

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

Independent Auditor's Report

On the IFRC's Financial Statements
for the China Sichuan Earthquake Emergency Appeal
(MDRCN003)
for the year ended 31 December 2009



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Independent Auditor's Report

China Sichuan Earthquake Emergency Appeal (MDRCN003) of the International Federation of Red Cross and Red Crescent Societies (IFRC)

We have audited the accompanying financial statements (income and expenditure statement and related notes) of the China Sichuan Earthquake Emergency Appeal (MDRCN003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2009.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the IFRC's management. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are 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 plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of 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 the auditor's 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, the auditor considers the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 accompanying financial statements give a true and fair view of the income and expenditure for the year ended 31 December 2009 and have been prepared, in all material respects in accordance with the IFRC accounting policies, as described in the notes to the accompanying financial statements.

KPMG SA

Pierre-Henri Pigeon
*Licensed Audit Expert
Auditor in Charge*

Christine Fox

Geneva, 27 October 2010

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

		Year ended 31-Dec-09	Period from 15-May-08 to 31-Dec-08
	Note	CHF	CHF
Voluntary contributions	2.3 & 3	46,282,619	105,080,944
Corporate donation fees	4	(2,756)	(95,761)
Other income	5	269,139	-
Total INCOME		<u>46,549,002</u>	<u>104,985,183</u>
OPERATING EXPENDITURE			
Supplies		15,390	32,872,740
Vehicles and equipment		169,216	43,339
Transport and storage	2.5	61,510	11,251,997
Personnel expenditure	2.6	1,553,777	480,776
Workshops and training		127,684	14,356
General expenditure		388,605	233,809
Contributions to national societies	8 (b)	56,989,868	3,529,795
Programme support recovery	6	4,733,443	2,889,535
Services and recoveries	7	1,500	500,691
Provisions for operations	8 (a)	(2,713)	3,471
Total OPERATING EXPENDITURE		<u>64,038,280</u>	<u>51,820,509</u>
RESULT FOR THE YEAR		<u>(17,489,278)</u>	<u>53,164,674</u>
FUNDS HELD FOR OPERATIONS	2.4		
Brought forward		53,164,674	-
Result for the year		<u>(17,489,278)</u>	<u>53,164,674</u>
FUNDS HELD FOR OPERATIONS		<u>35,675,396</u>	<u>53,164,674</u>

The notes on pages 2 to 6 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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 Secretariat headquarters' address is 17, Chemin des Crêts, Geneva, Switzerland.

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.

In May 2008, a 7.8 magnitude earthquake rocked the South-Western province of Sichuan in China. The IFRC launched a preliminary emergency appeal on 15 May 2008 for CHF 20.1 million to support the Red Cross Society of China in assisting around 100,000 people affected by the earthquake for 12 months. This preliminary appeal was followed by an additional appeal for CHF 96.7 million, launched on 30 May 2008, in response to the humanitarian needs and in recognition of the unique position of the Red Cross Society of China supported by Red Cross Red Crescent partners to deliver high quality disaster response and recovery programmes. A further revised appeal was launched in November 2008 for CHF 167.0 million, in order to support the Red Cross Society of China to assist an estimated 200,000 families (up to 1,000,000 people) affected by the earthquake for 31 months, covering the provision of life-saving relief and substantial recovery and reconstruction programmes to address widespread humanitarian needs in Sichuan, Gansu and Shaanxi provinces.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Sichuan Earthquake Emergency Appeal (appeal MDRCN003) and are hereto referred to as the Appeal Financial Statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The Appeal Financial Statements are presented in Swiss Francs and have been prepared under the historical cost convention. 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).

2.2 Foreign currency transactions

The presentational and functional currency of the IFRC is the Swiss Franc, since 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 Sichuan Earthquake Appeal (appeal MDRCN003), 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 rate prevailing at the date of the transactions.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Income

Income comprises contributions in cash or in-kind from donors and income from services.

Unearmarked cash contributions are recognised as income 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, 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 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 and adjusted accordingly, by comparing it to the cost that would be incurred by the IFRC, if it were to buy similar goods, in the open market, for the same intended use.

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.

2.4 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 donor for a reallocation of those funds for a different use, or reimburses them to the donor. No amounts were reimbursed to donors during the year ended 31 December 2009.

