

**INTERSOS**  
**NON-PROFIT HUMANITARIAN ORGANIZATION**  
Non-governmental Organization as recognized by Ministerial Decree 1997/128/002770/1  
Headquarters in Rome - Via Aniene 26/A - Italian Tax Code 97091470589

**Financial Statements for the year ended December 31, 2016**  
All amounts are expressed in Euro

Assets	31/12/2016	31/12/2015
<b>B) Fixed assets</b>		
I. Intangible assets		
1) Software	-	1.424
2) Leasehold improvement	-	1.119
	-	<b>2.543</b>
II. Tangible assets		
2) Plant and equipment	19.508	20.486
3) Other assets	7.322	1.112
	<b>26.830</b>	<b>21.598</b>
III. Financial assets		
1) Shares in affiliated undertakings	-	-
2) Receivables	8.753	7.095
3) Other investments	20.010	20.010
	<b>28.763</b>	<b>27.105</b>
<b>Total fixed assets</b>	<b>55.593</b>	<b>51.245</b>
<b>C) Current assets</b>		
I. Inventory		
6) Material for communication and fundraising activities	-	-
	-	-
II. Receivables		
1) Donor receivables	11.467.954	9.796.706
2) Other receivables	1.294.447	1.882.841
	<b>12.762.401</b>	<b>11.679.547</b>
IV. Cash at bank and in hand		
1) Bank and post office deposits	8.484.960	5.493.626
3) Cash in hand	139.297	98.289
	<b>8.624.256</b>	<b>5.591.915</b>
<b>Total current assets</b>	<b>21.386.657</b>	<b>17.271.462</b>
<b>D) Prepayments and accrued income</b>	<b>36.654</b>	<b>19.655</b>
<b>Total assets</b>	<b>21.478.905</b>	<b>17.342.363</b>

Equity and Liabilities	31/12/2016	31/12/2015
<b>A) Net assets</b>		
I. Unrestricted		
1) Profit or loss for the financial year	161.333	55.420
2) Profit or loss brought forward	55.420	-
	<b>216.753</b>	<b>55.420</b>
III. Restricted		
2) Funds earmarked by institutional bodies' decisions		
a) Funds earmarked for humanitarian emergency response	377.650	377.650
b) Funds earmarked for expat staff	100.000	100.000
	<b>477.650</b>	<b>477.650</b>
<b>Total net assets</b>	<b>694.404</b>	<b>533.070</b>
<b>B) Provisions for liabilities and charges</b>	<b>852.188</b>	<b>668.213</b>
3) Other provisions	852.188	668.213
<b>C) Severance indemnities</b>	<b>88.395</b>	<b>54.736</b>
<b>D) Payables</b>		
4) Bank payables	668.404	861.887
5) Donor payables	847.140	784.855
7) Supplier payables	1.518.411	1.325.982
12) Tax payables	316.858	201.573
13) Social security payables	274.160	229.851
14.1) Staff payables	933.021	629.572
14.2) Other field payables	642.425	507.362
	<b>5.200.418</b>	<b>4.541.081</b>
<b>E) Accruals and deferred income</b>	<b>14.643.501</b>	<b>11.545.262</b>
<b>Total liabilities</b>	<b>21.478.905</b>	<b>17.342.362</b>
<b>Commitments, Contingencies and Guarantees</b>	<b>1.294.616</b>	<b>1.330.367</b>

Statement of operating activities	31/12/2016	31/12/2015
<b>A) Operating income</b>		
I. Income from operating activities		
1) Income from grants and contracts	46.241.193	34.583.159
	<b>46.241.193</b>	<b>34.583.159</b>
II. Income from supporting activities		
2) Income from contributions		
2.1) Unrestricted income from private donors	104.867	140.330
2.2) Income from projects	2.612.555	2.156.402
2.3) Membership fees	4.900	4.900
	<b>2.722.322</b>	<b>2.301.633</b>
3) Other operating income		
3.1) Billable expense income	24.004	46.668
3.2) Rounding off allowances and discounts	56	23
3.3) Gain on lease of equipment	-	-
3.4) Gain on sale of equipment	-	950
3.5) Staff costs recovery	97.178	57.594
3.6) Gifts-in-kind	-	-
	<b>121.238</b>	<b>105.235</b>
<b>Total operating income</b>	<b>49.084.753</b>	<b>36.990.027</b>
<b>B) Operating expenses</b>		
I. Expenses from operating activities		
1) Expenses from grants and contracts	46.241.193	34.583.159
	<b>46.241.193</b>	<b>34.583.159</b>
II. Expenses from supporting activities		
6) For material and visibility	-	-
7) For services		
a) External contractors and consultants	640.785	607.318
b) Other services	443.747	469.976
c) Expenses from earmarked funds for expat staff	-	100.000
	<b>1.084.531</b>	<b>1.177.294</b>
9) For staff		
a) Salaries and benefits	654.656	372.581
b) Social security charges	76.286	52.150
c) Severance indemnities	44.156	24.370
	<b>775.098</b>	<b>449.101</b>
10) Depreciation and amortization expense		
a) Depreciation of intangible assets	2.543	4.663
b) Depreciation of tangible assets	7.220	6.110
	<b>9.762</b>	<b>10.772</b>
11) Changes in inventory	-	<b>16.052</b>
12) Provisions for liabilities	<b>206.725</b>	<b>351.442</b>
14) Other operating expenses	<b>393.717</b>	<b>218.766</b>
<b>Total operating expenses</b>	<b>48.711.027</b>	<b>36.806.587</b>
<b>Net operating income</b>	<b>373.727</b>	<b>183.440</b>

Statement of activities	31/12/2016	31/12/2015
<b>C) Operating financial income and expenses</b>		
16) Other financial income		
16.1) Interest income	200	54
16.2) Foreign currency exchange gain	-	
	<b>200</b>	<b>54</b>
17) Interest and other financial charges		
17.1) Interest expense	16.659	12.792
17.2) Foreign currency exchange loss	129.068	13.932
	<b>145.727</b>	<b>26.725</b>
<b>Total operating financial income and expenses</b>	<b>- 145.527</b>	<b>(26.671)</b>
<b>D) Adjustments to operating financial assets</b>		
	-	-
<b>Total adjustments to operating financial assets</b>	<b>-</b>	<b>-</b>
<b>E) Extraordinary operating income and expenses</b>		
20) Unusual or infrequent gain	6.939	1.014
	<b>6.939</b>	<b>1.014</b>
21) Unusual or infrequent loss	14.971	12.677
Doubtful debts	-	42.690
	<b>14.971</b>	<b>55.366</b>
<b>Total extraordinary income and expenses</b>	<b>(8.032)</b>	<b>(54.352)</b>
<b>Income before taxes</b>	<b>220.168</b>	<b>102.417</b>
22) Taxes		
a) Regional Business Tax (IRAP)	52.398	36.269
b) Other taxes		
	<b>52.398</b>	<b>36.269</b>
<b>23) Net income provided by operating activities</b>	<b>167.770</b>	<b>66.148</b>

Statement of operating activities subject to VAT	31/12/2016	31/12/2015
<b>A) Income of operating activities subject to VAT</b>		
I. Income from operating activities subject to VAT		
1) Income from grants and contracts	-	78.662
	-	<b>78.662</b>
II. Income from supporting activities		
2) Income from sales		
2.1) Income from sale of goods		
2.2) Income from sale of services	19.000	26.310
2.3) Billable expense income	-	-
	<b>19.000</b>	<b>26.310</b>
<b>Total income of operating activities subject to VAT</b>	<b>19.000</b>	<b>104.972</b>
<b>B) Operating expenses subject to VAT</b>		
I. Expenses from operating activities subject to VAT		
1) Program services	-	78.662
	-	<b>78.662</b>
II. Expenses from supporting activities		
6) For material and consumables	-	-
7) For services		
a) External contractors and consultants		
b) Services subject to VAT	25.437	32.160
c) Other taxes and charges	-	20
d) Rounding off allowances and discounts	-	1
	<b>25.437</b>	<b>32.180</b>
<b>Total operating expenses subject to VAT</b>	<b>25.437</b>	<b>110.842</b>
<b>Net operating income subject to VAT</b>	<b>(6.437)</b>	<b>(5.870)</b>
<b>C) Operating financial income and expenses subject to VAT</b>		
16) Other financial income		
16.1) Interest income		
16.2) Foreign currency exchange gain		
	-	-
17) Interest and other financial charges		
17.1) Interest expense	-	13
17.2) Foreign currency exchange loss		
	-	<b>13</b>
<b>Total operating financial income and expenses subject to VAT</b>	<b>0</b>	<b>(13)</b>
<b>D) Adjustments to operating financial assets subject to VAT</b>		
<b>Total Adjustments to operating financial assets subject to VAT</b>	<b>-</b>	<b>-</b>
<b>E) Extraordinary operating income and expenses subject to VAT</b>		
20) Unusual or infrequent gain		
	-	-
21) Unusual or infrequent loss	-	4.380
	-	<b>4.380</b>
<b>Total extraordinary operating income and expenses subject to VAT</b>	<b>-</b>	<b>(4.380)</b>
<b>Income before taxes</b>	<b>- 6.437</b>	<b>(10.263)</b>
22) Taxes		
a) Regional Business Tax (IRAP)	-	465
b) Corporate Income Tax (IRES)		
	-	<b>465</b>
<b>23) Net income provided by operating activities subject to VAT</b>	<b>(6.437)</b>	<b>(10.728)</b>



# Notes

To consolidated financial statements for the year ended  
December 31, 2016









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## PRESENTATION

These consolidated financial statements for the year ended 31 December 2016 relate to “INTERSOS-Humanitarian Organization” with headquarters in Rome, Via Aniene 26/A (hereinafter “INTERSOS” or “Organization”). All the elements which contributed to a surplus of 161.333 euro are described below.

