



**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
Indonesia - Earthquakes and Tsunamis Emergency Appeal
(MDRID013)
for the period from 31 July 2018 to 31 December 2018



KPMG SA
Audit Western Switzerland
Esplanade de Pont-Rouge 6
CH-1212 Grand-Lancy

PO Box 1571
CH-1211 Geneva 26

T +41 58 249 25 15
E infogeneva@kpmg.com

Independent Auditor's Report on the IFRC's Financial Statements for the Indonesia - Earthquakes and Tsunamis Emergency Appeal (MDRID013) 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 Indonesia - Earthquakes and Tsunamis Emergency Appeal (MDRID013) 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 31 July 2018 to 31 December 2018.

In our opinion, the accompanying financial statements for Indonesia - Earthquakes and Tsunamis Emergency Appeal (MDRID013) for the period from 31 July 2018 to 31 December 2018 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

Jordan Chassard

Geneva, 20 January 2020

Enclosure:

- Financial statements (income and expenditure statement and explanatory notes) for the period from 31 July 2018 to 31 December 2018

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018**

		Period from 31-Jul-2018 to 31-Dec-2018
OPERATING INCOME	Notes	CHF
Voluntary contributions	4	13,422,954
Donations	5	7,435,759
Total INCOME		<u>20,858,713</u>
OPERATING EXPENDITURE		
Programmes and coordination: Humanitarian Response		
Employee benefits		427,004
Relief supplies, transportation and storage		3,907,103
Supplementary services cost recoveries		172,380
Other costs & allocations	6	<u>1,636,906</u>
Total direct costs		<u>6,143,393</u>
Indirect cost recovery		310,518
Pledge fees		14,819
Total OPERATING EXPENDITURE		<u>6,468,730</u>
NET SURPLUS FROM OPERATING ACTIVITIES		14,389,983
Finance expense, net		5,866
NET SURPLUS FOR THE YEAR		<u>14,384,117</u>
FUNDS HELD FOR OPERATIONS		
Net surplus for the year		14,384,117
FUNDS HELD FOR OPERATIONS		<u>14,384,117</u>

The notes on pages 4 to 8 are an integral part of these Appeal Financial Statements.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS

NOTES TO THE APPEAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 192 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 to support activities around the world. The Secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 192 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'.

Indonesia was hit with several major earthquakes and tsunamis in 2018, with the first one striking Lombok in July, followed by earthquakes and a tsunami in Central Sulawesi in September, and by a tsunami in Banten Province and the coast around Sunda Strait in December.

Between July and December 2018, the IFRC allocated a total of CHF 1.6 million from the Disaster Relief Emergency Fund (DREF) to assist Palang Merah Indonesia (PMI /Indonesian Red Cross Society), to meet immediate humanitarian needs. On 7 August 2018, an Emergency Appeal was launched for CHF 8.9 million to support PMI to assist 80,000 people until 30 January 2020. The Emergency Appeal was revised several times and on 27 December 2018, the budget was revised to CHF 38.9 million to assist 167,000 people and the timeframe was extended until 28 February 2021.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Indonesia: Earthquakes and Tsunamis (MDRID013) and are hereto referred to as the Appeal Financial Statements.

2. Basis of accounting

The 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 Consolidated Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the Indonesia: Earthquakes and Tsunamis Emergency Appeal is 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 Indonesia: Earthquakes and Tsunamis Emergency Appeal, 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018**

3. Significant accounting policies (continued)

3.2 Income

Income comprises voluntary contributions in cash or in-kind from member National Societies, and donations in cash or in-kind from donors.

(a) Voluntary contributions

Voluntary contributions and donations are identified according to the level of earmarking. National Societies and 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 and donations that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Donations that are 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 and donations 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 or donations of goods (comprising relief supplies) and services (in the form of staff or transport) are recognised on the date of receipt of the goods or service and are recognised equally as both contributions or donations, and expenses in the Income and Expenditure Statement. In-kind goods and services received in response to the Appeal are measured at fair value. The fair value of in-kind goods is based on the contributing National Society's or other donors' indication of the value. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value. 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 contributing National Society or other 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 contribution and donation income reported in these Appeal Financial Statements.

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 Indonesia: Earthquakes and Tsunamis Emergency Appeal activities is 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018**

3. Significant accounting policies (continued)

3.3 Expenditure (continued)

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery, therefore each appeal, including the Indonesia Earthquakes and Tsunamis Emergency Appeal, 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.

