

**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 Emergency  
Appeal (MDRCL006)  
for the year ended 31 December 2011



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## Independent Auditor's Report

### **Chile Earthquake Emergency 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 Emergency Appeal (MDRCL006) 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 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, 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 Pigeon  
*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 (MDRCL006) – CHILE EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

		<b>Year ended 31-Dec-2011</b>	<b>Period from 27-Feb-2010 to 31-Dec-2010</b>
<b>INCOME</b>	<b>Notes</b>		
Voluntary contributions	2.3(a) & 3	1,044,760	14,004,896
Services income	2.3(b)	3,307	-
<b>Total INCOME</b>		1,048,067	14,004,896
 <b>OPERATING EXPENDITURE</b>			
Employee benefits	2.6	884,115	684,609
Relief supplies		2,644,807	3,119,102
Transportation and storage	2.5	48,238	1,478,240
Vehicles and equipment		93,480	159,222
Travel		53,132	220,265
Communications		18,735	46,493
Workshops & training		215,954	210,163
Information		56,298	63,551
Legal, professional and consultancy fees		149,429	131,734
Administration, office and general		82,440	51,611
Finance (income)/expense, net	2.2	(16,260)	45,842
Provisions for operations	4	(340,849)	542,351
Services and recoveries	5	34,022	76,899
Programme and services support recovery	6	252,819	387,240
<b>Total OPERATING EXPENDITURE</b>		4,176,360	7,217,322
 <b>RESULT FOR THE PERIOD</b>		(3,128,293)	6,787,574
 <b>FUNDS HELD FOR OPERATIONS</b>	2.4		
Brought forward		6,787,574	-
Result for the period		(3,128,293)	6,787,574
<b>FUNDS HELD FOR OPERATIONS</b>		3,659,281	6,787,574

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 (MDRCL006) – CHILE EARTHQUAKE**

**NOTES TO THE APPEAL 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'.

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, on 2 March 2010 the IFRC launched a preliminary Emergency Appeal seeking CHF 7.0 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 13.0 million in order to support the Chilean Red Cross Society 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 two years. On 23 November 2010, the Emergency Appeal budget was further increased to CHF 14.5 million. On 2 March 2011, the appeal was further revised to include an extension to the implementation period to three years and a revised budget of CHF 16.1 million.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Chile Earthquake Emergency 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 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 (MDRCL006) – CHILE EARTHQUAKE**

**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 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.

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance (income)/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 or in-kind from donors and income from the provision of services.

**a) Voluntary contributions**

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.

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

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

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

***b) Income from the provision of services***

Income from services is recognised in the period in which the service is rendered. For the provision of services across accounting periods, income is recognised according to the stage of completion of the service, by reference to services performed to date as a proportion of total services to be performed.

The majority of income from the provision of services is derived from logistics services provided to national societies working in the Chile Earthquake Emergency Operation. Income from these types of services is included under Services income in the Income and Expenditure Statement.

**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 year ended 31 December 2011 (period from 27 February 2010 to 31 December 2010: CHF Nil).

**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.

**2.6 Employee benefits**

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

**3. Voluntary contributions**

	Cash CHF	Outstanding pledges (Revalued) CHF	Service In-Kind CHF	Year ended 31-Dec-2011 TOTAL CHF	Period from 27-Feb-2010 to 31-Dec-2010 TOTAL CHF
American Red Cross	-	-	-	-	2,846,181
Andorra Government	-	-	-	-	28,694
Andorran Red Cross	-	-	-	-	13,759
Argentine Red Cross	-	-	-	-	221,694
Australian Red Cross	-	-	-	-	180,601
Austrian Red Cross	-	-	-	-	16,852
British Red Cross	170,653	(101,400)	-	69,253	1,410,552
British Red Cross (from DFID - British Government)	-	-	-	-	304,374
Canadian Red Cross Society	816,213	(431,213)	-	385,000	1,282,821
Canadian Red Cross Society (from Canadian Government)	-	-	-	-	1,109,948
China Red Cross, Hong Kong branch	127,370	(66,986)	(43,156)	17,228	103,349
China Red Cross, Macau Branch	-	-	-	-	13,400
Croatian Red Cross	-	-	-	-	97,673
Danish Red Cross	-	-	-	-	59,424
Subtotals carried down	1,114,236	(599,599)	(43,156)	471,481	7,689,322

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

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

**3. Voluntary contributions (continued)**

	Cash CHF	Outstanding pledges (Revalued) CHF	Service In-Kind CHF	Year ended 31-Dec-2011 TOTAL CHF	Period from 27-Feb-2010 to 31-Dec-2010 TOTAL CHF
Subtotals brought down	1,114,236	(599,599)	(43,156)	471,481	7,689,322
Finnish Red Cross	28,472	-	-	28,472	-
IFRC at the UN Inc (from Heinz H.J. Company foundation)	-	-	-	-	10,002
Company)	-	-	-	-	50,011
IFRC at the UN Inc (from White & Case LLP)	-	-	-	-	25,880
Japanese Red Cross Society	601,818	(299,515)	-	302,303	230,900
Kuwait Red Crescent Society	-	-	-	-	1,905,040
Luxembourg Red Cross	-	-	-	-	113,061
New Zealand Red Cross	21,606	-	-	21,606	24,242
New Zealand Red Cross (from New Zealand Government)	-	-	-	-	391,000
Norwegian Red Cross	8,070	-	-	8,070	715,634
Norwegian Red Cross (from Norwegian Government)	2,549	-	-	2,549	-
Online donations	-	-	-	-	44,685
OPEC Fund For International Development	-	(1,884)	-	(1,884)	237,710
Other donors (including those with a contribution less than CHF 10,000)	2,086	-	-	2,086	32,330
Red Cross of Monaco	18,634	-	-	18,634	31,942
Red Cross of Vietnam	-	-	-	-	15,955
Singapore Red Cross Society	-	-	-	-	160,248
Singapore Red Cross Society (from Singapore Government)	-	-	-	-	52,915
Swedish Red Cross	296,609	-	-	296,609	-
Government)	-	-	-	-	736,041
The Netherlands Red Cross	13,433	(3,936)	-	9,497	261,316
The Netherlands Red Cross (from Netherlands Government)	-	-	-	-	214,900
The Republic of Korea National Red Cross	-	-	-	-	95,175
The Republic of Korea National Red Cross (from Republic of Korea - Private Donors)	-	-	-	-	15,745
United States Government - USAID	836,179	(950,842)	-	(114,663)	950,842
	2,943,692	(1,855,776)	(43,156)	1,044,760	14,004,896

The Outstanding pledges column shows movements in outstanding pledges during 2011, together with the revaluation of outstanding foreign currency pledges as at 31 December 2011.

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

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

**4. 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 2011 was CHF 340,849 lower than at 31 December 2010.

**5. 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 services support recovery (see also note 6). 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 Chile Earthquake Emergency Appeal (MDRCL006) amounted to CHF 34,022 (27 February 2010 to 31 December 2010: CHF 76,899).

**6. 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, administration and information technology services, essential to the success of operations. The support for the year ending 31 December 2011 amounted to CHF 252,819 (27 February 2010 to 31 December 2010: CHF 387,240).