

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Turkey: Van Earthquake Emergency Appeal
(MDRTR002)
for the period from 1 January 2012 to 10 November 2012



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Independent Auditor's Report

Turkey: Van Earthquake Emergency Appeal (MDRTR002) 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 Turkey: Van Earthquake Emergency Appeal (MDRTR002) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2012 to 10 November 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 10 November 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 (MDRTR002) – TURKEY: VAN EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2012 TO 10 NOVEMBER 2012**

| | | Period from 1-Jan-2012 to 10-Nov-2012 | Period from 26-Oct-2011 to 31-Dec-2011 |
|--|--------------|--|---|
| INCOME | Notes | CHF | CHF |
| Voluntary contributions | 2.3(a) & 3 | 1,002,563 | 6,244,784 |
| Services income | 2.3(b) | - | 106,821 |
| Total INCOME | | 1,002,563 | 6,351,605 |
| OPERATING EXPENDITURE | | | |
| Employee benefits | 2.5 | 10,289 | - |
| Relief supplies | | 4,524,579 | 1,725,043 |
| Transportation and storage | 2.6 | - | 423,803 |
| Vehicles and equipment | | 97,310 | - |
| Travel | | 1,077 | 1,908 |
| Communications | | 146 | - |
| Legal, professional and consultancy fees | | 35,930 | - |
| Administration, office and general | | 80 | - |
| Finance expense, net | 2.2 | 35 | 1,370 |
| Services and recoveries | 4 | 32,898 | 9,864 |
| Indirect cost recovery | 5 | 303,514 | 113,001 |
| Total OPERATING EXPENDITURE | | 5,005,858 | 2,274,989 |
| RESULT FOR THE PERIOD | | (4,003,295) | 4,076,616 |
| FUNDS HELD FOR OPERATIONS | | | |
| | 2.4 & 6 | | |
| Brought forward | | 4,076,616 | - |
| Allocation to other IFRC appeal | | (8,740) | - |
| Result for the period | | (4,003,295) | 4,076,616 |
| FUNDS HELD FOR OPERATIONS | | 64,581 | 4,076,616 |

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 (MDRTR002) – TURKEY: VAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 10 NOVEMBER 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'.

An earthquake measuring 7.2 on the Richter Scale struck the province of Van in eastern Turkey on 23 October 2011. According to the initial assessment, 461 people died and more than 1,352 were injured. In addition, at least 2,262 buildings were destroyed leaving tens of thousands of people homeless.

On 26 October 2011, a preliminary Emergency Appeal was launched seeking CHF 10.4m in cash, kind or services to support the Turkish Red Crescent Society to assist 10,000 households (50,000 beneficiaries) for 9 months.

On 16 November 2011, a revised Emergency Appeal was launched reducing the appeal budget to CHF 9.4m and extending the timeframe until 10 November 2012. The implementation period for the Turkey: Van Earthquake Emergency Appeal (MDRTR002) finished on 10 November 2012. Pending receipt of a financial report from the Turkish Red Crescent Society, a preliminary final report was issued on 8 February 2013. The final report was issued on 7 May 2013.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes for all projects linked to the Turkey: Van Earthquake Emergency Appeal (MDRTR002), 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 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 Turkey: Van Earthquake Emergency Appeal, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRTR002) – TURKEY: VAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 10 NOVEMBER 2012**

2. Significant accounting policies (continued)

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 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.

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 Turkey Van Earthquake Emergency Operation. Income from these types of services is included under Services income in the Income and Expenditure Statement.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRTR002) – TURKEY: VAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 10 NOVEMBER 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 donor for a reallocation of those funds for a different use, or reimburses them to the donor.

During the period from 1 January 2012 to 10 November 2012, in agreement with the donor, CHF 8,740 was reallocated from the Turkey: Van Earthquake Emergency Appeal (MDRTR002) to the Guatemala Floods Emergency Appeal (MDRGT003) (period from 26 October 2011 to 31 December 2011: CHF nil).

No amounts were reimbursed to donors during the period from 1 January 2012 to 10 November 2012 (period from 26 October 2011 to 31 December 2011: CHF nil).

