



**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
Combined Europe Migration Appeals
(MDRIT002, MDRHU004, MDR65001)
for the period from 1 April 2015 to 31 December 2015



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Independent Auditor's Report on the IFRC's Financial Statements for the Combined Europe Migration Appeals (MDRIT002, MDRHU004, MDR65001) 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 Combined Europe Migration Appeals (MDRIT002, MDRHU004, MDR65001) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 April 2015 to 31 December 2015. The financial statements comprise the Combined Europe Migration 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
Combined Europe Migration Appeals (MDRIT002, MDRHU004, MDR65001)
for the period from 1 April 2015 to 31 December 2015

Opinion

In our opinion, the financial statements of the Combined Europe Migration Appeals (MDRIT002, MDRHU004, MDR65001) give a true and fair view of the income, expenditure and funds held for operations for the period from 1 April 2015 to 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

Djeneba Gory

Geneva, 8 February 2018

Enclosure:

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
 COMBINED EUROPE MIGRATION APPEALS [EUROPE MIGRATION: COORDINATION,
 RESPONSE, AND PREPAREDNESS (MDR65001), HUNGARY POPULATION MOVEMENT
 (MDRHU004), ITALY POPULATION MOVEMENT (MDRIT002)]**

**COMBINED INCOME AND EXPENDITURE STATEMENT
 FOR THE PERIOD FROM 01 APRIL 2015 TO 31 DECEMBER 2015**

		Period from 01-Apr-2015 to 31-Dec-2015 TOTAL CHF
OPERATING INCOME	Notes	
Voluntary contributions	4	4,631,832
Corporate donation fees		(19,663)
Total INCOME		<u>4,612,169</u>
OPERATING EXPENDITURE		
Programmes and coordination: Humanitarian Response		
Employee benefits		179,837
Relief supplies, transportation and storage		811,227
Supplementary services cost recoveries		52,489
Other costs & allocations	6	<u>1,173,613</u>
Total direct costs		<u>2,217,166</u>
Indirect cost recovery		135,778
Pledge fees		15,777
Total OPERATING EXPENDITURE	5	<u>2,368,721</u>
NET SURPLUS FROM OPERATING ACTIVITIES		<u>2,243,448</u>
Finance expense, net		(349)
NET SURPLUS FOR THE PERIOD		<u><u>2,243,099</u></u>
FUNDS HELD FOR OPERATIONS		
Net surplus for the period		2,243,099
FUNDS HELD FOR OPERATIONS		<u><u>2,243,099</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
COMBINED EUROPE MIGRATION APPEALS [EUROPE MIGRATION: COORDINATION,
RESPONSE, AND PREPAREDNESS (MDR65001), HUNGARY POPULATION MOVEMENT
(MDRHU004), ITALY POPULATION MOVEMENT (MDRIT002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2015 TO 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'.

From the beginning of 2015, an unprecedented number of migrants arrived in Europe. In response to the humanitarian needs, the IFRC launched country Emergency Appeals for Greece, Italy, former Yugoslav Republic of Macedonia, Serbia, Croatia and Hungary to assist the affected National Societies. The International Appeal for Turkey was launched in November 2012.

Europe Migration: Coordination, Response and Preparedness (MDR65001)

On 20 November 2015, the regional coordination appeal was launched seeking CHF 2.2 million to support the affected National Societies in their response to the crisis. In 2016, the emergency appeal was revised to seek CHF 4.65 million and the timeframe was extended until 31 March 2017. The final report was issued on 30 June 2017. Although the appeal is closed, support is provided through the IFRC's Annual Operational Plans for Europe.

Hungary: Population Movement (MDRHU004)

Following the IFRC's Disaster Relief Emergency Fund (DREF) allocation of CHF 322,365, an emergency appeal was launched in September 2015 seeking CHF 3.58 million to assist beneficiaries with the provision of food and non-food items, hygiene and health promotion, family link restoration, and psycho-social support. Through subsequent appeal revisions and operation updates, the emergency appeal budget was decreased to CHF 1.07 million and the timeframe was extended to 31 December 2016. The final report was issued on 30 April 2017.

Italy: Population Movement (MDRIT002)

In response to the Migration crisis, CHF 283,305 was allocated from the IFRC's DREF, focusing on supporting the Italian Red Cross to respond to immediate needs. In May 2015, an emergency appeal was launched seeking CHF 2.71 million to support the Italian Red Cross to assist an estimated 85,000 people with a focus on emergency health, family link restoration, psychological support, institutional preparedness and capacity development. Through subsequent appeal revisions and operation updates, the emergency appeal was increased to CHF 8.37 million to assist up to 300,000 people until 31 December 2017.