### **INTERSOS MISSION AND PURPOSE**

INTERSOS is a not-for-profit organization founded in 1992. Within the frame of its charity purpose, the Organization aims to achieve the following goals:

- To give an immediate response to people affected by natural disaster or armed conflict by addressing their most urgent needs and providing assistance to the most vulnerable populations;
- To promote and underpin the process of rebuilding, restoring and rehabilitating the affected community in the aftermath of an emergency, also in collaboration with other national or international organizations;
- To mobilize and to call public attention to the humanitarian efforts of the Organization, also aimed to raise funds to support the interventions.

In 2016 the Organization operated in the following countries:

- **Africa:** Somalia, South Sudan, Mauritania, Democratic Republic of Congo, Cameroon, Central African Republic, Nigeria
- **Europe/Balkans:** Italy, Serbia, Greece
- **Asia:** Afghanistan, Philippines
- **Middle East:** Yemen, Lebanon, Iraq, Jordan

The Organization is an NGO recognized by the Ministry of Foreign Affairs – Directorate General for Development Cooperation, pursuant to article 28 of Law no. 49 of 1987, as per provision no. 1997/128/002770/1 of the 24th July 1997. Accordingly, the Organization also qualifies as a non-profit organization. INTERSOS is also registered in the register of legal persons of the Prefecture of Rome at no. 753/2010.

### **GENERAL CRITERIA FOR DRAWING UP THE FINANCIAL STATEMENTS**

Being a non-profit organization, it is noted that, under current legislation, no specific regime for financial statements preparation is required. On the 11th February 2009 the Italian Agency for Non-Profit Organizations (set up under article 1 of the Prime Minister Decree issued on 26th September 2000, as the supervisory body for non-commercial entities and non-profit organizations, although closed afterward) approved the “guidelines and layouts for the preparation of financial statements of non-profit organizations”, in compliance with article 3.1, letter a) of Prime Minister Decree no. 329 of the 21st March 2001. The above-mentioned document does not impose any obligation for non-profit organizations. However it is a guideline on the preparation of financial statements which may be drawn up according to the layout that best suits the operating activities.

The Financial Statements have been prepared according to the layout described under articles 2424 (Statement of Financial Position) and 2425 (Statement of Activities) of the Italian Civil Code with some changes and adjustments which take account of the specific features of the Organization.

All figures shown in the financial statements and the accompanying notes are expressed in Euro.

The financial statements for the financial year ended December 31 2016, of which these notes form an integral part pursuant to the first paragraph of article 2423 of the Italian Civil Code, are consistent with the accounting transactions regularly recorded and have been prepared in compliance with the articles 2423, 2424-bis and 2425-bis of the Italian Civil Code, preparation principles compliant with the first paragraph of article 2423-bis of the Italian Civil Code, and the measurement criteria set out in article 2426 of the Italian Civil Code. Any derogation from accounting standards and recommendations applied are disclosed in the note to the caption subject to the derogation.

As required by article 2423ter of the Italian Civil Code, for each Statement of Financial Position and Statement of Activities account item prior financial year corresponding figures are given.

These financial statements have been prepared using the accrual basis of accounting. Consequently, accounting transactions and other events are recognized and recorded in the accounting period in which they occur rather than when the payment is made or received. Departure to this principle shall be made only when recognition thereof is not supported by certain specified elements.

Combined account items shown in the Statement of Financial Position and the Statement of Activities and their variations are disclosed in the notes to the financial statements, with relevant comments.

## **TAX BREAKS**

In 2016 the Organization, being non-profit making, availed itself of specific tax break applicable to its own sector, including:

- Article 150 of Consolidated Income Tax Act (hereinafter T.U.I.R.) – revenues from operating activities carried out solely for social solidarity purposes and activities directly related to the latter are not taxed;
- Article 14 of Law no. 49/1987 – assets purchased to be used abroad are VAT exempt;
- Article 27-bis of the Annex B of the Presidential Decree no. 642/1972 – stamp duty exemption (for bank statements, receipts, etc.).

Concerning donations, applicable tax breaks are regulated by:

- Article 14 of Law Decree no. 35/2005 converted with amendments into Law no. 80 of the 14 May 2005: deductibility of donations in cash or in kind coming from natural persons or bodies subject to income tax in favor of non-profit organizations up to 10% of the total taxable income and no more than 70.000 euro per year;
- Letter g) of article 10 of T.U.I.R.: deductibility of contributions, donations and gifts from natural persons in favor of non-governmental organizations up to 2% of the total taxable income.
- letter i-bis) of the first paragraph of article 15 of T.U.I.R: deduction of 19% of cash donations from natural persons in favor of non-profit organizations up to 2.065,83 euro.

Being a non-for-profit organization, the latter participates in the allocation of funds collected from the 0.005% of the individual income tax (IRPEF).

## **MEASUREMENT CRITERIA ADOPTED TO DRAFT THE FINANCIAL STATEMENTS**

The financial statements comprise the Statement of Financial Position, the Statement of Activities, the Notes and the annexes thereto.

Measurement criteria are consistent with the provisions of Article 2426 of the Italian Civil Code and are equivalent to those applied in previous years.

The financial statements provide information about the Organization's financial and operational performance. Consequently, they have been prepared to give a true and fair view of the Organization's

financial position and performance for the concerned year. Additional disclosures were provided when necessary to assure the achievement of the afore - mentioned purposes.

Financial statement's account items were measured on the basis of the prudence and accrual concepts, keeping into account the economic function of the relevant asset and liability and the assumption that the Organization will continue to carry on its activities in the foreseeable future.

Under the prudence concept, accounting events have been recorded in order to avoid offsetting losses which should have been recognized and revenues which should not have been recognized because they were not certain.

Under the accrual concept, accounting transactions and other events were recognized and recorded in the accounting period to which they related and not when they were received or paid.

Measurement criteria can be summarized as follows:

Account items	Measurement Criteria
<b>Intangible Fixed Assets</b>	Intangible assets are recorded at cost, net of accumulated amortization.
<b>Tangible Fixed Assets</b>	<p>Tangible assets are recorded at cost, net of accumulated amortization. The depreciation charge of the accounting period is computed on a straight-line basis over the estimated useful lives of the respective assets.</p> <p>Contributions are stated at a fair value on date of contribution. Depreciation rates used are as follows:</p> <ul style="list-style-type: none"> <li>• Vehicles: 25%</li> <li>• Office equipment and telephone systems: 20%</li> <li>• Machinery and other equipment: 15%</li> <li>• Furniture: 15%</li> </ul>
<b>Financial Fixed Assets</b>	Shareholdings are recorded at cost, net of impairment losses if any.
<b>Inventory/Stocks</b>	Stocks are valued at whatever is the lowest of cost and net realizable value.
<b>Receivables</b>	Accounts receivables are reported at their net realizable value.
<b>Cash at bank and in hand</b>	Cash and cash equivalents are recorded at their nominal value.
<b>Accruals and Deferrals</b>	They include revenues and expenditures pertaining to the previous or subsequent year, regardless of the flow of cash.
<b>Net Assets</b>	This line item reflects the difference between assets and liabilities. Such aggregate constitutes a merely "virtual" value because it cannot be associated to specific components of assets and liabilities, being a differential value. In such sense, we refer to the net assets as a unitary value, even though it is broken down into "ideal" units represented by capital and reserves for legal purposes. Consequently, net assets cannot be valued directly. Indeed, assets and liabilities are measured individually.
<b>Provisions for liabilities and charges</b>	<p>Provisions are required for any loss or liability, which is likely to be incurred, or certain to be incurred, but uncertain as to the amount or the date on which it will arise.</p> <p>Such funds were valued on the basis of the prudence and accrual concepts and no funds were constituted without an economic justification.</p> <p>Potential liabilities were recognized and recorded when they were deemed likely to be incurred and the amount of the charges could be reasonably determined.</p>
<b>Payables</b>	Payables are valued at their nominal value, modified on the occasion of returns or invoice adjustments.
<b>Severance indemnities</b>	The line item reflects the amount payable to employees accrued by the end of the year in accordance with the law and the agreements

	<p>ruling labor, considering any form of ongoing remuneration. The provision coincide with the total of the entitlement accrued by the employees by the end of the year, net of the disbursed amounts, and it reflects the amount that would be due to the employees in the hypothesis that they were closing their employment relationship on that date.</p>
<b>Foreign currency assets and liabilities</b>	<p>Assets and liabilities in foreign currency are measured at the monthly average exchange rate using the December 2016 average exchange rate as reported in the European Journal “InforEuro”. Gains and losses resulting from exchange rates are disclosed in the Statement of Activities. Foreign currency fixed assets for which no invoice was received at the end of the year are translated at the foreign exchange rate prevailing at the date of closure of the accounting period. This mechanism is used to make the general ledger consistent with the financial reports submitted to the donors and expressed using different currencies.</p>
<b>Taxes</b>	Taxes are accrued according to the accrual concept.
<b>Revenues and Costs</b>	They are measured on the basis of the prudence and accrual concepts, registering the related accruals and deferrals entries.
<b>Commitments, Contingencies and Guarantees</b>	Commitments and guarantees are measured at their outstanding contractual value.

## PERSONNEL FIGURES

The criteria for estimating the figures on personnel employed at the headquarters were amended in 2016. Due to the frequent use of different types of contractual arrangements, following the approval of the new labor law rather than estimating the number of employment contracts per year, it was decided to estimate the number of staff members employed by type of contract at the 31 December.

