

CORDAID ANNUAL REPORT 2020

**FINANCIAL STATEMENTS
THE HAGUE**

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ANNUAL ACCOUNTS 2020

STATEMENT BY THE BOARD OF DIRECTORS

These financial statements reflect a detailed accounting of Cordaid's activities in 2020, described in the annual report. The annual accounts are an integrated part of Cordaid's annual report.

Financial Result 2020

The total loss in 2020 was €13.2m. The majority is related to the investment portfolio (provision for doubtful loans (vintage portfolio): €3.1m and exchange rate revaluations: €4.9m). Besides this, a provision for extra costs due to potential ineligible costs in the CAR of €5.1m has been made. The operational result of Cordaid in 2020 is slightly negative. In the appropriation of the results towards the funds and reserves the losses related to the investments have been allocated towards the funds loans and guarantees, the year end position of this fund is €68.1m, and the remaining of the negative result has been allocated towards the earmarked reserves (ended at €1.7m) and semi-restricted funds (ended at €12.0m). The continuity reserve, to ensure stability for the future, has remained stable at €11.0m.

Growth in income continues

In 2019 the revenue has increased significantly towards €169.6m. In 2020 this growth continued to a total of €171.5m. Cordaid's business model consists of the following revenue models:

- Grants from institutional donors (83% of total income). These grants included a small overhead cost allowance leading in most cases to a zero financial result or small loss. The grants from donors have increased in 2020 by 4% compared to 2019.
- Income from Private Fundraising (17% of total income). This is spent on projects and innovation.
- Income from Social Impact- and green investment portfolio. The investment portfolio which supports small businesses in fragile- and emerging countries, delivers on average a zero financial result, leading to impact and capital preservation. In 2019 a result of €3.5m was realised on these investments. In 2020 however the income on interest of €4.3m, of outstanding loans and guarantees, has been offset by the revaluation of the loans and a provision which is taken for doubtful loans.

Development of expenditures

The costs Cordaid has incurred can be split in the following three categories:

- The expenses on goals, which include the program costs and the campaigns to raise awareness and provide public information. These expenses increased from €160.2m in 2019 towards €164.4m in 2020. This increase is in line with the growth in the grants received from institutional donors.
- The total of the costs on fundraising and management & administration was in 2020 €15.5m, this is €3.3m higher than in 2019. Further to the allegations of integrity breaches and misconduct of staff members in our country office in the Central African Republic (CAR), we have included a total loss of €5.1m in the 2020 results. This amount is based upon several investigations conducted to date, although still investigations are in progress. Furthermore, the situation may impact our relation with certain partners and donors. Because of the nature of the situation and the ongoing investigations this loss is the best estimate to date and inherently impacted by significant estimation uncertainty. This implies that the final financial impact of the allegations in the CAR are still uncertain. Based upon already finalized investigations, measures have been taken already to strengthen the organization. Without this loss, which is included in the Management & Administration costs in 2020 the costs have decreased by €1.9m (-16%) compared to 2019. This is the result of the reorganisation at Cordaid's Global Office in The Hague, which took place in 2019-2020.
- The result of the financial income and expenses has been negative in 2020. This is mainly due to the realised (€1.0m) and unrealised (€3.9m) exchange rate losses. As multiple balance positions, like bank accounts and outstanding loans from the impact and green investment portfolio, are accounted in US Dollars and other currencies, a revaluation needs to be done at year end. The exchange rate difference between EURO (reporting currency) and US Dollar has not moved in the favour of Cordaid in 2020.

ICCO, COVID and continuity 2021 and further

Per 1st of January 2021 Cordaid and ICCO have joined forces, which led to the integration of respective programmes and offices worldwide. In 2020 projects related to COVID have been implemented, however the global situation is still hitting our beneficiaries and operations hard. Operational activities have been adapted and Cordaid still expects an operational profit of €0.3m, however still volatile due to Covid-19 in 2021. Our expected reserves and funds and our cash position ultimo 2021 will be more than sufficient to deal with potential losses or unexpected events in the future.

The Hague, 2nd of March 2022

Consolidated balance sheet as at 31 December 2020

(after proposed appropriation of funds)

X € 1,000	NOTE	31 DEC 2020		31 DEC 2019	
Assets					
<i>Fixed assets</i>					
Tangible fixed assets	6		1,071		1,331
Financial fixed assets					
- Issued in connection with the objectives	7	46,142		51,733	
- Investments	8	24,464		23,528	
			70,606		75,261
Receivables	9				
- Receivable from grants		19,230		10,525	
- Work advances partner organizations		9,283		14,185	
- Receivable from inheritances		6,830		7,545	
- Interest receivable		1,666		879	
- Other receivables		985		1,578	
			37,994		34,712
Cash and Bank	10		46,538		48,542
Total assets			156,209		159,846

X € 1,000	NOTE	31 DEC 2020		31 DEC 2019	
Liabilities					
Reserves and funds	11				
- Reserves					
- Continuity reserve		11,000		11,000	
- Earmarked reserves		1,734		2,999	
			12,734		13,999
<i>Funds</i>	11				
- Restricted funds		2,107		822	
- Semi-restricted funds		12,012		19,240	
- Loans & guarantees fund		68,100		74,112	
			82,219		94,174
Total Reserves and Funds			94,953		108,173
Provisions	12		4,058		2,332
Current liabilities	13				
- Project commitments		10,597		9,580	
- Other current liabilities		46,601		39,761	
			57,198		49,341
Total liabilities			156,209		159,846

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

X € 1,000	NOTE	2020	BUDGET 2020	2019
Income				
Income from private individuals	15	25,640	27,000	26,318
Income from companies	16	2	0	265
Benefits of lottery organisations	17	3,700	2,700	2,700
Government grants	18	138,786	137,229	133,857
Income from related (international) organisations	19	1,365	868	952
Income from other non-profit organisations	20	1,800	0	1,826
Total acquired income		171,293	167,797	165,918
Income from sale of goods and or rendering of services	21	53	0	51
Other income	22	192	341	3,591
Sum of income		171,538	168,138	169,560
Expenditures				
- Program costs	23			
Healthcare		112,649	97,315	100,555
Humanitarian Aid		20,095	18,340	23,524
Security & Justice		13,958	15,246	16,797
Cordaid Netherlands		0	7,463	494
Resilience		8,898	11,396	10,550
Education		206	0	0
Investments		2,902	0	3,912
Other activities		1,498	0	120
Total program costs		160,206	149,760	155,952
- Public information / awareness campaigns	24	4,160	7,009	4,333
Expenditure on the objectives		164,366	156,769	160,285
Expenditure on fundraising	24	4,776	6,250	6,194
Management and administration	24	10,808	5,149	6,003
Total expenditures		179,950	168,168	172,482
Sum of income and expenditures before financial income and expenses		-8,412	-30	-2,922
Financial income and expenses	28	-4,803	1,018	3,209
Corporate income taxes		-5	0	0
Balance of income and expenditures		-13,220	988	287

APPROPRIATION OF THE FUNDS

The funds were appropriated as follows:

X € 1,000	2020		2019	
Reserves				
- Continuity reserve	0		0	
- Earmarked reserves	-1,265		1,717	
- Other reserves	0		0	
		-1,265		1,717
Funds				
- Restricted funds	1,285		-704	
- Semi-restricted funds	-7,228		-249	
- Loans & guarantees fund	-6,012		-477	
		-11,955		-1,430
Balance of income and expenditures		-13,220		287

In the table below the result per segment is shown. Next to the projects which are implemented with the funds which are received from Private and Institutional donors, Cordaid is also using part of its funds and reserves for investments with a social impact. These investments are managed by Cordaid Investment Management BV.

X € 1,000	2020			2019		
	PROJECTS	SOCIAL INVESTMENTS	TOTAL	PROJECTS	SOCIAL INVESTMENTS	TOTAL
Income						
Income from private individuals and companies	25,642	0	25,642	26,583	0	26,583
Income from (institutional) donors	141,951	0	141,951	136,635	0	136,635
Income from social investments	0	1,410	1,410	0	6,266	6,266
Other income	2,535	0	2,535	76	0	76
Total Income	170,128	1,410	171,538	163,294	6,266	169,560
Expenditures						
On objective	-161,366	-3,000	-164,366	-157,318	-2,967	-160,285
Fundraising, management & administration	-15,584	0	-15,584	-12,197	0	-12,197
Total Expenditures	-176,950	-3,000	-179,950	-169,515	-2,967	-172,482
Financial income and expenses	-386	-4,422	-4,808	4,385	-1,176	3,209
Result	-7,208	-6,012	-13,220	-1,836	2,123	287
Adjustments in Reserves and Funds	0	0	0	2,600	-2,600	0
Result Allocation	-7,208	-6,012	-13,220	764	-477	287

In 2019, an amount of €2.6m was extracted from the Funds for the Loans and Guarantees for the investments made for the implementation of Cordaid's new strategic plan.

PERFORMANCE INDICATORS

In 2020 the following performance indicators were derived from the statement of income and expenditure:

PERFORMANCE INDICATORS	2020	BUDGET 2020	2019
Ability to spend income on objectives			
- Income-to-spending ratio (% expenditure on objectives vs. total incoming resources)	95.8%	93.2%	94.5%
Overall efficiency of the organisation			
- Total program-to-spending ratio (% charitable activities vs. total expenditure)	91.3%	93.2%	92.9%
- Program-to-spending ratio (% direct program cost vs. total expenditure)	89.2%	89.3%	88.4%
- Program-management-to-spending ratio (% of program management costs vs total expenditure)	2.2%	4.0%	4.5%
- Fundraising-to-spending ratio (% of fundraising costs vs. total expenditure)	2.7%	3.7%	3.6%
- Management and administration ratio (% vs. total expenditure)	6.0%	3.1%	3.5%
Efficiency of fundraising			
- Fundraising ratio (% cost of generating funds vs. total incoming resources)	2.8%	3.7%	3.7%

- **Income-to-spending ratio:** 95.8%. Income and expenditure on objectives follow the same trend compared to the previous year and is slightly below budget.
- **Program-to-spending ratio:** 91.3%. A small increase compared to the previous year and slightly above the budget. Program expenditure follows the same pattern as overall expenditure.
- **Program-management-to-spending ratio:** 2.2%. Program management costs are relatively low compared to overall expenditure.
- **Fundraising-to-spending ratio:** 2.7%. 2020 is 1% below budget and below the previous year due to lower spending on marketing campaigns.
- **Management & administration ratio:** 6.0%. Management & administration costs were above budget and higher than 2019, this is mostly caused by the additional loss which was taken for alleged irregularities in CAR of circa 5,1 million. Without this additional costs the ratios of 2020 were in line with the budget and the ratio of 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

The movement of cash and cash equivalents are as following:

X € 1,000	NOTE	2019		2018	
Cash flows from operating activities					
Incoming resources	15-22	171,538		169,560	
Resources expended	23-24	179,950		172,482	
Operating Result			-8,412		-2,922
<i>Adjustments for:</i>					
- Depreciation tangible fixed assets	6	335		270	
- Accrued interest	9	787		-832	
- Exchange rate losses		827		-833	
- Movement in provisions	12	1,726		1,191	
			3,675		-204
<i>Movements in working capital:</i>					
- Receivables	9	-4,069		869	
- Financial fixed assets (connected to the objectives)	7	1,657		7,090	
- Project commitments	13	1,017		-6,397	
- Other current liabilities	13	6,841		8,449	
			5,446		10,011
<i>Cash generated from operations</i>					
- Received interest	28	265		292	
			265		292
Cash flows from operating activities			974		7,177
Cash flows from investing activities					
Investments in tangible fixed assets	6	-80		-1,350	
Investments	8, 28	-1,038		-2,758	
Realized exchange gains and losses on investments	28	-1,033		574	
Cash flows from investing activities			-2,151		-3,534
Nett Cash flow			-1,177		3,643
Change in cash and cash equivalents			-1,177		3,643

X € 1,000	2020	2019
Cash and cash equivalents as at 1 January	48,542	44,066
Change in cash and cash equivalents	-1,177	3,643
Exchange rate differences	-827	833
Cash and cash equivalents as at 31 December	46,538	48,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL NOTES

1.1 Activities

Rooted in the tradition of the Catholic Social Teachings, Cordaid's mission is to reduce fragility and people's vulnerability there where it is most needed and most difficult: in fragile and conflict-affected settings. Cordaid does this by promoting equality and social inclusion, by offering humanitarian aid and by increasing the health, security & justice and resilience of people and their communities as well as by strengthening the relationships between citizens, civil society, private sector and governments. Cordaid focuses aid efforts in some of the world's most conflict-torn and volatile countries like South Sudan, Afghanistan, the Central African Republic and the Democratic Republic of Congo. In the Netherlands, Cordaid encourages cooperative entrepreneurship for people with a low income and poor job prospects.

