



**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
Haiti Earthquake Emergency Appeal (MDRHT008)
for the period from 1 January 2014 to 30 September 2015



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Independent Auditor's Report on the IFRC's Financial Statements for the Haiti Earthquake Emergency Appeal (MDRHT008) to the Management of

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

As independent auditor, we have been engaged to audit the accompanying financial statements of the Haiti Earthquake Emergency Appeal (MDRHT008) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2014 to 30 September 2015. The financial statements comprise the Haiti Earthquake 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, Geneva
IFRC's Financial Statements for the
Haiti Earthquake Emergency Appeal (MDRHT008)
for the period from 1 January 2014 to 30 September 2015

Opinion

In our opinion, the financial statements of the Haiti Earthquake Emergency Appeal (MDRHT008) give a true and fair view of the income, expenditure and funds held for operations for the period from 1 January 2014 to 30 September 2015 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 Pigeon
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, 31 March 2016

Enclosure:

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 01 JANUARY 2014 TO 30 SEPTEMBER 2015**

		Period from 1-Jan-2014 to 30-Sept-2015	2013
OPERATING INCOME	Note	CHF	CHF
Voluntary contributions	3	544,789	6,778,106
Service agreements		82,583	283,896
Other income		4,832	71,231
Reimbursement of contributions to other organisations		82,331	-
Total INCOME		714,535	7,133,233
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		2,986,467	11,084,565
Relief supplies, transportation and storage		973,136	8,523,191
Contributions to National Societies	4	(9,254)	2,602,469
Depreciation & amortisation		772,053	1,260,130
Supplementary services cost recoveries		1,262,335	4,504,540
Other costs & allocations	5	569,646	3,268,674
Total direct costs		6,554,383	31,243,569
Indirect cost recovery		368,586	1,954,041
Pledge fees		17,156	213,897
Total OPERATING EXPENDITURE		6,940,125	33,411,507
NET DEFICIT FROM OPERATING ACTIVITIES		(6,225,590)	(26,278,274)
Finance (income)/ expense, net	6	(26,356)	13,536
NET DEFICIT FOR THE PERIOD		(6,199,234)	(26,291,810)
FUNDS HELD FOR OPERATIONS Brought forward			
		19,999,426	46,285,911
Allocations (to)/ from other IFRC appeals, net	7	(10,478,181)	5,325
Net deficit for the period		(6,199,234)	(26,291,810)
FUNDS HELD FOR OPERATIONS	8	3,322,011	19,999,426

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 (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 01 JANUARY 2014 TO 30 SEPTEMBER 2015**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 190 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 190 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 12 January 2010, an earthquake of magnitude 7.0 (Mw) (reference: United States Geological Survey), struck the Haitian coast rocking the capital and generating a tsunami alert in Haiti and neighbouring countries. The epicentre was located 22 kilometres from the capital, Port-au-Prince and 15 kilometres from the closest towns. A series of aftershocks occurred, the strongest measuring 5.9 and 5.5 respectively.

The resultant humanitarian needs were widespread, meriting significant humanitarian action. Despite difficulty in ascertaining exact figures of dead, destruction and damage, it was estimated that 700,000 people survived in conditions without adequate shelter. The internally displaced population, estimated at between 800,000 and 1,000,000 people, was putting an array of pressures on receptor regions that had not been directly affected by the earthquake. Demands for shelter, sanitation and hygiene; childcare, food and healthcare, in particular, hospital capacity to attend post-surgical patients, was particularly high.

In response to the situation, on 12 January 2010, the IFRC launched a preliminary Emergency Appeal, seeking CHF 10.1 million, in order to support the Haitian Red Cross Society (HNRCS) deliver immediate, life-saving assistance to 20,000 families (some 100,000 beneficiaries) over nine months. On 26 January 2010, the IFRC revised the preliminary Emergency Appeal, increasing the budget to CHF 105.7 million, in order to assist up to 60,000 families (300,000 people) over 3 years. On 9 February 2010, the IFRC further extended and increased the Emergency Appeal to seek CHF 218.4 million in cash and/or in-kind goods and services, in order to support the HNRCS to assist up to 80,000 beneficiary families with basic non-food items and emergency shelter solutions.

On 5 October 2010 this figure was further revised to seek CHF 314.3 million in cash, kind or services to support the plan of action of the HNRCS and the IFRC. This plan of action sought to provide basic non-food items and emergency/transitional shelter to 80,000 beneficiary families and provide emergency health care, fulfilment of basic needs in water and sanitation and livelihoods support for vulnerable populations in the earthquake-affected region.

On 29 December 2011 a revised plan of action was published to reflect the transition from emergency relief to the recovery phase of the operation. The appeal budget was further revised downwards to CHF 282.1 million.

On 14 December 2012, a revised summary plan of action for the recovery phase was published. The appeal budget was further revised downwards to CHF 274.9 million and the appeal extended to include recovery programming and support to HNRCS strategy to the end of 2015.

On 30 August 2013, the appeal budget was further revised downwards to CHF 259.5 million.

On 5 February 2014, the appeal budget was further revised downwards to CHF 255 million to reflect the rightsizing of the secretariat operation and the creation of a new Development Operational Plan for Haiti, with a strong focus on supporting the National Society.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 01 JANUARY 2014 TO 30 SEPTEMBER 2015**

1. Activities (continued)

On 23 July 2014, the appeal budget was further revised downwards to CHF 242 million and the timeframe adjusted to reflect the end of the appeal as at the end of 2014. A final report for the Emergency Appeal was issued on 29 September 2015.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Haiti Earthquake Appeal (appeal MDRHT008) 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 Haiti Earthquake 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 Haiti Earthquake 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, income from services, sundry income from the sale of goods and Reimbursement of contributions to other organisations.

