



ANNUAL ACCOUNTS 2013

WAR CHILD



BALANCE SHEET

in euro, after proposed appropriation of surplus funds

		31 dec 2013	31 dec 2012
ASSETS	See note:		
Tangible assets	(2.1)	249,754	36,190
Receivables	(2.2)	1,934,439	2,179,910
Cash and cash equivalents	(2.3)	8,717,485	5,680,262
		<u>10,901,679</u>	<u>7,896,362</u>
LIABILITIES			
Reserves and funds	(2.4)		
Continuity reserve		4,982,461	5,623,289
Earmarked reserve		-	121,189
Earmarked funds		<u>787,530</u>	<u>-</u>
		5,769,991	5,744,478
Provisions	(2.5)	443,477	180,058
Long-term liabilities	(2.7)	198,000	0
Short-term liabilities			
Accounts payable		430,583	770,620
Taxes and social security payments	(2.6)	170,625	188,824
Grants received in advance	(2.7)	3,497,128	662,901
Other liabilities	(2.8)	<u>391,876</u>	<u>349,480</u>
		4,490,212	1,971,826
		<u>10,901,679</u>	<u>7,896,362</u>

STATEMENT OF INCOME AND EXPENDITURE

in euro

		Actual 2013	Budget 2013	Actual 2012
INCOME	See note:			
Income own fundraising	(3.1)			
Gifts and donations		11,321,712	12,181,625	11,601,061
Legacies		156,837	404,718	608,745
Gifts in kind		194,389	0	157,561
Income own fundraising		11,672,938	12,586,343	12,367,366
Share in actions of third parties	(3.2)	3,600,521	1,687,261	2,151,837
Government grants	(3.3)	9,048,302	6,221,496	8,114,262
Interest income	(3.4)	56,545	0	42,114
Other income	(3.5)	20,317	0	6,692
Sum of income		<u>24,398,622</u>	<u>20,495,100</u>	<u>22,682,271</u>
EXPENDITURES				
Expenditure on the objective	(3.6)			
Project activities		17,600,773	13,924,658	15,540,255
Preparation & coordination		980,286	917,273	958,782
Communication & awareness raising		1,818,590	1,810,463	2,006,430
Expenditure on the objective		20,399,650	16,652,393	18,505,467
Expenditures on fundraising	(3.7)			
Costs of own fundraising		2,177,542	2,207,531	1,799,765
Costs of obtaining third party grants		126,766	0	0
Costs of obtaining government grants		293,500	287,526	304,885
Expenditures on fundraising		2,597,808	2,495,057	2,104,650
Management & administration	(3.8)	1,375,652	1,347,651	1,504,181
Sum of expenses		<u>24,373,109</u>	<u>20,495,101</u>	<u>22,114,298</u>
Surplus / (Deficit)		25,513	(1)	567,974

ANNUAL ACCOUNTS 2013 - INCOME AND EXPENDITURES

Total 2013 income grew by 8% to € 24.4 million. This is € 1.7 million higher than total income in 2012 and € 3.9 million higher than the budget for 2013.

Income own fundraising

Income from own fundraising activities was € 11.7 million, which is € 0.7 million lower than the previous year and € 0.9 million below budget. The fall in income from own fundraising is primarily due to a drop in structural individual donors of 5%. At the end of 2013, War Child's constituency included just above hundred thousand Friends. Income from legacies decreased by € 0.5 million in 2013. This drop in income is partially offset by an increase in income from foundations of € 0.2 million (mainly Adessium and Liberty Foundation) and an increase in income from schools. The target group Kids & Schools received specific attention in 2013, resulting in income growth and successful national events such as '*Koningsontbijt*', for which War Child was designated charity.

Income from third parties

Income from third parties increased by € 1.4 million to € 3.6 million, which is € 1.9 million above original 2013 budget. This can be explained by the additional grant from *Nationale Postcode Loterij* (NPL, Dutch Postcode Lottery) of € 1.8 million that was awarded to War Child in addition to the budgeted structural NPL contribution of € 1.4 million. The additional grant is earmarked for a project implemented in occupied Palestinian territory, whereas the structural contribution is unrestricted.

Income from governments

The increase in income from governments of € 0.9 million to reach € 9.0 million (€ 2.8 million over budget) is mainly attributable to income from United Nations organizations (such as UNICEF and UNHCR) for War Child's Lebanon program related to the Syrian crisis. Furthermore, War Child has expensed € 0.9 million less than in 2012 on the MFS II grant from the Dutch government. Of the total 5-year grant of € 21 million, almost € 8 million budget remains for 2014 and 2015. As agreed in a monitoring protocol, a separate report on the MFS II programme is prepared for the Dutch government.

Expenditures on the objective

Expenditures on War Child's objective are € 3.7 million above budget and € 1.9 million more than the 2012 level. This is mainly attributable to the activities in Lebanon related to the Syrian conflict. The notes to the statement of income and expenditures contain a more detailed analysis of expenditures on the objective. An amount of € 0.1 million was released from the earmarked reserve and was spent on security of our office and staff in DR Congo.

Expenditures on fundraising

Costs of generating funds rose by € 0.5 million compared with 2012 and exceeded the budget by € 0.1 million. Within this category, costs of own fundraising increased by € 0.4 million, although own fundraising income fell by € 0.7 million. This development can be partly explained by the economic crisis which made it more difficult to raise funds from individuals and businesses.

Expenditures on management & administration

Expenditures on management & administration decreased by € 0.1 million and were on target. War Child acknowledges that a charity cannot ensure and manage efficient and effective implementation of its projects without adequate budget allocated to management & administration. Nevertheless, War Child will continue to critically assess this expenditure as part of its low cost policy.

Surplus / Deficit

The reported surplus of income over expenditures by € 0.03 million includes timing differences in the recognition of income and expenditure, in accordance with the Dutch Accounting Standard RJ650. This includes € 0.8 million income from an NPL grant that was fully recognized in 2013, while relevant expenditure is expected in 2014, 2015 and 2016. On the other hand, € 0.4 million of partner payments are recognized as expenses in 2013, while these payments are not recognized as income from donors. It is expected that this amount will be reported as expensed by those partners in 2014 and at that time, the relevant amount will be recognized as donor income in 2014.