2.5 Transport and storage

The cost of renting vehicles from the IFRC's Vehicle Fleet Base for use on the China 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.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE

NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 3 – VOLUNTARY CONTRIBUTIONS

	Cash	Outstanding	Services	Year ended	Period from
	CHF	Pledges	In-Kind	31-Dec-09	15-May-08 to
		(Revalued)	CHF	TOTAL	31-Dec-08
	CHF	CHF		CHF	TOTAL
					CHF
American Government	-	-	-	-	520,000
American Red Cross	16,284,877	14,994,829	52,800	31,332,506	10,459,240
Australian Red Cross	828,378	-	52,800	881,178	5,917,700
Australian Red Cross (from Australian Government)	-	-	-	-	995,500
Austria - Private Donors	-	-	-	-	485
Belgium Red Cross (Flanders)	-	-	-	-	227,909
Belgium Red Cross (Flanders) (from Belgian Federal Government)	-	-	-	-	36,523
Brazil - Private Donors	-	-	-	-	6,373
British Red Cross	(7,491)	2,154,431	-	2,146,940	5,440,048
Bulgarian Red Cross	-	-	-	-	5,000
Cambodia - Private Donors	-	-	-	-	170
Canada - Private Donors	-	-	-	-	5,200
Canadian Red Cross	4,062,938	6,585,638	24,640	10,673,216	7,607,070
Canadian Red Cross (from Canadian Government)	-	-	-	-	18,066,458
Charities Aid Foundation	98,414	-	-	98,414	-
Croatian Red Cross	24,882	-	-	24,882	-
China - Private Donors	-	-	-	-	32
Cook Islands Red Cross	-	13	-	13	61
Czech Red Cross	-	-	-	-	10,202
Danish Red Cross	11,539	-	-	11,539	1,405,758
Danish Red Cross (from Danish Government)	-	-	-	-	670,030
DELL Direct Giving Campaign	-	-	-	-	89,867
Estonia Red Cross	-	-	-	-	4,035
Finnish Red Cross	360,904	(374,139)	-	(13,235)	1,318,140
Finnish Red Cross (from Finnish Government)	692,936	(718,348)	-	(25,412)	718,348
French Red Cross	381,918	-	-	381,918	-
France - Private Donors	-	-	-	-	2,668
German Red Cross	-	-	-	-	1,350,968
Germany - Private Donors	-	-	-	-	121
Germany - Private Donors (from Switzerland - Private Donors)	-	-	-	-	100
Great Britain - Private Donors	-	-	-	-	22,503
Greek Government	-	-	-	-	327,000
IATA	-	-	-	-	8,650
Icelandic Red Cross (from Icelandic Government)	-	-	-	-	109,646
ICRC (from Unidentified donor)	-	-	-	-	153
Indian Red Cross	5,364	-	-	5,364	27,409
India - Private Donors	3,481	-	-	3,481	5,040
Indonesia - Private Donors	-	-	-	-	2,209
Infineum UK Ltd	-	-	-	-	70,413
Ireland - Private Donors	-	-	-	-	1,256
Irish Government	-	-	-	-	1,627,000
Irish Red Cross	78,809	(70,338)	-	8,471	353,339
Italian Government Bilateral Emergency Fund	-	-	-	-	1,612,150
Japanese Government	-	-	-	-	1,785,000
Japanese Red Cross	21,062,173	(21,160,419)	-	(98,246)	29,378,490
Japan - Private Donors	-	-	-	-	3,150
Lithuanian Red Cross	-	-	-	-	976
Luxembourg Government	-	-	-	-	104,900
Malaysian Red Crescent	-	-	-	-	10,546
Malaysia - Private Donors	-	-	-	-	1,780
Mauritius Red Cross	-	-	-	-	191
Monaco Red Cross	-	-	-	-	114,914
Netherlands - Private Donors	-	-	-	-	8,335
Netherlands Red Cross	-	-	-	-	4,688,666
Netherlands Red Cross (from Netherlands Government)	-	-	-	-	813,500
Sub-totals carried down	43,889,122	1,411,667	130,240	45,431,029	95,935,222

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE

NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 3 – VOLUNTARY CONTRIBUTIONS (CONTINUED)