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

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

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

The consolidated annual accounts comprise the figures of the following entities:

- Stichting Cordaid, The Hague
- Stichting Cordaid Expats, The Hague
- Stichting Cordaid Participaties, The Hague
- Corpav BV, The Hague
- Cordaid Investment Management BV, The Hague
- Cordaid SA NPC, Cape Town (South Africa)

The objective of Stichting Cordaid Expats is to employ expatriates working for Stichting Cordaid. All income and costs for expats are administrated by Stichting Cordaid. Stichting Cordaid Participaties' objective is to invest in social enterprises worldwide via loans or through participation. Both foundations have the same Board of Directors as Stichting Cordaid. Corpav BV made direct and indirect investments in social enterprises all over the world with Stichting Cordaid Participaties as its only shareholder. Cordaid is no longer active anymore in 2020. Cordaid Investment Management BV has the objective to act as asset manager for one or more investment institutions. Currently Cordaid Investment Management BV manages the social impact investment portfolio of Stichting Cordaid, which holds 100% of the shares of Cordaid Investment Management BV.

Stichting Cordaid holds 100% of the shares of Cordaid SA NPC. The nature of business and principal activities of this subsidiary is relief and development aid in line with the objectives of Stichting Cordaid.

The address of all foundations and companies is:

Grote Marktstraat 45
2511 BH
The Hague
The Netherlands
Dutch Chamber of Commerce: 41160054

The Board of Directors of Stichting Cordaid bears the ultimate responsibility for the general course of affairs at Stichting Cordaid. The Board of Directors is tasked with the management of the foundation, including running its day-to-day business, and implementing its programs and activities. The Board is responsible for Cordaid's corporate governance structure and its compliance with good governance rules.

The budget, the annual report and the annual accounts which are all prepared by the Board of Directors, are subject to adoption by the Supervisory Board after advice from the Audit Committee. The composition of the Supervisory Board is such that its members can act critically and independent from one another, from the Board and of any particular interests. The Supervisory Board is responsible for supervising the Board and the general course of affairs at Cordaid. The Supervisory Board also adopts the multi-annual strategic policy plan drafted by the Board of Directors and approves the annual plan.

The members of the Board of Directors of Stichting Cordaid in 2020 were:

- L.C. Zevenbergen, CEO
- T.J.A. Wagenaar, CFO

As of 1st January 2021 the new CFO is L. Paz Quintero.

During 2020, the Supervisory Board members of Stichting Cordaid were:

- A.J.M. Heerts, Chair
- M.C.T. van de Coevering, member Audit Committee
- J.H.M. van Bussel, member Audit Committee
- B.L.J.M. van Dijk-van de Reijt, member Remuneration Committee
- M. van Beek, member Remuneration Committee
- M.W.J.A. Landheer-Regouw
- J.J.A. de Boer, priest

The Board members of Stichting Cordaid Participations, Corpav B.V. and Stichting Cordaid Expats are the same as for Stichting Cordaid at 31 December 2020.

On 31 December 2020, the Board of Directors of Cordaid Investment Management BV is comprised of J.M.F. Verheijen and F.J.M. Goossens. Stichting Cordaid is the only shareholder.

The Board members of Cordaid SA NPC are the same as for Stichting Cordaid at 31 December 2020. Stichting Cordaid is the sole share holder. Cordaid SA NPC's registration number at the South African Chamber of Commerce is 2012/039835/08.

1.2 Changes in accounting estimates

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

1.3 Estimates

In applying accounting policies and standards for preparing annual accounts, the Board of Cordaid is required to make estimates and judgments that might significantly influence the amounts disclosed in the annual accounts. If necessary for the purposes of providing the view required under Section 362(1), Book 2 of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, are disclosed in the notes to the relevant items. We specifically refer to note 12 on provisions setting out the estimates and uncertainties in relation to the alleged irregularities in the CAR.

1.4 Consolidation

The consolidation includes the financial information of Stichting Cordaid and the entities in which it exercises control, or whose central management it conducts. All entities in which Cordaid exercises control or whose central management it conducts are consolidated in full.

Intercompany transactions, profits and balances among consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary in order to align them to the prevailing group accounting policies.

The consolidated entities are listed below:

- Stichting Cordaid Expats, The Hague
- Stichting Cordaid Participaties, The Hague
- Corpav BV, The Hague
- Cordaid Investment Management BV, The Hague
- Cordaid SA NPC, Cape Town (South Africa)

2. ACCOUNTING PRINCIPLES

2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. More specifically, the financial statements have been prepared in accordance with the Dutch Accounting Standard for Fundraising Institutions (RJ 640/650). The financial statements are prepared in Euros. Balances and results in 2020 are compared to the budget as approved by the Supervisory Board and 2019 results and balances. Assets and liabilities are generally valued at acquisition cost, production cost or at current value. If no specific valuation method is indicated, the valuation is done at the acquisition price.

References are included in the balance sheet and statement of income and expenses.

The financial information of the Company is fully incorporated in the consolidated annual accounts. Using article 2:402 of the Dutch Civil Code, a condensed profit and loss account in the individual financial statements is sufficient.

2.2 Comparison with previous year

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

2.3 Foreign currency

Functional currency

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

Transactions, receivables and payables

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

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions. Translation differences on non-monetary assets such as equities held at fair value through income or expenditure are recognised through income or expenditure as part of the fair value gain or loss.

2.4 Tangible fixed assets

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

2.5 Financial fixed assets

Issued in connection with the objectives:

Loans, guarantees and participations

Loans and guarantees disclosed under financial assets are recognised initially at fair value of the amount owed. These receivables are subsequently measured at amortized cost. Participations are valued at acquisition cost adjusted for impairments at reporting date. These participations do not involve a structural commitment for the purposes of Cordaid's own operations.

Derivatives

Derivatives are valued at fair value. Derivatives with a negative value are presented under current liabilities. Changes in the value of derivatives and transactions costs are recognised directly in the statement of income and expenditure.

Investments:**Bonds and shares**

Bonds and shares are measured at fair value. Changes in value and transaction costs are recognised through income or expenditure. Transaction costs are charged directly to the statement of income and expenditure.

2.6 Non-current asset impairment

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

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

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

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

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

2.7 Receivables**General**

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

Receivable from inheritances

Inheritances on which third parties have a right of usufruct are recognised in the annual accounts. Recognition is based on

the best practices as prescribed by the Dutch branch organisation 'Goede Doelen Nederland'. The valuation method used by Cordaid is based on the calculation used by the tax authorities for the calculation of inheritance tax. Receivables are recognised and included in the balance sheet. Income is however recognised through the statement of income and expenditure, after which the benefits are included in a designated fund until the moment of release.

2.8 Cash and cash equivalents

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

2.9 Reserves and funds

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

- The continuity reserve is created to ensure that Cordaid can meet its legal and moral obligations in case of a significant fall in income in the future. The reserve is determined by the possible risks Cordaid is facing in the future. This reserve can be used to cover the negative results related to this risks, in the situation that the negative result cannot be covered by any other reserves. The continuity reserve has remained below the maximum size (1.5 times the work organisation's annual cost), as stated in the Association of Fundraising organisations 'Reserves of Charities' code (Goede Doelen Nederland). The maximum continuity reserve according to the code is €82 million.
- Earmarked reserves are earmarked for future spending on the objectives of Cordaid. The Board of Directors decides on the actual purpose of the reserves, based on internally agreed criteria.
- The restricted funds are earmarked for a specific project as agreed upon with third-party donors.
- Semi-restricted funds are earmarked for activities related to a certain topic, but not limited to specific projects.
- The loans and guarantees fund is committed for loans, guarantees and equities connected to the objectives of Cordaid. The result on these financial assets and the costs of managing this portfolio reflect the changes in the fund in a year.

2.10 Provisions

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

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

2.11 Liabilities**General**

Liabilities are initially recognised at fair value. Transaction costs directly attributable to the incurrence of the liabilities are included in the measurement on initial recognition.

Liabilities are subsequently measured at amortized cost; this is the amount received plus or minus any premium or discount and net of transaction costs.

Operational lease

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

Project commitments

Contracts with partners which are managed by the Country Offices are recognised as expenses based on their expense reports. The cash advances given to the partner, are considered as pre-payments and are booked under the debit side of the balance sheet. All other partner commitments are recognised as soon as a contract is issued and are stated at the fair value stated in the contract, net of any payments.

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

3.1 General

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

3.2 Income recognition

Income from private individuals and companies
Income from private individuals and companies comprises gifts and donations, mailings, collections, legacies and the sale of materials. Income from gifts and donations, contributions, collections and mailings are accounted for in the year in which they are received. Exceptions to these are written undertakings that have been received before year-end as these can be accounted for in the current year.

Legacies are recognised based on a statement received from the executor in the year in which the amount can be determined reliably. The valuation of legacies with property is done based on the most recent correspondence and receipts are included up to the preparation of financial statements. In the case that an estimation of the value is given by the executor which is still uncertain a correction on the income is made, until the exact amount is known. The valuation is done prudently.

Income from lottery organisations

The income from lottery organisations is recognised in the year in which the income is received.

Income from other non-profit organisations

Income from non-profit organisations is accounted as such when Cordaid has no role and/or involvement in the fundraising campaign. The income from non-profit organisations is recognised in the year in which the income is received or pledged.

However, grants and subsidies from other non-profit organisations are recognised in the statement of income and expenditure in the year in which the subsidized costs are incurred. The grants are recognised when it is likely that they will be received and Cordaid will comply with all attached conditions.

Income from government grants

Grants and subsidies are recognised in the statement of income and expenditure in the year in which the subsidised costs are incurred. The income is recognised based on the expenses made related to the grant. Under this category income is included which is received directly from government organisations, like ministries and embassies, and donors which get their funding from government organisations, for example similar INGOs as Cordaid, World Bank and Global Fund.

Gifts in kind

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

Result of loans, guarantees and participations

The result of loans, guarantees and participations is made up of interest received on loans and guarantees under the Loan and Guarantee Program, realised and unrealised changes in the valuation of loans and participations, dividend and fees for restructuring loans.

Income from sale of goods and or rendering of services

Income from sale of goods and/or rendering of services are accounted for in the year in which the materials are sold or services are provided.

3.3 Exchange rate differences

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

3.4 Depreciation on tangible fixed assets

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

3.5 Employee benefits

Short-term employee benefits

Salaries, wages and social security contributions are recognised

in the statement of income and expenditure based on the pay and benefits package to the extent that they are payable to employees.

Pensions

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund (PFZW), a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state-pension offset. The pension fund endeavours to index-link any accrued pension entitlements and pensions in payment based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have a retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from the return on plan assets. The actual coverage ratio was 92,6% on the 31st December 2020 (30th September 2021: 102,0%).

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

3.6 Financial income and expenses

Interest paid and received

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

Interest income and income from investments

The line item interest income and income from investments contains the (gross) interest, dividends and realised and unrealised capital gains. Interest income and expense are recognised time proportionally.

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

Changes in financial instruments at fair value

Financial instruments are initially valued at fair value. Changes in the value of the following financial instruments are recognised directly in the statement of income and expenditure:

- purchased loans, bonds (unless held to maturity) and equity instruments that are quoted in an active market;
- changes in derivative financial instruments to hedge its foreign currency risks and interest rate risks.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1 Market risk

Currency risk

Cordaid operates in the wide variety of countries. The currency risk for Cordaid largely concerns positions and future transactions in US dollars and currencies that are closely related to the US dollar. Management has determined that the cost of structurally hedging these currency risks does not outweigh the benefits. Based on management risk assessment, one incidental hedge contract is in place to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK). A swap contract, MMK to USD, has been used for this purpose. This swap contract does hold a risk, because the USD inflow is dependent on the 6 month LIBOR. Natural hedges exist because receivables and liabilities are often related. For 2021 the extension of a structural hedging policy will be investigated.

Price risk

Cordaid invests its temporary cash balances according to a defensive to neutral strategy. As a consequence, Cordaid faces a limited market risk related to its portfolio of bonds and shares that is valued at market value.

