



**International Federation of Red Cross
and Red Crescent Societies (IFRC), Geneva**

Independent Auditor's Report

To the Management of IFRC
On the IFRC's Financial Statements for the
Combined Europe Migration Appeals
(MDR65001 – MDRIT002-MDRHU004-MDRHR002)
for the period from 1 January 2017 to 31 December 2017



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Independent Auditor's Report on the IFRC's Financial Statements for the Combined Europe Migration Appeals (MDR65001 – MDRIT002) to the Management of

International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva

Opinion

We have audited the accompanying grant financial statements for the Combined Europe Migration (MDR65001–MDRIT002-MDRHU004-MDRHR002) of the International Federation of Red Cross and Red Crescent Societies ("IFRC"), which comprise the income and expenditure statement and notes to the financial statements, including a summary of significant accounting policies ('the financial statements') for the period from 1 January 2017 to 31 December 2017.

In our opinion, the accompanying financial statements for Combined Europe Migration (MDR65001 – MDRIT002-MDRHU004-MDRHR002) for the period from 1 January 2017 to 31 December 2017 are prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the IFRC in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Notes 2 and 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the IFRC to comply with the financial reporting provisions of the IFRC.

Responsibilities of the Management for the Financial Statements

The management of the IFRC is responsible for the preparation of the financial statements in accordance with the basis of accounting described in the notes and 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.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of 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.
- Obtain 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 IFRC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

KPMG SA

Karina Vartanova
Licensed Audit Expert

Stéphanie Théoduloz
Licensed Audit Expert

Geneva, 3 December 2018

Enclosure:

Financial statements (income and expenditure statement and explanatory notes) for the period from 1 January 2017 to 31 December 2017.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
 COMBINED EUROPE MIGRATION APPEALS [EUROPE MIGRATION: COORDINATION, RESPONSE, AND
 PREPAREDNESS (MDR65001), HUNGARY POPULATION MOVEMENT (MDRHU004), ITALY POPULATION
 MOVEMENT (MDRIT002), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**COMBINED INCOME AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017	2016
		TOTAL	TOTAL
OPERATING INCOME	Notes	CHF	CHF
Voluntary contributions	4	876,607	7,426,304
Corporate donation fees		(5,475)	-
Total INCOME		<u>871,132</u>	<u>7,426,304</u>
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		1,223,055	2,326,606
Relief supplies, transportation and storage		2,512,018	2,348,404
Contributions to National Societies		39,497	19,210
Supplementary services cost recoveries		116,058	186,844
Other costs & allocations	6	<u>58,941</u>	<u>427,428</u>
Total direct costs		<u>3,949,569</u>	<u>5,308,492</u>
Indirect cost recovery		252,403	315,914
Pledge fees		43,753	58,358
Total OPERATING EXPENDITURE	5	<u>4,245,725</u>	<u>5,682,764</u>
NET (DEFICIT)/ SURPLUS FROM OPERATING ACTIVITIES		<u>(3,374,593)</u>	<u>1,743,540</u>
Finance expense, net		(9,541)	(6,181)
NET (DEFICIT)/ SURPLUS FOR THE PERIOD		<u>(3,384,134)</u>	<u>1,737,359</u>
FUNDS HELD FOR OPERATIONS			
Brought forward		3,980,458	2,243,099
Net (deficit) for the period		(3,384,134)	1,737,359
FUNDS HELD FOR OPERATIONS		<u>596,324</u>	<u>3,980,458</u>

The notes on pages 4 to 10 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
COMBINED EUROPE MIGRATION APPEALS [EUROPE MIGRATION: COORDINATION, RESPONSE,
AND PREPAREDNESS (MDR65001), HUNGARY POPULATION MOVEMENT (MDRHU004), ITALY
POPULATION MOVEMENT (MDRIT002), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 191 member Red Cross and Red Crescent societies governed by a Governing Board and with management support provided by a Secretariat with more than 60 delegations strategically located to support activities around the world. The Secretariat headquarters' address is 1, Route de Pré-Bois, 1214 Vernier, Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 191 member National Societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

The IFRC coordinates international support for large-scale disasters and health crises, strengthens the capacities and leadership of its member National Societies, and acts at the international level to raise resources and persuade decision makers to act at all times in the interests of vulnerable people.

