



WAR CHILD - WE ARE ONE ANNUAL ACCOUNT 2010

Balance sheet as per 31 December 2010	08
Statement of income and expenses in 2010	09
11.1 Accounting policies for the Balance sheet and Statement of income and expenses	11
11.2 Notes to the Balance sheet as per 31 December 2010	12
11.3 Notes to the Statement of income and expenses in 2010	16
11.4 Other information	22
11.5 Analysis of differences between annual accounts 2010 versus budget 2010	23
Independent auditors report	24
11.6 Budget 2011	25
11.7 Long-term budget 2011 - 2015	27

Balance sheet as per 31 December 2010 (after proposed profit appropriation)

	31 Dec 10	31 Dec 09
Assets		
Tangible fixed assets		
2.1 Property, Plant and Equipment	97,492	128,471
	97,492	128,471
Current assets		
2.2 Accounts receivable	1,520,766	1,271,959
2.3 Securities	-	-
2.4 Cash and cash equivalents	5,912,085	6,002,735
	7,432,581	7,274,694
	7,530,343	7,403,165
Liabilities		
Reserves and funds		
2.5.1 Reserves		
Continuity reserve	5,050,000	4,000,000
Earmarked reserve	626,306	1,028,471
General reserve	-	1,172,328
	5,676,306	6,200,799
2.5.2 Funds		
Earmarked funds	-	-
	-	-
Short-term liabilities		
Accounts payable	612,890	471,119
2.6.1 Taxes and social security payments	107,275	198,467
2.6.2 Accruals, provisions and other liabilities	1,133,872	532,780
	1,854,037	1,202,366
	7,530,343	7,403,165

Statement of income and expenses in 2010

	Realisation 2010	Budget 2010	Realisation 2009
Income			
Income own fundraising			
Donations, gifts and grants	9,249,165	10,850,000	9,196,158
Legacies	88,094	500,000	723,440
Gifts in kind	153,501	95,000	85,622
	9,490,760	11,445,000	10,005,220
Share in activities of third parties			
Dutch Postcode Lottery	900,000	1,003,021	1,000,000
UNICEF	663,856	1,201,133	302,497
European Union	389,412	798,544	288,609
Other	488,530	955,560	297,597
	2,441,798	3,958,258	1,888,703
Government grants and others			
PSO	851,338	424,903	454,471
Dutch Ministry of Foreign Affairs	2,001,072	1,929,323	1,975,196
	2,852,410	2,354,226	2,429,667
Other income			
Other financial income and expenses	69,783	-	10,767
	14,854,751	17,757,484	14,334,357
Expenses			
Expenditure on behalf of the objective			
3.1.1 Project activities	10,457,247	12,572,616	9,592,616
3.1.2 Preparation & coordination	774,895	919,347	885,828
3.1.3 Communication & awareness raising	1,422,196	1,308,134	1,210,661
	12,654,338	14,800,097	11,689,105
Expenditures fundraising			
3.2.1 Costs own fundraising	1,354,529	1,718,684	1,442,104
3.2.2 Costs obtaining government grants and third parties	250,293	253,618	201,310
	1,604,822	1,972,302	1,643,414
Management & administration			
3.3.1 Costs Management & administration	1,120,085	1,040,957	913,558
	1,120,085	1,040,957	913,558
	15,379,245	17,813,356	14,246,077
Surplus / (Deficit)	(524,494)	(55,872)	88,280
Ratios (%)			
Costs own fundraising	14.3%	15.0%	14.4%
Costs obtaining government grants	4.7%	4.0%	4.7%
Costs Management & administration	7.3%	5.8%	6.4%
Total expenditure on behalf of the objective/Total income (Gross)	85.2%	83.3%	81.5%
Total expenditure on behalf of the objective/Total income (Net)	82.3%	83.1%	82.1%

The appropriation of results is as follows:

	2010	2009
Surplus / (Deficit)	(524,494)	88,280
(Addition) / Withdrawal from:		
Continuity reserve	(1,050,000)	-
Earmarked reserve	402,166	(775,494)
General reserve	1,172,328	295,055
Earmarked fund	-	392,158
Balance at the end of the financial year	-	-

The cash flow statement is as follows:

	2010	2009
Cash flow from operational activities		
Result	(524,494)	88,280
Adjustment for:		
• depreciation tangible fixed assets	127,838	137,311
Gross cash flow from operational activities	(396,656)	225,591
Change in accounts receivable	(248,807)	(347,520)
Change in short-term liabilities	651,671	(327,389)
Net cash flow from operational activities (A)	6,208	(449,318)
Cash flow from investment activities		
Investments in tangible fixed assets	(96,858)	(12,804)
Cash flow from investment activities (B)	(96,858)	(12,804)
Cash flow from financing activities (C)	-	-
Change in cash and cash equivalents (A+B+C)	(90,650)	(462,122)
Cash and cash equivalents per 1 January	6,002,735	6,464,857
Cash and cash equivalents per 31 December	5,912,085	6,002,735
Change in cash and cash equivalents	(90,650)	(462,122)

Notes to the cash flow statement

The cash flow overview is drawn up according to the indirect method. The cash and cash equivalents have decreased by € 90,650 compared to 2009. The difference between 2009 and 2010 can be explained as follows:

Change in net cash flow from operational activities**Accounts receivables**

The claim on legacies have decreased with 73% (331,000). At the same time the claim on subsidy increased with 50% (443,000).