Interest rate and cash flow risk

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

Credit risk

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

Liquidity risk

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

4.2 Ethical risk

The Company operates in an industry and geographical environment that is associated with increased risk of ethical matters, including corruption, fraud and non-compliance with local and international laws and regulations. These risks may materialise in performing operations and doing business with third parties, but it cannot be excluded that these may also originate from inappropriate conduct by own employees and partner organisations. It is furthermore noted that local business practices may not be of similar standards as we know in Western Europe and/or may be disrupted or otherwise not effective because of local circumstances. For instance in some of the countries of operation the banking system is immature, requiring transactions to be settled in cash. In case of malpractices, witnesses may not benefit from the same protection as in other parts of the world, which may be a reason not to report or address the matter.

The Company is aware of the inherently higher ethical and compliance risk factors and has put mitigating controls in place including – but not limited to – a code of conduct, no

tolerance policies and whistle-blower policies. Also, the company strives to rotate key employees on a regular basis, second staff on an expat basis and exercises direct supervision from the headquarters, either remotely or by visiting the local offices on a regular basis. In performing oversight, it is noted that safety and other travel restrictions may apply, which may cause that oversight cannot be fully effective. The Covid-19 pandemic has been an additional challenge in this respect. Although efforts are made to avoid unethical practices and to act in compliance with all relevant local and international laws and regulations, a complete elimination of ethical and compliance risk cannot be fully guaranteed. Any violation of any relevant law or regulation could have an adverse effect on our operational performance, earnings, cash flows and financial condition.

In this context we make specific reference to note 12 setting out the financial effects and uncertainties in relation to allegations of integrity breaches and misconduct of staff members in our country office in the Central-African Republic (hereafter: CAR) and the allegations of integrity breaches in our country office in the Democratic Republic Congo (hereafter: DRC).

5. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement is prepared by using the indirect method. The funds in the cash flow statement comprise cash and cash equivalents. Cash flows in foreign currencies are translated at an average rate.

Cash flows from operating activities

The nett result of the cash flow from and adjustment of operating activities of €1.0m includes the adjustment for the provision for doubtful loans and valuation of the participations

and loans of the social impact investments portfolio and changes in current liabilities mainly as a result of increased prepayments on donor contracts.

Factors affecting cash flow, compared to the balance of funds in the statement of income and expenditure, are:

- A decreased value of the financial fixed assets of €5.6m mainly as a consequence of the revaluation/currency losses of loans and participations € -5.4m; issued loans and guarantees €-3.3m and an increase of the provision + €3.1m
- Increased current liabilities of €7.8m as a result of:
 - €6.4m increase of other accruals due to reservation for expense reports to be received (i.e. for partner expenses and project audits) of projects which have ended per 31 December 2020 (DRC).
 - €1.9m increase due to investigation costs for the alleged irregularities in CAR.

Factors negatively affecting cash flow compared to the balance of funds in the statement of income and expenditure are:

- An increase of €4.1m on accounts receivables. The main reason is the increase of receivables related to projects from donors. The related receivables from grants increased by €9.7m compared to 2019. This difference can be explained by the following reasons. In 2020 new projects with a receivable position of €4.5m were signed; the implementation of these projects has started. For this reason expenses made, can be claimed from the donor. Furthermore there are two projects from the World Bank which did not have a receivable position in 2019 as expenses were in line with the received amounts. At the end of 2020 a total of €4.1m is outstanding as a receivable for these two projects. The expenses in 2020 are higher than the received amounts from the donor. Next to this a provision is created on project receivables of circa €1.0 million due to the alleged irregularities in CAR.

6. TANGIBLE FIXED ASSETS

Movements of the tangible fixed assets are as follows:

X € 1,000	BUILDINGS	IT EQUIPMENT	FURNITURE AND FITTINGS	VEHICLES	OTHER ASSETS	TOTAL
Balance at 1 January 2020						
Cost	1,124	4,600	1,794	33	283	7,834
Accumulated depreciation	-55	-4,566	-1,590	-9	-283	-6,503
Carrying value at 1 January 2020	1,069	34	204	24	0	1,331
Changes						
Purchases	23	7	45	0	0	75
Disposals	0	0	0	0	0	0
Depreciation	-226	-34	-64	-11	0	-335
Depreciation on disposals	0	0	0	0	0	0
Total changes	-203	-27	-19	-11	0	-260
Balance at 31 December 2020						
Cost	1,147	4,607	1,839	33	283	7,909
Accumulated depreciation	-281	-4,600	-1,654	-20	-283	-6,838
Carrying value at 31 December 2020	866	7	185	13	0	1,071

The total investments mainly concern the completion of the new office in The Hague, as well as furniture and fittings. All assets are held for business operations.

7. FINANCIAL FIXED ASSETS ISSUED IN CONNECTION WITH THE OBJECTIVES

Outstanding loans, participations and guarantees are recognised as financial assets issued in connection with the objectives. This relates to loans issued to and a number of participations in partner organisations for the purposes of funding

small-scale economic activities (e.g. through microfinance institutions), for which partner organisations find it difficult or impossible to secure finance from commercial banks. Interest rates on these loans are determined by country and by customer.

Movements in financial assets were as follows in 2020:

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
Value of portfolio as at 1 January 2020	44,441	400	11,401	56,242
Provision as at 1 January 2020	-4,509	0	0	-4,509
Carrying amount 1 January 2020	39,932	400	11,401	51,733
Changes				
Loans and guarantees issued	20,152	0	0	20,152
Loans and guarantees repaid	-16,109	-400	0	-16,509
Participations acquired/committed	0	0	228	228
Participations sold/commitments withdrawn	0	0	-878	-878
Revaluation of participations	0	0	-957	-957
Currency gains and losses	-4,134	0	-339	-4,473
	44,350	0	9,455	53,805
Changes in the provision				
Impaired loans and guarantees/withdrawal from provision	0	0	0	0
Allocated to provision for loans and guarantees	-3,154	0	0	-3,154
Provision as at 31 December 2020	-7,663	0	0	-7,663
Value of portfolio as at 31 December 2020	44,350	0	9,455	53,805
Provision as at 31 December 2020	-7,663	0	0	-7,663
Carrying amount as at 31 December 2020	36,687	0	9,455	46,142

Loans and guarantees

The provision on loans and guarantees increased by €3.2m in 2020 (2019: €0.6m). The total provisions as a percentage of the outstanding portfolio is 17.3%. The main driver is the uncertain impact which COVID-19 has on the organisations where the loan is given to. This uncertainty has already led to more negative results of the borrower, which raises the risk of doubtful loans and also affects the valuation of participations.

The outstanding loans are the amounts actually transferred to partner organisations. At balance sheet date an amount of €3.0m was signed as loan but not yet disbursed (2019: €14.1m).

In 2019, we attracted two external co-financiers, who co-funded 3 instruments within our Rural and Agricultural Finance portfolio. The amount of the undisbursed loan commitments and co-funding are netted in the figures above.

To secure loans and guarantees on a part of the loans the following types of collateral have been pledged: loan portfolio pledges, debentures, corporate and/or personal guarantees, mortgages and subordinating loans to our loans and guarantees. The average interest rate on the loans and guarantees is 10.8%.

Loans and guarantees will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
< 1 year	9,772	0	9,772
1-5 years	32,778	0	32,778
> 5 year	1,800	0	1,800
	44,350	0	44,350

Participations

Cordaid takes a prudent approach to the valuation of its participations. They are carried at acquisition cost adjusted for impairment. Previously recognised impairments can be (partially) reversed, if the original reasons for impairment are no longer valid, if the value does not become higher than the original cost. Payments in foreign currencies are recorded at the payment date. Cordaid has the policy of selling all foreign currencies, besides US dollars, directly upon receipt.

Cordaid operates in fragile countries where there is no active market for these equity stakes. Accurate and timely information on valuation is often limited. As a result of these factors, Cordaid adopts a conservative approach towards valuation of participations. Their fair value is however determined considering suitable valuation methods such as book value principle, price earnings ratios and recent sale prices of similar investments. The fair value of the participations is equal to

or above the valuation in the balance sheet according to the valuation at acquisition price adjusted for impairment. Given the nature and objectives of the participations, Cordaid enters into new participations only when an exit strategy on the short or mid-long term can be formulated. Therefore, Cordaid does not consolidate any of the participations in the list above, although for 1 participation Cordaid holds more than 50% of the shares.

The number of participations is 9 and the total value of the portfolio of participations decreased from €11.4m to €9.5m by 31 December 2020. The devaluation of local currencies resulted in €0.3m currency losses. The total revaluation losses of intrinsic values amounted to €1.0m. €1.1m losses reflect valuation of our stakes, whilst €0.1m was received from West Africa Venture Fund (WAVF) on a participation that had previously been valued at zero. Next to that, participations were sold in 2020 with a value of €0.9m.

List of participations (in €1,000):

NAME OF ORGANIZATION	CITY	COUNTRY	OPENING BALANCE 2020	PURCHASED / COMMITTED	CURRENCY GAINS AND LOSSES	REVALUATION	SOLD	CLOSING BALANCE 2020
Aavishkar	Mumbai	India	657	0	-50	-185	-72	350
Afrioils	Lilongwe	Malawi	0	0	0	0	0	0
Finance South Sudan	Juba	South Sudan	0	0	0	0	0	0
Dia Vikas	Gurgaon (Uttar Pradesh)	India	2,893	0	0	0	0	2,893
FPM SA	Kinshasa	DRC	3,506	0	0	0	0	3,506
Hekima Micro Finance S.A.	Kinshasa	DRC	237	168	0	0	0	405
InReturn B.V.	Rotterdam	Netherlands	0	0	0	0	0	0
Liberation	Londen	UK	80	0	0	0	0	80
PEAK II LP	Moshi	Tanzania	45	0	0	-45	0	0
Progression Capital Africa LTD	Port Louis	Mauritius	3,052	60	-289	-605	-688	1,530
PYME Capital	Panama City	Panama	1	0	0	0	0	1
Rabo Rural Fund	Utrecht	Netherlands	0	0	0	0	0	0
SICSA	Panama City	Panama	454	0	0	0	0	454
SME Impact Fund CV	Amsterdam	Netherlands	476	0	0	-240	0	236
Stromme Microfinance East Africa Limited	Kampala	Uganda	0	0	0	0	0	0
WAVF	Port Louis	Mauritius	0	0	0	118	-118	0
WMF	Accra	Ghana	0	0	0	0	0	0
			11,401	228	-339	-957	-878	9,455

8. INVESTMENTS

Cordaid selected ING and Van Lanschot in 2015 as their asset managers. Both asset managers were instructed to invest following a defensive to neutral green sustainable profile. The investment strategy has a horizon of 5 to 10 years. Both asset managers receive a fee based on the invested amount only and not a performance based fee. ING Bank and Van Lanschot Bankiers invest in businesses that have sound staff policies in place, that protect the environment and that respect human rights. Cordaid applies its own investments policy, based on the UN Global Compact and the Standard for Financial Management of Fundraising Institutions of Goede Doelen Nederland.

The current portfolio investments can be specified as follows:

X € 1,000	31/DEC/2020	31/DEC/2019
Bonds		
Government bonds	4,440	4,442
Corporate bonds	9,792	8,665
Other bonds	1,298	1,879
Total bonds	15,530	14,986
Shares	8,352	7,897
Other funds	582	645
	24,464	23,528

X € 1,000	SHARES	BONDS	OTHER FUNDS	TOTAL
Opening balance 1 January 2020	7,897	14,986	645	23,528
Purchases	1,735	7,679	72	9,487
Sales	-1,920	-7,462	0	-9,382
(Un)realised gains and losses	640	327	-135	831
Closing balance 31 December 2020	8,352	15,530	582	24,464

The portfolio is carried at fair value based on the known market prices for the specific bonds, shares and funds in the portfolio. The fair value of the portfolio increased by €0.9m to €24.4m. The decrease in interest rate and increase in stock market values is the main driver for the increase of the fair value of the investment portfolio. The amount originally invested in the current portfolio in 2015 was €20m.