APPROPRIATION OF THE SURPLUS

in euro

	2013		2012
Surplus / (Deficit)	25,513		567,974
Addition to (withdrawal from):			
Continuity reserve	(640,828)	446,785	
Earmarked reserve	(121,189)	121,189	
Earmarked funds	<u>787,530</u>	<u>-</u>	
Total change in reserves and funds	25,513		567,974

The notes to the balance sheet provide further information about the composition of reserves and funds.

RATIOS

	Realisation 2013	Budget 2013	Realisation 2012	Realisation 2011
% Costs of own fundraising / income own fundraising	18.7%	17.5%	14.6%	18.2%
% Costs obtaining 3rd party & government grants / income 3rd parties and govmt	2.3%	3.6%	3.0%	3.0%
% Costs of fundraising / Total income	10.6%	12.2%	9.3%	12.2%
% Costs management & administration / Total Expenses	5.6%	6.6%	6.8%	6.2%
% Total expenditure on behalf of the objective / Total income	83.6%	81.3%	81.6%	84.2%
% Total expenditure on behalf of the objective / Total expenses	83.7%	81.3%	83.7%	82.0%
% own fundraising income / total income	48%	61%	55%	61%
Solvability: reserves and funds / total liabilities	53%	nvt	73%	68%
Liquidity: current ratio (short-term assets / short-term liabilities)	2.37	nvt	3.99	3.11

The Central Bureau of Fundraising (CBF) sets a maximum of 25% to the costs of own fundraising in relation to the income generated by own fundraising.

In view of its low cost policy, War Child aims to keep the percentage for own fundraising costs below 15%. As a result of increased internal allocation costs, the economic crisis, increased churn of the constituency and increased cost per each newly acquired Friend, War Child has not been able to stay below its internal target level in 2013, although the actual level (18.7%) was still well below the CBF target level. War Child's Fundraising Department has taken measures to decrease the ratio of costs of own fundraising in 2014. The cost of fundraising activities as a percentage of total income was 10.6%.

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In the light of its low cost policy, War Child has the intention of keeping the percentage for Management & Administration below 7%.

Indirect costs are allocated to activities in line with the time spent on activities by War Child staff.

CASH FLOW STATEMENT

in euro

	2013	2012
Cash flow from operational activities		
Surplus / (Deficit)	25,513	567,974
Adjustment for depreciation	<u>37,975</u>	<u>31,109</u>
Gross cash flow from operational activities	63,488	599,082
(increase) / decrease in accounts receivable	245,470	(706,804)
increase / (decrease) in short-term liabilities and provisions	2,781,804	(273,281)
increase / (decrease) in long-term project obligations	<u>198,000</u>	<u>-</u>
	3,225,275	(980,085)
Net cash flow from operating activities (A)	<u>3,288,763</u>	<u>(381,003)</u>
Cash flow from investment activities		
Investments in fixed assets	<u>(251,540)</u>	<u>(17,413)</u>
Cash flow from investment activities (B)	(251,540)	(17,413)
Cash flow from financing activities (C)	0	0
Change in cash and cash equivalents (A+B+C)	<u><u>3,037,223</u></u>	<u><u>(398,416)</u></u>
Cash and cash equivalents per 1 January	5,680,262	6,078,678
Cash and cash equivalents per 31 December	<u>8,717,485</u>	<u>5,680,262</u>
Change in cash and cash equivalents	3,037,223	(398,416)

Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents and there are no deposits or other investments. Cash flows in foreign currencies have been converted at the average exchange rate of the previous month. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received are included in cash from operating activities. Since War Child does not invest nor speculate and has no financial leases, cash from financing activities is zero. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

The cash and cash equivalents have increased in 2013, which can be explained by large prepayments to War Child by institutional donors and foundations, such as the European Commission, IKEA Foundation and Nationale Postcode Loterij (NPL). The projects related to these subsidies will be implemented in 2014 and later (for more information, see the notes to the balance sheet).

1. NOTES TO THE ANNUAL ACCOUNTS 2013

General

These are the annual accounts of Stichting War Child, registered in The Netherlands and recognized as an ANBI (*Algemeen Nut Beogende Instelling*). War Child is located in Amsterdam at the Helmholzstraat 61-G. All War Child's country offices are one and the same legal entity worldwide.

The annual accounts are dated 25 April, 2014 and form an integral part of War Child's annual report. The annual report gives a detailed account of War Child's activities, results and programmes. The annual accounts have been prepared in accordance with Guideline RJ650, which applies to Dutch fundraising organizations. The accounting policies have been consistently applied to all the years presented. War Child's financial year coincides with the calendar year.

War Child is an independent and impartial international non-governmental organization (iNGO) investing in a peaceful future for children affected by armed conflict. War Child empowers children and young people while enabling adults to bring about positive and lasting changes in the lives of conflict affected children and young people. War Child supports children regardless of their religious, ethnic or social backgrounds or gender. In 2013, War Child implemented its projects in Afghanistan, Burundi, Colombia, Democratic Republic of Congo, Lebanon, Occupied Palestinian Territories, Republic of South Sudan, Sierra Leone, Sri Lanka, Sudan, Thailand and Uganda.

War Child's vision is: "Children do not belong in war. Ever. They have the right to grow up free from fear and violence. To develop their full potential and become the person they want to be. Together we can change the future."

War Child's mission is: "War Child makes a lasting impact. By protecting children from violence and offering psychosocial support and education. We unleash the children's inner strength with our creative and involving approach. and inspire as many people as we can to participate in our cause."

Accounting Principles - General

The accounting policies have been consistently applied to all the years presented.

Functional currency

Items included in the financial statements of War Child's country offices are measured in euro. The financial statements of the legal entity are presented in euro, which is the functional and presentation currency of War Child.

Transactions in foreign currencies

Foreign currency amounts are converted in euro against the exchange rate determined based on the average mid-rate in the previous month. Monetary assets, such as bank and cash balances and receivables, and monetary liabilities, such as payables, in foreign currencies are revaluated on a monthly basis. Differences in the euro value of such monetary assets, caused by exchange rate fluctuation, are accounted for as income or expenditure. Foreign exchange rate gains or losses, resulting from the revaluation of such assets at balance sheet date, are recognized in the statement of income and expenditures in the period that they arise.

Estimates

The preparation of the financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. If necessary and relevant, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Operational lease

Lease and rental contracts, for which a large part of the risks and rewards incidental to ownership of the assets does not lie with War Child, are recognised as operating leases. Obligations under operating leases are recognised on a straight-line basis in the statement of income and expenditures over the term of the contract, taking into account reimbursements received from the lessor.