Short-term liabilities

The change in short-term liabilities is mainly due to the category "donations received in advance" and "Received in advance from institutional donors". More was received in advance in 2010 than in 2009.

Change from investment activities

More investments were done to develop a system in the field to create up-to-date management information.

Notes to the Balance sheet and the Statement of income and expenses**11.1 Accounting policies for the Balance sheet and Statement of income and expenses****11.1.1 General**

This report is drawn up following the principle of historical costs. Unless indicated otherwise, assets and liabilities have been admitted against no-par value. The annual accounts are arranged according to "Guideline 650 Fundraising Institutions". The objective of this directive is to give a better insight into the costs of the organisation and expenditure of the resources in relation to the objective for which these funds were brought together. In addition, the revised guideline has a more transparent lay-out than the old version and has to be used uniformly by every fundraising institution.

11.1.2 Tangible fixed assets

Tangible fixed assets are valued at purchase price minus depreciation, determined on estimations of their economic life span. Tangible fixed assets which are applied as part of the objective are de-preciated in full. In the notes to the tangible fixed assets this is, as far as it is relevant, additionally clarified. For the value of the assets on behalf of the operational management, a fund assets operational management will be retained at the end of the financial year at the expense of the earmarked reserve.

11.1.3 Reserves and Funds

The equity of the foundation are in place in order for the organisation to achieve its objectives. The equity is divided into reserves and funds. The reserves are earmarked by the Board, whereas the funds are earmarked by third parties, like private individuals and corporate sponsors. The reserves within War Child consist of the continuity reserve, the earmarked reserve and the general reserve. The funds consist of earmarked funds on behalf of the objective, in general projects in the field.

11.1.4 Other assets and liabilities

The other assets and liabilities are valued against no-par value. The valuation of accounts receivable is made by deduction of a provision because of irrecoverability based on the individual valuation of the accounts receivable.

11.1.5 Foreign currency

Transactions in foreign currency are converted to euro at the exchange rate of the transaction date. At

the end of the financial year all accounts receivable and liabilities in foreign currency are converted to euro on the basis of the exchange rate as per balance date. Exchange rate results have been added to the income statement.

11.1.6 Contributions, donations and grants

The income consists of the proceeds from contributions, donations, grants and other income which are ascribed to the financial year concerned. Donations are accounted for in the year in which these were granted. Losses are taken into account if they originate in the financial year in question and as soon as these are anticipated. Grants are accounted for in the year of receipt.

11.1.7 Gifts in kind

Gifts in kind are valued against fair value in The Netherlands. The fair value is estimated as the regular selling price of the supplier minus a reduction which best reflects the circumstances in which the gift is made (e.g. positive exposure for the supplier, price differentiation due to corporate social responsibility programs, discounts for older products, etc.) Contributions from volunteers are not financially accounted for. In addition, services and products that War Child would purchase when sponsors would not have been found, are treated as contributions from volunteers and are therefore also not recognized in the income statement. Processing gifts in kind does not affect the result and the equity, but only the volume of income and expenses. The income is accounted for under the income from own fundraising. The expenses are accounted for where they are usually accounted for.

11.1.8 On-charged expenses

Based on Guideline 650, six main activities can be distinguished within the organisation:

- Project activities;
- Preparation & coordination;
- Communication & awareness raising;
- Fundraising;
- Obtaining grants;
- Management & administration.

The organisation has costs in support of these activities. These costs are recognized to the year concerned and are oncharged based on a fixed distribution formula per staff member. This distribution formula is determined per staff member based on the time spent on an activity. Directs costs on behalf of the main activities are also ascribed to the year concerned.

11.1.9 Costs project activities/project obligations

Costs on behalf of the own projects are directly attributed to these projects in the year in which the activities are done. Attributed funds to local partners are accounted for as liabilities in the year of attribution.

11.2 Notes to the Balance sheet as per 31 december 2010

11.2.1 Tangible fixed assets

11.2.1 Property, Plant and Equipment (in euro)

	Capital assets	Project goods	Total
Purchase value assets	371,717	604	383,351
Cumulative depreciations	(243,850)	-	(243,850)
Value as per 1 January 2010	127,867	604	128,471
Investments during the financial year	69,470	27,389	96,859
Depreciations during the financial year	(100,518)	-	(100,518)
Directly charged to project	-	(27,320)	(27,320)
Value as per 31 December 2010	96,819	673	97,492
Cumulative purchase value assets	441,187	27,993	469,180
Cumulative depreciations	(344,368)	-	(344,368)
Directly charged to project	-	(27,320)	(27,320)
	96,819	673	97,492
Depreciation percentages	33.33%	0.00%	

Capital assets

The investments in 2010 largely involve the development of the Management Information System. The depreciation of these investments will, depending on the development of the module, be attributed to the main activity concerned. Preparation & coordination (€ 16,640), Communication & awareness raising (€ 9,198) and Own fundraising (€ 57,595). Depreciation costs for head office are accounted for under the support costs (€ 17,085).

