



JOEP LANGGE INSTITUTE

ANNUAL ACCOUNTS 2016

5 December 2017

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Amsterdam, the Netherlands



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MANAGEMENT BOARD'S REPORT

1. Introduction

The Stichting Joep Lange Institute for Health and Development ("JLI") is incorporated on July 17, 2015 as an activist institute, inspired by the life and work of Joep Lange. JLI combines science, activism, and pragmatism to reach its goal: making health markets work for the poor where the system fails the people.

Working from a digital agenda the core work of JLI is as follows:

- Set a global health and development agenda that focuses on technological innovation, putting the patient front and center.
- With the JLI research and implementing partners, promising solutions are being tested in practice to improve and establish their economic viability and medical effectiveness in real life. JLI actively supports an enabling environment for innovations in global health that fit the agenda.
- Advocate policy change based on the evidence of what works and what doesn't. Because ultimately, the great escape of the poor depends on the political will to make healthcare truly inclusive, affordable and effective for all.

The foundation is located in Amsterdam, the Netherlands.

For more information on JLI, please visit www.joeplangeinstitute.org

2. Activities in 2015/2016

The activities of JLI in its first year and a half supported a broad range of innovations, innovative research and new approaches to healthcare financing. Projects range from home-based hypertension care delivery to Hepatitis C health impact bonds and the revolutionary M-TIBA digital health platform.

Activities included:

1. Joep Lange Institute events;
2. Joep Lange Chair & Fellows Program;
3. Behavioral Science for Healthcare;
4. Home-based Hypertension Management Innovation;
5. Institutions, behavior and technology;
6. Hepatitis C Health Bond;
7. INTEREST Conference Cameroon; and
8. HIV Research Trust Scholarship.

For more information, consult the JLI Progress Report 2016 on www.joeplangeinstitute.org.

3. Financial

During the extended financial year 2015/2016 the income amounted to EUR 5,804,854. The income consists of donations and grants by private (both for profit and not for profit) and public parties.

The operating expenses are in line with JLI's objectives and amount to EUR 2,305,049. The operating result is EUR 3,499,804. Together with the financial result, JLI has a surplus of EUR 3,544,290 per year end 2016. This balance is available for JLI's objectives in future financial years and will be added to the balance of income and expenditure.

These financial statements reflect all activities of JLI. At the date of this report, JLI does not have any employees. All support activities, such as management, finance & control and ICT, are contracted.

The financial statements have been prepared in accordance with the Guideline for 'small organisations not-for-profit' (RJK C1) of the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Contrary to the Guideline for small organisations not-for-profit (RJK C1), the budget on overall level has not been included. Control is performed on program level.

Financial risks are limited since JLI's current contracted financial commitments are materially lower than its available resources. The available resources are held in cash on dedicated interest-bearing bank accounts and/or short-term deposits up to a year. JLI is exposed to currency results, as the funding is substantially received in USD and the functional currency is EUR. JLI does not work with 'embedded derivatives' and/or 'hedge accounting' and all larger programs are prefunded. Currency risks are, where possible and contractually allowed, settled at the relevant program level. Currently all JLI contracts allow currency risk settlement on program level.

4. Outlook 2017

| Focus areas investments Joep Lange Institute | Transparency & targeting | Digital health services & value based outcome | Innovative finance |
|--|-----------------------------|---|--------------------|
| <ul style="list-style-type: none">• Shape a global health and development agenda, focusing on the patient and the role technology can play in connecting people to better healthcare• With partners: Test promising solutions in practice, to improve and establish their effectiveness in real life• Advocate for policy change based on the evidence of what works and what doesn't | | | |

In addition, crucial insights are expected from investments in:

- Behavioral aspects of health – improve health seeking behavior, incentives for healthcare professionals, saving for health, insurance uptake, drug adherence
- Digital development paradigm – develop and promote the shared vision on global health and development

5. Governance

JLI is a not for profit foundation incorporated under the laws of the Netherlands on July 17, 2015.

JLI is managed by a statutory board of directors.

Members of the statutory board are:

- Onno P. Schellekens, chairman of the statutory board; appointed on July 17, 2015;
- D. Peter van Rooijen; member, appointed on July 17, 2015;
- Michiel Heidenrijk, executive director, appointed on July 17, 2015.

The statutory board of JLI formally meets 4 to 5 times per calendar year. The statutory directors regularly discuss the strategy, the activities, planning, results and new developments.

The day to day management of JLI is delegated to Michiel Heidenrijk.

