



**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
Ukraine: Civil Unrest Emergency Appeal
(MDRUA007)
for the year ended 31 December 2015



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Independent Auditor's Report on the IFRC's Financial Statements for the Ukraine: Civil Unrest Emergency Appeal (MDRUA007) 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 Ukraine: Civil Unrest Emergency Appeal (MDRUA007) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2015. The financial statements comprise the Ukraine: Civil Unrest 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.



Opinion

In our opinion, the financial statements of the Ukraine: Civil Unrest Emergency Appeal (MDRUA007) 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

Karina Vartanova
Licensed Audit Expert

Marco Mianulli
Licensed Audit Expert

Geneva, 27 September 2017

Enclosure:

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRUA007) – UKRAINE: CIVIL UNREST**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31-Dec-2015	Period from 13-Dec-2013 to 31-Dec-2014
	Notes	CHF	CHF
OPERATING INCOME			
Voluntary contributions	4	2,710,770	1,406,178
Total OPERATING INCOME		<u>2,710,770</u>	<u>1,406,178</u>
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		220,687	149,980
Relief supplies, transportation and storage		563,048	512,899
Supplementary services cost recoveries		50	13,737
Other costs & allocations	5	8,784	499,412
Total direct costs		<u>792,569</u>	<u>1,176,028</u>
Indirect cost recovery		44,559	70,136
Pledge fees		8,358	4,541
Total OPERATING EXPENDITURE		<u>845,486</u>	<u>1,250,705</u>
NET SURPLUS FROM OPERATING ACTIVITIES		<u>1,865,284</u>	<u>155,473</u>
Finance (income)/expense, net		(246)	1,400
NET SURPLUS FOR THE PERIOD		<u>1,865,530</u>	<u>154,073</u>
FUNDS HELD FOR OPERATIONS			
Brought forward		154,073	-
Net surplus for the period		<u>1,865,530</u>	<u>154,073</u>
FUNDS HELD FOR OPERATIONS		<u>2,019,603</u>	<u>154,073</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 (MDRUA007) – UKRAINE: CIVIL UNREST**

**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'.

On 13 December 2013, in response to the large-scale demonstrations ongoing in Ukraine, CHF 317,790 was allocated from the IFRC Disaster Relief Emergency Fund (DREF) to support the Ukrainian Red Cross Society (URCS) in delivering immediate assistance beneficiaries until 30 June 2014.

On 12 May 2014, in response to the continued civil unrest, the IFRC launched an Emergency Appeal seeking CHF 1.4 million in cash, kind or services to enable the URCS to support preparedness activities and provide first aid and psycho-social assistance to those affected by the violence until 30 November 2014.

On 17 September 2014, the IFRC revised the Emergency appeal to seek CHF 2.3 million until the end of March 2015. On 3 June 2015, this appeal was revised to CHF 20 million until the end of May 2016. On 23 December 2016, the Emergency appeal budget was reduced to CHF13.3 million and the timeframe was extended to November 2017.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Ukraine: Civil Unrest Emergency Appeal (appeal MDRUA007) and are hereto referred to as the Appeal Financial Statements.

2. Basis of accounting

The Appeal Financial Statements are presented in Swiss Francs and have been prepared using the accrual basis of accounting, under which, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

The information contained herein has been extracted from the Consolidated Financial Statements of the IFRC which are prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated Financial Statements present operating expenditure by function (see note 3.3 (a)). All operating expenditure included within the Ukraine: Civil Unrest Emergency Appeal is classified under the Humanitarian response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRUA007) – UKRAINE: CIVIL UNREST**

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

3. Significant accounting policies

3.1 Foreign currency transactions

The presentation and functional currency of the IFRC and of the Appeal Financial statements 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 Ukraine: Civil Unrest 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 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 Appeals 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.

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 Ukraine: Civil Unrest 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 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 (MDRUA007) – UKRAINE: CIVIL UNREST**

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

3. Significant accounting policies (continued)

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery therefore each appeal, including the Ukraine: Civil Unrest 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.

Contributions to National Societies

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

3.4 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRUA007) – UKRAINE: CIVIL UNREST**

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

3. Significant accounting policies (continued)

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.

The IFRC DREF is a source of un-earmarked money created by the IFRC in 1985 to ensure that immediate financial support is available for Red Cross Red Crescent responses to emergencies. The DREF is a vital part of the IFRC's disaster response system and increases the ability of National Societies to respond.

DREF allocations to Emergency Appeals such as the Ukraine: Civil Unrest Emergency Appeal are considered as start-up funding for the operation until un-earmarked donor pledges have been made in response to the Emergency Appeal. The DREF loan of CHF 317,790 has been provided and fully reimbursed during 2014, therefore there is no amount outstanding at the end of the appeal.

4. Voluntary contributions

			Year ended	Period from
	Services	31-Dec-2015	13-Dec-2013 to	31-Dec-2014
	Cash	In-Kind	TOTAL	TOTAL
	CHF	CHF	CHF	CHF
American Red Cross	-	-	-	186,314
Austrian Red Cross	-	-	-	12,151
British Red Cross	238,893	-	238,893	-
Canadian Red Cross	28,660	-	28,660	70,233
Canadian Red Cross (from Canadian Government)	(7,947)	-	(7,947)	45,858
Danish Red Cross	53,411	106,800	160,211	84,106
European Commission - DGECHO	(8,344)	-	(8,344)	454,742
Finnish Red Cross	12,649	-	12,649	-
Finnish Red Cross (from Finnish Government)	408,976	-	408,976	-
Italian Government Bilateral Emergency Fund	-	-	-	60,805
Japanese Government	125,890	-	125,890	115,820
Japanese Red Cross Society	10,863	-	10,863	75,700
Other donors (including those with contributions less than CHF 10,000)	5,702	-	5,702	27,706
Red Crescent Society of the Islamic Republic of Iran	-	-	-	20,000
Red Cross of Monaco	-	-	-	18,185
Swedish Red Cross	650,797	-	650,797	-
The Netherlands Red Cross (from Netherlands Government)	1,084,420	-	1,084,420	182,032
The Netherlands Red Cross (from Netherlands Red Cross Silent Emergency Fund)	-	-	-	52,528
	<u>2,603,970</u>	<u>106,800</u>	<u>2,710,770</u>	<u>1,406,178</u>

The Cash column includes movements in outstanding pledges in 2015, and revaluation of outstanding foreign currency pledges, which includes foreign exchange losses on pledges as at 31 December 2015 (see note 3.4).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRUA007) – UKRAINE: CIVIL UNREST**

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

5. Other costs & allocations

	Year ended 31-Dec-2015	Period from 13-Dec-2013 to 31-Dec-2014
	CHF	CHF
Workshops & training	29,522	44,451
Administration, office and general	17,038	2,460
Vehicles and equipment	9,094	22,300
Travel	33,606	36,878
Consultancy fees	14,483	3,000
Information	32,535	11,691
Other costs and allocations	<u>(127,494)</u>	<u>378,632</u>
	<u>8,784</u>	<u>499,412</u>

Included within Other Costs and allocations is a net reversal of working advances not yet reported by National Societies amounting to CHF 163,334 (In 2014, the amount unreported was CHF 348,738).