

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

**Independent Auditor's Report**

On the IFRC's Financial Statements for the  
Chile Earthquake  
Appeal (MDRCL006)  
for the period 27 February to 31 December 2010



**KPMG SA**  
**Audit**  
111, rue de Lyon  
CH-1203 Geneva

P.O. Box 347  
1211 Geneva 13

Telephone +41 22 704 15 15  
Fax +41 22 347 73 13  
Internet [www.kpmg.ch](http://www.kpmg.ch)

## Independent Auditor's Report

### **Chile Earthquake Appeal (MDRCL006) of the International Federation of Red Cross and Red Crescent Societies (IFRC)**

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We have audited the accompanying financial statements (income and expenditure statement and related notes) of the Chile Earthquake Appeal (MDRCL006) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 27 February to 31 December 2010.

#### **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 of 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 period 27 February to 31 December 2010 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, 23 September 2011

*Enclosure:*

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDRCL006) – CHILE EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE PERIOD 27 FEBRUARY 2010 TO 31 DECEMBER 2010**

<b>INCOME</b>	<b>Note</b>	<b>Period from 27- Feb-10 to 31- Dec-10 CHF</b>
Voluntary contributions	2.3 & 3	14,004,896
<b>Total INCOME</b>		<u>14,004,896</u>
 <b>OPERATING EXPENDITURE</b>		
Supplies		3,119,102
Vehicles and equipment		159,222
Transport and storage	2.5	1,478,240
Personnel expenditure	2.6	684,609
Workshops and training		210,163
Travel		220,265
Information & public relations		63,551
Office costs		49,769
Communications		46,493
Legal, professional and consultancy fees		131,734
Finance expense, net	2.2	45,842
Other general expenses		1,842
Programme and services support recovery	4	387,240
Services and recoveries	5	76,899
Provisions for operations	6	542,351
<b>Total OPERATING EXPENDITURE</b>		<u>7,217,322</u>
<b>RESULT FOR THE PERIOD</b>		<u>6,787,574</u>
 <b>FUNDS HELD FOR OPERATIONS</b>	 2.4	
Result for the period		6,787,574
<b>FUNDS HELD FOR OPERATIONS</b>		<u>6,787,574</u>

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 (MDRCL006) – CHILE EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD 27 FEBRUARY 2010 TO 31 DECEMBER 2010**

**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.

On 27 February 2010, an earthquake of magnitude 8.8 struck the country of Chile. The epicentre was located 63 kilometres southeast of Cauquenes in the region of Maule (406 kilometres south of Santiago). As a consequence, a tsunami was generated which affected a coastal strip of more than 500 kilometres. Approximately 1.5 million people were affected with reports indicating over 700 deaths with thousands losing their homes and livelihoods.

In response to the situation, the IFRC launched a preliminary Emergency Appeal, on 2 March 2010, seeking CHF 7 million, in order to support the Chilean Red Cross Society in assisting some 15,000 families (75,000 people) over 6 months. On 10 March 2010, the IFRC revised the preliminary Emergency Appeal, increasing the budget to CHF 13 million in order to support the Chilean Red Cross in the provision of non-food items to 10,000 families (50,000 people), emergency and/or transitional shelter solutions to 10,000 families, curative and preventative health care for at least 90,000 people and sanitation services for up to 10,000 households. On 24 August 2010, the Emergency Appeal was further revised to seek CHF 14.1 million in cash, kind or services for a revised implementation period of 2 years. On 23 November 2010, the Emergency Appeal budget was further increased to CHF 14.5 million.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Chile Earthquake Appeal (appeal MDRCL006) and are hereto referred to as the Appeal Financial Statements.

**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, 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 Chile Earthquake Emergency Appeal (appeal MDRCL006), 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD 27 FEBRUARY 2010 TO 31 DECEMBER 2010**

**2. Significant accounting policies (continued)**

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance income, net, in the Income and Expenditure Statement, except for exchange gains and losses arising on income which are included within Voluntary contributions.

**2.3 Income**

Income comprises contributions in cash or in-kind from donors.

Voluntary contributions are identified according to the level of earmarking. Donors can earmark contributions for use on 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, UN agencies, ECHO and other government agencies such as 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) are recognised on the date of receipt of the goods, and are reported as equal contributions and expenses in the Income and Expenditure Statement. In-kind goods 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 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 Appeal Financial Statements.

**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 period 27 February 2010 to 31 December 2010.

**2.5 Transport and storage**

The cost of renting vehicles from the IFRC's Vehicle Fleet Base and from third parties, for use in the operation, is recorded under Transport and storage.

