

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Haiti Earthquake Emergency Appeal
(MDRHT008)
for the year ended 31 December 2012



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Independent Auditor's Report

Haiti Earthquake Emergency Appeal (MDRHT008) 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 Haiti Earthquake Emergency Appeal (MDRHT008) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 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 year ended 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, 27 September 2013

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

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

		2012	2011
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3(a) & 3	17,481,650	23,388,938
Corporate donation fees	4	(3)	(745)
Services income	2.3(b)	882,348	569,432
Other income		8,405	-
Total INCOME		18,372,400	23,957,625
OPERATING EXPENDITURE			
Employee benefits	2.5	21,060,753	21,828,304
Relief supplies		7,569,745	21,225,131
Transportation and storage	2.6	2,991,815	4,047,858
Land and buildings		4,713	8,773
Vehicles and equipment	2.1(b)	(519,116)	2,035,115
Travel		332,353	688,191
Communications		532,522	430,625
Workshops & training		749,192	972,802
Information		265,945	271,369
Legal, professional and consultancy fees		591,711	1,048,842
Administration, office and general		1,301,400	607,655
Finance expense / (income), net	2.2	228,816	(841,722)
Depreciation	2.1(b) & 2.7	1,497,619	1,442,053
Provisions for operations	5(a)	(140,887)	(191,380)
Contributions to national societies	5(b)	781,736	-
Contributions to other organisations		564,340	52,550
Voluntary contributions reimbursed to donors	6	-	21,720,630
Services and recoveries	7	606,794	1,281,674
Indirect cost recovery	8	2,458,271	3,446,972
Total OPERATING EXPENDITURE		40,877,722	80,075,442
RESULT FOR THE PERIOD		(22,505,322)	(56,117,817)
FUNDS HELD FOR OPERATIONS			
	2.4 & 9		
Brought forward		68,001,688	126,757,083
Allocation from/(to) other IFRC appeals	9(a)	789,545	(3,466,578)
Transfer from IFRC designated, unrestricted reserves	9(b)	-	829,000
Result for the year		(22,505,322)	(56,117,817)
FUNDS HELD FOR OPERATIONS		46,285,911	68,001,688

The notes on pages 4 to 10 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 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 12 January 2010, an earthquake of magnitude 7.0 (Mw) (reference: United States Geological Survey), struck the Haitian coast rocking the capital and generating a tsunami alert in Haiti and neighbouring countries. The epicentre was located 22 kilometres from the capital, Port-au-Prince and 15 kilometres from the closest towns. A series of aftershocks occurred, the strongest measuring 5.9 and 5.5 respectively.

The resultant humanitarian needs were widespread, meriting significant humanitarian action. Despite difficulty in ascertaining exact figures of dead, destruction and damage, it was estimated that 700,000 people survived in conditions without adequate shelter. The internally displaced population, estimated at between 800,000 and 1,000,000 people, was putting an array of pressures on receptor regions that had not been directly affected by the earthquake. Demands for shelter, sanitation and hygiene; childcare, food and healthcare, in particular, hospital capacity to attend post-surgical patients, was particularly high.

In response to the situation, on 12 January 2010, the IFRC launched a preliminary Emergency Appeal, seeking CHF 10.1 million, in order to support the Haitian Red Cross Society (HNRCS) deliver immediate, life-saving assistance to 20,000 families (some 100,000 beneficiaries) over nine months. On 26 January 2010, the IFRC revised the preliminary Emergency Appeal, increasing the budget to CHF 105.7 million, in order to assist up to 60,000 families (300,000 people) over 3 years. On 9 February 2010, the IFRC further extended and increased the Emergency Appeal to seek CHF 218.4 million in cash and/or in-kind goods and services, in order to support the HNRCS to assist up to 80,000 beneficiary families with basic non-food items and emergency shelter solutions. On 5 October 2010 this figure was further revised to seek CHF 314.3 million in cash, kind or services to support the plan of action of the HNRCS and the IFRC. This plan of action sought to provide basic non-food items and emergency/transitional shelter to 80,000 beneficiary families and provide emergency health care, fulfilment of basic needs in water and sanitation and livelihoods support for vulnerable populations in the earthquake-affected region. On 29 December 2011 a revised plan of action was published to reflect the transition from emergency relief to the recovery phase of the operation. The appeal budget was further revised downwards to CHF 282.1 million. On 14 December 2012, a revised summary plan of action for the recovery phase was published. The appeal budget was further revised downwards to CHF 274.9 million.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Haiti Earthquake Appeal (appeal MDRHT008) and are hereto referred to as the Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2. Significant accounting policies

2.1 Basis of accounting

(a) Basis of preparation

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).