Signing of the Management Board's report

Amsterdam, 5 December 2017

Board of Directors:

O.P. Schellekens
Chairman

M. Heidenrijk
Executive Director

D.P. van Rooijen
Director



FINANCIAL STATEMENTS

Balance sheet as at 31 December 2016

(After appropriation of the result)

| Note | 31.12.2016 | | Note | 31.12.2016 | |
|-----------------------|------------|-------------------------|-------------------------------|--|-------------------------|
| | | EUR | | | EUR |
| Assets | | | Equity and liabilities | | |
| Fixed assets | | | Equity | | |
| Tangible fixed assets | 1 | 9,184 | 9,184 | Balance of income and Expenditure | 0 |
| | | | Result for the year | 5 | <u>3,544,290</u> |
| | | | | | 3,544,290 |
| Current assets | | | Current liabilities | | |
| Receivables: | | | Creditors | | 12,645 |
| Debtors | 2 | 172 | Deferred income | 6 | 4,928,738 |
| Other receivables | 3 | <u>3,688</u> | 3,860 | Other liabilities and accrued expenses | 7 |
| | | | | | <u>501,271</u> |
| | | | | | 5,442,654 |
| Cash | 4 | 8,973,899 | | | |
| | | <u>8,973,899</u> | | | |
| | | <u>8,986,943</u> | | | <u>8,986,943</u> |

Statement of income and expenditure for the year 2015/2016

| | Note | 2015/2016 |
|-------------------------------------|------|-------------------------|
| | | EUR |
| Income | 8 | 5,804,854 |
| Operating expenses: | | |
| Direct program costs | | 319,263 |
| Personnel expenses | 9 | 561,308 |
| Amortization and depreciation | | 696 |
| General and administrative expenses | 10 | 1,423,781 |
| | | <u>2,305,049</u> |
| Operating result | | <u>3,499,804</u> |
| Financial income and expenses: | | |
| Financial expenses | 11 | (529) |
| Financial income | 12 | 45,015 |
| | | <u>44,485</u> |
| Result | | <u>3,544,290</u> |
| Added to: | | |
| Balance of income and expenditure | | <u>3,544,290</u> |
| | | <u>3,544,290</u> |

Cash flow statement for the year 2015/2016

(indirect method)

| | 2015/2016 | |
|---|------------------|-------------------------|
| | EUR | |
| Operating result | 3,544,290 | |
| Adjustments for: | | |
| Depreciation (and other changes in value) | 696 | |
| Changes in working capital: | | |
| • movements operating accounts receivable | (3,860) | |
| • movement deferred income | 4,928,738 | |
| • movements other current liabilities | 513,916 | 5,438,794 |
| Cash flow from business activities | | 8,983,780 |
| Interest received/paid | | 0 |
| <i>Cash flow from operating activities</i> | | <u>8,983,780</u> |
| Investments in (in)tangible fixed assets | | 9,881 |
| <i>Cash flow from investment activities</i> | | <u>9,881</u> |
| Net cash flow | | <u><u>8,973,899</u></u> |
| Cash as per 17 July 2015 | | 0 |
| Cash as per 31 December 2016 | | 8,973,899 |
| Movements in cash | | <u><u>8,973,899</u></u> |

Notes to the financial statements

GENERAL

Foundation

The Stichting Joep Lange Institute for Global Health and Development is incorporated as a not for profit foundation under the laws of the Netherlands on July 17th, 2015.

The financial statements are presented in euros.

Objectives

The objectives of JLI is to serve general public advancement by improving health and healthcare worldwide by taking action, including but not limited to the following:

- a) to initiate, stimulate, provide and support education and training for the benefit of health and healthcare worldwide, or to arrange for the same to be done;
- b) to initiate, stimulate, perform and support scientific and other research and innovation for the benefit of health and healthcare worldwide, or to arrange for the same to be done;
- c) to initiate, stimulate, provide and support advocacy and policy change for the benefit of health and healthcare worldwide, or to arrange for the same to be done;
- d) to initiate, stimulate, undertake and support business activities and other economic activity for the benefit of health and healthcare worldwide, and to arrange for the same to be done;
- e) to create a sound infrastructure for the activities referred to above, whether or not in an international network, or to arrange for the same to be done; and
- f) to do any and all things that are related to or may be conducive to the above, all of this in the broadest sense of the word, including but not limited to:
 - i. to incorporate, in any manner participate in, manage, supervise and finance businesses and companies; and
 - ii. to borrow, lend and raise funds, to acquire, dispose of and encumber property subject to registration, to issue guarantees and to encumber assets of the Foundation, also for obligations of third parties, and to enter into related agreements

ACCOUNTING PRINCIPLES

General

The financial statements have been prepared in accordance with the Guideline for small organisations not-for-profit (RJK C1) of the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The financial statements have been prepared using the historical cost convention and are based on going concern. Income and expenses are accounted for on accrual basis. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

If not indicated otherwise, the amounts of the accounts are stated at face value.