As a result, the personnel employed at the Headquarters in Rome as at the 31st December 2016 can be represented as follows:

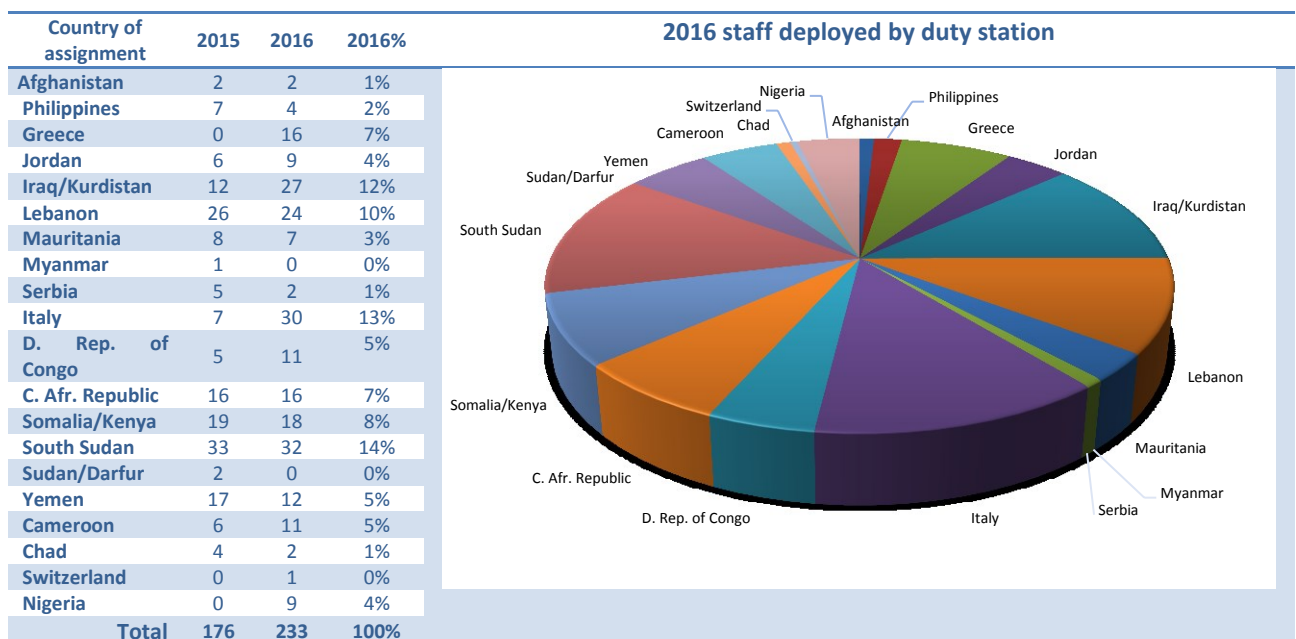
Type of Contract	At 31/12/2015	At 31/12/2016	Variation
Employees	19	19	-
Project-Based workers	6	0	- 6
Contractors	0	3	+3
	<b>25</b>	<b>22</b>	<b>- 3</b>

The National Collective Bargaining Agreement governing the relationship between INTERSOS and the employees is that of the service sector while the Collective Agreement stipulated with the trade unions provides the rules for the project-based contract workers.

Personnel involved in missions abroad are employed through the so-called contracts for coordinated and continuous work. As most of their duties are undertaken overseas, the latter take advantage of specific tax benefits as established in Article 3 of the Inter-ministerial Decree of the 17<sup>th</sup> September 2002 (Official Journal no. 239 of the 11<sup>th</sup> October 2002). The 2015 update was introduced by Law 214 of the 22<sup>nd</sup> December 2011 – Official Journal no.300 of the 27<sup>th</sup> December 2011.

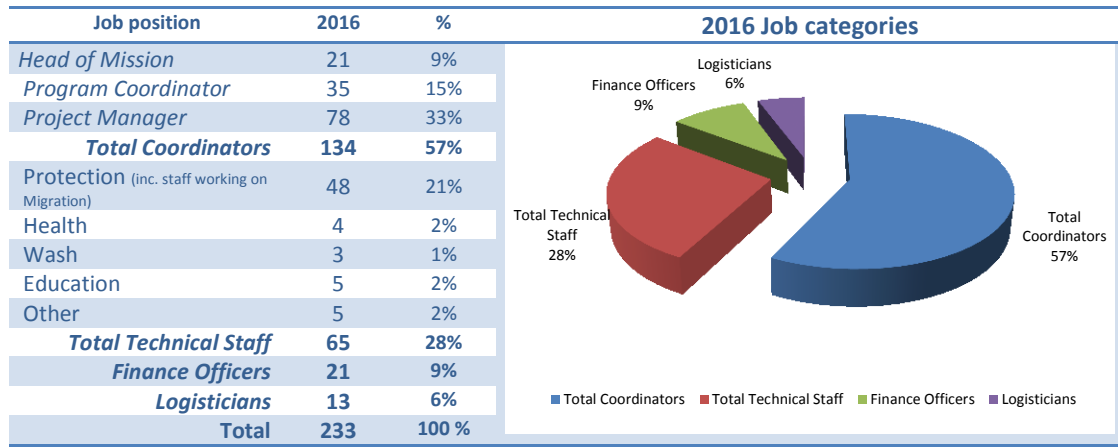
The reform process undergone following the introduction of the Jobs Act (including the general measures adopted to reform the labor market) has continued in 2016 and accordingly to the changes already adopted by the Organization following the signature of the Collective Bargaining Agreement between the trade unions and the non-governmental organizations in 2013.

The total number of workers employed in foreign missions and in Italy (Migration Program) in 2016 is 233 persons as opposed to 176 employed in 2015. The figures shown in the following two tables and graphs represent the deployment of employees by country of assignment and job category:

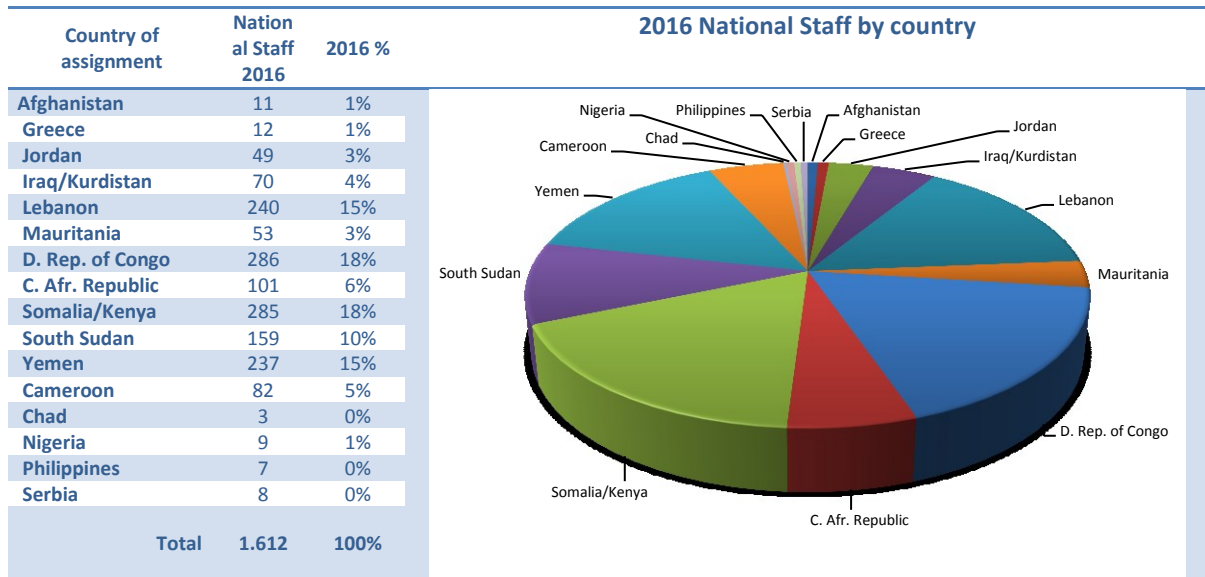




The figures on the job categories were estimated on the number of humanitarian operators by job position to better show the situation.



The monthly average number of national staff recruited by the Organization and employed to support the activities carried out abroad is 1.612 operators. The contractual arrangements may vary across missions accordingly to the labor law in force in the country of assignment. The average personnel number distribution by country is as follows:



## HIGHLIGHTS 2016

2016 was an intense year for INTERSOS, which had to diversify its income sources and areas of intervention to face a growing number of activities while maintaining the highest standards of quality of services provided to beneficiary populations. According to the triennial strategic plan, the projects were carried out on the front lines of complex humanitarian crises in which working is never easy but where the value of the activities delivered (most of which are life-saving) increases in an important way. More than 2.1 million people were reached in 16 countries, with the opening of the mission in Nigeria, the return to Afghanistan, the expansion of the mission across DRC, the growth and consolidation of the mission in Yemen, the preparation and implementation of activities in the safe corridor to flee Mosul (Iraq).

It was possible to give a more reactive response to the new crises arose in 2016 in those countries where INTERSOS was already operative. The following are some of the situations above-mentioned: the health assistance provided to 20.000 newly displaced in Kaga Bandoro following violent clashes in CAR; the nutrition screening and assistance of 17.500 children in Magumeri, in the new accessible areas since the military intervention in Nigeria; the assessment conducted in Uganda to meet the needs of 270.000 refugees from South Sudan. By enhancing the humanitarian crisis analysis, INTERSOS aimed to adopt a crisis analysis approach rather than a project approach, while increasing competencies and the number of qualified staff to more effectively respond to the humanitarian crises.

