

Activity Accounts (profit & loss)

(All figures in NOK 1 000)

| | Notes | 2017 | 2016 |
|--|-------|------------------|------------------|
| Revenue | | | |
| Contributions from foreign donors | 5 | 2 862 478 | 2 144 182 |
| Contributions from Norwegian donors | 5 | 1 036 854 | 817 373 |
| Other contributions | | 28 219 | 9 864 |
| Total contributions from donors | | 3 927 551 | 2 971 419 |
| Lotteries and games | | 8 872 | 7 998 |
| Sponsors (Norway) | 2 | 90 887 | 99 641 |
| Webshop / sale of products | | 0 | 1 811 |
| Total fundraising | | 99 759 | 109 450 |
| Interest in bank and yield on bonds | | 10 130 | 10 096 |
| Net agio | | 10 539 | - 826 |
| Net financial income | | 20 668 | 9 270 |
| Other income | | 0 | 8 |
| TOTAL REVENUE | | 4 047 977 | 3 090 147 |
| Operating costs | | | |
| <u>Humanitarian activities:</u> | | | |
| Shelter (building of homes and schools) | | 926 840 | 886 875 |
| Education | | 584 161 | 457 816 |
| Food Security | | 566 073 | 238 927 |
| WASH (Emergency Water and Sanitation) | | 458 072 | 333 711 |
| ICLA (Information, Councelling & Legal Assistance) | | 390 140 | 259 029 |
| Camp Management | | 107 107 | 56 291 |
| Other | | 342 875 | 293 705 |
| Total direct costs to Programme Activities | | 3 375 269 | 2 526 354 |
| Emergency Standby Rosters (Deployments) | | 283 718 | 239 006 |
| Advocacy and Information | | 109 349 | 78 134 |
| Project Support | 3 | 214 564 | 176 478 |
| Total costs to Humanitarian activities | | 3 982 899 | 3 019 971 |
| Administration costs | 3 | 27 522 | 20 263 |
| <u>Fundraising</u> | | | |
| Lotteries and games | | 5 932 | 5 935 |
| Sponsors (Norway) | | 29 682 | 22 830 |
| Other costs | | 4 670 | 94 |
| Total fundraising costs | | 40 284 | 28 859 |
| TOTAL OPERATING COSTS | | 4 050 705 | 3 069 093 |
| NET RESULT | | - 2 727 | 21 054 |
| Appropriation of net result: | | | |
| Net usage of Equity with external restrictions | 2, 10 | - 26 635 | - 11 383 |
| Transfer to Equity with internal restrictions | 10 | 939 | - 10 498 |
| Transfer to Other equity | 10 | 22 968 | 42 934 |
| Sum appropriation of net result | | - 2 727 | 21 054 |

Balance sheet as per December 31

(All figures in NOK 1 000)

| | Notes | 2017 | 2016 |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Long term assets | | | |
| Long term receivables | 8 | 35 | 35 |
| Fixed assets | 6 | 2 975 | 2 621 |
| Total long term assets | | 3 010 | 2 656 |
| Short term assets | | | |
| Short term receivables, donors | | 443 334 | 283 513 |
| Short term receivables | | 90 627 | 34 919 |
| Emergency articles in stock | | 3 043 | 5 811 |
| Money market & Bond Funds | 7 | 307 900 | 299 852 |
| Bank deposits and cash | 9 | 691 516 | 806 404 |
| Total short term assets | | 1 536 420 | 1 430 500 |
| Total assets | | 1 539 430 | 1 433 156 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Foundation capital | | 1 000 | 1 000 |
| Equity with internal restrictions | 10 | 87 150 | 86 212 |
| Other equity | 10 | 309 636 | 286 668 |
| Equity with external restrictions | 2,10 | 7 543 | 34 179 |
| Total equity | | 405 329 | 408 059 |
| Short term liabilities | | | |
| Trade accounts payable | | 24 631 | 18 057 |
| Government fees | | 116 836 | 84 514 |
| Project funds received as advances | | 769 192 | 744 757 |
| Other short term liabilities | | 223 441 | 177 769 |
| Total short term liabilities | | 1 134 100 | 1 025 097 |
| Total equity and liabilities | | 1 539 430 | 1 433 156 |