Project goods

The value of the project goods as per 31 December 2010 concerns purchased laptops of which the costs are charged to the project after placing it at the disposal of the project. Other goods on behalf of projects are entirely written off during the financial year. War Child does not depreciate these goods linear, because of the intensive use their life-span in the project countries is lower than one year.

11.2.2 - 11.2.4 Current assets

11.2.2 Accounts receivable (in euro)

	31 Dec 2010	31 Dec 2009
Legacies due	127,331	458,800
Subsidy accounts receivable	889,713	438,010
Interest savings accounts	57,032	69,173
Advances	5,774	2,370
Deposits	290	290
Prepayments in project countries	212,053	239,468
Other accounts receivable	228,573	63,848
	1,520,766	1,271,959

11.2.3 Securities

War Child ensures that no relation exists between War Child on the one hand, and socially irresponsible companies on the other hand. With the insecurity that flows with investments, War Child has decided not to include any securities in its portfolio.

11.2.4 Cash and cash equivalents (in euro)

	31 Dec 2010	31 Dec 2009
Savings accounts head office	3,410,086	3,551,450
Current-account head office	1,142,260	1,632,705
Current-account field	1,356,488	817,192
Cash	3,251	1,388
	5,912,085	6,002,735

War Child deposits the cash and cash equivalents in project countries at renowned banks. In some countries it is hard to find a renowned bank, War Child more intensively monitored the financial state of these banks and the impact of the financial crisis on these banks.

11.2.5 Reserves and funds

The reserves are spent in concordance with the designated purpose given to them with the establishment of the income. In view of a correct justification of the tied-up reserves, already at the receipt of gifts, donations and grants the earmarking for projects is taken into account.

11.2.5.1 Overview reserves (in euro)

	(A)	(B)		(C)	Total
	Continuity reserve	Earmarked reserve		General reserve	
		Asset			
		operational management	Project activities	General reserve	
Balance as per 1 January 2009	4,000,000	252,978		1,467,383	5,720,361
• Additions	-	-	900,000		900,000
• Withdrawals	-	(124,506)	-	(295,055)	(419,561)
Balance as per 1 January 2010	4,000,000	128,472	900,000	1,172,328	6,200,800
• Additions	1,050,000	52,223	500,000	-	1,602,223
• Withdrawals	-	(83,805)	(870,584)	(1,172,328)	(2,126,717)
Balance as per 31 December 2010	5,050,000	96,890	529,416	-	5,676,306

Ad A) Continuity reserve

The continuity reserve has been drawn up to cover risks in the short-term to ensure that War Child can also meet its obligations in the future.

Guideline

For the determination of the size of the continuity reserve, War Child follows the guideline of the Dutch Fundraising Institutions Association (VFI). The guideline allows a maximum reservation of 1.5 times the costs of the operational organisation. The operational organisation is defined according to the VFI-code as: "Costs own staff (for the recruitment as well as the execution of the objective), housing costs, office and administration costs on behalf of the own organisation, management costs, costs for fundraising, as well as the costs of out-sourced services concerning the above-mentioned posts."

War Child does not strive for a maximum reserve, because War Child does not want to unnecessarily block reserves which can be used in project activities. The board of trustees has established a minimum to ensure that the ongoing obligations can be met, set at six months.

For the calculation of this reserve, the costs of the operational organisation were taken into account:

Direct costs fundraising (100%)	€	872,929
Support costs (100%)	€	3,648,484
Costs of project activities - execution own organisation (50%)	€	3,728,796
Costs of project activities - execution local partners (25%)	€	579,347
Costs own operational organisations	€	8,829,555

The current continuity reserve of € 5.050.000 equals 0.6 times the cost of the operational organisation which, in accordance with the guideline, is sufficient.

Development	2010	2009	2008	2007	2006
Continuity Reserve / Costs own operational organisation	0.6	0.5	0.6	0.7	0.7

Ad B) Earmarked reserve

The earmarked reserve is the part of the reserve which is set aside by the board of trustees for a specific purpose. In 2010, that was the fund 'assets operational management', 'project activities' and 'call for proposals'. The begin balance of € 900,000 from the fund project activities was assigned for the start up for the Conn@ct.now program and for activities in Colombia, Israel and the occupied Palestinian territories and Uganda and have been used in that manner in 2010. The new dotation of € 500,000 will be assigned to Sudan, DR Congo, Colombia and Uganda.