The combined appeal financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Europe Migration: Coordination, Response, and Preparedness appeal, Hungary: Population Movement appeal, Italy: Population Movement appeal, and are hereto referred to as the Combined Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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(MDRHU004), ITALY POPULATION MOVEMENT (MDRIT002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2015 TO 31 DECEMBER 2015**

2. Basis of accounting

The Combined 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 Combined Appeal Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within Europe Migration: Coordination, Response, and Preparedness appeal, Hungary: Population Movement appeal, Italy: Population Movement appeal are 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 Combined Europe Migration Appeals, 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 and corporate donation fees.

(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.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

The fair value of in-kind goods is based on the donor indication of the value. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value. The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to employ a person in a similar position.

The IFRC sometimes agrees with a donor that the value of a confirmed written pledge previously received shall be changed - either increased or decreased. Such changes are recognised as additions to, or reductions of, income, during the period in which the change was agreed. The IFRC is not able to evaluate the potential impact of such changes on voluntary income reported in these Combined 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 fee is recovered upon the receipt of the relevant contributions, in order to fund the costs of relationship management associated with corporate donors; the service fee expense is reflected as a deduction of the operating income for the appeal.

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 Combined Appeal Financial Statements are 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 Combined Europe Migration Appeals, 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.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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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

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

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.

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

	Cash	Services	Period from
	CHF	In-Kind	01-Feb-2015
		CHF	to 31-Dec-2015
			TOTAL
	CHF		CHF
Apple iTunes	145,488	-	145,488
Austrian Red Cross	31,086	-	31,086
British Red Cross	392,841	34,748	427,589
British Red Cross (from British Government)	1,751,107	-	1,751,107
Canadian Red Cross	130,803	-	130,803
Cartier Charitable Foundation	75,000	-	75,000
Danish Red Cross	-	19,123	19,123
Danish Red Cross (from Denmark - Private Donors)	100,000	-	100,000
FedEx Services	71,728	-	71,728
Finnish Red Cross	36,818	8,360	45,178
Hungarian Government	65,807	-	65,807
Icelandic Red Cross	20,000	-	20,000
Irish Red Cross Society	10,844	-	10,844
Italy - Private Donors	11,644	-	11,644
Japanese Red Cross Society	78,065	-	78,065
Luxembourg Government	27,084	-	27,084
Metro AG	32,709	-	32,709
Nestle	38,033	-	38,033
Norwegian Red Cross	354,321	-	354,321
Novartis	24,391	-	24,391
Online donations (from United States - Private Donors)	23,903	-	23,903
Other donors (including those with contributions less than CHF10,000)	45,458	24,271	69,729
Red Cross of Monaco	53,579	-	53,579
Supreme Master Ching Hai International Association	107,280	-	107,280
Swedish Red Cross	303,837	7,420	311,257
Swiss Government	256,735	-	256,735
Swiss Red Cross	10,000	-	10,000
Taiwan - Private Donors	28,939	-	28,939
The Netherlands Red Cross	275,703	34,707	310,410
	<u>4,503,203</u>	<u>128,629</u>	<u>4,631,832</u>

The figures include cash contributions and movements in outstanding pledges in 2015, together with the revaluation of outstanding foreign currency pledges as at 31 December 2015.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Operating expenditure by Emergency Appeal

	Coordination, Response and Preparedness	Hungary Population Movement	Italy Population Movement	Period from 01-Apr-2015 to 31-Dec-2015 TOTAL
OPERATING EXPENDITURE	CHF	CHF	CHF	CHF
Employee benefits	161,425	7,942	10,470	179,837
Relief supplies, transportation and storage	-	129,924	681,303	811,227
Supplementary services cost recoveries	25,458	-	27,031	52,489
Other costs & allocations	25,494	510,874	637,245	1,173,613
Total direct costs	212,377	648,740	1,356,049	2,217,166
Indirect cost recovery	5,444	42,168	88,166	135,778
Pledge fees	936	2,389	12,452	15,777
Total OPERATING EXPENDITURE	218,757	693,297	1,456,667	2,368,721

6. Other costs & allocations

	Period from 01-Apr-2015 to 31-Dec-2015 TOTAL CHF
Administration, office and general	329
Consultancy fees	5,550
Information	266
Travel	19,970
Vehicles and equipment	1,298
Other costs and allocations	1,146,200
	1,173,613

Included within Other Costs and allocations is a provision of working advances not yet reported by National Societies amounting to CHF 1,125,289.