

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, 2017

All amounts are expressed in Euro

Assets	31/12/2017	31/12/2016
B) Fixed assets		
I. Intangible assets		
1) Software	-	-
2) Leasehold improvement	-	-
	-	-
II. Tangible assets		
2) Plant and equipment	23.838	19.508
3) Other assets	8.875	7.322
	32.713	26.830
III. Financial assets		
1) Shares in affiliated undertakings	-	-
2) Receivables	10.323	8.753
3) Other investments	20.010	20.010
	30.333	28.763
Total fixed assets	63.047	55.593
C) Current assets		
I. Inventory		
6) Material for communication and fundraising activities	-	-
	-	-
II. Receivables		
1) Donor receivables	22.948.950	11.467.954
2) Other receivables	520.046	962.585
	23.468.996	12.430.539
IV. Cash at bank and in hand		
1) Bank and post office deposits	14.251.057	8.484.960
3) Cash in hand	185.689	139.297
	14.436.746	8.624.256
Total current assets	37.905.742	21.054.795
D) Prepayments and accrued income	26.854	36.654
Total assets	37.995.643	21.147.043

Equity and Liabilities	31/12/2017	31/12/2016
A) Net assets		
I. Unrestricted		
1) Profit or loss for the financial year	339.991	161.333
2) Profit or loss brought forward	216.753	55.420
	556.744	216.753
III. Restricted		
2) Funds earmarked by institutional bodies' decisions		
a) Funds earmarked for opening new sectors/regions	377.650	377.650
b) Funds earmarked for INTERSOS staff	160.000	100.000
c) Funds earmarked for humanitarian emergency response	222.350	
	760.000	477.650
Total net assets	1.316.744	694.404
B) Provisions for liabilities and charges	488.052	852.188
3) Other provisions	488.052	852.188
C) Severance indemnities	123.920	88.395
D) Payables		
4) Bank payables	1.218.146	668.404
5) Donor payables	641.724	847.140
7) Supplier payables	1.726.928	1.518.411
12) Tax payables	531.878	316.858
13) Social security payables	1.242.095	274.160
14.1) Staff payables	827.686	601.159
14.2) Other field payables	1.691.489	642.425
	7.879.945	4.868.556
E) Accruals and deferred income	28.186.981	14.643.501
Total liabilities	37.995.643	21.147.043
Commitments, Contingencies and Guarantees	1.877.771	1.294.616

Statement of operating activities	31/12/2017	31/12/2016
A) Operating income		
I. Income from operating activities		
1) Income from grants and contracts	59.868.773	46.241.193
	59.868.773	46.241.193
II. Income from supporting activities		
2) Income from contributions		
2.1) Unrestricted income from private donors	127.692	104.867
2.2) Income from projects	3.567.755	2.612.555
2.3) Membership fees	5.000	4.900
	3.700.448	2.722.322
3) Other operating income		
3.1) Billable expense income	15.486	24.004
3.2) Rounding off allowances and discounts	245	56
3.3) Gain on lease of equipment	-	-
3.4) Gain on sale of equipment	-	-
3.5) Staff costs recovery	192.091	97.178
3.6) Gifts-in-kind	-	-
	207.822	121.238
Total operating income	63.777.043	49.084.753
B) Operating expenses		
I. Expenses from operating activities		
1) Expenses from grants and contracts	59.868.773	46.241.193
	59.868.773	46.241.193
II. Expenses from supporting activities		
6) For material and visibility	-	-
7) For services		
a) External contractors and consultants	1.234.728	640.785
b) Other services	562.689	443.747
c) Expenses from earmarked funds for expat staff	-	-
	1.797.417	1.084.531
9) For staff		
a) Salaries and benefits	778.023	654.656
b) Social security charges	122.119	76.286
c) Severance indemnities	50.076	44.156
	950.218	775.098
10) Depreciation and amortization expense		
a) Depreciation of intangible assets	-	2.543
b) Depreciation of tangible assets	8.971	7.220
d) Allowance for doubtful accounts	32.429	-
	41.400	9.762
11) Changes in inventory	-	-
12) Provisions for liabilities	282.350	206.725
14) Other operating expenses	464.424	393.717
Total operating expenses	63.404.582	48.711.027
Net operating income	372.461	373.727

Statement of activities	31/12/2017	31/12/2016
C) Operating financial income and expenses		
16) Other financial income		
16.1) Interest income	107	200
16.2) Foreign currency exchange gain	-	-
	107	200
17) Interest and other financial charges		
17.1) Interest expense	19.168	16.659
17.2) Foreign currency exchange loss	-	129.068
	19.168	145.727
Total operating financial income and expenses	- 19.061	(145.527)
D) Adjustments to operating financial assets		
	-	-
Total adjustments to operating financial assets	-	-
E) Extraordinary operating income and expenses		
20) Unusual or infrequent gain	48.645	6.939
	48.645	6.939
21) Unusual or infrequent loss	8.638	14.971
Doubtful debts	-	
	8.638	14.971
Total extraordinary income and expenses	40.008	(8.032)
Income before taxes	393.407	220.168
22) Taxes		
a) Regional Business Tax (IRAP)	50.000	52.398
b) Other taxes		
	50.000	52.398
23) Net income provided by operating activities	343.407	167.770

Statement of operating activities subject to VAT	31/12/2017	31/12/2016
A) Income of operating activities subject to VAT		
I. Income from operating activities subject to VAT		
1) Income from grants and contracts	-	-
	-	-
II. Income from supporting activities		
2) Income from sales		
2.1) Income from sale of goods		
2.2) Income from sale of services	8.000	19.000
2.3) Billable expense income	0	0
	8.000	19.000
Total income of operating activities subject to VAT	8.000	19.000
B) Operating expenses subject to VAT		
I. Expenses from operating activities subject to VAT		
1) Program services	-	-
	-	-
II. Expenses from supporting activities		
6) For material and consumables	-	-
	-	-
7) For services		
a) External contractors and consultants		
b) Services subject to VAT	11.416	25.437
c) Other taxes and charges	-	-
d) Rounding off allowances and discounts	0	0
	11.416	25.437
Total operating expenses subject to VAT	11.416	25.437
Net operating income subject to VAT	(3.416)	(6.437)
C) Operating financial income and expenses subject to VAT		
16) Other financial income		
16.1) Interest income		
16.2) Foreign currency exchange gain		
	-	-
17) Interest and other financial charges		
17.1) Interest expense	-	-
17.2) Foreign currency exchange loss		
	-	-
Total operating financial income and expenses subject to VAT	0	0
D) Adjustments to operating financial assets subject to VAT		
	-	-
Total Adjustments to operating financial assets subject to VAT	-	-
E) Extraordinary operating income and expenses subject to VAT		
20) Unusual or infrequent gain		
	-	-
21) Unusual or infrequent loss	-	-
	-	-
Total extraordinary operating income and expenses subject to VAT	-	0
Income before taxes	- 3.416	(6.437)
22) Taxes		
a) Regional Business Tax (IRAP)	-	-
b) Corporate Income Tax (IRES)		
	-	-
23) Net income provided by operating activities subject to VAT	(3.416)	(6.437)



Note to the Financial Statements

for the year ended 31 December 2017



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INTRODUCTION

This Note forms part of the financial statements for the year ended 31 December 2017 for “INTERSOS-Humanitarian Organization” (hereinafter “INTERSOS” or “Organization”), the offices of which are at Via Aniene 26/A, Rome, Italy. The sections that follows provide an account of all elements which contributed to a surplus of 339,991 Euro.

INTERSOS: MISSION AND PURPOSE

INTERSOS is a non-profit organization that was founded in 1992. As part of its stated humanitarian mission, the Organization pursues the following primary objectives:

- to aid communities affected by natural disaster or armed conflict by addressing their most urgent needs and providing assistance to vulnerable populations;
- to initiate and facilitate the processes of rebuilding and development in the aftermath of an emergency, working with other local and international organizations as necessary;
- to raise public awareness and support for the Organization’s humanitarian objectives, not least with a view to encouraging donations in support of its activities on the ground.

In 2017, the Organization was active in the following nations:

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

The Organization has been recognized as a humanitarian NGO by the Directorship-General for Development Cooperation, part of the Italian Ministry of Foreign Affairs (MAECI) with ruling no. 1997128/002770/1 of 24 July 1997 (Law 49/1987). Pursuant to Art. 26 of Italian Law 125/2014, it is both registered with the Italian Agency for Development Cooperation (AICS) as a “Non-governmental Organization specializing in development cooperation and humanitarian aid”, and included by right in the Register of Socially-Beneficial Non-profit Organizations (ONLUS). INTERSOS is registered in the register of legal persons of the Prefecture of Rome at no. 753/2010. With the legislative reform of the voluntary sector in Italy, as a recognized NGO, INTERSOS is to be added to the Consolidated National Register of Non-Profit Organizations, as set out in Art. 89(9) of Legislative Decree 117/2017.

GENERAL CRITERIA FOR THE PRESENTATION OF FINANCIAL STATEMENTS

It is noted that, under current legislation, as a non-profit organization the Organization is not required to prepare its financial statements according to a particular layout. On 11 February 2009, by way of an official guideline – as dictated by Art. 3(1)(a) of Prime Minister Decree no. 329 of 21 March 2001 – the Italian Agency for Non-Profit Organizations (*Agenzia per il terzo settore*), the supervisory body for non-commercial entities and socially-beneficial non-profit organizations established by Art. 1 of the Prime-Ministerial Decree of 26 September 2000, though subsequently disbanded) approved the “guidelines and layouts for the presentation of financial statements of non-profit organizations”, in compliance with Art. 3(1)(a) of Prime Ministerial Decree no. 329 of 21 March 2001.