Oslo, May 7th 2018

Harald Norvik
Chairman of the Board

Hege Marie Norheim
Vice Chair

Lisa Ann Cooper
Board member

Sturla Stålsett
Board member

Walter Kälin
Board member

Joséphine Goube
Board member

Kiran Aziz
Board member

Claus H. Sørensen
Board member

Anne Huser
Employee repr.

Jeremy Francis
Employee repr.

Jan Egeland
Secretary General

Cash flow analysis

(All figures in NOK 1 000)

| | 2017 | 2016 |
|---|------------------|------------------|
| Cash flow generated by operations: | | |
| Net result | - 2 727 | 21 054 |
| Depreciation of fixed assets | 2 240 | 4 953 |
| Increase(+) / Decrease(-) of project receivables and advancements | - 135 386 | 216 603 |
| Change in other short term receivables & liabilities | 31 628 | 45 708 |
| (A) Net cash flow from operations | - 104 246 | 288 318 |
| Cash flow spent on investments: | | |
| Investments in fixed assets | - 2 594 | - 3 812 |
| (B) Net cash flow from investments | - 2 594 | - 3 812 |
| Cash flow from long term financing: | | |
| Increase(-) / Decrease(+) in long-term receivables | 0 | 0 |
| (C) Net cash effect of long term financing | 0 | 0 |
| A+B+C Net changes in cash flow during the year | - 106 840 | 284 506 |
| Cash, Bank deposits and Money market & Bond Funds Jan 1 | 1 106 256 | 821 750 |
| Cash, Bank deposits and Money market & Bond Funds Dec 31 | 999 416 | 1 106 256 |

NOTES TO THE ACCOUNTS

Note 1 Accounting principles

The Norwegian Refugee Council (NRC) is a non-profit humanitarian foundation.

Its activities are financed through project contributions from donors such as the Norwegian Ministry of Foreign Affairs (NMFA), the UN system, EU and governmental funding from Sweden, United Kingdom, USA, Germany, Switzerland and Canada. In addition also with own funds collected through fundraising.

In total 73% of project contributions from donors came from non-Norwegian actors.

In 2017, NRC-projects were conducted in 26 program countries, some of which experience considerable lack of stability. Consequently, a relatively high risk applies to human resources and to the foundation's assets. The financial risk, however, is rarely the responsibility of NRC.

The donors will normally carry the risk of financial loss caused by acts of war or robbery, provided appropriate security measures have been taken.

NRC has a very high focus on security in all matters to minimize the risk for damages and accidents. All NRC-employees in Norway and abroad are insured, removing the liability of the foundation in the event of war, other unrest or accidents. Similarly, all assets are insured.

On March 13th 1997, NRC was organized as a foundation, with a foundation capital of NOK 1 mill. Being a foundation,

NRC's financial statements must be submitted to Regnskapsregisteret in Brønnøysund, Norway.

The foundation is tax-exempt.

The Activity Accounts are presented in line with Norwegian Accounting Act as well as the Provisional Norwegian Accounting Standard on

Good Accounting Principles for Non-profit Organisations as of November 2008.

Operating costs are split into three main categories; humanitarian activities, fundraising and administration.

Humanitarian activities are split into our different activities.

Principles of revenue-and cost recognition

Income from marketing activities (fundraising from individuals, organizations and companies, plus lotteries etc) is considered as earned when received and will then be recognized as revenue, except funds with specific restrictions on usage.

There are always certain restrictions to income classified as 'Contributions from donors' in the Activity Accounts, also including an obligation to return unused funds to donors. Such contributions are recognized as revenue in line with expenditures used.

