

**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 period from 1 January 2012 to 2 March 2013



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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)

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 period from 1 January 2012 to 2 March 2013.

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 2 March 2013 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, 6 November 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 PERIOD FROM 1 JANUARY 2012 TO 2 MARCH 2013**

		Period from 1-Jan-2012 to 2-Mar-2013	Year ended 31-Dec-2011
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3(a) & 3	18,109	1,044,760
Services income	2.3(b)	-	3,307
Total INCOME		18,109	1,048,067
OPERATING EXPENDITURE			
Employee benefits	2.5	770,879	884,115
Relief supplies		1,144,578	2,644,807
Transportation and storage	2.6	80,932	48,238
Vehicles and equipment		22,510	93,480
Travel		76,319	53,132
Communications		24,514	18,735
Workshops & training		229,507	215,954
Information		110,552	56,298
Legal, professional and consultancy fees		121,538	149,429
Administration, office and general		102,907	82,440
Finance expense / (income), net	2.2	55,417	(16,260)
Provisions for operations	4	(201,502)	(340,849)
Services and recoveries	5	12,330	34,022
Indirect cost recovery	6	164,980	252,819
Total OPERATING EXPENDITURE		2,715,461	4,176,360
RESULT FOR THE PERIOD		(2,697,352)	(3,128,293)
FUNDS HELD FOR OPERATIONS			
	2.4 & 7		
Brought forward		3,659,281	6,787,574
Result for the period		(2,697,352)	(3,128,293)
FUNDS HELD FOR OPERATIONS		961,929	3,659,281

The notes on pages 4 to 7 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 PERIOD FROM 1 JANUARY 2012 TO 2 MARCH 2013**

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'.

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 six 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 implementation period for the Chile: Earthquake Emergency Appeal (MDRCL006) finished on 2 March 2013 and the final report was issued on 29 July 2013.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Chile: Earthquake Emergency Appeal 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).

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 2 MARCH 2013**

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 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 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 Chile 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 (MDRCL006) – CHILE EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2012 TO 2 MARCH 2013**

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. No amounts were reimbursed to donors during the period from 1 January 2012 to 2 March 2013 (year ended 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 third parties, for use in the operation, is recorded under Transport and storage.

3. Voluntary contributions

	Cash CHF	Outstanding pledges (Revalued) CHF	Period from 1-Jan-2012 to 2-Mar-2013 TOTAL CHF	Year ended 31-Dec-2011 TOTAL CHF
British Red Cross	-	-	-	69,253
China Red Cross, Hong Kong branch	7,083	-	7,083	17,228
Finnish Red Cross	-	-	-	28,472
Japanese Red Cross Society	-	-	-	302,303
New Zealand Red Cross	-	-	-	21,606
Red Cross of Monaco	-	-	-	18,634
Swedish Red Cross	-	-	-	296,609
The Canadian Red Cross Society	43,497	(44,162)	(665)	385,000
United States Government - USAID	-	-	-	(114,663)
Other donors including those with a contribution less than CHF 10,000)	247,518	(235,827)	11,691	20,318
	298,098	(279,989)	18,109	1,044,760
	298,098	(279,989)	18,109	1,044,760

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2012 and 2 March 2013, together with the revaluation of outstanding foreign currency pledges as at 2 March 2013.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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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 2 March 2013 was CHF 201,502 lower than at 31 December 2011.

5. 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 2 March 2013 such fees charged to the Chile Earthquake Emergency Appeal amounted to CHF 12,330 (year ended 31 December 2011: CHF 34,022).

6. 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 2 March 2013 amounted to CHF 164,980 (year ended 31 December 2011: CHF 252,819).

7. Funds held for operations

The Chile Earthquake Emergency Appeal was closed on 2 March 2013. Once final expenses have been booked, the remaining funds, which at 2 March 2013 amounted to CHF 961,929, will, with agreement of the donors, be transferred to continue activities under the IFRC Chilean Country Plan.