Said document does not impose obligations on non-profit organizations in terms of how they present their financial statements, which may adopt the format deemed most suitable for the activities in question. However, it remains a key reference.

The Statement of Financial Position and Statement of Activities have been prepared according to the layouts provided for by Arts. 2424 (Statement of Financial Position) and 2425 (Income Statement) of the Italian Civil Code, with some changes and adjustments which take account of the specific nature of the Organization.

All figures shown in the financial statement and this accompanying note are expressed in Euro.

The financial statements for the financial year ended December 31 2017, of which these notes form an integral part pursuant to Art. 2423(1) of the Italian Civil Code, are consistent with the duly maintained accounting records and have been prepared in compliance with Arts. 2423, 2424-bis and 2425-bis of the Italian Civil Code, adopting “principles of preparation” that conform to the provisions of Art. 2423-bis(1) of the Italian Civil Code, and the measurement criteria set out in Art. 2426 of the Italian Civil Code. Any deviation from standard accounting principles and practices are highlighted, as and when it occurs, in the paragraph relating to the item in question.

Pursuant to Art. 2423-ter of the Italian Civil Code, for each item in the Statement of Financial Position and the Statement of Activities, the corresponding figure for the previous financial year is also provided.

The Financial Statement has been prepared on the accrual basis, whereby the result of a particular transaction or other financial event is reported in the accounts for – and is therefore attributed to – the financial year in which the transaction or event occurs, rather than that in which the cash actually changes hands (revenues and expenses). The only circumstance in which this principle is not adhered to is in the absence of the precise, reliable figures required to make the relevant calculations.

This Note offers a commentary on the various items included in the Statement of Financial Position and the Statement of Activities, highlighting any significant variation in their values.

TAX CONCESSIONS

As a non-profit organization, in the course of the 2017 financial year, the Organization availed itself of certain of the tax concessions available to the non-profit sector, including:

- Art. 150 of the Consolidated Income Tax Act (*Testo unico delle imposte sui redditi* hereinafter “TUIR”) – whereby revenues from operating activities carried out solely for humanitarian and philanthropic purposes, and other, directly related activities, are exempt from tax;
- Art. 14 of Law no. 49/1987 – exemption from VAT of purchases of assets for use in other countries;
- Art. 27-bis, table annexed to Presidential Decree 642/1972 – stamp duty exemption (for bank statements, receipts, etc.).

Regarding donations, applicable tax concessions are regulated by:

- Art. 14 of legislative decree 35/2005, as converted with amendments into Law no. 80 of 14 May 2005: deductibility of donations made, in cash or in kind, by natural persons or bodies subject to income tax to non-profit organizations, to a limit of 10% of the total taxable income and a maximum of 70,000 Euro per year;
- Art. 10(g) of the TUIR: deductibility from taxable income of contributions, donations and gifts made by natural persons to non-governmental organizations, to a limit of 2% of the total taxable income.
- Art. 15(1)(i-bis) of the TUIR: deduction from the payable sum of 19% of cash donations made by natural persons to non-profit organizations, to a limit of 2,065.83 Euro.

As a non-profit organization, INTERSOS is a participant in the “5 per mille” scheme, by which 0.005% of personal income tax (IRPEF) is reallocated to approved organizations.

MEASUREMENT CRITERIA USED IN PREPARING THE FINANCIAL STATEMENTS

The financial statements comprise the Statement of Financial Position, the Statement of Activities, Notes and associated Annexes.

The measurement criteria adopted are consistent with the provisions of Art. 2426 of the Italian Civil Code, and are comparable to those adopted in previous financial 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 year in question. Additional information is provided when necessary to ensure the aforementioned objectives are achieved.

The measurement of accounting items adopted both the prudence and accrual concepts, taking into account the economic function of the asset or liability in question, and with the understanding that the Organization will continue with its activities for the foreseeable future.

Applying the prudence concept, the composite elements of the various items or events have been measured individually, so as to avoid having to offset losses that were not included but should have been, and revenues which were included but should not have been, insofar as they did not ultimately materialize.

Applying the accrual concept, the result of a particular transaction or other financial event has reported in the accounts for – and is therefore attributed to – the financial year in which the transaction or event occurs, rather than that in which the cash actually changes hands (revenues and expenses).

The measurement criteria can be summarized as follows:

Item	Measurement criterion
Intangible Assets	Recorded at cost, net of accumulated amortization.
Tangible Assets	Recorded at cost, net of amortization to date. Amortization values, which are recorded in the Statement of Activities, are calculated on the basis of type of use and the expected useful life of the assets. Contributions are stated at a fair value on date of contribution. Depreciation rates used are as follows: <ul style="list-style-type: none"> • Vehicles: 25% • Office equipment and telephone systems: 20% • Machinery and other equipment: 15% • Furnishings: 15%
Financial Assets	Recorded at cost net of adjustments for any long-term depreciation in value.
Inventory	Stocks are recorded at cost, or at net realizable value, if lower.
Receivables	Recorded at estimated net realizable value.
Cash at bank and in hand	Recorded in accounts at face value
Prepayments and accrued income/ Accruals and deferred income	Measure of income earned and expenses incurred, the cash payment of which has been, respectively, delayed or advanced: these may fall across two or more accounting periods and are broken down accordingly, irrespective of the date of payment or receipt of the associated cash sums.
Net assets	Represents the difference between the organization's assets and liabilities. This aggregate is a purely "virtual" value, insofar as – being a simple calculation of the difference in values – it cannot be associated with specific assets or

	<p>liabilities. As such, net equity is treated as a single value, albeit for legal purposes it is divided nominally into capital and reserves. Understood in this way, the net assets value cannot itself be measured directly; rather it is the separate constituent elements of the asset and liability values that are subject to measurement.</p>
Provisions for liabilities and charges	<p>These are funds set aside to meet future losses or obligations which are certain or likely to be incurred, but for which the precise value and date of incurrence are uncertain at the close of the reporting period.</p> <p>Values of this type have been measured applying the prudence and accrual concepts; in no case has a generic provision been arranged that does not have a specific economic justification.</p> <p>Potential liabilities have been recorded in the financial statements and, to the extent that they are likely to be incurred and their amounts can be reasonably estimated, have been included in the provisions.</p>
Payables	<p>Recorded at face value, as adjusted in the event of returns or invoice adjustments.</p>
Severance indemnities	<p>Represents the effective indemnity owed to employees as of the end date of the reporting period, said indemnity being consistent with the requirements of the law and applicable employment contracts, and applied to all forms of continuous remuneration arrangement.</p> <p>The provision is equal to the sum of the individual indemnity obligations accrued in favour of employees as of the end date of the accounting period, net of any such sums paid out, and is thus equivalent to the amount the organization would be required to pay its employees in the event their employment was terminated at that date.</p>
Foreign currency assets and liabilities	<p>Foreign currency assets and liabilities are measured at the mean exchange rate for the month of December 2017 reported by the European Journal “InforEuro”. Gains and losses resulting from exchange rate variations are disclosed in the Statement of Activities. Foreign currency fixed assets for which no invoice was received by the closing date of the accounting period are recorded at the exchange rate effective at the date of closure of the reporting period.</p> <p>This mechanism is used in the interests of conformity between the general ledger and the financial reports submitted to funding providers, which are expressed using different currencies.</p>
Taxes	<p>Taxes are calculated on an accruals basis.</p>
Income and expenses	<p>Measured on the basis of the prudence and accrual concepts, and recording accrued expenses and deferred income as required.</p>
MEMORANDUM ACCOUNT	<p>Commitments and guarantees are recorded in memorandum accounts indicating the residual value of the contract.</p>

STAFFING

The staff employed at the Head Office in Rome as of 31 December 2017 can be categorized as follows:

