

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Cuba: Hurricane Sandy Emergency Appeal
(MDRCU002)
for the period 29 October 2012 to 31 October 2013



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Independent Auditor's Report

Cuba: Hurricane Sandy Emergency Appeal (MDRCU002) 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 Cuba: Hurricane Sandy Emergency Appeal (MDRCU002) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the 29 October 2012 to 31 October 2013.

Management's Responsibility for the Financial Statements

Management of the IFRC is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRC accounting policies as described in the notes to the financial statements, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by management, 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 financial statements give a true and fair view of the income, expenditure and funds held for operations for the period 29 October 2012 to 31 October 2013 and have been prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

KPMG SA

Pierre-Henri Pigeon
Auditor in Charge

Christine Fox

Geneva, 30 September 2014

Enclosure:

- Income and expenditure statement and related notes

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRCU002) – CUBA: HURRICANE SANDY**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 29 OCTOBER 2012 TO 31 OCTOBER 2013**

INCOME	Notes	Period from 29-Oct-2012 to 31-Oct-2013 CHF
Voluntary contributions	2.3 & 3	5,608,369
Total INCOME		<u>5,608,369</u>
OPERATING EXPENDITURE		
Employee benefits	2.5	143,247
Relief supplies		4,093,002
Transportation and storage	2.6	356,535
Vehicles and equipment		1,070
Travel		23,563
Communications		14,798
Workshops & training		24,630
Information		17,336
Legal, professional and consultancy fees		33,887
Administration, office and general		50,435
Finance expense, net	2.2	6,193
Services and recoveries	4	162,971
Indirect cost recovery	5	315,055
Total OPERATING EXPENDITURE		<u>5,242,722</u>
RESULT FOR THE PERIOD		<u><u>365,647</u></u>
FUNDS HELD FOR OPERATIONS	2.4 & 6	
Result for the period		365,647
FUNDS HELD FOR OPERATIONS		<u><u>365,647</u></u>

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 (MDRCU002) – CUBA: HURRICANE SANDY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 29 OCTOBER 2012 TO 31 OCTOBER 2013**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 189 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 189 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 25 October 2012, Hurricane Sandy hit land in Mar Verde (near the south-eastern city of Santiago de Cuba) and headed north on the island until it hit Punta Lucrecia in the Holguin province. The hurricane caused 11 deaths and damaged over 194,767 homes and destroyed a further 32,521.

In response to the situation, on 29 October 2012, the IFRC launched a preliminary Emergency Appeal, seeking CHF 5.5 million, in order to support the Cuban Red Cross (CRC) to provide assistance to 15,000 families (75,000 beneficiaries) for 9 months, in the areas of emergency shelter, first aid, psychosocial support as well as carrying out hygiene promotion activities as part of disease prevention efforts.

On 5 November 2012, as a result of the increased needs reflected in assessments, the appeal budget was revised to seek CHF 12.2 million. On 12 April 2013, as a result of lower distribution costs, the appeal budget was revised downwards to CHF 4.9 million. On 8 September 2013, the appeal budget was revised again to seek CHF 5.8 million. A final report for the Emergency Appeal was issued on 5 March 2014.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Cuba: Hurricane Sandy Emergency Appeal (appeal MDRCU002) 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 Cuba: Hurricane Sandy 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 29 OCTOBER 2012 TO 31 OCTOBER 2013**

2. Significant accounting policies (continued)

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

Voluntary contributions are identified according to the level of earmarking. Donors can earmark contributions for use in 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) and services (in the form of 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 indicated 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 market value.

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.

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 6).

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 third parties, for use in the operation, is recorded under Transportation and storage.

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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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3. Voluntary contributions

	Cash CHF	Goods In-Kind CHF	Services In-Kind CHF	Period from 29-Oct-2012 to 31-Oct-2013 TOTAL CHF
American Red Cross	464,371		-	464,371
Australian Government	28,593		-	28,593
British Red Cross	127,055	48,920	4,000	179,975
British Red Cross (from DFID - British Government)	1,213,738		-	1,213,738
China Red Cross, Hong Kong branch	2,275	35,000	1,806	39,081
IFRC at the UN Inc allocations (from Western Union Foundation)	23,771		-	23,771
Irish Government	180,701		-	180,701
Irish Red Cross Society	43,221		-	43,221
Italian Government Bilateral Emergency Fund	120,482		-	120,482
Japanese Red Cross Society	224,730		-	224,730
New Zealand Red Cross	30,504		-	30,504
Norwegian Red Cross	61,429	945,068	44,400	1,050,897
Other donors (including those with contributions less than CHF 10,000)	16,195		-	16,195
Red Cross of Monaco	12,264		-	12,264
Spanish Red Cross (from Spanish Government)	369,413		-	369,413
Swedish Red Cross	138,989		-	138,989
Swedish Red Cross (from Swedish Government)	416,968		-	416,968
Taiwan Red Cross Organisation	48,464		-	48,464
The Canadian Red Cross Society	69,951	55,468	2,037	127,456
The Canadian Red Cross Society (from Canadian Government)	463,737		-	463,737
The Netherlands Red Cross	22,402		-	22,402
The Netherlands Red Cross (from Netherlands Government)	392,417		-	392,417
	4,471,670	1,084,456	52,243	5,608,369

The Cash column includes movements in outstanding pledges during the period 29 October 2012 to 31 October 2013, together with the revaluation of outstanding foreign currency pledges as of 31 October 2013.

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 5). 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 the period from 29 October 2012 to 31 October 2013, the total of such recoveries charged to the Cuba: Hurricane Sandy Emergency Appeal amounted to CHF 162,971.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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5. 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, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources. The support for the period from 29 October 2012 to 31 October 2013 amounted to CHF 315,055.

6. Funds held for operations

The Cuba: Hurricane Sandy Emergency Appeal was closed on 31 October 2013 and the remaining funds amounted to CHF 365,647. With agreement of the donors, these funds will be transferred to the Pan American Disaster Response Unit and to the Cuba Long-Term Planning Framework 2012-2015.