Guided by *Strategy 2020* – a collective plan of action for the IFRC and its member National Societies to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to 'saving lives and changing minds'.

Due to an unprecedented arrival of migrants in Europe in 2015, and the resulting humanitarian needs, the IFRC launched country Emergency Appeals for Greece, Italy, former Yugoslav Republic of Macedonia, Serbia, Croatia and Hungary to assist the affected National Societies (the appeal for Turkey was launched in 2012).

Europe Migration: Coordination, Response and Preparedness (MDR65001)

In 2015, the regional coordination appeal was launched seeking CHF 2.2 million to support the affected National Societies in responding to the migration crises. In 2016, the emergency appeal was revised to CHF 4.7 million with a timeframe until 31 March 2017. There is an unspent balance of CHF 10,796 as at 30 June 2017, which will be transferred to the regional operational plan to support on-going migration related activities. The final report was issued on 30 June 2017.

Hungary: Population Movement (MDRHU004)

Following the Disaster Relief Emergency Fund (DREF) allocation of CHF 322,365, an emergency appeal was launched in 2015 seeking CHF 3.6 million to assist beneficiaries with food and non-food items, hygiene and health promotion, family link restoration, and psycho-social support. The appeal was subsequently revised to CHF 1.1 million with a timeframe until 31 December 2016. There is an unspent balance of CHF 141,935 as at 30 April 2018, which will be transferred to the regional operational plan to support on-going migration related activities. The final report was issued on 30 April 2017.

Italy: Population Movement (MDRIT002)

Following the DREF allocation of CHF 283,305, an emergency appeal was launched in 2015 seeking CHF 2.7 million with focus on emergency health, family link restoration, psychological support, institutional preparedness and capacity development. The emergency appeal was revised to CHF 8.4 million with a timeframe until 31 December 2017. There is an unspent balance of CHF 358,412 as at 24 April 2018, which will be transferred to the regional operational plan to support on-going migration related work of Italian Red Cross. The final report was issued on 24 April 2018.

Croatia: Population Movement (MDRHR002)

Following the DREF allocation of CHF 361,559, an emergency appeal was launched in 2016 for CHF 2.6 million to assist beneficiaries through the provision of food and non-food items, hygiene kits and tracing services. In 2016, the emergency appeal was revised to CHF 1.3 million and the timeframe was extended until 31 December 2016. There is an unspent balance of CHF 13,504 as at 31 March 2017, which will be transferred to the regional operational plan to support on-going migration related activities. The final report was issued on 31 March 2017.

These combined appeal financial statements comprise the Income and Expenditure Statement and supporting notes of the Europe Migration: Coordination, Response, and Preparedness appeal, Hungary: Population Movement appeal, Italy: Population Movement appeal, and Croatia: Population Movement appeal; and are hereto referred to as the Combined Appeals Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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POPULATION MOVEMENT (MDRIT002), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Basis of accounting

The Combined Appeal Financial Statements are presented in Swiss Francs and have been prepared using the accrual basis of accounting, under which, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

The information contained herein has been extracted from the Consolidated Financial Statements of the IFRC which are prepared in accordance with International Financial Reporting Standards (IFRS).

The Combined Appeal Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the combined appeal financial statements are classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

3. Significant accounting policies

3.1 Foreign currency transactions

The presentation and functional currency of the IFRC is the Swiss Franc, as operating cash flows are primarily denominated in, and influenced by, the Swiss Franc. The IFRC's operations are not concentrated in any one economic environment, but appeals, including the Combined Europe Migration Appeals, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

Foreign currency transactions are translated into Swiss Francs using rates which approximate to the rates prevailing on the dates of the transactions.

3.2 Income

Income comprises Voluntary contributions in cash or in-kind from donors and corporate donation fees.

(a) Voluntary contributions

Voluntary contributions are identified according to the level of earmarking. Donors can earmark contributions for use in field operations at the appeal, programme, project or sub-project level. Such earmarked contributions are fully under the control of the IFRC, and, unless they are also subject to specific contractual obligations or earmarked for use in a future period (see paragraph below), are recognised in the Income and Expenditure Statement when pledged. At the end of the accounting period, unspent earmarked contributions are included in Funds held for operations.