Ad C) General reserve

The general reserve comprises that part of the reserve which has not yet been appointed to a destination and for that reason can be used for various ends. Until 2009 War Child already allocated the amount towards several purposes, but this was not yet approved in exact amount by the board. This is why it didn't form part of the earmarked reserve. As from 2010 War Child will no longer use the general reserve in this manner and will appoint towards the earmarked reserve. This is also more in line with the guideline 650.

11.2.5.2 Earmarked funds

When third parties, thus not War Child's Board, have given a specific destination it concerns an earmarked fund. For 2010 there were no ear-marked funds.

11.2.6 Short-term liabilities

11.2.6.1 Taxes and social security payments (in euro)

	31 Dec 2010	31 Dec 2009
To be paid income tax - head office	50,872	50,708
To be paid social security charger - head office	26,349	25,137
To be paid gift tax - head office	19,933	19,933
To be paid income tax - field	131	102,570
To be paid national insurance contributions - field	9,990	119
	107,275	198,467

11.2.6.2 Accruals, provisions and other liabilities (in euro)

	31 Dec 2010	31 Dec 2009
Provision holiday allowance and holidays	257,568	221,742
Donations received in advance	245,235	58,229
Transistoria credit - head office	131,577	168,035
Provisions staff - field	115,311	20,876
Received in advance from institutional donors	348,181	63,898
	1,133,872	532,780

11.2.7 Rights and obligations not included in the balance**11.2.7.1 Long-term financial obligations**

In 2008, War Child head office moved to a new location. To that end, in 2007, a rental obligation was engaged for five years for a total amount of € 999,000, of which € 199,800 will expire within one year.

11.2.7.2 Long-term financial rights

In 2010, War Child was granted an amount of

11.3 Notes to the Statement of income and expenses in 2010

As mentioned in the 'Notes to the balance sheet and statement of income and expenses (1.8)', the on-charge of support costs is based on a fixed distribution key per staff member. It is procentually determined by how much time each staff member has spent per main activity. The other expenses are direct costs and these have also been attributed to the main activity as such.

11.3.1.1 Costs project activities (in euro)

	2010			2009		
	Own Projects*	Contracts with local partners:	Total per country:	Own Projects*	Contracts with local partners:	Total per country:
Afghanistan	239,201	175,955	415,156	811,722	61,594	873,316
Burundi	116,884	101,724	218,608	3,688	60,000	63,688
Chechnya	-	30,000	30,000	500	120,000	120,500
Colombia	404,246	638,358	1,042,604	265,330	505,340	770,671
Democratic Republic of Congo	1,014,009	159,640	1,173,649	806,364	196,577	1,002,940
Israel/occupied Palestinian territories	340,504	594,587	935,091	250,473	570,893	821,366
Lebanon	44,792	139,571	184,363	-	89,850	89,850
Sierra Leone	1,084,943	-	1,084,943	1,163,968	1,341	1,165,310
Sri Lanka	132,452	65,000	197,452	260	100,000	100,260
Sudan	1,818,327	170,261	1,988,588	1,194,446	137,044	1,331,491
The Netherlands	-	-	-	-	50,000	50,000
Uganda	1,968,015	242,293	2,210,308	1,937,711	248,232	2,185,944
Projects General	294,218	-	294,218	396,765	-	396,765
Support costs	682,267	-	682,267	620,518	-	620,518
	8,139,858	2,317,389	10,457,247	7,451,747	2,140,872	9,592,619

* If War Child has a contract with a local partner, these expenses are accounted for under the column 'Contracts with local partners'. In addition, War Child works with many partners within its own projects (communities, young people etc), which are accounted for under the column 'Own Projects'.

€ 21.05 million for five years in relation to the Co-Financing System (MFS) by the Dutch Ministry of Foreign Affairs. This contracts will become effective in 2011 when War Child will receive the first payments.

11.2.7.3 Contracts with partners 2010

With the board's approval of the 2011 budget, a full obligation has been entered into with local partners for the amount of € 1,823,345 (2010: € 2,500,000).

11.3.1 Expenditure on behalf of the objective

War Child distinguishes three main activities on behalf of the objective: project activities, Preparation & coordination and Communication & awareness raising. The costs within these main activities can be divided into direct costs and support costs.

11.3.1.2 Costs Preparation & coordination (in euro)

	2010	2009
Methodology development	160,239	191,865
Recruitment, training and preparation field staff	52,122	14,652
Management Information System	15,261	73,925
Other costs	-	71,740
Support costs	547,273	533,646
	774,895	885,828

11.3.1.3 Costs Communication & awareness raising (in euro)

	2010	2009
General-interest education	528,976	423,810
Printed news letter	47,913	94,189
Field visits	10,291	4,256
Management Information System	9,198	8,384
Other costs	183,686	149,479
Support costs	642,132	530,543
	1,422,196	1,210,662

11.3.2 Expenditure fundraising**11.3.2.1 Costs own fundraising (in euro)**

	2010	2009
Recruitment private donors	737,566	909,391
Management Information System	57,595	51,257
Other costs	77,768	93,744
Support costs	481,600	387,712
	1,354,529	1,442,104

	2010	2009	2008	2007	2006
Costs own fundraising	1,354,529	1,442,104	1,201,698	935,139	775,596
Income own fundraising	9,490,760	10,005,220	8,877,454	6,859,712	5,279,698
% costs own fundraising	14.3%	14.4%	13.5%	13.6%	14.7%

The hallmark of the Central Bureau for Fundraising stipulates that a recognized charity may devote a maximum of 25% of private income to fundraising activities. With its 14.3%, War Child is well below the CBF-limit. This percentage is made possible by a large number of sponsors who donate goods and services to War Child and a strict low cost policy.