INTERSOS has gradually expanded its presence to the Sahel region affected by food and nutrition crises and Boko Haram-related violence in the Lake Chad Basin by resuming activities in Chad and strengthening mission in Cameroon with the aim to further extend its presence to Niger and Mali. Growing attention has been paid to the possible onset of new crises, including dormant ones such as the one in Burundi, but also to the effects of climate change (see the drought in the Horn of Africa). INTERSOS has introduced a new Emergency Unit to better monitor and respond to these new crises without weakening the existing management structure.

Consistently with the Triennial Strategic Plan and in order to improve the quality and effectiveness of the humanitarian response, INTERSOS recruited an HQ Medical Referent to provide support to the increasing number of health and nutrition programs. Thanks to the technical support provided in 2016 the following actions were possible: issuing health strategy papers, staff training, strengthening the health and nutrition activities in place and boosting new ones in many countries. Today, INTERSOS carries out health and nutrition programs in 7 countries: CAR, Somalia, Nigeria, South Sudan, Yemen, Iraq, Afghanistan.

A long-awaited turning point came when two major facts occurred in Italy last year:

- The “Mesoghios” project carried out in Crotona became eligible for funding through the Asylum, Migration and Integration Fund (AMIF) of the Italian Ministry of Home Affairs until March 2018. In this way, the project becomes totally part of the public funds allocated for migration, engages all the actors present over the territory and commits the Local Health Office of the county of Crotona, which will be the lead partner, to continue and ensure the stability of the work done so far by INTERSOS, through the allocation of resources. The project foresees the outpatient care of migrants in the existing clinic in Crotona, the opening of two new outpatient clinics and the introduction of three units equipped with mental health staff equipped to provide medical and psychological assistance to the most vulnerable groups of migrants.
- INTERSOS has become UNICEF’s main partner working on migration in Europe with the launching of a new project aimed to provide assistance to unaccompanied minors in Italy and to be carried out in collaboration with the offices of UNICEF in Geneva and in Italy. Initially set up as a pilot project in August, it began running in October and has already open offices and operative bases in Palermo, Rome and Ventimiglia.

2016 was marked by two major humanitarian events: i.) The first-ever World Humanitarian Summit, which took place in Istanbul in May and identified five core responsibilities (one of which on migration) to deliver better for people across the globe; ii.) the adoption on September 19 of the New York Declaration on the rights of refugees and migrants which acknowledges that protection of refugees and assistance are a shared international responsibility. As all its activities focus on migratory populations whether in Italy or abroad, INTERSOS cannot take into account the commitments made in such important events.

## ASSETS

### B) FIXED ASSETS

#### I Intangible Assets

Balance at 31.12.2016	Euro	-
Balance at 31.12.2015	Euro	2.543
<b>Variation</b>	<b>Euro</b>	<b>- 2.543</b>

No variation was made to the size or composition of intangible assets. The reduction was due to the amortization expense related to old and new software products in use by the following departments: Fundraising (supporter database), Human Resources ("Job" payroll software), and Administration and Finance ("NPW" accounting software).

Variations made in the current year are shown in the table below:

Costs Description	Historical cost as at 31.12.2015	Amortization fund as at 31.12.2015	Value as at 31.12.2015	Increases in year 2016	Decreases in year 2016	Amortization expense 2016	Value as at 31.12.2016
Software	30.787	29.363	1.424	-	-	1.424	-
Leasehold improvement	6.711	5.592	1.119	-	-	1.119	-
			<b>2.543</b>			<b>2.543</b>	<b>-</b>

#### II Tangible Assets

Balance at 31.12.2016	Euro	26.830
Balance at 31.12.2015	Euro	21.598
<b>Variation</b>	<b>Euro</b>	<b>+ 5.232</b>

The Tangible Fixed Assets include three categories of goods: i) Equipment, (i.e. solar water pumps, mine clearance equipment, PCs and laptops, air conditioners, fire-safety and telephone systems); ii) Furniture, (i.e. Office tables and chairs); iii) Vehicles, (i.e. motorhome).

Variations made in the current year are shown in the table below:

Costs Description	Historical cost as at 31.12.2015	Depreciation fund as at 31.12.2015	Value as at 31.12.2015	Increases in year 2016	Decreases in year 2016	Depreciation expense 2016	Value as at 31.12.2016
Equipment	160.988	140.503	20.486	4.552	-	5.530	19.508
Furniture	4.680	3.569	1.112	-	-	702	410
Vehicles	3.930	3.930	-	7.900	-	988	6.912
			<b>21.598</b>	<b>12.452</b>		<b>7.220</b>	<b>26.830</b>

One of the depreciation expenses relates to the solar water pumps purchased by the mission in South Sudan. The depreciation expense was 2.278 Euro.

During the year, the following assets were scrapped and written off using the amortization and depreciation fund: 2 laptops, 2 PCs and 1 telephone system. Two more vehicles were purchased to carry out the activities in Italy (a Fiat Stilo and a Ford Focus, both were second-hand cars).

### III Financial Assets

Balance at 31.12.2016	Euro	28.763
<b>Balance at 31.12.2015</b>	Euro	<b>27.105</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 1.658</b>

The Financial Assets include three categories: i) Security deposits; ii) Financial Receivables; iii) Financial Instruments.

Costs Description	Value as at 31.12.2015	Increases in year 2016	Decreases in year 2016	Value as at 31.12.2016
Security Deposits	7.095	2.174	516	8.753
Financial Receivables	-	-	-	-
Financial Instruments	20.010	-	-	20.010
	<b>27.105</b>	<b>2.174</b>	<b>516</b>	<b>28.763</b>

Security deposits includes the monetary deposits made for the rent of the Geneva offices at the cost of 1.337 Euro, those made in order to use satellite communication services at the cost of 3.000 Euro, those made against the electricity and gas supply at the A28 Centre at the cost of 363 Euro, those made to “Ora Sesta” against the refreshment services provided at the Headquarters in Rome at the cost of 200 Euro, those made for the rent and utilities costs for 1.697 Euro, those made for the rent of the Thessaloniki Offices for the activities of the mission in Greece at the cost of 1.000 Euro, and those made to the new electricity supplier of the Headquarters in Rome at the cost of 1.156 Euro.

The financial instruments relate to the participation share in Banca Popolare Etica Limited Cooperative Association – P. Beato Giordano Forzatè, Padua. Today, INTERSOS owns 348 securities of the Bank. The value for a unit is EUR 57,50. Shares have not been subjected to any variation of value during 2016.

## C) CURRENT ASSETS

No changes have been made to the recognition and measurement criteria of the current assets between years 2015 and 2016. Therefore comparison data over time is possible.

Description	Value at 31.12.2015	Value at 31.12.2016	Variation
Warehouse stocks	-	-	-
Donor receivables	9.796.706	11.467.954	+ 1.671.248
Other receivables	1.882.841	1.294.447	- 588.394
Cash in bank	5.493.626	8.484.960	+ 2.991.334
Cash in hand	98.289	139.297	+ 41.008
	<b>17.271.462</b>	<b>21.386.657</b>	<b>+ 4.115.195</b>

## II Receivables

Balance at 31.12.2016	Euro	12.762.401
<b>Balance at 31.12.2015</b>	Euro	<b>11.679.547</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 1.082.854</b>

Receivables include donor receivables for 11.467.954 Euro, and other receivables for 1.294.447 Euro. This account item therefore is mainly made up of receivables from donors following the allocation of grants for project implementation. The account item shows all the debts owed to INTERSOS by the donors providing the grants; the collection on donor receivables occurs after the submission and approval of related financial reports.

A major subdivision of the donor receivables is made by country of collection of the receivables separating those to be collected in Italy from those to be collected abroad in the country of intervention:

Description	Value at 31.12.2015	Value at 31.12.2016	Variation
Donor receivables to be collected in Italy	3.402.486	6.005.719	+ 2.603.233
Donor receivables to be collected abroad	6.394.220	5.462.235	- 931.985
	<b>9.796.706</b>	<b>11.467.954</b>	<b>+ 1.671.248</b>

The following table reports the donor receivables sorted by donor:

Donor	Value at 31.12.2015	Value at 31.12.2016	Variation
Ministry of Foreign Affairs (MoFA)	648.501	986.262	+ 337.761
European Commission (EC)	131.434	241.977	- 110.543
ECHO	1.220.000	1.123.361	- 96.639
United Nations agencies	5.704.127	6.892.673	+ 1.188.546
Private donors	403.540	262.029	- 141.511
Others	1.689.103	1.961.652	+ 272.549
	<b>9.796.706</b>	<b>11.467.954</b>	<b>+ 1.671.248</b>

See Annex 1 for further detail on the composition of the donor receivables sorted by project.

Other receivables include all the monetary obligations owed to INTERSOS by third parties such as banks, personnel, and other public or private institutions, either Italian or foreign, with whom the Organization manage relationships over the year. The latter are reported by country of intervention.

