



Report of the statutory auditor to the Board of trustees of**FAIRMED Foundation, Berne**

As statutory auditor, we have audited the financial statements of FAIRMED Foundation, which comprise the balance sheet, income statement, cash flow statement, statement of changes in funds and in capital and notes, for the year ended 31 December 2018. According to the Swiss GAAP FER 21, the Performance report is not subject to the audit of the financial statements.

Board of trustees' responsibility

The Board of trustees are responsible for the preparation of these financial statements in accordance with Swiss GAAP FER, the requirements of Swiss law and the deed of foundation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of trustees is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER, and comply with Swiss law and the statutes.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b Swiss Civil Code (CC) in relation with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b CC in relation with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of trustees.

We recommend that the financial statements submitted to you be approved.



Licensed Audit Expert, Auditor in Charge

Berne, 9 April 2019

Enclosure:

- Financial statements

Balance Sheet as of December 31 2018

(in CHF)	Notes	31.12.2018	%	31.12.2017	%
Assets					
Cash		6112		3970	
Postal accounts		716 761		1 375 041	
Banks		1 354 557		372 793	
Cash equivalents		2 077 430	52.9	1 751 804	48.8
Receivables					
· "Leprahilfe" linked account, affiliate		0		54 500	
· Other short-term receivables		254 379		147 246	
Prepaid expenses		106 405		58 135	
Receivables		360 784	9.2	259 881	7.2
Current assets		2 438 214	62.1	2 011 685	56.0
Equipment and IT		6 004		30	
Torbey, Yaounde property	1)	0		1	
Tangible assets		6 004	0.2	31	0.0
Financial investments	2)	1 483 273	37.8	1 574 816	43.9
Fixed assets		1 489 277	37.9	1 574 847	43.9
Total assets		3 927 492	100.0	3 586 533	100.0
Liabilities					
Liabilities					
· Assistance and costs		276 348		312 609	
· "Leprahilfe" linked account, affiliate		42 361		0	
· Other short-term liabilities		38 949		5 327	
Prepaid income		74 589		95 525	
Short-term liabilities		432 246	11.0	413 461	11.5
Dedicated funds					
· Sri Lanka AIM project		50 000		0	
· Nepal RHIP Baglung		34 781		0	
· Baka		4 350		0	
Fund capital		89 131	2.3	0	0.0
External and fund capital		521 377	13.3	413 461	11.5
Foundation capital		500 000		500 000	
Corporate funds (free capital)		2 758 115		2 516 072	
Fluctuation funds		148 000		157 000	
Organisational capital		3 406 115	86.7	3 173 072	88.5
Total Liabilities		3 927 492	100.0	3 586 533	100.0

Operating Statement

(in CHF)	Notes	2018	%	2017	%
<i>Donations received and other revenue</i>					
Donations		3 851 909		3 996 327	
Dedicated project grants	3)				
· General		3 469 235		4 595 147	
· Cantons and municipalities		426 600		439 300	
Bequests and legacies / condolences		765 749		1 002 613	
Foreign currencies		5 709		11 351	
Operating revenue		8 519 202	100.0	10 044 738	100.0
<i>Expenses for projects</i>					
Project expenses	4)	6 273 195		7 517 427	
Ancillary project expenses	5)	728 645		611 610	
Fundraising and general advertising expenses	6)	1 253 110		1 435 113	
Administrative expenses	7)	797 663		750 689	
Operating expenses		9 052 613	106.3	10 314 838	102.7
Operating result		-533 411	-6.3	-270 101	-2.7
Financial income		50 950		115 440	
Financial expenses		-139 714		-22 548	
Financial result		-88 764	-1.0	92 891	0.9
Ordinary result		-622 175	-7.3	-177 209	-1.8
Extraordinary income	1)	944 349		0	
Result prior to modification of funds		322 174	3.8	-177 209	-1.8
Use / withdrawal of funds		0		95 296	
Allocation / deposit of funds		-89 131		0	
Fund result		-89 131	-1.0	95 296	0.9
Annual result prior to organisational capital allocation		233 043	2.7	-81 913	-0.8
Change in fluctuation funds		9 000		-10 000	
Allocation (-) / withdrawal (+) from corp. funds		-242 043		91 913	
Total allocations (-) / withdrawals (+) from funds		-233 043	-2.7	81 913	0.8
Annual result following allocations		0	0.0	0	0.0

Cash flow statement

(in CHF)	2018	2017
Annual result in favour of the corp. fund		
Depreciation of tangible assets	242 043	-91 913
Change in fluctuation funds	6 104	25
Anpassung Wertschwankungsfonds	-9 000	10 000
Fund result	89 131	-95 296
(-) = decrease / (+) = increase		
Cash flow	328 278	-177 184
Change in liabilities	-100 903	91 580
Change in current debt	18 785	26 591
(-) = decrease / (+) = increase		
Cash flow from operating activities	246 160	-59 013
Operating equipment	-8 616	0
Equipment and IT	-3 462	0
Financial investments	91 543	-102 024
Cash flow from investment activities	79 466	-102 024
(-) = investments / (+) = divestments		
Change in liquid funds	325 626	-161 037
Reconciliation of change in liquid funds		
As at 31.12	2 077 430	1 751 804
As at 01.01	1 751 804	1 912 841
Change in liquid funds	325 626	-161 037

