



DIERENARTSEN | VETERINAIRES
ZONDER GRENZEN | SANS FRONTIÈRES

BELGIUM

FINANCIAL REPORT 2011

www.veterinaire sans frontieres.be

Financial report

This financial report relates to the consolidated accounts of Vétérinaires Sans Frontières Belgium, including all the activities carried out between 1 January and 31 December 2011. The accounts were audited and certified by our auditor KPMG Vias. They are available on the site of the National Bank of Belgium (www.bnb.be).

Revenue

Donations are essential for Vétérinaires Sans Frontières Belgium to achieve its objectives. In 2011, fundraising brought in € 719,926. Admittedly, this only represents 6% of the revenue of the association, but these small amounts, when added together, enable sizeable subsidies to be obtained through co-financing, both at Belgian and international level.

At institutional level, we have been able to rely for many years on substantial support from various governments. Our main donors are the Belgian government (€ 2,455,890 expended in 2011, DGD and Belgian Fund for Food Security), the European Commission (€ 2,633,869, EuropeAid and ECHO), USAID (€ 1,485,190) and the Swiss development cooperation (€ 1,031,369). These four donors account for 63% of the revenue of the association.

Expenditure

The implementation of our activities in the South represents € 10,360,231, or 81% of the expenditure in 2011, plus 11% (€ 1,357,058) for activities carried out by consortia in which we have the leading role. The rest is connected with costs in the North for development education, the running of our Brussels office and fundraising.

55% of our expenditure in the South was in East Africa, 37% in West Africa and 8% in Central Africa.

Balance sheet and result

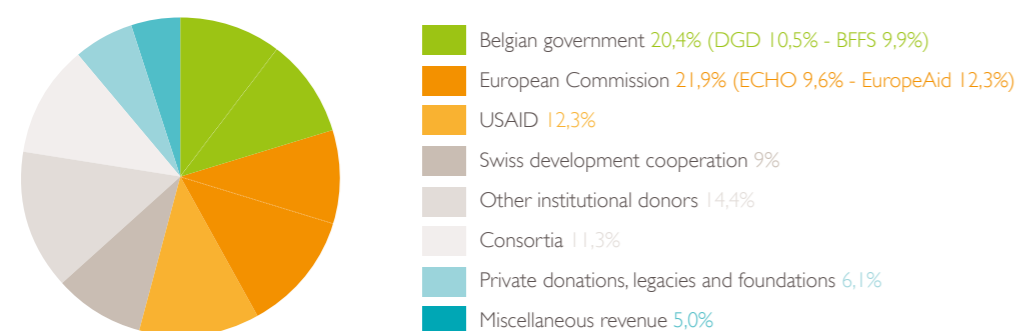
The balance sheet total is € 16,776,848. It is characterised by large amounts of receivables and grants carried forward. Accounting rules make it compulsory to account for the entire multi-annual funding contracts, which explains the substan-

tial amounts shown on the assets side as amounts receivable and on the liabilities side as accruals and deferred income (for the portion of subsidies that have not yet been used by projects).

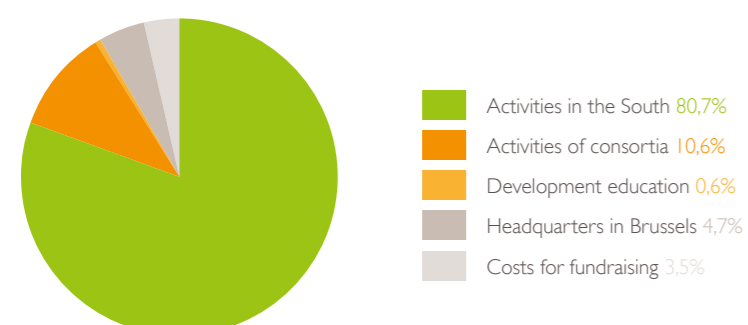
The final result of the 2011 financial year is a deficit of € 803,084 which consists of € 495,000 of corrections on previous years, € 230,000 linked to the weakness of the euro (including € 130,000 of unrealised accounting revaluations) and an operational deficit of € 75,000 on the financing of our programmes.

The capital is € 1,129,509. It represents 7% of the balance sheet.

