

Financial Statements of

**THE CANADIAN RED
CROSS SOCIETY**

And Independent Auditors' Report thereon

Year ended March 31, 2021

THE CANADIAN RED CROSS SOCIETY

Year ended March 31, 2021

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Red Cross Society,

Opinion

We have audited the financial statements of the Canadian Red Cross Society (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements and schedule, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Report of the Chief Financial Officer.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Report of the Chief Financial Officer as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 21, 2021

THE CANADIAN RED CROSS SOCIETY

Statement of Financial Position

March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 140,842	\$ 200,903
Accounts receivable	102,605	38,124
Inventory	22,845	13,604
Prepaid expenses	11,009	8,478
Asset held for sale – current (note 6)	4,131	-
	281,432	261,109
Long-term investments (note 4)	74,670	61,046
Tangible capital and intangible assets (note 5)	48,859	53,603
Assets held for sale (note 6)	1,082	1,014
Defined benefit pension plan asset (note 10)	6,000	5,927
	\$ 412,043	\$ 382,699
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 55,371	\$ 36,659
Deferred contributions - short-term (note 8)	145,288	146,453
	200,659	183,112
Deferred contributions - long-term (note 8)	15,133	30,542
Deferred contributions related to tangible capital and intangible assets (note 9)	9,123	9,501
Other defined benefit plans liability (note 10)	6,354	7,040
	231,269	230,195
Net assets (note 11):		
Invested in tangible capital and intangible assets	44,949	45,116
Restricted for endowment purposes	2,244	1,629
Internally restricted (note 12)	91,909	83,929
Unrestricted	41,672	21,830
	180,774	152,504
Commitments, contingent liabilities and guarantees (notes 13 and 14)		
Subsequent event (note 21)		
	\$ 412,043	\$ 382,699

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Chair, Audit and Finance Committee

THE CANADIAN RED CROSS SOCIETY

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	2021	2020
	(Schedule)	
Revenue:		
Fundraising (note 15)	\$ 79,471	\$ 110,529
Core programs	464,722	246,729
Total revenue	544,193	357,258
Expenses:		
Organizational capacity:		
Fundraising (note 15)	36,213	39,923
Governance and general management	13,831	14,644
	50,044	54,567
Core programs:		
International operations	71,937	54,202
Emergency management	322,508	148,202
Prevention and safety	28,246	19,216
Health and community wellness	57,710	68,371
	480,401	289,991
Total expenses	530,445	344,558
Excess of revenue over expenses before the undernoted	13,748	12,700
Investment income (loss), net of fees	13,319	(3,009)
Gain on sale of tangible capital assets and assets held for sale (notes 5 and 6)	67	421
Excess of revenue over expenses	\$ 27,134	\$ 10,112

See accompanying notes to financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	Invested in tangible capital and intangible assets	Restricted for endowment purposes	Internally restricted	Unrestricted	2021
Net assets, beginning of year	\$ 45,116	\$ 1,629	\$ 83,929	\$ 21,830	\$ 152,504
Excess of revenue over expenses	–	115	–	27,019	27,134
Receipt of endowed funds (note 12)	–	500	–	–	500
Remeasurement gain on defined benefit pension plan asset and other defined benefit plans liability	–	–	–	636	636
Investment in tangible capital and intangible assets (note 17)	(167)	–	–	167	–
Internally restricted (note 12)	–	–	7,980	(7,980)	–
Net assets, end of year	\$ 44,949	\$ 2,244	\$ 91,909	\$ 41,672	\$ 180,774

	Invested in tangible capital and intangible assets	Restricted for endowment purposes	Internally restricted	Unrestricted	2020
Net assets, beginning of year	\$ 42,990	\$ 1,626	\$ 61,889	\$ 37,151	\$ 143,656
Excess of revenue over expenses	–	(31)	–	10,143	10,112
Receipt of endowed funds	–	34	–	–	34
Remeasurement loss on defined benefit pension plan asset and other defined benefit plans liability	–	–	–	(1,298)	(1,298)
Investment in tangible capital and intangible assets (note 17)	2,126	–	–	(2,126)	–
Internally restricted (note 12)	–	–	22,040	(22,040)	–
Net assets, end of year	\$ 45,116	\$ 1,629	\$ 83,929	\$ 21,830	\$ 152,504