The following table presents comparison data between the last two years:

Description	Value at 31.12.2015	Value at 31.12.2016	Variation
Bank receivables	63.162	101.483	38.321
HQ rental receivables	7.295	6.745	-550
Salary Advance	210.583	331.862	121.279
National staff receivables	1.954	1.405	-549
Cash advance	58.963	64.111	5.148
Other partner receivables	1.397.076	651.173	-745.903
Receivables from Philippines mission	8.526	-	-8.526
Receivables from Somalia mission	13.090	2.729	-10.361
Receivables from DRC mission	-	1.919	1920
Receivables from Sudan mission	8.784	33.293	24.509
Receivables from Greece mission	-	2.802	2.802
Receivables from Serbia mission	200	200	0
Receivables from Chad mission	-	-	0
Receivables from Yemen mission	4.178	1.229	-2.949
Receivables from Iraq mission	-	13.912	13.912
Receivables from Jordan mission	-	2.578	2.578
Receivables from Mauritania mission	45.636	37.239	-8.397
Receivables from Cameroon mission	120	2.439	2319
Receivables from CAR mission	9.713	17.377	7.664
Other receivables	53.562	21.949	-31.612
	<b>1.882.841</b>	<b>1.294.447</b>	<b>-588.394</b>

The largest variations are found in the “other partner receivables” account item. In 2016, INTERSOS maintained and strengthened relationships with strategic partners, mainly in Jordan acting as the lead-partner of ECHO projects. The amount reported on the balance sheet shows the outstanding balance of the payments made to the partners and for which a financial report is awaited.

The amount of the bank receivables is due to two international transfers made by the DRC mission in December 2016 to settle its payables to HQ, one of them for an amount of 57.328 USD and the other one for an amount of 50.000 USD, and arrived to the HQ bank account in January 2017.

The cash advance reports the total amount of all outstanding advances issued by the missions and not yet cleared or documented by the recipients. Large variations may be observed from one year to another and major efforts are done every year to reduce its value by the end of the accounting period.

### III Cash at bank and in hand

Balance at 31.12.2016	Euro	8.624.256
<b>Balance at 31.12.2015</b>	Euro	<b>5.591.915</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 3.032.341</b>

The balance represents the amount of liquid assets that are cash or can be converted into cash immediately at the date of closure of the accounting period.

The amounts expressed in foreign currency are recorded at the foreign exchange rate prevailing at the date of the transaction and translated again at the InforEuro exchange rate of December. Exchange differences arising from the conversion at rates different from those at which they were initially recorded during the

year, are recognized in the consolidated statement of activities under the currency exchange gain or loss line items.

A detailed breakdown of liquid assets held in Italy and abroad is shown in the table below:

Liquid assets held in Italy					Liquid assets held abroad				
Description			Value at 31.12.2015	Value at 31.12.2016	Description			Value at 31.12.2015	Value at 31.12.2016
Cash and Equivalents Rome	and held in	Cash in	24.467	26.105	Cash and Equivalents abroad	and held	Cash	73.822	113.191
Bank and Deposits held in Italy	Post Office		782.160	1.399.147	Foreign Deposits	Bank		4.711.467	7.085.813
			<b>806.627</b>	<b>1.425.252</b>				<b>4.785.288</b>	<b>7.199.004</b>

See Annex 2 for further detail on the composition of the cash in hand held by country and currency. The balances of the bank deposits sorted by bank account, country and currency are listed in the same annex.

In 2016, in order to increase the Organization's cost-efficiency, the standard practice of requesting credit advances as the cheapest funding source has been strengthened. Such solution allowed to increase the available financial resources. This will be a strategic decision if analyzing the need to increase the amount of projects funded and to diversify the income sources by increasing the percentage of those that require and anticipation of funds, as ECHO, which makes the final payments after the conclusion of the action. The next step will be request the donors that have so far made payments onto foreign current accounts to made them directly into the bank accounts held in Italy. This direct credit should allow the extension of this credit facility.

The "bank deposits held in Italy" line item refers to the bank accounts at:

- *Banca Popolare Etica* (branch of Padua) No. 7 checking accounts;
- *Banca Sella* (branch P. Poli, Rome) No. 1 checking account;
- *Banca Prossima* (branch of Rome) No. 19 checking accounts, 1 credit account and 7 prepaid cards;
- Post Office No. 1 checking Account.

## D) PREPAYMENTS AND ACCRUED INCOME

Balance at 31.12.2016	Euro	36.654
<b>Balance at 31.12.2015</b>	Euro	<b>19.655</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 16.999</b>

This line item measures revenues and expenditures pertaining to the previous or subsequent year, regardless of the flow of cash. The foreign currency translation and measurement criteria used are mentioned in the first part of the present notes.

There are no prepaid expenses or accrued income lasting more than five years as at 31 December 2016.

2016 data is made up as follows:

- Prepaid expenses Euro 21.312;
- Deferred expenses Euro 15.342;
- Accrued income Euro 0.

The prepaid expenses are expenses paid in advance in 2016 for projects awaiting approval or which financial report is pending approval or submission and are recognized by the mission making the payments.



The deferred expenses are detailed below:

Deferred Expenses	
Supplier	Amount
AFRICA 2002	1.593
ALPACA	952
BIANCHI NEVIO	2.606
BEEWIRED	781
CDS SERVICE	809
GENERALI	980
RENTOKIL	305
INPS VOUCHER	4.010
WIND	1.966
UNIPOL SAI	673
WORLD COUNCIL	688
	<b>15.342</b>

## EQUITY AND LIABILITIES

### A) NET ASSETS

Balance at 31.12.2016	Euro	694.404
<b>Balance at 31.12.2015</b>	Euro	<b>533.070</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 161.334</b>

In the table below the variations to net assets in the last four years are reported:

Description	Value at 31.12.2013	Increases at			Decreases at			Value at 31.12.2016
		31.12.2014	31.12.2015	31.12.2016	31.12.2014	31.12.2015	31.12.2016	
Unrestricted								
<i>Profit or loss brought forward</i>	374.744	- 7.930	+ 10.837	+ 55.420	-	- 377.650	-	55.420
<i>Profit or loss for the financial year</i>	- 7.930	+ 10.837	+ 55.420	+ 161.333	+ 7.930	- 10.837	- 55.420	161.333
Funds earmarked by third parties	50.000			-	- 50.000	-	-	-
Funds earmarked by institutional bodies' decisions								
<i>Funds for humanitarian emergency</i>			+ 377.650	-				377.650
<i>Funds for Expat Staff</i>			+100.000	-				100.000
	<b>416.813</b>							<b>694.404</b>

On June 22, 2016, the Board of Directors agreed to hold an internally restricted fund for humanitarian emergency response activities and another one aimed to cover the risks posed by the operations of the expat staff deployed abroad. In 2015, 377.650 Euro from the 2014 reserves for the financial year and reserves brought forward were set aside and transfer to the internally restricted fund for humanitarian emergency response. The internally restricted fund for expat staff was created thereby setting aside 100.000 Euro. In the same Board of Directors' Meeting, the Board members agreed on the management of the earmarked funds, as foreseen by the Civil Code, which must be used for designated activities or purposes and exclusively upon the Board's decision. The above-mentioned composition of the net assets was agreed to bring greater transparency to the funds future use and management.

The 2016 year's operating surplus of 161.333 Euro was registered to unrestricted net assets as "profit for the financial year". In total, net assets have grown from 533.070 Euro to 694.404 Euro. The earmarked funds have not been used and the unrestricted net assets have grown from 55.420 Euro to 216.753 Euro.

### B) PROVISIONS FOR LIABILITIES AND CHARGES

Balance at 31.12.2016	Euro	852.188
<b>Balance at 31.12.2015</b>	Euro	<b>668.213</b>
<b>Variation</b>	<b>Euro</b>	<b>+ 183.975</b>

The provisions for liabilities and charges are funds set aside for meeting future losses or obligations likely to be incurred or certain to be incurred, but uncertain as to the amount or the date on which it will arise at the date of closure of the accounting period.

Such funds were valued on the basis of the prudence and accrual concepts and no funds were created without an economic justification.

The funds set aside in the previous years were used in 2016. In detail:

- 9.098 Euro from the provisions for legal disputes were used to pay three bills of ACEA Electricity, one for the electricity supply of the A28 Centre and two for the electricity supply of the HQ, following judge's ruling.
- 13.652 Euro from "other provisions" were used to pay the bills related to the waste collection services provided by AMA to the previous premises at via Nizza between fiscal years 2008 and 2010.

In the meantime, further funds were set aside during the year to pay for anticipated future losses. In detail:

- 17.299 Euro were set aside following the audit report of project 37-13 carried out in Mauritania and funded by the European Commission. The independent auditor "A-M.C.S. –Audit" did not accept the contributions made by one of the partners of the project, considering the expenditures by them incurred not eligible for funding. The total amount of the expenditures considered as not eligible for funding is still under discussion.
- 121.153 USD, equivalent to 114.555 Euro, were set aside following the UNDP findings on project 38-24 in the Democratic Republic of Congo. The audit requested by UNDP and an exchange of correspondence between UNDP and INTERSOS have brought out a request of refunding still under discussion. Under the precedence concept the total amount requested was set aside.
- 49.112.614 XAF, equivalent to 74.872 Euro, were set aside to meet the losses of project 46-26 funded by the WFP in the Central African Republic. Such losses were due to the reduction of the food distributions by the donor. Such reduction make unlikely to cover the expenditures incurred to implement the project and that if found non-admissible for reimbursement shall be covered by the Organization. The total amount of the possible loss has been set aside as a final decision from the donor is awaited.

Both the provision for exchange rate risk and the provision for the opening of new missions are strictly linked with the business operations of the Organization, whose 90% of signed contracts and funds received are in foreign currencies other than Euro, and which is continuously committed to intervene in new or neighboring areas in order to fulfill and expand its *mission*.

