

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

Geneva

Report of the independent Auditor

On the Financial Statements for the Emergency
Appeal "Afghanistan - Humanitarian crises"
For the period from January 1, 2022 to
December 31, 2022

Report of the Independent Auditor on the IFRC's Financial Statements of the project focused on the Emergency Appeal Afghanistan - Humanitarian crises, MDRAF007. The period covered in the scope of audit is January 1, 2022 to December 31, 2022

Opinion

We have audited the accompanying financial statements of the project focused for the Emergency Appeal Afghanistan - Humanitarian crises, MDRAF007. The period covered in the scope of audit is January 1, 2022 to December 31, 2022, which comprise the statement of income and expenditure and notes to the financial statements including a summary of significant accounting policies for the year ended December 31, 2022.

In our opinion, the accompanying financial statements for the Emergency Appeal Afghanistan - Humanitarian crises, MDRAF007 are prepared, in all material aspects, in accordance with IFRC accounting policies set out in the notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the IFRC in accordance with the ethical Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the IFRC to comply with the financial reporting provisions of the IFRC. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matters

The financial statements of the emergency appeal for the period from April 10 to December 31, 2021 were audited by another auditor whose report, dated December 8, 2023, expressed an unqualified opinion on those financial statements.

Responsibilities of the Management for the Financial Statements

The Management of the IFRC is responsible for the preparation of this financial statement in accordance with the accounting policies set out in the notes and for such internal control as the Management of the IFRC determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IFRC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

We communicate with the Management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Forvis Mazars SA

Michael Ackermann
Licensed audit expert
(Auditor in charge)

Fanny Chapuis
Licensed audit expert

Geneva, July 2, 2024

Attachments:

- Financial statements (statement of income and expenditure and notes) for the period from January 1, 2022 to December 31, 2022.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRAF007) – AFGHANISTAN HUMANITARIAN CRISES**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

		Year ended 31-Dec-2022	Year ended 31-Dec-2021
	Notes	CHF	CHF
OPERATING INCOME			
Voluntary contributions	4	20,919,947	3,812,871
Donations	5	7,305,239	3,480,278
Total INCOME		<u>28,225,186</u>	<u>7,293,149</u>
OPERATING EXPENDITURE			
Other resources: Humanitarian Response			
Employee benefits		2,505,625	96,240
Relief supplies, transportation and storage		6,439,092	3,197,479
Contributions to national societies		3,204,447	-
Supplementary services cost recoveries		319,240	21,992
Other costs & allocations	6	2,188,838	379,925
Total direct costs		<u>14,657,242</u>	<u>3,695,636</u>
Indirect cost recovery		934,971	240,306
Pledge fees		150,218	18,197
Total OPERATING EXPENDITURE		<u>15,742,431</u>	<u>3,954,139</u>
NET SURPLUS FROM OPERATING ACTIVITIES		12,482,755	3,339,010
Finance (expense), net		(77,170)	(17,042)
NET SURPLUS FOR THE YEAR		<u>12,405,585</u>	<u>3,321,968</u>
FUNDS HELD FOR OPERATIONS			
Brought forward		3,321,968	-
Net surplus for the year		12,405,585	3,321,968
FUNDS HELD FOR OPERATIONS		<u>15,727,553</u>	<u>3,321,968</u>

The notes on pages 4 to 10 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRAF007) – AFGHANISTAN HUMANITARIAN CRISES**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 191 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 to support activities around the world. The Secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 191 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 always act in the interests of vulnerable people.

Guided by *Strategy 2030* – 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 the second half of 2020, a moderate to strong La Niña phenomenon was registered and resulted in below-average rainfall and snowfall across Afghanistan. The dry conditions affected the snow accumulation that is critical for water supply during the spring and summer agricultural seasons resulting in the drought experienced in later months. In March 2021, the Afghanistan Red Crescent Society (ARCS) initiated a response to the drought situation with an allocation from the IFRC's Disaster Relief Emergency Fund (DREF). In April 2021, the IFRC launched an Afghanistan Humanitarian Crises Emergency Appeal due to the increasing needs. Early action was necessary to reach the drought affected people in their places of origin before displacement happened. By January 10, 2022, 29,500 food packages, 3,500 winter kits, 7,350 hygiene kits and 3,350 household kits had been procured and distributed to the affected communities.