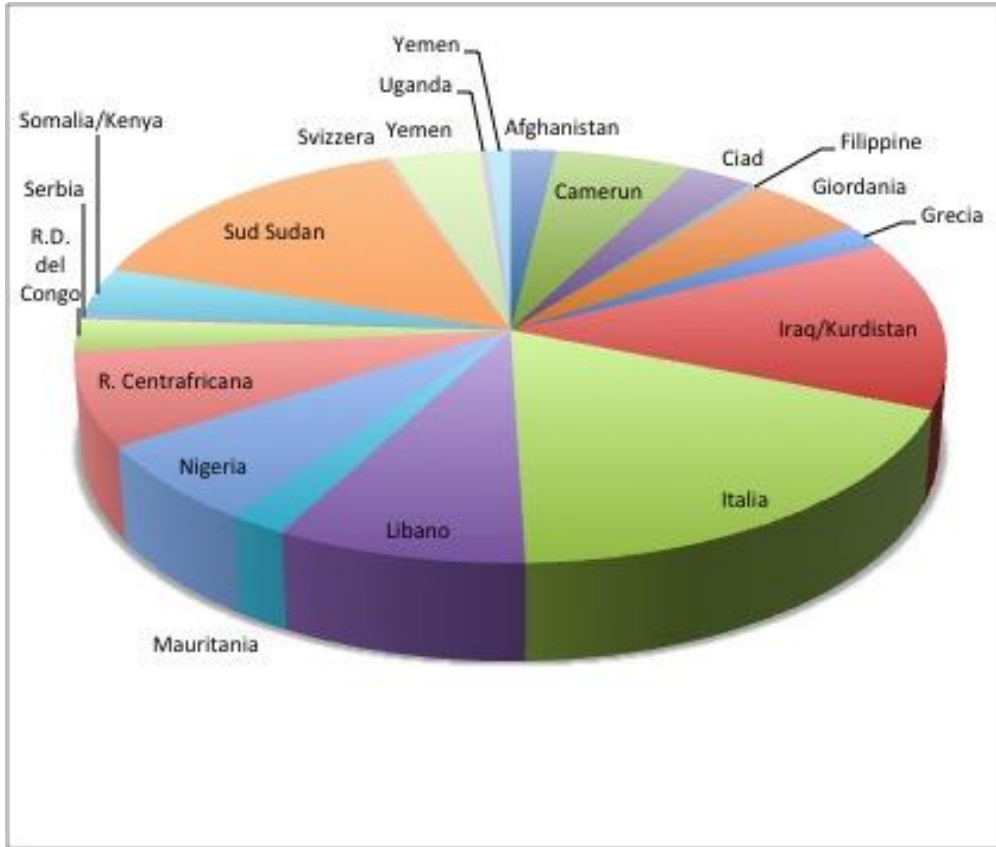
Type of Contract	At 31/12/2015	At 31/12/2016	At 31/12/2017	Variation
Employed directly	19	19	23	+4
Contracted by project	6	0	0	
Contracted on ongoing basis		3	12	+9
	25	22	35	+13

The employment of direct employees is regulated by the National Collective Bargaining Agreement for the non-profit sector, while the engagement of contractors is regulated by the Framework Agreement established with relevant trade unions and renewed on 09 April 2018. This new agreement provides additional guarantees in the event of illness or maternity leave.

Personnel involved in missions abroad are employed through a “contract for continuous and coordinated services”, which, on the principle that the majority of the work involved takes place outside of Italy, provides a number of tax benefits as set out in Art. 3 of the Inter-ministerial Decree of 17 September 2002 (Official Journal no. 239 of 11 October 2002). The conditions for the 2017 financial year were established by Law 214 of 22 December 2011 (Official Journal no. 300 of 27 December 2011).

The total number of workers employed in foreign missions and in Italy (Migration Program) in 2017 is 315 (233 in 2016; 176 in 2015). The figures shown in the following two tables and graphs represent the deployment of personnel in terms of number of individuals per country and job category:

Country of assignment	No. of staff 2014	No. of staff 2015	No. of staff 2016	No. of staff 2017
Afghanistan	4	2	2	6
Bosnia	3	0	0	0
Cameroon	0	6	11	18
Chad	8	4	2	9
Philippines	5	7	4	1
Jordan	6	6	9	16
Greece	0	0	16	6
Iraq/Kurdistan	10	12	27	42
Italy	0	7	30	58
Lebanon	26	26	24	26
Mauritania	9	8	7	6
Myanmar	2	1	0	0
Nigeria	0	0	9	20
Central African Republic	12	16	16	23
D. Rep. of Congo	6	5	11	8
Serbia	1	5	2	1
Somalia/Kenya	17	19	18	12
South Sudan	38	33	32	46
Sudan/Darfur	2	2	0	0
Switzerland	0	0	1	1
Yemen	14	17	12	12
Uganda	0	0	0	1
Yemen	0	0	0	3
Total	163	176	233	315



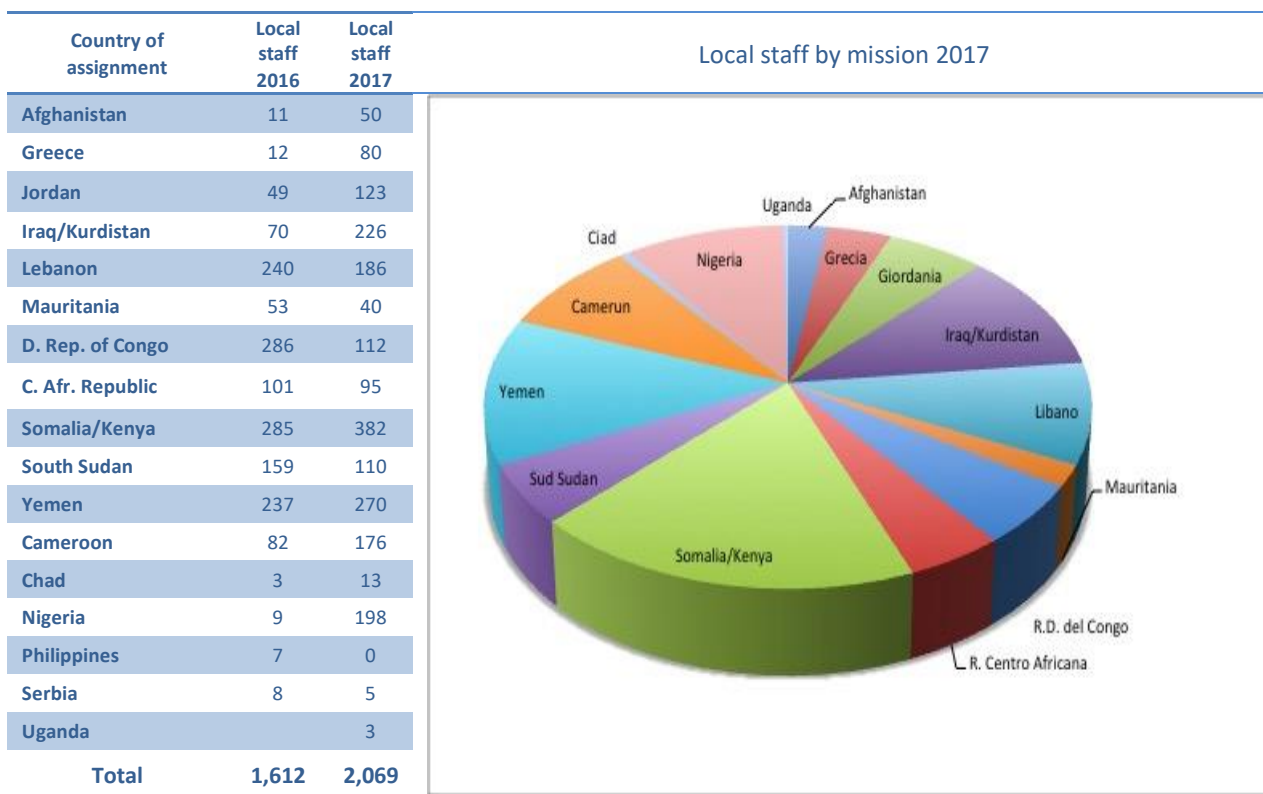
Data relative to staff roles were collected during the course of 2017, and represent the number of workers in each category. They provide a more detailed breakdown of worker roles with a view to identifying and making sense of trends and developments.

Role	Posit ions 2016	Posit ions 2017
<i>Program Coordinator</i>	35	41
<i>Mission leader</i>	21	27
<i>Project Manager</i>	78	90
Total Coordinators	134	158
Protection (inc. Migration staff)	48	43
Health	4	15
WaSH	3	7
Education	5	14
Other	5	24
Total Technical Staff	65	103
Finance Officers	21	24
Logisticians	13	23
HR	-	7
Total	233	315



In 2017, the mean monthly level of staffing paid by the Organization and employed in the activities effected in the course of its missions was equivalent to 2,123 workers (1,612 in 2016). The types of contract used varied depending on local legislation.

The average distribution of staff by country was as follows:



HIGHLIGHTS 2017

2017 was another year of growth for INTERSOS, both financially and in terms of resources. The backdrop to this growth was characterised by unprecedented levels of demand for humanitarian aid: at the start of 2018, the number of people forcibly displaced by violence, war and persecution had reached 65.6 million, with refugees numbering 22.5 million, of which a quarter were under 18. Over the course of 2017, more than half of INTERSOS's activities were dedicated to providing assistance to populations stricken by conflict in Yemen, South Sudan, Afghanistan, Iraq and Nigeria.

Building on progress made in previous years, INTERSOS was able to expand its lifesaving work, with health and nutrition projects to the fore, and thus consolidate its presence and reputation as an organization committed to working on the front line of humanitarian crises. Over the course of the year, it provided assistance to 3.7 million people in 17 different countries including Italy: INTERSOS has helped families and individuals who are fleeing repression, poverty and violence, and who, in many cases are victims of new forms of violence, exploitation and risk caused by the closure of borders. Its new mission in Libya is just one example of its work in this direction.

In operational terms, 2017 has seen INTERSOS engaged in renewed efforts to tackle the great humanitarian crises facing the planet: in Afghanistan, for instance, having finished its work in the Herat Province, INTERSOS focused its efforts on the southern province of Kandahar – at the centre of the conflict – working, in particular, in areas contested by the government and armed groups where there is greatest humanitarian need. In terms of health care provision alone, it has assisted around 40,000 individuals, both by supporting local services and by using mobile clinics to reach isolated rural communities. At the same time, INTERSOS has launched a number of projects in Kabul, supporting an education initiative in aid of children who have returned to the city having previously been forced to flee. In a similar fashion, INTERSOS has consolidated and expanded its work in post-Mosul Iraq: throughout 2017, mobile medical, protection and education teams were active in the areas of the country most affected by the conflict, and areas with the highest number of displaced people. Medical, education and protection services were provided, in particular, in refugee camps and reception centres in both rural and urban areas.