Government grants and contributions that are based on contracts for specific projects, akin to government grants, are recognised as expenditure is incurred and contractual obligations are fulfilled. The IFRC typically receives such contributions from diplomatic missions, United Nations (UN) agencies, European Community Humanitarian Office (ECHO) and other government agencies such as the United States Agency for International Development (USAID). Amounts received, but not recognised, are deferred for recognition in future periods as expenditure is incurred and contractual obligations are fulfilled. Government grants that are not for specific projects but are earmarked at appeal level are recognised when a confirmed written pledge has been received from the donor.

Contributions that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Contributions subject to specific contractual obligations are recognised in income as expenditure is incurred and contractual obligations are fulfilled, similar to government grants. Amounts received, but not recognised, are deferred for recognition in future periods as expenditure is incurred and contractual obligations are fulfilled. Contributions which are earmarked for use in a future period are deferred for recognition in income in the future period for which they are earmarked.

In-kind contributions of services (in the form of staff or transport) are recognised on the date of receipt of the service and are recognised equally as both contributions and expenses in the Income and Expenditure Statement. In-kind services received in response to the Appeal are measured at fair value.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to employ a person in a similar position.

The IFRC sometimes agrees with a donor that the value of a confirmed written pledge previously received shall be changed - either increased or decreased. Such changes are recognised as additions to, or reductions of, income, during the period in which the change was agreed. The IFRC is not able to evaluate the potential impact of such changes on voluntary income reported in these Combined Appeal Financial Statements.

(b) Corporate donation fees

In accordance with IFRC financial policy, a service fee of 5.0% is recovered on corporate donations. This fee is recovered upon the receipt of the relevant contributions, in order to fund the costs of relationship management associated with corporate donors; the service fee expense is reflected as a deduction of the operating income for the appeal.

3.3 Expenditure

(a) Functional expenditure categories

All IFRC expenditure is classified under functional expense categories that aggregate costs related to each category. Expenditure incurred as part of the Combined Appeal Financial Statements are classified under the Programmes and coordination: Humanitarian response functional expense category. This functional expense category comprises: Coordination during the immediate response phase of disasters and crises which require international assistance, in order to ensure adequate resources are available to meet the needs of disaster affected people. Within this functional expense category, the classification of operational expenditures by nature has been aligned with the Consolidated Financial Statements of the IFRC.

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery, therefore each appeal, including the Combined Europe Migration Appeals, includes all associated direct costs, indirect costs and pledge fees.

Direct costs

Direct costs are those costs that can be readily and specifically identified with a particular project or service. Direct costs include employee benefits including salary and benefit costs of international delegates and national staff.

In keeping with the IFRC's principle of full cost recovery, costs are recovered from operations for specific services provided in addition to the essential services funded by indirect cost recovery (below). Such recoveries include specific logistics services recoveries based on the value of procurement services provided, global fleet services including provision of the vehicle rental scheme and country level services related to the basic costs of having a presence (an IFRC office) in a given country.

Indirect costs

The direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. Such indirect support services include management and leadership, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources.

Pledge fees

Costs are incurred to meet specific donor requirements. These requirements may include the tracking of expenses where a donation has been given for a specific activity or needs to be spent within a specific timeframe, or requires customised financial and / or narrative reports. Pledge fees are charged to donations to cover the costs associated with meeting these specific donor requirements.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

(c) Working with National Society partners

In implementing its activities in the ordinary course of its business, the IFRC advances funds to member Red Cross and Red Crescent National Societies. Two mechanisms are used to advance funds to member National Societies for the implementation of activities – cash working advances and cash contributions.

Working advances to National Societies

The IFRC provides cash working advances to National Societies for them to implement activities on behalf of the IFRC. An expense is recognised for the value of working advances which has not been reported on by the recipient National Societies and is recorded in Operating expenditure – Other costs & allocations. When recipient National Societies report on their use of the funds, this expense is reclassified according to its nature.

Contributions to National Societies

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as operational expenditure as they are incurred.

