

**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 2010



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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)**

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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 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 on these financial 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.



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

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

<b>INCOME</b>	<b>Note</b>	<b>2010 CHF</b>	<b>2009 CHF</b>
Voluntary contributions	2.3 & 3	530,550	10,957,363
Corporate donation fees	4	-	( 3,825)
<b>Total INCOME</b>		<u>530,550</u>	<u>10,953,538</u>
<b>OPERATING EXPENDITURE</b>			
Supplies		8,312,337	4,092,113
Vehicles and equipment		324,072	286,332
Transport and storage	2.5	436,090	1,007,348
Personnel expenditure	2.6	3,422,589	3,173,305
Workshops and training		866,965	389,711
Travel		138,576	126,055
Information & public relations		70,239	114,355
Office costs		226,647	154,519
Communications		131,675	129,379
Legal, professional and consultancy fees		109,508	76,524
Finance expense, net	2.2	845,525	651,491
Other general expenses		( 64,520)	12,261
Programme and services support recovery	5	864,244	1,002,423
Services and recoveries	6	84,244	32,512
Provisions for operations	7	( 1,433,709)	3,846,813
<b>Total OPERATING EXPENDITURE</b>		<u>14,334,482</u>	<u>15,095,141</u>
<b>RESULT FOR THE PERIOD</b>		<u>( 13,803,932)</u>	<u>( 4,141,603)</u>
<b>FUNDS HELD FOR OPERATIONS</b>			
Brought forward	2.4	25,360,953	29,502,556
Result for the period		<u>( 13,803,932)</u>	<u>( 4,141,603)</u>
<b>FUNDS HELD FOR OPERATIONS</b>		<u>11,557,021</u>	<u>25,360,953</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 (MDRMM002) – MYANMAR CYCLONE NARGIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 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.

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 6.29 million on 6 May 2008. This was followed by a revised emergency appeal for CHF 52.9 million 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 73.9 million in cash, kind or services to support the Myanmar Red Cross Society to assist 500,000 beneficiaries (100,000 households) for 36 months.

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.

**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 Myanmar Cyclone Nargis Appeal (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 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.

**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 2010**

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

**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 services (in the form of staff or transport) are recognised on the date of receipt of the service, and are reported as equal contributions and expenses in the Income and Expenditure Statement. In-kind services received in response to the Appeal are measured at fair value.

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. No amounts were reimbursed to donors during the period 1 January 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  
EMERGENCY APPEAL (MDRMM002) – MYANMAR CYCLONE NARGIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**3. Voluntary contributions**

	<b>Cash</b>	<b>Outstanding Pledges (Revalued)</b>	<b>Services In-Kind</b>	<b>2010 TOTAL</b>	<b>2009 TOTAL</b>
	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>
Australian Red Cross	-	-	-	-	( 19,508)
Austrian Red Cross	-	-	-	-	( 301,000)
Belgian Red Cross (Flanders)	-	-	-	-	41,029
British Red Cross (British Government)	-	-	-	-	634,268
China Red Cross, Hong Kong Branch	584,483	( 533,355)	-	51,128	-
Danish Red Cross	-	-	-	-	( 120,219)
Finnish Red Cross	-	-	105,600	105,600	232,006
Hong Kong Red Cross	-	-	-	-	1,081,113
Japanese Red Cross	-	-	-	-	6,700,857
Netherlands Red Cross	-	-	-	-	94,009
Other donors (including those with contributions less than CHF 10'000)	199,809	( 217,390)	113,754	96,173	2,009,316
Spanish Red Cross	-	-	-	-	212,884
Taiwan Red Cross Organisation	277,649	-	-	277,649	392,608
	<u>1,061,941</u>	<u>( 750,745)</u>	<u>219,354</u>	<u>530,550</u>	<u>10,957,363</u>

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2010 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 2010 amounted to CHF 864,244 (2009: CHF 1,002,423).

**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 Myanmar Cyclone Nargis appeal (MDRMM002) amounted to CHF 84,244 (2009: CHF 33,262).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**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.

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 lower than at 31 December 2009 by CHF 1,433,709.