

**International Federation of Red Cross  
and Red Crescent Societies**

**Report of the Auditors  
to management on the statement  
of income and expenditure for the  
Bay of Bengal and Tsunami appeal  
(M04EA028) for the year ended  
31 December 2007**

September 22, 2008

00582738001/10/MJU

Report of the auditors  
to Sayed Hashem  
Head of the Internal Audit and Risk Management Dept  
International Federation of Red Cross and Red  
Crescent Societies  
Geneva

We have audited the accompanying statement of income and expenditure and the related notes of the Bay of Bengal and Tsunami Appeal (M04EA028) of the International Federation of Red Cross and Red Crescent Societies (the "Federation") for the 12 month period ended 31 December 2007. The statement of income and expenditure and the related notes are the responsibility of the Federation's management. Our responsibility is to express an opinion on the statement of income and expenditure and the related notes based on our audit.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audits to obtain reasonable assurance about whether the statement of income and expenditure and the related notes are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statement of income and expenditure has been prepared, in all material respects, in accordance with the basis set out in note 2 to the statement.

Without qualifying our opinion, we emphasise that the information contained in the statement of income and expenditure and the related notes is not intended to, and does not, comprise a complete set of financial statements in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SA



Michael Foley



Thierry James

Geneva, September 22, 2008

Enclosure:

- Statement of income and expenditure, and notes

## INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES

STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE & TSUNAMI  
APPEAL (M04EA028)  
YEAR ENDED 31 DECEMBER 2007

	Note ref	2007 CHF	2006 CHF
Voluntary contributions	2.3 (a) & 3	141,697,800	95,828,875
Bilateral Services income	2.3 (b)	3,256,508	3,070,435
Interest income	2.3 (c)	1,492,463	-
Other income		57,916	161,707
<b>Total INCOME</b>	<b>5</b>	<b><u>146,504,687</u></b>	<b><u>99,061,017</u></b>
<b>OPERATING EXPENDITURE</b>			
Supplies		44,995,522	139,148,436
Vehicles and equipment		1,647,449	6,454,827
Transport and storage	2.5	2,952,594	11,145,371
Personnel expenditure	2.6	18,301,807	30,545,572
Workshops and training		1,885,825	2,075,718
General expenditure		5,942,719	9,970,802
Depreciation	2.7	63,096	94,706
Contributions to National Societies		780,323	1,964,592
Contributions to other organisations		125,000	13,707,400
Programme support	4	-474,037	12,291,369
Operational provisions	2.8	-269,969	-628,367
<b>Total OPERATING EXPENDITURE</b>	<b>5</b>	<b><u>75,950,329</u></b>	<b><u>226,770,426</u></b>
<b>EXCESS OF EXPENDITURE OVER INCOME</b>	<b>5</b>	<b><u>70,554,358</u></b>	<b><u>-127,709,409</u></b>
<b>FUNDS HELD FOR OPERATIONS</b>			
Brought forward	2.4	90,021,996	217,731,405
Excess of expenditure over income		70,554,358	-127,709,409
<b>FUNDS HELD FOR OPERATIONS</b>		<b><u>160,576,354</u></b>	<b><u>90,021,996</u></b>

The notes on pages 2 to 5 are an integral part of this Income and Expenditure statement.

**NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE  
& TSUNAMI APPEAL (M04EA028)  
YEAR ENDED 31 DECEMBER 2007**

**NOTE 1 - ACTIVITIES**

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 186 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 IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Its principal activities include:

- promoting individual and community humanitarian principles and values
- responding to disasters by providing assistance to vulnerable people, from refugees to victims of natural disasters
- disaster preparedness activities which aim to make National Societies and communities more aware of the risks they face, how to reduce their vulnerability, and how to cope when disaster strikes
- health and community care activities to enable communities to reduce their vulnerability to disease, and prepare for and respond to public health crises
- guiding and supporting the development of National Societies to enable them to fulfil their responsibilities in providing humanitarian services in their own countries.

The financials presented comprise the Income and Expenditure and supporting Notes of all projects linked to the Bay of Bengal Earthquake and Tsunami Appeal (M04EA028), hereto referred to as the Appeal Income and Expenditure statement.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Appeal Income and Expenditure statement is presented in Swiss Francs. The Appeal Income and Expenditure statement has been prepared under the historical cost convention.

**2.2 Foreign currency transactions**

Foreign currency transactions are translated into Swiss Francs using the month end exchange rate prevailing prior to the dates of the transactions.

**2.3 Income**

Income comprises contributions in cash or in-kind from donors, sundry income from the sale of goods and income from services.