Expenditures are recognized as costs on the day of the transaction; when the goods or services have been delivered and the activity is done.

Telethon funds are booked in line with the above mentioned accounting standard for non-profit organisations.

NRC therefore showed a significant profit in 2010, while the years when the Telethon funds are spent will show similar negative result-effects, for the last year now (2017).

Classification and evaluation of balance sheet items

Short term assets and liabilities include items which are due for payment within one year from the balance sheet day, and items connected to operation of the projects.

Other items are classified as fixed assets/long-term liabilities.

Money market and bond funds are valued at their actual market value on the balance sheet day.

Emergency articles in stock are valued at their purchase cost.

Long-term assets are valued at the lowest of acquisition cost and fair value. Write-downs to fair value are carried out when the decrease in value can not be considered temporary and must be considered necessary according to generally accepted accounting principles.

The write-downs are reversed when the basis for write-downs no longer exists.

Fixed assets

Fixed assets with an expected financial life-span of more than three years and a cost of more than NOK 15 000 are capitalized in the balance sheet and depreciated over their financial life-span. Maintenance of fixed assets are charged directly as costs, while additional investments and/or improvements are added to the purchase price of the fixed asset and depreciated accordingly.

Fixed assets procured for usage in the field are charged directly as costs at the time of procurement, except for a few vehicles. This is done mainly because the purchase cost is covered in total by a donor, and the asset will then normally be at the donor's disposal at the end of the project. In addition there is a rapid wear and tear and high risk of loss of the assets.

Receivables

Receivables are included in the balance sheet at face value less deduction of provisions for expected loss.

Provisions for bad debts are based upon individual assessments of each receivable.

Foreign exchange

Balance sheet items in foreign currencies are converted at the exchange rate at the day of balance, except receivables and liabilities in projects, which are valued at acquisition cost. Bank deposits and cash holdings acquired for usage in donorfinanced projects are also valued at the rate of acquisition, because this is the rate used when the donors approve and compensate for costs incurred in foreign currencies.

Foreign exchange gains and losses are included as financial items in the Profit and Loss.

Note 2 Sponsors and fundraising (earmarked and non-earmarked)

(All figures in NOK 1 000)

| | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|
| Non-earmarked contribution from private sponsors | 80 406 | 69 120 |
| Non-earmarked contribution from corporations, networks and organisations | 2 216 | 7 544 |
| Earmarked contributions from private sponsors, corporations, networks and organisations | <u>8 265</u> | <u>22 977</u> |
| Total contributions from private sponsors, corporations, networks and organisations | 90 887 | 99 641 |

Non-earmarked contribution from private sponsors is mainly monthly payments from our approx. 20 000 sponsors.

Earmarked and in-kind contributions in 2017 consists of mainly 7,5 mill NOK from Boston Consulting Group and 0,6 mill NOK from Kluge law firm

See note 3 also. Kluge also gave a contribution of 0,3 mill NOK as non earmarked contribution to NRC.

Specification of Telethon funds (NRK 2010)

The remaining Telethon-funds were spent during 2017, in compliance with the agreement with NRKs Collection Board.

All usage of the fund has been governed through separate project-accounts and is each year audited and reported upon to NRKs Collection Board.

Unused Telethon funds during these years were placed in bond funds and all the interest and yield has been added to the Telethon fund.

| | <u>2017</u> | <u>2016</u> |
|---|----------------|---------------|
| Net Telethon funds available 1/1 | 24 179 | 45 562 |
| Telethon-funds used (-) | - 24 261 | - 22 220 |
| Interest / yield on the Telethon funds | <u>84</u> | <u>837</u> |
| Net Telethon funds available 31/12 | 0 | 24 179 |
| Other funds with external restrictions available 1/1 | 10 000 | 10 000 |
| Other funds with external restrictions used 31/12 (-) | <u>- 2 457</u> | <u>0</u> |
| Total equity with external restrictions | 7 543 | 34 179 |

