



**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, MDRHR002, MDRHU004, MDR65001)
for the period from 1 January 2016 to 31 December 2016



KPMG SA
Audit Western Switzerland
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
www.kpmg.ch

Independent Auditor's Report on the IFRC's Financial Statements for the Combined Europe Migration Appeals (MDRIT002, MDRHR002, MDRHU004, MDR65001) to the Management of

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

Opinion

We have audited the accompanying grant financial statements for the Combined Europe Migration Appeals (MDRIT002, MDRHR002, MDRHU004, MDR65001) of the International Federation of Red Cross and Red Crescent Societies ("IFRC"), which comprise the income and expenditure statement and notes to the financial statements, including a summary of significant accounting policies ('the financial statements') for the period from 1 January 2016 to 31 December 2016.

In our opinion, the accompanying financial statements for Combined Europe Migration Appeals (MDRIT002, MDRHR002, MDRHU004, MDR65001) for the period from 1 January 2016 to 31 December 2016 are prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the IFRC in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Notes 2 and 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the IFRC to comply with the financial reporting provisions of the IFRC.

Responsibilities of the Management for the Financial Statements

The management of the IFRC is responsible for the preparation of the financial statements in accordance with the basis of accounting described in the notes and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



*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
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for the period from 1 January 2016 to 31 December 2016*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IFRC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

We communicate with the management and those charged with governance of IFRC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA

Karina Vartanova
Licensed Audit Expert

Djeneba Gory

Geneva, 8 February 2018

Enclosure:

Financial statements (income and expenditure statement and explanatory notes) for the period from 1 January 2016 to 31 December 2016

**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), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**COMBINED INCOME AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2016**

		Year ended 31-12-2016	Period from 01-Apr-2015 to 31-Dec-2015
		TOTAL	TOTAL
OPERATING INCOME	Notes	CHF	CHF
Voluntary contributions	4	7,426,304	4,631,832
Corporate donation fees		-	(19,663)
Total INCOME		<u>7,426,304</u>	<u>4,612,169</u>
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		2,326,606	179,837
Relief supplies, transportation and storage		2,348,404	811,227
Contributions to National Societies		19,210	-
Supplementary services cost recoveries		186,844	52,489
Other costs & allocations	6	<u>427,428</u>	<u>1,173,613</u>
Total direct costs		<u>5,308,492</u>	<u>2,217,166</u>
Indirect cost recovery		315,914	135,778
Pledge fees		58,358	15,777
Total OPERATING EXPENDITURE	5	<u>5,682,764</u>	<u>2,368,721</u>
NET SURPLUS FROM OPERATING ACTIVITIES		<u>1,743,540</u>	<u>2,243,448</u>
Finance expense, net		(6,181)	(349)
NET SURPLUS FOR THE PERIOD		<u>1,737,359</u>	<u>2,243,099</u>
FUNDS HELD FOR OPERATIONS			
Brought forward		2,243,099	-
Net surplus for the period		<u>1,737,359</u>	<u>2,243,099</u>
FUNDS HELD FOR OPERATIONS		<u>3,980,458</u>	<u>2,243,099</u>

The notes on pages 4 to 10 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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AND PREPAREDNESS (MDR65001), HUNGARY POPULATION MOVEMENT (MDRHU004), ITALY
POPULATION MOVEMENT (MDRIT002), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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'.

Due to an unprecedented arrival of migrants in Europe in 2015, and the resulting 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 appeal for Turkey was launched in 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, 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 to support the Italian Red Cross (ItRC) to respond to immediate needs of beneficiaries. In May 2015, an emergency appeal was launched seeking CHF 2.71 million with a focus on emergency health, family link restoration, psychological support, institutional preparedness and capacity development. Through subsequent appeal revisions, the emergency appeal was increased to CHF 8.37 million to assist up to 300,000 people until 31 December 2017.

Croatia: Population Movement (MDRHR002)

In response to the Migration crisis, CHF 361,559 was allocated from the IFRC's DREF to support Croatian Red Cross (CRC) to meet immediate needs of beneficiaries through the provision of food and non-food items, hygiene kits and tracing services. In February 2016, an emergency appeal was launched for CHF 2.60 million to support CRC to scale up activities to assist 175,000 beneficiaries. In June 2016, the emergency appeal was reduced to CHF 1.32 million and the timeframe was extended until 31 December 2016. The final report was issued on 31 March 2017.

These combined appeal financial statements 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 Croatia: Population Movement appeal; and are hereto referred to as the Combined Appeal Financial Statements.

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POPULATION MOVEMENT (MDRIT002), CROATIA POPULATION MOVEMENT (MDRHR002)]**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 the combined appeal financial statements 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.

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.