**a) Voluntary contributions**

Unearmarked cash contributions are recognised when a confirmed written pledge has been received from the donor.

Earmarked cash contributions are recognised as income when a confirmed written pledge has been received from the donor unless: either they are earmarked for a future accounting period, in which case they are booked as deferred income and taken to the Income and Expenditure Statement in the period for which they were earmarked or; in the case of earmarked contributions made which are subject to a specific service contract, in which case income is recognised as the contractual obligations are fulfilled and expenditure incurred.

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 reported as equal contributions and expenses in the Income and Expenditure Statement. In-kind goods and services received in response to appeals are measured at fair value.

The fair value of in-kind goods is taken as the donor indication of the value. This value is tested for reasonableness and adjusted accordingly, by comparing it to the cost that would be incurred by the IFRC if it were to buy similar goods for the same intended use in the open market.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE  
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The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC if it were to directly employ a person in a similar position.

**b) Income from the provision of services**

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

The majority of income from the provision of services is derived from services provided to implementing National Societies in countries where these National Societies are working bilaterally with the local National Society, rather than multilaterally with the IFRC and the local National Society. Income from these types of services is included under Bilateral Services Income in the Income and Expenditure statement.

**c) Interest income**

Interest earned on unspent funds held, has been allocated to the Tsunami appeal following the decision of IFRC's Governing Board in June 2006. The total of CHF 1,492k relates to interest earned from June 2006 to December 2007, of which CHF 54k relates to 2006. This had not been allocated to the Tsunami appeal in that year.

**2.4 Funds held for Operations**

The cumulative excess of voluntary contributions 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 donor for a reallocation of those funds for a different use, or reimburses them to the donor. Reimbursements to donors are accounted for as reversals of voluntary contributions received; consequently, funds held for operations are diminished accordingly.

**2.5 Transport and storage**

The cost of renting vehicles from the IFRC's Vehicle Fleet Base for use on the Tsunami operation is recorded under Transport and storage.

**2.6 Personnel expenditure**

Personnel expenditure includes salary and benefit costs of international delegates, in-kind delegates, national staff and consultants' fees and expenses.

**2.7 Depreciation**

Depreciation is charged to those projects which are using the related vehicles or equipment. It is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

Vehicles	4-5 years
Computer equipment	3-4 years
Other equipment	3-5 years

**2.8 Operational provisions**

Operational provisions represent the value of working advances made to National Societies which have not yet been reported by the recipient National Societies. Detailed breakdowns of the expenditure incurred by the National Societies are therefore not known at the balance sheet date, but are normally reported on thereafter.

The value of unreported working advances as at 31 December 2006 was higher than that at 31 December 2007 resulting in a decrease in the provision for outstanding working advances and hence a credit to the provision expense in 2007.

**NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE  
& TSUNAMI APPEAL (M04EA028)  
YEAR ENDED 31 DECEMBER 2007**

**3 Voluntary contributions analysis**

	Cash	Outstanding Pledges (Revalued)	Goods In-Kind	Services In-Kind	2007 TOTAL	2006 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
American Government	42,113	-42,519	-	-	-406	7,970,100
American Red Cross	45,708,094	8,828,899	947,432	261,647	55,746,072	25,758,712
Andorra Red Cross	-	-	-	-	0	273,793
Australian Government	289,512	-262,295	-	-	27,217	825,084
Australian Red Cross	6,010,173	21,978	-	530,713	6,562,864	9,589,740
Bahrain Red Crescent	737,945	-365,850	-	-	372,095	365,850
Belguim Red Cross (Flanders)	1,834,575	170,914	-179,783	-	1,825,706	433,284
Belguim Red Cross (French)	-1,739,687	-86,574	290,032	102,000	-1,434,229	36,550
British Red Cross	4,107,635	540,180	175,000	388,063	5,210,878	1,399,198
Canadian Red Cross	10,525,328	3,534,872	685,680	246,060	14,991,940	4,731,671
China Red Cross Society	2,420,000	-	-	-	2,420,000	1,230,000
Finnish Red Cross	616,804	-278,183	-	214,700	553,321	2,378,974
French Red Cross	7,121,341	3,261,087	-	3,813	10,386,241	46,640
German Red Cross	2,329,889	300,000	-	52,800	2,682,689	85,947
Hong Kong Red Cross	12,564,220	-1,370,220	-	-	11,194,000	5,163,524
Icelandic Red Cross	515,858	-	-	-	515,858	369,603
Irish Red Cross	4,225,945	-451,935	-	127,200	3,901,210	-2,721,616
Japanese Red Cross	6,807,607	-	-	-	6,807,607	-
Korea Republic Red Cross	1,270,039	-	-	-	1,270,039	-
MDRT Foundation	-	-	-	-	0	189,447
Mongolian Red Cross Society	-	-	-	-	0	126,050
Netherlands Red Cross	5,763,842	-370,500	-	21,120	5,414,462	6,274,124
New Zealand Red Cross	12,847,384	-11,937,434	-	151,946	1,061,896	12,371,338
Norwegian Red Cross	2,764,517	166,012	570,982	135,707	3,637,218	4,448,173
Pearson	-	-	-	-	0	302,382
Polish Red Cross	-	-	-	-	0	415,656
Singapore Red Cross	2,000,000	-	-	-	2,000,000	-
South African Red Cross	930,600	51,645	-	-	982,245	-
Spanish Red Cross	214,000	-214,000	223,942	-	223,942	1,132,000
Swedish Red Cross	5,186,816	-3,464,875	-	132,086	1,854,027	19,227,543
Taiwan Red Cross Organisation	1,821,400	-1,539,450	-	-	281,950	-194,250
United Arab Emirates Red Crescent	601,482	1,362,017	-	-	1,963,499	-
Others	167,998	822,228	10,000	245,233	1,245,459	-6,400,642
	<b>137,685,430</b>	<b>-1,324,003</b>	<b>2,723,285</b>	<b>2,613,088</b>	<b>141,697,800</b>	<b>95,828,875</b>