The provisions were broken down as follows:

Description	Value at 31.12.2015	Increases	Decreases	Value at 31.12.2016
Provision for exchange rate risk	218.300	-	-	218.300
Provision for risks and charges	292.790	206.725	-	499.515
Provision for legal disputes	61.029	-	9.098	51.931
Other provisions	96.094	-	13.652	82.442
Provision for the opening of new missions	-	-	-	-
	<b>668.213</b>	<b>206.725</b>	<b>22.750</b>	<b>852.188</b>

### C) EMPLOYEE SEVERANCE INDEMNITIES

Balance at 31.12.2016	Euro	88.395
Balance at 31.12.2015	Euro	54.736
<b>Variation</b>	<b>Euro</b>	<b>+ 33.659</b>

The variations are detailed below:

Description	Amount
<b>Value at 31.12.2015</b>	<b>54.736</b>
Severance payment	- 11.485
Provision for employee severance indemnities and revaluation	+ 44.321
Substitute Tax	- 165
Severance transferred to pension funds	+ 988
<b>Value at 31.12.2016</b>	<b>88.395</b>

The Provision for employee severance indemnities is the actual amount due to the employees, net of severance indemnity advances, as at 31 December 2016. In 2016, employee severance indemnities were paid to two employees for a total amount of 11.485 Euro.

## D) PAYABLES

Balance at 31.12.2016	Euro	5.200.418
Balance at 31.12.2015	Euro	4.541.081
<b>Variation</b>	<b>Euro</b>	<b>+ 659.337</b>

Before starting to analyze each line item, their composition and comparison data between the last two years has been detailed in the table below:

Description	Value at 31.12.2015	Value at 31.12.2016	Variation
4) Bank payables	861.887	668.404	- 193.483
5) Donor payables	784.855	847.140	+ 62.285
7) Supplier payables	1.325.982	1.518.411	+ 192.429
12) Tax payables	201.573	316.858	+ 115.285
13) Social security payables	229.851	274.160	+ 44.309
14.1) Staff payables	629.572	933.021	+ 303.449
14.2) Other field payables	507.362	642.425	+ 135.063
	<b>4.541.081</b>	<b>5.200.418</b>	<b>+ 659.337</b>

### D 4) Bank payables

Bank payables are all the amounts owed to financial institutions for advances, lines of credit, means of payment (checks, etc.), mortgages, etc.

In 2016 the above-mentioned financial institutions were:

Description	Amount
BANCA POPOLARE ETICA C/C N 137194	39
BANCA PROSSIMA C/ANTICIPI N. 16252	538.726
BANCA PROSSIMA C/C N. 9358142	79
BANCA PROSSIMA C/C N. 9358143	79
Bank Herat: AIB 0503303007158001	7
Banque Nationale: 01267302301	109
Banque Nationale: 0126988401	93
Bank DRC TMB Bank : 1252-3906955-02-51	102
Bank Lebanon: BLF 5840	557
Bank Lebanon: BLF 13840	6
Bank Philippines :BPI 001121-0189-14	17
Bank CAR: ECOBANK - 0181085670113	4.657
Bank CAR: ECOBANK - 01810929403	10.006
Bank Iraq: Blom Bank 23-300-2160774-08	2.207
Bank South Sudan-Juba: CFC 62846	75.194
Bank South Sudan-Juba: CFC 73384	36.525
<b>Value at 31.12.2016</b>	<b>668.404</b>

The lines of credit are:

- Banca Popolare Etica (LOC) Euro 200.000;
- Banca Prossima (LOC) Euro 100.000;
- Banca Prossima (revocable) Euro 1.200.000.

Additional guarantees were requested by the Organization in order to provide the bank guarantees required by some donors. The bank guarantees used at 31st December are established as follows:

- Banca Popolare Etica Euro 550.000;
- Banca Prossima Euro 1.200.000;
- Banca Prossima (restricted LOC) Euro 491.920.

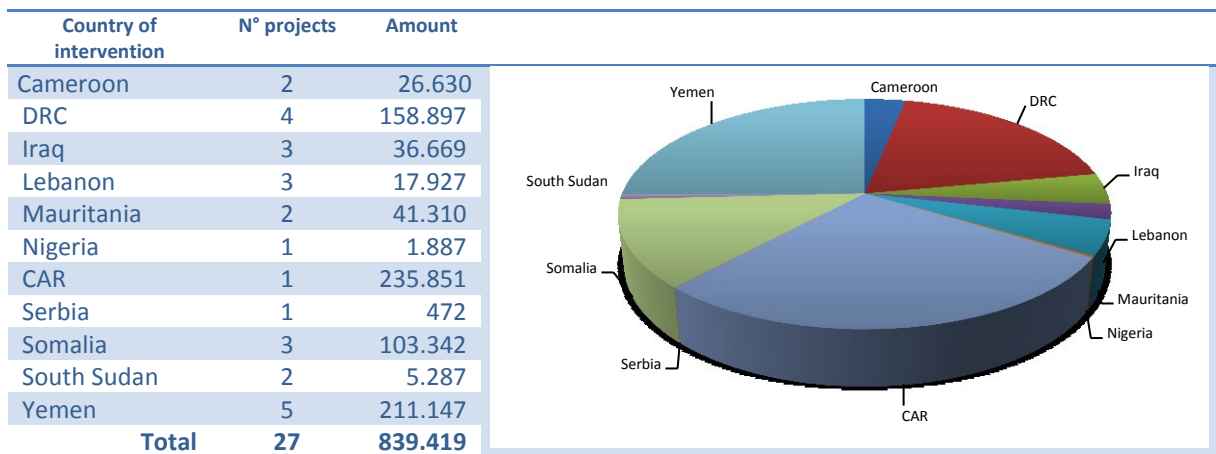
The credit lines utilized in Italy at 31st December are the advances granted by Banca Prossima for a total of 538.726 Euro relating to two ECHO agreements, one for an action in Somalia and the other one in Jordan. Bank guarantees used at 31st December are reported in the memorandum of Commitments, Contingencies and Guarantees accounts line item.

See Annex 2 for further detail on the deposits sorted by country and credit account.

**D 5) Donor payables**

Donor payables are unexpended funds received that must therefore be refund to the donor. The content of the line item includes only those projects terminated by the end of the year.

The payables owed to donors amounting 847.140 Euro refer mainly to debts to be settled locally for an amount of 839.419 Euro, and only a debt to be settled in Italy related to a BPRM project in Mauritania for an amount of 7.721 Euro. The tables below shows the debts contracted abroad sorted by country.



For further details see annex 3 where, in addition to the above-mentioned classification, the line item is subdivided by project and donor. As it is shown in Annex 3, UNHCR is the most mentioned donor as its agreements are typically for a calendar year or for shorter period but never later than UNHCR’s fiscal year, 31 December.

**D 7) Supplier payables**

This line item includes the payables to suppliers resulting from purchases made in both, the national and the international markets. Such payables arise in relation with expenditures resulting from the business operations mainly related to project management, regardless of the projects’ termination date.

In the case of goods, payables are recognized when the economic benefits, risks of ownership and the ownership itself have genuinely been transferred.

In the case of services, payables are recognized after the completion of the contract for services.

The composition of the line item is shown in the table below:

Description	Amount
Payables to foreign suppliers	1.226.998
Payables to national suppliers	172.743
National invoices to be received	118.670
	<b>1.518.411</b>

See Annex 3 for further detail on the payables composition sorted by country and supplier.

#### **D 12) Tax payables**

The payables related to each tax category were registered, net of advance payments, withholding taxes and tax credits, except where a tax refund was requested.

In order to measure tax payables it is important to underline that they are exposed to their nominal value, including likely additional taxes, financial penalties and accrued interests collectable at the date of closure of the accounting period.

The details concerning this line item are shown in the table below:

Description	Amount
IRPEF <sup>1</sup>	78.937
Regional and Municipal Additional Tax	3.151
IRAP <sup>2</sup> and IRES <sup>3</sup> payables to the treasury	6.069
VAT	-
Foreign tax payables	228.701
	<b>316.858</b>

The payables to the treasury refer to IRPEF, regional and municipal additional tax on employees and associates for the time span going from November to December 2016 and all tax payables of analogous nature related to national staff.

#### **D 13) Pension and Social Security payables**

All liabilities of certain nature and amount arisen from obligations in the fields of taxation, insurance and social security regulated by law, collective bargaining agreements and supplementary local agreements are recognized.

Social security payables are registered in the financial statements at their nominal value. In 2016, this payables were mainly obligations owed to INPS, INAIL and similar entities in countries of intervention. Mostly such contributions concern associates and employees for the month of December 2016.

The line item is detailed in the table below:

Description	Amount
Employee payables to INPS	12.787
Associates payables to INPS	138.343
Payables to INAIL	3.343

<sup>1</sup> Individual Income Tax.

<sup>2</sup> Regional Tax on Business.

<sup>3</sup> Corporate Income Tax.

Social security charges fund for 13 <sup>th</sup> and 14 <sup>th</sup> monthly bonus	1.379
Social security charges fund for annual and hourly leave	4.098
Payables to <i>Fondo Est</i> for health insurance upgrade	626
Payables to foreign social security agencies	113.584
	<b>274.160</b>

#### **D 14.1) Staff payables**

This line item relates to December wages for expat staff and HQ associates. The line item “salaries payables” includes only the outstanding balance due to Italian employees by December. For some expat staff the reduction equal to 20% of the net monthly salary, as a guarantee fund, is foreseen by terms of the contract. The amount, net of advances on salary, is settled within 120 days following the termination of the employment contract.

The breakdown of the line item is as follows:

Description	Amount
Associates wages payables	316.755
Guarantee Fund 20%	530.318
Associates reimbursements payables	875
Salaries payables	33.970
Annual leave payables	24.229
Hourly leave payables	7.047
14 <sup>th</sup> monthly bonus payable	19.826
	<b>933.021</b>

#### **D 14.2) Other field payables**

Payables registered under this line item are those that are not included in either of the aforementioned line items.