(b) Adjustments relating to prior periods

In 2012, a non-material omission was identified on the Haiti Earthquake Emergency Appeal financial statements. The effect of this omission was that for the years ended 31 December 2010 and 31 December 2011, the capitalisation and depreciation of certain donated assets had not been correctly reflected within the Appeal Financial Statements. The amounts not correctly reflected are indicated below:

	As previously reported		As correctly stated		Adjustment
	2011	2010	2011	2010	
	CHF	CHF	CHF	CHF	CHF
Vehicles and equipment	2,035,115	1,301,423	1,439,473	1,141,130	(755,935)
Depreciation	1,442,053	425,041	1,534,284	448,456	115,646
Total	<u>3,477,168</u>	<u>1,726,464</u>	<u>2,973,757</u>	<u>1,589,586</u>	<u>(640,289)</u>

As the amounts involved are not material, the full adjustment of CHF 978,503 has been recorded in 2012 to ensure the correct Funds held for operations balance is shown as at 31 December 2012.

The net effect in Funds held for operations in 2012 is an increase of CHF 640,289.

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 Haiti Earthquake 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 / (income), 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, 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2. Significant accounting policies (continued)

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 services (in the form of staff) 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 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 HNRCS, rather than multi-laterally with the IFRC and the HNRCS. 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 donors to reallocate the unspent funds for a different use, or reimburses them to the donors (see note 9).

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 Transportation and storage.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding pledges (Revalued) CHF	Services In-Kind CHF	2012 TOTAL CHF	2011 TOTAL CHF
Sub-totals brought down	11,927,576	981,489	587,665	13,496,731	20,796,503
Save the Children (from Great Britain - Private Donors)	108,505	(109,154)	-	(650)	210,164
Spanish Red Cross	-	-	54,213	54,213	77,000
Swedish Red Cross	356,792	42,026	26,403	425,221	759,819
Swedish Red Cross (from Swedish Government)	1,007,542	-	-	1,007,542	1,058,739
The Canadian Red Cross Society	270,736	-	163,167	433,903	(88,082)
The Red Cross Society of Bosnia and Herzegovina	-	-	-	-	31,403
The Republic of Korea National Red Cross	2,064,690	-	-	2,064,690	250,000
The Thai Red Cross Society (from Thai Government)	-	-	-	-	30,658
The Trinidad and Tobago Red Cross Society	-	-	-	-	262,734
	15,735,841	914,361	831,448	17,481,650	23,388,938

The Outstanding pledges column shows movements in outstanding pledges between 1 January 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 140,887 lower than at 31 December 2011.

(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 781,736 (2011: CHF nil) to member national societies.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. Voluntary contributions reimbursed to donors

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 year ended 31 December 2012 a total of CHF nil was reimbursed to donors. In 2011 a total of CHF 21,720,630 was reimbursed to donors. Out of this total an amount of CHF 18,612,525 was exceptionally reimbursed to the American Red Cross Society in respect of voluntary contributions received for the Haiti Earthquake Emergency Appeal operation, when the IFRC agreed to hand over part of the emergency appeal operation to the American Red Cross Society, and an amount of CHF 3,108,105 was exceptionally reimbursed to the Canadian Red Cross Society when the IFRC agreed to reimburse the unspent balance on a voluntary contribution so that the Canadian Red Cross Society could reallocate the funds for a different purpose within the emergency appeal operation.

7. 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 8). 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 the total of such recoveries charged to the Haiti Earthquake Emergency Appeal amounted to CHF 606,794 (2011: CHF 1,281,674).

8. 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 2,458,271 (2011: CHF 3,446,972).

9. Funds held for operations

(a) Allocations to other IFRC appeals, net

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 year ended 31 December 2012, CHF 789,545 was reallocated from the Haiti and Dominican Republic: Cholera Outbreak Emergency Appeal (MDR49007) to the Haiti Earthquake Emergency Appeal (2011: CHF 3,542,132 was reallocated from the Haiti Earthquake Emergency Appeal to the Haiti and Dominican Republic: Cholera Outbreak Emergency Appeal (MDR49007). Additionally, CHF 71,639 was reallocated from the 2008 Haiti Hurricane Season Emergency Appeal (MDRHT005) and CHF 3,915 was reallocated from the 2009 Haiti Country Plan Health programme to the Haiti Earthquake Emergency Appeal).

(b) Transfer from IFRC designated, unrestricted reserves

As explained in note 8, 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.

**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 2012**

9. Funds held for operations (continued)

In the event that, in a given year, there is an operation with expenditure in excess of CHF 50,000,000, and the total amount of indirect cost recovery for that year exceeds the total cost of providing indirect support services, the excess is allocated to projects according to a Governing Board decision. Pending the Governing Board decision, the IFRC allocates the excess to an unrestricted reserve designated for specific projects.

In 2010, the Haiti Earthquake Emergency Appeal operation expenditure reached CHF 99,448,134 thereby exceeding CHF 50,000,000 and the total amount of programme and services support recovered on all programmes and services exceeded the total costs of providing indirect support services by CHF 829,000. This excess was allocated to the unrestricted reserve designated for specific projects pending a decision from the Governing Board. Following a Governing Board decision in April 2011, this amount was allocated to the Haiti Earthquake Emergency Appeal. In 2012, the amount allocated to the Haiti Earthquake Emergency Appeal was CHF nil.