Since 2013, NLR has been maintaining a balanced budget. As in the years before, this proved to be again quite challenging in 2015. We aimed at stabilisation of the income from our own fundraising in the Netherlands on the outcome level of 2014 of €5 million (including €2.5 million from legacies), plus extra contributions for programme support from third parties and partnerships and extra income from institutional fundraising.

We faced several challenges. Fundraising in the Netherlands continues to be difficult. The income from legacies dropped for the first time in years substantially below the budgeted amount. Also, return on investments, local fundraising in program countries and from Institutional donors, was lower than budgeted. On top of this shortfall in income, additional expenses were made on the personnel costs and a substantial amount was invested from the NLR reserves, relating to earlier decisions and to externally funded projects. Such expenses on investments and spending of earmarked reserves also added to the annual loss. At the request of our team and partners in Nepal, NLR allocated extra funds to provide emergency relief after the heavy earthquake.

The loss was compensated partially by higher incomes from private donations in the Netherlands and various institutional donors and third party campaigns and partnerships, plus lower spending on programs, and on consultants advises. On December 31st 2015, the total nett loss amounted to €1,174,000. When not including the expenses and income relating to earmarked reserves and funds, €508,000 would have been the net loss for 2015.

**Income in 2015**

The total income in 2015 was €9.7 million, compared to €10.2 million last year and €11.9 budgeted.

**Income from own fundraising**

Although a decrease was budgeted, the income from contributions, (charitable) donations and gifts in 2015 was €2.5 million, 5% higher than budgeted (€2.4 million) and almost 4% higher than in 2014 (€2.4 million).

Income from legacies with a final outcome of €1.7 million stayed €781,000 behind legacies income in 2014, and the budgeted amount for 2015. This might be an indication that income from legacies is declining. We will therefore monitor developments in this area closely in 2016. If the income from legacies would stay behind target for a second year, measures will be taken in the budget for 2017.

The total income from our own private fundraising was €4.3 million, 14% lower than the €5 million budgeted and 13% lower than in 2014. This was mainly due to lower income from legacies.

**Income from third-party campaigns**

Income from third-party campaigns was €3.6 million (budget 2015: €3.2 million), €0.8 million lower than the outcome of 2014.
The total income from the Dutch Postcode Lottery was higher than in 2014, because in 2014 we received an extra amount of €25,000. This was received as part of the Golden Pennant 2015 (in Dutch: Gouden Wimpel 2015), an honour awarded to Ms Rianne van Pijkeren who works on the *These shoes are made for walking* project. This extra amount has been added to the earmarked fund for that project.

Income from contributions for (LRI) research projects, supporting projects and field activities from ILEP members and other organisations was €2.3 million, higher than budgeted (€1.8 million) and also higher than in 2014 (€1.5 million). Included in these amounts are: contributions by partners for the Leprosy Research Initiative (LRI) and for Infolep; by Novartis Foundation for the LPEP project; by LEPRa UK for a project in Zambézia, Mozambique, by several partners for a wide range of field programmes, and the Liliane Foundation for activities by the Mekong Regional Coordination Team, hosted and facilitated by the NLR Regional Office in Hanoi.

In 2013, Liliane Foundation received a part of the budget for the NPL funded project *These shoes are made for walking*. That amount is earmarked, and to facilitate the project, amounts that are expected to be spent are transferred from their earmarked reserve to NLR. NLR adds those amounts to the NLR earmarked fund, and from that fund the combined expenses of the joint project are financed. The indicative amount that is presented here as income in the budget is to reflect this movement of funds, and expenses are taken for that same amount in the budget. The actual amount received in 2015 from Liliane Foundation, added to the earmarked fund at NLR, is €100,000.

**Income from governments and global organisations**

Income from governments and global organisations and other Institutional donors was €1.7 million (2014: €2.0 million). This was much lower than the budgeted €3.4 million. This difference was caused by the fact that in the 2015 budget, an unspecified target of €1.4 million from institutional funding was taken under this heading. Realised income that can be considered income from institutional funding, like the contribution from Novartis Foundation for the LPEP project (€258,000) and the LEpra UK contribution for the Zambézia project in Mozambique (€117,000) is however classified under income from third-party campaigns in accordance with Guideline 650 (Dutch: Richtlijn 650) for the Annual Reporting of Fundraising Institutions.

Contributions from GFATM (The Global Fund To Fight AIDS, Tuberculosis and Malaria) for TB - activities and program in Nigeria are €1.7 million, the same amount as budgeted. The expenses financed from these contributions are for the same amount included in the project expenditures for 2015. Contributions from USAID (U.S. Agency for International Development) for TB - activities in Nigeria (via KNCV Tuberculosis Foundation) were budgeted for an amount of €270,000. However, in 2015, USAID / KNCV decided to implement directly at the state level instead of working through NLR and other ILEP members, so there is no income accounted for in 2015.

