

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Syria: Complex Emergency Appeal
(MDRSY003)
for the period from 6 July 2012 to 31 December 2012



KPMG SA
Audit
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

Independent Auditor's Report

Syria: Complex Emergency Appeal (MDRSY003) 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 Syria: Complex Emergency Appeal (MDRSY003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 6 July 2012 to 31 December 2012.

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 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 period from 6 July 2012 to 31 December 2012 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, 9 September 2013

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 6 JULY 2012 TO 31 DECEMBER 2012**

		Period from 6-Jul-2012 to 31-Dec-2012
INCOME	Notes	CHF
Voluntary contributions	2.3(a) & 3	12,551,989
Corporate donation fees	4	(9,590)
Services income	2.3(b)	88,726
Total INCOME		<u>12,631,125</u>
OPERATING EXPENDITURE		
Employee benefits	2.5	201,270
Relief supplies		4,733,731
Transportation and storage	2.6	455,675
Vehicles and equipment		576,408
Travel		31,578
Communications		10,019
Workshops & training		581
Information		293
Legal, professional and consultancy fees		25,224
Administration, office and general		17,125
Finance expense, net	2.2	12,356
Provisions for operations	5(a)	1,068,828
Contributions to national societies	5(b)	977,080
Services and recoveries	6	209,226
Indirect cost recovery	7	530,134
Total OPERATING EXPENDITURE		<u>8,849,528</u>
RESULT FOR THE PERIOD		<u>3,781,597</u>
FUNDS HELD FOR OPERATIONS		
Allocations from other IFRC appeals	2.4	1,151,855
Result for the period	8	3,781,597
FUNDS HELD FOR OPERATIONS		<u>4,933,452</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 (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 JULY 2012 TO 31 DECEMBER 2012**

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 5 zone offices and 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'.

During 2011 and 2012, ongoing civil strife and unrest was seen in Syria resulting in significant concerns relating to security, safety, protection and threats to livelihoods. Due to a worsening humanitarian situation in Syria and as a continuation and scaling up of activities initially undertaken as part of the Middle East & North Africa Civil Unrest Emergency Appeal (MDR82001) an Emergency Appeal was launched on 6 July 2012 seeking CHF 27.2 million in cash and/or in-kind goods and services to support the Syrian Arab Red Crescent Society (SARC) to assist over 200,000 beneficiaries for 12 months primarily in the areas of health, relief and livelihoods.

On 17 December 2012, the Emergency Appeal was increased and extended to seek CHF 39.2 million to assist up to 650,000 beneficiaries until the end of December 2013

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Syria: Complex Emergency Appeal (appeal MDRSY003) 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).

2.2 Foreign currency transactions

The presentation 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 Syria: Complex Emergency Appeal, 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 realised exchange gains and losses on voluntary contributions, which are included under Voluntary contributions.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 JULY 2012 TO 31 DECEMBER 2012**

2. Significant accounting policies (continued)

2.3 Income

Income comprises contributions in cash or in-kind from donors, income from services and sundry income from the sale of goods.

(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, United Nations (UN) agencies, European Community Humanitarian Office (ECHO) and other government agencies such as the United States Agency for International Development (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 by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value.

The IFRC sometimes agrees with a donor the 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.

(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 percentage of total services to be performed.

The majority of income from the provision of services is derived from services provided to national societies including in countries where national societies are working bi-laterally with the Syrian Arab Red Crescent Society, rather than multi-laterally with the IFRC and the Syrian Arab Red Crescent Society. Income from these types of services is included under Services income in the Appeal Income and Expenditure Statement.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 JULY 2012 TO 31 DECEMBER 2012**

2. Significant accounting policies (continued)

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 donors to reallocate the unspent funds for a different use, or reimburses them to the donors (see note 8).

2.5 Employee benefits

Personnel expenditure includes salary and benefit costs of international delegates and national staff.