3.4 Finance expense, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance expense, net, in the Income and Expenditure Statement, with the exception of realised exchange gains and losses on voluntary contributions, which are included under Voluntary contributions.

3.5 Funds held for operations

The cumulative excess of income received over operating expenditure incurred is recorded as Funds held for operations. In the event that the funds cannot be spent, the IFRC obtains agreement from the donors to reallocate the unspent funds for a different use or reimburses them to the donors.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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4. Voluntary contributions

	Cash	Services	2017	2016
	CHF	In-Kind	CHF	CHF
		CHF		
American Red Cross	(184,401)	-	(184,401)	411,323
Australian Red Cross	-	-	-	41,904
British Red Cross	(18,388)	22,800	4,412	1,421,008
British Red Cross (from British Government)	1,522,151	-	1,522,151	510,355
Canadian Red Cross	3,082	-	3,082	42,517
Coca Cola Foundation	99,674	-	99,674	-
FedEx Services	-	-	-	71,728
Finnish Red Cross	(21,092)	22,800	1,708	221,911
Give Eur-Hope ASBL	-	-	-	21,865
Icelandic Red Cross	-	-	-	173,130
Icelandic Red Cross (from Icelandic Government)	-	-	-	176,409
IFRC at the UN Inc	-	-	-	65,193
Irish Red Cross	-	-	-	107,135
Japanese Red Cross	(43,258)	-	(43,258)	87,088
King Digital Entertainment PLC, King.com	-	-	-	480,201
Luxembourg Red Cross	-	-	-	61,809
Mellon Bank	-	-	-	29,062
Netherlands Red Cross	(358,801)	7,600	(351,201)	724,268
Norwegian Red Cross	(10,047)	22,800	12,753	729,675
Norwegian Red Cross (from Norwegian Government)	(6,698)	-	(6,698)	12,807
Other donors (including those with contributions less than CHF10,000)	(181,615)	-	(181,615)	30,275
Red Cross of Monaco	-	-	-	16,380
Spanish Red Cross	-	-	-	23,168
Swedish Red Cross	-	-	-	825,570
Swiss Government	-	-	-	443,265
Swiss Red Cross	-	-	-	650,000
UL LLC -Underwriters Laboratories,LLC	-	-	-	23,564
Western Union Foundation	-	-	-	14,531
	800,607	76,000	876,607	7,426,304

The figures include cash contributions and movements in outstanding pledges in 2017, together with the revaluation of outstanding foreign currency pledges as at 31 December 2017.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Operating expenditure by Emergency Appeal

	Coordination, Response and Preparedness	Hungary Population Movement	Italy Population Movement	Croatia Population Movement	2017 TOTAL	2016 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
OPERATING EXPENDITURE						
Employee benefits	356,750	38,884	765,085	62,336	1,223,055	2,326,606
Relief supplies, transportation and storage	35,076	112,443	2,293,517	70,982	2,512,018	2,348,404
Contributions to National Societies	39,497	-	-	-	39,497	19,210
Supplementary services cost recoveries	57,934	-	58,124	-	116,058	186,844
Other costs & allocations	222,989	(172,096)	140,988	(132,940)	58,941	427,428
Total direct costs	712,246	(20,769)	3,257,714	378	3,949,569	5,308,492
Indirect cost recovery	41,371	(1,327)	212,329	30	252,403	315,914
Pledge fees	5,944	917	36,892	-	43,753	58,358
Total OPERATING EXPENDITURE	759,561	(21,179)	3,506,935	408	4,245,725	5,682,764

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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6. Other costs & allocations

	2017	2016
	TOTAL	TOTAL
	CHF	CHF
Administration, office and general	250,164	119,235
Consultancy fees	43,853	92,176
Information	28,129	60,658
Travel	66,437	165,739
Vehicles and equipment	70,333	232,034
Workshops & training	126,893	141,324
Other costs and allocations	(526,868)	(383,738)
	<u>58,941</u>	<u>427,428</u>

Included within Other Costs and allocations is the provision of working advances to National Societies. In 2017, there is a reversal amounting to CHF 650,616 (2016: CHF 473,365).