The only expenses War Child incurs for fundraising are salary costs of head office staff and the costs for direct marketing through telephone and street fundraising. War Child has not been able to find sponsors for these activities, however, sharp tariffs and fundraising guarantee have been agreed upon. The investments are recovered within a few months and show profit in subsequent years.

11.3.2.2 Costs obtaining grants (in euro)

	2010	2009		
Direct costs	75,165	64,796		
Support costs	175,128	136,514		
	250,293	201,310		
	2010	2009	2008	2007
Costs obtaining grants	250,293	201,310	160,145	160,037
Income grants	2,852,410	2,429,667	3,088,577	2,424,965
% costs obtaining grants	8.8%	8.3%	5.2%	6.6%

War Child succeeded to sign new contracts with institutional donors. Costs for obtaining grants were made in 2010, but because contracts were signed at the end of the year, income is expected in the following year.

11.3.3 Management & administration

11.3.3.1 Costs management & administration (in euro)

	2010	2009		
Direct costs	-	20,011		
Support costs	1,120,085	893,547		
	1,120,085	913,558		
	2010	2009	2008	2007
Costs management & administration	1,120,085	913,558	742,587	613,871
Total costs	15,379,244	14,246,077	12,526,572	9,378,295
% Costs Management & administration	7.3%	6.4%	5.9%	6.5%

For the percentage costs management & administration War Child maintains a low costs policy. For that reason, War Child has put the long term objective for the percentage at 7% or below. The entire growth in costs should be made on behalf of the objective in order to keep the percentage management & administration low.

The on-charge of people and departments which fall under management & administration are: executive director (100%), facilities department (100%) and ICT department (100%), Management Team (20%), donors management (100%) and other employees of the department operations, in accordance with the time spent. This on-charge is in line with the guideline from VFI.

In 2010 the percentage was slightly above the 7%. This is mainly because of the decision to reduce/postpone the expenses for project activities in the last few months of 2010 and not in management & administration. With the planned budget for 2011 cutting in management & administration, which mainly means reducing staff, was not seen as the appropriate measurement to ensure objectives are going to be met in 2011. Postponing with project activities still ensures that the objectives will be met.

11.3.4 Summary: Specification and on-charge expenses to destination (in euro)

Destination	Objective	Income Fundraising			Management & Administration	Total 2010	Budget 2010	Total 2009		
		Own Fundraising	Third party activities	Grants						
Main activity ▶	Communication & Awareness raising	Preparation & Coordination	Project activities							
Expenses ▼										
Direct costs										
Grants and contributions	-	227,622	9,774,980	-	-	75,165	-	10,077,767	12,344,732	8,327,819
Payments	-	-	-	-	-	-	-	-	-	-
Purchases and acquisitions	-	-	-	872,929	-	-	-	872,929	1,234,825	844,363
Outsourced activities	-	-	-	-	-	-	-	-	-	-
Publicity and communication	780,064	-	-	-	-	-	-	780,064	622,943	562,706
Support costs										
Staff costs	536,193	456,982	569,705	402,144	-	146,234	935,291	3,046,549	3,012,727	2,266,862
Housing costs	46,107	39,296	48,989	34,580	-	12,575	80,426	261,973	269,580	226,490
Office and general costs	46,186	39,363	49,072	34,639	-	12,596	80,563	262,419	305,460	68,832
Depreciation and interest	13,646	11,632	14,501	10,237	-	3,723	23,805	77,543	23,088	229,498
Total expenses	1,422,196	774,895	10,457,247	1,354,529	-	250,293	1,120,085	15,379,244	17,813,355	12,526,570
Budget 2010	1,308,134	919,347	12,572,616	1,718,684	-	253,618	1,040,957	17,813,356		
% w/r/t total expenses per group	9.2%	5.0%	68.0%	8.8%	0.0%	1.6%	7.3%	100%		
% w/r/t total expenses per destination			82.3%			10.4%	7.3%	100%		
% on-charge support costs	17.6%	15.0%	18.7%	13.2%	0.0%	4.8%	30.7%	100%		

As mentioned in the 'Notes to the balance sheet and statement of income and expenses' the on-charge of support costs takes place based on the fixed distribution key per member of staff. It has been percentageally determined how much time each staff member has spent per main activity (see total percentages per destination). Other expenses are direct costs and these have also been attributed to the main activity as such.