Accounting Principles - Balance Sheet

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred or current value, unless specifically stated otherwise.

Fixed assets

As at each balance sheet date, War Child tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is directly expensed in the statement of income and expenditures. If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

The fixed assets in the programme areas are valued at nil, because of the short life span due to wear and tear, because most assets will be donated to partners and because of the often legal impossibility of exporting assets to The Netherlands.

Fixed assets in The Netherlands are linearly depreciated from the time they are taken into use over their estimated useful lives.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. When a receivable is uncollectible, it is written off.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Cash and cash equivalents are stated at face value. War Child does not have any borrowings or loans. War Child does not invest nor does it make use of any financial instruments.

Reserves and funds

The continuity reserve is in place to enable War Child to meet its obligations on a three year period of stagnated income or after an incident with impact on expenses. The target level is determined by the Supervisory Board, based on an annual risk assessment by the Controller. For further explanation, see the notes to the balance sheet.

The earmarked reserves are related to funds earmarked by the Supervisory Board to be spent on a designated purpose.

The earmarked funds are related to funds earmarked by the external donor to be spent on a designated purpose.

Provisions

Provisions are recognized when there is an obligation as a result of past events that is of an uncertain size or that will occur at an uncertain future date, and that can be estimated reliably.

Provisions are stated at the best estimate of the size of the obligation up to the reporting date. Provisions are recognized at the face value of the expenditure that is expected to be required to settle the liabilities unless stated otherwise.

Liabilities and payments towards partners

Liabilities are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

To implement part of the work in its programme areas, War Child enters into contracts with partners. These obligations are not entered into the balance sheet as a liability, since these contracts include an opt-out option. Payments to partners are accounted for as expenses in the reporting period that the payment was made.

Accounting Principles - Income and Expenditures

Income recognition

Donations without a designated purpose are accounted for as income in the reporting period that those were received or committed to in a signed contract.

Subsidies and grants with a designated purpose and a risk of pay-back in case of ineligibility of the related expenses, are accounted for as income in the same reporting period in which the subsidized eligible expenditure is recognized.

Grants from lotteries are specifically mentioned in guideline RJ650 as income to be accounted for in the reporting period in which the funds are committed. Therefore War Child accounts for grants from the Nationale Postcode Loterij as income in the year it was received, even if related projects expenses will be accounted for in subsequent financial years. The designated funds to be spent in later years are specified as earmarked funds.

Legacies are accounted for as soon as the amount of income for War Child can be reliably estimated.

Gifts in kind are accounted for as income and expense in the year they are received. If there is no contract stating the value of the gift, gifts in kind are valued as income and expense at the actual realistic value to War Child.

Loss recognition

Losses and impairments are accounted for as soon as these are anticipated.

Employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees. War Child has applied the liability method for pension plans. The premiums payable for the financial year are charged to the result. Premiums paid in advance and to be paid are included in the balance sheet.

War Child pays pension premiums to the pension insurance company based on (legal) requirements and contractual basis with employees and with the pension fund. Premiums are recognised as personnel costs when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not been paid yet are presented as liabilities.

Interest received

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs.

2. NOTES TO THE BALANCE SHEET

in euro

2.1 Fixed Assets

	Assets head office	equipment not yet in use	Total
Purchase value of assets	467,499	6,890	474,389
Cumulative depreciations	(438,199)	-	(438,199)
Value as per 1 January 2013	29,300	6,890	36,190
<u>Divestments</u>			
Purchase value of divestments during the financial year	(343,259)		(343,259)
Depreciation of divestments during the financial year	343,096	-	343,096
<u>Purchases and depreciation</u>			
Investments during the financial year	257,941		257,941
Depreciation during the financial year	(37,975)	-	(37,975)
Purchase value of goods exported to projects	-	(6,238)	(6,238)
Value as per 31 December 2013	249,102	652	249,754
Cumulative purchase value of assets	382,180	652	382,832
Cumulative depreciations	(133,079)	-	(133,079)
Value as per 31 December 2013	249,102	652	249,754

Fixed assets in head office are depreciated over a three-year period, except for furniture and fittings to the office, which are depreciated in 10 years. Tangible assets in project countries are depreciated in full when taken into use.

War Child's assets include IT hardware, IT system developments, furniture and office fittings.

Purchases in 2013 mainly relate to new laptops for all employees and to the refurbishment and furnishing of War Child's new office in Amsterdam, taken into use as of September 2013. War Child owns no buildings in The Netherlands nor in project countries.

Divestments in 2013 relate to the fully depreciated assets that were identified as obsolete during the move of office. No income was accounted for in 2013 related to the divestment of assets.

Fixed assets are used towards War Child's operations.

2.2 Receivables

	31 dec 2013	31 dec 2012
Legacies due	194,527	679,519
Receivables from donors	1,279,950	1,093,056
Interest to be received	27,829	9,503
Prepayments in project countries	311,621	197,302
Other accounts receivable	120,512	200,530
	<u>1,934,439</u>	<u>2,179,910</u>

All accounts receivable originated in 2013 and are expected to be received within one year. Sometimes legacies take longer to be settled, especially for instance when the sale of property is involved. Our best estimate is to classify all receivables as short-term.

A provision for doubtful receivables is deemed unnecessary.

Legacies due in 2012 included one large legacy, which was settled in 2013.

Prepayments in project countries include, for example, rental prepayments for offices abroad.

Receivables from donors

Receivables from donors relate to projects that have been implemented in 2013, for which funds from donors are expected but had not yet been received on 31 December 2013. The funds are expected in 2014. The amount has increased because of the growth in institutional funding. The amount receivable from donors at the end of 2013 can be broken down as follows:

	31 dec 2013	31 dec 2012
Dutch government	499,395	470,611
European Commission	239,664	81,130
ASN Bank	188,985	159,421
Adessium	80,000	89
Other donors	271,907	381,805
	<u>1,279,950</u>	<u>1,093,056</u>

2.3 Cash and cash equivalents

	31 dec 2013	31 dec 2012
Cash and cash equivalents in The Netherlands	6,721,002	4,642,956
Cash and cash equivalents in project countries	1,996,483	1,037,306
	8,717,485	5,680,262

The balance of cash and cash equivalents is readily available to War Child, except for bank guarantees related to rental agreements for War Child offices in The Netherlands. The bank guarantees total € 109,933. Of this € 51,450 is expected to be released during 2014 with the finalisation of the rental agreement for the former War Child office. The balance (€ 58,483) is related to the new rental contract and has a long-term nature.

