2019 EUR	Adjusted 2018 EUR
Receivables	1	258,143	635,029
Cash and cash equivalents	2	1,702,744	21,975
		<hr/>	<hr/>
Total assets		1,960,887	657,004
		<hr/>	<hr/>
Reserves			
General reserve	3	1,134,402	224,665
Continuity reserve	3	500,000	-
		<hr/>	<hr/>
Short-term liabilities	4	326,485	432,339
		<hr/>	<hr/>
Total liabilities		1,960,887	657,004

Statement of income and expenses for the year 2019

		2019	Adjusted 2018
		EUR	EUR
Income			
Corporate Foundations & Trusts	5	401,438	693,127
Government grants	6	28,065	2,500
Associated parties	7	1,711,492	-
		<hr/>	<hr/>
Total fundraising income		2,140,995	695,627
		<hr/>	<hr/>
Sum of income		2,140,995	695,627
		<hr/>	<hr/>
EXPENSES ON OBJECTIVES	8		
Project expenses		430,248	602,720
Policy and advocacy		110,497	-
Strategy and programmes		7,729	-
		<hr/>	<hr/>
Sum of expenses on objectives		548,474	602,720
		<hr/>	<hr/>
FUNDRAISING EXPENSES	9	71,694	-
MANAGEMENT AND ADMINISTRATION EXPENSES	10	161,028	22,958
		<hr/>	<hr/>
Sum of expenses		781,196	625,678
		<hr/>	<hr/>
Sum before financial income/costs		1,359,799	69,949
Financial gain/(loss)	11	49,938	154,716
		<hr/>	<hr/>
Net income		1,409,737	224,665

Due to the early nature of the organisation, no formal budget procedures were in place for FY19

Statement of Cashflow for the year 2019

	2019	Adjusted 2018
	EUR	EUR
Cashflow from operating activities		
Net income	1,409,737	224,665
(Increase) in debtors	394,886	(635,029)
Increase in creditors	(105,854)	432,339
Cash provided by / (used in) operating activities	1,698,769	21,975
Increase / (decrease) in cash and cash equivalents at the end of the year	1,698,769	21,975
Cash and cash equivalents at the beginning of the year	21,975	-
Total cash and cash equivalents at the end of the year	1,702,744	21,975
Cash and cash equivalents comprise:		
Bank accounts	1,702,744	21,975

Appropriation of the result for the year 2019

	2019 EUR	2018 EUR
Addition to (withdrawal from):		
— General reserve	909,737	224,665
— Continuity reserve	500,000	-
Total change in reserves and funds	1,409,737	224,665

The notes to the balance sheet provide further information about the composition of reserves and funds. The impact of the correction of error in 2018 was EUR €88k as per 30 June 2018.

Notes to the 2019 annual accounts

General

These are the annual accounts of Mercy Corps Netherlands. Mercy Corps Netherlands (MCNL) is registered in The Hague, Netherlands as an Association under the Dutch Trade number 70333564 and came into operation on 19 December 2017. MCNL is registered in The Netherlands and recognised as an ANBI (Algemeen Nut Beogende Instelling) by the Dutch tax authorities. MCNL is located in The Hague at The Humanity Hub, Fluwelen Burgwal 58, 2511 CJ The Hague.

MCNL was established as an independent, non-profit association and operates in collaboration with its affiliate organisations, Mercy Corps Europe (MCE) and Mercy Corps Global (MCG) as one global organisation. All three entities share the same mission, vision, core values and charitable objectives. The relationship between MCNL and MCE is governed by a Governance Agreement and Memorandum of Understanding that also includes MCG and which covers matters relating to programmes, funding, governance, intellectual property and other legal affairs. MCNL is an affiliated entity and is consolidated into MCE.

The activities of MCNL 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 hunger. MCNL deliver this through local country offices operating projects and programmes in country.

MCNL believes 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.

Basis of preparation

The annual accounts 2019 are dated 30 June, 2019. The annual accounts have been prepared primarily, as much as possible, in accordance with the Guideline RJ650 in combination with other applicable RJ for providing the required insight, which applies to Dutch fundraising organisations. The accounting policies have been consistently applied to all the years presented.

