

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

**Independent Auditor's Report**

On the IFRC's Financial Statements for the  
Lebanon, Jordan and Iraq: Population Movement Emergency Appeal  
(MDR81003)  
for the period 9 August 2012 to 31 December 2013



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## Independent Auditor's Report

### **Lebanon, Jordan and Iraq: Population Movement Emergency Appeal (MDR81003) of the International Federation of Red Cross and Red Crescent Societies (IFRC)**

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We have audited the accompanying financial statements (income and expenditure statement and related notes) of the Lebanon, Jordan and Iraq: Population Movement Emergency Appeal (MDR81003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the 9 August 2012 to 31 December 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.



**International Federation of Red Cross and Red Crescent Societies (IFRC)**  
*Lebanon, Jordan and Iraq: Population Movement Emergency Appeal (MDR81003)*  
*for the period 9 August 2012 to 31 December 2013*

**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 9 August 2012 to 31 December 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 Pingeon  
*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 (MDR81003) – LEBANON, JORDAN AND IRAQ: POPULATION MOVEMENT**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE PERIOD FROM 9 AUGUST 2012 TO 31 DECEMBER 2013**

		<b>Period from 9-Aug-2012 to 31-Dec-2013</b>
<b>INCOME</b>	<b>Notes</b>	<b>CHF</b>
Voluntary contributions	2.3 & 3	7,333,054
<b>Total INCOME</b>		<u>7,333,054</u>
<b>OPERATING EXPENDITURE</b>		
Employee benefits	2.5	725,072
Relief supplies		3,588,244
Transportation and storage	2.6	197,336
Vehicles and equipment		163,708
Travel		72,686
Communications		16,416
Workshops & training		71,242
Information		18,973
Legal, professional and consultancy fees		57,242
Administration, office and general		167,254
Finance expense, net	2.2	49,695
Provisions for operations	4(a)	25,726
Contributions to national societies	4(b)	261,238
Services and recoveries	5	99,453
Indirect cost recovery	6	353,255
<b>Total OPERATING EXPENDITURE</b>		<u>5,867,540</u>
<b>RESULT FOR THE PERIOD</b>		<u>1,465,514</u>
<b>FUNDS HELD FOR OPERATIONS</b>	2.4	
Allocations from other IFRC appeals	7	256,290
Result for the period		1,465,514
<b>FUNDS HELD FOR OPERATIONS</b>		<u>1,721,804</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 (MDR81003) – LEBANON, JORDAN AND IRAQ: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 9 AUGUST 2012 TO 31 DECEMBER 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'.

Since the beginning of 2011, civil unrest in Syria has caused mass displacement, both within Syria, and into its neighbouring countries. In March 2012, the IFRC commenced activities targeting the needs of people fleeing Syria into Lebanon and Jordan. These activities were supported under the Middle East and North Africa (MENA) Civil Unrest Emergency Appeal (MDR82001). On 9 August 2012, with mounting violence across Syria forcing tens of thousands to flee across borders, the IFRC launched a Preliminary Emergency Appeal seeking CHF 3.7 million in cash, kind or services to support the Jordan National Red Crescent Society (JRCS), the Lebanese Red Cross (LRC), the Palestinian Red Crescent Society (PRCS – Lebanon branch) and the Iraqi Red Crescent Society (IRCS), in responding to the needs of some 11,000 families in the areas of relief, hygiene promotion and disaster preparedness.

On 30 January 2013, the IFRC revised the Emergency Appeal, increasing the budget to CHF 4.6 million, in order to assist up to 12,400 families (62,000 people) for 6 months. On 28 May 2013, the IFRC further extended and revised the Emergency Appeal to seek CHF 27.4 million in order to assist some 51,693 families (285,465 people) until the end of December 2013.

On 18 November 2013 the IFRC appeal budget was further revised to seek CHF 43.6 million in cash, kind or services to support the national societies in Lebanon, Jordan and Iraq (including the PRCS branch in Lebanon) in assisting approximately 58,376 families (291,880 people) until the end of June 2014. Part of this appeal budget includes support received by the IFRC through the deployment of an Emergency Response Unit (ERU) at an estimated value of CHF 10 million.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Lebanon, Jordan and Iraq Population Movement Emergency Appeal (appeal MDR81003) 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 (MDR81003) – LEBANON, JORDAN AND IRAQ: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 9 AUGUST 2012 TO 31 DECEMBER 2013**

**2. Significant accounting policies (continued)**

**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 Lebanon, Jordan and Iraq Population Movement 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

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 staff or transport) are recognised on the date of receipt of the goods or service and are recognised equally as both 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 employ a person in a similar position.

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDR81003) – LEBANON, JORDAN AND IRAQ: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 9 AUGUST 2012 TO 31 DECEMBER 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 donors to reallocate the unspent funds for a different use, or reimburses them to the donors (see note 7).

**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.

**3. Voluntary contributions**

	Cash	Goods	Services	Period from
	CHF	In-Kind	In-Kind	9-Aug-2012
		CHF	CHF	to 31-Dec-2013
				TOTAL
				CHF
American Red Cross	94,634	-	-	94,634
Australian Red Cross	14,335	-	29,370	43,705
Australian Red Cross (from Australian Government)	1,578,764	-	-	1,578,764
British Red Cross	550,682	-	-	550,682
German Red Cross	962	14,800	2,200	17,962
German Red Cross (from German Government)	1,151,991	-	-	1,151,991
Icelandic Red Cross	30,000	-	-	30,000
Icelandic Red Cross (from Icelandic Government)	70,000	-	-	70,000
Italian Red Cross	42,791	-	-	42,791
Japanese Red Cross Society	153,400	-	-	153,400
Norwegian Red Cross	72,914	17,109	2,728	92,751
Other donors (including those with contributions less than CHF 10,000)	12,391	-	-	12,391
Spanish Red Cross	16,391	252,174	16	268,581
Swedish Red Cross	929,601	-	-	929,601
The Netherlands Red Cross	8,376	128,865	9,933	147,174
The Netherlands Red Cross (from Netherlands Government)	1,753,361	-	-	1,753,361
UNDP - United Nations Development Programme	90,719	-	-	90,719
United States Government - PRM	304,547	-	-	304,547
	<u>6,875,859</u>	<u>412,948</u>	<u>44,247</u>	<u>7,333,054</u>

The cash column above includes movements in outstanding pledges between 9 August 2012 and 31 December 2013, together with the revaluation of outstanding foreign currency pledges as at 31 December 2013.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDR81003) – LEBANON, JORDAN AND IRAQ: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 9 AUGUST 2012 TO 31 DECEMBER 2013**

**4. 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 2013 was CHF 25,726.

*(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 2013, the IFRC contributed CHF 261,238 to member national societies.

**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 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 9 August 2012 to 31 December 2013, the total of such recoveries charged to the Lebanon, Jordan and Iraq Population Movement Emergency Appeal amounted to CHF 99,453.

**6. 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 9 August 2012 to 31 December 2013 amounted to CHF 353,255.

**7. Funds held for operations**

*Allocations from other IFRC appeals*

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 period from 9 August 2012 to 31 December 2013, CHF 256,290 was reallocated from the MENA Civil Unrest Emergency Appeal (MDR82001) to the Lebanon, Jordan and Iraq Population Movement Emergency Appeal.