

**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 "Hurricane Eta" For the period from
January 1, 2022 to August 31, 2022

Report of the Independent Auditor on the IFRC's Financial Statements of the project focused on the Emergency Appeal Hurricane Eta, MDR43007. The period covered in the scope of audit is January 1, 2022 to August 31, 2022

Opinion

We have audited the accompanying financial statements of the project focused for the Emergency Appeal Hurricane Eta, MDR43007. The period covered in the scope of audit is January 1, 2022 to August 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 period ended August 31, 2022.

In our opinion, the accompanying financial statements for the Emergency Appeal Hurricane Eta, MDR43007 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 November 8, 2020 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, September 19, 2024

Attachments:

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR43007) – CENTRAL AMERICA: HURRICANES ETA AND IOTA**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 01 JANUARY 2022 TO 31 AUGUST 2022**

		Period from 01-Jan-2022 to 31-Aug-2022	Period from 08-Nov-2020 to 31-Dec-2021
	Notes	CHF	CHF
OPERATING INCOME			
Voluntary contributions	4	81,969	5,312,625
Donations	5	1,613,057	6,055,838
Total INCOME		1,695,026	11,368,463
OPERATING EXPENDITURE			
Other resources: Humanitarian Response			
Employee benefits		974,112	1,923,230
Relief supplies, transportation and storage		1,857,352	4,713,408
Contributions to national societies		-	297,400
Supplementary services cost recoveries		55,803	144,328
Other costs & allocations	6	556,468	1,629,383
Total direct costs		3,443,735	8,707,749
Indirect cost recovery		223,685	567,063
Pledge fees		27,355	70,601
Total OPERATING EXPENDITURE		3,694,775	9,345,413
NET (DEFICIT)/SURPLUS FROM OPERATING ACTIVITIES		(1,999,749)	2,023,050
Finance income/(expense), net		2,427	(22,165)
NET (DEFICIT)/SURPLUS FOR THE PERIOD		(1,997,322)	2,000,885
FUNDS HELD FOR OPERATIONS			
Brought forward		2,000,885	-
Net (deficit)/surplus for the period		(1,997,322)	2,000,885
FUNDS HELD FOR OPERATIONS		3,563	2,000,885

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 (MDR43007) – CENTRAL AMERICA: HURRICANES ETA AND IOTA**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 01 JANUARY 2022 TO 31 AUGUST 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'.

On 3 November 2020, Hurricane Eta made landfall in Nicaragua as a Category 4 hurricane, causing landslides and floods that displaced thousands of people and left dozens dead or missing in Central America and parts of the Caribbean. Fourteen days later, Hurricane Iota worsened the situation in areas already affected by Eta and significantly expanded the impact to other regions in Nicaragua and other Central American countries. Originating as a tropical wave in the eastern Caribbean on 10 November, Iota rapidly strengthened to a hurricane by 15 November and to a Category 5 hurricane by 16 November. It struck Nicaragua and the Gracias a Dios region in Honduras as a Category 5 hurricane on 17 November, causing flash floods, river floods, and landslides. These two hurricanes affected more than 7.5 million people in Central America. The governments of Guatemala, Honduras, and Nicaragua declared states of emergency in at-risk departments and requested humanitarian and financial aid, elevating it to an official international level request to intensify emergency response actions.

On 4 November 2020, the IFRC allocated 1 million Swiss Francs from the Disaster Relief Emergency Fund (DREF) to support Nicaragua, Honduras and Guatemala. On 8 November 2020, an Emergency Appeal was launched for a total amount of 20 million Swiss Francs to assist 15,000 families (75,000 people) supported by the Guatemalan, Honduran and Nicaraguan Red Cross for 18 months to May 2022. Subsequently the appeal was revised to CHF 22.1 million to assist 102,500 people and its timeframe extended to 31 August 2022 when it closed.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Central America, Hurricanes Eta and Iota Emergency Appeal (MDR43007) 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
EMERGENCY APPEAL (MDR43007) – CENTRAL AMERICA: HURRICANES ETA AND IOTA**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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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 Central America, Hurricanes Eta and Iota Emergency Appeal (MDR43007).

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 Central America, Hurricanes Eta and Iota Emergency 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. 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.

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

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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 including DREF, 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

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3.2 Income (continued)

Voluntary contributions and Donations are mainly received in cash but may be received as in-kind goods (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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3.3 Expenditure (continued)

(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 income/(expense), net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translations are included under Finance income/(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 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.

The unspent funds at the close of the Central America- Hurricanes ETA and IOTA appeal (CHF 3,653) will be returned to the Disaster Relief Emergency Fund.

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

	Cash	Services In-Kind	Period from 01-Jan-2022 to 31-Aug-2022 TOTAL	Period from 08-Nov-2020 to 31-Dec-2021 TOTAL
	CHF	CHF	CHF	CHF
American Red Cross	89,858	-	89,858	460,027
British Red Cross	-	-	-	252,382
British Red Cross (from British Government)	-	-	-	1,183,670
Finnish Red Cross	-	-	-	108,289
Hong Kong Red Cross, Branch of the Red Cross	-	-	-	26,673
Italian Red Cross	(7,889)	-	(7,889)	155,622
Japanese Red Cross Society	-	-	-	42,934
Norwegian Red Cross	-	-	-	200,583
Red Cross of Monaco	-	-	-	32,514
Swedish Red Cross	-	-	-	1,820,598
Swiss Red Cross	-	-	-	159,000
The Canadian Red Cross Society	-	-	-	50,044
The Canadian Red Cross Society (from Canadian Government)	-	-	-	374,012
The Netherlands Red Cross (from Netherlands Government)	-	-	-	424,897
Turkish Red Crescent Society	-	-	-	20,000
Iraqi Red Crescent Society	-	-	-	1,380
	<u>81,969</u>	<u>-</u>	<u>81,969</u>	<u>5,312,625</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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5. Donations

	Period from 01-Jan-2022 to 31-Aug-2022 Cash and Total CHF	Period from 08-Nov-2020 to 31-Dec-2021 Cash and Total CHF
British Government	-	213,052
Charities Aid Foundation (from PepsiCo)	-	135,165
Charities Aid Foundation (from Walmart Foundation)	-	437,550
European Commission - DG ECHO	-	588,203
French Government	-	54,231
Italian Government Bilateral Emergency Fund	-	801,145
Japanese Government	3	976,250
Luxembourg Government	94,169	13,647
Remitly Inc	-	13,748
Swiss Government	-	500,000
The OPEC Fund for International Development	-	399,952
UNDP - United Nations Development Programme (from Chile Government)	-	17,654
United States Government - USAID	1,518,885	1,812,401
UPS foundation	-	73,015
Other donors (including online donations and those with donations less than CHF 10,000)	-	19,825
	<u>1,613,057</u>	<u>6,055,838</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

	Period from 01-Jan-2022 to 31-Aug-2022 CHF	Period from 08-Nov-2020 to 31-Dec-2021 CHF
Administration, office and general	125,488	156,057
Consultancy fees	28,107	42,390
Information	79,576	88,876
Travel	98,320	145,479
Vehicles and equipment	370,075	692,058
Workshops & training	119,650	106,093
Others	(264,748)	398,430
	<u>556,468</u>	<u>1,629,383</u>

Included within Others is a reversal of provision for cash working advances not reported by National Societies amounting to CHF 320,038 (previous period: provision for cash working advances not reported by National Societies amounting to CHF 320,038).