

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Syria: Complex Emergency Appeal
(MDRSY003)
for the year ended 31 December 2013



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Independent Auditor's Report

Syria: Complex Emergency Appeal (MDRSY003) 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 Syria: Complex Emergency Appeal (MDRSY003) 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 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 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 (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

		Year ended 31-Dec-2013	Period from 6-Jul-2012 to 31-Dec-2012
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 & 3	30,450,571	12,640,715
Corporate donation fees	4	(2,323)	(9,590)
Total INCOME		<u>30,448,248</u>	<u>12,631,125</u>
OPERATING EXPENDITURE			
Employee benefits	2.5	1,070,775	201,270
Relief supplies		17,729,413	4,733,731
Transportation and storage	2.6	2,776,440	455,675
Vehicles and equipment		216,029	576,408
Travel		60,202	31,578
Communications		26,396	10,019
Workshops & training		51,460	581
Information		8,009	293
Legal, professional and consultancy fees		70,820	25,224
Administration, office and general		86,048	17,125
Finance expense, net	2.2	173,268	12,356
Provisions for operations	5(a)	(1,064,220)	1,068,828
Contributions to national societies	5(b)	3,824,319	977,080
Services and recoveries	6	860,257	209,226
Indirect cost recovery	7	1,679,770	530,134
Total OPERATING EXPENDITURE		<u>27,568,986</u>	<u>8,849,528</u>
RESULT FOR THE PERIOD		<u>2,879,262</u>	<u>3,781,597</u>
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4	4,933,452	-
Allocations from other IFRC appeals	8	285,229	1,151,855
Result for the period		2,879,262	3,781,597
FUNDS HELD FOR OPERATIONS		<u>8,097,943</u>	<u>4,933,452</u>

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 (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**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'.

During 2011 and 2012, ongoing civil strife and unrest was seen in Syria resulting in significant concerns relating to security, safety, protection and threats to livelihoods. Due to a worsening humanitarian situation in Syria and as a continuation and scaling up of activities initially undertaken as part of the Middle East & North Africa Civil Unrest Emergency Appeal (MDR82001) an Emergency Appeal was launched on 6 July 2012 seeking CHF 27.2 million in cash and/or in-kind goods and services to support the Syrian Arab Red Crescent (SARC) to assist over 200,000 beneficiaries for 12 months primarily in the areas of health, relief and livelihoods.

On 17 December 2012, the Emergency Appeal was increased and extended to seek CHF 39.2 million to assist up to 650,000 beneficiaries until the end of December 2013.

On 3 July 2013, the Emergency Appeal was further increased to seek CHF 53.6 million to assist up to 910,000 beneficiaries.

On 18 November 2013, the Emergency appeal was further increased and extended to seek CHF 106.3 million to assist up to 5,460,000 beneficiaries up to the end of December 2014.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Syria: Complex Emergency Appeal (appeal MDRSY003) and are hereto referred to as the Appeal Financial Statements.

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) Reclassification of comparative figures

In 2012, CHF 88,726 indirect cost recovery on in-kind voluntary contributions was included within Services income. In these Appeal Financial Statements, this amount has been included within Voluntary Contributions, and is subsequently reported in Note 3 of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 Syria: Complex 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 in-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 (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 8).

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	Goods	Services	Year ended	Period from
	CHF	In-Kind	In-Kind	31-Dec-2013	6-Jul-2012 to
	CHF	CHF	CHF	TOTAL	TOTAL
	CHF	CHF	CHF	CHF	CHF
American Red Cross	374,077	-	-	374,077	191,791
Australian Red Cross	160,362	-	-	160,362	38,226
Austrian Red Cross (from Austrian Government)	964,733	-	-	964,733	-
Belgian Red Cross (Flanders)	-	-	-	-	214,302
Belgian Red Cross (Francophone) (from Belgian Federal Government)	1,956	-	-	1,956	356,443
British Red Cross	1,731,598	1,581,866	218,457	3,531,921	956,100
British Red Cross (from British Government)	77,367	-	-	77,367	-
British Red Cross (from DEC (Disasters Emergency Commission))	926,839	-	-	926,839	-
British Red Cross (from DFID - British Government)	1,267,126	-	-	1,267,126	-
China Red Cross, Hong Kong branch	10,353	34,715	3,876	48,944	-
Danish Red Cross	41,231	-	-	41,231	128,856
European Commission - DGECHO	9,231,319	-	-	9,231,319	2,617,481
Finnish Red Cross	-	-	50,160	50,160	191,858
Finnish Red Cross (from Finnish Government)	-	-	-	-	379,298
Irish Red Cross Society	91,946	-	-	91,946	-
Italian Red Cross	-	-	-	-	120,120
Japanese Red Cross Society	-	-	-	-	233,872
Kuwait Red Crescent Society	-	-	-	-	457,792
Luxembourg Government	124,797	-	-	124,797	-
New Zealand Red Cross	96,863	-	-	96,863	-
Norwegian Red Cross	149,682	4,333	-	154,015	429,757
Norwegian Red Cross (from Norwegian Government)	1,544,592	-	-	1,544,592	-
Sub-totals carried down	16,794,841	1,620,914	272,493	18,688,248	6,315,896

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

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

3. Voluntary contributions (continued)

	Cash CHF	Goods In-Kind CHF	Services In-Kind CHF	Year ended 31-Dec-2013 TOTAL CHF	Period from 6-Jul-2012 to 31-Dec-2012 TOTAL CHF
Sub-totals brought down	16,794,841	1,620,914	272,493	18,688,248	6,315,896
Online donations	65,675	-	-	65,675	17,912
Other donors (including those with contributions less than CHF 10,000)	17,958	-	-	17,958	4,063
Red Crescent Society of Islamic Republic of Iran	-	-	-	-	30,000
Red Cross of Monaco	-	-	-	-	14,472
Spanish Red Cross	145,796	350,106	8	495,910	-
Suncor Energy Inc.	46,468	-	-	46,468	191,791
Swedish Red Cross	6,965,320	-	141,600	7,106,920	1,830,765
Taiwan Red Cross Organisation	-	-	-	-	46,681
The Canadian Red Cross Society	123,844	43,639	9,050	176,533	72,763
The Canadian Red Cross Society (from Canadian Government)	-	-	-	-	1,851,430
The Netherlands Red Cross	588,041	322,523	79,900	990,464	564,107
The Netherlands Red Cross (from Netherlands Government)	1,100,123	-	-	1,100,123	786,925
United States Government - USAID	1,762,272	-	-	1,762,272	913,910
	27,610,338	2,337,182	503,051	30,450,571	12,640,715

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.

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 1,064,220 less than at 31 December 2012.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA: COMPLEX EMERGENCY**

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

5. Provisions for operations and contributions to national societies (continued)

(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 3,824,319 to member national societies (period from 6 July 2012 to 31 December 2012: CHF 977,080).

6. 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 7). 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 year ended 31 December 2013 such fees charged to the Syria: Complex Emergency Appeal amounted to CHF 860,257 (period from 6 July 2012 to 31 December 2012: CHF 209,226).

7. 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, 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 year ended 31 December 2013 amounted to CHF 1,679,770, (period from 6 July 2012 to 31 December 2012: CHF 530,134).

8. 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 year ended 31 December 2013, in agreement with the donors, CHF 285,229 was reallocated from the Syria Annual Appeal (MAASY001) to the Syria: Complex Emergency Appeal (period from 6 July 2012 to 31 December 2012: CHF 1,151,855 was reallocated from the Middle East & North Africa: Civil Unrest Emergency Appeal (MDR82001) to the Syria: Complex Emergency Appeal).