

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
West Sumatra Earthquakes
Emergency Appeal (MDRDI004)
for the period 4 October 2009 to 31 December 2010



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Independent Auditor's Report

West Sumatra Earthquakes Emergency Appeal (MDRDI004) 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 West Sumatra Earthquakes Emergency Appeal (MDRDI004) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 4 October 2009 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.



*West Sumatra Earthquakes Emergency Appeal (MDRDI004)
of the International Federation of Red Cross and Red Crescent Societies (IFRC)*

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the income and expenditure for the period 4 October 2009 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, 16 December 2011

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID004) – WEST SUMATRA EARTHQUAKES**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 4 OCTOBER 2009 TO 31 DECEMBER 2010**

INCOME	Note	Period from 4-Oct-09 to 31-Dec-10 CHF
Voluntary contributions	2.3 & 3	14,820,369
Corporate donation fees	4	(4,442)
Other income		61
Total INCOME		<u>14,815,988</u>
OPERATING EXPENDITURE		
Supplies		7,085,758
Vehicles and equipment		186,883
Transport and storage	2.5	1,437,893
Personnel expenditure	2.6	1,393,476
Workshops and training		362,467
Travel		93,543
Information & public relations		53,690
Office costs		148,568
Communications		35,002
Legal, professional and consultancy fees		302,558
Finance expense, net	2.2	107,959
Other general expenses		1,683
Depreciation	2.7	2,593
Voluntary contributions reimbursed to donors		93,834
Contributions to national societies	7 (b)	129,080
Programme and services support recovery	5	721,732
Services and recoveries	6	43,894
Provisions for operations	7 (a)	75,250
Total OPERATING EXPENDITURE		<u>12,275,863</u>
RESULT FOR THE PERIOD		<u>2,540,125</u>
FUNDS HELD FOR OPERATIONS	2.4	
Result for the period		2,540,125
FUNDS HELD FOR OPERATIONS		<u>2,540,125</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 (MDRID004) – WEST SUMATRA EARTHQUAKES**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 4 OCTOBER 2009 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.

Two major earthquakes off the coast of West Sumatra, Indonesia, measuring 7.6 and 6.8 on the Richter scale respectively, occurred on 30 September 2009 and 1 October 2009. On 16 October 2009, another earthquake measuring 6.1 struck in the Sunda Straits, 125 kilometres off Telukbetung in Sumatra.

The earthquakes caused widespread destruction and triggered landslides that wiped out entire villages. Other damaged infrastructure included schools, urban water networks, roads, health centres and government buildings. Up to 1,195 people died and another 1,798 were injured in the disaster. More than 2.5 million people were estimated to have been living in the five most affected districts, where some 80 percent of infrastructure was damaged.

In response to the situation, the IFRC launched a preliminary Emergency Appeal on 4 October 2009, seeking CHF 6.8 million, in order to support Palang Merah Indonesia (PMI) (known in English, as the Indonesian Red Cross) in assisting up to 5,000 families (approximately 25,000 individuals) for six months. A preliminary Emergency Appeal was launched on 7 October 2009 seeking CHF 19.2 million in cash, kind or services to support PMI in assisting up to 20,000 families (approximately 100,000 individuals) for six months. The Emergency Appeal was launched on 5 November 2009 for CHF 13.3 million in cash, kind or services. On 31 July 2010 this appeal was further revised downward to CHF 14.2 million and the timeframe extended to 18 months.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the West Sumatra Earthquakes Appeal (appeal MDRID004) 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 West Sumatra Earthquakes Emergency Appeal (appeal MDRID004), are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID004) – WEST SUMATRA EARTHQUAKES**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 4 OCTOBER 2009 TO 31 DECEMBER 2010**

2. Significant accounting policies (continued)

Foreign currency transactions are translated into Swiss Francs using rates which approximate to the rates prevailing on the dates of the transactions.

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.

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) 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.

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. A total of CHF 93,834 was reimbursed to donors during the period, 4 October 2009 to 31 December 2010.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRID004) – WEST SUMATRA EARTHQUAKES**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 4 OCTOBER 2009 TO 31 DECEMBER 2010**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding Pledges (Revalued) CHF	Goods In-Kind CHF	Services In-Kind CHF	4-Oct-09 to 31-Dec-10 TOTAL CHF
Sub-totals brought down	5,994,827	-	1,673,702	-	7,668,529
Iranian Red Crescent	70,700	-	-	-	70,700
Irish Government	226,449	-	-	-	226,449
Irish Red Cross	53,098	-	-	-	53,098
Japanese Red Cross	2,061,153	-	783,447	-	2,844,600
Monaco Red Cross	45,324	-	-	-	45,324
Netherlands Red Cross	250,113	-	858,796	63,360	1,172,269
Netherlands Red Cross (from Netherlands Government)	377,758	-	-	-	377,758
New Zealand Red Cross (from New Zealand Government)	205,234	-	-	-	205,234
Norwegian Red Cross (from Norwegian Government)	346,493	-	-	-	346,493
Online donations	17,481	-	-	-	17,481
OPEC Fund For International Development	503,525	-	-	-	503,525
Other donors (including those with contributions less than CHF 10'000)	39,414	-	-	-	39,414
Republic of Korea Red Cross (from Republic of Korea - Private Donors)	19,486	-	-	-	19,486
Spanish Red Cross	20,877	-	378,645	-	399,522
Swedish Red Cross (from Swedish Government)	725,090	-	-	-	725,090
United States - Private Donors	10,313	-	-	-	10,313
United States Government - USAID	-	95,084	-	-	95,084
	10,967,335	95,084	3,694,590	63,360	14,820,369

The Outstanding pledges column shows movements in outstanding pledges between 4 October 2009 and 31 December 2010, together with the revaluation of outstanding foreign currency pledges as at 31 December 2010.

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.

5. 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 4 October 2009 to 31 December 2010 amounted to CHF 721,732 and is added to unrestricted reserves.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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6. 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 5). Such fees include specific logistics service fees based on the value of procurement services provided, together with pledge earmarking and reporting fees. For 2010 such fees charged to the West Sumatra Earthquakes Appeal (MDRID004) amounted to CHF 42,448.

7. 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.

(a) Provisions for operations

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 advances at 31 December 2010 was CHF 75,250.

(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.