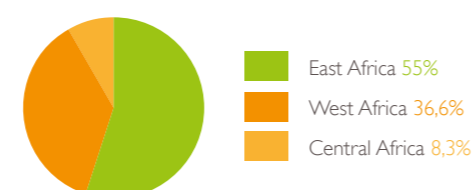
Revenue



Expenditure



Activities in the South (80,7%)



Balance sheet

ASSETS	2011	2010
Fixed assets	825,010	780,022
Intangible assets	2,110	5,645
Tangible assets	777,660	718,820
Financial assets	45,240	55,557
Current assets	15,951,838	16,531,680
Amounts receivable after more than 1 year	5,110,858	4,327,771
Amounts receivable within 1 year	8,093,559	8,218,586
Cash in hand and at bank	2,549,894	2,755,397
Prepayments and accrued income	197,527	1,229,926
TOTAL ASSETS	16,776,848	17,311,702
LIABILITIES	2011	2010
Capital	1,129,509	1,883,297
Permanent funds	959,268	959,268
Profit brought forward	-449,811	353,272
Investment grants	620,052	570,758
Provisions	156,467	109,288
Amounts payable	15,490,872	15,319,117
Amounts payable in more than 1 year	0	0
Amounts payable within 1 year	2,219,256	2,331,823
Accruals and deferred income	13,271,616	12,987,293
TOTAL LIABILITIES	16,776,848	17,311,702

Profit and loss account

	2011	2010
Turnover	11,844,967	8,543,041
Cost of turnover	-12,402,543	-8,458,912
Operating profit	-557,576	84,129
Financial income	187,527	67,434
Financial charges	-403,912	-124,946
Profit on ordinary activities	-773,960	26,617
Extraordinary income	3,904	0
Extraordinary charges	-33,028	0
Profit/loss for the financial year	-803,084	26,617

ADDENDUM: risks, solutions and ethics

Explanatory note about the deficit

The financial year 2011 was marked by the change of auditor. The wish to continue to increase the professionalism of our accounting and financial structure motivated this decision to benefit from a fresh view into our organisation.

In particular, the 2011 annual accounts are marked by a major accounting deficit of about € 800,000, € 495,000 of which is directly related to previous years, while € 230,000 results from the weakness of the euro on international markets. These factors aside, the deficit on our activities in 2011 amounted to approximately € 75,000.

Regarding the deficit connected with previous years, our accounts showed a series of amounts receivable or payable that had accumulated over the previous years. These amounts artificially inflated our balance sheet and writing them off, while not affecting our current cash position, involved accounting adjustments with an estimated negative impact of € 115,000.

On the other hand, two errors in accounting for subsidies in 2010 were identified at the time of closing of the 2011 accounts: 2010 revenues were wrongfully overstated and the correction made in 2011 implies an accounting transaction of € 380,000 which also contributed to the deficit.

The other unexpected element which contributed to the deficit stems from the adverse movements of the euro against foreign currencies such as the dollar and the national currencies of East Africa. During the year 2011, whether upon the receipt of funds from our donors or during bank transfers to our programs in Africa, almost € 100,000 was lost on the foreign exchange transactions. Another consequence of our weak currency: accounting revaluations that contributed € 130,000 to the deficit of 2011. Belgian accounting law requires that all our accounts in currencies other than the euro should be converted at the rates on 31 December 2011. These notional revaluations are therefore not losses made by the association, but simply represent an obligation to reflect a snapshot image at a single exchange rate on the annual closure date.

Removing all these factors that were not planned for in the budget, a deficit of € 75,000 emerges from the 2011 accounts. Of a total volume of € 12 million, this operating loss remains below 1% of our activities.

Further areas where progress could be made in the accounting and financial management of the organisation have been identified, some of them have even been implemented immediately, since the beginning of 2012. At every level, the teams share a commitment to continue to strengthen our administrative systems. Training and individual coaching are already facilitating the implementation of these improvements for 2012.

All these steps, in a situation of sounder accounts, even if in accounting terms, and proved to be more expensive than expected, are essential for our association to continue to move forward. The capital of the organisation has now returned to the level that Vétérinaires Sans Frontières Belgium was at in 2009. Whenever possible, the loss carried forward will gradually be cleared over the next few years by tighter budgeting and internal control.

