

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

Independent Auditor's Report

On the IFRC's Financial Statements
for the Myanmar Cyclone Nargis Emergency Appeal
(MDRMM002)
for the year ended 31 December 2009



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Independent Auditor's Report

Myanmar Cyclone Nargis Emergency Appeal (MDRMM002) 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 Myanmar Cyclone Nargis Emergency Appeal (MDRMM002) 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 Pingeon
*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 (MDRMM002) – MYANMAR CYCLONE NARGIS**

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

		Year ended 31 December 2009 CHF	8 month period ended 31 December 2008 CHF
INCOME	Note		
Voluntary contributions	2.3 & 3	10,957,363	60,180,042
Corporate donation fees	4	(3,825)	(171,960)
Total INCOME		10,953,538	60,008,082
OPERATING EXPENDITURE			
Supplies		4,092,113	15,760,136
Vehicles and equipment		286,332	481,942
Transport and storage	2.5	1,007,348	8,152,734
Personnel expenditure	2.6	3,241,451	1,814,663
Workshops and training		389,711	177,904
General expenditure		1,195,688	907,848
Contributions to national societies		-	997,500
Programme support recovery	5	1,002,423	1,524,576
Services and recoveries	6	33,262	267,837
Provisions for operations	7	3,846,813	420,386
Total OPERATING EXPENDITURE		15,095,141	30,505,526
RESULT FOR THE YEAR		(4,141,603)	29,502,556
FUNDS HELD FOR OPERATIONS			
FUNDS HELD FOR OPERATIONS	2.4		
Brought forward		29,502,556	-
Result for the year		(4,141,603)	29,502,556
FUNDS HELD FOR OPERATIONS		25,360,953	29,502,556

The notes on pages 2 to 5 are an integral part of these appeal financial statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRMM002) – MYANMAR CYCLONE NARGIS**

**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.

Tropical cyclone Nargis, struck west-southwest of Yangon city on 2 May 2008 devastating large parts of the mid-south of Myanmar. The IFRC launched a preliminary emergency appeal for CHF 6,300k on 6 May 2008. This was followed by a revised emergency appeal for CHF 52,900k launched on 16 May 2008, to cover the provision of life-saving assistance and short-term relief for 6 months, as well as the medium and longer-term recovery needs that arose over a longer-term period. On 8 July 2008, the emergency appeal was further revised upwards to CHF 74,000k in cash, kind or services to support the Myanmar Red Cross Society to assist 500,000 beneficiaries (100,000 households) for 36 months. The operation is expected to be completed by May 2011.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Myanmar Cyclone Nargis Appeal (appeal MDRMM002) 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 Myanmar Cyclone Nargis Appeal (MDRMM002), 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 (MDRMM002) – MYANMAR CYCLONE NARGIS**

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

2.3 Income

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

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

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 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. Reimbursements to donors are accounted for as operating expenditure and 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 Myanmar 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 (MDRMM002) – MYANMAR CYCLONE NARGIS**

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

NOTE 3 – VOLUNTARY CONTRIBUTIONS

	Cash	Outstanding Pledges (Revalued)	Goods In-Kind	Services In-Kind	2009 TOTAL	2008 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
American Red Cross	-	-	-	-	-	3,378,091
Australian Red Cross	(12,831)	(6,677)	-	-	(19,508)	3,804,087
Australian Red Cross (from Australian Government)	37,499	-	-	-	37,499	2,980,500
Austrian Red Cross	(323,000)	-	-	22,000	(301,000)	1,258,113
Belgian Red Cross (French)	-	-	-	-	-	422,266
Belgian Red Cross (Flanders)	41,029	-	-	-	41,029	109,177
British Red Cross	1,728,272	-	-	58,960	1,787,232	3,207,038
British Red Cross (British Government)	634,268	-	-	-	634,268	-
British Red Cross (from DFID - British Government)	-	-	-	-	-	3,074,258
Canadian Red Cross	-	-	-	-	-	1,485,693
Canadian Red Cross (from Canadian Government)	7	-	-	-	7	2,814,568
Danish Red Cross	(6,312)	(16,800)	(97,107)	-	(120,219)	1,436,304
Danish Red Cross (from Danish Government)	-	-	-	-	-	2,227,858
ECHO	238,913	(239,449)	-	-	(536)	1,273,049
Finnish Red Cross	222,086	-	-	9,920	232,006	1,471,396
French RC	-	-	-	-	-	677,315
Germany Red Cross	(50)	-	-	-	(50)	1,789,661
Hong Kong Red Cross	547,758	533,355	-	-	1,081,113	822,557
Icelandic Red Cross	-	-	-	-	-	174,295
Irish Red Cross	-	-	-	-	-	550,290
Italian Govt Bilateral Emergency Fund	-	-	-	-	-	198,645
Italian Red Cross	59,059	-	-	-	59,059	-
Japanese Red Cross	5,949,645	-	676,812	74,400	6,700,857	4,083,648
Korea Republic Red Cross	(8)	(1,396)	-	-	(1,404)	857,664
Kuwait Red Crescent (from Kuwait Government)	-	-	-	-	-	5,250,000
Luxembourg Red Cross	-	-	-	-	-	421,759
Monaco Red Cross	-	-	-	-	-	144,373
Netherlands Red Cross	25,809	-	-	68,200	94,009	1,285,554
Netherlands Red Cross (from Netherlands Government)	-	-	-	-	-	1,437,275
New York Office (from ChevronTexaco Corp.)	-	(1,737)	-	-	(1,737)	1,052,810
New York Office (from Hospira)	-	(174)	-	-	(174)	105,281
New York Office (from Motorola Company)	-	(174)	-	-	(174)	105,281
New Zealand Red Cross	-	-	-	-	-	196,574
Norwegian Red Cross	-	-	-	-	-	225,421
Norwegian Red Cross (from Norwegian Government)	-	-	-	-	-	1,237,200
On Line donations	-	-	-	-	-	248,510
Qatar Red Crescent	-	-	-	-	-	288,630
Singapore Red Cross	-	-	-	-	-	338,953
Spanish Red Cross	12,708	-	200,176	-	212,884	875,257
Stavros Niarchos Foundation	-	-	-	-	-	156,000
Swedish Red Cross	-	-	-	-	-	2,054,400
Swedish Red Cross (from Swedish Government)	-	-	-	-	-	2,209,860
Swiss Red Cross	-	-	-	-	-	683,769
Swiss Red Cross (from Swiss Government)	-	-	-	-	-	160,283
Taiwan Red Cross Organisation	392,608	-	-	-	392,608	103,981
Tides Foundation (from United States - Private Donors)	(7)	-	-	-	(7)	104,000
Total	-	-	-	-	-	2,182,000
Viet Nam Red Cross	-	-	-	-	-	173,800
Other	39,377	(4,543)	-	94,767	129,601	1,042,598
	<u>9,586,830</u>	<u>262,405</u>	<u>779,881</u>	<u>328,247</u>	<u>10,957,363</u>	<u>60,180,042</u>

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRMM002) – MYANMAR CYCLONE NARGIS**

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

NOTE 3 - VOLUNTARY CONTRIBUTIONS (CONTINUED)

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. IFRC is not able to evaluate the potential impact of such changes on 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 - PROGRAMME SUPPORT RECOVERY

As a contribution to the costs of support for operations in the field, an additional 6.5% is added to the budget 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 6 - 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 7 – 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 higher than the value at 31 December 2008 by CHF 3,847k (2008: lower than 2007 by CHF 420k).

(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.