During 2017, four of the countries in which INTERSOS is active – Nigeria, South Sudan, Somalia and Yemen – were affected by devastating levels of food insecurity. The INTERSOS Emergency Unit, which was set up specifically to provide a more flexible response in such circumstances, has enabled the organization to react speedily and systematically to this “crisis within a crisis”. It achieves this by increasing the organization's capacity to monitor and analyse humanitarian disasters, and making it possible to take a comprehensive approach to such crises, rather than working solely through individual projects: in all four of the countries listed, INTERSOS has been involved in new interventions to bolster food security and fight malnutrition, particularly among young children, including the distribution of food and dietary supplements, and maternal and neonatal treatments to counter infant mortality caused by severe acute malnutrition.

Focusing on Italy, in 2017 additional resources were dedicated to a project begun the previous year in collaboration with UNICEF to provide assistance to unaccompanied children. The scope of this initiative is truly nationwide, from joining the Italian Coast Guard on rescue operations in the central Mediterranean to chaperoning and working to improve standards of welcome in reception centres across Sicily, with particular focus on the provinces of Palermo, Trapani, Agrigento, Messina, Catania and Siracusa. There is also the *Minori Non Accompagnati* (“Non-accompanied Minors”) project, which has been set up along major transit hubs throughout the country, for instance with a mobile team that has been working for years in and around Rome, and a permanent support team in Ventimiglia.

Last but not least, over 2017 INTERSOS intensified its dialogue with the Syrian Arab Red Crescent (SARC), by which it aims to obtain the necessary registration to begin work in Syria: despite the length and complexity of the process, the signs are positive and we may see the start of a mission at some point in 2018.

For all that 2017 was a complex year characterized by a number of huge challenges, there were also positive developments: the mission in Serbia was officially concluded, reflecting the fact that the humanitarian crisis that previously afflicted the country had effectively ended.

Within the organization itself, 2017 was marked by two key events. Firstly, it issued the “INTERSOS Global Child Protection Policy” and the “Protection from Exploitation and Sexual Abuse Policy”. For INTERSOS, these publications represent an important step in maintaining international policies and standards in this area of work, and in its efforts to improve levels of transparency and institutional responsibility, both towards its own staff and – most of all – towards the people who benefit from its services. Another milestone was the development of the new INTERSOS Three-year Strategy for 2018-2020, which – having analysed the current international situation and the challenges and difficulties posed by the contemporary humanitarian ecosystem – lays out the targets and objectives that the organization has decided to set itself for the next three-year period.

ASSETS

B) FIXED ASSETS

I Intangible Assets

Balance at 31.12.2017	EUR	-
Balance at 31.12.2016	EUR	-
Variation	EUR	-

There has been no notable variation in the size or composition of intangible assets over the course of the accounting period.

II Tangible Assets

Balance at 31.12.2017	EUR	32,713
Balance at 31.12.2016	EUR	26,830
Variation	EUR	+ 5,883

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

Variations recorded for the current year are shown in the table below:

Costs Description	Historical cost at 31.12.2016	Accumulated depreciation as of 31.12.2016	Value at 31.12.2016	Increase over year 2017	Decrease over year 2017	Depreciation over year 2017	Value at 31.12.2017
Furnishings	80,532	61,024	19,508	10,355	-	6,024	23,838
Furnishings	4,680	4,271	410	-	-	410	-
Vehicles	11,830	4,918	6,912	4,500	-	2,538	8,875
			26,830	14,855		8,972	32,713

The increases during 2017 relate to the purchase of 2 air-conditioning units, a Fiat Ulysse motor car used for projects in Italy, 2 servers, one of which was first used in 2018 and was therefore not amortized, 1 laptop computer and 1 firewall.

III Financial Assets

Balance at 31.12.2017	EUR	30,333
Balance at 31.12.2016	EUR	28,763
Variation	EUR	+ 1,570

The Financial Assets category includes three subcategories: i) Security deposits; ii) Financial Receivables; iii) Other investments.

Costs Description	Value at 31.12.2016	Increase over year 2017	Decrease over year 2017	Value at 31.12.2017
Security deposits	8,753	2,681	1,111	10,323
Financial receivables	-	-	-	-
Other Investments	20,010	-	-	20,010
	28,763	2,681	1,111	30,333

Included under “Security deposits”, are deposits totalling 1,337 Euro relative to the rent of the Geneva offices, deposits totalling 3,000 Euro relative to the use of satellite communication services, deposits totalling 363 Euro relative to the electricity and gas supply at the A28 Centre, deposits totalling 200 Euros paid to “Ora Sesta” relative to catering services at the INTERSOS offices in Rome, deposits totalling 1,697 Euro relative to rent and utilities at the Crotone office, and a deposit of 1,160 Euro relative to the rent of a warehouse in Palermo, deposits totalling 335.68 and 339.62 Euro relative respectively to the rent of an office and guest house in Uganda, and deposits totalling 845.94 Euro relative to the rent of an office in Kabul, Afghanistan. A deposit to the value of 1,111 Euro relative to the activities of the Greece mission was paid in Thessaloniki.

The “Other investments” entry relates to a shareholding in the Banca Popolare Etica Soc. Coop. a.r.l. – piazzetta Beato Giordano Forzatè, Padua, Italy. INTERSOS currently owns 348 shares in the Bank. The value per unit is 57.50 Euro. The shares have not been subject to any variation in value during 2017.

C) CURRENT ASSETS

It should be noted that the way in which sums advanced to expat staff is recorded in the accounts has changed in respect to previous financial statements. In 2016, these values were grouped together with other receivables. In 2017, however, they have been included separately for each mission and each worker in the guarantee funds included under amounts payable to staff. Advances are only included in the accounts as expat staff advances if they were subsequently deducted from wages for January 2018 (zero in 2016, 8,337 Euro in 2017). This change in procedure was necessitated by the continuous increase in the number of workers outside of Italy, and is intended to facilitate the accurate recording of the accrued balance owed to each such individual as of 31 December. The relative entries in the financial statement for 2016 have been reclassified to facilitate comparisons between the two financial years.

Description	Value at 31.12.2016	Value at 31.12.2017	Variation
Warehouse stocks	-	-	-
Donor receivables	11,467,954	22,948,950	+ 11,480,996
Other receivables	962,585	520,046	- 442,539
Cash in bank	8,484,960	14,251,057	+ 5,766,097
Cash in hand	139,297	185,689	+ 46,392
	21,054,795	37,905,742	+ 16,850,947

II Receivables

Balance at 31.12.2017	EUR	23,468,996
Balance at 31.12.2016	EUR	12,430,539
Variation	EUR	+ 11,038,457

Receivables include donor receivables to a value of 22,948,950 Euro, and other receivables to a value of 520,046 Euro.

This item is therefore mainly constituted by receivables from funding bodies following the allocation of funds for project implementation. The account item shows all the sums owed to INTERSOS by the relative funding bodies; collection on donor receivables occurs after the submission and approval of related financial reports. These donor receivables are first divided according to the country in which the receivable is collected, thus distinguishing between funding providers whose contribution is collected in Italy from those whose contribution is collected directly in the country in which the relative INTERSOS operation is effected:

Description	Value at 31.12.2016	Value at 31.12.2017	Variation
Donor receivables to be collected in Italy	6,005,719	17,670,928	+ 11,665,209
Donor receivables to be collected abroad	5,462,235	5,278,022	- 184,213
	11,467,954	22,948,950	+ 11,480,996

The following table reports the donor receivables organized by funding body/donor:

Funding body/donor	Value at 31.12.2016	Value at 31.12.2017	Variation
Italian Ministry of Foreign Affairs (MAE)	986,262	1,745,398	+ 759,136
European Commission (EC)	241,977	1,155,884	+ 913,907
ECHO	1,123,361	5,281,653	+ 4,158,292
United Nations agencies	6,892,673	7,067,017	+ 174,344
Private donors	262,029	482,754	+ 220,725

Other	1,961,652	7,216,244	+ 5,254,592
	11,467,954	22,948,950	+ 11,480,996

See Annex 1 to this Note for further detail on these donor receivables including an indication of the relative projects.

All receivables from other third parties with which the Organization has collaborated over the course of the financial year (including banks, local workers and other private and public bodies in Italy and abroad) are reclassified under the item “Other receivables”. These are grouped according to the relative country of activity.

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

Description	Value at 31.12.2016	Value at 31.12.2017	Variation
Receivables from banks	101,483	294,965	+ 193,482
Receivables for use of premises	6,745	6,645	-100
Salary Advances	-	8,337	+ 8,337
Receivables from local workers	1,405	625	- 780
Cash advances	64,111	107,014	+ 42,903
Receivables from other partners	651,173	-	- 651,173
Receivables from Nigeria mission	-	137	+ 137
Receivables from Somalia mission	2,729	8,184	+ 5,455
Receivables from DRC mission	1,919	2,485	+ 566
Receivables from Sudan mission	33,293	1,186	- 32,107
Receivables from Greece mission	2,802	7,947	+ 5,145
Receivables from Serbia mission	200	-	- 200
Receivables from Chad mission	-	4,038	+ 4,038
Receivables from Yemen mission	1,229	3,527	+ 2,298
Receivables from Iraq mission	13,912	8,590	- 5,322
Receivables from Jordan mission	2,579	-	- 2,579
Receivables from Chad Mauritania	37,239	31,571	- 5,668
Receivables from Cameroon mission	2,439	941	- 1,498
Receivables from CAR mission	17,378	6,072	- 11,306
Other receivables	21,949	60,211	+ 38,262
Provision for doubtful debts	-	- 32,429	- 32,429
	962,585	520,046	- 442,539

The largest variations are found in the “receivables from partner” item. In 2017, INTERSOS maintained and strengthened relationships with strategic partners, particularly in Jordan where it acted as the lead-partner in projects funded by ECHO. The value reported on the balance sheet shows the outstanding balance of funds effectively transferred to partner organizations, net of any such funds that were actually spent and duly accounted for in the accounts. The balance for 2017 constitutes a debt owed by INTERSOS, and is therefore recorded under Liabilities.