Cashflow and programme flow

Vétérinaires Sans Frontières Belgium stabilised its budget in the years 2005-2010 at around € 7 to 8.5 million. This was necessary after an earlier period of rapid growth. In 2004 the budget fluctuated around € 4 million. In 2011, the organisation engaged in a new growth spurt and increased revenue by 40% - compared to planned growth of 30% - in comparison with the 2010 financial year. Operational growth was 30%, as budgeted, but a book growth of 40% was achieved, because an additional amount of € 1,357,058 was credited. This amount comes from the development programmes that we run in a consortium and where Vétérinaires Sans Frontières Belgium has the prime responsibility towards donors. Therefore, this amount must be included in the accounts so as to put forward a representative balance sheet. The three-year plan 2011-2013, which the Board of Directors has approved, aims for average annual operational growth of 10%. This average growth will be respected over the next three years due to reduced growth in 2012 and 2013.

Limited cash reserves in the short term forced Vétérinaires Sans Frontières Belgium to adopt a strict cash flow strategy, including quarterly updates and monitoring, and if necessary to temporarily slow down and ultimately accelerate programme activities. The Board of Directors has authorised a maximum of 10% of bank loans (straight loans) to prefinance approved programs, which can be used mainly in the summer or at other periods of low cash flow. This allowed the association to carry out its ambitious programme planning of 2011. The organisation must ensure that sufficient cashflow is available to meet its obligations in the short term. Thanks to a special anonymous gift, we were able to put aside permanent funding of € 959,268 in 2010. This remains the case in 2011.

Caution is still required, especially concerning the following points:

- Capital and reserves compared to the balance sheet, i.e. 7% in 2011 (compared with 11% in 2010 and 6.5% in 2009). During the strategic planning in 2012, the association will revise its policy to set a new and clear objective for the reserves.

- The financing policy of the donor organisations and the often long payment periods, coupled with our own occasional delays in reporting, mean that we often only receive the money after we have already spent it: the association therefore has to prefinance the programs.

Vétérinaires Sans Frontières Belgium supervises its programmes in order to reduce the payment intervals of donors by sending them reports as soon as possible and checking the payment periods in advance. This has been possible due to the use of a centralised document management system, including a central database that enables everyone to monitor contracts, deadlines and budgets of programmes.

The association also estimates the number of new projects in preparation and the multi-year projects awarded. The outlook for the coming year is good and the current flow of programmes is stable.

Fundraising

Capital and reserves remain a problem. In 2011 Vétérinaires Sans Frontières Belgium raised about 6% (in 2010: 10%) of its income through individual fundraising. The association pays particular attention to the co-financing of its current and new programmes, since it considers that non-institutional fundraising should not completely be used for the systematic (co-)financing of programmes, which these days often require up to 25% of co-financing. Ideally, the association's own funds should be used partly to finance programmes that are priorities for the organisation, but where it is not easy to obtain institutional funding. To make this possible, last year Vétérinaires Sans Frontières Belgium did further research into institutional co-financing and non-institutional financing, resulting in a total co-financing package of € 482,012 (more or less equal to the € 490,111 in 2010). In percentage terms, this is a slight fall, but in 2011 less co-financing was needed in percentage terms because more Linking Relief, Rehabilitation and Development programmes were (100%) financed.

Regional offices and headquarters

Another consideration is to correctly calculate the cost ratio and cost coverage of the two regional offices. This needs to be done by estimating the various programme costs correctly and transparently, and breaking them down into operational expenditure, programme management and administrative costs. The same applies, at a different level, to covering the cost of headquarters, using administrative revenue. According to the most recent statutory audit for 2011, our administrative organisation is not yet quite up to standard, given the size and complexity of our organisation. So we will have to invest in a more effective organisation.

In the context of the further decentralisation of the association, which should make the South more autonomous and improve the effectiveness and efficiency of the programmes in the most realistic and relevant way possible, all positions, job descriptions, responsibilities and powers will be reviewed. This process has already been completed for the headquarters and the international senior positions, and this will also be finalised for the other positions in 2012. The organisation has decided, in consultation with all stakeholders, that it will decentralise the administrative and financial services less quickly and to a lesser extent, to ensure a rational division of tasks and enhance a better internal control.

Quality of the programmes

Project Cycle Management is a crucial part of the organisation's risk management. Not only the planning and execution but also monitoring and evaluation are key elements in the quest for quality. All these elements must interact in the correct sequence in order to learn as an organisation, and establish quality programmes with impact at the appropriate levels. This must be done in consultation with our local partners and our end customers in the field. In the strategic process, which is scheduled in 2012, we are planning, for example, an assessment of the evaluations done and a consultation of the local partners and target groups, so we can promote involvement at all levels, even at this stage of the cycle.

