



**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  
Syria: Complex Emergency Appeal  
(MDRSY003)  
for the period from 1 January 2014 to 31 December 2014



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Independent Auditor's Report on the IFRC's Financial Statements for the Syria: Complex Emergency Appeal (MDRSY003) to the Management of

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

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As independent auditor, we have been engaged to audit the accompanying financial statements of the Syria: Complex Emergency Appeal (MDRSY003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2014 to 31 December 2014. The financial statements comprise the Syria: Complex Emergency Appeal income and expenditure statement for the period and explanatory notes ("the financial statements"). The financial statements have been prepared in accordance with IFRC accounting policies.

*Management's Responsibility for the Financial Statements*

Management of the IFRC is responsible for the preparation and fair presentation of the financial statements in accordance with those requirements of the IFRC accounting policies as described in the notes to the financial statements relevant to preparing such financial statements, and for such internal control as the Management determines necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financials statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by management, 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.



*International Federation of Red Cross and Red Crescent Societies  
IFRC's Financial Statements for the  
Syria: Complex Emergency Appeal (MDRSY003)  
for the period from 1 January 2014 to 31 December 2014*

*Opinion*

In our opinion, the financial statements of the Syria: Complex Emergency Appeal (MDRSY003) give a true and fair view of the income, expenditure and funds held for operations for the period from 1 January 2014 to 31 December 2014 and have been prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

KPMG SA

Pierre-Henri Pingeon  
*Licensed Audit Expert*

Karina Vartanova  
*Licensed Audit Expert*

Geneva, 14 January 2016

*Enclosure:*

- Financial statements (income and expenditure statement and explanatory notes)

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>CHF</b>	<b>CHF</b>
<b>OPERATING INCOME</b>			
Voluntary contributions	3	30,131,413	30,450,571
Corporate donation fees		-	(2,323)
Reimbursement of Contributions to National Societies	4	243,567	-
<b>Total INCOME</b>		<u>30,374,980</u>	<u>30,448,248</u>
<b>OPERATING EXPENDITURE</b>			
<b>Programmes and coordination: Humanitarian Response</b>			
Employee benefits		2,031,838	1,070,775
Relief supplies, transportation and storage		21,681,562	20,487,173
Contributions to National Societies		-	3,824,319
Supplementary services cost recoveries		759,543	768,741
Other costs & allocations	5	<u>2,499,138</u>	<u>(625,403)</u>
<b>Total direct costs</b>		<u>26,972,081</u>	<u>25,525,605</u>
Indirect cost recovery		1,703,142	1,679,770
Pledge fees		123,446	190,976
<b>Total OPERATING EXPENDITURE</b>		<u>28,798,669</u>	<u>27,396,351</u>
<b>NET SURPLUS FROM OPERATING ACTIVITIES</b>		<u>1,576,311</u>	<u>3,051,897</u>
Finance expense, net	6	<u>256,478</u>	<u>172,635</u>
<b>NET SURPLUS FOR THE PERIOD</b>		<u><u>1,319,833</u></u>	<u><u>2,879,262</u></u>
<b>FUNDS HELD FOR OPERATIONS</b>			
Brought forward		8,097,943	4,933,452
Allocations (to) / from other IFRC appeals	7	(1,811)	285,229
Net surplus for the period		1,319,833	2,879,262
<b>FUNDS HELD FOR OPERATIONS</b>		<u><u>9,415,965</u></u>	<u><u>8,097,943</u></u>

The notes on pages 4 to 9 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

**1. Activities**

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 189 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 17, Chemin des Crêts, 1209 Petit Saconnex, Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 189 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'.

During 2011 and 2012, ongoing civil strife and unrest was seen in Syria resulting in significant concerns relating to security, safety, protection and threats to livelihoods. Due to a worsening humanitarian situation in Syria and as a continuation and scaling up of activities initially undertaken as part of the Middle East & North Africa Civil Unrest Emergency Appeal (MDR82001), an Emergency Appeal (Syria: Complex Emergency Appeal - MDRSY003) was launched on 6 July 2012 seeking CHF 27.2 million in cash and/or in-kind goods and services to support the Syrian Arab Red Crescent (SARC) to assist over 200,000 beneficiaries for 12 months primarily in the areas of health, relief and livelihoods.