In June 2022, a 5.9 magnitude earthquake hit the southeast region of Afghanistan, with its epicentre in the province of Paktika. Subsequently, the IFRC revised the Afghanistan Humanitarian Crises Emergency Appeal to CHF 90 million, with CHF 10 million specifically for the earthquake response through the provision of household items, multipurpose cash, winter clothing, shelter, livelihood, and primary health care services including psychosocial support services (PSS). It also covered support for mobilizing Branch Disaster Response Teams (BDRTs), staff, and volunteers for assessments, distributions, and monitoring.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Afghanistan Humanitarian Crises Appeal (MDRAF007) and are hereto referred to as the Appeal Financial Statements.

2. 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 Consolidated Financial Statements of the IFRC are prepared in accordance with International Financial Reporting Standards (IFRS). The information contained in these appeal financial statements has been extracted from the Consolidated Financial Statements of the IFRC, except for the following:

- a) payments made under leases, as covered by IFRS 16 Leases, are included in operating expenditure in the appeal financial statements and are recognised on a straight-line basis over the periods of the leases.
- b) obligations for contributions to post-employment benefit plans (the IFRC's pension arrangements), as covered by IAS 19 Employee benefits, are included within operating expenditure in the appeal financial statements and are recognised as contributions fall due for payment.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. Basis of accounting (continued)

The IFRC has concluded that with respect to these appeal financial statements, the adopted bases of accounting for leases and post-employment benefit plan contributions provide more relevant and useful information to users of these appeal financial statements, notably contributors and donors to the Afghanistan Humanitarian Crises Appeal (MDRAF007).

The Appeal Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the appeal financial statements is classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

3. Significant accounting policies

3.1 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 Afghanistan Humanitarian Crises appeal, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

Monetary assets and liabilities denominated in foreign currencies are translated into Swiss Francs using the exchange rate at the reporting date. Foreign currency transactions are translated into Swiss Francs using actual rates that were applied to transactions or rates which approximate to the prevailing rate at the date 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 and unrealised exchange gains and losses on voluntary contributions and donations, which are included under Voluntary contributions and Donations, net in the Income and Expenditure Statement.

3.2 Income

Income comprises voluntary contributions and donations earmarked for the Afghanistan Humanitarian Crises (MDRAF007). Voluntary contributions are contributions to the IFRC voluntarily made by National Societies. Donations are donations or other financial assistance to the IFRC, voluntarily made by private individuals, States, or any other public or private institutions. Voluntary contributions and Donations are recognised when a signed agreement (pledge) has been received from the National Society or other donor. In the absence of a signed agreement, the contribution is recognised upon receipt of cash.

Government grants for specific projects and donations that are subject to specific contractual obligations similar to government grants, are reported as deferred income and recognised as income when expenditure is incurred, and contractual obligations are fulfilled. Government grants that are neither for specific projects nor identifiable assets, and are both earmarked and managed at appeal level, are recognised when a confirmed written pledge has been received from the donor and accepted by the IFRC.

Donations where receipt of funding is conditional and contingent upon uncertain future events not wholly within the IFRC's control are not accounted for but are disclosed as contingent assets.

After initial recognition, subsequent changes to Voluntary contributions and Donations are recognised as additions to, or reductions of income, in the period in which the change is agreed. The IFRC is unable to evaluate the impact of such changes on the income reported in these appeal financial statements.

In-kind contributions of services are recognised equally as both income and expenditure at their estimated fair value on the dates of receipt.