The bank receivables value relates to two international transfers (for USD 68,610 and USD 7,000 respectively) issued by the DRC mission in December 2017 to settle its payables to HQ, these payments reaching the account in Rome in January 2018, and to a sum transferred from to cover local expenses for UNICEF project 1145, which was redeemed in Juba in 2018.

In regard to the receivables categories “Cash advances” and “Other receivables”, the former refers to the total amount of all outstanding advances issued by the missions and not yet cleared or documented by the recipients. This figure typically sees significant variance from one year to the next. The latter entry relates to receivables from Intravco for refunds for flights, uncollected investment income from the period 2013-2017 which it is believed may still be collected, receivables from telephone providers relating to SMS campaigns, and receivables still to be collected from workers in countries other than Italy.

A sum owed by a local supplier in relation to an old OFDA project in Mauritania has been included in the “Provision for doubtful debts” entry. INTERSOS’s application to the bank for the release of the bank guarantee has been found, at least initially in INTERSOS’s favour, however no information has been forthcoming about the subsequent level of appeal and INTERSOS’s withdrawal from the country, due to take place in 2018, casts doubt over the eventual recuperation of this sum. The provision, amounting to 32,428.60 Euro is included in the statement of activities under “Depreciation and amortization expense” as “Allowance for doubtful accounts”.

III Cash at bank and in hand

Balance at 31.12.2017	EUR	14,436,746
Balance at 31.12.2016	EUR	8,624,256
Variation	EUR	+ 5,812,490

The balance represents the amount of liquid assets that are available in 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 at the date of the transaction and translated again at the InforEuro exchange rate for December. Variations arising from differences in the rates of conversion between the initial recording and the preparation of the financial statements are recognized in the statement of activities under the items for currency exchange gain or loss.

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 31.12.2016	Value at 31.12.2017	Description	Value at 31.12.2016	Value at 31.12.2017
Cash and cash equivalents held in Rome + prepaid cards	26,105	19,640	Cash and cash equivalents held abroad	113,191	166,049
Balance of Italian bank and postal deposits	1,399,147	4,624,015	Balance of deposits in foreign banks	7,085,813	9,627,042
	1,425,252	4,643,655		7,199,004	9,793,091

A more detailed account of the cash and cash equivalents, organized by country and value, is provided in Annex 2 to this Note, which also lists bank deposits sorted by bank account, country and currency.

In 2017, in the interests of greater cost-efficiency, the Organization made increasing use of low-cost funding sources such as credit advances. This approach has been successful in expanding the pool of available financial resources and proves to be strategically sound in light of the need to augment the scope of mission activities and draw on a more diverse set of funding sources, for instance by increasing the share of contributions from those providers which, like ECHO, require payments to be covered up front with funds arriving in instalments after the activities themselves have concluded. The next step will be to arrange for certain donors who to date have paid directly into local accounts overseas, to make direct payments to the Italian account instead. Direct payments of this sort would increase the availability of anticipated funds.

The “Balance of Italian bank and postal deposits” item refers to the accounts with:

- Banca Popolare Etica (Padua branch): 7 × current accounts;
- Banca Sella (Piazza Poli branch, Rome): 1 × current account;
- Banca Prossima (Rome branch): 21 × current accounts, 1 × credit account and 8 × prepaid cards;
- Italian Post Office, 1 × current account.

D) PREPAYMENTS AND ACCRUED INCOME

Balance at 31.12.2017	EUR	26,854
Balance at 31.12.2016	EUR	36,654
Variation	EUR	- 9,800

A measure of income earned and expenses incurred, the cash payment and/or documentation of which has been, respectively, delayed or advanced: these may fall across two or more accounting periods and are broken down accordingly, irrespective of the date of payment or receipt of the associated cash sums.

The criteria for measuring and converting foreign currency values are as described in the first part of this Note.

As of 31 December 2017, there were no prepaid expenses or accrued income lasting more than five years.

The 2017 entry is constituted as follows:

- Prepaid expenses EUR 20,509;
- Deferred expenses EUR 6,345.

“Prepaid expenses” refers to expenses paid up front in 2017 for projects that are either awaiting approval or still need to be fully recorded in the accounts. They are assigned to the mission that has incurred them.

The deferred expenses are detailed below:

Deferred Expenses	
Supplier	Amount
ALPACA (photocopier hire)	952
AFRICA 2002 (NPW support)	1,593
GENERALI ASS. multi-risk insurance policy	961
WCC Geneva rent	744
WIND prepayment of fees	2,095
	6,345

EQUITY AND LIABILITIES

A) NET ASSETS

Balance at 31.12.2017	EUR	1,316,744
Balance at 31.12.2016	EUR	694,404
Variation	EUR	+ 622,340

The table below reports the variations to net assets over the last four years:

Description	Value at 31.12.2014	Increases as of			Decreases as of			Value at 31.12.2017
		31.12.2015	31.12.2016	31.12.2017	31.12.2015	31.12.2016	31.12.2017	
Unrestricted net assets								
<i>Profit or loss brought forward</i>	366,813	+ 10,837	+ 55,420	+ 161,333	- 377,650			216,753
<i>Profit or loss for this financial year</i>	10,837	+ 55,420	+ 161,333	+ 339,991	- 10,837	- 55,420	- 161,333	339,991
Funds earmarked by third parties								
Funds earmarked by institutional decisions								
<i>Funds for launch of new programs/entry to new countries</i>		+ 377,650						377,650
<i>Fund for humanitarian emergencies</i>				+ 222,350				222,350
<i>INTER SOS staffing fund</i>		+100,000		+ 60,000				160,000
	377,650							1,316,744

On 22 June 2018, the Board of Directors determined that two existing restricted funds would be renamed, though the conditions for their use would not change. The fund for expatriate staffing has been renamed “INTER SOS Restricted Staffing Fund” (*Fondo Vincolato Personale Intersos*), while the fund for new humanitarian emergencies has been renamed the “Fund for launch of new programs/entry to new countries” (*Fondo vincolato apertura nuovi Programmi/Paesi*).

At the same meeting, the board determined and enacted the creation of new restricted fund designated “Restricted Fund for Humanitarian Emergencies” (*Fondo vincolato Emergenze Umanitarie*).

At the same meeting, it was determined that provisions amounting to 282,350 Euro would be set aside in the form of restricted funds. This provision serves to increase the INTER SOS Staffing Fund (formerly Fund for Expatriate Staffing) by 60,000 Euro, with the remaining monies transferred to the new Fund for Humanitarian Emergencies.

The operating surplus of 339.991 Euro for the year 2017 was registered to unrestricted net assets as “profit for the financial year”.

In total, net assets have grown from 694.404 Euro to 1.316.744 Euro. The earmarked funds have not been used and the unrestricted net assets have grown from 216.753 Euro to 556.744 Euro.

The Organization’s net assets are adequate for the pursuit of its stated Mission and Purpose.

B) PROVISIONS FOR LIABILITIES AND CHARGES

Balance at 31.12.2017	EUR	488,052
Balance at 31.12.2016	EUR	852,188
Variation	EUR	- 364,136

The provisions for liabilities and charges are funds set aside to meet known future losses or obligations which are certain or likely to be incurred, but for which the precise value and date of incurrence are uncertain at the close of the reporting period.

Values are measured according to the prudence and accrual concepts, and in no case has a generic provision been arranged that does not have a specific economic justification.

Provisions set aside in previous years were used in 2017.

In detail:

- Payments made from the provisions for liabilities and charges, to a value of 104,288 Euro, in relation to a request for reimbursement that was received following the audit of EU project 37-13 in Mauritania, which request was settled in 2017, and to cover expenses for project 46-24 in the Central African Republic that were not recognized by the WFP.
- Payment to a total value of 46,931 Euro from the “Provision for Legal Disputes” to settle proceedings with ACEA Energia;
- Payment, to a total value of 212,917 Euro from the “Provision for Exchange Rate Risk” to cover losses on exchange rates that had accrued over 2017.

Fluctuations in exchange rates are a standard feature of the Organization’s normal operations, with 90% of contracts and managed funds using currencies other than Euros.

The following table reports variations in the value, use and configuration of the provisions:

Description	Value at 31.12.2016	Increases	Decreases	Value at 31.12.2017
Provision for exchange rate risk	218,300	-	212,917	5,383
Provision for risks and charges	499,515	-	104,288	395,227
Provision for legal disputes	51,931	-	46,931	5,000
Other provisions	82,442	-	-	82,442
	852,188	-	364,136	488,052

C) SEVERANCE INDEMNITIES

Balance at 31.12.2017	EUR	123,920
Balance at 31.12.2016	EUR	88,395
Variation	EUR	+ 35,526

The variations are detailed below:

Description	Amount
Value at 31.12.2016	88,395
Severance payments	- 6,131
Severance indem. and revaluation	+ 40,635
Severance transferred to pension funds	+ 1,021
Value at 31.12.2017	123,920

The Provision for employee severance indemnities is the actual amount due to the employees, net of severance indemnity advances, as at 31 December 2017. In 2017, employee severance indemnities totalling 6,131 Euro were paid to three employees.