On 17 December 2012, the Emergency Appeal was increased and extended to seek CHF 39.2 million to assist up to 650,000 beneficiaries until the end of December 2013.

On 3 July 2013, the Emergency Appeal was further increased to seek CHF 53.6 million to assist up to 910,000 beneficiaries.

On 18 November 2013, the Emergency Appeal was further increased and extended to seek CHF 106.3 million to assist up to 5,460,000 beneficiaries up to the end of December 2014.

On 16 June 2014, the Emergency Appeal was further increased to seek 107.4 million and on 11 October 2014, the amount sought was subsequently reduced to CHF 96.9 million.

On 17 December 2014, the Emergency Appeal was again increased and extended to seek CHF 122.4 million to assist up to 8,000,000 beneficiaries up to the end of December 2015.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Syria: Complex Emergency Appeal (appeal MDRSY003) and are hereto referred to as the Appeal Financial Statements.

**2. Significant accounting policies**

**2.1 Basis of accounting**

*(a) Basis of preparation*

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).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

**2. Significant accounting policies (continued)**

The Consolidated Financial Statements present operating expenditure by function (see note 2.4(a)). All operating expenditure included within the Syria: Complex Emergency Appeal is classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

***(b) Modifications to presentational format***

In these Appeal Financial Statements, within the Income and Expenditure Statement an analysis of expenditure is presented based on the function for which the expenses were incurred by the IFRC. In 2013, an analysis of expenditure was presented based on the nature of the expenses incurred.

**2.2 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 Syria: Complex 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.

**2.3 Income**

Income comprises Voluntary contributions in cash or in-kind from donors, Corporate donation fees and Reimbursement of Contributions to National Societies.

***(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 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 and expenses in the Income and Expenditure Statement. In-kind goods and services received in response to the Appeal are measured at fair value.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

**2. Significant accounting policies (continued)**

The fair value of in-kind goods is based on the donor 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 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 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 service fee is recovered upon the receipt of the relevant contributions, in order to fund the costs of relationship management associated with corporate donors.

***(c) Reimbursement of Contributions to National Societies***

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as Operating expenditure as they are incurred. In the event that not all funds are spent by the recipient National Society, any reimbursement to the IFRC is recognised as Operating income.

**2.4 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 Syria: Complex 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.

***(b) Costing principles***

The costing principle of the IFRC is one of full cost recovery therefore each appeal, including the Syria: Complex 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 the following:

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
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**2. Significant accounting policies (continued)**

*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*

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

**2.5 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.

**2.6 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.

**3. Voluntary contributions**

	Cash	Goods	Services	2014	2013
	CHF	In-Kind CHF	In-Kind CHF	TOTAL CHF	TOTAL CHF
American Red Cross	463'334	144'105	-	607'439	374'077
Australian Red Cross	-	-	-	-	160'362
Austrian Red Cross (from Austrian Government)	-	-	-	-	964'733
Belgian Red Cross (Flanders)	647	9'954	-	10'601	-
British Red Cross	3'524'796	4'685'314	-	8'210'110	4'876'415
British Red Cross (from British Government)	30'079	-	-	30'079	-
British Red Cross (from DEC (Disasters Emergency Commission))	576'316	-	-	576'316	926'839
British Red Cross (from Unidentified donor)	27'207	-	-	27'207	-
Canadian Red Cross	239'764	-	-	239'764	176'533
Canadian Red Cross (from Canadian Government)	4'044'461	-	-	4'044'461	-
China Red Cross, Hong Kong branch	-	36'881	3'600	40'481	48'944
Sub-totals carried down	8'906'604	4'876'254	3'600	13'786'458	7'527'903