11.3.5 % Total expenditure on behalf of the objective / Total income (in euro)

GROSS				
	2010	2009	2008	2007
Expenditure on behalf of the objective	12,654,338	11,689,105	10,422,140	7,669,247
Total income	14,854,751	14,334,357	13,770,460	10,374,898
% expenditure o.b.o. the objective	85.2%	81.5%	75.7%	73.9%
NETT				
	2010	2009	2008	2007
Expenditure on behalf of the objective	12,654,338	11,689,105	10,422,140	7,669,247
Total income	15,379,245	14,246,077	12,526,570	9,628,295
% expenditure o.b.o. the objective	82.3%	82.1%	83.2%	79.7%

War Child shows both a gross and nett percentage.

The gross percentage shows the percentage without taking into account the possible effects on the statement of income and expenses. The income received in a financial year does not necessarily have an effect on the expenditure on behalf of the objective in the financial year. For that reason, War Child also shows a net percentage, at which the total income is corrected with the results of the financial year. Due to the significant growth of War Child the effect is that more fluctuations will be apparent in the percentage. War Child's aim, therefore, is not to have a percentage as high as possible within a financial year, but to let the percentage grow each year.

11.3.6 Specification of the support costs (in euro)

	2010	2009
Salaries and social security charger		
Gross wages	2,173,178	1,775,755
Social security charger	346,513	293,590
Provisions holiday allowance	174,620	144,251
	2,694,311	2,213,596
Other staff costs		
Pension premiums	145,686	136,679
Educational costs	35,619	30,238
Health and safety executive	3,656	6,799
Canteen costs	917	3,867
Absence insurance	22,327	18,978
Recruitment and selection office staff	14,767	11,769
Travel costs living/work	42,939	31,353
Temporary staff	69,995	-
Other staff costs	16,332	6,879
	352,238	246,562
Board/Management Team costs		
Board costs	-	-
Management Team costs	785	-
Field visits management team	4,067	6,460
	4,852	6,460
Housing costs		
Rent	206,818	205,994
Gas, water and electricity	30,386	35,458
Other housing costs	24,769	28,113
	261,973	269,565
Office costs		
Office supplies	26,421	53,299
Communication costs	20,344	10,606
Postage	43,400	39,820
Other office costs	34,109	24,381
	124,274	128,106
Other general costs		
Administration costs	24,931	56,885
Consultancy costs	37,146	45,293
Costs money transfers	58,666	46,703
Subsequent proceeds/costs	(8,696)	(17,153)
Depreciation costs	17,085	18,324
User costs Management information system	75,003	72,717
Other general costs	6,701	15,423
	210,836	238,192
	3,648,484	3,102,481

11.4 Other information

equivalents. In the field the number of fulltime equivalents amounted to 264, including 31 expats (2009: total 332; 26 expats).

11.4.1 Employees

The number of fulltime equivalents at Amsterdam head office in 2010 amounted to 52,4 (55,7 was budgeted). In 2009 there were 48,2 fulltime

Reward Board:
No remuneration was offered to board members and no loans, advances or guarantees were given.

Reward director:

Name	M. Vogt	
Function	General Director	
Employee	Duration	Indefinite
	hours	40
	part-time percentage	100%
	Period	01/01/10 - 31/12/10
Reward (EUR)	Annual income	
	Gross salary	76,872
	Holiday allowance	6,150
	13 th /14 th month	-
	Variable annual income	-

TOTAL SALARY	83,022
Social security charger (employer part)	6,495
Taxable compensation/add	-
Pension (employer part)	7,809
Remaining rewards	-
Benefits end of service	-

97,326

The fee for the remuneration of the director is set well below the guideline of the Dutch Fundraising Institutions Association for management salaries. Management salaries are annually determined by the board of trustees/Remuneration Committee on the basis of the evaluation of management. Based on the so called BSD score the function is weight in a salary scale. As War Child has a low cost policy, the Remuneration Committee determined that the function will be one scale lower then based on this BSD score. The BSD score for 2010 was 485, which reflects function group I. One group lower is H, with a maximum salary of € 106,818. The € 83,022 is well below this maximum.

11.4.2 Gifts in kind

In 2010, the gifts in kind amounted to - approximately - € 1,787,000 (In 2009 this was approximately € 1,375,000). This primarily concerns product and service support for head office and support for communication activities in the Netherlands (without taking media exposure into account). In accordance with the notes to the balance sheet (1.7), War Child values gifts in kind against no-par value in the Netherlands (see notes to the Balance sheet and Statement of income and expenses).

11.4.3 War Child International

War Child Holland is part of an international network of organisations with the same name and the same logo. The network's goal is to improve the quality and efficiency of its work. For that purpose, the organisations work together as equal partners with the same goal in several project countries, but legally, financially and administratively they remain independent foundations. This is why War Child Holland does not raise funds for an international secretariat, but remains an independent foundation that carries out self-implemented programs

with its own funds. In 2009 War Child United Kingdom joined the War Child International organisation, that already consisted of War Child Holland and War Child Canada. With the completion of this network:

- the organisations will work on a collective governance policy, quality management of programs and mutual auditing;
- more clarity is realized on the roles of the network and the organisations themselves, which reduces chances of reputational damage;
- the War Child brand is better protected against misuse.