D) PAYABLES

Balance at 31.12.2017	EUR	7,879,945
Balance at 31.12.2016	EUR	4,868,556
Variation	EUR	+ 3,011,390

See the section “C) Current Assets” for information about changes in the way sums advanced to expat staff are recorded in the accounts. As far as these Financial Statements are concerned, except in those instances in which advances were deducted from wages for January 2018, such advances were covered by the Guarantee Fund, effectively reducing the value of that payable. The relative entries in the financial statement for 2016 have been reclassified to maintain the comparability of the two financial years.

The composition of for each item and relative figures for comparison for the last two years are detailed in the table below (specific analysis of each item follows thereafter):

Description	Value at 31.12.2016	Value at 31.12.2017	Variation
4) Bank payables	668,404	1,218,146	+ 549,742
5) Donor payables	847,140	641,724	- 205,416
7) Supplier payables	1,518,411	1,726,928	+ 208,517
12) Tax payables	316,858	531,878	+ 215,020
13) Social security payables	274,160	1,242,095	+ 967,935
14.1) Staff payables	601,159	827,686	+ 226,527
14.2) Other field payables	642,425	1,691,489	+ 1,049,064
	4,868,556	7,879,945	+ 3,011,390

D 4) Bank payables

Bank payables include all amounts owed to financial institutions for advances, lines of credit, means of payment (cheques, etc.), mortgages, etc. In 2017 the above-mentioned financial institutions were:

Description	Amount
BANCA POPOLARE ETICA Adv. Acc. no. 16252	1,212,552
538.726 BANCA PROSSIMA Current Acc. No. 152292	22
538.726 BANCA PROSSIMA Current Acc. No. 152299	22
Herat Bank: AIB 0503301007158001	4,744
Herat Bank: AIB 0503303007158001	30
Philippines Bank: AIB 001121018914	16
BLOM Bank Iraq 23300216077407	8
BLOM Bank Iraq 23300216077408	14
Lebanon Bank: BLF 16978	10
Lebanon Bank: BLF 13840	2
COBANK CAR – 0070182911987801	33
Transactions pending Banca Prossima 1821	693
Value at 31.12.2017	1,218,146

Lines of credit available to the Organization:

- Banca Popolare Etica (LOC) EUR 200,000;
- Banca Prossima (LOC) EUR 100,000;
- Banca Prossima (revocable) EUR 1,200,000.

Additional guarantees were requested by the Organization in order to provide the bank guarantees required by some funding providers. The bank guarantees accessed as of 31 December are constituted as follows:

- Banca Popolare Etica EUR 550,000;
- Banca Prossima EUR 1,200,000.

The lines of credit used in Italy as of 31 December 2017 include the entirety of the credit extended via the account with the Banca Prossima, to a total of 1,200,000 Euro, to which must be added bank interest expenses of 12,552 Euro relating to two ECHO contracts, one in Yemen and one in Jordan. Bank guarantees used as of 31 December are reported in the memorandum of Commitments, Contingencies and Guarantees.

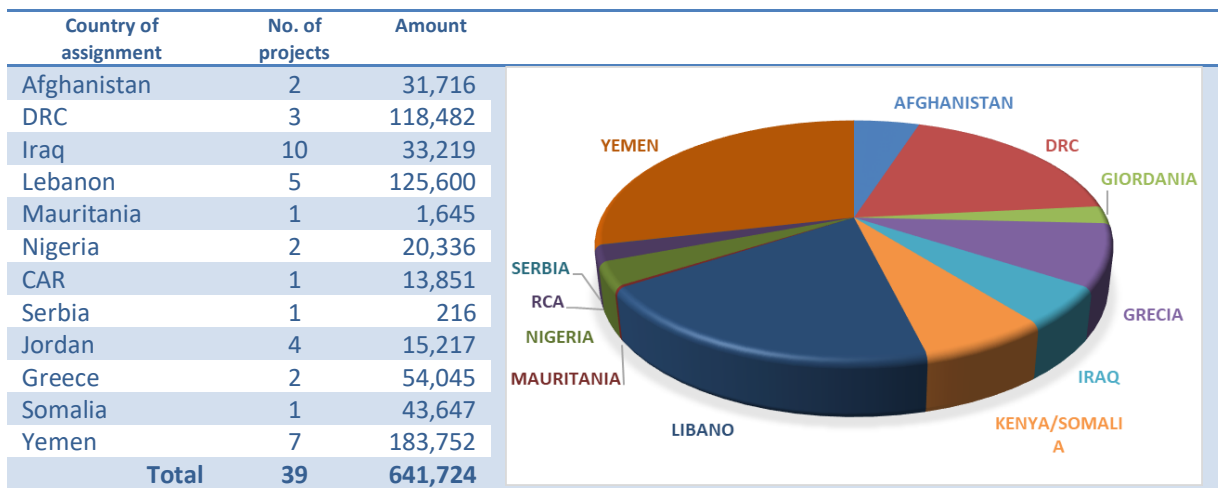
See Annex 2 for further details on these deposits as organized by country and credit account.

D 5) Donor payables

As set out in the legislation, Donor payables refers to funds received but not used by the end of the reporting period that must therefore be refunded to the funding body. The item includes only those projects terminated by the end of the year.

The end-of-year payables totalling 641,726 Euro refer mainly to debts totalling 641,582 Euro which are to be settled in the country of the funding bodies, and two debts totalling 27,142 Euros which relate to UNHCR projects (in Iraq and Afghanistan respectively), and which are to be settled in Italy.

The tables below shows the debts contracted abroad arranged by country.



For further details see Annex 3 where, in addition to the above classification, the item is subdivided by project and funding provider. As is indicated in Annex 3, the most regular funding provider is UNHCR, with whom the Organization establishes annual contracts timed to coincide with the start and end of the financial year.

D 7) Supplier payables

This item includes payables to suppliers resulting from purchases made in both domestic and international markets. Such payables arise from the expenditures inherent to standard operations, or more specifically to the management of projects, though they do not necessarily correspond with the period of the projects in question.

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

In the case of services, payables are recognized immediately the services are made available, i.e. once the agreed supply has been effected.

The table below provides a breakdown if this item:

Description	Amount
Payables to foreign suppliers	1,416,624
Payables to Italian suppliers	183,741
Payables from payment of outstanding invoices	126,562
	1,726,928

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.

It should be noted that when measuring tax payables they are declared at their nominal value net of any expected charges, financial penalties and accrued interests collectable at closing date of the accounting period.

This item breaks down as follows:

Description	Amount
IRPEF	118,289
Additional Regional and Municipal Taxes	6,109
IRAP and IRES payables to the treasury	12,234
VAT	-
Foreign tax payables	395,246
	531,878

The payables to the treasury include the Italian IRPEF tax, additional regional and municipal taxes relating to employees and staff for the period November-December 2017, and all tax payables of an analogous nature relating to local staff in other countries.

D 13) Pension and Social Security payables

The accounts recognize all liabilities of determined nature and amount that arise in relation to legal tax, insurance and social security requirements and to collective bargaining agreements, including supplementary local agreements.

Social security payables are recorded in the financial statements at their nominal value. In 2017, these were mainly constituted by obligations owed to Italian social security agencies (INPS and INAIL) and similar entities in other countries. Over the course of 2017, pending INTERSOS's registration as an aid agency in Lebanon, provisions to cover the social security provisions of local staff were set aside but not paid, as is the practice in that country. The sums owed will be recalculated and paid following the routine inspection of the proposed offices. This provision accounts for the sizeable variation in "Payables to foreign social security agencies".

The item breaks down as follows:

Description	Amount
Employee payables to INPS	24,104
Staffing-related payables to INPS	202,598
Staffing-related payables to INAIL	10,964
"13th/14th month" bonus payables	3,582
Annual and hourly leave payables	6,447
Employee health insurance	978
Payables to foreign social security agencies	993,422
	1,242,095

14.1) Staffing payables

This item relates to December wages for expat staff and staff at the Head Office. The item “salaries payables” only includes the outstanding balance due to Italian employees by December. Contracts with certain expat staff provide for a sum equal to 20% of the net monthly salary to be retained as a guarantee fund. Provided that the contract has been fulfilled satisfactorily, this sum is settled, net of any advances on salary, within 120 days following the end of the contract. It should be noted that, for 2017, this payable is expressed net of any advances issued locally to staff.

These payables break down as follows:

Description	Amount
Associates wages payables	466,052
Guarantee Fund 20%	245,653
Staff reimbursements payables	1,563
Salaries payables	47,987
Annual leave payables	32,669
Hourly leave payables	9,309
14th month bonus payable	24,453
	827,686

D 14.2) Other field payables

This item includes all payables that are not included in either of the above items. However, they are subject to the same measurement criteria, and are recorded at their nominal value.

The item includes the following categories:

Description	Amount
Other mission payables	498,848
Payables to other partners	580,709
Payables to local overseas staff	304,549
Severance indemnities for local overseas staff	307,383
	1,691,489

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

“Payables to local overseas staff” includes unpaid wages, wages that have been liquidated pending payment, accrued holidays and 13th/14th month bonuses.