The "Outstanding pledges" column above shows movements in outstanding pledges between 1 January 2007 and 31 December 2007 and the revaluation of outstanding foreign currency pledges as at 31 December 2007.

Reimbursements of funds to donors referred to in note 2.4 above are recorded as a reduction in cash voluntary contributions if the contributions had already been paid or as a reduction in outstanding pledges if the contributions were still unpaid.

**4 Programme support**

As a contribution to the costs of support for operations in the field, an additional 6.5% is added to the actuals of each operation for service provision. This support includes services essential for an operation's success such as human resources, finance, logistics, information technology and other support.

## INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE  
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Following a decision by the IFRC's Governing Board in June 2006, all voluntary contributions received from 1 July 2006 onwards have been exempted from programme support recovery charges. The credit of CHF 474K relates to reallocation of 2006 expenditure originally charged to funds received prior to 1 July 2006 to funds received after 1 July 2006, resulting in a reversal of programme support recovery charges.

**5 Income and Expenditure analysis by country of implementation**

	Indonesia CHF	Sri Lanka CHF	Maldives CHF	Other CHF	2007 TOTAL CHF	2006 TOTAL CHF
Voluntary contributions	73,960,279	60,472,634	44,149,275	-36,884,388	141,697,800	95,828,875
Bilateral Services income	2,316,928	910,506	-	29,074	3,256,508	3,070,435
Interest income	-	-	-	1,492,463	1,492,463	-
Other income	145,694	-129,934	28,532	13,623	57,915	161,708
<b>Total INCOME</b>	<b>76,422,902</b>	<b>61,253,206</b>	<b>44,177,807</b>	<b>-35,349,228</b>	<b>146,504,687</b>	<b>99,061,017</b>
<b>OPERATING EXPENDITURE</b>						
Supplies	3,928,885	14,629,507	24,922,675	1,514,455	44,995,522	139,148,436
Vehicles and equipment	861,564	277,566	89,782	418,537	1,647,449	6,454,827
Transport and storage	2,443,898	561,591	164,477	-217,372	2,952,594	11,145,371
Personnel expenditure	7,228,685	5,103,461	1,579,357	4,390,303	18,301,807	30,545,572
Workshops and training	592,324	202,875	55,684	1,034,942	1,885,825	2,075,718
General expenditure	1,857,278	1,569,665	979,449	1,536,327	5,942,719	9,970,802
Depreciation	55,709	3,940	-	3,447	63,096	94,706
Contributions to National Societies	480,000	294,953	-	5,370	780,323	1,964,592
Contributions to other organisations	-	-	-	125,000	125,000	13,707,400
Programme support	-1,003,629	235,878	-19,926	313,640	-474,037	12,291,369
Operational provisions	-304,876	-153,406	183	188,130	-269,968	-628,367
<b>Total OPERATING EXPENDITURE</b>	<b>16,139,838</b>	<b>22,726,031</b>	<b>27,771,682</b>	<b>9,312,779</b>	<b>75,950,329</b>	<b>226,770,426</b>
<b>EXCESS OF EXPENDITURE OVER INCOM</b>	<b>60,283,064</b>	<b>38,527,175</b>	<b>16,406,125</b>	<b>-44,662,007</b>	<b>70,554,358</b>	<b>-127,709,409</b>