The valuation of assets and liabilities and of income and expenses is based on historical cost, unless otherwise stated in the further accounting principles. The assumption of continuity was applied for the preparation of the annual accounts.

The financial statements of MCNL have been prepared on the basis of the going concern assumption.

Budget

No overall budget has been prepared as the organisation was in the early stages of set up and establishment. Despite this fact, strong project budgeting and cash flow monitoring has taken place.

Financial reporting period

MCNL financial year runs from 1 July 2018 to 30 June 2019.

Accounting policies for the measurement of assets and liabilities and the determination of the result

General

Unless stated otherwise, assets and liabilities are shown at historical costs.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

Income is recognised in the statement of income and expenses when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the statement of income and expenses, taking into account any provisions related to the transaction.

If assets are recognised of which MCNL does not have the legal ownership, this fact is being disclosed.

Income and expenses are allocated to the respective period to which they relate.

Functional and presentation currency

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

Transactions in foreign currencies

At initial recognition, transactions denominated in a foreign currency are translated into euros, the functional currency of MCNL, at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date into euros at the exchange rate of that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the statement of income and expenses in the period in which the exchange difference arises.

Non-monetary assets and liabilities denominated in foreign currency that are measured based on historical cost, are translated into euros at the exchange rates at the date of the transactions.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, bank balances. Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in euros at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Reserves and funds

The additions to and the withdrawals from the reserves and funds take place from the appropriation of results. The general fund is an unrestricted fund which is available for use, at the discretion of the directors, in furtherance of the general objectives of the charity and which has not been designated for other purposes.

Continuity reserve

The continuity reserves is a reserve to which the Board of directors of the organisation have made a more limited spending option than would exist on the basis of the articles of association. The continuity reserve covers risks that are not addressed in any other designated reserve. The continuity reserve should, for example, create a sufficiently large buffer to enable MCNL to complete or terminate ongoing programmes appropriately and meet its legal and moral obligations in case of a significant shortfall of key sources of funding.

Financial instruments

These financial statements contain the following financial instruments: other receivables, cash items, trade payables and other amounts payable. Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs.

After initial recognition, financial instruments are valued in the manner described below.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the statement of income and expenses.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Income recognition

Income

Income is recognised in the period in which there is legal entitlement, any performance conditions attached to the income have been met, the amount can be quantified with reasonable accuracy and there is probability of receipt.

Income is shown within three main categories in the Statement of Income and Expenses: Corporate foundations & trusts, government grants and associated parties.

Revenue donations

Unrestricted donations are accounted for as income in the earliest reporting period that they were received or committed to.

Income from companies or government grants

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 possibility that certain expenditure may be disallowed, and all income may not be spent.

Where grant funding is received in advance of MCNL meeting any performance-related conditions, receipts are credited to deferred income until such times as those conditions have been met. The donors have the right to repayment of disallowed expenditure and/or unused funds. Consequently, such income remains deferred until used or repaid, rather than being treated as unspent funds.

Interest income

Interest income is recognised in the statement of income and expenses on an accrual basis, using the effective interest rate method.

Expenses

Wherever possible, expenses are attributed to the expenditure on management and administration or to the objective directly. Where this is not possible, staff costs are apportioned among the functions to which they relate on the basis of estimated time allocation, and other indirect costs are allocated based on the FTE.

Leasing

MCNL may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, MCNL assesses whether the lease classifies as a finance or operating lease.

Operating leases

If MCNL acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the statement of income and expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

Employee benefits

Salaries, wages and social security contributions are taken to the statement of income and expenses based on the terms of employment, when they are due to employees.

MCNL do not currently have a pension or healthcare provider in place therefore pay a stipend to each employee towards this.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

Related parties

MCNL, MCE and MCG work closely together under a Memorandum of Understanding and a Governance Agreement. In some instances, organisations will pool administrative and technical resources for the benefit of their respective projects. In such cases a re-charge of the actual costs incurred will be made between MCNL, MCE and MCG.

Related party transactions include any income or expenditure made or received by MCNL on behalf of MCG or MCE.

Direct expenditure by field offices and / or MCG on MCNL programmatic activity is not treated as related party expenditure.