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 CHF | Outstanding pledges (Revalued) CHF | Period from 1-Jan-2012 to 10-Nov-2012 TOTAL CHF | Period from 26-Oct-2011 to 31-Dec-2011 TOTAL CHF |
|---|-------------|---|---|--|
| American Red Cross | 82,090 | - | 82,090 | 741,835 |
| Australian Red Cross (from Australian Government) | - | - | - | 461,909 |
| Belgian Red Cross (Flanders) | - | - | - | 149,468 |
| British Red Cross | 283,599 | - | 283,599 | 371,972 |
| Canadian Government | - | - | - | 219,931 |
| China Red Cross, Hong Kong branch | - | - | - | 23,410 |
| Danish Red Cross | 21,170 | (21,170) | - | 21,170 |
| Finnish Red Cross | - | - | - | 763,523 |
| Icelandic Red Cross | - | - | - | 42,732 |
| IFRC at the UN Inc (from Kraft Foods Foundation) | 86,309 | - | 86,309 | - |
| IFRC at the UN Inc (from Western Union) | 64,454 | - | 64,454 | - |
| Japanese Red Cross Society | - | - | - | 240,079 |
| Kuwait Government | 58,957 | - | 58,957 | - |
| Latvian Red Cross | - | - | - | 60,931 |
| Sub-totals carried down | 596,579 | (21,170) | 575,409 | 3,096,960 |

**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 10 NOVEMBER 2012**

3. Voluntary contributions (continued)

| | Cash | Outstanding | Period from | Period from |
|--|------------------|--------------------|----------------------|-----------------------|
| | CHF | pledges | 1-Jan-2012 to | 26-Oct-2011 to |
| | | (Revalued) | 10-Nov-2012 | 31-Dec-2011 |
| | | CHF | TOTAL | TOTAL |
| | CHF | | CHF | CHF |
| Sub-totals brought down | 596,579 | (21,170) | 575,409 | 3,096,960 |
| New Zealand Government | - | - | - | 176,718 |
| Norwegian Red Cross | 1,309 | - | 1,309 | 391,606 |
| Norwegian Red Cross (from Norwegian Government) | 10,390 | - | 10,390 | 1,067,704 |
| Online donations | 4,242 | (2,581) | 1,661 | 10,738 |
| OPEC Fund For International Development | 185,770 | (188,661) | (2,891) | 188,661 |
| Other donors (including those with contributions less than CHF 10,000) | 2,363 | - | 2,363 | 10,992 |
| Poland Government | - | - | - | 138,592 |
| Red Crescent Society of the United Arab Emirates | - | - | - | 18,327 |
| Red Cross of Monaco | - | - | - | 24,749 |
| Swedish Red Cross (from Swedish Government) | - | - | - | 270,164 |
| Taiwan Red Cross Organisation | 10,060 | - | 10,060 | - |
| The Canadian Red Cross Society | 4,566 | - | 4,566 | 71,119 |
| The Netherlands Red Cross | - | - | - | 562,863 |
| The Netherlands Red Cross (from Netherlands Government) | 48,409 | (48,757) | (347) | 48,757 |
| The Republic of Korea National Red Cross | 186,299 | - | 186,299 | - |
| The Republic of Korea National Red Cross (from Republic of Korea - Private Donors) | - | - | - | 166,834 |
| United States Government - USAID | 449,570 | (235,827) | 213,744 | - |
| | <u>1,499,557</u> | <u>(496,996)</u> | <u>1,002,563</u> | <u>6,244,784</u> |

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2012 and 10 November 2012, together with the revaluation of outstanding foreign currency pledges as at 10 November 2012.

4. 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 6). Such recoveries include specific logistics services recoveries based on the value of procurement services provided, together with pledge earmarking and reporting fees. For the period from 1 January 2012 to 10 November 2012 the total of such recoveries charged to the Turkey: Van Earthquake Emergency Appeal amounted to CHF 32,898 (period from 26 October 2011 to 31 December 2011: CHF 9,864).

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5. Indirect cost recovery

In keeping with the IFRC's principle of full cost recovery, an additional 6.5% is added to the cost of each operation as a contribution to fund the indirect 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 the period from 1 January 2012 to 10 November 2012 amounted to CHF 303,514 (period from 26 October 2011 to 31 December 2011: CHF 113,001).

6. Funds held for operations

The Turkey: Van Earthquake Emergency Appeal was closed on 10 November 2012. Once final expenses have been booked, the remaining funds, which at 31 December 2012 amounted to CHF 64,581, will, with agreement of the donors, be transferred to the Disaster Management project to support capacity building in core areas of disaster management planning, organisational and community preparedness as well as disaster risk reduction.