**Interest income and income from investments**

Investment and interest revenues were €35,000 in total, lower than the €150,000 budgeted (and far lower than the €360,000 in 2014).

Gross income from investments was €19,000. Considering market conditions, the slightly positive result is still remarkable for 2015. In 2014 the outcome was €328,000.
Finances

The current portfolio is managed by an external agency. Investments have to be in line with the NLR investment policy, which prescribes investments in sustainable, socially responsible and low-risk bonds. Adherence by the investment manager to this policy is checked twice a year. The yield on the portfolio in 2015 was 0.04% (2014: 5.5%).

We also received about €16,000 in interest from cash and cash equivalents (in 2014: €32,000). Because of the uncertain economic situation and bond market, we decided to postpone investment of cash and cash equivalents in securities, which resulted in this interest income.

Other income
In the budget 2015 a total amount of €197,000 was taken as other income: €150,000 for non-institutional local fundraising outside the Netherlands, and €47,000 as ‘income’, only meant to reflect staff costs in the budget that in fact are financed from the investment reserve. The actual amount of income from non-institutional local fundraising is around €17,000, which was raised in India.

Expenses in 2015

Expenses on the objectives
In 2015 €9.4 million was spent on fulfilling the objectives. In 2014 this had been €8.8 million.
We had budgeted €10.4 million for 2015, including €1.3 million on unspecified projects to be funded by institutional donors, so the total expenses are in line with the budget, corrected for institutional funding. Expenditure on the objectives amounted to 87% of total expenses, and 97% of total income.

Expenses that were taken into the budget for 2014 were generally lower than budgeted. Direct expenses for field programmes were €6.5 million (2014: €6.4 million). Budgeted was €6.2 million. Innovation costs in field programmes financed from the investment reserve amounting to €9,000, though not part of the regular operating budget for 2015, had to be taken in the annual accounts as expenses for 2015. This also applies for the expenses (€512,000) ultimately financed from the earmarked fund for the NPL project These shoes are made for walking project.

On scientific research, including the LPEP project, an amount of €931,000 was spent (2014: €877,000). Some €439,000 (2014: €308,000) was spent on supporting projects, including €120,000 financed from the investment reserve. Expenses on project coordination, including technical advices from the Royal Tropical Institute, amounted to €1 million (2014: €847,000). Budgeted was €970,000.

An amount of €467,000 (2014: €439,000) was spent on information and awareness raising in the Netherlands, higher than budgeted (€378,000). Direct costs were €258,000 instead of the €199,000 budgeted. This increase was largely financed by underspending in direct costs for fundraising activities.

Expenses own fundraising
Expenses on fundraising were €866,000 instead of the budgeted €875,000. Direct costs were €655,000 instead of the budgeted €696,000. The total expenses on our own fundraising amounted to 20.1% of the income from our own fundraising (2014: 20.2%). This is well under the maximum of 25% set by the Dutch Central Bureau for Fundraising. NLR strives to keep the costs of its own fundraising under 21% of the income from its own fundraising.
Expenses management and administration
Expenses on management and administration were €583,000, higher than 2014 (€519,000) and higher than budgeted (€499,000). Main reasons for this were higher staff costs (due to a once-off settlement payment, and hiring of temporary staff to fill the vacancy) and higher charged office costs caused by the purchase and implementation of a new financial software package. This implementation project is financed from the investment reserve but the expenses in 2015 had to be taken in the annual accounts as expenses.

As a percentage of the total expenses, expenses on management and administration are 5.4% in 2015. NLR is currently using as a standard for the expenses on Management and Administration 5%. The higher outcome this year is only partly caused by higher expenses. Since the overall expenses 2015 remained €1.2 million below budget, so the percentage for management and administration came out higher.

Charged support costs
All categories of expenses above have two components: the direct costs, and the charged support costs. These costs are personnel costs, housing, office and general expenses and depreciation and interest. These expenses are allocated to the three main categories: objectives, fundraising and management and administration.

In total these expenses were €2.0 million in 2015. The budget was €1.7 million, and the expenses in 2014 were €1.8 million.

Staff costs were €1.5 million, while the budget was €1.4 million. Main contributors to this higher outcome were the once-off settlement payment to a departing staff member, and hiring of temporary staff to fill that vacancy and the programme department (due to temporary fluctuations in staff to replace staff members for pregnancy leave and sick leave).

