

**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
(MDRID004)
for the year ended 31 December 2011



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Independent Auditor's Report

West Sumatra Earthquakes Emergency Appeal (MDRID004) 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 (MDRID004) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2011.

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.



Opinion

In our opinion, the accompanying financial statements give a true and fair view of the income, expenditure and funds held for operations for the year ended 31 December 2011 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, 14 February 2013

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 YEAR ENDED 31 DECEMBER 2011**

		Year ended 31-12-2011	Period from 04-Oct-2009 to 31-Dec-2010
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 & 3	(7,257)	14,820,369
Corporate donation fees	4	-	(4,442)
Other income		127	61
Total INCOME		<u>(7,130)</u>	<u>14,815,988</u>
OPERATING EXPENDITURE			
Employee benefits	2.6	84,196	1,393,476
Relief supplies		242,459	7,085,758
Transportation and storage	2.5	75,699	1,437,893
Vehicles and equipment		778	186,883
Travel		14,199	93,543
Communications		5,397	35,632
Workshops & training		46,147	362,467
Information		952	53,690
Legal, professional and consultancy fees		65,786	302,558
Administration, office and general		2,122	149,621
Finance expense, net	2.2	7,199	107,959
Depreciation	2.7	259	2,593
Provisions for operations	5	(75,250)	75,250
Contributions to other organisations		17,014	129,080
Voluntary contributions reimbursed to donors	2.4	-	93,834
Services and recoveries	6	2,308	43,894
Programme and services support recovery	7	31,827	721,732
Total OPERATING EXPENDITURE		<u>521,092</u>	<u>12,275,863</u>
RESULT FOR THE PERIOD		<u>(528,222)</u>	<u>2,540,125</u>
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4 & 8	2,540,125	-
Allocations to other IFRC appeals	8(a)	(2,011,903)	-
Result for the period		<u>(528,222)</u>	<u>2,540,125</u>
FUNDS HELD FOR OPERATIONS	8(b)	<u>-</u>	<u>2,540,125</u>

The notes on pages 4 to 8 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 187 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. Working through its 187 member national societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

The IFRC coordinates international support for large-scale disasters and health crises, strengthens the capacities and leadership of its member national societies, and acts at the international level to raise resources and persuade decision makers to act at all times in the interests of vulnerable people.

Guided by *Strategy 2020* – a collective plan of action for the IFRC and its member national societies to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to 'saving lives and changing minds'.

Measuring 7.6 and 6.8 on the Richter scale respectively, two major earthquakes occurred off the coast of West Sumatra, Indonesia 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 revised 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 to CHF 14.2 million and the timeframe extended to 18 months. The appeal was closed on 31 August 2011.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the West Sumatra Earthquakes Emergency 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 using the accrual basis of accounting, under which, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. 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).

Reclassification of certain comparative figures has been made in the Income and Expenditure Statement, in order to be consistent with the current year presentation.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. Significant accounting policies (continued)

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.

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, with the exception of exchange gains and losses on voluntary contributions, which are included under Voluntary contributions.

2.3 Income

Income comprises contributions in cash 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.

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 nil was reimbursed to donors during the year ended 31 December 2011 (period from 4 October 2009 to 31 December 2010: CHF 93,834).

2.5 Transportation 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.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding pledges (Revalued) CHF	Year ended 31-12-2011 TOTAL CHF	Period from 04-Oct-2009 to 31-Dec-2010 TOTAL CHF
Sub-totals brought down	-	-	-	8,797,189
New Zealand Red Cross (from New Zealand Government)	-	-	-	205,234
Norwegian Red Cross (from Norwegian Government)	-	-	-	346,493
Online donations	-	-	-	17,481
OPEC Fund For International Development	-	-	-	503,525
Other donors (including those with contributions less than CHF 10,000)				39,415
Red Crescent Society of Islamic Republic of Iran	-	-	-	70,700
Red Cross of Monaco	-	-	-	45,324
Spanish Red Cross	-	-	-	399,521
Swedish Red Cross (from Swedish Government)	-	-	-	725,090
The Canadian Red Cross Society	-	-	-	1,049,496
The Canadian Red Cross Society (from Canadian Government)	-	-	-	945,991
The Netherlands Red Cross	-	-	-	1,172,269
The Netherlands Red Cross (from Netherlands Government)	-	-	-	377,758
The Republic of Korea National Red Cross (from Republic of Korea - Private Donors)	-	-	-	19,486
United States Government - USAID	87,827	(95,084)	(7,257)	95,084
United States - Private Donors	-	-	-	10,313
	<u>87,827</u>	<u>(95,084)</u>	<u>(7,257)</u>	<u>14,820,369</u>

The Outstanding pledges column shows movements in outstanding pledges during the year ended 31 December 2011, together with the revaluation of outstanding foreign currency pledges as at 31 December 2011. In keeping with the accounting policy for recognition of foreign currency gains and losses on voluntary contributions (see note 2.2), the foreign exchange loss of CHF 7,257 has been recognised in Voluntary contributions.

4. Corporate donation fees

In accordance with IFRC financial policy, a service fee of 5.0% is recovered on corporate donations. This service fee is recovered upon the receipt of the relevant contributions, in order to fund the costs of relationship management associated with corporate donors.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

5. 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.

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 2011 was CHF 75,250 less than at 31 December 2010.

6. Services and recoveries

In keeping with the IFRC's principle of full cost recovery, 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 7). Such fees include specific logistics service fees based on the value of procurement services provided, together with pledge earmarking and reporting fees that are charged to donations where donors either require their donations to be used for specific purposes, or require specific financial or narrative reports on IFRC's use of the donations. For the year ended 31 December 2011 such fees charged to the West Sumatra Earthquakes Emergency Appeal (MDRID004) amounted to CHF 2,308 (period from 4 October 2009 to 31 December 2010: CHF 43,894).

7. Programme and services support recovery

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, such as human resources, finance and information technology services, essential to the success of operations. The support for the year ended 31 December 2011 amounted to CHF 31,827 (period from 4 October 2009 to 31 December 2010: CHF 721,732) and is added to unrestricted reserves.

8. Funds held for operations

a) Allocations to other IFRC appeals

As explained in note 2.4, in the event that funds received for a given appeal 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. With donor permission, CHF 2,011,903 was allocated from West Sumatra Earthquakes Emergency Appeal (MDRID004) to the Indonesia Annual Appeal (MAAID002) during the year ended 31 December 2011.

b) Funds held for operations

On 31 December 2011 the West Sumatra Earthquakes Emergency Appeal (MDRID004) was closed with no funds remaining.