9. RECEIVABLES

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

X € 1,000	31/DEC/2020	31/DEC/2019
Receivables		
Receivable from grants	20,488	10,734
Provision uncollectable receivables from grants	-1,258	-209
Work advances partner organisations	9,368	14,185
Doubtful debts	-85	0
Receivable from inheritances	6,830	7,545
Interest receivables	1,666	879
Other receivables	985	1,578
	37,994	34,712

Contracts with donors lead to a receivable, if costs incurred are higher than advances received from the donor. The related receivables from grants increased by €9.7m compared to 2019. This difference can be explained by the following reasons; In 2020 new projects with a receivable position of €4.5m are signed and the implementation of these projects has started. For this reason expenses made, can be claimed from the donors. Furthermore there are two projects from the World Bank which did not have a receivable position in 2019 as expenses were in line with the received amounts. At the end of 2020 a total of €4.1m is outstanding as a receivable for these two projects. The expenses in 2020 are higher than the received amounts from the donor. Next to that a provision on the receivables from grants was created for projects which might have been affected by the alleged irregularities in CAR. Compared to 2019 advance payments to implementing partners decreased by €4.9m in 2020 to €9.3m. During implementation and execution of projects, Cordaid Country Offices provide advance payments to its implementing parties. These advances are subsequently justified by the partners after implementation of the activities.

The receivable from inheritances in 2020 decreased by €0.7m to €6.8m. The inflow of inheritances is unpredictable as settling an inheritance is a time consuming process. In general it takes

15 months. In 2020 more files were settled than in earlier years, which has caused the receivable balance to decrease.

Interest receivables

X € 1,000	31/DEC/2020	31/DEC/2019
Interest receivables		
Banks & deposits	6	7
Bonds	42	40
Loans & guarantees issued in connection to the objectives	1,618	832
	1,666	879

Interest receivables relate to the bonds in the investment portfolio, outstanding deposits, savings deposits and outstanding loans and guarantees relating to Cordaid's objectives. The interest to be received on loans & guarantees increased by €0.8m as a result of a higher average interest rate.

Other receivables

X € 1,000	31/DEC/2020	31/DEC/2019
Other receivables		
Security deposit	140	154
Derivatives	0	0
Prepayments	402	401
Other receivables, including employee advances	443	1,023
	985	1,578

10. CASH AND BANK

Cash and bank comprise the cash and bank balances of the Cordaid office in The Hague, of the Country Offices abroad as well as deposits falling due in less than one year. Cash and cash equivalents decreased from €48.5m to €46.5m during 2020. The main factors in the movements in cash and bank are explained in section 5 - Notes on the cash flow statement.

X € 1,000	31/DEC/2020	31/DEC/2019
Cash and cash equivalents		
Deposit	3,181	8,835
Bank accounts	42,664	39,328
Cash at hand	288	379
Cross accounts	405	0
	46,538	48,542

Cordaid has a bank guarantee facility up to a maximum of €2.5m. Bank guarantees have been issued for a total amount of €0.3m (2019: €0.1m): two guarantees for the rent agreement of €0.1m (old office) and €0.2m (new office). Usage of Cordaid bank balances is limited by €0.4m following pension liabilities towards local South Sudan staff (2019: €0.6m). Bank and other guarantees, as well as South Sudanese restrictions on bank balances are not at Cordaid's free disposal (€0.7m). All remaining cash (€45.8m) is at Cordaid's free disposal.

11. RESERVES AND FUNDS

X € 1,000	CONTINUITY RESERVE	EARMARKED RESERVES	RESTRICTED FUNDS	SEMI-RESTRICTED FUNDS	RESTRICTED FUND LOANS & GUARANTEES	TOTAL RESERVES AND FUNDS
Balance as at 1 January 2020	11,000	2,999	822	19,240	74,112	108,173
<i>Changes</i>						
Extraction	0	-3,965	0	-5,172	-6,012	-15,149
Dotation	0	0	1,285	644	0	1,929
Other	0	2,700	0	-2,700	0	0
Balance at 31 December 2020	11,000	1,734	2,107	12,012	68,100	94,953

Continuity reserve

The continuity reserve is designed to create a sufficiently large buffer to enable Cordaid to complete ongoing programs appropriately, with due observance of existing legal and moral obligations and staffing them with our own people, if one or more key sources of funding were to dry up unexpectedly or if an unforeseen outflow of cash occurs. At year-end 2018 the continuity reserve was set on €11.0m based on a risk analysis of future events that might lead to unforeseen outflow of funds. In 2020 neither additions to nor withdrawals from the continuity reserve have been made.

On 31 December 2020, the continuity reserve amounted to €11.0m. This is below the maximum of 1.5 times total costs for the work organisation, formulated by Goede Doelen Nederland. The costs for the work organisation are €54.7 million in 2020, see chapter 24 for more information. According to the guidelines from Goede Doelen Nederland the maximum of the continuity reserve is €82.2 million. This makes that the continuity reserve for 2020 is within the margin of the mentioned guidelines. The costs for management & administration and fundraising were in 2020 €15.4m.

Earmarked reserves

Earmarked reserves comprise interest income, exchange results, income from investments of temporary surpluses of semi-restricted and restricted funds and income not earmarked for specific topics. The reserves are earmarked for spending on objectives and coverage of operational losses. The allocation of these reserves to different themes, programs and objectives is subject to decision by the Board of Directors. Decision-making is based on internally agreed upon criteria.

The total amount of earmarked reserves per 31 December 2020 is €1.7m. In past years, operational gains and losses and exchange results on regular operations were charged against the earmarked reserves. The board decided in 2020 to revert €2.7m from the semi-restricted funds towards the earmarked reserves.

Restricted funds

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

X € 1,000	BALANCE AS AT 1 JANUARY 2020	INCOMING RESOURCES	OVERHEAD FEE	PROJECT RESOURCES EXPENDED	BALANCE AS AT 31 DECEMBER 2020
Adoptions, specified donations	718	3,042	-93	-2,275	1,392
SHO Acties	15	1,800	-	-1,189	626
Fondsen op naam	89	-	-	-	89
Total restricted funds	822	4,842	-93	-3,464	2,107

Restricted funds increased by €1.3m to €2.1m as per 31 December 2020 (2019: €0.8m). The increase is mainly due to €0.6m unspent funds for the SHO action 'Nederland helpt Libanon'. Next to that, donations were received with a specific goal. The table below comprises movements of the two SHO restricted funds during financial year 2020. A full report of expenditure and activities in the reconstruction phase can be found on the website of the Samenwerkende Hulporganisaties (SHO).

SHO 'NEDERLAND HELPT SULAWESI'

X € 1,000	2020			UP TO AND INCLUDING 2020		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns Intrest			0			1,845
Interest			0			0
Total incoming resources			0			1,845
Preparation and coordination costs			11			128
Total available for charitable activities			-11			1,717
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	4	0	4	1,717	0	1,717
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
Available commitment capacity	4	0	4	1,717	0	-1,717
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	4	0	4	1,717	0	1,717
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
Total transferred	4	0	4	1,717	0	1,717
Breakdown of resources expended locally						
- support offered through local relief providers	4	0	4	1,717	0	1,717
- support offered through international umbrella organization	0	0	0	0	0	0
- support offered through participant	0	0	0	0	0	0
Total resources expended	4	0	4	1,717	0	1,717

SHO 'NEDERLAND HELPT LIBANON'

X € 1,000	2020			UP TO AND INCLUDING 2020		
	EMERGENCY AID	RECONSTRUCTION	TOTAL	EMERGENCY AID	RECONSTRUCTION	TOTAL
Incoming resources from third party campaigns Interest			1,800			1,800
Interest			0			0
Total incoming resources			1,800			1,800
Preparation and coordination costs			83			83
Total available for charitable activities			1,717			1,717
<i>Resources expended</i>						
Commitments undertaken by participant						
- support offered through local relief providers	500	0	500	500	0	500
- support offered through international umbrella organization	684	0	684	684	0	684
- support offered through participant	0	0	0	0	0	0
Available commitment capacity	1,184	0	1,184	1,184	0	1,184
Breakdown of participant's cash flows						
Transfer by participant for:						
- support offered through local relief providers	310	0	310	310	0	310
- support offered through international umbrella organization	559	0	559	559	0	559
- support offered through participant	0	0	0	0	0	0
Total transferred	869	0	869	869	0	869
Breakdown of resources expended locally						
- support offered through local relief providers	310	0	310	310	0	310
- support offered through international umbrella organization	559	0	559	559	0	559
- support offered through participant	0	0	0	0	0	0
Total resources expended	869	0	869	869	0	869

SHO allocation key

The key for allocating the income from fundraising activities by the SHO is based on the 3-year average of the volume of emergency aid and reconstruction activities and the income from own fundraising of the participants of SHO.

In the table below the relevant figures for Cordaid in the period 2018-2020 are provided.

X € 1,000	2020	2019	2018
1. Volume of emergency aid and reconstruction activities	36,320	25,145	25,655
2. Income from own fundraising	25,695	28,281	27,396

The volume of delivered emergency aid and reconstruction activities is excluding SHO funds and excluding funds transferred to other organisations in the role of administrative lead agency/horizontal lead agency (for example in the role of lead agency in the Dutch Relief Alliance).

The income from own fundraising for 2018 up to 2020 is calculated by the sum of:

- Income from private individuals
- Income from companies
- Income from other non-profit organisations minus income from SHO
- Income from sale of goods and or rendering of services

Semi-restricted funds

Semi-restricted funds are accruals of income from own fundraising that is not earmarked for one specific project, but only earmarked for a broadly defined purpose. The decrease in semi-restricted funds by €7.2m is a result of spending on projects minus the contributions in 2020. Next to that, due to alleged irregularities in CAR a provision of € 3.2m has been taken on the expected funds from donors (related to the affected projects), Also €0.9m of investigation costs of the irregularities have been subtracted from the semi-restricted funds. The total subtraction for the CAR case is €5.1 million. The board decided in 2020 to revert €2.7m from the semi restricted funds towards the earmarked reserves.

Loans & Guarantees Fund

The Loans & Guarantees Fund comprises the resources that have been accrued within the scope of the Loans & Guarantees Program. The resources of the Loans & Guarantees Fund stem from the co-financing program and from own resources. As no new funds are being added to the fund by Cordaid, the portfolio can only grow through a positive result from the social impact investments itself. Grant approvals for projects supporting the social impact investments are deducted from the fund Loans & Guarantees. The operating costs consist of the cost of Cordaid Investment Management BV (CIM BV), including overhead charged from Stichting Cordaid to CIM BV based on the service-level-agreement between these parties. Also social impact investments outside the scope of the funds managed by CIM BV are financed through this fund up to a cumulative of €5m.

X € 1,000	31/DEC/2020	31/DEC/2019
Opening balance 1 January 2020	74,112	74,589
<i>Financial result assets connect to objectives:</i>		
Income from financial assets issued for objectives	3,723	4,863
Investment income (assets not issued for objectives)	841	1,403
Unrealised change in value of derivatives	-4,422	-730
Operating costs	-2,700	-2,193
Mutation in provision for Loans & Guarantees	-3,154	-680
Grant approvals	-300	-94
Financial result assets connect to objectives	-6,012	2,569
Financial result Corpav and Cordaid Participaties	0	-446
Cost coverage Cordaid in Transition	0	-2,600
Addition to continuity reserve	0	0
Closing balance 31 December 2020	68,100	74,112

12. PROVISIONS

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

X € 1,000	REDUNDANCY PROVISION	BACKDONOR PROJECTS	TOTAL
Opening balance as at 1 January 2020	2,004	328	2,332
<i>Changes</i>			
- Allocated	1,118	3,467	4,585
- Withdrawn	-260	-328	-588
- Released	-1,014	0	-1,014
	1,849	3,467	5,316
Transfer to current liabilities	-1,258	0	-1,258
Closing balance 31 December 2020	591	3,467	4,058

Provisions increased in 2020 by €3.0m to €5.3m. The redundancy provision consists of two parts, on one side at the Global Office a provision is taken for redundant staff of previous reorganisations or the reorganisation related to the merger between ICCO and Cordaid. Next to that there are also provisions taken at Country Office level (mainly South Sudan) due to local legislation. If a settlement agreement has been agreed upon, the obligation is considered a current liability (€1.3m) and reclassified.

The back donor provision increased compared to 2019 in 2020. The outstanding cases at the end of 2019 were all solved in 2020. The increase is mostly because of the costs which are foreseen due to the alleged irregularities in CAR, this is totalling to €3.2 million.

Alleged irregularities

In the context of our controls in place to manage ethical risks as set out in note 4.2, we receive, investigate and follow up on cases reported through our internal processes. If necessary we account for any potential losses further to the (alleged) matters.