One of the methods we will introduce is the EFQM Excellence Model in close cooperation with Bbest, NGO federation and Acodex. In the second half of 2011 Vétérinaires Sans Frontières Belgium started carrying out a self-evaluation and the first cycle of three improvement points. Bbest will evaluate this in June 2012, so that we are allowed to use the quality label Committed to Excellence (C2Q).

In addition, the organisation joined the Association for Ethics in Fundraising (VEF-AERF) in 2011. The VEF-AERF guarantees the ethical quality of fundraising and financial transparency to the Belgian population: the documents and openness that are

required to enable transparency of the accounts; clarity in the allocation of funds and respect for the wishes of the donor; quality of the messages and the respect for human dignity; the protection of privacy...

Our relief programmes (short term) and structural development programmes (long term) should be interconnected and intermeshed. Both should work in a continuum and complement each other, especially in the regions where Vétérinaires Sans Frontières Belgium works. Relief programmes in these fragile ecosystems are necessary from time to time, but would always constitute support for (current or future) structural development programmes and thus link relief, rehabilitation and development together (Linking Relief, Rehabilitation and Development). The association aims to achieve an average of 20% relief programs and 80% structural development programs, depending on the climatic, social, political and economic conditions in our areas in the period under consideration.

Personnel

Security is one of the other risks that the association has to deal with. Given the ecosystems and the geopolitical context in which Vétérinaires Sans Frontières Belgium works, all programmes have an appropriate security plan. Each change of context requires an adjustment of these plans. We regularly amend the security plans, for example due to a heightened threat. In 2011, all security plans were reviewed and those of Mali and South Sudan were amended. The association will evaluate the security situation as a whole once again during its "Horizon 2025" strategic planning process in the course of 2012.

The people with whom we work are our greatest asset and we need a structured way to cope with a relatively high staff turnover: We cannot compete with the salaries in the larger international NGOs or international organisations, whether for profit or not, which are working in our or parallel sectors. We must therefore ensure that we have a strong training program and be prepared to cope with staff turnover. Therefore, the organisation must invest in an institutional memory and make itself less dependent on individuals. In 2012 there is a proposal to work on a "Total Staff Reward Program" so that there is a robust and uniform salary package for employees throughout the organisation.

Sustainability and corporate social responsibility

Corporate social responsibility (CSR) is an issue about which we need to be more aware. As a charitable organisation, we try to achieve as many 'good things' as possible through our programs. It is expected that, as a charitable institution, we would do those 'good things' in the most sustainable manner possible. The team of Vétérinaires Sans Frontières Belgium brainstormed in 2010 and 2011 about CSR, with new policies and the improvement of existing policies as a result. A simple example: in 2010 we replaced most of the old printers in our headquarters with one central printer. This is more economical, can print double-sided and has a separate compartment for re-used (scrap) paper. For most other final documents, including our fundraising, we use unbleached recycled paper, so as to make our paper consumption more sustainable. In terms of public transport, we already had a policy to encourage its use. We have reinforced this. As a result, more than 85% of our colleagues come to work by public transport or by bicycle. In Brussels we promote cycling (renting out Villo! bikes) or walking, so that our employees get enough exercise during short work trips. We also try to limit air travel by combining field visits with a workshop/meeting or vice versa. This can halve the number of airmiles flown. Furthermore, in the kitchen at the headquarters, we use ecological, organic and/or fair trade products. In 2012, we are attempting to win a first 'Havelaar' as an additional external motivation and recognition for what we do in terms of fair trade. All this shows that as an organisation, we aim to do 'good things in a good, sustainable way'. In 2012-2013, we will also evaluate the regional offices to see to what extent we can implement our social responsibility.

Vétérinaires Sans Frontières Belgium has a code of ethics, which is integrated in our strategic programme management cycle. Our vision, mission and values are a reflection of this code, which is amended when appropriate. In 2011, we found no cases that breached this code. Moreover, we have signed up to the codes of ethics of our umbrella organisations, such as VSF Europa and Acodex. In 2011 we signed up to the code of the VEF-AERF as well.