Balance sheet

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Costs for periodical major maintenance are charged to the result at the moment they arise.

Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

Current liabilities

Deferred income

Deferred income consists of subsidy prepayments related to programs to be carried out less the realized costs of these programs, taking into account foreseeable losses on programs. Additionally deferred income also relates to payments from donors related to programs that have not been recognized as income.

Other current liabilities

Upon initial recognition, liabilities recorded are stated at fair value and then valued at amortized cost.

Principles for the determination of the result**Statement of income and expenditure**

Income and expenditure are recognized as they are earned or incurred and are recorded in the financial statements of the period to which they relate. Overhead expenses are excluded from program expenses and recorded in the operating expenses.

Income

'Income from donations' relates to gifts from donors who support the general objectives of the foundation and is recognized consistently to the period to which it relates. Income from 'Realized income related to programs' is recognized in proportion to the completed program activities rendered on active programs, based on the cost incurred up to balance sheet date. The costs of these program activities is allocated to the same period.

Direct program costs and donations to partners

Direct program costs consist of expenses directly related to programs (out-of-pocket costs) excluding staff costs. Donations to partners, in line with the objectives of the foundation, are recognized when communicated to the partner(s).

Recognition of transactions in foreign currency

Transactions in foreign currencies are recorded at the exchange rate prevailing at the transaction date. At year-end, the assets and liabilities reading in foreign currencies are translated into euros at the rates of exchange as per that date.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and liabilities, and financial derivatives. Reference is made to the treatment per balance sheet item for the principles of primary financial instruments. The foundation does not use derivatives and there are also no embedded derivatives.

The foundation does not apply hedge accounting.

Principles for preparation of the cash flow statement

The cash flow statement is prepared according to the indirect method. The funds in the cash flow statement consist of cash and cash



equivalents. Cash equivalents can be considered to be highly liquid deposits.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.



Notes to the specific items of the balance sheet

1. Tangible fixed assets

| | 2016 |
|-------------------------------------|--------------|
| | EUR |
| Book value as at 17 July 2015 | 0 |
| Additions during the year | 9,881 |
| Depreciation during the year | (696) |
| Book value as at 31 December | 9,184 |
| | |
| Purchase value as at 31 December | 9,881 |
| Accumulated depreciation | (696) |
| Book value as at 31 December | 9,184 |

The depreciation of the tangible fixed assets is calculated according to the straight-line method. The depreciation percentages are based on the economic life span. For computer equipment a depreciation of 33.3% and for office furniture and other assets a depreciation of 20% is used.

2. Debtors

| | 31.12.2016 |
|----------------------------------|------------|
| | EUR |
| Debtors | 172 |
| Provision for doubtful debts | 0 |
| Balance as at 31 December | 172 |

3. Other receivables

| | 31.12.2016 |
|--|--------------|
| | EUR |
| Prepayments | 1,071 |
| Other | 2,617 |
| Provision for doubtful 'Other receivables' | 0 |
| Balance as at 31 December | 3,688 |

4. Cash

| | 31.12.2016 |
|----------------------------------|------------------|
| | EUR |
| ABN-AMRO EUR Account | 1,375,584 |
| ABN-AMRO USD Account | 7,598,315 |
| Balance as at 31 December | 8,973,899 |

In order to gain interest, the excess cash in USD is held in temporary term deposits. The following term deposits are held as at December 31st, 2016:

- EUR 3 million, 1 months at 0.75% for the period December 30th, 2016 – January 30th, 2017;
- EUR 2 million, 3 months at 1.00% for the period December 30th, 2016 – March 30th, 2017;
- EUR 3 million, 1 year at 1.65% for the period December 30th, 2016 – December 29th, 2017.

Funds are available in line with the different program and foundation objectives.

5. Balance of income and expenditure

| | 2016 |
|----------------------------------|------------------|
| | EUR |
| Balance as at 1 January | 0 |
| Result current year 2015/2016 | 3,544,290 |
| Balance as at 31 December | 3,544,290 |

Result appropriation for the year

The result for the year is added to the balance of income and expenditure (EUR 3,544,290). The balance of income and expenditure is available to use in line with the described objectives of the foundation as stated in article 3.4 of the Articles of Association

6. Deferred income

| | 31.12.2016 |
|--|------------------|
| | EUR |
| Received from donors related to programs | 10,733,592 |
| Realized revenue on programs | 5,804,854 |
| Balance as at 31 December | 4,928,738 |

The donations from Gilead are recognized consistently to years which it relates to. The payments that have not been recognized as income is presented as 'deferred income'.