Since its inception, War Child has never invested any money in securities. Any reserve is either to be spent on relative short notice on a specific purpose or is to be held as a continuity reserve - which may be needed in case of an unfortunate event or stagnating income. Therefore, long-term investing is not appropriate for War Child. Short-term investing with a speculative character is not in our mandate either. That leaves only room for short-term investing in the safest short-term securities. To date, War Child has not yet made such investments.

War Child aims to hold its cash positions as much as possible in euro and in The Netherlands. By the end of 2013, 77% of its funds were held in The Netherlands. For local expenditures, local currency accounts are kept. War Child head office and some project offices have a US Dollar bank account when contracts with donors and expenditures are in US Dollars. County offices request for money transferred by head office on a monthly basis, based on forecasted expenditure. War Child aims to minimize the funds held abroad, but due to the nature of War Child's work, each country needs to hold a buffer amount for unforeseen events.

The substantial increase in liquidity is caused by large prepayments by institutional donors including the European Commission, IKEA Foundation and Nationale Postcode Loterij.

2.4 Reserves and Funds

in euro

	(A) Continuity reserve	(B) Earmarked reserve	(C) General reserve	TOTAL RESERVE	(D) Earmarked funds
Balance as per 1 January 2013	5,623,289	121,189	-	5,744,478	-
- Additions from result 2013	25,513		-	25,513	
- Withdrawals	(666,341)	(121,189)	-	(787,530)	787,530
Balance as per 31 December 2013	4,982,461	-	-	4,982,461	787,530

A) Continuity reserve

War Child monitors the desired size of its continuity reserve annually based on risks perceived, for approval by its Supervisory Board.

The risk analysis includes stress testing of adverse events such as a major security incident and reputational damage resulting in stagnating income for the next three years. The most recent analysis was performed in December 2013 and the outcome was a target level of the continuity reserve of € 3.3 million to survive multiple incidents that occur during a period of one year, € 4.9 million to ensure continuity when multiple incidents last for two years and € 5.7 million based on a period of three years of ongoing incidents.

The continuity reserve at the end of the financial year is € 5.0 million, which according to the risk analysis, ensures continuity of the organisation during two years of adverse incidents. The continuity reserve is at 87% of the target level in the worst case scenario of three years of ongoing incidents. War Child will gradually grow its continuity reserve and expects to reach the target level within the next five years. War Child has chosen to take a number of years to reach the target level to ensure that continuity reserve growth is not at the expense of current programming capacity.

War Child's continuity reserve is in compliance with the demands of the VFI as stipulated in its policy for financial control of NGOs ("Financieel Beheer Goede Doelen"). The maximum continuity reserve is 1.5 times specified annual costs of the organisation. For War Child this means a maximum of 1.5 x € 13 million = € 19.5 million

B) Earmarked reserve

The earmarked reserves are funds with a designated purpose determined by the board. The earmarked reserves at the beginning of the year totalling € 121,189 were spent during the year in accordance with their designated purpose, upgrading the security measures in DR Congo.

D) Earmarked funds

The earmarked funds are designated by the donor. In 2013, War Child received a grant from the *Nationale Postcode Loterij* (NPL, Dutch Postcode Lottery), earmarked towards a project running in occupied Palestinian territory. In accordance with guideline RJ650, the total amount received was recognized as income in 2013, while only part of it was spent in 2013. The remaining amount (€ 787,530) has been added to earmarked funds. The remaining expenditures related to this project will be accounted for in 2014 and 2015. In these years, the earmarked funds for NPL will decrease by the amount expended.

2.5 Provisions

	31 dec 2013	31 dec 2012
Provisions	443,477	180,058

In 2013, War Child reviewed its liabilities related to staff in its project countries. A number of local laws have changed in recent years, some even retro-actively. Most of the labour laws in the countries that War Child is active in include an obligation for the employer to pay redundancy fees and terminal benefits to its staff at the end of the contract, based on the duration of the service and the salary. A fee usually has to be paid regardless of the way the labour contract is terminated. War Child has a provision in place to respond to these future obligations.

The term of the provisions is uncertain, since the obligation to pay terminal benefits and redundancy fees is due at the end of service of an employee. Therefore the provisions consist of a mix of long-term and short-term obligations.

2.6 Taxes and social security payments

	31 dec 2013	31 dec 2012
Income tax for head office staff to be paid	136,912	75,752
Social security charges for head office staff to be paid	(62)	39,777
Income tax for field staff to be paid	33,775	3,708
National insurance contributions for field staff to be paid	-	69,587
	<u>170,625</u>	<u>188,824</u>

2.7 Grants received in advance

	31 dec 2013	31 dec 2012
Short term obligation of grants received in advance	3,497,128	662,901
Long term obligation of grants received in advance	198,000	-
	<u>3,695,128</u>	<u>662,901</u>

Grants received in advance is earmarked money that was received by War Child in the financial year, while the related project expenses have not yet been incurred. Due to the nature of the grant contract, income is not accounted for in the year received, but in the year in which the related expenses take place. The obligation is classified as long term for those parts of the received grants, that are budgeted to be expensed after 12 months from the balance sheet date.

The amount of grants received in advance has substantially increased compared to 2012. This is due to the growth in institutional funding, and by a number of large amounts received just before the end of the financial year. The long term obligation is related to the percentage of the grant received from IKEA Foundation, that will be spent in 2016 according to the latest approved grant budget.

The amount of grants received in advance at the end of 2013 can be broken down by donor as follows:

	31 dec 2013	31 dec 2012
European Commission	1,570,479	205,411
IKEA Foundation	938,000	-
UNHCR	339,372	-
UNICEF	334,888	-
Other donors	512,389	457,490
	<u>3,695,128</u>	<u>662,901</u>

2.8 Other liabilities

	31 dec 2013	31 dec 2012
Provision for holiday allowance	191,026	185,326
Provision for holiday leave	161,955	125,220
Other liabilities	38,895	38,934
	391,876	349,480

All other liabilities fall due within one year after this reporting period.

2.9 Off balance sheet obligations and rights

In 2013, an office rental obligation was entered into for a period of ten years until 30 September 2023. Total rental obligation including service and utilities charges is € 2.3 million + annual indexation.

