

**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 2013



KPMG SA
Audit Western Switzerland
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

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 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 financials 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 year ended 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 Pigeon
Auditor in Charge

Christine Fox

Geneva, 7 November 2014

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 YEAR ENDED 31 DECEMBER**

		2013	2012
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3(a) & 3	6,778,173	17,481,650
Corporate donation fees	4	(67)	(3)
Services income	2.3(b)	283,896	882,348
Other income		71,231	8,405
Total INCOME		<u>7,133,233</u>	<u>18,372,400</u>
OPERATING EXPENDITURE			
Employee benefits	2.5	11,084,565	21,060,753
Relief supplies		6,722,677	7,569,745
Transportation and storage	2.6	2,195,273	2,991,815
Land and buildings		-	4,713
Vehicles and equipment	2.1(b)	10,053	(519,116)
Travel		190,028	332,353
Communications		551,577	532,522
Workshops & training		453,894	749,192
Information		157,272	265,945
Legal, professional and consultancy fees		321,918	591,711
Administration, office and general		4,259,530	1,301,400
Finance expense, net	2.2	14,296	228,816
Depreciation and amortisation	2.1(b) & 2.7	1,260,130	1,497,619
Write offs and provisions for outstanding receivables	2.8	50,944	-
Provisions for operations	5(a)	519,889	(140,887)
Contributions to national societies	5(b)	2,602,469	781,736
Contributions to other organisations		155,912	564,340
Voluntary contributions reimbursed to donors	6	540,375	-
Services and recoveries	7	380,200	606,794
Indirect cost recovery	8	1,954,041	2,458,271
Total OPERATING EXPENDITURE		<u>33,425,043</u>	<u>40,877,722</u>
		<u>(26,291,810)</u>	<u>(22,505,322)</u>
RESULT FOR THE PERIOD			
FUNDS HELD FOR OPERATIONS			
	2.4		
Brought forward		46,285,911	68,001,688
Allocations from other IFRC appeals, net	9	5,325	789,545
Result for the period		(26,291,810)	(22,505,322)
FUNDS HELD FOR OPERATIONS		<u>19,999,426</u>	<u>46,285,911</u>

The notes on pages 4 to 9 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 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 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 and the appeal extended to include recovery programming and support to HNRCS strategy to the end of 2015.

On 30 August 2013, the appeal budget was further revised downwards CHF 259.5 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 2013**

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 related 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 were not material, the full adjustment of CHF 978,503 was recorded in 2012 to ensure the correct Funds held for operations balance was shown as at 31 December 2012.

The net effect in Funds held for operations in 2012 was 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, 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 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

**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 2013**

2. Significant accounting policies (continued)

(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 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.

2.7 Depreciation

Depreciation is charged to those projects which are using the related vehicles. It is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

Heavy and light vehicles	5 years
--------------------------	---------

**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 2013**

2. Significant accounting policies (continued)

2.8 Write offs and provisions for outstanding receivables

A provision for impairment for a receivable is made when there is objective evidence that the carrying amount of the receivable exceeds its recoverable amount. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

3. Voluntary contributions

	Cash	Services In-Kind	2013 TOTAL	2012 TOTAL
	CHF	CHF	CHF	CHF
American Red Cross	2,378,097	48,357	2,426,454	3,447,372
Australian Red Cross	-	-	-	35,800
British Red Cross	3561	-	3,561	1,020,781
China Red Cross, Hong Kong branch	(11,384)	-	(11,384)	963,835
China Red Cross, Macau Branch	(3,059)	-	(3,059)	649,023
Corporación Andina de Fomento (CAF)	93,660	-	93,660	-
European Commission - DGECHO	58,849	-	58,849	951,986
Finnish Red Cross	372,913	14,287	387,200	327,710
French Red Cross	55,681	-	55,681	(36,960)
French Red Cross (from European Commission - DGECHO)	885,750	-	885,750	-
German Red Cross	9,543	-	9,543	(3,356)
Haitian Red Cross Society	-	-	-	846,183
Icelandic Red Cross	-	-	-	73,183
Irish Red Cross Society	-	-	-	104,177
Italian Red Cross	22,890	-	22,890	(11,188)
Japanese Government	56,015	-	56,015	4,565,705
Japanese Red Cross Society	2,000,000	279,376	2,279,376	433,408
Norwegian Red Cross	4,463	-	4,463	79,606
Other donations (including those with contributions less than CHF 10,000)	(38)	-	(38)	(579)
Red Cross Society of China	-	-	-	37,556
Red Cross Society of Côte d'Ivoire	-	-	-	11,839
Spanish Red Cross	4,904	-	4,904	54,213
Swedish Red Cross	-	97,900	97,900	425,221
Swedish Red Cross (from Swedish Government)	-	-	-	1,007,542
The Canadian Red Cross Society	396,618	9,790	406,408	433,903
The Republic of Korea National Red Cross	-	-	-	2,064,690
	<u>6,328,463</u>	<u>449,710</u>	<u>6,778,173</u>	<u>17,481,650</u>

The Cash column above includes movements in outstanding pledges between 1 January 2013 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 (MDRHT008) – HAITI EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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 2013 was CHF 519,889 higher than at 31 December 2012.

(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 2,602,469 (2012: CHF 781,736) to member national societies.

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 2013 a total of CHF 540,375 was reimbursed to donors (2012: CHF nil).

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 2013 the total of such recoveries charged to the Haiti Earthquake Emergency Appeal amounted to CHF 380,200 (2012: CHF 606,794).

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, 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 2013 amounted to CHF 1,954,041 (2012: CHF 2,458,271).

**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 2013**

9. Funds held for operations

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 2013, CHF 5,325 was reallocated from the Haiti and Dominican Republic: Cholera Outbreak Emergency Appeal (MDR49007) to the Haiti Earthquake Emergency Appeal (2012: CHF 789,545).