Statement of Fund Holdings (Change in capital)

(in CHF)	01.01.2018				31.12.2018
	Starting amount	Allocation external	Transfers internal	Use external	Ending Amount
Funds from fund capital					
Sri Lanka AIM project	0	50 000	0	0	50 000
Nepal RHIP Baglung	0	34 781	0	0	34 781
Baka	0	4 350	0	0	4 350
Fund capital	0	89 131	0	0	89 131
Funds from own financing					
Foundation capital	500 000	0	0	0	500 000
Company fund	2 516 072	0	242 043	0	2 758 115
Fluctuation fund	157 000	0	-9 000	0	148 000
Annual result		233 043	-233 043	0	0
Organisational capital	3 173 072	233 043	0	0	3 406 115

Notes to the annual financial statement

General accounting principles

Accounting is conducted in accordance with the principles of Swiss GAAP FER incl. FER 21 and provides a true and accurate view of the assets, financial position and results of the FAIRMED Foundation. The operating statement is illustrated in accordance with the function of expense method, i.e. according to functional areas. The demarcation between project and administrative expenses is made in accordance with the ZEWO demarcation methodology. The financial statements comply with Swiss accounting law (Art. 957 to 962 Swiss Code of Obligations).

Affiliated organisations

All of the activities, which were previously carried out by the "Leprosy Relief Emmaus Switzerland" association, have been continued by the FAIRMED Foundation since 1.1.2010. As agreed, any donations and legacies received by "Leprosy Relief" are in each case transferred to the FAIRMED Foundation. FAIRMED is a member of ILEP (International Federation of Anti-Leprosy Associations) which has its registered office in Geneva. The primary aim of this organisation is to coordinate global aid. However, it does not exert a controlling influence, nor does it have any authority to give instructions. The members of ILEP are not subject to any common control or management. Essential transactions with affiliated organisations are disclosed in the annual financial statement.

Accounting and valuation principles

Provided there is no information to the contrary in the following individual balance sheet positions, the balance sheet positions are valued at market value on the balance sheet date, whereby any accrued interest is not considered to be part of the market value. Accounting is maintained in Swiss francs. Assets and liabilities in foreign currencies are translated at the foreign exchange rates on the balance sheet date, and transactions in foreign currencies at the respective daily rate.

Cash and cash equivalents

The item includes cash and cash accounts at PostFinance and banks, as well as any short-term securities which are otherwise reported under financial investments.

Accounts receivable

The receivables are valued at nominal values minus any specific allowances. Project grants are only included in the balance sheet if the grant is made formally. This item also includes any surplus with respect to Leprosy Relief Emmaus Switzerland.

Prepaid expenses

This position includes the assets resulting from the material and chronological delimitation of individual expense and income positions. They are valued at nominal value.

Tangible assets

This position includes furniture and fixtures and other assets, such as IT hardware and software, needed for providing services and management in Switzerland. Furniture and fixtures are valued at their acquisition value minus planned depreciations, whereby a useful life of four years is generally assumed. The depreciations are carried out on a declining balance basis from the book value. Individual acquisitions for less than CHF 3000 are not capitalised. Assets are depreciated on a residual basis (pro memoria). Property abroad has been depreciated on a residual basis, as it is located in a third-world country and a reasonable market value cannot be determined.

Financial investments

"Securities are booked during the year at the acquisition value. For disposals, the exchange rate differences are determined using the average purchase price and are shown in the financial result. To cover extraordinary risks of loss, a value fluctuation reserve of 10% of the market value is recorded under organisational capital."

Liabilities

This position includes payments that have been promised but not yet paid or not yet requested by the beneficiary as at the balance sheet date. This position also includes other liabilities for administrative expenses and, in the event of a deficit, the "Leprahilfe" linked account for Leprosy Relief Emmaus Switzerland. It is valued at nominal value.

Prepaid income

This position includes the liabilities resulting from the material and chronological delimitation of individual expense and income positions. They are valued at nominal value.

Fund capital

This item includes funds from donations with a clear designated purpose. This capital represents a performance obligation to the donors/financial backers until it is completely used up.

Organisational capital

This position includes the funds that can be utilised in line with the purpose according to the bylaws of the FAIRMED Foundation. The surpluses from operational activities that have not been utilised are recognised in corporate funds. The fluctuation fund is always 10% of the market value of the securities investments.

Principles of the cash flow statement

The cash flow statement shows the change in liquidity, divided by the factors of operating activities, investment activities and financing activities. The cash flow statement is prepared in accordance with the indirect method.

Principles for the calculation of changes in capital

The calculation of changes in capital shows the development of each individual dedicated fund and each individual component of the freely available capital.