Fixed assets

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably. Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned. All assets financed by donor funding for specific projects are written off at the time of purchase through the statement of financial activities because in the majority of cases the projects are of limited duration and at the end of which the assets can be donated to the ongoing project. Therefore, such assets have not been incorporated in the balance sheet.

Subsequent events

The emergence and spread of the Coronavirus in early 2020 has affected business and economic activity around the world. These conditions arose after our reporting date of 30 June 2019 and therefore do not have any impact on the financial statements. At this moment, November 2020, the impact on our financial position and result is limited. While we recognise that the COVID-19 crisis brings increased levels of uncertainty, our financial position gives the management confidence in the organisation's ability to continue meeting our goals.

Correction of errors

After adoption of the 2018 unaudited compilation financial statements, a material error was identified. As per 30 June 2018 a number of expenses relating to 2018 but recorded in 2019, along with corresponding income were reclassified. An FX gain potentially due to be repaid to the donor was reclassified. The impact on Total reserves is EUR €88k as per 30 June 2018. The comparative figures for the year 2018 have been restated.

A complete overview of the impact on the financial position in the balance sheet and the Statement of Income and expenditure can be specified as follows:

	Impact of correction of error		
	As previously reported	Adjustment	As restated
Balance sheet			
(30 June 2018; EUR x1,000)			
Receivables	514	121	635
Cash and cash equivalents	22	-	22
Total assets	536	121	657
Short term liabilities	400	33	433
Total liabilities	400	33	433
Total reserves per 30 June 2018	136	88	224
Statement of income and expenditure			
(for the period ended 30 June 2018; EUR x1,000)			
INCOME			
Corporate Foundations & Trust	688	5	693
Government grants	20	(17)	3
Sum of Income	708	(12)	696
EXPENSES ON OBJECTIVES			
Project expenses	598	5	603
MANAGEMENT AND ADMINISTRATION EXPENSES	8	15	23
Sum of Expenses	606	20	626
Sum before financial income / costs	102	(32)	70
Financial gain / (loss)	34	120	154
Net income	136	88	224

Notes to the balance sheet as at 30 June 2019

1 Receivables

	30 June 2019 EUR	30 June 2018 EUR
Receivable from donors	1,737	-
Interagency receivables	246,545	635,029
Other receivables	9,861	-
	<hr/>	<hr/>
Receivables	258,143	635,029

All receivables are expected to be received within one year and relate to our day to day operations.

A provision for doubtful receivables is deemed unnecessary and therefore no provision is recognised for this year (2018: EUR 0).

Receivable from donors relates to funds due from donors for projects in which expenses have already been paid by MCNL as at 30 June 2019.

Interagency receivables relate to MCG and MCE. There is not an agreement about the redemption and interest of the interagency.

Other receivables include, for example, prepayments and advances to employees.

The carrying values of the recognised receivables approximate their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognised, if necessary.

Specification of receivables from donors

Receivables from donors relate to projects that have been implemented by MCNL, for which the funds from donors are committed in a grant contract but had not yet been received on the balance sheet date. The funds are expected to be received within one year. The amount receivable from donors at the balance sheet date can be broken down as follows.

	30 June 2019 EUR	30 June 2018 EUR
Dubai Cares	1,737	-
	<hr/>	
Receivable from donors	1,737	-

2 Cash and cash equivalents

	30 June 2019 EUR	30 June 2018 EUR
Cash and cash equivalents in the Netherlands	1,702,744	21,975
	<u>1,702,744</u>	<u>21,975</u>

The balance of cash and cash equivalents is readily available to MCNL.

3 Reserves

	1 July 2018 EUR	Additions EUR	Withdrawals EUR	30 June 2019 EUR
General reserve	224,665	2,190,933	(1,281,196)	1,134,402
Continuity reserve	-	500,000	-	500,000
	<u>224,665</u>	<u>2,690,933</u>	<u>(1,281,196)</u>	<u>1,634,402</u>
Total reserves	224,665	2,690,933	(1,281,196)	1,634,402

No additional reserves have been set up within MCNL.