Earmarked voluntary contributions from National Societies and donations from non-National Societies are identified based on the level of earmarking, as summarised in the below table:

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FOR THE YEAR ENDED DECEMBER 31, 2022**

3.2 Income (continued)

Earmarked	<p><i>Fully under the control of the IFRC</i></p> <p>Can be restricted in terms of nature, timeframe, or subject matter Amounts are recognised within restricted income Unspent amounts included within restricted reserves at the end of the accounting period</p>
	<p><i>Not fully under the control of the IFRC</i></p> <p>Can be restricted in terms of nature, timeframe, or subject matter Earmarked for use in a future period Amounts are recognised as deferred income in the current period Amounts are recognised within restricted income in the future period for which they are earmarked Subject to specific contractual obligations, similar to government grants Amounts are recognised within restricted income as expenditure is incurred and contractual obligations are fulfilled Amounts received but not recognised are included in deferred income</p>

Income recognition policy for voluntary contributions from National Societies and donations from non-National Societies is summarised in the below table:

Donors	Category	Earmarking	Income recognition
National Societies	Fully under the control of the IFRC	Unearmarked	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which the funds are earmarked
Non-National Societies (Governments, multi-lateral agencies, corporations, and others)	Fully under the control of the IFRC (e.g., non-refundable donations, funding managed at appeal level contribution towards multi-donor action)	Unearmarked or earmarked at an appeal level	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which they are earmarked
		Subject to specific contractual obligations, similar to government grants	Recognised as expenditure is incurred and contractual obligations are fulfilled. Amounts received but not recognised in the current period are included in deferred income

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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3.2 Income (continued)

Voluntary contributions and Donations are mainly received in cash but may be received as in-kind relief supplies or services (staff). The fair value of in-kind goods is taken as the value indicated by the donor. 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 directly employ a person in a similar position.

In-kind contributions are recognised at their estimated fair value in accordance with the following table:

In-kind contribution category	Income recognition	Expenditure recognition
Relief supplies	Recognised on date of receipt equally as both income and expenditure.	
Services	Recognised on date of receipt equally as both income and expenditure	

3.3 Expenditure

(a) Functional expenditure categories

All IFRC expenditure is classified under functional expense categories that aggregate costs related to each category. Expenditure incurred as part of this emergency appeal activities is classified under the Other resources: Humanitarian response programmes functional expense category, which comprises coordination during the immediate response phase of disasters and crises which require international assistance, in order to ensure adequate resources are available to meet the needs of disaster affected people. Within this functional expense category, the classification of operational expenditures by nature has been aligned with the consolidated financial statements of the IFRC.

(b) Costing principles

The IFRC applies a full cost recovery principle to its activities and operations. As such, each functional expense category includes all associated direct costs, indirect costs and pledge fees.

Direct costs

Direct costs are those costs that can be readily and specifically identified with a particular project or service. These include costs recovered from operations for the provision of specific supplementary services.

Indirect costs

The direct costs of programmes and services are subject to standard indirect cost recovery rate 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.

Pledge fees

Costs are incurred to meet specific donor requirements. These requirements may include the tracking of expenses where a donation has been given for a specific activity or needs to be spent within a specific timeframe, or requires customised financial and / or narrative reports. Pledge fees are charged to contributions and donations to cover the costs associated with meeting these specific donor requirements.

(c) Provisions for operations and Contributions to National Societies

The IFRC advances funds to member Red Cross and Red Crescent National Societies. Depending on the IFRC's assessment of risk, one of two approaches to make cash contributions may be adopted, cash working advances or cash contributions.

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(i) Cash working advances - 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 as Provisions for operations included in Other costs & allocations in the Income and Expenditure statement. When recipient National Societies report on their use of the funds, the provision is reversed, and the expense is reclassified according to its nature.

(ii) Contributions to National Societies

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as Operating Expenditure as they are incurred. Cash transfers are made to National Societies that have been risk-assessed by the IFRC to have the organisational capacity and internal controls to effectively manage funds received from the IFRC to meet project objectives and satisfy stakeholders' accountability requirements. The recipient National Society manages the use of the funds based on its own internal regulations and reports its use of the funds back to the IFRC without the need to submit detailed supporting documentation for individual expenses incurred. National Societies operating under Cash Transfer are subject to periodic audits of their use of funds transferred.

3.4 Finance expense, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translations are included under Finance expense, net, in the Income and Expenditure Statement, with the exception of realised and unrealised exchange gains and losses on voluntary contributions and donations, which are included under Voluntary contributions and Donations, net in the Income and Expenditure Statement.