In 2010 no financial transactions took place.

11.5 Analysis of differences of annual accounts 2010 versus budget 2010

In 2010 total income amounted to € 14.9 million, 16.3% below budget (€ 17.8 million). This is a substantial shortfall, which was primarily caused by the following factors:

- income own fundraising was planned too optimistically (realised € 9.5 million, 17.1% below budgetted € 11.4 million), which related in particular to a shortfall in incidental gifts from companies and in legacies;
- income from UNICEF was about half of what was planned (€ 0.7 million realised versus € 1.2 million planned). A proposal in DR Congo was planned, but due to other priorities within the country it was not finalised;
- income from new donors was planned for € 1.0 million and only half has been achieved as income for 2010. Most are just a shift from 2010 towards 2011;
- War Child aimed for more European support than realised: income from the European Union, ECHO and Euraid amounted to € 0.4 million, 51% below budget (€ 0.7 million). This also is mainly due to postponement of expenditures towards 2011. Contract value has been achieved.

As income fell short of budget, War Child adjusted expenditures accordingly - but not fully. As a consequence, the projected surplus of € 0.2 million turned into a realised deficit of € 0.5 million. The reserves were able to absorb the difference.

Expenditure on behalf of the objective, at € 12.7 million in 2010, was 13.3% below budget (€ 14.6

million); most of this relates to deferral of some projects to 2011.

Expenditure on fundraising, at € 1.6 million, was managed to be 18.6% below budget (€ 2.0 million). The ratio of costs of own fundraising fell slightly to 14.3%, versus 15.0% budgetted.

Management & administration costs came in 7.6% above budget: € 1.1 million versus € 1.0 million. The ratio of costs management & administration rose to 7.3%, well above the budgetted 5.9%. The increase is caused by two components: (1) temporary more FTE for advice on strategy and War Child International and (2) less expenditures on the objective what influence the ratio negatively.

To:
the Board of Trustees of Stichting War Child

We have audited the accompanying financial statements 2010 as set out on pages 8 to 23 of Stichting War Child, Amsterdam, which comprise the balance sheet as at 31 December 2010, the statement of income and expenses for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Director's responsibility

The director is responsible for the preparation and fair presentation of these financial statements in accordance with the Guideline for annual reporting 650 "Charity organisations" of the Dutch Accounting Standards Board. Furthermore, the director is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting War Child as at 31 December 2010, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 "Charity organisations" of the Dutch Accounting Standards Board.

Amsterdam, May 18, 2011
PricewaterhouseCoopers Accountants N.V.

Original signed by
drs. A.C.M. van der Linden RA

11.6 Budget 2011 (in euro)

	<i>Budget 2011</i>	<i>Actual 2010</i>
Income		
Income own fundraising		
Donations, gifts and grants	10,446,000	9,249,165
Legacies	300,000	88,094
Gifts in kind	95,000	153,501
	10,841,000	9,490,760
Share in activities of third parties		
Dutch Postcode Lottery	1,150,000	900,000
UNICEF	384,955	663,856
European Union/ECHO/Euroaid	1,281,066	389,412
Other	493,130	488,530
	3,309,151	2,441,798
Government grants and others		
PSO	287,756	851,338
Embassy	602,800	-
Dutch Ministry of Foreign Affairs	3,777,148	2,001,072
	4,667,704	2,852,410
Other income		
Other financial income and expenses	-	69,783
Sum of income	18,817,855	14,854,751
Expenses		
Expenditure on behalf of the objective		
Project activities	13,057,514	10,457,247
Preparation & coordination	975,051	774,895
Communication & awareness raising	1,740,428	1,422,196
	15,772,993	12,654,338
Expenditures fundraising		
Costs own fundraising	1,460,915	1,354,529
Costs obtaining government grants and third parties	302,461	250,293
	1,763,376	1,604,822
Management & administration		
Costs Management & administration	1,220,219	1,120,085
	1,220,219	1,120,085
Sum of expenses	18,756,588	15,379,245
Surplus / (Deficit)	61,267	(524,494)

	2011*	2010
Reserves and Funds		
Continuity reserve (6 months minimum)	5,050,000	5,050,000
General reserve	-	-
Earmarked funds	-	-
Earmarked reserve	813,938	626,306
Subtotal Reserves and Funds	5,863,938	5,676,306
	2011*	2010
Ratios (%)		
Costs own fundraising	13.5%	14.3%
Costs obtaining government grants and third parties	3.8%	4.7%
Costs management & administration	6.5%	7.3%
Total expenditure on behalf of the objective/Total income (Gross)	83.8%	85.2%
Total expenditure on behalf of the objective/Total income (Net)	84.1%	82.3%

* The budget 2011 was prepared based on the forecast of august 2010.

