



**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 year ended 31 December 2015



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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

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 Syria: Complex Emergency Appeal (MDRSY003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2015. The financial statements comprise Syria: Complex Emergency Appeal income and expenditure statement for the year 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.



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 year ended 31 December 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, 15 September 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 YEAR ENDED 31 DECEMBER**

		2015	2014
OPERATING INCOME	Notes	CHF	CHF
Voluntary contributions	4	29,053,319	30,131,413
Corporate donation fees		(4,776)	-
Reimbursement of Contributions to National Societies	5	-	243,567
Total INCOME		<u>29,048,543</u>	<u>30,374,980</u>
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		1,988,755	2,031,838
Relief supplies, transportation and storage		19,698,173	21,681,562
Supplementary services cost recoveries		912,594	759,543
Other costs & allocations	6	<u>(219,394)</u>	<u>2,499,138</u>
Total direct costs		<u>22,380,128</u>	<u>26,972,081</u>
Indirect cost recovery		1,450,904	1,703,142
Pledge fees		121,871	123,446
Total OPERATING EXPENDITURE		<u>23,952,903</u>	<u>28,798,669</u>
NET SURPLUS FROM OPERATING ACTIVITIES		<u>5,095,640</u>	<u>1,576,311</u>
Finance expense, net		<u>72,724</u>	<u>256,478</u>
NET SURPLUS FOR THE YEAR		<u><u>5,022,916</u></u>	<u><u>1,319,833</u></u>
FUNDS HELD FOR OPERATIONS			
Brought forward		9,415,965	8,097,943
Allocations to other IFRC appeals	7	-	(1,811)
Net surplus for the year		5,022,916	1,319,833
FUNDS HELD FOR OPERATIONS		<u><u>14,438,881</u></u>	<u><u>9,415,965</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 YEAR ENDED 31 DECEMBER 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'.

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 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. An operations update on 8 December 2015 extended the timeframe until 31 December 2016.

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. 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).

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Basis of accounting (continued)

The Consolidated Financial Statements present operating expenditure by function (see note 3.3(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.

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 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.

3.2 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.

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. Significant accounting policies (continued)

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

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

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 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. Within this functional expense category, the classification of operational expenditures by nature has been aligned with the Consolidated Financial Statements of the IFRC.

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery, therefore each appeal, including the 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 STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. 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.

3.4 Finance expense, net

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

3.5 Funds held for operations

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

4. Voluntary contributions

	Cash CHF	Goods In-Kind CHF	Services In-Kind CHF	2015 TOTAL CHF	2014 TOTAL CHF
Airbus	37,136	-	-	37,136	-
American Red Cross	49,627	-	-	49,627	607,439
Australian Red Cross	318,914	-	-	318,914	-
Belgian Red Cross (Flanders)	-	-	-	-	10,601
British Red Cross	1,046,914	3,388,581	-	4,435,495	8,210,110
British Red Cross (from British Government)	1,996,818	-	-	1,996,818	30,079
British Red Cross (from Disasters Emergency Committee)	199,710	-	-	199,710	576,316
British Red Cross (from unidentified donor)	-	-	-	-	27,207
Canadian Red Cross	80,404	-	-	80,404	239,764
Canadian Red Cross (from Canadian Government)	1,313,138	-	-	1,313,138	4,044,461
China Red Cross, Hong Kong branch	60,590	-	-	60,590	40,481
Sub-totals carried down	5,103,251	3,388,581	-	8,491,832	13,786,458

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. Voluntary contributions (continued)

	Cash CHF	Goods In-Kind CHF	Services In-Kind CHF	2015 TOTAL CHF	2014 TOTAL CHF
Sub-totals brought down	5,103,251	3,388,581	-	8,491,832	13,786,458
Danish Red Cross	360,000	-	-	360,000	-
Danish Red Cross (from Danish Government)	-	-	-	-	12,000
Danish Red Cross (from European Commission - DG ECHO)	1,503,891	-	-	1,503,891	2,532,498
European Commission - DG ECHO				-	(121,200)
Finnish Red Cross	66,274	-	101,480	167,754	1,014,666
Finnish Red Cross (from Finnish Government)	64,896	-	-	64,896	261,685
ICRC	300,000	-	-	300,000	-
Irish Government	817,885	-	-	817,885	601,530
Irish Red Cross Society				-	(124)
Italian Government Bilateral Emergency Fund	-	-	-	-	181,089
Italian Red Cross (from Italian Government)	511,647	-	-	511,647	-
Japanese Government	242,191	-	-	242,191	-
Japanese Red Cross Society	390,323	-	-	390,323	-
New Zealand Red Cross	-	-	-	-	76,580
Norwegian Red Cross	232,834	-	-	232,834	350,603
Norwegian Red Cross (from Norwegian Government)	-	-	-	-	1,574,907
Online donations	73,564	-	-	73,564	66,805
Other donors (including those with contributions less than CHF10,000)	56,259	-	-	56,259	35,351
Spanish Red Cross	-	-	-	-	38,662
Supreme Master Ching Hai International Association	58,386	-	-	58,386	-
Swedish Red Cross	2,347,879	-	-	2,347,879	5,060,430
Swedish Red Cross (from Radiohjälpen Sveriges Television Foundation)	686,424	-	-	686,424	-
Swedish Red Cross (from Swedish Government)	3,337,510	-	-	3,337,510	-
Taiwan Red Cross Organisation	386,148	-	-	386,148	-
The Netherlands Red Cross	5,080,558	954,295	20,412	6,055,265	1,292,158
The Netherlands Red Cross (from Netherlands Government)	1,042,860	-	-	1,042,860	1,215,505
United States Government - USAID	1,925,771	-	-	1,925,771	2,151,810
	24,588,551	4,342,876	121,892	29,053,319	30,131,413

The Cash column above includes movements in outstanding pledges between 1 January 2015 and 31 December 2015, together with the revaluation of outstanding foreign currency pledges as at 31 December 2015.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Reimbursement of Contributions to National Societies

	2015	2014
	CHF	CHF
Danish Red Cross	-	198,395
German Red Cross	-	45,172
	<u>-</u>	<u>243,567</u>

6. Other costs & allocations

	2015	2014
	CHF	CHF
Workshops & training	4,414	15,266
Administration, office and general	96,149	29,116
Vehicles and equipment	457,615	1,226,773
Travel	53,002	50,992
Consultancy fees	618	6,232
Information	2,939	15,424
Other costs and allocations	<u>(834,130)</u>	<u>1,155,335</u>
	<u>(219,394)</u>	<u>2,499,138</u>

The provisions and reversal of provisions related to working advances not yet reported by the recipient National Society, is included within Other costs and allocations above. In 2015, this amounted to CHF (920,687) (2014: CHF 1,075,617).

7. Allocations to other IFRC appeals

There were no allocations to or from other IFRC appeals in 2015. (2014: CHF 1,811 was reallocated from the Syria: Complex Emergency Appeal to other Emergency Appeals in the region).

8. Subsequent event

In May 2016, the Emergency Appeal was revised upwards to CHF145.1 million to assist up to 10,000,000 beneficiaries by the end of 31 December 2016.