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

(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	Services	Year ended	Period from
	CHF	In-Kind	31-12-2016	01-Feb-2015
		CHF	TOTAL	TOTAL
			CHF	CHF
American Red Cross	411,323	-	411,323	-
Apple iTunes	-	-	-	145,488
Australian Red Cross	18,672	23,232	41,904	-
Austrian Red Cross	-	-	-	31,086
British Red Cross	1,252,324	168,684	1,421,008	427,589
British Red Cross (from British Government)	510,355	-	510,355	1,751,107
Canadian Red Cross	42,517	-	42,517	130,803
Cartier Charitable Foundation	-	-	-	75,000
Danish Red Cross	-	-	-	19,123
Danish Red Cross (from Denmark - Private Donors)	-	-	-	100,000
Sub-totals carried down	2,235,191	191,916	2,427,108	2,680,196

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4. Voluntary contributions (continued)

	Cash	Services	Year ended	Period from
	CHF	In-Kind	31-12-2016	01-Feb-2015
	CHF	CHF	TOTAL	TOTAL
	CHF	CHF	CHF	CHF
Sub-totals brought down	2,235,191	191,916	2,427,108	2,680,196
FedEx Services	71,728	-	71,728	71,728
Finnish Red Cross	168,711	53,200	221,911	45,178
Give Eur-Hope ASBL	21,865	-	21,865	-
Hungarian Government	-	-	-	65,807
Icelandic Red Cross	173,130	-	173,130	20,000
Icelandic Red Cross (from Icelandic Government)	176,409	-	176,409	-
IFRC at the UN Inc	65,193	-	65,193	-
Irish Red Cross Society	107,135	-	107,135	10,844
Italy - Private Donors	-	-	-	11,644
Japanese Red Cross Society	87,088	-	87,088	78,065
King Digital Entertainment PLC, King.com	480,201	-	480,201	-
Luxembourg Red Cross	15,841	45,968	61,809	-
Luxembourg Government	-	-	-	27,084
Mellon Bank	29,062	-	29,062	-
Metro AG	9,813	-	9,813	32,709
Nestle	295	-	295	38,033
Norwegian Red Cross	699,275	30,400	729,675	354,321
Norwegian Red Cross (from Norwegian Government)	12,807	-	12,807	-
Novartis	53	-	53	24,391
Online donations (from United States - Private Donors)	-	-	-	23,903
Other donors (including those with contributions less than CHF10,000)	30,275	-	30,275	69,729
Red Cross of Monaco	16,380	-	16,380	53,579
Supreme Master Ching Hai International Association	-	-	-	107,280
Spanish Red Cross	-	23,168	23,168	-
Swedish Red Cross	825,570	-	825,570	311,257
Swiss Government	443,265	-	443,265	256,735
Swiss Red Cross	650,000	-	650,000	10,000
Taiwan - Private Donors	-	-	-	28,939
The Netherlands Red Cross	611,494	112,774	724,268	310,410
Western Union Foundation	14,531	-	14,531	-
UL LLC -Underwriters Laboratories,LLC	23,564	-	23,564	-
	<u>6,968,877</u>	<u>457,426</u>	<u>7,426,304</u>	<u>4,631,832</u>

The figures include cash contributions and movements in outstanding pledges in 2016, together with the revaluation of outstanding foreign currency pledges as at 31 December 2016.

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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	Croatia Population Movement	Year ended 31-Dec-2016 TOTAL	Period from 01-Apr-2015 to 31-Dec-2015 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
OPERATING EXPENDITURE						
Employee benefits	1,407,305	68,775	703,538	146,988	2,326,606	179,837
Relief supplies, transportation and storage	319,811	334,568	1,333,628	360,397	2,348,404	811,227
Contributions to National Societies	19,210	-	-	-	19,210	-
Supplementary services cost recoveries	155,886	9,325	16,289	5,344	186,844	52,489
Other costs & allocations	380,576	(200,988)	(36,780)	284,620	427,428	1,173,613
Total direct costs	2,282,788	211,680	2,016,675	797,349	5,308,492	2,217,166
Indirect cost recovery	119,240	13,762	131,084	51,828	315,914	135,778
Pledge fees	22,876	3,015	25,000	7,467	58,358	15,777
Total OPERATING EXPENDITURE	2,424,904	228,457	2,172,759	856,644	5,682,764	2,368,721

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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6. Other costs & allocations

	Year ended 31-Dec-2016	Period from 01-Apr-2015 to 31-Dec-2015
	TOTAL	TOTAL
	CHF	CHF
Administration, office and general	119,235	329
Consultancy fees	92,176	5,550
Information	60,658	266
Travel	165,739	19,970
Vehicles and equipment	232,034	1,298
Workshops & training	141,324	-
Other costs and allocations	(383,738)	1,146,200
	<u>427,428</u>	<u>1,173,613</u>

Included within Other Costs and allocations is the provision of working advances to National Societies. In 2016, there is a reversal amounting to CHF 473,365 (In 2015, the amount not yet reported is CHF 1,125,289).