The fact that they are the remaining payables does not change the measurement criteria that foresee their registration at the nominal value.

In detail, the line item includes the following categories:

Description	Amount
Other mission payables	310.154
Payables to national staff	95.407
Severance packages for national staff	236.864
	<b>642.425</b>

Further details on other field payables sorted by country are provided in Annex 3.

Payables to national staff include unpaid wages, accrued holidays and additional monthly bonuses. Other mission payables line item includes all the obligations owed to local NGO, local institutions, international organizations and local partners.



## E) ACCRUALS AND DEFERRED INCOME

Balance at 31.12.2016	Euro	14.643.501
Balance at 31.12.2015	Euro	11.545.262
<b>Variation</b>	<b>Euro</b>	<b>+ 3.098.239</b>

Under this line item are registered all the expenses incurred but not yet paid and all the revenues received in advance but not yet earned.

Accrued expenses amount 3.682 euro and refer to expenses paid in 2017 but incurred and therefore listed in the financial reports of projects carried out in 2016.

The deferred income is the largest component of the line item and refers to project grants received but not yet earned. This circumstance occurs when projects last two or more years, and the amount of the deferred income varies according to the Organization's level of expenditure over time. The deferred income amounts 14.639.819 Euro.

This item increased in 2016 compared to 2015 due to the increase of the business portfolio. A lower project implementation ratio compared to 2015 brought a further increase of the deferred income.

See Annex 4 for further detail on the line item composition sorted by project, country of intervention and funding donor.

## MEMORANDUM ACCOUNT

This line item, also known as commitments, contingencies and guarantees, appears at the end of the balance sheet and includes the bank guarantees issued in favor of third parties to ensure the proper implementation of the project, if contemplated by the grant agreement. As at December 31 2016, such guarantees were issued by Banca Prossima and amounted 1.294.616 Euro.

The bank guarantees issued sorted by project are detailed in the table below:

Issuing Bank	Date	Project title	Beneficiary	N° guarantee	Amount	Due date
B.PROSSIMA	27/10/2015	4212 Jordan AID 10249 II Phase	Italian Embassy in Amman	00044/8200/00003003	€ 189.984,23	Revocable
B.PROSSIMA	27/10/2015	4212 Jordan AID 10249 II Phase	Italian Embassy in Amman	00044/8200/00003004	€ 7.599,36	Revocable
B.PROSSIMA	08/01/2016	2962 Iraq AID 10548/01/6	Italian Embassy in Baghdad	00044/8200/00003177	€ 162.500,00	Revocable
B.PROSSIMA	08/01/2016	2962 Iraq AID 10548/01/6	Italian Embassy in Baghdad	00044/8200/00003176	€ 6.500,00	Revocable
B.PROSSIMA	17/03/2016	4623 RCA AID 10658	Italian Embassy in Yaoundé	00044/8200/00003309	€ 149.996,35	Revocable
B.PROSSIMA	17/03/2016	4623 RCA AID 10658	Italian Embassy in Yaoundé	00044/8200/00003310	€ 5.999,85	Revocable
B.PROSSIMA	05/04/2016	3446 Lebanon AID 10671	Italian Agency for Development Cooperation	00044/8200/00003339	€ 174.871,13	Revocable
B.PROSSIMA	05/04/2016	3446 Lebanon AID 10671	Italian Agency for Development Cooperation	00044/8200/00003340	€ 6.994,85	Revocable
B.PROSSIMA	04/05/2016	2887 Afghanistan AID 10657	Italian Agency for Development Cooperation	00044/8200/3396	€ 225.000,00	Revocable
B.PROSSIMA	04/05/2016	2887 Afghanistan AID 10657	Italian Agency for Development Cooperation	00044/8200/3397	€ 9.000,00	Revocable
B.PROSSIMA	13/06/2016	41137 South Sudan AID 10700/01/2	Italian Agency for Development Cooperation	00044/8200/00003473	€ 248.000,00	Revocable
B.PROSSIMA	13/06/2016	41137 South Sudan AID 10700/01/2	Italian Agency for Development Cooperation	00044/8200/00003474	€ 9.920,00	Revocable
B.PROSSIMA	23/12/2016	2974 Iraq AID 10739	Italian Agency for Development Cooperation	00044/8200/00003986	€ 98.250,00	Revocable
					<b>€ 1.294.616</b>	

## STATEMENT OF OPERATING ACTIVITIES

### OPERATING ACTIVITIES

Operating activities refer to the Organization's core business activities stated in the Statute. It includes the income and expenses of projects where the amount of grant agreements signed as at December 31, 2016 is equal to the amount of the expenses incurred to implement them.

#### 1.) Operating Revenues and Expenses

Balance at 31.12.2016	Euro	46.241.193
Balance at 31.12.2015	Euro	34.583.159
<b>Variation</b>	<b>Euro</b>	<b>+ 11.658.034</b>

The breakdown of the revenues is as follows:

- Grants amounts awarded by national and International organizations: are the amounts agreed by national and international organizations for project implementation purposes;
- Other contributions: these are contributions from private donors (voluntary contributions from individual donors, associations and private bodies) to the Organization for project implementation purposes.

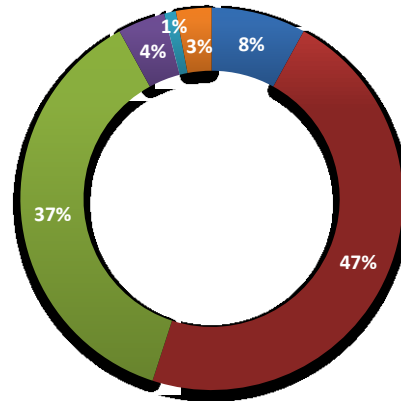
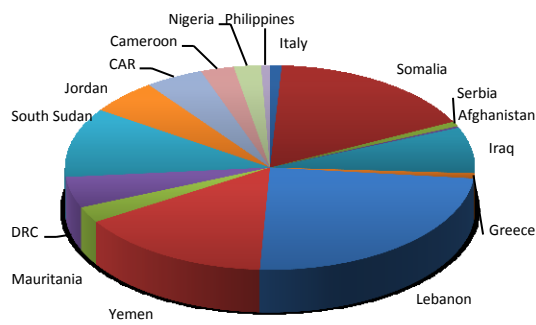
At the end of the year, the part of the revenues that has not yet been earned is recognized as follows: a deferred income in the case of projects between two fiscal years, a decrease of the donor receivables line item for those projects requesting an advance from the Organization, or a payable to donors in the case of projects ended and which amount has been entirely collected by December 31.

Operating expenses refer to the costs incurred for projects in respect of which the Organization received the above contributions from funding donors.

Following the above adjustments and based on the relevant costs incurred, the total operating revenues are equal to total operating expenses.

Mission	Amount
Italy	427.282
Somalia	7.716.779
Serbia	355.452
Afghanistan	110.370
Iraq	3.360.865
Greece	377.589
Lebanon	11.134.050
Yemen	7.079.304
Mauritania	1.160.005
DRC	2.264.681
South Sudan	5.069.072
Jordan	2.523.492
CAR	2.117.175
Cameroon	1.222.750
Nigeria	988.044
Philippines	324.284
	<b>46.241.193</b>

Donor	Amount
EU-ECHO	8%
UNHCR	47%
Other UN	37%
Other donors	4%
Private	1%
MoFA-Italian Cooperation	3%



■ EU-ECHO ■ UNHCR ■ Other UN ■ Other donors ■ Private ■ MoFA-Italian Cooperation

### SUPPORTING ACTIVITES

Supporting activities are those aimed to support the operating activities and ensure the efficiency, effectiveness and smooth running of the operations goals. This line item also includes the costs incurred for the Organization’s Italian and foreign support structures, currency exchange gains or losses, interest income and expenses, extraordinary income and expenses and taxes.

#### II.) Revenues from supporting activities

Balance at 31.12.2016	Euro	2.843.560
Balance at 31.12.2015	Euro	2.406.868
<b>Variation</b>	<b>Euro</b>	<b>+ 436.692</b>

Under this line item are registered both “Revenues from contributions” and “Other revenues”. The “Revenues from contributions” line item includes the donations from privates, forfeit project reimbursements and membership fees. Contributions from privates amounting 104.867 Euro include voluntary donations from private parties, individuals, associations and private bodies, to the Organization, with no imposed conditions. The forfeit project reimbursements are a percentage of each grant, generally accepted and agreed by funding donors to cover the Organization’s indirect costs. In 2016, the revenues from contributions increased by 456.152 Euro, moving from 2.156.402 Euro in 2015 to 2.612.555 Euro in 2016, due to the increased project portfolio managed during the year and related expenses.

There were no changes in the amount of the membership fees amounting 4.900 Euro. At 31 December 2016, INTERSOS counted 49 ordinary members and 9 supporter members.

The “Other revenues” line item includes:

- Reimbursement of management prepaid expenses. This line item amounted 24.004 Euro at 31 December 2016. These are mainly fees for using HQ spaces and services reimbursed by “Più Culture”, “AGIRE” and “Scuole Migranti” for a total amount equal to 7.514 Euro, and other people and organizations renting the Arush room for 1.240 Euro. This line item also includes the fees paid by participant attending training courses amounting 15.120 Euro and other small reimbursements amounting 130 Euro.

- Staff on loan or secondment. This line item relates to employees assigned to project activities in foreign countries such as Lebanon, Central African Republic, Cameroon, South Sudan, Kenya/Somalia, Afghanistan and Iraq for 97.178 Euro.