3.5 Funds held for operations.

The cumulative excess of income received over operating expenditure incurred (CHF 15,727,553) 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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4. Voluntary contributions

	Cash	Services	Year Ended	Year Ended
	CHF	In-Kind	31-Dec-2022	31-Dec-2021
		CHF	TOTAL	TOTAL
			CHF	CHF
Albanian Red Cross	-	-	-	10,000
Austrian Red Cross	427,333	-	427,333	31,484
Austrian Red Cross (from Austrian Government)	960,556	-	960,556	105,403
Bahrain Red Crescent Society	48,175	-	48,175	-
British Red Cross	2,680,644	66,697	2,747,341	141,852
British Red Cross (from British Government)	12,840,762	-	12,840,762	-
Danish Red Cross	488,510	-	488,510	887,844
Finnish Red Cross	96,585	-	96,585	480,550
Finnish Red Cross (from Finnish Government)	683,185	-	683,185	106,283
German Red Cross	-	106,671	106,671	-
Hong Kong Red Cross, Branch of the Red Cross Society of China	-	-	-	23,695
Irish Red Cross Society	48,142	-	48,142	-
Italian Red Cross	(10,033)	-	(10,033)	197,406
Japanese Red Cross Society	271,595	-	271,595	81,484
Kuwait Red Crescent Society	123,550	-	123,550	-
Norwegian Red Cross (from Norwegian Government)	481,348	-	481,348	-
Red Cross of Monaco	19,539	-	19,539	27,164
Red Cross Society of China	-	-	-	323,225
Singapore Red Cross Society	66,664	-	66,664	-
Swedish Red Cross	867,862	-	867,862	526,054
Taiwan Red Cross Organisation	40,000	-	40,000	31,713
The Netherlands Red Cross	-	-	-	268,361
The Netherlands Red Cross (from Netherlands Government)	521,841	-	521,841	559,561
The Republic of Korea National Red Cross	37,695	-	37,695	-
Turkish Red Crescent Society	-	26,700	26,700	-
Other donors (including online donations and those with donations less than CHF 10,000)	25,926	-	25,926	10,793
	<u>20,719,880</u>	<u>200,067</u>	<u>20,919,947</u>	<u>3,812,871</u>

The Cash column includes realised gains and losses from settlement of foreign currency pledges during the period and unrealised gains and losses from translation of outstanding foreign currency pledges as at reporting date (see note 3.4).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Donations

	Year ended 31-Dec-2022	Year ended 31-Dec-2021
	Cash and Total	Cash and Total
	CHF	CHF
European Commission - DG ECHO	-	221,194
French Government	-	1,053,056
Government of Malta	28,830	-
Islamic Development Bank IsDB	515,870	-
Italian Government Bilateral Emergency Fund	-	1,627,543
Japanese Government	4,282,037	-
Kuwait Society for Relief	1,070,079	-
Luxembourg Government	-	524,175
ShelterBox	150,187	-
Spanish Government	398,640	-
Supreme Master Ching Hai	29,100	-
Swiss Government	800,000	-
Twitter	-	46,273
Z Zurich Foundation	30,000	-
Other donors (including online donations and those with donations less than CHF 10,000)	496	8,036
	<u>7,305,239</u>	<u>3,480,278</u>

The figures include realised gains and losses from settlement of foreign currency pledges during the period and unrealised gains and losses from translation of outstanding foreign currency pledges as at reporting date (see note 3.4).

6. Other costs & allocations

	Year ended 31-Dec-2022	Year ended 31-Dec-2021
	CHF	CHF
Administration, office and general	519,241	28,738
Consultancy fees	98,043	3,206
Information	5,298	815
Travel	260,566	37,655
Vehicles and equipment	840,109	15,211
Workshops & training	31,820	7,848
Others	433,761	286,452
	<u>2,188,838</u>	<u>379,925</u>

Included within Others is a provision for cash working advances not yet reported by the National Society amounting to CHF 395,547 (2021: provision for cash working advances not yet reported by ARCS amounting to CHF 244,235).