Further to the allegations of integrity breaches and misconduct of staff members in our country office in the CAR, we have included a total loss of €5.1m in the 2020 results. This amount is based upon several investigations conducted to date, although still investigations are in progress. Furthermore, the situation may impact our relation with certain partners and donors. Because of the nature of the situation and the ongoing investigations this loss is the best estimate to date and inherently impacted by significant estimation uncertainty. This implies that the final financial impact of the allegations in the CAR are still uncertain. Furthermore, when the losses are confirmed, this may have an impact (including presentation) on the line items in the consolidated statement of income and expenses and balance sheet, as well as the attribution to prior years.

The total loss of €5.1 million charged to Management and Administration costs is reflected in these financial statements as follows:

- Addition to provisions (note 12)	€3.2 million
- Addition to provision uncollectable receivables from grants (note 9)	€1.0 million
- Addition to current liabilities (note 13)	<u>€0.9 million</u>
	€5.1 million

As at the date of this report investigations are in progress for alleged irregularities in the DRC – including matters that were reported in 2021 until the date of this report – that may have retrospective financial impact on 2020 and prior years (including presentation on the line items in the consolidated statement of income and expenses and balance sheet). The impact is dependent on the outcomes of the ongoing investigations as well as the response of our partners and donors. No provision has been recognised for these matters to date, as we are not able to reliably measure the potential losses.

13. CURRENT LIABILITIES

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

X € 1,000	31/DEC/2020	31/DEC/2019
Current liabilities		
Project commitments	10,597	9,580
Deferred grants	27,232	28,008
Accounts payable	5,131	5,062
Taxes and social security contributions	782	723
Reservation for leave days and holiday allowance	1,410	1,350
Redundancy accrual (short term)	1,258	1,561
Participations payable	297	650
Derivatives	500	165
Other accruals and deferred income	9,991	2,242
	57,198	49,341

Current liabilities increased by €7.9m from €49.3m in 2019 to €57.2m at year-end 2020. The main driver is found in the other accruals and deferred income. The other accruals and deferred income increased by €7.8m. The main reason for this increase is the closure of a Global Fund project in Democratic Republic Congo (€4.8m). For this project which has ended as per 31-12-2020, a number of accruals have been made for costs made in the project period, but invoiced in the next book year.

In addition a partner expense report for a health project in South Sudan was not received in 2020, for this amount (€0.9m) an commitment was made to reflect the expenses in the correct book year. Also an accrual was made for the investigation costs due to the alleged irregularities in CAR of €0.9m. All current liabilities are payable within one year.

14. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Off-balance sheet rights

Financing contracts with donors

Cordaid signed several large financing contracts with donors to carry out specific projects with end dates in 2020 and beyond. Cordaid recognises the incoming resources from these financing contracts and grant decisions in accordance with Dutch Accounting Standard 274. This means that incoming resources are recognised at the time resources are expended. The

difference between the income recognised and the actual amount received in the form of contributions from donors is recorded in the balance sheet. This results in a receivable if more resources have been expended than received or in a deferred grant if incoming resources are greater than those expended. Therefore, the full amount of the contract is not disclosed in the annual accounts. Herewith is an overview of contracts with a spendable amount in future years. Contracts with a spendable amount above €5 million are individually presented.

FUNDING ORGANIZATION	PROJECT DESCRIPTION	DURATION	CONTRACT VALUE €	CUMULATIVE INCOME €	BALANCE TO BE SPENT €
Global Fund	Investment in fighting AIDS, Tuberculosis and Malaria	2021-2023	163,413,681.31	0	163,413,681.31
Dutch Ministry of Foreign Affairs	Advocating for Peaceful, Secure and Inclusive Societies	2021-2025	49,562,878.00	0	49,562,878.00
World Bank	Financing for Health Sector Development in Zimbabwe	2020-2023	21,311,056.18	2,809,845.88	18,501,210.30
KfW Development Bank	Improvement access to sexual reproductive health in Burundi	2020-2023	18,000,000.00	2,809,846	15,190,154.12
The Embassy of the Kingdom of the Netherlands in Ethiopia	Strengthening the health system in Jimma zone through Performance Based Financing	2019-2023	15,949,347.00	3,756,023	12,193,324

Other off-balance sheet rights

Cordaid has 12 legacies estimated at €1.2m which are still subject to usufruct at the reporting date and therefore not reported as income in the statement of income and expenditure. Due to uncertainties related to usufructuary's lifespan an overview on the estimated expiration of usufruct rights can't be reliably determined.

Off-balance sheet commitments

All commitments (including project commitments) are recognised on the balance sheet. For organisational costs, Cordaid's policy, wherever possible, is to avoid long-term contracts with suppliers that include fixed commitments. All contracts can be terminated within 1 year or amounts payable are based on actual usage. Contracts for office rent are the only exceptions. Cordaid is renting an office building at Grote Marktstraat 45, The Hague. The rental period began on July 1, 2019 and expires on the 30th of June 2024. As of December 2020, off balance sheet liabilities for office lease are as follows:

X € 1,000	OFFICE LEASE THE HAGUE
Payable:	
in less than 1 year	446,000
between 1 and 5 years	1.152,000
Total	1,598,000

During the reporting period, lease payments amounting to €438 thousand are included in the statement of income and expenditure. Based on the consumer price index of Statistics Netherlands, an estimated rate of 1.7% has been used to calculate rental increment for future years for amounts payable between one and three years.

Alleged irregularities in the Central African Republic (CAR) and DRC

We make reference to note 12 setting out the financial effects and uncertainties in relation to allegations of integrity breaches and misconduct of staff members in our country office in the CAR and allegations of integrity breaches in our country office in DRC.

15. INCOME FROM PRIVATE INDIVIDUALS

X € 1,000	CONTRIBUTIONS, DONATIONS AND GIFTS	LEGACIES	OTHER	TOTAL 2020	BUDGET 2020	TOTAL 2019
Cordaid General	17,591	8,048	1	25,640	27,000	26,318
	17,591	8,048	1	25,640	27,000	26,318

Income from private individuals amounted to €25.6m. The amount is lower than the budget and 2019 as well. In 2019 the total income was higher by €0.7m. This can be mainly explained by the decrease in Income from legacies and inheritances by €0.8m.

The number of supporters and income from individuals remained relatively stable over the years, despite the very competitive market for private fundraising.

16. INCOME FROM COMPANIES

X € 1,000	CONTRIBUTIONS, DONATIONS AND GIFTS	LEGACIES	OTHER	TOTAL 2020	BUDGET 2020	TOTAL 2019
Cordaid General	2	0	0	2	0	265
	2	0	0	2	0	265

In 2020 there were no activities to raise income from companies.

17. BENEFITS FROM LOTTERY ORGANIZATIONS

X € 1,000	2020	BUDGET 2020	2019
Nationale Postcode Loterij	2,700	2,700	2,700
Nationale Postcode Loterij - additional amount	1,000	-	-
	3,700	2,700	2,700

The general benefits from lottery organisations 2020 are on budget and equals the previous year. The income from lottery organisations consist of the annual and regular contribution from the Dutch National Postcode Lottery (NPL).

In 2020 Cordaid received an additional amount from the NPL of €1.0m to support small and medium sized enterprises in the most fragile countries by providing loans and other investments.

18. GOVERNMENT GRANTS

X € 1,000	2020	BUDGET 2020	2019
Dutch Government	31,977	41,351	40,472
Global Fund	55,378	55,944	61,917
World bank	8,710	9,030	8,897
European Union	6,309	12,249	4,724
Other	36,412	18,655	17,847
	138,786	137,229	133,857

Government grants comprise project funding provided by bodies such as the European Union, the Dutch government, the Global Fund, the World Bank and various United Nations organisations. Income is recognised based on the project expenditures made within the framework of the financing contract with the donor. In 2020 income from government grants increased by €4.9m to €138.8m (2019: €133.9m). The growth achieved in 2020 was in line with the budgeted income.

Income from the Dutch Government stood at €32.0m in 2020, a decrease of €8.5m compared to 2019 and €1.9m below budget following lower expenditures on projects during 2019 and several grants which were budgeted, but not won.

Incoming resources from Global Fund, related to the project grant agreement to fight HIV/AIDS, tuberculosis and malaria in Democratic Republic Congo over the period 1 January 2018 to 31 December 2020, totalled €55.4m in 2020 (2019: €61.1m) and were in line with the budget for 2020. This decrease in income is in line with the phase in which the project is and according to the project budget.

Incoming resources from the World Bank, related to Performance Based Financing (PBF) programs and health projects, totalled €8.8m in 2020 and in 2019, the income is in line with the budget. The activities of this project mainly concentrate in Zimbabwe.

Compared to 2019, income from the European Union increased by €1.6m to €6.3m in 2020 (2019 €4.8m) and was below budget. The lower income was mainly due to contracts which were not won but were included in the budget.

21. INCOME FROM SALE OF GOODS AND OR RENDERING OF SERVICES

X € 1,000	MATERIALS SOLD	RENDERING OF SERVICES	TOTAL 2020	BUDGET 2020	TOTAL 2019
Cordaid General	0	53	53	0	51
TOTAL 2020	0	53	53	0	51

Income from the sale of goods, private fundraising articles and rendering of services as well as Cordaid staff on loan to others, has been stable compared to the previous year and has not been included in the budget.

The other category is in 2020 higher than in 2019 and the budget. This comes from the additional contract in South Sudan funded by Crown Agency.

Cordaid signed several large financing contracts with donors to carry out specific projects with end dates in 2021 and beyond. Income from these grants is only recognised if subsidised costs are incurred or if a legal payment obligation towards partner organisations exists. An overview of the amount to be spent per contract with a total value above €5.0m can be found under note 14.

19. INCOME FROM RELATED (INTERNATIONAL) ORGANIZATIONS

X € 1,000	2020	BUDGET 2020	2019
Caritas Internationalis (members)	1,365	868	952

Incoming resources from related (international) organisations in 2020 increased by €0.4m compared to 2019 and was above budget. Apart from being a source of income, Caritas provides us with an important network through which we can execute our activities, especially in humanitarian aid.

20. INCOME FROM OTHER NON-PROFIT ORGANIZATIONS

X € 1,000	2020	BUDGET 2020	2019
Samenwerkende Hulp Organisaties	1,800	0	179
Stichting Bisscoppelijke Vastenactie	0	0	135
Other organisations	0	0	1,512
	1,800	0	1,826

Income from other non-profit organisations is €1.8m in 2020. This amount is received from the SHO Campaign for 'Nederland helpt Beirut', which was started after the explosion in the harbour of Beirut, Lebanon. Under note 11. Funds & Reserves is shown which part of these funds is spent until 31-12-2020.

22. OTHER INCOME

X € 1,000	2020	BUDGET 2020	2019
- Result on financial assets	103	0	3,439
- Mutation provision doubtful debts	-85	0	0
- Other	174	341	152
	192	341	3,591

Results on financial assets comprises operating gains and losses on the loans, guarantees and participations program.

The result on financial assets in connection with the objectives decreased by €3.4m in 2019 to almost nil in 2020. Main driver of this decrease is a €3.1m higher provision in 2020 compared to 2019. Compared to 2019 return on social impact investments increased by €0.5m to €4.3m in 2020. Revaluation of participations decreased €1.5m compared to 2019 as a result of the significant devaluations of participations in 2020. The €0.3m unrealised change in value of derivatives is comprised of the

change in valuation of the cross currency interest rate swap on MMK to USD. This swap contract is held to cover currency risks on loan(s) denominated in Myanmar Kyat (MMK). This derivative is measured at fair value through the statement of income and expenditures.

X € 1,000	2020	BUDGET 2020	2019
Interest received on loans and guarantees	4,357	0	3,884
Income from dividends/provision guarantees	4	0	0
Revaluation of participations	-893	0	590
Unrealised change in value of derivatives	-335	0	-730
(Un)realised currency gains and losses	-21	0	-305
Allocated to/withdrawn from provision for loans and guarantees	-3,009	0	0
Total result on financial assets	103	0	3,439

23. SPENT ON OBJECTIVES

Comparison of 2020 program costs and program management costs with the budget and the previous year:

X € 1,000	2020			BUDGET 2020			2019		
	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL 2020	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COST	TOTAL BUDGET 2020	DIRECT PROGRAM COSTS	PROGRAM MANAGEMENT COSTS	TOTAL 2019
Healthcare	112,150	499	112,649	95,642	1,673	97,315	98,826	1,729	100,555
Humanitarian Aid	19,931	164	20,095	17,476	864	18,340	22,416	1,108	23,524
Security & Justice	13,555	403	13,958	14,966	280	15,246	16,488	309	16,797
Resilience	8,661	237	8,898	10,530	866	11,396	9,748	802	10,550
Education	204	2	206	0	0	0	0	0	0
Investments	500	2,402	2,902	0	0	0	256	3,656	3,912
Cordaid Netherlands	0	0	0	4,502	2,961	7,463	298	196	494
Other	1,279	219	1,498	0	0	0	120	0	120
Total costs of programs	156,280	3,926	160,206	143,115	6,645	149,760	148,152	7,800	155,952

Program costs in 2020 amounted to €160.2m; €10.4 above budget and €4.2m higher than the previous year.