(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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 01 JANUARY 2014 TO 30 SEPTEMBER 2015**

2. Significant accounting policies (continued)

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.

(b) Income from the provision of services

Income from services is recognised in the period in which the service is rendered. For the provision of services across accounting periods, income is recognised according to the stage of completion of the service, by reference to services performed to date as a percentage of total services to be performed.

The majority of income from the provision of services is derived from services provided to National Societies including in countries where National Societies are working bi-laterally with the HNRCS, rather than multi-laterally with the IFRC and the HNRCS. Income from these types of services is included under Services income in the Income and Expenditure Statement.

(c) Reimbursement of contributions to other organisations

The IFRC makes cash contributions to fund the activities of other organisations. Such contributions are recognised as Operating expenditure as they are incurred. In the event that not all funds are spent by the recipient organisation, 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 Haiti Earthquake 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
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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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 Haiti Earthquake 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.

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 (income) / expense, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance (income) / 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

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

	Cash CHF	Services In-Kind CHF	Period from 1-Jan-2014 to 30-Sept-2015 TOTAL CHF	2013 TOTAL CHF
American Red Cross	-	-	-	2,426,454
Canadian Red Cross	84,657	-	84,657	406,408
China Red Cross, Hong Kong Branch	45,618	-	45,618	
Corporación Andina de Fomento (CAF)	166,466	-	166,466	93,660
European Commission - DGECHO	93,663	-	93,663	58,849
Finnish Red Cross	-	-	-	387,200
French Red Cross	-	-	-	55,681
French Red Cross (from European Commission - DGECHO)	(29,969)	-	(29,969)	885,750
Italian Red Cross	(1,749)	-	(1,749)	22,890
Japanese Government	-	-	-	56,015
Japanese Red Cross Society	-	131,480	131,480	2,279,376
Luxembourg Red Cross	-	17,800	17,800	-
Luxembourg Red Cross (from German Red Cross)	-	26,700	26,700	-
Other donations (including those with contributions less than CHF 10,000)	10,123	-	10,123	7,923
Swedish Red Cross	-	-	-	97,900
	368,809	175,980	544,789	6,778,106

The Cash column above includes movements in outstanding pledges between 1 January 2014 and 30 September 2015, together with the revaluation of outstanding foreign currency pledges as at 30 September 2015.

4. Contributions to National Societies

The IFRC makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, rarely equal the related actual results. As at 30 September 2015, the actual result for Contributions to National Societies was CHF 9,254 less than the estimated amount provided at the end of the prior year.

5. Other costs & allocations

	Period from 1-Jan-2014 to 30-Sept-2015 CHF	2013 CHF
Workshops & training	111,527	453,894
Administration, office and general	405,218	648,135
Vehicles and equipment	100,085	10,053
Travel	127,930	190,028
Consultancy fees	149,160	253,572
Information	114,762	157,272
Other costs and allocations	(439,036)	1,555,720
	569,646	3,268,674

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Other costs & allocations (continued)

As at 30 September 2015, CHF 565,101 related to the sale of vehicles used in the Haiti operation is included within Other costs and allocations.

In accordance with the signed agreement between the IFRC and the Haitian Red Cross, the net proceeds from the sale of the vehicles amounting to CHF 395,962 shall be made available to the Haitian Red Cross for the development of the National Society. This amount is included as expenditure within Other costs and allocations.

As at 30 September 2015, 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 (798,135) (2013: CHF 519,889). The negative balance as at 30 September 2015 relates to reclassification of National Society working advance expenditure according to its nature (see note 2.4(c)).

In the 2013 Appeal Financial Statements, CHF 321,918 was included in Legal, professional and consultancy fees. In these Appeal Financial Statements, the amount has been included in Consultancy fees CHF 149,160 (2013: CHF 253,572) and Other costs and allocations CHF 119,545 (2013: CHF 68,346).

6. Finance (income) / expense, net

In the 2013 Appeal Financial Statements CHF 14,296 was included in Finance expense, net. In these Appeal Financial Statements, the amount has been included in Finance (income) / expense, net CHF (26,356) (2013: CHF 13,536) and Administration, office and general – Other costs & allocations, CHF 349 (2013: CHF 760).

7. Allocations (to) / from other IFRC appeals, net

As at 30 September 2015, in agreement with the donors the following allocations (to) / from the Haiti Earthquake Emergency Appeal were made:

	Period from 1-Jan-2014 to 30-Sept-2015	2013
	CHF	CHF
Allocations (to) / from other IFRC appeals:		
Haiti Annual Programme	(8,251,944)	-
Haiti & Dominican Republic: Cholera Emergency Appeal	(2,144,758)	5,325
Other	(81,479)	-
	<u>(10,478,181)</u>	<u>5,325</u>

8. Funds held for operations

The Haiti Earthquake Emergency Appeal was closed on 31 December 2014 and the remaining funds amounted to CHF 3,322,011. Contributed assets amounting to CHF 171,600 shall be adjusted against these remaining funds upon final disposal of the assets. With agreement of the donors, the balance of funds will be transferred to the 2015 Development Operational Plan for Haiti.