War Child enters into agreements with partners to execute programmes related to War Child's objectives. By the end of 2013, these obligations totalled € 1.7 million, of which € 1.6 million is due within 12 months. Most partner agreements are directly linked to relevant donor agreements ensuring incoming funds.

Specifically mentioned partner obligations relate to War Child's MFS II partners Child Helpline International, Free Press Unlimited and TNO. An amount of € 2.2 million is to be paid by War Child in 2014 and 2015 to these partners. This obligation is conditional on the payment to War Child by the Dutch government. If the grant is decreased by the Dutch government, then payments to the partners will also be decreased accordingly.

Contracts with donors are not specifically listed as off balance sheet rights, due to War Child's obligation to utilize donor funds for exactly the amount contained in the donor contract. Therefore the obligations and rights in each contract balance each other out. The total value of rights and obligations in donor contracts signed by the end of 2013 was € 13 million.

In the table below, War Child's global off balance sheet obligations are specified.

	obligation due within 1 year	obligation due after 1 year
Contracts for operations (including rental, IT, cars)	623,666	2,004,472
Partner contracts countries	1,561,916	115,000
MFS II Conn@ct.Now partner contracts	1,279,198	903,045
Total off balance sheet obligations	3,464,780	3,022,516

3. NOTES TO THE STATEMENT OF INCOME AND EXPENDITURES

in euro

3.1 Income own fundraising

	2013	2012
Individuals	7,956,969	8,465,457
Businesses	1,684,828	2,134,017
Kids & schools	454,236	410
Non-fundraising foundations	918,686	671,350
Other organisations	306,993	329,827
Legacies	156,837	608,745
Gifts in kind	194,389	157,561
	<u>11,672,938</u>	<u>12,367,367</u>

Income own fundraising includes structural and one-off donations from individuals, businesses, schools and other organisations, as well as donations from foundations that are not fundraising organisations themselves (which would otherwise be classified as Income from third parties). It also includes legacies and gifts in kind. In 2012, income from kids & schools was not registered as a separate segment. Kids were registered as individuals and schools were registered as other organisations together with churches, municipalities, universities and associations.

Income own fundraising has decreased compared to the previous year. This is mainly due to a decline in income from legacies, a segment that has not received active focus so far from War Child. Also, donations from individuals and businesses substantially declined by € 0.5 million due to the difficult gift market to which War Child needs to adjust. Income from foundations has increased compared to 2013. Our Institutional Fundraising Unit has professionalized and increased its human resources to be able to react to fundraising opportunities. The result of this upscaling is visible.

3.2 Income third parties

	2013	2012
Nationale Postcode Loterij (NPL)	3,115,860	1,350,000
Plan	248,111	0
Swedish Lottery	191,189	0
Other fundraising organisations	45,362	801,837
	<u>3,600,522</u>	<u>2,151,837</u>

Income third parties consists of contributions from other fundraising organizations. War Child does not bear any risk for the fundraising activities of these organizations.

Income third parties has increased mainly thanks to the additional one-off grant from the Dutch Postcode Lottery (NPL), in addition to its structural donation that was budgeted for. The decrease in income from other organisations is explained by the reclassification of CHF and UN bodies from third parties to government grants, since the vast majority of funding of these organisations originates from governments.

3.3 Income from governments

	2013	2012
Dutch Ministry of Foreign Affairs - MFS II	4,235,811	5,346,704
Dutch Ministry of Foreign Affairs - other	56,695	301,895
UN and UN organisations	2,754,641	421,714
European Commission funding	1,576,380	1,411,269
Other governmental organisations	424,775	632,682
	<u>9,048,302</u>	<u>8,114,262</u>

Income from governments includes grants income from separate governments, as well as from governmental bodies and from organizations that receive the vast majority of their funding from governments. In cases where the back-donor of a specific project is a government, but War Child has a contract with a third party, this income is categorized as income from governments.

The decrease in income from MFS II can be explained by overspending in 2012 and underspending in 2013. The total budget of € 21 million is divided equally over the 5-year grant period. Almost € 8 million budget remains for 2014 and 2015.

The growth in income from UN organisations is mainly related to War Child's Lebanon program, for the Syrian crisis under funding agreements mainly with UNICEF and UNHCR.

3.4 Interest income

	2013	2012
Interest received	56,545	42,114
Interest paid	-	-
	<u>56,545</u>	<u>42,114</u>

War Child uses a list of criteria for the selection of banks where it deposits its funds. See also note 2.3 to the balance sheet. The increase in interest income was caused by the increase in funds in War Child's bank accounts.

Interest income previous years: € 82 922 in 2011; € 69 783 in 2010 and € 10 767 in 2009.

3.5 Other income

	2013	2012
Payment differences	(366)	10
Exchange rate differences	(93,433)	6,681
Proceeds from the local sale of assets	114,116	-
	<u>20,317</u>	<u>6,692</u>

War Child does not use derivatives to minimize exchange rate risks. Exchange rate differences have changed from a small gain in 2012 to a substantial loss in 2013. This mainly relates to the revaluation of receivables from donors and project commitments nominated in US Dollars. The loss does not impact our programme if our expenses are in the same currency as the grant. This has triggered a more stringent monitoring of foreign currency balances and of foreign exchange rate risks.

3.6 Expenditure on behalf of the objective

a) Costs of project activities

	2013	2012
Afghanistan	436,117	465,153
Burundi	822,437	898,857
Colombia	810,028	1,014,136
DR Congo	1,947,749	1,760,118
South Sudan	1,585,397	1,565,303
Occupied Palestinian territory	849,448	886,829
Lebanon / Syria	4,056,003	766,984
Sierra Leone	55,060	841,454
Sri Lanka	209,822	299,446
Sudan	678,852	1,348,820
Thailand / Myanmar	244,379	-
Uganda	2,246,101	2,821,045
MFS II alliance partners (break down below)	1,242,755	1,543,340
Right to play Occupied Palestinian Territories	886,490	-
Projects general and global	743,021	533,291
Allocated support costs	787,113	795,480
	<u>17,600,773</u>	<u>15,540,256</u>

War Child distinguishes three main activities on behalf of its objective:

- a) project activities: Implementation of War child's projects;
- b) preparation & coordination: Preparation and management of our projects;
- c) communication & awareness raising: Communicating about relevant issues.