4 Short-term liabilities

	30 June 2019 EUR	30 June 2018 EUR
Grants received in advance	138,669	391,521
Payables to related parties	2,855	-
Payables to personnel – employee expenses	1,645	-
Audit fee	169,400	6,000
Other liabilities	3,841	17,318
Employee holiday allowance accrual	7,575	-
Hague Municipality	2,500	17,500
	<u>326,485</u>	<u>432,339</u>
Short-term liabilities	326,485	432,339

All short-term liabilities are due within one year.

Grants received in advance relates to project income received in advance, or the balance of income held for projects, which performance related conditions have not been met.

Payables to related parties with MCNL are the intercompany balance representing funds owed by the charity to MCE and MCG for funding advances to the charity's projects and in respect of the settlement of expenditure.

The carrying values of the recognised liabilities approximate their respective fair values, given the short maturities of the positions.

Financial risks and financial instruments

During its normal operations, MCNL is exposed to currency, interest, cash flow, credit and liquidity risks. To control these risks, MCNL has instituted policies and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the ability of MCNL to fulfil its objectives.

MCNL does not apply nor trade in financial derivatives, such as interest rate swaps, forward exchange contracts or options to control its risks. Its main risk mitigation measures are described below. Any risk relating to liquidity is mitigated through strong project budgeting and cash flow monitoring.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments.

Credit risk

The probability and impact of financial loss to MCNL due to a bank going bankrupt is mitigated by strict bank assessment procedures when opening a bank account.

The probability and impact of financial loss to MCNL due to the amount of outstanding receivables and concentrations of credit risk is considered low due to the status and reputation of the debtors the organisation engages with and their ability to honour any debts.

Foreign exchange rate risk

MCNL is exposed to currency risk on project obligations that are denominated in a currency other than the contractual currency of the grant contract that relates to such a project. The currencies in which these project obligations primarily are denominated are EUR and USD. The currencies in which MCNL donor grant contracts are denominated are primarily EUR and USD. MCNL policy is to denominate its contractual obligations as often as possible in the same currency as the donor's currency and to hold bank balances in the donor currency, so that the real exchange rate is closest to the reporting exchange rate. MCG often meet project expenditure on behalf of MCNL resulting in an intercompany balance. FX balances often result due to the nature of underlying project expenditure in local currency, reporting in donor currency and intercompany repayment in USD. MCNL does not hedge with any derivative instruments its estimated foreign currency exposure in respect of forecasted purchases over a future period.

Off-balance sheet obligations and rights

MCNL off-balance sheet obligations and rights are as follows and are further explained in the text below the table.

	Total	Due in 1 year	Due in 1-5 years	Due after 5 years
	EUR	EUR	EUR	EUR
Office facility rental	5,808	5,808	-	-
Off-balance sheet obligations	5,808	5,808	-	-

Notes to the statement of income and expenses as at 30 June 2019

5 Income from Corporate Foundations & Trusts

Restricted income from companies.

	2019 EUR	2018 EUR
Other companies – grant income	401,438	693,127
Total income businesses	401,438	693,127

Grant income is of a restricted nature and received for the purpose of delivering grant and project activities in line with MCNL's objectives. Income is recognised in compliance with grant conditions using the performance model and on the basis of claims made for actual expenditure incurred.

6 Income from government grants

Income from governments includes income from individual governments, as well as from governmental bodies and from organisations that receive the vast majority of their funding from governments. All MCNL income from governments is incidental, although part of the income is related to multiyear grants. All grants have an end date and are recognised in the period to which they are entitled.

The Municipality of The Hague grant is from May 1st 2018 for 3 years and is for a financial contribution of €45,000 in total for setting up an office in The Hague and further development of the organisation. The grant is recognised in line with the award instalments relating to the date of the agreement for the period in which it relates.

The Dutch Government grant is from 1 November 2018 for 2 years to 31 October 2020 for €200,000 to deliver a project in Myanmar. In line with the agreement the income is recognised in line with the expenditure made to deliver the grant.

	2019 EUR	2018 EUR
Municipality of the Hague	15,000	2,500
Dutch Government	13,065	-
Total income from governments	28,065	2,500

7 Income from associated parties

The income from other organisations includes income from an associated entity and is unrestricted. In 2019 MCNL received an unrestricted donation from MCE.