Note 3 Specification of operating costs

(All figures in NOK 1 000)

Specification of costs by type

| | 2017 | 2016 |
|------------------------------|------------------|------------------|
| Project materials etc | 2 396 091 | 1 804 185 |
| Salaries and social costs | 1 562 760 | 1 187 376 |
| Other operating costs | 89 433 | 72 579 |
| Depreciation of fixed assets | 2 240 | 4 953 |
| Total operating costs | 4 050 525 | 3 069 093 |

Specification of costs by activities

| | 2017 | | 2016 | |
|---|------------------|---------------|------------------|---------------|
| Direct costs on Humanitarian activities | 3 768 156 | 93,0 % | 2 843 494 | 92,6 % |
| Indirect costs on Humanitarian activities | 214 564 | 5,3 % | 176 478 | 5,8 % |
| Administration costs | 27 522 | 0,7 % | 20 263 | 0,7 % |
| Fundraising | 40 284 | 1,0 % | 28 859 | 0,9 % |
| Total operating costs | 4 050 525 | 100% | 3 069 093 | 100% |

Costs related to obtaining grants from donors are generally low and integrated in daily project support, both in the field and at the head office. It is therefore considered inappropriate to try to reallocate them from Humanitarian activities to Fundraising. 98% of all costs were spent on Humanitarian

Activities for each of the years 2013-2017 and would only have been marginally lower if such a reallocation had been done.

Following Provisional Norwegian Accounting Standard on Good Accounting Principles for Non-Profit Organisations, **costs for administration** are defined as the part of the costs for running the organisation that are not directly linked to specific activities. Administration costs include costs incurred by the Board, salary and shared costs for the Secretary General and his staff, for the Assisting Secretary General, Internal Audit staff, the Finance Director, the HR Director, the Chief Accountant, Strategic Advisers and fees to auditors and lawyers. In 2017, 7,5 mill NOK is included for an organizational project carried out pro bono by Boston Consulting Group and 0,6 mill NOK for pro bono services by Kluge law firm. Costs spent on Administration has been stable at 1% for the last five years.

Indirect costs and administration costs are mainly **financed** by donors as percentage add-ons to direct project costs. Information activities at the head office (10,5 mill NOK) are included as direct costs on Humanitarian activities, but are not directly financed externally and must therefore be financed within the same percentage add-on or with equity.

Fundraising includes salary and share of office-related costs for those employees working with collecting funds from sponsors; private, corporate and organisations.

The so-called Fundraising percentage (as referred to in Innsamlingskontrollens instructions) was 67, 77, 84, 79 and 79 respectively, for the years 2017-2013.

Note 4 Salaries etc

(All figures in NOK 1 000)

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| Salaries | 1 106 452 | 898 089 |
| Social security allowance | 27 075 | 21 586 |
| Pension | 11 491 | 4 270 |
| Other benefits | 417 742 | 283 431 |
| Gross salary costs | 1 562 760 | 1 187 376 |

In 2017 NRC paid NOK 1.056.985 in salaries and NOK 5.229 in other allowances, totalling NOK 1.062.214 to the Secretary General.

During 2017, our Secretary General has worked partly for the UN and also received salary from this organization.

No remunerations was paid to the Board members in 2017.

The fee to our auditor in Norway is booked with NOK 136.394 (ex VAT). In addition, NOK 9.786.177 was paid for project audits performed in Norway and abroad. These audits were performed by a number of different auditors.

The audit fees are included under 'Administration costs' and 'Direct costs on Humanitarian activities', respectively.

The number of man-years worked by employees in 2017 was 6 450, calculated as an average of Jan 1st and Dec 31st.

At the end of the year there were in total 7 426 employees working for NRC, of which 228 at the head office in Oslo.

6 422 were local employees in our program countries and constituted 86% of the workforce.