The “other mission payables” item includes all the obligations owed to currency traders, local NGOs, institutions and partners, and international organizations.

For the year 2017, the “Payables to other partners” is constituted by a payable to the ICMC relative to the ECHO Jordan project, the ICMC having paid its share of costs up front. The balance will be settled in the course of 2018 once the final payment instalment has been received from the funding provider.

E) ACCRUALS AND DEFERRED INCOME

Balance at 31.12.2017	EUR	28,186,981
Balance at 31.12.2016	EUR	14,643,501
Variation	EUR	+ 13,543,480

This item includes all expenses incurred during the financial year but not yet paid, and all revenues pertaining to the following financial year(s) that were received, in advance, before the end of 2017.

The accrued expenses amount to 3,729 Euro and refer, primarily, to costs that are to be met to the 2018 financial year, but that are listed in the 2017 project accounts.

Deferred income constitutes the largest component of the item and refers to project funds that have been received but that properly pertain to the next or later financial years. These funds relate to projects that last two or more years; the value of deferred income varies over time and depending on the Organization's level of expenditure. The value of deferred income for the 2017 financial year was 28,183,252 Euro.

The increase in this value, relative to 2016, is a predictable effect of the expansion of the scope of the mission operations that was determined in 2017. It is worth noting, however, that the ratio of project implementation was lower than for 2016, and that this has further contributed to the increase in deferred income.

See Annex 4 for further detail on this item, with constituent projects sorted by country of intervention and funding source.

MEMORANDUM ACCOUNT

This item appears at the end of the Statement of Financial Position and includes bank guarantees extended directly to the Organization, where provided for in the relative funding contracts, to ensure the successful implementation of projects. As of 31.12.2017, guarantees of this sort were provided by *Banca Prossima* (to a value of 949,170 Euro), by *Banca Popolare Etica* (to a value of 486,124 Euro), and by *Generali assicurazioni* (to a value of 442,477 Euro).

Active bank guarantees are listed in the table below, together with the titles of the relative projects:

Issuing Bank	Date	Project title	Beneficiary	Guarantee no.	Amount	Due date
B.PROSSIMA	13/06/2016	41137 Sud Sudan AID 10700/01/2	Italian Agency for Development Cooperation	00044/8200/000034 73	€ 248,000.00	Revocable
B.PROSSIMA	13/06/2016	41137 Sud Sudan AID 10700/01/2	Italian Agency for Development Cooperation	00044/8200/000034 74	€ 9,920.00	Revocable
B.PROSSIMA	23/12/2016	2974 Iraq AID 10739	Italian Agency for Development Cooperation	00044/8200/000039 86	€ 98,250.00	Revocable
B.PROSSIMA	23/01/2017	rent of office A28	Casa Gen. Ordine Padri Carmelitani Scalzi	00044/8200/000040 52	€ 18,000.00	Revocable
B.PROSSIMA	06/04/2017	4905 Nigeria AID 11010/02/0	Italian Agency for Development Cooperation	05000/8200/000042 18	€ 325,000.00	Revocable
B.PROSSIMA	03/05/2017	41149 Sud Sudan AID 10876/SSUD/05	Italian Agency for Development Cooperation	00044/8200/000042 63	€ 250,000.00	Revocable
BANCA ETICA	24/03/2017	3157 Ciad AID 11010/01/6	Italian Agency for Development Cooperation	10061-001	€ 175,266.50	Revocable
BANCA ETICA	24/03/2017	4810 Camerun AID 11010/01/6	Italian Agency for Development Cooperation	10062-001	€ 310,857.50	Revocable
GENERALI ASS	21/06/2017	4628 RCA AID 10894	Italian Agency for Development Cooperation	370210361	€ 227,500.00	Revocable
GENERALI ASS	10/07/2017	2983 Iraq AID 11048	Italian Agency for Development Cooperation	370211136	€ 214,977.45	Revocable
					€ 1,877,771	

STATEMENT OF OPERATING ACTIVITIES

OPERATING ACTIVITIES

Operating activities refer to the Organization's core activities, i.e. activities involved in the pursuit of its statutory objectives. It includes project-related income and expenses, in the form of the value of its contracts as of 31 December, net of the expenses incurred in the implementation of said projects.

1.) Income from Operating Activities

Balance at 31.12.2017	EUR	59,868,773
Balance at 31.12.2016	EUR	46,241,193
Variation	EUR	+ 13,627,580

This income comprises:

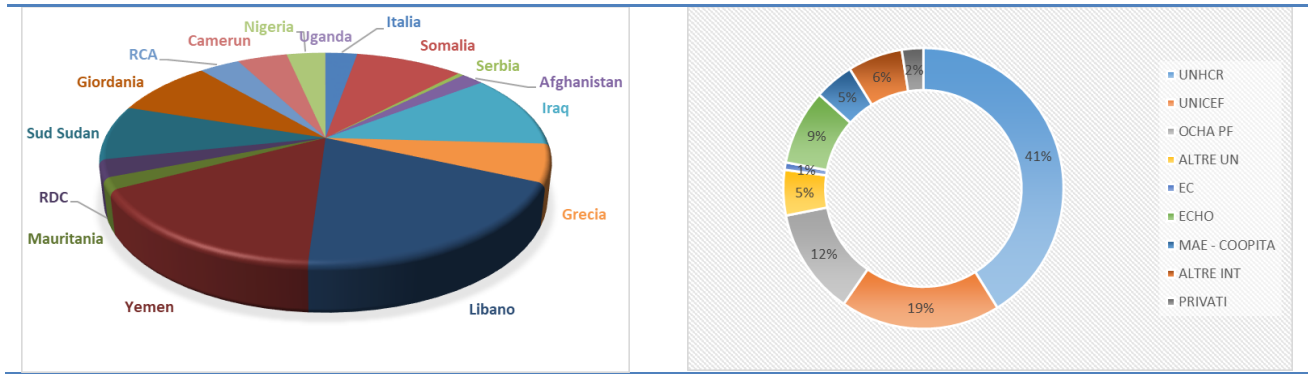
- **Funding awarded by Italian and International organizations:** funding payments made by Italian and international organizations for the purposes of project implementation;
- **Other contributions:** these are contributions from private donors (voluntary contributions from individual donors, associations and private bodies) to the Organization for the purposes of project implementation.

At the end of the year, any part of these revenues that has not been spent is recognized as follows: as a deferred income, in the case of projects straddling two financial years; as a decrease in the donor receivables item, in the case of projects that conclude all activities within a single year; or as a payable to donors in the case of projects for which all funding has been received by 31 December and which concludes all activities by the end of December of the following year.

Operating expenses refer to the costs incurred by the Organization in the course of delivering projects for which it has received the aforementioned contributions from funding bodies.

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

Mission	Amount	Funding provider	Amount
Italy	1,635,695	EU-ECHO	10 %
Somalia	5,556,426	UNHCR	41 %
Serbia	296,376	UNICEF	18.5 %
Afghanistan	1,170,538	OCHA PF	12 %
Iraq	6,737,889	Other UN agencies	5 %
Greece	3,481,414	Italian Min. Foreign Affairs-Coopita	5 %
Lebanon	11,459,891	Other International funding sources	6 %
Yemen	9,629,491	Private donors	2.5 %
Mauritania	1,072,397		
DRC	1,593,606		
South Sudan	4,988,754		
Jordan	5,170,619		
CAR	2,090,495		
Cameroon	2,574,267		
Nigeria	1,987,160		
Uganda	12,360		
	59,868,773		



See Annex 5 to this Note for more detailed information about the funding providers and about the number of projects in which INTERSOS is involved, together with the relevant countries and sectors.

SUPPORTING ACTIVITIES

These are activities that are not themselves considered part of the operating activities, but are necessary or beneficial to the correct and efficient pursuit of the Organization’s objectives. This item also includes the costs incurred for the Organization’s domestic and overseas support structures, gains or losses from currency exchange, interest income and expenses, as well as extraordinary income and expenses and taxes.

II.) Income from supporting activities

Balance at 31.12.2017	EUR	3,908,270
Balance at 31.12.2016	EUR	2,843,560
Variation	EUR	+ 1,064,709

This item comprises “Revenues from contributions” and “Other revenues”.

The “Revenues from contributions” item includes unrestricted income from private donors, fixed-rate income from projects, and membership fees.

“Unrestricted income from private donors”, which totalled 127,692 Euro in 2017, refers to funds donated spontaneously to the Organization by individuals and other private parties, associations and bodies, without restrictions on how said funds are to be used. In the event any part of a private donation earmarked for specific activities is not consumed in delivering the activity in question, it is recorded as deferred income in order that it may be included in the income for the following financial year.

“Fixed-rate income from projects” refers to the payment to the Organization by a funding body of a contractually agreed percentage of a particular item of funding to cover the Organization’s structural costs. Due to the expansion of the scope of mission activities that was agreed in 2017, and the associated increase in project expenses, there was a year-on-year increase of 955,200 Euro in the income from projects (from 2,612,555 Euro in 2016 to 3,567,755 Euro for 2017).

There was very little change in income from membership fees, which amounted to 5,000 Euro. As of 31 December, INTERSOS had 50 ordinary members and 9 supporter members.