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

**3. Voluntary contributions (continued)**

	Cash CHF	Goods In-Kind CHF	Services In-Kind CHF	2014 TOTAL CHF	2013 TOTAL CHF
Sub-totals brought down	8'906'604	4'876'254	3'600	13'786'458	7'527'903
Danish Red Cross	-	-	-	-	41'231
Danish Red Cross (from Danish Government)	12'000	-	-	12'000	-
Danish Red Cross (from European Commission - DG ECHO)	2'532'498	-	-	2'532'498	-
European Commission - DG ECHO	(121'200)	-	-	(121'200)	9'231'320
Finnish Red Cross	256'118	718'427	40'121	1'014'666	50'160
Finnish Red Cross (from Finnish Government)	261'685	-	-	261'685	-
Irish Government	601'530	-	-	601'530	-
Irish Red Cross Society	(124)	-	-	(124)	91'946
Italian Government Bilateral Emergency Fund	181'089	-	-	181'089	-
Luxembourg Government	-	-	-	-	124'797
New Zealand Red Cross	76'580	-	-	76'580	96'863
Norwegian Red Cross	345'653	4'950	-	350'603	154'015
Norwegian Red Cross (from Norwegian Government)	1'574'907	-	-	1'574'907	1'544'592
Other donors (including those with contributions less than CHF 10,000)	35'351	-	-	35'351	19'913
Online donations	66'805	-	-	66'805	65'675
Spanish Red Cross	2'360	36'302	-	38'662	495'909
Suncor Energy Inc.	-	-	-	-	46'468
Swedish Red Cross	4'948'520	-	111'910	5'060'430	7'106'920
The Netherlands Red Cross	78'152	227'281	986'725	1'292'158	990'464
The Netherlands Red Cross (from Netherlands Government)	1'215'505	-	-	1'215'505	1'100'123
United States Government - USAID	2'151'810	-	-	2'151'810	1'762'272
	<u>23'125'843</u>	<u>5'863'214</u>	<u>1'142'356</u>	<u>30'131'413</u>	<u>30'450'571</u>

The Cash column above includes movements in outstanding pledges between 1 January 2014 and 31 December 2014, together with the revaluation of outstanding foreign currency pledges as at 31 December 2014.

**4. Reimbursement of Contributions to National Societies**

	2014 CHF	2013 CHF
Danish Red Cross	198,395	-
German Red Cross	<u>45,172</u>	<u>-</u>
	<u>243,567</u>	<u>-</u>

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

	<b>2014</b>	<b>2013</b>
	<b>CHF</b>	<b>CHF</b>
Workshops & training	15,266	51,460
Administration, office and general	29,116	9,142
Vehicles and equipment	1,226,773	216,029
Travel	50,992	60,202
Consultancy fees	6,232	32,019
Information	15,424	8,009
Other costs and allocations	<u>1,155,335</u>	<u>(1,002,264)</u>
	<u>2,499,138</u>	<u>(625,403)</u>

For 2014, the expense recognised related to working advances not yet reported on by the recipient National Society, included within Other costs and allocations above amounted to CHF 1,075,617 (2013: CHF (1,064,220)).

In the 2013 Appeal Financial Statements, CHF 70,820 was included in Legal, professional and consultancy fees. In these Appeal Financial Statements, the amount has been included in Consultancy fees CHF 6,232 (2013: CHF 32,019) and Other costs and allocations CHF 51,398 (2013: CHF 38,801).

**6. Finance expense, net**

In the 2013 Appeal Financial Statements CHF 173,268 was included in Finance expense, net. In these Appeal Financial Statements, the amount has been included in Finance expense, net CHF 256,478 (2013: CHF 172,635) and Administration, office and general – Other costs & allocations, CHF 1,008 (2013: CHF 633).

**7. Allocations (to) / from other IFRC appeals**

In 2014, in agreement with the donors, CHF 1,811 was reallocated from the Syria: Complex Emergency Appeal to other Emergency Appeals in the region (2013: CHF 285,229 was reallocated from the Syria Annual Appeal (MAASY001) to the Syria: Complex Emergency Appeal).