The higher expenditure compared to 2019 is directly related to the higher acquired income (note 18) thus leaving more space for direct program expenditure. The lower program management cost is mainly caused by direct involvement of staff resulting in an increased staff cost allocation to programs. At the beginning of 2020 a reorganisation took place, in which various departments within Cordaid are working in a different way and hours worked can be allocated more directly towards projects. This makes that costs which were previously booked under Program Management costs, are now booked under Direct Project Costs.

The higher expenditures compared to the budget relates to new contracts which were not budgeted for. For the Healthcare

department the higher expenditure than was budgeted was predominantly caused by project related to the fight against the spread of COVID-19, in 2020 €5.2m was spent on this.

For Security & Justice and Resilience a growth was expected in 2020 compared to 2019. This is reflected in the budget. However the actual expenses in 2020 are €3.8m below the budget of 2020. This can be explained by the delay in projects due to COVID-19 restrictions and grants which were budgeted for, but not won.

Direct program costs on Investments is very low compared to the program management costs. New investments are done with returned funds from settled investments and are therefore not expressed in the statement of income and expenditure.

24. COST ALLOCATION TO THE DIFFERENT ACTIVITIES

Cordaid uses different allocation keys to allocate costs, making allowance where possible for the recommendations of Goede Doelen Nederland. Costs are allocated in two stages:

1. Costs relating directly to programs, fundraising and management & administration are directly allocated to these activities. This involves the costs of the thematic program units (programs), private fundraising & communication (public information/awareness campaigns and fundraising), the board of directors (management & administration) and finance & control (management & administration). Costs of the department for institutional account management are fully labelled as expenditure on fundraising.
2. Other costs allocated to programs, fundraising and management & administration include the costs of departments such as human resource management, IT and facility management and quality assurance. FTE's of departments that can be directly allocated are used as a key to allocate

the costs of the mentioned departments to programs, fundraising, or management & administration.

For the 2020 budget the public information and fundraising costs were categorized, and a list was prepared for each category outlining the specifics of the percentage of costs that should be allocated to fundraising (FR) and to public information (PI). The list of key activities/costs was used to decide on the 2020 budget for both fundraising costs and public information. The relative division between the two activities was:

1. Fundraising: 50.0% (2019: 50.0%);
2. Public Information/Awareness campaigns: 50.0% (2019: 50.0%)

These percentages were used to allocate the total 2020 marketing & funding budgets over the two activities. In the fundraising costs is also included the fundraising for funds from institutional donors.

Costs incurred per activity and per cost category:

RESOURCES EXPENDED (X € 1,000)	EXPENDITURE ON THE OBJECTIVES		EXPENDITURE ON FUNDRAISING	MANAGEMENT AND ADMINISTRATION	TOTAL EXPENDITURE		
	PUBLIC INFORMATION / AWARENESS CAMPAIGNS	PROGRAM COSTS			TOTAL 2020	BUDGET 2020	TOTAL 2019
Grants and contributions	9	112,626	120	82	112,837	129,587	133,569
Publicity and communication	3,194	478	3,195	0	6,867	7,009	5,629
Staff	705	17,474	1,119	2,966	22,264	22,455	20,223
Travel and accommodation	4	3,288	13	53	3,358	1,207	2,297
Housing	44	2,784	45	394	3,267	2,515	1,307
Office & General	204	23,556	284	7,313	31,357	5,395	9,457
Total	4,160	160,206	4,776	10,808	179,950	168,168	172,482

The overall costs in 2020 are €11.8m above budget, and €7.5m higher compared to the previous year. The largest deviations compared to budget and actuals 2019 were:

- In 2020 the fundraising costs were €4.8m (2019: €6.2m) and the Management & Administration costs were €5.5m (2019: €6.0m). The decrease compared with 2019 is the effect of the reorganisation which took place per 1-1-2020.
- Staff costs increased from €20.2m in 2019 to €22.3m in 2020. This is because of the difference in project portfolio in 2020 and phase of the projects in its complete cycle. More staff was hired to execute the projects, while in 2019 there were more projects implemented by partners.
- Within the Management & Administration costs are costs included which relate to the alleged irregularities in CAR, totalling to €5.1 million. These are partly provisions for project receivables from donors, costs which Cordaid is still to expect to incur and investigation costs of the irregularities. We also refer to note 12.

Total audit fees charged by Ernst & Young Accountants LLP stood at €0.8m in 2020 (2019: €0.6m). The audit fee for the annual accounts of 2020 of Stichting Cordaid and Cordaid Management Investments B.V. amounts to €0.3m (2019: €0.3m). The other amounts are fees for specific project audits and special investigations.

The above mentioned fees relate to all the work performed at Stichting Cordaid and entities included in the consolidated accounts by the audit firms and auditors mentioned in article 1, section 1 Wta (Wet toezicht accountantsorganisaties) and the fees charged by the audit firm's network. The fees relate to the 2020 fiscal year, although the related work can be executed in other years. The remaining amount paid to EY (€0.4m) was paid for audits on projects due to donor requirements.

Additionally, €0.1m (2019: €0.1m) was spent on local audits and audits of partner organisations. These audits were carried out by other audit firms than the Dutch offices of Ernst & Young Accountants LLP.

For the purpose of the calculation of the maximum continuity reserve the costs for the work organisation need to be determined. The costs for the work organisation consist of the costs for staff, travel & accommodation, housing and office & general (excluding the provision which was specifically made for CAR). This totals to €54.7 million. The maximum of the continuity reserve is 1.5 times the work organisation's annual cost, which is €82.1 million.

25. COST OF STAFF

The total number of staff within Cordaid with a Dutch labour contract is as follows.

	2020	BUDGET 2020	2019
Head count in The Hague	145.0	154.0	168.0
Head count expats at field offices	50.0	50.0	39.0
Total head count	195.0	204.0	207.0
Average number of The Hague FTEs throughout the year	183.4	189.0	195.7
Program staf	118.9	121.0	117.3
Fundraising/Awareness staff	21.3	26.0	25.6
Other departments	43.2	42.0	52.8
	183.4	189.0	195.7

At year-end 2020, Cordaid had a headcount of 195 (2019: 207). The decrease is a result of the reorganisation per 1-1-2020, however the number of expat increased.

X € 1,000	2020	BUDGET 2020	2019
- Salaries and wages	14,464	16,887	13,015
- Addition redundancy provision	1,118	0	2,212
- Social security contributions	2,671	2,159	1,664
- Pension costs	972	1,317	1,015
- Temporary staff	1,302	1,370	1,056
- Cost of training and education	233	39	30
- Other personnel expenses	1,504	682	526
	22,264	22,455	19,518

Compared to 2019, cost of staff increased by €2.7m to €22.3m in 2020 and is in line with the budget. Although the total number of fte and headcount decreased, the number of expats has increased. The costs for the expats are direct project costs and can be charged towards projects directly. In general, the cost per expat are higher than a staff member at the Global Office.

Cordaid's pension plan is administered by the Zorg en Welzijn Pension Fund, a pension fund for the health and welfare sector. Employees' retirement and partner pensions are based on their pensionable salary for full-time employment, net of the state pension offset. The pension fund endeavours to index-link any accrued pension entitlements and pensions in payment, based on general salary trends in the collective bargaining agreements that govern its affiliated employers in a particular year. The pension fund decides every year whether index-linking would be appropriate and, if so, what index to use given the financial situation and expected developments in that situation. In doing so, the pension fund uses nominal and realistic coverage ratios as benchmarks. Although the pension fund may decide to apply catch-up index linking, such a decision will not have retroactive effect and will not trigger subsequent payments. Index linking is funded partially from contributions and partially from returns on plan assets. The actual coverage ratio was 92.6% as per 31 December 2020 (30th September 2021: 102.0%).

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

26. RELATED PARTIES

Introduction

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

Cordaid identified the following related parties:

- Stichting Cordaid Expats, The Hague
- Stichting Cordaid Participaties, The Hague
- Cordaid Investment Management BV, The Hague
- Corpav BV, The Hague
- Cordaid SA NPC, Cape Town, South Africa
- Stichting Beheer Subsidiegelden Dutch Relief Alliance, The Hague

The Stichting Beheer Subsidiegelden Dutch Relief Alliance was founded in 2018 with the objective to channel grants from the Dutch Ministry of Foreign Affairs for acute crises and innovation funds to participating organisations of the Dutch Relief Alliance (DRA). The DRA is not included in the consolidation of the Cordaid accounts. A Cordaid employee has been appointed as member of the Board of the foundation. Cordaid is also the secretary of the foundation. However Cordaid has no control.

Related party transaction:

During 2020 all transactions between Stichting Cordaid and the mentioned related parties are in principle priced at arm's length basis. The nature of the transactions was predominantly the funding of the activities of the different entities by Stichting Cordaid. In return Cordaid Investment Management BV managed Stichting Cordaid's Loans & Guarantees fund and Stichting Participaties held the shares of Corpav BV. Corpav BV holds shares in one local investment in South Sudan (Finance South Sudan), which is part of the financial fixed assets on Cordaid's consolidated balance sheet.

27. EXECUTIVE REMUNERATION

The Supervisory Board has adopted an executive remuneration policy including the level of executive remuneration as well as other pay and benefits. The policy is updated periodically and was evaluated most recently in 2016. In determining the remuneration policy and adopting the level of the remuneration, Cordaid follows the regulation for executive remuneration of Goede Doelen Nederland.

The regulation uses weighting criteria to set a maximum for an executive's annual compensation. The most recent Goede Doelen Nederland standard of 1 January 2018 was used to determine these weighting criteria. This has resulted in a so-called BSD score of 571 points for the CEO and 496 points for the CFO and COO, with a maximum annual compensation for all the positions of €162,397. The COO position is vacant.

The total annual compensation in 2020 stood at €158,020 (2019: €151,051) per year for the CEO, Kees Zevenbergen, and at €148,251

(2019: €11,580) for the CFO, Tjerk Wagenaar. In the first two months of 2020 Willem Jan van Wijk, former CFO, had a total compensation of €45,997 (2019: €153,922), which includes his end of contract benefit. In other words, their total annual income is within the maximum remuneration limits of the regulation of Goede Doelen Nederland. This regulations from Goede Doelen Nederland are in line with WNT (Wet Normering Topinkomens).

The CFO Willem Jan van Wijk stepped down as CFO on 1 December, 2019 and continued his work as executive advisor until 29 February 2020. He was replaced by T.J.A. (Tjerk) Wagenaar, who works on a fixed term contract up to 31 December 2020.

Executive remuneration comprises gross salary costs including holiday allowance, social security contributions, pension costs, expense allowances and year-end allowance. As a rule, all employees receive a year-end allowance.

During 2020, the employed members of the Board were:

X € 1	L.C. ZEVENBERGEN CEO	T.J.A. WAGENAAR CFO	W.J. VAN WIJK CFO
Employment contract			
Duration	31/03/2023	31/12/2020	29/02/2020
Number of hours	36	36	36
Part-time percentage	100	100	100
Period in 2020	1/1-31/12	1/1-31/12	1/1-29/02
Gross salary	123,551	114,663	28,049
Holiday allowance	8,998	8,194	964
Year-end bonus	0	0	0
Variable pay	0	0	0
Total annual income	132,549	122,856	29,013
Social security contributions (employer's share)	13,209	13,209	2,202
Taxable allowances (Public transport abonnement)	0	0	0
Pension costs (employer's share)	12,262	12,185	2,039
Other benefits on long term	0	0	0
End of contract benefits	0	0	12,723
	25,471	25,394	16,964
Total remuneration for 2020	158,020	148,251	45,977
Total remuneration for 2019	151,051	11,580	153,922

The members of the Board of Directors did not have any outstanding loans, advances or guarantees as per 31 December 2020, nor during 2020.