The “Other operating income” item includes:

- Billable expense income At 31 December 2017, this item amounted to 15,486 Euro. This income is primarily constituted by reimbursements to the value of 800 Euro paid by “Più Culture” for the use of the Organization’s premises and related services, and reimbursements to the value of 350 Euro from various users for use of the Arush room. It also includes reimbursements totalling 14,040 Euro paid by participants to cover training course expenses and other small reimbursements amounting to 296 Euro.

- **Staff on loan or secondment.** This item relates to employees assigned to project activities in foreign countries, specifically in Chad, Central African Republic, Cameroon, Yemen, Kenya/Somalia, Afghanistan and Iraq. Income from these secondments totalled 192,091 Euro for the 2017 financial year, about 100,000 Euro higher than the previous year's total. The Organization's capacity to cover staffing for project activities is not only a good indicator of its longer-term sustainability, but also evidence of sound governance.

II.) Expenses from supporting activities

Balance at 31.12.2017	EUR	3,535,809
Balance at 31.12.2016	EUR	2,469,834
Variation	EUR	1065,975

The item "For Services" amounting to 1,797,417 Euro, includes the following expenses:

Description	Amount 2016	Amount 2017
Workers at INTERSOS premises	258,168	332,074
Expat workers	314,954	814,067
Consultants	67,662	88,642
Legal and notary fees	1,499	4,207
Head Office rent and utilities	121,534	116,684
Software support	15,115	30,462
Fundraising expenses	131,825	136,135
Communication and publicity expenses	83,367	88,385
Premises maintenance and repairs	13,707	8,471
Bank charges and commissions	32,555	34,789
Stationery	3,962	8,129
Training	6,080	56,782
Postage expenses	155	193
Telephone, fax and internet	21,424	25,529
Domestic couriers	3,105	6,152
Other office-related expenses	2,646	3,350
Provisions for expat staff	-	-
Small equipment purchases and publicity	6,773	43,366
	1,084,531	1,797,417

Costs are in line with the growth in the Organization's humanitarian work. The greatest increases are found in the expenses relative to external contractors and consultancy services, which grew from 640,784 Euro in 2016 to 1,234,783 Euro for 2017. This variation can confidently be attributed to investments the Organization made in the reorganization of certain departments – and the expansion and redefinition of their scope of activities – with a view to better supporting its operations on the ground. The accounts continue to follow the convention whereby staffing costs are recorded as in the Statement of activities net of any funds paid by funding bodies for the activities implemented by that staff. Other areas that saw sizeable increases in costs were training and small equipment purchases. Training is required to improve the operational capabilities of Organization staff. Increases to staff numbers and the renewal of the Organization's IT equipment, combined with a relative drop in project funding for IT equipment, saw the small equipment purchases total climb to six times the equivalent figure for the previous year.

Staffing costs for 2017 relative to direct employees also saw a variation from the previous year. The total of 950,218 Euro includes wages and salaries, social security payments, insurance against workplace accidents, and the annual provision for employee severance indemnities. The impact of the "Jobs Act" and the stabilizing effect this has had on staffing at the Organization's offices have led to a sizeable increase in the number of

workers directly employed by the Organization compared to the previous regime, a factor that in large part explains the significant increase in this item.

The external contractors and consultants item includes payments to Crowe – AS spa. for the standard audit of the Organization’s accounts, but also payments to Crowe Clark Whitehill LLP for a separate audit carried out according to criteria set out by the United States government for organizations to which it has provided funding.

The “depreciation and amortization expense” item, totalling 41,400 Euro, includes the amortization of tangible assets to a value of 8,971 Euro, and the allowance for doubtful accounts, to a value of 32,429 Euro (see page 15 and the table of overseas local receivables). The intangible assets, which include software and licences, are entirely amortized, and have not seen any further depreciation during the 2017 financial year.

See the section on net assets and earmarked funds on page 18 of this Note for a more detailed description of the provisions for liabilities and charges.

The following “other operating expenses” have been reclassified:

Description	Amount 2016	Amount 2017
Membership fees	11,500	12,844
Project expenses charged to Head Office	55,029	42,440
Rounding off allowances and discounts	53	2,568
Refreshment and hospitality expenses	1,737	2,588
Overseas mission expenses	316,565	380,362
Set-up expenses for new missions	-	6,538
Transport costs	7,245	8,825
Penalties	755	201
Other taxes	-	8,058
Third-party vehicle expenses	355	-
Other	478	-
	393,717	464,424

The variation in respect to the 2016 figures relates to the project expenses charged to Head Office, and overseas mission expenses. The former item refers to expenses incurred by INTERSOS for its share of start-up costs for its operations in Libya. In large part, these are mission costs – incurred in the identification and planning of missions – and expenses relating to registration and safety at a local level. The “Overseas mission expenses” item refers to the cost of coordinating missions in other countries, and includes the difference between the fixed-rate reimbursements received to cover expat staff costs and the actual cost of employing said staff, plus any local staff and facilities costs not covered by the funds received. This item is tied to the investments made each year for the consolidation of existing missions and the set-up of new missions, and the ability of the INTERSOS administrators to allocate adequate provisions within the budget of financed projects. As such, it tends to vary significantly over time.

C) Financial Income and Expenses

Balance at 31.12.2017	EUR	- 19,061
Balance at 31.12.2016	EUR	- 145,527
Variation	EUR	+ 126,466

This item includes the difference recorded between interest income and expense, and that recorded between foreign currency exchange rate gains and losses. For each mission, exchange rate gains and losses are offset in the accounts, with the resulting gain or loss recognized to the Head Office.

The variation in respect to the previous year is due to the fluctuations in exchange rates. The Head Office in Rome ended 2016 with a loss on currency exchange rates equivalent to 129,068 Euro. In 2017, meanwhile, the provision for exchange rate risk was used to cover a loss of 212,917 Euro.

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

Description	At 31.12.2016	At 31.12.2017
Interest Income	200	107
Currency exchange rate gains	-	-
Interest Expenses	16,659	19,168
Currency exchange rate losses	129,068	-
	- 145,527	- 19,061

E) Extraordinary Income and Expenses

Balance at 31.12.2017	EUR	40,008
Balance at 31.12.2016	EUR	- 8,032
Variation	EUR	+ 48,040

The unusual or infrequent loss item includes losses or costs that arise 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 of these costs by type for the year 2017 is as follows:

Description	Amount
Expenses from prior years	679
Flights not refunded	665
Prior years adjustments	7,293
	8,638

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 item also includes positive income components arising from debt restructuring operations. The breakdown of these revenues by type for the year 2017 is as follows:

Description	Amount
Settlement of ACEA legal proceedings	17,794
Prior years adjustments	30,851
	48,645

Taxes

Balance at 31.12.2017	EUR	50,000
Balance at 31.12.2016	EUR	52,398
Variation	EUR	- 2,398

The Organization is subject to IRAP (regional tax on business) 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 3,416 Euro.

INCOME OF OPERATING ACTIVITIES SUBJECT TO VAT

The revenues total of 8,000 Euro was earned entirely through invoices for sponsorship and publicity services, these rendered mainly to Pizzardi Editore S.p.A.

OPERATING EXPENSES SUBJECT TO VAT

The “Expenses from supporting services” item relates to the cost of consultancy services and transport costs, these, too, being generally related to publicity and fundraising activities. Totalling 11,416 Euro, these expenses are largely associated with a small number of operational services.

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 in related activities.

EVENTS AFTER THE REPORTING PERIOD

Forecasts for the start of 2018 are alarming: it is estimated that due to new crises and the escalation of the those in which INTERSOS is already engaged, there will be around 136 million people in need of assistance and protection, an increase of 6% on 2017. War and violence will continue to be the main causes of suffering that humanitarian efforts are called on to combat.

The situation in the Central African Republic, Cameroon, the Democratic Republic of Congo and Somalia is deteriorating. Nigeria, South Sudan and Syria will still require sustained support, as will Yemen, where we are witnessing what, in 2018, may again be the world's worst humanitarian crisis in terms of people affected and the seriousness of their needs.

With this in mind, INTERSOS will continue to focus its resources in Yemen on extending the scope of existing efforts to protect and save lives and improve support for those worst affected. This work is concentrated in the governorates of Sana'a, Aden, Mukalla, Taiz, Ibb and Kharaz/Lahj, but also extended in some form to all other governorates (other than Al-Raymah, Socotra and Al- Jawf). Preparations are also under way to form a response to the military operations headed by Saudi Arabia and its allies in the city of Hudaydah, a campaign that threatens severe consequences for the local civilian population.

Early 2018 has also seen INTERSOS scale up its work in West Africa: operations in Nigeria have been extended to two newly-accessible areas where the local population has not been able to receive any form of aid in recent years. In Cameroon, meanwhile, INTERSOS has moved early to set up operations in the largely English-speaking south of the country, where ongoing violence between separatist forces and the government has forced hundreds of thousands of people to flee their homes.

A fact-finding mission has also been conducted in Niger, with a view potentially to establishing a new mission to support migrants who are crossing the country, whether returning from inhumane conditions in Libya, or heading to Libya or Algeria in search of a better life. The process of registering as an aid agency in Niger is ongoing.

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 Legislative Decree 460/97.

The present financial statements, which include the Statement of Financial Position, the Statement of Activities and this Note, truthfully and correctly represent the Organization's financial status and assets, and the profit and loss figures, and are consistent with the accounting records and entries.

On behalf of the Board of Trustees
(Konstantinos Moschochoritis)

ANNEXES

