

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Middle East & North Africa: Civil Unrest Emergency Appeal
(MDR82001)
for the period from 1 January 2012 to 30 September 2012



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Independent Auditor's Report

Middle East & North Africa: Civil Unrest Emergency Appeal (MDR82001) 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 Middle East & North Africa: Civil Unrest Emergency Appeal (MDR82001) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2012 to 30 September 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 1 January 2012 to 30 September 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 Pingeon
*Licensed Audit Expert
Auditor in Charge*



Christine Fox

Geneva, 27 September 2013

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR82001) – MIDDLE EAST & NORTH AFRICA: CIVIL UNREST**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 2012**

		Period from 1-Jan-2012 to 30-Sept-2012	Period from 24-Feb-2011 to 31-Dec-2011
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 (a) & 3	3,758,208	11,151,722
Corporate donation fees	4	(2,402)	-
Services income	2.3 (b)	25,177	101,243
Total INCOME		<u>3,780,983</u>	<u>11,252,965</u>
OPERATING EXPENDITURE			
Employee benefits	2.5	786,345	1,320,330
Relief supplies		2,380,913	2,542,214
Transportation and storage	2.6	248,134	997,706
Vehicles and equipment		441,280	1,040,476
Travel		70,180	275,831
Communications		30,087	56,702
Workshops & training		310,885	200,596
Information		99,784	40,747
Legal, professional and consultancy fees		43,243	187,358
Administration, office and general		130,803	123,569
Finance expense, net	2.2	16,696	82,318
Provisions for operations	5(a)	(352,443)	352,443
Contributions to national societies	5(b)	416,045	927,790
Voluntary contributions reimbursed to donors	2.4	418,460	-
Services and recoveries	6	123,180	79,727
Indirect cost recovery	7	303,383	498,371
Total OPERATING EXPENDITURE		<u>5,466,975</u>	<u>8,726,178</u>
RESULT FOR THE PERIOD		<u>(1,685,992)</u>	<u>2,526,787</u>
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4	2,526,787	-
Project deficit provision and write off	8	567,839	-
Allocations to other IFRC appeals		(1,408,634)	-
Result for the period		(1,685,992)	2,526,787
FUNDS HELD FOR OPERATIONS		<u>-</u>	<u>2,526,787</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 (MDR82001) – MIDDLE EAST & NORTH AFRICA: CIVIL UNREST**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 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 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 late 2010 and early 2011, ongoing civil strife and unrest was seen in several countries in the Middle East and North Africa resulting in significant concerns relating to security, safety, protection and threats to livelihoods.

On 25 February 2011, in response to the evolving situation CHF 59,374 was allocated from the International Federation's Disaster Relief Emergency Fund (DREF) to support an emergency field mission in Egypt and Tunisia to assess the impact of civil unrest in Libya. A Preliminary Emergency Appeal was launched on 1 March 2011 seeking CHF 4.6 million in cash, kind or services to deliver assistance to an estimated 100,000 beneficiaries for 6 months.

On 24 March 2011, an Emergency Appeal was launched revising the appeal budget to CHF 12.3 million, extending the timeframe to the end of December 2011 and increasing the number of targeted beneficiaries to 150,000. The revised Emergency Appeal was further adjusted on 17 May 2011, due to the growing civil unrest in Syria and Yemen. This revision increased the appeal budget to CHF 14.8 million and increased the number of targeted beneficiaries to 280,000. The Emergency Appeal was revised once again on 25 June 2011, in order to support new activities in Libya and growing needs in southern Tunisia. This revision increased the appeal budget to CHF 15.1 million and the number of beneficiaries targeted to 300,000. On 19 December 2011, the appeal was further revised to extend the timeframe to the end of June 2012. On 26 March 2012, the appeal was revised once again to increase the appeal budget to CHF 18.7 million to support 435,000 beneficiaries until the end of June 2012. On 4 July 2012, the appeal was further revised to extend the timeframe until the end of September 2012. The implementation report for the Middle East & North Africa: Civil Unrest Emergency Appeal (MDR82001) finished on 30 September 2012. A final report was issued on 24 May 2013.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes for all projects linked to the Middle East and North Africa: Civil Unrest Emergency Appeal (MDR82001), 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).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR82001) – MIDDLE EAST & NORTH AFRICA: CIVIL UNREST**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 2012**

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 Middle East and North Africa: Civil Unrest 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.

2.3 Income

Income comprises contributions in cash or 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) 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 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 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR82001) – MIDDLE EAST & NORTH AFRICA: CIVIL UNREST**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 2012**

2. Significant accounting policies (continued)

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.

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 Middle East & North Africa: Civil Unrest 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.

During the period 1 January 2012 to 30 September 2012, CHF 418,460 was reimbursed to ECHO relating to non-compliance with the terms and conditions of their contract ECHO/-NF/BUD/2011/01003 (24 February 2011 to 31 December 2011: CHF Nil).