Supervisory Board

The cost of the Supervisory Board consists of expenses for general and special meetings, travel costs, fixed expense allowances paid to members of the Supervisory Board and the hiring of expertise and advisors on request of the Supervisory

Board. As per Cordaid's policy for good governance, Supervisory Board members do not receive any remuneration for their work. They have the opportunity to cover their out of pocket expenses through a fixed expense allowance.

Amounts paid for individual members of the Supervisory Board in 2020 were as follows:

X € 1	A.J.M. HEERTS	M.C.T. VAN DE COEVERING	J.H.M. VAN BUSSEL
Function	Chair	Member Audit Committee	Member Audit Committee
Duration of function in 2020 (days)	365	354	365
Remuneration	0	0	0
Fixed expense allowances	0	0	0
Provisions for future payments	0	0	0
Total remuneration 2020	0	0	0
Total remuneration 2019	0	0	0

X € 1	B.L.J.M. VAN DIJK-VAN DE REIJT	M. VAN BEEK	J.J.A. DE BOER
Function	Member	Member Remuneration Committee	Member Remuneration Committee
Duration of function in 2020 (days)	365	365	365
Remuneration	0	0	3,500
Fixed expense allowances	0	0	0
Provisions for future payments	0	0	0
Total remuneration 2020	0	0	3,500
Total remuneration 2019	0	0	0

X € 1	M.W.J.A. LANDHEER-REGOUW
Function	Member
Duration of function in 2020 (days)	365
Remuneration	0
Fixed expense allowances	0
Provisions for future payments	0
Total remuneration 2020	0
Total remuneration 2019	0

28. FINANCIAL INCOME AND EXPENSES

Financial income and expenses includes interest and other income from bonds, capital gains on shares, interest earned on the bank account and currency gains and losses that are not related to the social impact investments. The following is a five-year summary of this item:

X € 1,000	2020	BUDGET 2020	2019	2018	2017	2016
Interest received on bonds	269	300	289	320	191	185
Interest received on cash and cash equivalents	-4	0	3	14	57	139
Realised exchange gains and losses	-1,033	-2,466	574	-87	1,329	-75
Unrealised exchange gains and losses	-3,934	3,285	2,444	-441	-1,434	1,171
Gross investment income	-4,702	1,119	3,310	-194	143	1,420
Investment costs	-101	-101	-101	-76	-148	-79
Net investment income	-4,803	1,018	3,209	-270	-5	1,341

The net investment result has decreased significantly in 2020. The main factor was the exchange rate losses, both realised and unrealised. This is mostly caused by the majority of the outstanding loans and participations which are denominated in USD. The exchange rate between USD and EURO has been unfavourable in 2020.

29. SUBSEQUENT EVENTS

Subsequent events have been evaluated through 2nd of March 2022, the date the financial statements were issued. Cordaid identified the following subsequent events:

- In December 2019 Cordaid and ICCO Cooperation U.A. signed a letter of intent for a possible merger. Emerged from protestant and catholic traditions with longstanding experiences on fighting poverty and social injustice, they share the same set of values based on the Christian social teachings. The advantages for merging are potential more impact and cost synergies. The proposed business plan, including thematic and fragile country focus and financial consequences, was finalized in June. Due diligences on both organisations were carried out. At the end of 2020 the asset liability transaction was approved by the Supervisory Boards of both organisations and there was a positive advice from the workers councils. The asset liability transaction is effective from the 1st January 2021 and both organisations are combined into one. As from the date of the transaction Cordaid guarantees for potential losses of Stichting ICCO.
- Afghanistan has faced conflict, poverty and natural disasters for decades. With the recent takeover by the Taliban (August 2021), a new period of great uncertainty has begun. Cordaid has been active in Afghanistan since 2001 and helps people with important facilities such as health care, shelter and security. The Taliban requests INGOs, including Cordaid, to continue their work in Afghanistan, however it is not expected that projects related to inclusion and women rights are allowed to be executed anymore. The exact impact of the recent takeover by the Taliban is not yet clear for the work of Cordaid. At the end of 2020 the outstanding bank balance was €1,600,000 which is used for the implementation of the various projects in Afghanistan. Currently the banking system is very instable in the country, which makes that not all the outstanding balances can be withdrawn freely.
- As set out in note 12, allegations of irregularities have been reported until the date of this report. For some allegations the investigations have not been completed. The outcome may have financial impact on 2020 and prior years.

INDIVIDUAL FINANCIAL STATEMENTS OF STICHTING CORDAID

Individual Balance sheet of Stichting Cordaid as at 31 December 2020

X € 1,000	NOTE	31/DEC/2020	31/DEC/2019
Assets			
<i>Fixed assets</i>			
Tangible fixed assets	31	1,031	1,287
<i>Financial fixed assets</i>	32		
- Issued in connection with the objectives		46,142	51,733
- Investments		24,464	23,528
- Participations in group companies		304	292
		70,910	75,553
Current assets			
Receivables	33		
- Receivable from group entities		0	0
- Subsidies governments / organisations		19,225	10,525
- Work advances partner organizations		9,283	14,185
- Receivable from inheritances		6,830	7,545
- Other receivables		1,136	1,430
- Interest receivable		1,666	879
		38,140	34,564
Cash and Bank	34	45,793	48,063
Total assets		155,874	159,467

X € 1,000	NOTE	31/DEC/2020		31/DEC/2019	
Liabilities					
Reserves and funds	35				
Reserves					
- Continuity reserve		11,000		11,000	
- Earmarked reserves		1,734		2,999	
			12,734		13,999
Funds					
- Restricted funds		2,107		822	
- Semi-restricted funds		12,012		19,240	
- Loans & guarantees fund		68,100		74,112	
			82,219		94,174
Provisions	36		4,058		2,332
Current liabilities	37				
- Liabilities to group entities		490		0	
- Project commitments		10,597		9,580	
- Other current liabilities		45,776		39,382	
			56,863		48,962
Total liabilities			155,874		159,467

INDIVIDUAL STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2020

X € 1,000	NOTE	2020		2019	
Result of subsidiaries and affiliated foundations	39		14		-74
Individual balance of income and expenditures			-13,234		361
Balance of funds			-13,220		287

NOTES TO THE FOUNDATION INDIVIDUAL FINANCIAL STATEMENTS

30. ACCOUNTING PRINCIPLES

30.1 General

The Company financial statements are part of the 2020 financial statements of Stichting Cordaid. The financial statements have been prepared in accordance with the Dutch Accounting Standard for Fundraising Institutions (RJ 650).

30.2 Principles for the measurement of assets and liabilities and the determination of the result

The principles for the recognition and measurement of assets and liabilities and determination of the result (herein after referred to as principles for recognition and measurement) of the Company financial statements of Stichting Cordaid are the same as those applied for the consolidated financial statements. Consolidated participating interests, over which significant influence is exercised, are stated based on net asset value.

The share in the result of participating interests consists of the share of Stichting Cordaid in the result of these participating interests. Results on transactions are not incorporated insofar as they can be deemed to be unrealised, if the transfer of assets and liabilities between Stichting Cordaid and its participating interests and mutually between participating interests themselves.

The financial information of the Company is fully incorporated in the consolidated annual accounts. Using article 2:402 of the Dutch Civil Code, a condensed profit and loss account in the individual financial statements is sufficient.

31. TANGIBLE FIXED ASSETS

Movements of the tangible fixed assets are as follows:

X € 1,000	BUILDINGS	IT EQUIPMENT	FURNITURE AND FITTINGS	VEHICLES	OTHER ASSETS	TOTAL
Balance as at 1 January 2020						
Cost	1,078	4,600	1,794	33	283	7,788
Accumulated depreciation	-53	-4,566	-1,590	-9	-283	-6,501
Carrying value as at 1 January 2020	1,025	34	204	24	0	1,287
Changes						
Purchases	19	7	44	0	0	70
Disposals	0	0	0	0	0	0
Depreciation	-217	-34	-64	-11	0	-325
Depreciation on disposals	0	0	0	0	0	0
Total changes	-198	-27	-20	-11	0	-256
Balance at 31 December 2020						
Cost	1,097	4,607	1,838	33	283	7,858
Accumulated depreciation	-270	-4,600	-1,654	-20	-283	-6,826
Carrying value as at 31 December 2020	827	7	184	13	0	1,031
Depreciation percentages	10%	33%	20%	33%	33%	

The tangible fixed assets in the individual balance sheet are €0.04m below the tangible fixed assets in the consolidated balance sheet, due to the investments by group companies upon moving into the new office building. All assets are held for business operations.

Refer to note 6 to the consolidated financial statements for more information.

32. FINANCIAL FIXED ASSETS

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

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
Value of portfolio as at 1 January 2020	44,441	400	11,401	56,242
Provision as at 1 January 2020	-4,509	-	-	-4,509
Carrying amount 1 January 2020	39,932	400	11,401	51,733
Changes				
Loans and guarantees issued	20,152	0	0	20,152
Loans and guarantees repaid	-16,109	-400	0	-16,509
Participations acquired/committed	0	0	228	228
Participations sold/commitments withdrawn	0	0	-878	-878
Impaired loans and guarantees	0	0	0	-
Revaluation of participations	0	0	-957	-957
Currency gains and losses	-4,134	0	-339	-4,473
Value of portfolio as at 31 December 2020	44,350	0	9,455	53,805
Changes in the provision				
Impaired loans and guarantees/withdrawal from provision	0	0	0	0
Allocated to/withdrawn from provision for loans and guarantees	-3,154	0	0	-3,154
Provision as at 31 December 2020	-7,663	0	0	-7,663
Value of portfolio as at 31 December 2020	44,350	0	9,455	53,805
Provision as at 31 December 2020	-7,663	0	0	-7,663
Carrying amount as at 31 December 2020	36,687	0	9,455	46,142

The social impact portfolio in the individual statements have the same carrying amount as the consolidated financial statements. Loans and provisions on loans by Corpav and Stichting Cordaid Participaties are excluded in the table above. The value of these loans amount to €0.7m and have fully been provided for as per 31 December 2020.

Loans and guarantees

The loans will fall due in the following periods:

X € 1,000	LOANS	GUARANTEES	TOTAL
<1 year	9,772	0	9,772
1-5 years	32,778	0	32,778
> 5 year	1,800	0	1,800
	44,350	0	44,350

Temporary cash surpluses are kept in deposit- and savings accounts. The earmarked reserves and uninvested cash from the Fund Loans & Guarantees are, up to an amount of €24.4m, invested by ING and Van Lanschot Bankiers on behalf of Stichting Cordaid. Refer to note 8 to the consolidated financial statements for more information.

The 100% interest held by Stichting Cordaid in the Cordaid Investment Management BV is presented as participations in group companies. The participation is valued at net asset value and amounts to €0.3m at balance sheet date (2019: €0.3m).

33. RECEIVABLES

The receivables in the individual balance sheet of Stichting Cordaid are specified as follows:

X € 1,000	31/DEC/2020	31/DEC/2019
Receivables		
- Receivable from group entities	0	0
- Receivable from grants	20,483	10,734
- Provision uncollectable receivables from grants	-1,258	-209
- Work advances partner organisations	9,368	14,185
- Doubtful debts	-85	0
- Receivable from inheritances	6,830	7,545
- Interest receivables	1,666	879
- Other receivables	1,136	1,430
	38,140	34,564

The receivables in the individual balance sheet are slightly higher than the receivables in the consolidated balance sheet. The difference of approx.€ 0.2m can be explained for the biggest part by the receivable stichting Cordaid has on CIM for the SLA at year end. We refer to note 9 to the consolidated financial statements for disclosures on other items.

All other receivables in the individual balance sheet are equal to the receivables in the consolidated balance sheet.

34. CASH AND BANK

Cash and bank comprises the cash and bank balances of the Cordaid office in The Hague, in the Country Offices abroad and deposits falling due in less than one year.

X € 1,000	31/DEC/2020	31/DEC/2019
Cash and cash equivalents		
Deposits	3,181	8,835
Bank accounts	41,919	38,849
Cash in hand	288	379
Cross accounts	405	0
	45,793	48,063

The bank accounts held by Cordaid SA NPC (€0.4m) and Cordaid Investment Management BV (€0.3m) are excluded compared to consolidated balance sheet. The most important explanations for the change in cash and cash equivalents can be found in the consolidated cash flow statement.

We refer to note 10 to the consolidated financial statements for disclosures on other items.