	2019 EUR	2018 EUR
Fundraising income – MCE	1,680,000	-
Recharged personnel cost – MCG	31,492	-
	<hr/>	<hr/>
	1,711,492	-
	<hr/>	<hr/>

8 Expenses on objectives

Expenses towards project, policy and advocacy and strategy and programmes are costs related to the implementation of MCNL programmatic activities. MCNL implements its projects itself as well as by partner organisations. Costs of project activities include expenses such as cash distributions, staff costs, materials purchased, location rent, transport costs and office expenses. Costs of policy and advocacy and strategy and programmes include costs of office and personnel.

	2019 EUR	2018 EUR
Project activity expenses	430,248	602,720
Policy and advocacy	110,497	-
Strategy and programmes	7,729	-
	<hr/>	<hr/>
	548,474	602,720
	<hr/>	<hr/>

9 Expenses on fundraising

Expenses on fundraising includes costs of personnel, office and travel spent on fundraising activities. The amount of information costs was €0 (2018 €0).

	2019 EUR	2018 EUR
Expenses on fundraising	71,694	-
	<hr/>	<hr/>
	71,694	-
	<hr/>	<hr/>

10 Management & administration

Management and administration includes the costs of office, audit fees, legal fees and personnel.

	2019 EUR	2018 EUR
Management & administration	161,028	22,958
	<hr/>	<hr/>
	161,028	22,958
	<hr/>	<hr/>

11 Financial gains/(losses)

	2019 EUR	2018 EUR
Exchange rate differences	49,938	154,716
	<hr/>	<hr/>
Financial gain/(loss)	49,938	154,716
	<hr/>	<hr/>

12 Personnel costs

MCNL total personnel expenses are specified below.

Average number of FTE 3 (2018 : 0).

	2019 EUR	2018 EUR
Gross wages and salaries	147,949	-
Pensions	10,900	-
Social security	14,576	-
	<hr/>	<hr/>
Total personnel expenses	173,425	-
	<hr/>	<hr/>

Attribution of expenses

	Expenses on objectives			Expenses for Fundraising EUR	Management & Admin EUR	Total expenses EUR
	<i>Project activities</i>	<i>Policy and advocacy</i>	<i>Strategy and programmes</i>			
	EUR	EUR	EUR			
Cash Distributions	148,487	-	-	-	-	148,487
Procurement	88,164	-	-	-	-	88,164
Outsourcing	15,353	3,704	144	6,499	15,464	41,164
Staff	122,361	30,626	3,854	35,709	73,808	266,358
Travel expenses	11,254	2,452	851	3,406	4,954	22,917
Housing	3,935	-	-	-	-	3,935
Office costs	8,257	3,617	141	1,312	3,354	16,681
General costs	32,437	70,098	2,739	24,768	63,448	193,490
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Total	430,248	110,497	7,729	71,694	161,028	781,196
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The above clarification of the attribution of expenses towards expense categories is in accordance with Annex 3 of the accounting guideline RJ650.

- All costs associated with delivering grant programmes are allocated to Expenses on objectives. All office support costs are presented under Management & Admin. All fundraising expenses are presented under Expenses on fundraising.
- Project expenditure costs include cash transfers to beneficiaries on humanitarian programmes.
- Procurement costs include the cost of materials and supplies on capacity building programmes.
- Outsourcing costs relate to the cost of contracted services for external consultants and legal fees.
- Staff costs include salary, social security, pension, insurance and travel costs associated to personnel.
- Housing costs include contributions to accommodation for staff working on field programmes and office rent.
- Office costs include utilities, printing, postage and stationery.
- General costs include vehicle rent & repairs, storage costs, memberships and bank charges.

Appropriation of the result

On 03 November 2020, the Board of Vereniging MCNL discussed the annual report and the financial statements 2020. The Board adopted the annual report and the annual accounts of MCNL, including the proposed appropriation of the surplus. The members of the Board as per 03 November 2020 are:

- Roberto Bocca
- Thomas Murray
- Iman Dakhil
- Gisel Kordestani
- Scott Brown
- Kito de Boer
- Carin Beumer.