**2.6 Personnel expenditure**

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD 27 FEBRUARY 2010 TO 31 DECEMBER 2010**

**3. Voluntary contributions**

	<b>Cash</b>	<b>Outstanding</b>	<b>Goods</b>	<b>27-Feb-10 to</b>
	<b>CHF</b>	<b>Pledges</b>	<b>In-Kind</b>	<b>31-Dec-10</b>
		<b>(Revalued)</b>	<b>CHF</b>	<b>TOTAL</b>
		<b>CHF</b>	<b>CHF</b>	<b>CHF</b>
American Red Cross	2,709,823	-	136,358	2,846,181
Andorra Government	28,694	-	-	28,694
Andorran Red Cross	13,759	-	-	13,759
Argentine Red Cross	221,694	-	-	221,694
Australian Red Cross	180,601	-	-	180,601
Austrian Red Cross	1,029	-	15,823	16,852
British Red Cross	1,202,942	101,400	106,210	1,410,552
British Red Cross (from DFID - British Government)	304,374	-	-	304,374
Canadian Red Cross	141,223	475,376	666,222	1,282,821
Canadian Red Cross (from Canadian Government)	1,109,948	-	-	1,109,948
China Red Cross, Hong Kong branch	6,110	-	97,239	103,349
China Red Cross, Macau branch	13,400	-	-	13,400
Croatian Red Cross	97,673	-	-	97,673
Danish Red Cross	59,424	-	-	59,424
IFRC at the UN Inc (from Heinz H.J. Company foundation)	10,002	-	-	10,002
IFRC at the UN Inc (from Kraft Foods Company)	50,011	-	-	50,011
IFRC at the UN Inc (from White & Case LLP)	25,880	-	-	25,880
Japanese Red Cross	230,900	-	-	230,900
Kuwait Red Crescent	1,905,040	-	-	1,905,040
Luxembourg Red Cross	4,175	-	108,886	113,061
Monaco Red Cross	31,942	-	-	31,942
Netherlands Red Cross	9,818	3,936	247,562	261,316
Netherlands Red Cross (from Netherlands Government)	214,900	-	-	214,900
New Zealand Red Cross	24,242	-	-	24,242
New Zealand Red Cross (from New Zealand Government)	391,000	-	-	391,000
Norwegian Red Cross	12,078	-	703,556	715,634
On Line donations	44,685	-	-	44,685
OPEC Fund For International Development	-	237,710	-	237,710
Other donors (including those with contributions less than CHF 10'000)	32,330	-	-	32,330
Republic of Korea Red Cross	95,175	-	-	95,175
Republic of Korea Red Cross (from Republic of Korea - Private Donors)	15,745	-	-	15,745
Singapore Red Cross	160,248	-	-	160,248
Sub-totals carried down	9,348,865	818,422	2,081,856	12,249,143

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD 27 FEBRUARY 2010 TO 31 DECEMBER 2010**

**3. Voluntary contributions (continued)**

	<b>Cash CHF</b>	<b>Outstanding Pledges (Revalued) CHF</b>	<b>Goods In-Kind CHF</b>	<b>27-Feb-10 to 31-Dec-10 TOTAL CHF</b>
Sub-totals brought down	9,348,865	818,422	2,081,856	12,249,143
Singapore Red Cross (from Singapore Government)	52,915	-	-	52,915
Swedish Red Cross (from Swedish Government)	736,041	-	-	736,041
United States Government - USAID	-	950,842	-	950,842
Vietnam Red Cross	15,955	-	-	15,955
	<u>10,153,776</u>	<u>1,769,264</u>	<u>2,081,856</u>	<u>14,004,896</u>

The Outstanding pledges column shows movements in outstanding pledges between 27 February 2010 and 31 December 2010, together with the revaluation of outstanding foreign currency pledges as at 31 December 2010.

**4. Programme and services support recovery**

In keeping with the IFRC's full cost recovery principles, an additional 6.5% is added to the cost of each operation as a contribution to fund the indirect costs of providing support services, such as human resources, finance, logistics and information technology services, essential to the success of operations. The support for the period from 27 February 2010 to 31 December 2010 amounted to CHF 387,240.

**5. Services and recoveries**

In keeping with the IFRC's full cost recovery principles, fees and other charges are made to operations for specific services provided in addition to the essential services funded by programme and service support recovery (see also note 4). Such fees include specific logistics service fees based on the value of procurement services provided, together with pledge earmarking and reporting fees. For the period from 27 February 2010 to 31 December 2010 such fees charged to the Chile Earthquake Appeal (MDRCL006) amounted to CHF 76,899.

**6. Provisions for operations**

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.

When 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 advance at 31 December 2010 was CHF 542,351.