35. RESERVES AND FUNDS

Stichting Cordaid holds 100% of the shares in Cordaid Investment Management BV and values this participation on the basis of net asset value (€0.3m). The funds and reserves of Stichting Cordaid Participaties and Corpav BV that are included in the consolidated financial statements amount to €0.0m. Funds and reserves in the individual balance sheet are therefore equal to the funds and reserves in the consolidated balance sheet.

Refer to note 11 to the consolidated financial statements.

36. PROVISIONS

Refer to note 12 to the consolidated balance sheet for a disclosure on the provisions.

37. CURRENT LIABILITIES

The composition of the current liabilities in the individual balance sheet of Stichting Cordaid is as follows:

X € 1,000	31/DEC/2020	31/DEC/2019
Current liabilities		
Liability to group entities	490	476
Project commitments	10,597	9,580
Deferred grants	27,232	28,008
Accounts payables	4,739	4,482
Taxes and social security contributions	907	653
Reservation for leave days and holiday allowance	1,268	1,229
Redundancy payable (short term)	895	1,561
Derivatives	500	165
Participations payable	297	650
Other accruals	9,938	2,158
	56,863	48,962

Compared to the consolidated financial statements current liabilities are €0.3m lower mainly due to the current account with Cordaid SA NPC and in lesser extent due to excluded accruals, accounts payable and staff related current liabilities of Cordaid Investment Management BV which are eliminated in the consolidated financial statements

All other current liabilities are equal to the liabilities in the consolidated balance sheet. Refer to note 13 to the consolidated financial statements for more information.

38. COST OF STAFF

	2020	BUDGET 2020	2019
Head count in The Hague	149	126	149
Head count expats at field offices	39	50	39
Total head count	188	176	188
<i>Average number of The Hague FTEs throughout the year</i>			
Program staff	101.5	104.0	99.3
Fundraising/Awareness staff	21.3	26.0	25.6
Other departments	43.2	42.0	52.8
Total average FTE including expats	166.0	172.0	177.7

The staff of Cordaid Investment Management BV consisting of 17.5 FTE (head count: 19) on average is not included in the statement above compared to the consolidated financial statements.

X € 1,000	2020	BUDGET 2020	2019
Salaries and wages	13,215	15,465	11,636
Addition redundancy provision	1,118	0	2,212
Social security contributions	2,497	1,977	1,478
Pension costs	853	1,206	892
Temporary staff	245	1,255	1,013
Cost of training and education	220	36	24
Other personnel expenses	2,091	625	521
	20,239	20,564	17,776

As a consequence of excluding the group companies in the individual accounts, total staff costs are €1.7m lower than in the consolidated financial statements. Refer note 25 to the consolidated statement of income and expenditure for more detailed disclosure on cost of staff.

39. RESULT OF SUBSIDIARIES

The financial position as at 31 December 2020 and 2020 results of subsidiaries can be specified as follows:

X € 1,000	CORDAID SA NPC	CIM BV	CORPAV	SCP	TOTAL
Assets					
Tangible fixed assets	0	40	0	0	40
Social impact investments	0	0	0	0	0
Receivable from Stichting Cordaid	0	590	0	0	590
Other receivables	0	0	0	0	0
Cash and banks	408	337	0	0	745
Total assets	408	967	0	0	1,375
Liabilities					
Equity / Reserves and funds	-155	306	-651	-14	-514
Provisions	0	363	0	0	363
Liability to Stichting Cordaid	560	0	650	14	1,224
Current liabilities	3	298	1	0	302
Total liabilities	408	967	0	0	1,375

X € 1,000	CORDAID SA NPC	CIM BV	CORPAV	SCP	TOTAL
Net revenues	0	2,737	0	0	2,737
Personnel expenses	0	2,042	0	0	2,042
General and administrative expenses	0	676	0	0	676
Operating expenses	0	2,718	0	0	2,718
Financial income and expenses *	0	-5	0	0	-5
Result from ordinary activities before tax	0	14	0	0	14
Corporate income tax	0	0	0	0	0
Net result	0	14	0	0	14

Stichting Cordaid has a 100% interest in Cordaid SA NPC, Cape Town (South Africa). The nature of business and principal activities of Cordaid SA is relief and development aid in line with the objectives of Stichting Cordaid.

Cordaid Investment Management BV (CIM BV) acts as asset manager for the Stichting Cordaid social impact investment portfolio. In 2019, CIM BV moved into a new office building and invested in furniture and fittings. Current liabilities relate to personnel accruals such as holiday allowances, wage taxes and social security premiums.

Net revenue consist predominantly of the asset management fee 2020 charged to stichting Cordaid. Average FTE during 2020

was 17.5 and head count 19 employees. General and administrative expenses are mainly driven by the cost of service level agreement between Stichting Cordaid and CIM BV (€0.5m) and automation expenses (€0.4m including licenses, software maintenance and development, as well as consultants).

On behalf of Stichting Cordaid, Corpav BV makes direct and indirect investments in social enterprises all over the world. Stichting Cordaid Participaties is the only shareholder of Corpav BV and has no activities in 2020. Corpav has a social impact portfolio consist of in total €0.7m in loans to innovative social enterprises. These loans were all provided for in the prior financial year.

OTHER INFORMATION

Provision in the constitution governing the appropriation of balances

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

Country Offices

At the end of 2020 Cordaid had 10 Country Offices for 12 conflict-affected countries. The Country Offices monitor and/or implement the programs for different thematic areas in these countries. The Offices where Cordaid is working are in the following countries:

- Afghanistan
- Burundi
- Central-African Republic
- Democratic Republic Congo (Kinshasa and Bukavu)
- Ethiopia (Country Office and Regional Office (Horn of Africa))
- Iraq
- Syria*
- Myanmar
- Sierra Leone
- Liberia*
- South Sudan
- Uganda
- Netherlands*

*) In Syria and Liberia no formal Country Office structure is present, these countries fall under the Country office in Iraq and Sierra Leone. The office in the Netherlands is the Global Office in The Hague.

INDEPENDENT AUDITOR'S OPINION



Independent auditor's report

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

Our disclaimer of opinion

We were engaged to audit the financial statements 2020 of Stichting Cordaid based in Den Haag. The financial statements comprise the consolidated and individual financial statements.

We do not express an opinion on the accompanying financial statements of the Stichting Cordaid. Due to the significance of the matters described in the Basis for our disclaimer of opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying financial statements as a whole.

The financial statements comprise:

- ▶ The consolidated and individual balance sheets as of 31 December 2020
- ▶ The consolidated and individual statements of income and expenditure for 2020
- ▶ The notes comprising of a summary of the accounting policies and other explanatory information

Basis for our disclaimer of opinion

As set out in note 12 and 14 in the financial statements, Stichting Cordaid received notification of alleged integrity breaches and misconduct of staff, in its country office in Central African Republic and allegations of integrity breaches in its country office in the Democratic Republic of the Congo. The investigations into these allegations are not completed at the date of this report and may not be completed within a reasonable timeframe. In performing the investigations, Cordaid is dependent on the cooperation by third parties, including local partners as well as donors. Furthermore, international travel restrictions and the safety situation in these countries hinder the entity's and our ability to fully interact with management, local partners and investigators in these countries, without incurring undue costs and personnel risks. As a result, we were unable to obtain sufficient and appropriate audit evidence to conclude on the allegations, the required remediation by Stichting Cordaid and the implications for the financial statements in order to determine whether any adjustments to the result, balance sheet items including reclassifications and corresponding figures as set out in note 12 and 14 and/or the disclosures would be necessary.

Emphasis on ethical risk disclosures

We draw attention to note 4.2 Ethical risk in the financial statements, which describes the inherently higher ethical and compliance risk factors that may materialize in corruption, fraud and non-compliance with local and international laws and regulations as well as mitigating measures that have been put in place. Our opinion is not modified in respect of this matter.

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



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

The supervisory board is responsible for overseeing the entity's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. However, due to the matters described in the Basis for our disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

Den Haag, 2 March 2022

Ernst & Young Accountants LLP

signed by A.A. Kuijpers



Publication of auditor's report

1 Conditions

Authorization to publish the auditor's report is granted subject to the following conditions:

- ▶ Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the financial statements.
- ▶ The authorization concerns inclusion of the auditor's report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the financial statements as drawn up.
- ▶ The authorization also concerns inclusion of the auditor's report in the annual report to be filed with the Trade Registrar, provided consideration of the financial statements by the AGM does not result in any amendments.
- ▶ Financial statements for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Dutch Civil Code must be derived from the financial statements adopted by the AGM and a draft version of these financial statements for filing purposes must be submitted to us for inspection.
- ▶ The auditor's report can also be included if the financial statements are published electronically, such as on the internet. In such cases, the full financial statements should be published and these should be easily distinguishable from other information provided electronically at the same time.
- ▶ If the published financial statements are to be included in another document which is to be made public, authorization to include the auditor's report must again be granted by the auditor.

2 Explanations to the conditions

2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is pursuant to Book 2 of the Dutch Civil Code, section 393 which stipulates inter alia: "The auditor sets out the outcome of his examination in a report". "The auditor reports on his examination to the board of supervisory directors and the board of executive directors".

2.2 Annual General Meeting (AGM)

Publication of the auditor's report will only be permitted subject to the auditor's express consent. Publication is understood to mean: making available for circulation among the public or to such group of persons as to make it tantamount to the public. Circulation among shareholders or members, as appropriate, also comes within the scope of the term "publication", so that inclusion of the auditor's report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

2.3 Auditor's reports and financial statements

The authorization concerns publication in the annual report incorporating the financial statements that are the subject of the auditor's report. This condition is based on the auditors' rules of professional practice, which state that the auditor will not be allowed to authorize publication of his report except together with the financial statements to which this report refers. The auditor will also at all times want to see the rest of the annual report, since the auditor is not allowed to authorize publication of his report if, owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the financial statements.

2.4 Events between the date of the auditor's report and the AGM

Attention should be paid to the fact that between the date of the auditor's report and the date of the meeting at which adoption, as appropriate, of the financial statements is considered, facts or circumstances may have occurred which materially affect the view given by the financial statements. Under COS 560, the auditor must perform audit procedures designed to obtain sufficient audit evidence to ensure that all events occurring before the date of the auditor's report that warrant amendment of or disclosure in the financial statements have been identified.

If the auditor becomes aware of events that may be of material significance to the financial statements, the auditor must consider whether those events have been adequately recognized and sufficiently disclosed in the notes to the financial statements. If between the date of the auditor's report and the date of publication of the financial statements, the auditor becomes aware of a fact that may have a material impact on the financial statements, the auditor must assess whether the financial statements should be amended, discuss the matter with management and act as circumstances dictate.

2.5 Trade Registrar

The financial statements are tabled at the AGM (legal entities coming within the scope of Title 9 of Book 2 of the Dutch Civil Code table the directors' report and the other information as well). The AGM considers adoption of the financial statements. Only after the financial statements have been adopted, do they become the statutory (i.e., the company) financial statements. As a rule, the statutory financial statements will be adopted without amendment. The auditor's report must be attached to the statutory financial statements as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory financial statements, the directors' report and the other information. The auditor's report which refers to the unabridged financial statements will then have to be incorporated in the other information. If consideration of the financial statements by the AGM does not result in any amendments, the auditor's report may be attached to the financial statements adopted, by the AGM and, provided the annual report and financial statements are filed promptly at the offices of the Trade Registrar, published as part of these annual report and financial statements.

2.6 Other manner of publication

The financial statements may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditor's report is permitted, provided the financial statements are published in full. If publication concerns part of the financial statements or if the financial statements are published in abridged form, publication of any report the auditor has issued on such financial statements will be prohibited, unless:

- a. He has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate
- Or
- b. Based on legal regulations, publication of the document concerned is all that is required

If less than the full financial statements are published, further consultation with the auditor is essential. If the financial statements and the auditor's report are published on the internet, it should be ensured that the financial statements are easily distinguishable from other information contained on the internet site. This can be achieved, for example, by including the financial statements as a separate file in a read-only format or by including a warning message when the reader exits the financial statements document.

2.7 Inclusion in another document

If the published financial statements are to be included in another document which is to be made public, this is considered a new publication and authorization must again be obtained from the auditor. An example of this situation is the publication of an offering circular which includes the financial statements, after these financial statements have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be obtained from the auditor.

2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption of the financial statements as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the financial statements as adopted and by the auditor's report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditor's report. In this situation, too, further consultation with the auditor is essential.

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