



**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
Philippines: Typhoon Bopha Emergency Appeal
(MDRPH011)
for the period from 1 January 2014 to 31 October 2014



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Independent Auditor's Report on the IFRC's Financial Statements for the Philippines: Typhoon Bopha Emergency Appeal (MDRPH011) to the Management of

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

As independent auditor, we have been engaged to audit the accompanying financial statements of the Philippines: Typhoon Bopha Emergency Appeal (MDRPH011) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2014 to 31 October 2014. The financial statements comprise the Philippines: Typhoon Bopha 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 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
Philippines: Typhoon Bopha Emergency Appeal (MDRPH011)
for the period from 1 January 2014 to 31 October 2014*

Opinion

In our opinion, the financial statements of the Philippines: Typhoon Bopha Emergency Appeal (MDRPH011) give a true and fair view of the income, expenditure and funds held for operations for the period from 1 January 2014 to 31 October 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 (MDRPH011) – PHILIPPINES TYPHOON BOPHA**

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

		Period from 1-Jan-2014 to 31-Oct-2014	Period from 5-Dec-2012 to 31-Dec-2013
OPERATING INCOME	Notes	CHF	CHF
Voluntary contributions	3	378,875	7,820,702
Total OPERATING INCOME		<u>378,875</u>	<u>7,820,702</u>
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		333,871	633,011
Relief supplies, transportation and storage		814,582	3,858,954
Contributions to national societies		243,136	1,120,140
Supplementary services cost recoveries		89,297	75,929
Other costs & allocations	4	<u>69,928</u>	<u>377,369</u>
Total direct costs		<u>1,550,814</u>	<u>6,065,403</u>
Indirect cost recovery		99,794	397,190
Pledge fees		13,021	19,748
Total OPERATING EXPENDITURE		<u>1,663,629</u>	<u>6,482,341</u>
NET (DEFICIT) / SURPLUS FROM OPERATING ACTIVITIES		<u>(1,284,754)</u>	<u>1,338,361</u>
Finance expense, net	5	<u>4,337</u>	<u>45,214</u>
NET (DEFICIT) / SURPLUS FOR THE PERIOD		<u><u>(1,289,091)</u></u>	<u><u>1,293,147</u></u>
FUNDS HELD FOR OPERATIONS	6		
Brought forward		1,293,147	-
Net (deficit) / surplus for the period		<u>(1,289,091)</u>	<u>1,293,147</u>
FUNDS HELD FOR OPERATIONS		<u><u>4,056</u></u>	<u><u>1,293,147</u></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 (MDRPH011) – PHILIPPINES TYPHOON BOPHA**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 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, 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'.

On 4 December 2012, Typhoon Bopha made landfall on the eastern coast of Mindanao Island in the Philippines. The storm left a trail of destruction to homes, livelihoods, lifelines and infrastructure. More than 1,000 people were killed and an estimated 700,000 families were affected.

In response to the situation, on 5 December 2012, the IFRC launched a preliminary Emergency Appeal, seeking CHF 4.5 million in cash, kind or services to support the Philippine Red Cross to deliver immediate relief and early recovery assistance to some 10,000 families (50,000 people) for 11 months. On 21 December 2012, the IFRC revised the preliminary Emergency Appeal, increasing the budget to CHF 16.2 million, in order to assist up to 40,000 families (200,000 people) for 18 months. On 13 December 2013, the operation timeframe was extended to 31 October 2014. A final report for the Emergency Appeal was issued on 2 April 2015.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Philippines Typhoon Bopha Emergency Appeal (appeal MDRPH011) 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).

The consolidated Financial Statements present operating expenditure by function (see note 2.4(a)). All operating expenditure included within the Philippines Typhoon Bopha 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 the Appeal Financial Statements for the period from 5 December 2012 to 31 December 2013, an analysis of expenditure was presented based on the nature of the expenses incurred.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRPH011) – PHILIPPINES TYPHOON BOPHA**

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

2. Significant accounting policies (continued)

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 Philippines Typhoon Bopha 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.

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) 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.

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.