7. Other liabilities and accrued expenses

| | 31.12.2016 |
|----------------------------------|----------------|
| | EUR |
| Liabilities programs | 220,384 |
| Other | 280,887 |
| Balance as at 31 December | 501,271 |

Notes to the specific items of statement of income and expenditure

8. Income

| | 2015/2016 |
|-------------------------------------|------------------|
| | EUR |
| Income from donations | 5,769,038 |
| Realized income related to programs | 35,816 |
| | 5,804,854 |

The 'Income from donations' consist of:

| | |
|----------|------------------|
| Gilead | 4,720,098 |
| Heineken | 1,000,000 |
| IAS | 48,940 |
| | 5,769,038 |

9. Personnel expenses

| | 2015/2016 |
|--------------------------|----------------|
| | EUR |
| Salaries (external) | 284,187 |
| Consultants | 146,170 |
| Other personnel expenses | 130,952 |
| | 561,308 |

10. General and administrative expenses

| | 2015/2016 |
|---------------|------------------|
| | EUR |
| Partners * | 1,136,896 |
| Events | 193,748 |
| Communication | 49,163 |
| Other | 43,975 |
| | <u>1,423,781</u> |

* Within this amount an amount of EUR 919,490 (USD 1,000,000) relates to 'Center of Advanced Hindsight' and amount of EUR 215,000 relates to the 'Amsterdam Institute for Global Health and Development'.

11. Financial expenses

| | 2015/2016 |
|---------------------------|------------|
| | EUR |
| Bank interest and charges | 476 |
| Other | 53 |
| | <u>529</u> |

12. Financial income

| | 2016 |
|---------------------------|---------------|
| | EUR |
| Bank interest | 23,699 |
| Exchange rate differences | 21,316 |
| | <u>45,015</u> |

Other notes

Number of employees

The average number of full-time equivalents during the extended financial year 2015/2016 was nil.

Remuneration of Members of the Board

During the extended financial year Onno Schellekens (Chairman), Peter van Rooijen and Michiel Heidenrijk formed the Statutory Board ('Bestuur') of the Stichting Joep Lange Institute for Health and Development. During this period no payments were made to the Members of the Board. Stichting Joep Lange Institute for Health and Development is voluntarily in compliance with the Dutch Standard Remuneration Act ('Wet Normering Topinkomens' (WNT)).

Subsequent events

There are no events to report.

Signing of the financial statements

Amsterdam, 5 December 2017

Board of Directors:

O.P. Schellekens
Chairman

M. Heidenrijk
*Executive
Director*

D.P. van Rooijen
Director



OTHER INFORMATION

Independent auditor's report

The independent auditor's report is recorded on the next page.

Independent auditor's report



Ernst & Young Accountants LLP
Wassenaarseweg 80
2596 CZ Den Haag, Netherlands
Postbus 90636
2509 LP Den Haag, Netherlands

Tel: +31 88 407 10 00
Fax: +31 88 407 41 87
ey.com

Independent auditor's report

To: the board of directors of Stichting Joep Lange Institute for Global Health and Development

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Stichting Joep Lange Institute for Global Health and Development, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Joep Lange Institute for Global Health and Development as at 31 December 2016, and of its result for the period 17 July 2015 up to 31 December 2016 in accordance with the Guideline for annual reporting for small organizations not-for-profit (RJk C1) of the Dutch Accounting Standards Board.

The financial statements comprise:

- The balance sheet as at 31 December 2016
- The statement of income and expenditure for the period 17 July 2015 up to 31 December 2016
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Stichting Joep Lange Institute for Global Health and Development in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to the Guideline for annual reporting for small organizations not-for-profit (RJk C1) of the Dutch Accounting Standards Board

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by the Guideline for annual reporting for small organizations not-for-profit (RJk C1) of the Dutch Accounting Standards Board

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We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Guideline for annual reporting for small organizations not-for-profit (RJK C1) of the Dutch Accounting Standards Board and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report and other information in accordance the Guideline for annual reporting for small organizations not-for-profit (RJK C1) of the Dutch Accounting Standards Board.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with and other information. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, 5 December 2017

Ernst & Young Accountants LLP

signed by E.A.D. Buitelaar



JOEP LANGE INSTITUTE

Joep Lange Institute
Paasheuvelweg 25, Tower 4C
1105 BP Amsterdam
The Netherlands
+31 (0) 20 303 10 52
www.joeplangeinstitute.org