Expenditure towards project activities include costs related to the implementation of War Child's projects. In its project countries, War Child has self-implementing projects as well as projects implemented by partner organisations. Costs of project activities include expenditure such as staff costs, materials purchased, transport costs, office expenses and payments to local partners. Costs of the country and field offices are fully attributed towards project activities. Costs of the head office are attributed to project activities if the costs are directly related to implementing projects.

In 2013, War Child spent € 2 million more on project activities than in 2012. The largest shifts in countries occurred in Lebanon, where expenditure was over five times that of the previous year. All additional expenditure in Lebanon is related to the Syrian crisis. War Child's office in Sierra Leone closed according to plan in March 2013.

Operations in Sudan were behind plan, due to travel and visa restrictions. In March 2013, our Thailand office, close to the border with Myanmar, was opened.

Payments to MFS II alliance partners decreased due to prepayments in 2012. In the project 'Jeugdhelden', War Child heads an alliance with Right to Play. The payments to this partner are accounted for in 2013.

War Child leads the MFS II Conn@ct.Now alliance. Payments to its alliance partners can be broken down as follows:

	2013	2012
Child Helpline International	468,452	459,274
Free Press Unlimited	495,972	790,066
TNO	278,331	294,000
	<u>1,242,755</u>	<u>1,543,340</u>

b) Costs of preparation and coordination

Direct costs for preparation and coordination include costs for evaluations of our programmes, security measures and security trainings for head office staff visiting the field, quality assurance, research and development of standard intervention methods and travel costs related to these centralized activities.

c) Costs of communication and awareness raising

Communication and awareness raising includes the costs of communication to and with people in general and with certain focus groups and networks in particular. Direct costs include those costs related to lobbying, website, conference organization and advocacy campaign costs.

3.7 Costs of fundraising

Costs of fundraising are those expenses incurred for activities which aim to persuade people, businesses and other organizations to become Friends of War Child, to donate money or to enter into donor contracts with War Child.

The costs of activities that have both a fundraising and a communication and awareness raising component are allocated to both expenditure categories based on an assessment of the weight of the activity's objectives.

	2013	2012	2011	2010	2009	2008
Costs own fundraising	2,177,542	1,799,765	2,042,520	1,354,529	1,442,104	1,201,698
Income own fundraising	11,672,938	12,367,366	11,250,797	9,490,760	10,005,220	8,877,454
% costs own fundraising	18.7%	14.6%	18.2%	14.3%	14.4%	13.5%

The Central Bureau of Fundraising (CBF) sets a maximum of 25% to the costs of own fundraising in relation to the income generated by own fundraising. In view of its low cost policy, War Child aims to keep the percentage for own fundraising costs below 15%. In 2013 this objective has not been met as a result of a number of reasons. The economic crisis and increased churn of the constituency caused the denominator to decrease and increased fees per newly acquired Friend as well as higher allocation of support costs caused the nominator to increase. War Child has not been able to stay below its internal target level in 2013, although the ratio was still well below the CBF target level. War Child's Fundraising Department has taken measures to decrease the ratio of costs of own fundraising in 2014.

3.8 Management and administration

The Central Bureau of Fundraising (CBF) purposefully doesn't set a maximum to the costs of management and administration in relation to the total expenditure, because lower management costs are not necessarily always better. Fundraising organisations are active in very diverse manners, some are more complex to manage and administrate than others. If management and administration were not properly invested in, then the continuity of the organisation could be at risk. War Child aims to keep the percentage for m&a costs below 7%.

	2013	2012	2011	2010	2009	2008
Costs management & administration	1,375,652	1,504,181	1,178,805	1,120,085	913,588	742,587
Total costs	24,373,109	22,114,298	19,045,391	15,379,244	14,246,077	12,526,572
% Costs management & administration	5.6%	6.8%	6.2%	7.3%	6.4%	5.9%

The percentage of management and administration has decreased in 2013 because of adherence to War Child's low-cost policy and because the total organisation has grown so that economies of scale can be achieved. In 2013 War Child has done an exercise to critically analyse head office expenses which has resulted in cost savings.

3.9 Support costs

in euro

Support costs are those costs incurred in War Child's head office in The Netherlands that are not directly attributed towards an expense category, such as project activities or fundraising. War Child's support costs are allocated based on estimated time spent per employee on each of the expenditure categories. These general support costs include, for example, rental costs for the head office and ICT costs. The allocation method for support costs is determined by the Supervisory Board annually before the start of the new financial year, based on an analysis by the Controller. The allocation method is consistently applied. By the end of 2013 War Child has done an exercise to critically analyse head office expenses which has resulted in cost savings, which will be visible in 2014. Housing costs are relatively high in 2013 due to the move of offices in Amsterdam.

	2013		budget 2013		2012	
Staff costs	4,226,808	82%	4,309,427	86%	4,096,936	85%
Housing costs	376,362	7%	224,200	4%	270,511	6%
Office costs	244,592	5%	187,960	4%	177,985	4%
Other general costs	283,351	6%	305,087	6%	275,660	6%
Total support costs	<u>5,131,114</u>	100%	<u>5,026,674</u>	100%	<u>4,821,093</u>	100%

The staff costs can be broken down as follows:

	2013		budget 2013		2012	
Gross wages incl holiday allowance	3,108,125		3,251,965		2,927,278	
Pensions	249,897		275,000		223,965	
Social security charges	512,650		451,662		476,225	
Other staff expenses	356,136		330,800		469,468	
Staff costs	<u>4,226,808</u>		<u>4,309,427</u>		<u>4,096,936</u>	

Allocation of support costs

Based on staff time spent, the total amount of support costs is allocated as follows:

	2013		budget 2013		2012	
Project activities	787,113	15%	771,092	15%	872,618	18%
Preparation & Coordination	745,038	15%	729,873	15%	670,132	14%
Communication & Awareness raising	914,364	18%	895,753	18%	795,480	16%
Costs own fundraising	1,015,447	20%	994,779	20%	694,237	14%
Costs obtaining third party grants	-	0%	-	0%	-	0%
Costs obtaining government grants	293,500	6%	287,526	6%	284,444	6%
Management & Administration	1,375,652	27%	1,347,651	27%	1,504,181	31%
	<u>5,131,114</u>	100%	<u>5,026,674</u>	100%	<u>4,821,093</u>	100%