The other support costs were €439,000, €181,000 higher than was budgeted and €81,000 higher than in 2014. Main reason is the purchase and implementation of a new financial software package. This implementation project is financed from the investment reserve but the expenses in 2015 had to be taken in the annual accounts as expenses.

Reserves and funds
NLR’s reserve policy is closely linked to the long-term relationship with many partners in endemic countries. Our partners must be able to rely on the fact that NLR can fulfill its commitments. For that reason, NLR has a reserve earmarked to ensure payment of future programme expenses.

The continuity reserve is an earmarked reserve for continuity risks for the organisation itself. According to the guidelines of the CBF, this reserve can amount to a maximum of 1.5 times annual organisational costs.

After the decision to make a substantial dotation to the investment reserve from the other reserves of €1.8 million for the NLR 2020 project (see explanation below) the decision was made to also change the way the continuity reserve and the earmarked reserve for projects are calculated. The total amount for these reserves is reduced by €1.8 million. If the way these reserves are calculated would remain unchanged (earmarked reserve projects is equal to the allocated part of the projects budget for the
following year, and the continuity reserve is the resultant after calculation of the earmarked reserves),
the continuity reserve would become relatively low. Therefore the decision was made to use the same
ratio for both the continuity reserve (ratio to the yearly costs of the work organisation) and the
earmarked reserve for projects (ratio to the earmarked reserve projects is equal to the allocated part of
the projects budget for the following year).

At the end of 2015, the continuity reserve is €2.3 million (0.85 times the yearly costs of the work
organisation) and the project reserve €4.2 million (0.85 times the allocated part of projects budget 2016).

This reserve is partly used in 2015 for investments in innovation and capacity building in regional offices,
all in line with the acceleration of decentralisation within NLR to secure continuity of programmes in the
coming years. This Investment Fund was used to a total spent amount of €244,000 in 2015 (2014: €238,000).
Although these costs are not part of the regular operating budget for 2015, the costs had to be taken
into account in the annual account as expenditure for 2015.

As mentioned above, an extra dotation to the investment reserve of €1.8 million has been made for the
two-year project NLR 2020. NLR 2020 involves a further transformation of the organisation: the regional
offices will become local NGOs with local Boards, or merge with existing local NGOs, or adopt any other
form that promotes local ownership. The International Office in Amsterdam will have to assume new
roles, and in addition, a new international structure will be developed to make the whole functioning.
This process can only become successful if capacities in all offices are strengthened. In some cases,
existing staff will be trained, in other cases new staff needs to be hired. Especially in the first years there
will be need of extra capacity in order to prepare the organisation for the future. Also investments will
be necessary for development of new models and instruments. The investments must lead to financially
healthy local organisations in the future.

All in all is the investment reserve at the end of 2015 €2.4 million.

Finally, the specially designated fund that was created for the Dutch Postcode Lottery funded project,
These shoes are made for walking, had a balance at the end of 2015 of €449,000.

Consolidated annual account

Since June 1st 2015, the Leprosy Research Initiative (LRI) was registered as a Foundation under Dutch
law. The LRI is a unique model of cooperation and coordination in the funding of research. In 2015, five
NGOs, American Leprosy Missions (ALM), German Leprosy Relief Association (GLRA), Effect:hope (The
Leprosy Mission Canada), The Leprosy Mission International (TLMI) and Netherlands Leprosy Relief
(NLR), all committed to the fight against leprosy, combined their funding for leprosy-related research in
the joint LRI fund under one policy.
As a Foundation the LRI is managed by the director of Netherlands Leprosy Relief (NLR), implementing
the decisions of the LRI Executive Group and supervised by the Supervisory Board of NLR. For this
reason the LRI annual account 2015 has been consolidated with the NLR annual account 2015. In the
consolidated annual account the separate NLR annual account is included, with an explanation where
the consolidated annual account differs from the NLR annual account.
Beyond 2015

As always, the budget for 2016 is a balanced one. This includes an unspecified income target of €113,000. One of the main challenges will be the monitoring of the income from legacies during the year. Other challenges, as always, will be income from our own fundraising, and the results from institutional fundraising.

The available budget for the country programmes is in total unchanged, but 10% of that available amount is set aside for the regional offices to be used for projects in so called Priority Areas, for which the offices have to apply separately.

The projections for 2017 and 2018, linked to the rolling Multi Annual Strategy, are kept equal to the 2016 budget. The reason for this is the above mentioned two-year project NLR 2020. This project will have a large influence on the organisation in the future, also on the finances of NLR. NLR 2020 has only started by the end of 2015 and therefore the financial implications on predicted income as well as on expenses, are not yet known. Once the details of NLR 2020 become clear, the projections for coming years will be calculated.
Advancing health and ability