Notes about individual positions in the balance sheet

1) Tangible assets

Holdings, additions, disposals and depreciations are recognised in a separate schedule of assets.

The Torbey property in Yaoundé (Cameroon), which was acquired in 1997, was sold on 12 February 2018 with the transfer of benefits and risk. The notarial confirmation of the sale took place on 20 February 2018. The sale proceeds are held in a bank account in Cameroon and are reported under the item "Banks".

	31.12.2018	31.12.2017
Acquisition value, approximate	370 000	370 000
Depreciation, cumulative	-369 999	-369 999
Net proceeds from the sale	-944 350	-
Extraordinary income (sales profit)	-944 349	-
Book value	0	1

2) Financial investments

The composition of the securities is as follows:

Bond and money market funds	658 260	774 447
Stock funds	477 266	518 257
Strategy funds	347 747	282 112

1483273	1574816
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Notes about individual positions in the operating statement

3) Dedicated project grants

This concerns project-related grants and donations. If the purpose of these is defined more narrowly than the general purpose of the FAIRMED Foundation, the donations are significant and they are not reused during the current operating year, they are allocated to a corresponding revenue fund.

4) Project expenses

This concerns direct payments toward the achievement of the objective of FAIRMED (by region):

	2018	2017
India	550 453	691 888
Nepal	557 705	703 728
Sri Lanka	176 460	94 413
Cameroon	1 614 931	1 585 050
Central African Republic	2 827 690	3 804 646
Ivory Coast	7 237	140 948
Republic of Congo	14 894	23 650
Misc. global projects (incl. external information)	523 824	473 103
	6 273 195	7 517 427

5) Ancillary project expenses

This concerns expenses in connection with finding, planning, preparing and monitoring projects.

India	4 300	13 795
Cameroon	8 017	3 620
Misc. countries and regions	4 122	32 043
Staff costs for projects	641 177	536 031
Other ancillary expenses	71 029	26 121
	728 645	611 610

Total expenses for projects

7 001 841 **8 129 037**

6) Fundraising and PR

Staff expenses	294 058	318 872
Administrative expenses (rent, maintenance, gen. admin.)	9 083	7 686
Advertising materials for fundraising	210 275	197 244
Postage costs for fundraising	130 515	200 271
Other advertising costs for fundraising	587 280	671 082
Advertising materials for PR	0	176
Other PR expenses for PR	21 898	39 781
	1 253 110	1 435 113

7) Administrative expenses

Staff expenses	522 338	479 750
Administrative costs (space expenditure and administrative expenses)	269 220	270 914
Depreciation	6 104	25
	797 663	750 689

Method of calculating administrative expenses as well as fundraising and general advertising expenses

Expenses are deemed to be administrative expenses, if the activity can only make an indirect contribution to the achievement of objectives or the expenses for projects. This applies almost exclusively to basic operational functions such as financial administration, human resources and general management. Fundraising and general advertising expenses are assigned, in certain cases (e.g. awareness-raising campaigns), in accordance with the ZEWO methodology, in part, in line with the target groups and systematically to project and service expenses.

Nature and scope of non-monetary donations

Included in the item "Dedicated project contributions, general" are donations in the form of medicines valued at USD 1,726,293 as well as CHF 1,717,370 (previous year CHF 3,194,801).

Information on the compensation of the Honorary Foundation Board and remuneration of the Executive Board after the balance sheet date

As fees for specific legal services (incl. VAT), CHF 5,721 was paid to the Honorary Foundation Board in the year under review (previous year: 11,887). The total amount of remuneration paid to the Executive Board was CHF 440,374 (previous year: CHF 474,170).

Post-employment benefits

The employees of FAIRMED are insured for occupational benefits through the Swiss Life Collective BVG Foundation. At the end of the year, there was no liability to the pension fund (as in the previous year). All investment and insurance risks are covered to 100 percent by Swiss Life. A shortfall in cover is not possible.

Performance Report / Management Report

The Annual Report published under www.fairmed.ch provides detailed information on the achieved projects and goals as well as the future challenges of FAIRMED.

Information according to Art. 959c OR

The yearly average number of full-time employees is 14. Otherwise, there are no circumstances that require disclosure.

Information according to Art. 961a Section 2 OR

Fees paid to the auditor (incl. VAT) for FAIRMED and Leprosy Relief: 2018 = 13,435 | 2017 = 13,530

Management Report according to Art. 961c – OR risk assessment

FAIRMED has carried out a risk assessment as part of the annual strategy review. Recognised risks are reduced or controlled by corresponding measures adopted by the Honorary Foundation Board and the Executive Board and, if possible, avoided in the future.

Schedule of Assets

(in CHF)	1.1.2018	Additions	Disposals	Depreciations	%	31.12.2018
Equipment	2	8616	0	-4317	50	4301
IT, technical equipment	28	3462	0	-1787	51	1703
Torbey, Yaounde property	1	0	-1	0	0	0
Tangible assets	31	12078	-1	-6104		6004
Financial investments	1574816	0	0	0		1483273
Fixed assets	1574847	12078	-1	-6104		1489277