(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

There are no contributions to National Societies for these appeal financial statements.

3.4 Finance expense, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance income, 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 reimburse them to the donors.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018**

4. Voluntary contributions

	Cash	Goods	Services	Period from
	CHF	In-Kind	In-Kind	31-Jul-2018 to
		CHF	CHF	31-Dec-2018
				TOTAL
				CHF
Albanian Red Cross	10,000	-	-	10,000
American Red Cross	982,691	-	-	982,691
Australian Red Cross	451,712	11,609	7,829	471,150
Australian Red Cross (from Australian Government)	269,813	-	-	269,813
Austrian Red Cross (from Austrian Government)	1,087,487	-	-	1,087,487
Belgian Red Cross (Francophone)	527,112	-	-	527,112
British Red Cross	723,585	79,350	3	802,938
Canadian Red Cross	63,226	103,264	4	166,494
Canadian Red Cross (from Canadian Government)	146,726	-	-	146,726
China Red Cross, Hong Kong branch	50,118	-	-	50,118
China Red Cross, Macau Branch	45,230	-	-	45,230
Danish Red Cross	80,000	-	6,619	86,619
Finnish Red Cross	84,505	-	-	84,505
German Red Cross	79,362	351,572	555,900	986,834
Italian Red Cross	33,808	-	-	33,808
Japanese Red Cross Society	204,857	418,008	7	622,872
Netherlands Red Cross	1,815,676	-	-	1,815,676
Netherlands Red Cross (from Netherlands Government)	1,707,396	-	-	1,707,396
Norwegian Red Cross	209,581	119,132	4	328,717
Norwegian Red Cross (from Norwegian Government)	807,348	-	-	807,348
Red Cross of Monaco	58,257	-	-	58,257
Spanish Red Cross	234,057	-	-	234,057
Swedish Red Cross	57,638	-	-	57,638
Swedish Red Cross (from Swedish Government)	1,095,117	-	-	1,095,117
Swiss Red Cross	630,000	-	-	630,000
The Republic of Korea National Red Cross	300,000	-	-	300,000
Other voluntary contributions less than CHF 10,000	14,351	-	-	14,351
	11,769,653	1,082,935	570,366	13,422,954

The Cash column includes movements in outstanding pledges; gains and losses from revaluation of outstanding foreign currency pledges during the period (see note 3.4).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID013) – INDONESIA: EARTHQUAKES AND TSUNAMIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 31 JULY 2018 TO 31 DECEMBER 2018**

5. Donations

	Cash	Goods	Period from
	CHF	In-Kind	31-Jul-2018 to
		CHF	31-Dec-2018
			TOTAL
	CHF		CHF
Coca Cola Foundation	940,891		940,891
Cyprus Government	22,538	-	22,538
Czech Government	435,614	-	435,614
European Commission - DG ECHO	824,294	-	824,294
Government of Malta	33,719	-	33,719
Grab-GP Network Asia PTE LTD	35,244	-	35,244
Hewlett Packard Co. Foundation	23,710	-	23,710
IKEA Foundation	15,000	-	15,000
Intercontinental Hotels Groups (IHG)	24,354	-	24,354
Irish Government	285,751	-	285,751
Italian Government Bilateral Emergency Fund	511,472	-	511,472
Liechtenstein Government	100,000	-	100,000
Monaco Government	113,686	-	113,686
New Zealand Government	1,457,250	-	1,457,250
OPEC Fund For International Development-OFID	787,463	-	787,463
Spanish Government	411,062	-	411,062
Swiss Government	800,000	-	800,000
Ultradent Products, Inc.	14,226	-	14,226
United States Government - USAID	32,119	538,519	570,638
Other donations (including online donations and contributions less than CHF 10,000)	28,847	-	28,847
	<u>6,897,240</u>	<u>538,519</u>	<u>7,435,759</u>

The Cash column includes movements in outstanding pledges; gains and losses from revaluation of outstanding foreign currency pledges during the period (see note 3.4).

6. Other costs & allocations

	Period from
	31-Jul-2018 to
	31-Dec-2018
	CHF
Administration, office and general	79,031
Consultancy fees	108,630
Information	2,951
Travel	239,005
Vehicles and equipment	158,091
Workshops & training	17,904
Other costs and allocations	<u>1,031,293</u>
	<u>1,636,906</u>

Included within Other costs and allocations is a provision of working advance to National Society of CHF 890,331.