717 employees worked abroad but were paid from Oslo; 487 in NRCs own programmes and 230 as deployed to the UN etc.

59 were employed at NRCs representation offices, including 23 at IDMC in Geneva.

All employees paying tax to Norway are members of The Norwegian Public Service Pension Fund; NRC's pension scheme.

From July 1st also International staff is included in pension scheme via Interben (Zurich International Life Limited).

Note 6 Fixed assets

(All figures in NOK 1 000)

| | |
|---|-----------------|
| Acquisition cost as per Jan 1st 2017 | 31 822 |
| Investments in 2017 | 2 594 |
| Divestments in 2017 | - 8 087 |
| Acquisition cost as per Dec 31st 2017 | 26 329 |
| Accumulated depreciation/write-downs as per Jan 1st 2017 | - 29 201 |
| Depreciation in 2017 | - 2 240 |
| Divestments in 2017 | 8 087 |
| Accumulated depreciation/write-downs Dec 31st 2017 | - 23 354 |
| Net book value at Dec 31st 2017 | 2 975 |

Depreciation rate (linear) 33%

NRC moved to new premises in Prinsensgate 2 (Oslo), in February 2014.

The rental agreement with Prinsensgt 2 Oslo DA expires Dec 31st 2027.

The annual rent is just above NOK 8 million.

Note 7 Money market and Bond Funds

(All figures in NOK 1 000)

Surplus funds are invested in the market through professional investors.

NRC does not invest in the stock market.

| Name | Value 31/12/2016 | Inv./(sale) 2017 | Yield 2017 | | Value 31/12/2017 |
|--|---------------------|---------------------|--------------|--------------|---------------------|
| | | | t NOK | % (annual) | |
| DNB Obligasjon (III) | 99 317 | 353 | 3 465 | 3,07% | 103 135 |
| DNB Obligasjon 20 (IV) | 110 250 | - 395 | 3 145 | 3,07% | 113 000 |
| DNB Likviditet (IV) | 49 581 | - 3 008 | 825 | 1,46% | 47 398 |
| DNB Likviditet 20 (III) | 40 704 | 3 050 | 613 | 1,46% | 44 367 |
| Total Money market & Bond funds | 299 852 | 0 | 8 048 | 2,59% | 307 900 |

Booked value equals market value both in 2016 and 2017.

Note 8 Long-term receivables

In 2001, 10 of Norways largest humanitarian organizations started a co-operation on games on the internet.

In this connection, two companies were established:

"De 10 Humanitaere AS" where each organization paid NOK 15 000 for 10% of the share capital.

In addition, each organization granted a loan of NOK 100 000 to "De 10 Humanitaere AS", of which NOK 20 000 is still outstanding.

The loan, totalling NOK 1 mill, was used to acquire 51 % of the company "Norskspill.no AS".

Note 9 Bank deposits and cash

Of the bank deposits, NOK 10 mill is tied up on a separate account for tax deducted from employees and NOK 5,0 mill is deposited as guarantee for lotteries.

Note 10 Equity

Equity with internal restrictions is totally NOK 87,2 mill at the end of 2017. It consist of three elements:

- Reserve fund at 49 MNOK. The Board has committed itself to implement extraordinary measures if only this fund and the Foundation capital should remain as equity.
- Emergency funds at NOK 20 mill. To be used in emergency situations where it is crucial to be able to take immediate action.
- 18,2 MNOK in collected/campaign funds internally allocated to concrete emergency actions, but not fully spent at yearend.

| Other equity | (All figures in NOK 1 000) | 2017 | 2016 |
|-----------------------------------|----------------------------|----------------|----------------|
| Other equity as per Jan 1st | | 286 668 | 243 734 |
| Transfer to Other equity | | 22 968 | 42 934 |
| Other equity as per Dec 31 | | 309 636 | 286 668 |

There are no formal restrictions on the usage of Other equity.