## II.) Expenses from supporting activities

Balance at 31.12.2016	Euro	2.443.705
Balance at 31.12.2015	Euro	2.223.427
<b>Variation</b>	<b>Euro</b>	<b>+ 220.278</b>

The line item “Services” amounting 1.084.531 Euro, is broken down as follows:

Description	Amount 2015	Amount 2016
HQ associates	371.336	258.168
Expat associates	204.284	314.954
Consultants	31.698	67.662
Legal and notary fees	15.658	1.499
HQ premises and utilities	110.021	105.102
Software assistance	23.044	15.115
Fundraising expense	177.339	131.825
Communication and visibility expense	33.213	83.367
Office repairs and maintenance expense	11.893	13.707
Bank charges and fees	27.381	32.555
Stationery	5.932	3.962
Training	1.994	6.080
Postage expense	148	155
Office cleaning	2.664	2.303
Telephone, fax, internet	40.578	21.424
Electricity	16.466	14.129
Domestic couriers	1.895	3.105
Other HQ expenses	1.750	2.646
Provisions for expat staff	100.000	-
Small equipment	-	6.773
	<b>1.177.294</b>	<b>1.084.531</b>

Expenses are in line with the previous year although a slight decrease of 92.763 Euro due to the provisions for expat staff set aside in 2015. The increase of project activities implementation and similar service costs show that the internal reorganization has brought a higher operational cost-efficiency and a better relation between management and operating costs.

2016 personnel expenses amount has shifted from the previous year. The total amount equal to 755.098 Euro includes wages and salaries, social security charges, insurance against workplace accidents, and the annual amount set aside as provision for employee severance indemnities. The impact of “Jobs Act” and consequent stabilization of HQ staff have brought a larger use of permanent employment contracts compared to the former project-based contractual arrangements. This is the reason of the significant increase of the line item.

Depreciation and amortization line item amounted 9.762 Euro and is broken down as follows:

- Depreciation of tangible assets for 7.220 Euro;
- Amortization of intangible assets for 2.543 Euro.

Depreciation of tangible assets includes the depreciation charge of the solar water pumps purchased by the mission in South Sudan amounting 2.278 Euro.

For a detail on the provision for risks and charges see section B) PROVISIONS FOR LIABILITIES AND CHARGES of the present notes.

The following “other management costs” have been reclassified:

Description	Amount 2015	Amount 2016
Membership fees	44.440	11.500
Project expenses charged to HQ	82.940	55.029
Rounding up allowances and discounts	148	53
Refreshment and accommodation expenses	911	1.737
Foreign mission expenses	74.762	316.565
Travel expenses	2.367	7.245
Penalties	1.395	755
Other taxes	9.222	-
Third-party vehicle expenses	79	355
Other expenses	2.502	478
	<b>218.766</b>	<b>393.717</b>

The changes compared to 2015 are due to the project expenses charged to HQ and the foreign mission expenses. Project expenses charged to HQ are expenses paid by INTEROS as a contribution to the social and health care center for the most vulnerable population of Crotona province. Such activity was not properly funded by private donors or foundations until October 2016. Foreign mission expense relates to the management costs of missions abroad and includes the difference between flat rate reimbursement recognized for expat staff costs and the related costs incurred plus the unfunded management and national staff costs.

Such line item may see many variations over the years depending on the annual investments made to strengthen or open new and silent missions and on the management ability to better use of project funds.

### C) Financial Income and Expenses

Balance at 31.12.2016	Euro	- 145.527
Balance at 31.12.2015	Euro	- 26.671
<b>Variation</b>	<b>Euro</b>	<b>- 118.856</b>

This line item includes the differences between interest income and expense and between foreign currency exchange rate gain and loss. For each mission, exchange rate gains and losses are offset, recognizing only the residual amount at Rome HQ.

Compared to 2015, the variation is due to the exchange rate fluctuations. Year 2015 closed with a foreign currency exchange rate loss of 13.932 Euro while year 2016 closed with a currency exchange rate loss of 129.068 Euro.

The provision for exchange rate risk was not used to cover such loss.

The following table presents comparison data between the last two years:

Description	AI 31.12.2015	AI 31.12.2016
Interest Income	54	200
Foreign currency exchange rate gain	-	-
Interest Expense	12.792	16.659
Foreign currency exchange rate loss	13.932	129.068
	<b>- 26.671</b>	<b>- 145.527</b>

### E) Extraordinary Income and Expenses

Balance at 31.12.2016	Euro	- 8.032
Balance at 31.12.2015	Euro	- 54.352
<b>Variation</b>	<b>Euro</b>	<b>+ 46.320</b>

Unusual or Infrequent items are new losses or costs arising from activities that are not related to the operating activities of the Organization. Negative income elements arising from debt restructuring are also included in the Statement of Activities as extraordinary expenses. The breakdown for year 2016 is as follows:

Description	Amount
Expenses from prior years	9.795
Write-off of 2003 uncollectable INPS receivables	1.206
Flights not refunded	857
Prior years adjustments	3.113
	<b>14.971</b>

Expenses from prior years include an invoice of 7.686 Euro from Crowe Horwath AS SpA for the financial audit of 2015 annual accounts, the record of the payment of a 2014 vehicle tax and the social and security charges for year 1999 of a former staff member employed by the Bosnia mission.

Extraordinary income includes any revenue earned from activities that are not related to the regular activities of the Organization, whether operating, operating subject to VAT or financial. The line item also includes positive income components arising from debt restructuring operations. A breakdown by type for year 2016 is shown below:

Description	Amount
Payment of UNHCR Mali receivables from prior years	849
Reimbursement from suppliers from prior years	2.483
Write-off of payables of 2012 not due invoices	1.941
Prior years adjustments	1.666
	<b>6.939</b>

### Taxes

Balance at 31.12.2016	Euro	52.398
Balance at 31.12.2015	Euro	36.269
<b>Variation</b>	<b>Euro</b>	<b>+ 16.129</b>

The Organization is subject to IRAP (regional tax on business) tax at the rate of 4.82%.

## **STATEMENT OF OPERATING ACTIVITIES SUBJECT TO VAT**

The year ended with a deficit on operating activities subject to VAT of 6.437 Euro.

### ***REVENUES FROM OPERATING ACTIVITIES SUBJECT TO VAT***

The total amount of 19.000 Euro of revenues was earned through invoices for sponsorship and visibility services rendered mainly to Pizzardi Editore S.p.A.

### ***EXPENSES FROM OPERATING ACTIVITIES SUBJECT TO VAT***

The “services subject to VAT” line item relates to the expenses incurred for fundraising and visibility external consultants. Most of the consultancy services offered a practical approach for a total amount of 25.437 Euro.

### ***FINANCIAL INCOME AND EXPENSES FROM ACTIVITIES SUBJECT TO VAT***

There are no matters or facts to be disclosed under this section.

### ***EXTRAORDINARY INCOME AND EXPENSES FROM ACTIVITIES SUBJECT TO VAT***

There are no matters or facts to be disclosed under this section.

### ***TAXES***

There are no matters or facts to be disclosed under this section as no staff member was employed by the activities.



## EVENTS AFTER THE REPORTING PERIOD

Since the beginning of year 2017, INTERSOS has driven its attention to the humanitarian crisis in Mosul, Iraq, which has force thousands to flee the city and the surrounding areas, and where the Organization is providing medical and protection assistance to civilians. In the meantime, through the action of the new Emergency Unit, INTERSOS has resumed activities in Chad and Afghanistan through emergency interventions in health, nutrition and education.

During the early months of the year, INTERSOS intervened in Nigeria, South Sudan, Yemen and Somalia, all four countries experiencing famine. Multi-sectoral activities have been carried out in Nigeria, with the support of the Emergency Unit and the deployment of staff with specialized skills, focusing specifically on food assistance, primary health care services and malnutrition treatment in some of the Districts where the humanitarian situation is most worrying.

In South Sudan, in Jonglei and Eastern Equatoria states, INTERSOS has conducted Food Security and Water, Sanitation and Hygiene (WASH) assessments and provided primary emergency response with the support of the Emergency Unit.

In Somalia, the mission responded to the current crisis with an integrated approach, thereby implementing projects that promptly addressed the needs of the affected population in its area of origin. In the Bay region, INTERSOS Somalia has increased its activities in the WASH, Education, Food Security and Health sectors, while in the Middle Shabelle, where the situation is not so critical, is driving its attention to the Health and Nutrition sectors.

INTERSOS action in Yemen will be focus on expanding ongoing interventions to protect and save lives and improve the livelihoods of the most affected people. Ongoing efforts are concentrated in the Sana'a, Aden, Mukalla, Taiz, Ibb and Kharaz/Lahj governorates while expanding to all the governorates (other than Al-Raymah, Socotra and Al-Jawf through the activities with local partners and a network of attorneys covering these areas. Taiz, Hudaydah, and Hajjah have been identified among the most force-displacement and conflict-affected Governorates.

2016 saw a significant spike in South Sudanese refugees entering Uganda. INTERSOS immediately conducted a need assessment, begun the registration process in the country, which was obtained in the early months of 2017 and deployed an Emergency Coordinator. Last but not least, INTERSOS is working to enhance cross-border mechanisms between South Sudan and Uganda missions and is currently implementing an integrated health and WASH project in partnership with other two NGO.

## GOING CONCERN

The consolidated financial statements for the year ended December 31, 2016 have been prepared on a going concern basis and have been audited pursuant to paragraph 5 of article 25 of Decree Law 460/97.

The present financial statements, which include the Statement of Financial Position, the Statement of Activities and the Footnotes, represent truthfully and correctly the finances and assets of the Organization, the profit and loss figures, and agree with the results of the accounting records and entries.

On behalf of the Board

The Secretary-General  
(Konstantinos Moschochoritis)

## ANNEXES