3.10 Attribution of expenses according to "Model C"

in euro

		Destination category of expenditure (as RJ650 prescribes for income statement)										
		Expenditure towards Objective			Expenditure towards Fundraising			Management & Administration	Total expenditure			
		Communication & Awareness raising	Preparation & Coordination	Project activities	Own Fundraising	Third parties	Subsidies govmt		2013	2013 (previous year's interpretation)	Budget 2013	2012
Type of expenses within destination category	Contributions	-	144,884	10,688,976	-	-	-	-	10,833,859	16,686,409	13,153,566	15,053,865
	Purchases	-	64,694	6,095,234	145,906	-	-	-	6,305,835	1,162,094	1,212,752	1,105,528
	Outsourcing	735,082	25,670	29,450	844,013	-	-	-	1,634,215	235,249	187,400	-
	Publicity	169,144	-	-	172,176	126,766	-	-	468,086	1,158,243	914,710	1,133,812
	Staff costs	753,217	613,732	648,393	836,485	-	241,773	1,133,207	4,226,808	4,226,808	4,309,427	4,096,936
	Housing costs	67,068	54,648	57,734	74,482	-	21,528	100,903	376,362	376,362	224,200	270,511
	Office costs	43,586	35,515	37,520	48,405	-	13,991	65,575	244,592	244,592	187,960	177,985
	General costs	43,726	35,629	37,641	48,560	-	14,035	65,785	245,376	245,376	273,550	264,276
	Depreciation	6,767	5,514	5,825	7,515	-	2,172	10,181	37,975	37,975	31,537	11,385
		Total expenses	1,818,590	980,286	17,600,774	2,177,542	126,766	293,500	1,375,652	24,373,109	24,373,109	20,495,101

The above overview is in accordance with the "Model C: Toelichting lastenverdeling" from "Richtlijn 650 Fondsenwervende Instellingen". War Child does not have income from joint actions nor from investments.

Where possible, expenditures are directly attributed towards one or more of the above expenditure categories. Expenditures that cannot directly be attributed are support costs. Those are allocated towards the above categories on the basis as explained in the previous paragraph 3.9 Support Costs.

The large shifts in amounts of 2012 and 2013, as well as of budget-actual comparisons can be explained by a different interpretation of the prescribed overview. In 2012 and in the budget 2013, War Child had attributed all expenses towards project activities to the expense type 'Contributions' and all expenses towards communication were attributed to 'Publicity'. In 2013, the expenses are categorized to the relevant types of expenses. For instance, Project Activities Contributions are contributions to our implementing partners and Purchases are materials purchased. For comparison reasons, the 2013 expenses are also shown according to the previous interpretation.

4. Other information

4.1 Number of employees

The average number of fulltime equivalent employees (FTE) at War Child's Amsterdam head office in 2013 was 77, compared to 76 FTE in 2012. This number includes 6.5 FTE interns, compared to 9 FTE interns in 2012.

The number of fulltime equivalent employees working abroad in War Child's project countries in 2013 was 327, including 32 expats, compared to 316 field staff, including 31 expats, in 2012. The growth in employees abroad during 2013 has mainly taken place in Lebanon and Burundi, while War Child's offices in Sierra Leone, Uganda and Sudan closed and scaled down, respectively.

4.2 Pension plan

War Child's head office pension plans are in accordance with the conditions of the Dutch Pension Act. It is a defined contribution system without indexing arrangements. War Child's pension insurance company is Brand New Day.

In its project countries, War Child acts in accordance with local pension laws.

4.3 Remuneration Supervisory Board members

No remuneration is offered to board members and no loans, advances or guarantees were given in 2013.

Members of the Supervisory Board occasionally visit War Child's field offices if and when this is relevant in the light of their role. Expenses related to the travel are paid by War Child and it is left to the discretion of the Supervisory Board members to reimburse the expenses to War Child.

4.4 Remuneration Managing Director

Name	Bernard Uyttendaele
Function	Managing Director
Duration	5-year contract until June 2017
hours/week	40+
part-time percentage	100%
Period	1/1/2013 - 31/12/2013
Annual income (euro)	
Gross salary	91,068
Holiday allowance	7,285
13e/14e month	0
Variable annual income / bonus	-10,000
Total director remuneration 2013	88,353
Social security charges (employer part)	8,837
Pension premium (employer part)	11,705
Total remuneration + employer charges 2013	108,895
Total remuneration + employer charges 2012	104,674

Following War Child's stringent low-cost policy, remuneration of the director is set below the guidelines of the Dutch Fundraising Institutions Association (VFI) for management salaries of charitable organisations (see www.vfi.nl).

The total director's remuneration of € 88 353 (1 FTE/12 months) was well below the VFI guideline of € 140 046 (1 FTE/12 months), corresponding to War Child's BSD-score of 505 points. No loans, advances or guarantees were given to War Child's director.

A negative income component of € 10 000 was withheld from the managing director's salary, at his request.

We refer to paragraph 6.2 of the annual report for further information about War Child's policy on its director's remuneration and to paragraph 6.3 for information about his evaluation.

4.5 Events after the balance sheet date

No events have occurred between the balance sheet date and the date on which the Supervisory Board authorised the publication of the annual accounts (April 25th 2014), which would affect the 2013 annual accounts or the condition of War Child at the end of the financial year or thereafter.

4.6 Director's statement and signature

I declare that the annual accounts and the annual report give a true and fair view of the position at the balance sheet date, of our work during the financial year and of the income and expenditures of War Child in 2013. I accept responsibility for keeping proper accounting records that disclose the financial position and all obligations and assets of the organization as well as for having adequate systems of internal control in place. I further accept responsibility for the correctness and completeness of the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates.

Amsterdam, 25 April 2014

[Original signed by Bernard Uyttendaele]

Bernard E.M.M. Uyttendaele
Managing Director
Stichting War Child

On April 25th 2014, the Supervisory Board of War Child discussed the annual report and the financial statements 2013 and approved the adoption of it by the managing director of War Child.

4.7 Auditor

The annual accounts have been audited by pwc Netherlands. The independent auditor's report is attached.