	Cash CHF	Outstanding Pledges (Revalued) CHF	Services In-Kind CHF	Year ended 31-Dec-09 TOTAL CHF	Period from 15-May-08 to 31-Dec-08 TOTAL CHF
Sub-totals brought down	43,889,122	1,411,667	130,240	45,431,029	95,935,222
New York Office (from Adams Street Partners)	-	-	-	-	3,000
New York Office (from Alcatel Lucent)	-	(261)	-	(261)	157,922
New York Office (from Applied Materials)	-	33	-	33	15,653
New York Office (from Bechtel Group Foundation)	-	128	-	128	60,607
New York Office (from Black Rock)	29,950	305	-	30,255	53,268
New York Office (from Citadel Investment group)	-	99	-	99	46,838
New York Office (from Codexis)	-	-	-	-	1,763
New York Office (from EMC Corp.)	104,447	457	-	104,904	79,902
New York Office (from Fibrogen)	-	23	-	23	10,938
New York Office (from Genzyme Corporation)	-	25	-	25	11,761
New York Office (from Heinz)	-	(174)	-	(174)	105,281
New York Office (from Hospira)	-	(174)	-	(174)	105,281
New York Office (from Huber)	-	(87)	-	(87)	52,641
New York Office (from Jones Apparel Group)	-	(38)	-	(38)	23,013
New York Office (from Kraft Foods)	-	-	-	-	157,500
New York Office (from Mellon Bank)	-	153	-	153	26,634
New York Office (from Monsanto Foundation)	-	321	-	321	56,077
New York Office (from Motorola Foundation)	-	174	-	174	30,469
New York Office (from New York Life)	-	714	-	714	124,631
New York Office (from Otis LG Elevator Co)	-	41	-	41	7,103
New York Office (from PricewaterhouseCoopers)	278,534	-	-	278,534	-
New York Office (from Schering Plough)	-	62	-	62	29,247
New York Office (from THERMO FISCHER)	-	45	-	45	21,384
New York Office (from United States - Private Donors)	-	-	-	-	49,610
New York Office (from United Technologies)	-	1,420	-	1,420	248,075
New York Office (from Yahoo)	-	18	-	18	8,554
New Zealand Red Cross	186,718	(140,750)	-	45,968	376,643
New Zealand Red Cross (from New Zealand Government)	-	-	-	-	664,365
Nigeria - private donors	-	-	-	-	1,024
Norwegian Red Cross	3,869	-	-	3,869	1,972,697
Norwegian Red Cross (from Norwegian Government)	(3,869)	-	-	(3,869)	377,252
Office of the Representative of the Dalai Lama	671	-	-	671	52,000
On Line donations	2,543	-	-	2,543	774,960
OPEC Fund For Int-Development	1,158,078	(1,054,741)	-	103,337	1,054,741
Other donors	14,304	-	13,200	27,504	-
Qatar Red Crescent	-	-	-	-	59,400
Romanian Red Cross	58,857	-	-	58,857	-
Royal & Sun Alliance	-	-	-	-	12,714
Russia - Private Donors	-	-	-	-	2,686
Singapore - Private Donors	-	-	-	-	9,975
Singapore Red Cross	-	-	-	-	114,048
Slovenia Government	-	-	-	-	161,500
South Africa Government	-	-	-	-	193,050
South Africa - Private Donors	-	-	-	-	361
Spain - Private Donors	-	-	-	-	1,985
Spanish Red Cross	-	-	-	-	695,552
Sri Lanka Red Cross	-	-	-	-	3,250
Stavros Niarchos Foundation	-	-	-	-	260,000
Swedish - Private Donors	-	-	-	-	32
Swedish Red Cross	165,481	-	-	165,481	-
Swedish Red Cross (from Swedish Government)	-	-	-	-	342,400
Switzerland - Private Donors	3,550	-	-	3,550	27,486
Thailand - Private Donors	-	-	-	-	5,200
Total	-	-	-	-	51,000
Turkish Red Crescent	-	-	-	-	5,264
United Arab Emirates - Private Donors	-	-	-	-	1,115
United Arab Emirates Red Crescent	-	-	-	-	20,981
United States - Private Donors	13,833	-	-	13,833	144,739
United Technologies	-	-	-	-	262,500
United Technologies (from United States - Private Donors)	-	-	-	-	5,250
UN Staff Council / UNOG	13,631	-	-	13,631	-
VERF/WHO Voluntary Emergency Relief	-	-	-	-	4,400
	45,919,719	219,460	143,440	46,282,619	105,080,944

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCN003) – CHINA SICHUAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 3 – VOLUNTARY CONTRIBUTIONS (CONTINUED)

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2009 and 31 December 2009, together with the revaluation of outstanding foreign currency pledges as at 31 December 2009.

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 has evaluated the potential impact of such changes on voluntary income reported in these Appeal Financial Statements.

NOTE 4 – CORPORATE DONATION FEES

In accordance with IFRC standard policy, donations received from corporate donors are charged a 5% service fee which is deducted from income when the corporate donation is received.

NOTE 5 – OTHER INCOME

In 2009, IFRC received a refund of CHF 269,139 Value Added Tax paid and recognised, as operating expenditure, in previous periods.

NOTE 6 - PROGRAMME SUPPORT RECOVERY

As a contribution to the costs of support for operations in the field, an additional 6.5% is added to the cost 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.

NOTE 7 - SERVICES AND RECOVERIES

Services and recoveries comprise fees charged to the Appeal by the IFRC Logistics and Resource Mobilisation Department (including the Regional Logistics Units) for procurement services provided to the operation. Fees are charged based on the value of the procurement.

NOTE 8 – PROVISIONS FOR OPERATIONS AND CONTRIBUTIONS TO NATIONAL SOCIETIES

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.

(a) Provisions for operations

The IFRC provides cash working advances to national societies for them to implement activities on behalf of the IFRC.

Amounts advanced are recognised as receivables until such time as recipient national societies report to the IFRC on their use of the funds. A provision 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 - Provisions for operations. When recipient national societies report on their use of the funds, the provision is reversed and the expense is reclassified according to its nature.

The value of unreported working advances at 31 December 2009 was lower than the value at 31 December 2008 by CHF 3k (2008: higher than 2007 by CHF 3k).

(b) 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.