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 Philippines: Typhoon Bopha 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 (MDRPH011) – PHILIPPINES TYPHOON BOPHA**

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

2. Significant accounting policies (continued)

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery therefore each appeal, including the Philippines: Typhoon Bopha 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 (see 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 the related expense 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.

Contribution 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014**

2. Significant accounting policies (continued)

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 CHF	Services In-Kind CHF	Period from 1-Jan-2014 to 31-Oct-2014 TOTAL	Period from 5-Dec-2012 to 31-Dec-2013 TOTAL
American Red Cross	198,745	-	198,745	45,779
Australian Government	56,109	-	56,109	31,991
British Red Cross	-	-	-	354,931
Canadian Red Cross	(7,464)	-	(7,464)	172,286
Canadian Red Cross (from Canadian Government)	-	-	-	241,164
Danish Red Cross (from Danish Government)	-	-	-	356,938
European Commission - DG ECHO	(3,249)	-	(3,249)	3,162,931
Finnish Red Cross	-	19,858	19,858	-
Finnish Red Cross (from Finnish Government)	114,876	-	114,876	535,736
IFRC at the UN Inc allocations (From Hewlett Packard Foundation)	-	-	-	44,100
IFRC at the UN Inc allocations (From Mondelez International)	-	-	-	44,100
Italian Government Bilateral Emergency Fund	-	-	-	241,692
Japanese Government	-	-	-	1,117,318
Japanese Red Cross Society	-	-	-	216,956
New Zealand Red Cross	-	-	-	86,340
New Zealand Red Cross (from New Zealand Government)	-	-	-	385,750
Other donors (including those with contributions less than CHF 10,000)	-	-	-	5,035
Red Cross of Monaco	-	-	-	12,335
Swedish Red Cross	-	-	-	708,891
Taiwan Red Cross Organisation	-	-	-	56,429
	359,017	19,858	378,875	7,820,702
	359,017	19,858	378,875	7,820,702

The above figures include cash contributions and movements in outstanding pledges between 1 January 2014 to 31 October 2014, together with the revaluation of outstanding foreign currency pledges as at 31 October 2014.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRPH011) – PHILIPPINES TYPHOON BOPHA**

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

4. Other costs & allocations

	Period from 1-Jan-2014 to 31-Oct-2014	Period from 5-Dec-2012 to 31-Dec-2013
	CHF	CHF
Workshops & training	3,083	40,699
Administration, office and general	16,948	71,923
Vehicles and equipment	3,467	21,696
Travel	13,104	86,135
Consultancy fees	17,392	63,908
Information	797	27,637
Other costs and allocations	<u>15,137</u>	<u>65,371</u>
	<u>69,928</u>	<u>377,369</u>

For the period from 1 January 2014 to 31 October 2014, the expense recognised related to working advance not yet reported on by the recipient National Society included within Other costs and allocations above, amounted to CHF (4,852) (For the period from 5 December 2012 to 31 December 2013: CHF 4,852).

In the Appeal Financial Statements for the period from 5 December 2012 to 31 December 2013, CHF 99,871 was included in Legal, professional and consultancy fees. In these Appeal Financial Statements, the amount has been included in Consultancy fees CHF 17,392 (period from 5 December 2012 to 31 December 2013: CHF 63,908) and Other costs and allocations CHF 15,483 (period from 5 December 2012 to 31 December 2013: CHF 35,963).

5. Finance expense, net

In the Appeal Financial Statements for the period from 5 December 2012 to 31 December 2013, CHF 81,206 was included in finance expense, net. In these Appeal Financial Statements, the amount has been included in finance expense, net CHF 4,337 (period from 5 December 2012 to 31 December 2013: CHF 45,214) and Administration, office and general – Other costs & allocations, CHF 1,576 (period from 5 December 2012 to 31 December 2013: CHF 35,992).

6. Funds held for operations

The Philippines: Typhoon Bopha Emergency Appeal was closed on 31 October 2014 and the remaining funds amounted to CHF 4,056. With agreement of the donors, these funds will be transferred to the Disaster Management component of the Philippines long term planning framework (LTPF) for 2015.