5. Budget 2014

in euro	Budget 2014	Actual 2013
Income own fundraising		
Gifts and donations	11,926,371	11,321,712
Legacies	100,000	156,837
Gifts in kind	-	194,389
	<u>12,026,371</u>	<u>11,672,938</u>
Share in actions of third parties	2,194,152	3,600,521
Government grants and others	17,330,445	9,048,302
Financial income and expenses	-	56,545
Other income		20,317
INCOME	<u>31,550,969</u>	<u>24,398,622</u>
Expenditure on behalf of the objective		
Project activities	25,699,321	17,600,773
Preparation & coordination	907,661	980,286
Communication & awareness raising	1,700,553	1,818,590
	<u>28,307,535</u>	<u>20,399,650</u>
Expenditures fundraising		
Costs own fundraising	1,956,889	2,177,542
Costs of obtaining third party grants	142,420	126,766
Costs obtaining government grants	131,545	293,500
	<u>2,230,854</u>	<u>2,597,808</u>
Management & administration	1,384,923	1,375,652
EXPENDITURE	<u>31,923,312</u>	<u>24,373,109</u>
Surplus / (Deficit)	(372,343)	25,513

Notes to the budget 2014

War Child's budget was developed with input from all departments and all country offices. The Management Team performed the final exercise of matching realistic income forecasts with planned expenditures, taking into account the target level of the continuity reserve. Underlying the budget are a number of measures to streamline the organisation and adjust it to the revised strategy. In 2014, War Child's activities will move closer to the conflict. The largest countries in which War Child will implement its programmes will be Lebanon/Syria, South Sudan and the Democratic Republic of Congo. War Child plans to close its office in Thailand and to hand over management of its operations in Afghanistan to War Child UK to permit overhead savings. Furthermore, it was decided to abolish the door-to-door acquisition of structural Friends for War Child and to replace this traditional method of fundraising by more innovative and efficient ways. In addition, cost savings are realised.

The income from third parties is expected to fall back to approximately the level of 2012. In 2013, income was exceptionally high thanks to the award of an extra draw of the *Nationale Postcode Loterij* (NPL, Dutch Postcode Lottery).

The income from governments and governmental bodies is targeted to double in 2014 compared to 2013. This increase is mainly related to War Child's work with children affected by the Syrian conflict. Governmental bodies such as UNHCR, UNICEF, OCHA and the European Commission are important donors subsidizing our programmes in the region.

Reserves and earmarked funds

	Budget	Actual
	31-12-2014	31-12-2013
Continuity reserve	5,032,462	4,982,461
Earmarked reserve	-	-
Earmarked funds	<u>365,186</u>	<u>787,530</u>
Reserves and Funds	<u>5,397,648</u>	<u>5,769,991</u>

Ratios

	Budget	Actual
	2014	2013
% Costs of own fundraising / income own fundraising	16.3%	18.7%
% Costs obtaining 3rd party & government grants / income 3rd parties and govmt	0.7%	2.3%
% Costs management & administration / Total Expenses	4.3%	5.6%
% Total expenditure on behalf of the objective / Total income	89.7%	83.6%
% Total expenditure on behalf of the objective / Total expenses	88.7%	83.7%

6.1 LONG-TERM STRATEGIC BUDGET 2014 - 2017

in millions of euro

	Budget 2014	Strategy 2015	Estimate 2016	Estimate 2017
	mln eur	mln eur	mln eur	mln eur
INCOME				
Income own fundraising				
Gifts and donations	11.93	12.50	13.00	13.00
Legacies	0.10	0.50	0.50	0.50
Gifts in kind	-	-	-	-
	12.03	13.00	13.50	13.50
Share in actions of third parties	2.19	2.00	2.00	2.50
Government grants	17.33	17.00	17.00	17.00
TOTAL INCOME	31.55	32.00	32.50	33.00
		0.36	0.35	0.35
EXPENDITURES				
Expenditure on behalf of the objective				
Project activities	25.70	25.80	26.00	26.35
Preparation & coordination	0.91	0.90	0.95	1.00
Communication & awareness raising	1.70	1.60	1.60	1.65
Subtotal expenses on behalf of the objective	28.31	28.30	28.55	29.00
Expenditures fundraising				
Costs own fundraising	1.96	2.00	2.00	2.00
Costs of obtaining third party grants	0.14	0.10	0.10	0.10
Costs obtaining government grants	0.13	0.15	0.25	0.25
Subtotal expenses fundraising	2.23	2.25	2.35	2.35
Management & administration	1.38	1.45	1.55	1.60
TOTAL EXPENDITURES	31.92	32.00	32.45	32.95
SURPLUS / (DEFICIT)	(0.37)	-	0.05	0.05

6.2 NOTES TO THE LONG-TERM STRATEGIC BUDGET 2014 - 2017

A strategic review took place in 2013, as explained in the Annual Report. The financial strategy, as prepared in 2009, has also been adjusted in order to bring it in line with developments in recent years.

Limited growth is expected in income from own fundraising. After continued growth for over 10 years of War Child's funds from individuals and businesses, this income source is expected to stabilize. Income from foundations is expected to grow in the coming years through increased efforts from our Institutional Fundraising Unit.

Income from third parties and governments is expected to remain at the 2014 level and includes the assumption of emergency funding. For 2014, substantial income will be raised in relation with the Syrian conflict, but this is not long-term funding. The substantial MFS II funding from the Dutch government will end on 31 December 2015. However, War Child sees sufficient new funding opportunities to achieve a steady level of income from government institutions and third parties in the coming years.

Costs of own fundraising as a percentage of income from own fundraising will decrease towards below the target level of 15% as set by the Supervisory Board of War Child. The Fundraising Department is taking measures to raise funds more efficiently and effectively.

Cost of Management & Administration will increase due to the increased complexity of institutional grant management, including the increased reporting and auditing requirements of all donors.

Reserves and earmarked funds

	Budget 2014 min eur	Strategy 2015 min eur	Strategy 2016 min eur	Strategy 2017 min eur
Continuity reserve	5.03	5.40	5.45	5.50
Earmarked reserve	-	-	-	-
Earmarked funds	0.37	-	-	-
Subtotal Reserves and Funds	5.40	5.40	5.45	5.50

Ratios

	Budget 2014	Strategy 2015	Estimate 2016	Estimate 2017
% Costs of own fundraising / income own fundraising	16.3%	15.4%	14.8%	14.8%
% Costs obtaining 3rd party & government grants / income 3rd parties and govmt	1.4%	1.3%	1.8%	1.8%
% Costs management & administration / Total Expenses	4.3%	4.5%	4.8%	4.9%
% Total expenditure on behalf of the objective / Total income	89.7%	88.4%	87.8%	87.9%
% Total expenditure on behalf of the objective / Total expenses	88.7%	88.4%	88.0%	88.0%