	EUR
Addition to (withdrawal from):	
General reserve	909,737
Continuity reserve	500,000
	<hr/>
Total change in reserves and funds	1,409,737
	<hr/>

Events after the balance sheet date

No events have occurred between the balance sheet date and the date on which the Board adopted the annual accounts, which would affect the 2019 annual accounts or the condition of MCNL at the end of the financial year or thereafter. No subsequent events occurred between balance sheet date and the date that the statements were adopted that did not affect MCNL's figures as of year end but need to be disclosed due to their significance/nature.

Remuneration of Directors

	EUR
Marina Antunovic	
Director	
Period of employment : 01.10.2018 – 30.06.2019	
Duration	
Hours/week	40
Annual income	
Gross salary	67,835
Holiday allowance	5,426
Total director remuneration	73,261
Taxable allowances	3,600
Social Security	7,602
Total remuneration and benefits 2019	84,463
Total remuneration and benefits 2018	-

	EUR
Simon O'Connell	
Executive Director	
Period of directorship : 01.07.2018 – 30.06.2019	
Duration	
Hours/week	15
Annual income	
Gross salary	-
Holiday allowance	-
Total director remuneration	-
Taxable allowances	-
Social Security	-
Total remuneration and benefits 2019	-
Total remuneration and benefits 2018	-

Simon O'Connell is Executive Director for MCE and MCNL and his salary is fully paid for by MCE and not recharged to MCNL.

No loans, advances or guarantees were given to MCNL directors.

Remuneration Board members

No remuneration is offered to Board members and no loans, advances or guarantees existed in 2019. In 2019, no expenses were incurred for Board members.

Adoption of financial statements

The Financial Statements are prepared by the management of MCNL. The Financial Statements were unanimously adopted by the Board of MCNL in its meeting of 03 November 2020, held online.



Roberto Bocca

Chair, on behalf of the Board.

INDEPENDENT AUDITOR'S REPORT

To: the Board of Vereniging Mercy Corps Netherlands

Report on the financial statements 2018/2019

Our opinion

In our opinion, the financial statements of Vereniging Mercy Corps Netherlands ('the organization') give a true and fair view of the financial position of the organization as at 30 June 2019, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 'Charity Organizations' of the Dutch Accounting Standards Board.

What we have audited

We have audited the accompanying financial statements 2018/2019 of Vereniging Mercy Corps Netherlands, Den Haag.

The financial statements comprise:

- The balance sheet as at 30 June 2019;
- The statement of income and expense for the year 2019;
- The cash flow statement for the year 2019;
- The notes, comprising the accounting policies and other explanatory information.

The basis for our opinion

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

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

Independence

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

Emphasis of matter - Unaudited corresponding figures

We have not audited the financial statements for the year ended 30 June 2018. Consequently, we have not audited the corresponding figures included in the profit and loss account, in the statement of changes and in the related notes.

Emphasis of matter – Correction of errors

We draw attention to the accounting policies section “Correction of errors” in the financial statements in which management has described the impact and consequences of the correction of errors.

Report on the other information included in the annual report

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information that consist of:

- The executive director’s message;
- The chair’s message;
- The organizational key facts;
- The description of activities and results;
- The governance structure;
- Information regarding communication with stakeholders;
- Plans for the next fiscal year; and
- Risk Management.

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

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information that is required by the Guideline for annual reporting 650 ‘Charity organizations’ of the Dutch Accounting Standards Board.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirement of the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board report pursuant to the Guideline for annual reporting 650 ‘Charity organizations’ of the Dutch Accounting Standards Board.

Responsibilities for the financial statements and the audit

Responsibilities of management and the Board for the financial statements

Management is responsible for:

- The preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 650 'Charity organizations' of the Dutch Accounting Standards Board; and for
- Such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board is responsible for overseeing the organization's financial reporting process.

Our responsibilities for the audit of the financial statements

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

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

The Hague, 3 November 2020

SCHIPPER & PAUL ACCOUNTANTS BV

Signed on the original: J.G.M. Schipper MSc RA

Appendix to our auditor's report on the financial statements 2018/2019 of Vereniging Mercy Corps Netherlands

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 skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining and audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement 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 organization's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the organization'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 organization 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 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.