During the period 1 January 2012 to 30 September 2012, CHF 1,152,344 was reallocated to the Syria: Complex Emergency Appeal and CHF 256,290 was reallocated to the Lebanon, Jordan and Iraq: Population Movement Emergency Appeal, with donor consent (24 February 2011 to 31 December 2011: CHF Nil).

2.5 Employee benefits

Personnel expenditure includes salary and benefit costs of international delegates, in-kind 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 Transport and storage.

3. Voluntary contributions

	Cash	Outstanding	Goods and	Period from	Period from
	CHF	(Revalued)	Services	1-Jan-2012 to	24-Feb-2011 to
		CHF	In-Kind	30-Sept-2012	31-Dec-2011
			CHF	TOTAL	TOTAL
				CHF	CHF
American Red Cross	91,743	-	-	91,743	294,478
Austrian Red Cross	-	-	-	-	108,458
British Red Cross	244,500	-	229,254	473,754	988,603
British Red Cross (from DFID - British Government)	507,621	-	-	507,621	-
Canadian Government	-	-	-	-	211,503
China Red Cross, Hong Kong branch	-	-	-	-	35,061
Danish Red Cross (from Danish Government)	-	-	-	-	201,263
Sub-totals carried down	843,864	-	229,254	1,073,118	1,839,366

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 2012**

3. Voluntary contributions (continued)

	Cash	Outstanding pledges (Revalued)	Goods and Services In-Kind	Period from 1-Jan-2012 to 30-Sept-2012 TOTAL	Period from 24-Feb-2011 to 31-Dec-2011 TOTAL
	CHF	CHF	CHF	CHF	CHF
Sub-totals brought down	843,864	-	229,254	1,073,118	1,839,366
European Commission - DG ECHO	777,629	(190,999)	-	586,630	3,139,823
Finnish Red Cross	-	-	23,356	23,356	1,096,704
Finnish Red Cross (from Finnish Government)	24,735	-	-	24,735	-
German Red Cross	380,709	-	-	380,709	-
Iraqi Red Crescent Society	-	-	-	-	44,607
Japanese Red Cross Society	-	-	-	-	210,308
Kuwait Red Crescent Society	911,910	-	-	911,910	901,795
Moroccan Red Crescent	-	-	-	-	16,927
New Zealand Red Cross	-	-	-	-	34,725
New Zealand Red Cross (from New Zealand Government)	-	-	-	-	694,500
Norwegian Red Cross	122,654	-	95,267	217,921	80,985
Norwegian Red Cross (from Norwegian Government)	-	-	-	-	937,301
Online donations	-	-	-	-	23,771
Other donors (including those with contributions less than CHF 10,000)	9,440	-	(23,356)	(13,916)	82,753
Procter & Gamble	48,049	-	-	48,049	-
Red Crescent Society of Islamic Republic of Iran	-	-	-	-	98,055
Red Crescent Society of the United Arab Emirates	-	-	-	-	18,010
Red Cross of Monaco	-	-	-	-	17,546
Spanish Red Cross	-	-	102,062	102,062	104,397
Swedish Red Cross	46,508	-	-	46,508	258,898
Swedish Red Cross (from Swedish Government)	-	-	-	-	377,525
Swiss Red Cross (from Swiss Government)	-	-	-	-	200,000
The Canadian Red Cross Society	-	-	-	-	110,629
The Netherlands Red Cross	357,126	-	-	357,126	406,722
The Netherlands Red Cross (from Netherlands Government)	-	-	-	-	380,512
The Netherlands Red Cross (from Netherlands Red Cross Silent Emergency Fund)	-	-	-	-	25,863
The Republic of Korea National Red Cross	-	-	-	-	50,000
	3,522,624	(190,999)	426,583	3,758,208	11,151,722

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2012 and 30 September 2012, together with the revaluation of outstanding foreign currency pledges as at 30 September 2012.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR82001) – MIDDLE EAST & NORTH AFRICA: CIVIL UNREST**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 SEPTEMBER 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 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 30 September 2012 was CHF Nil. (31 December 2011: CHF 352,443).

(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 year ended 31 December 2012, the IFRC contributed CHF 416,045 (2011: 927,790) to member national societies.

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 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 period from 1 January 2012 to 30 September 2012 the total of such recoveries charged to the Middle East & North Africa: Civil Unrest Emergency Appeal amounted to CHF 123,180 (24 February 2011 to 31 December 2011: CHF 79,727).

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 included 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 the period from 1 January 2012 to 30 September 2012 amounted to CHF 303,383 (24 February 2011 to 31 December 2011: CHF 498,371).

8. Project deficit provision and write off

During the period 1 January 2012 to 30 September 2012 project deficits amounting to CHF 567,839 were written off to the IFRC's unrestricted reserves, as a result of non-compliance with the terms and conditions of the ECHO Contract ECHO/-NF/BUD/2011/01003 (24 February 2011 to 31 December 2011: CHF Nil), in addition to the amount reimbursed as described in note 2.4.