Notes to the budget

War Child ensures that most of the income will be assigned to the objective. The growth in expenditures on behalf of the objective is therefore forecasted at 25%. The income generated for this part comes from all three income categories (own fundraising, share in activities third parties and government grants/ others). The head office in Amsterdam has established an efficient number of FTEs and therefore the percentage as visible under ratio's show a positive trend: lower percentage costs own fundraising, higher percentages expenditures on behalf of the objective.

11.7 Long-term budget 2011 - 2015 (in € 1,000,000 euro)

	Budget 2011	Strategy 2011	Strategy 2012	Strategy 2013	Strategy 2014	Strategy 2015
Income						
Income own fundraising						
Donations, gifts and grants	10.45	12.33	15.42	18.47	22.13	23.67
Legacies	0.30	0.50	0.63	0.78	0.98	1.33
Gifts in kind	0.10	-	-	-	-	-
	10.84	12.83	16.04	19.25	23.10	25.00
Share in activities of third parties						
Dutch Postcode Lottery	1.15	1.03	1.15	1.28	1.40	1.60
UNICEF	0.38	0.72	0.86	1.03	1.24	1.36
European Union	1.28	0.46	0.55	0.66	0.79	0.91
Other	0.49	0.16	0.25	1.17	1.68	1.59
	3.31	2.37	2.81	4.14	5.11	5.46
Government grants and others						
PSO	0.29	-	-	-	-	-
Embassy	0.60	-	-	-	-	-
Dutch Ministry of Foreign Affairs	3.78	3.75	3.94	4.13	4.34	4.54
	4.67	3.75	3.94	4.13	4.34	4.54
Other income						
	-	-	-	-	-	-
Sum of income	18.82	18.95	22.79	27.53	32.55	35.00
Expenses						
Expenditure on behalf of the objective						
Project activities	13.06	12.50	15.63	19.44	23.01	26.35
Preparation & coordination	0.98	0.96	1.04	1.14	1.18	1.23
Communication & awareness raising	1.74	1.36	1.47	1.53	1.59	1.66
Subtotal expenses on behalf of the objective	15.77	14.82	18.13	22.10	25.78	29.23
Expenditures fundraising						
Costs own fundraising	1.46	1.94	2.40	2.89	3.49	3.80
Costs obtaining government grants and third parties	0.30	0.34	0.37	0.41	0.43	0.46
Subtotal expenses fundraising	1.76	2.28	2.77	3.30	3.93	4.26
Management & administration						
Costs Management & administration	1.22	0.98	1.03	1.11	1.14	1.17
Subtotal Management & administration	1.22	0.98	1.03	1.11	1.14	1.17
Sum of expenses	18.76	18.07	21.93	26.51	30.84	34.67
Surplus / (Deficit)	0.06	0.88	0.86	1.02	1.71	0.33

BUDGET

	<i>Budget</i> 2011	<i>Strategy</i> 2011	<i>Strategy</i> 2012	<i>Strategy</i> 2013	<i>Strategy</i> 2014	<i>Strategy</i> 2015
<i>Reserves and Funds</i>						
Continuity reserve (6 months minimum)	5.05	5.0	6.0	7.0	8.3	8.8
General reserve	-	1.0	-	-	-	-
Earmarked funds	-	-	-	-	-	-
Earmarked reserve	0.81	0.07	0.7	0.7	1.2	1.0
Subtotal Reserves and Funds	5.86	6.05	6.73	7.75	9.46	9.79
<i>Ratios (%)</i>						
Costs own fundraising	13.5%	15.1%	14.9%	15.0%	15.1%	15.2%
Costs obtaining government grants and third parties	3.8%	6.8%	5.5%	5.0%	4.6%	4.6%
Costs management & administration	6.5%	5.4%	4.7%	4.2%	3.7%	3.4%
Total expenditure on behalf of the objective/Total income (Gross)	83.8%	78.2%	79.6%	80.3%	79.2%	83.5%
Total expenditure on behalf of the objective/Total income (Net)	84.1%	82.0%	82.7%	83.4%	83.6%	84.3%

Notes to the multiple year budget

In 2009 War Child developed its 2015 strategy. By 2015 War Child wants to directly support 1 million children in 15 to 20 (post-) conflict zones and another 2 million children and young people indirectly. Besides these 3 million children and young people War Child's ambition is to stretch far beyond its own reach. War Child does this for example by sharing its methodology online with as many as possible other organizations working with and for children in conflict areas.

In order to reach the set ambition, War Child's fundraising revenues have to grow to € 35 million by 2015. The income should go to expenditures on behalf of the objective as much as possible. This is visible in the future ratios: the net percentage spent on the objective is increasing, the percentage cost management & administration is decreasing. The results per year are positive to enable to donate towards the continuity reserve to ensure that War Child can meet its obligations for the coming 6 months (according to VFI guidelines this can be a maximum of 18 months). See War Child's strategy for a more detailed explanation.