2.6 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 Transportation and storage.

3. Voluntary contributions

	Cash	Outstanding pledges (Revalued)	Goods In-Kind	Period from 6-Jul-2012 to 31-Dec-2012 TOTAL
	CHF	CHF	CHF	CHF
American Red Cross	191,791	-	-	191,791
Australian Red Cross	38,226	-	-	38,226
Belgian Red Cross (Flanders)	60,053	-	145,564	205,617
Belgian Red Cross (Francophone) (from Belgian Federal Government)	-	356,443	-	356,443
British Red Cross	207,000	-	707,458	914,458
Danish Red Cross	128,856	-	-	128,856
European Commission - DG ECHO	2,617,481	-	-	2,617,481
Finnish Red Cross	-	-	180,734	180,734
Finnish Red Cross (from Finnish Government)	379,298	-	-	379,298
Italian Red Cross	120,120	-	-	120,120
Japanese Red Cross Society	233,872	-	-	233,872
Kuwait Red Crescent Society	457,792	-	-	457,792
Norwegian Red Cross	414,820	-	14,025	428,845
Online donations	17,912	-	-	17,912
Other donors (including those with contributions less than CHF 10,000)	4,063	-	-	4,063
Red Crescent Society of Islamic Republic of Iran	-	30,000	-	30,000
Red Cross of Monaco	14,472	-	-	14,472
Suncor Energy Inc.	191,791	-	-	191,791
Sub-totals carried down	5,077,547	386,443	1,047,781	6,511,771

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 JULY 2012 TO 31 DECEMBER 2012**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding pledges (Revalued) CHF	Goods In-Kind CHF	Period from 6-Jul-2012 to 31-Dec-2012 TOTAL CHF
Sub-totals brought down	5,077,547	386,443	1,047,781	6,511,771
Swedish Red Cross	1,346,636	484,129	-	1,830,765
Taiwan Red Cross Organisation	46,681	-	-	46,681
The Canadian Red Cross Society	-	-	68,505	68,505
The Canadian Red Cross Society (from Canadian Government)	1,851,430	-	-	1,851,430
The Netherlands Red Cross	168,634	-	373,368	542,002
The Netherlands Red Cross (from Netherlands Government)	786,925	-	-	786,925
United States Government - USAID	-	913,910	-	913,910
	9,277,853	1,784,482	1,489,654	12,551,989

The Outstanding pledges column shows movements in outstanding pledges between 6 July 2012 and 31 December 2012, together with the revaluation of outstanding foreign currency pledges as at 31 December 2012.

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.

5. Provisions for operations and contributions to national societies

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

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 2012 was CHF 1,068,828.

(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. During the period 6 July 2012 to 31 December 2012, the IFRC contributed CHF 977,080 to member national societies.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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6. Services and recoveries

In keeping with the IFRC's principle of full cost recovery, costs are recovered from operations for specific services provided in addition to the essential services funded by indirect cost recovery (see also note 7). Such recoveries include specific logistics services recoveries based on the value of procurement services provided, together with pledge earmarking and reporting recoveries 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 2012 such fees charged to the Syria: Complex Emergency Appeal amounted to CHF 209,226.

7. Indirect cost 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, essential to the success of operations. Such indirect support services include management and leadership, both in Geneva and the zones, information and communication technology and professional and services functions in the areas of reporting, resource mobilisation, finance, information technology and human resources. The support for 2012 amounted to CHF 530,134.

8. Allocations from other IFRC appeals

As explained in note 2.4, in the event that appeal funds cannot be spent, the IFRC obtains agreement from the donors for a reallocation of those funds for a different use, or reimburses them to the donors.

During the period from 6 July 2012 to 31 December 2012, in agreement with the donors, CHF 1,151,855 was reallocated from the Middle East & North Africa: Civil Unrest Emergency Appeal (MDR82001) to the Syria: Complex Emergency Appeal (MDRSY003).