Equity with external restrictions consist of unused funds from Norad for our Artist gala at TV2 in 2016. See also Note 2.

Note 11 Currency risk

All project funds used in the field are converted to USD or EURO. The costs is booked to rate that we actual exchange and therefore

we minimize the currency risk. During periods with significant currency fluctuations, the foundation runs a certain risk of currency loss,

as most of the donor funds are given in other currencies than NOK and in arrears. In addition donors have spesific claims when it comes to

reporting. The risk is reduced through usage of forward contracts.

As per December 31 2017, NRC has no active forward contracts.

Note 12 Related parties

The Norwegian Refugee Council (NRC) is a non-profit humanitarian foundation.
For NRC the term 'related parties' applies to the Board, the Management team and other employees.
There have been no relevant transactions with these parties during 2017.

Note 13 Payments received from DFID (UK)

(All figures in GBP)

DFID (Department for International Development) claims an overview of funds given to their partners, in a separate note.
See also note 5 where *usage* on DFID-funded projects is shown per country.

| Payments received directly from DFID: | NRC Code | DFID Reference | £ |
|---|----------|----------------|---------------------|
| Afghanistan | AFFM1714 | 203904 | 1 881 658 |
| Jordan | JOFM1619 | 300314 | 1 047 659 |
| Kenya | KEFM1630 | 205116 | 2 375 012 |
| Kenya | KEFM1631 | 205116 | 707 573 |
| Lebanon | LBFM1614 | 300290 | 6 854 731 |
| Palestine | PSFM1610 | 202443 | 559 210 |
| Somalia | SOFF1310 | 203462 | 4 413 651 |
| Somalia | SOFM1633 | 203462 | 8 319 149 |
| Somalia | SOFM1638 | 203462 | 850 884 |
| Somalia | SOFM1721 | 202462 | 11 680 851 |
| Somalia | SOFM1734 | 203462 | 30 300 000 |
| Sub-total Field Operations | | | £68 990 378 |
| Global Emergency Deployment Program | NOBM1401 | | 368 658 |
| ACAPS Humanitarian Intelligence - DFID | NOSP1519 | | 77 935 |
| ACAPS Humanitarian Intelligence - DFID | NOSP1519 | | 231 919 |
| DFID Cash cap main EDN | X9SM1513 | | 275 334 |
| H2H Irma Response | X9SM1709 | 300491 | 349 949 |
| Sub-total Expert Deployments | | | £1 303 795 |
| Payments received directly from DFID in 2017 | | | £70 294 173 |
| Payments DFID from Consortium partners (NRC is not LEAD): | | | |
| From Save the Children Fund General Start Fund Alert | AFFM1717 | | 108 532 |
| From Save the Children 2nd installment Hormarinta El | SOFE1521 | | 916 030 |
| From Save The Children (Bangladesh) | BDSH1703 | | 24 085 |
| From DFID (Care Yemen) final report Jan-Mar 2017 | YEFM1613 | | 2 244 961 |
| From International Rescue Committee | NOFY1535 | | 74 655 |
| Payments DFID from Consortium partners (NRC is not LEAD) | | | £3 368 263 |
| Payments received directly from DFID and partners in 2017 | | | £73 662 436 |
| Payments distributed to Consortium partners (NRC is LEAD): | | | |
| Afghanistan | AFFM1714 | | -1 321 357 |
| Kenya | KEFM1630 | | -861 497 |
| Expert Deployment / NORCAP | NOSI1708 | | -245 608 |
| Somalia | SOFF1310 | | -2 800 925 |
| Somalia | SOFM1633 | | -6 492 147 |
| Somalia | SOFM1638 | | -1 022 398 |
| Somalia | SOFM1721 | | -9 052 049 |
| Somalia | SOFM1734 | | -19 141 038 |
| Payments distributed to Consortium partners (NRC is LEAD) | | | -£40 937 018 |
| Net payments received from DFID in 2017 | | | £32 725 419 |