See accompanying notes to financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 27,134	\$ 10,112
Items not involving cash:		
(Increase) decrease in net employee future benefits	(123)	210
Amortization of tangible capital and intangible assets	7,162	6,812
Amortization of deferred contributions related to tangible capital and intangible assets	(1,877)	(1,696)
Increase in cumulative unrealized gains on investments	(9,839)	(5,742)
Gain on sale of tangible capital assets and assets held for sale	(67)	(421)
Change in non-cash operating working capital:		
Accounts receivable	(64,481)	(3,731)
Inventory	(9,241)	(1,119)
Prepaid expenses	(2,531)	680
Accounts payable and accrued liabilities	18,712	(5,228)
Deferred contributions	(16,574)	(20,815)
	(51,725)	(20,938)
Investing activities:		
Net purchase of long-term investments	(3,785)	(21,115)
Proceeds on sale of tangible capital assets and assets held for sale	73	782
Acquisitions of tangible capital and intangible assets	(6,623)	(9,325)
	(10,335)	(29,658)
Financing activities:		
Deferred contributions related to tangible capital and intangible assets	1,499	1,722
Endowment contributions	500	34
	1,999	1,756
Decrease in cash and cash equivalents	(60,061)	(48,840)
Cash and cash equivalents, beginning of year	200,903	249,743
Cash and cash equivalents, end of year	\$ 140,842	\$ 200,903
Represented by (note 3):		
Unrestricted	\$ 5,106	\$ 13,502
Externally restricted	115,567	163,843
Internally restricted	20,169	23,558
Cash and cash equivalents	\$ 140,842	\$ 200,903

See accompanying notes to financial statements.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

1. Purpose of the organization:

The Canadian Red Cross Society (the "Society") is a not-for-profit volunteer-based humanitarian organization dedicated to helping people in Canada and around the world with situations that threaten their survival and safety, their security and well-being, or their human dignity. The Society relies on continuing support from various levels of governments, corporations and fundraising from other donors.

The Society, which is incorporated without share capital under the laws of Canada, is a registered Canadian charity and, as such, is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

(a) Basis of presentation:

These financial statements reflect the assets, liabilities, revenues and expenses of the operations of the Society including all operations within Canada and internationally.

The Organizational Capacity and Core Programs section on the statement of operations reflect the revenue and expenses after application of the Society's common support services expenses for programs. The Schedule provides a detailed summary of the net contributions of these functions after common support services expenses.

(b) Revenue recognition:

The Society follows the deferral method of accounting to account for contributions for not-for-profit organizations.

The Society receives donations from annual fundraising campaigns for operating purposes and from special campaigns for disaster relief programs in Canada and internationally.

Unrestricted donations are recognized as revenue when received. Restricted donations, other than endowments, are deferred and recognized as revenue in the year in which the related expenses are recognized. Revenue from the sale of goods or services is recognized when the goods are delivered or services rendered.

Externally restricted donations used to purchase depreciable tangible capital and intangible assets are deferred and amortized over the life of the related tangible capital and intangible asset. Externally restricted contributions used to purchase land are recorded as a direct increase in the net assets invested in tangible capital and intangible assets.

Externally restricted contributions that have not been expended are recorded as deferred contributions on the statement of financial position.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Endowment contributions are recognized as direct increases in net assets restricted for endowment purposes.

The fair value of donated tangible capital and intangible assets is deferred and amortized to income on the same basis as the related depreciable tangible capital and intangible assets are amortized.

Investment income includes dividend and interest income, realized and unrealized investment gains and losses and, where applicable, charges for other than temporary impairment of investments. Dividend and interest income as well as realized and unrealized gains and losses have been recorded directly in the statement of operations.

Unrealized gains and losses on financial assets are included in investment income and recognized as revenue in the statement of operations or deferred depending on the nature of any external restrictions imposed on the investment income.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets measured at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Cash and cash equivalents:

Cash and cash equivalents represent cash and equivalents that mature within six months and those that can be readily converted to cash.

(e) Donated services:

The Society benefits greatly from donated services in the form of volunteer work for various activities. The value of donated services is not recognized in the financial statements because of the difficulty of measurement.

(f) Inventory:

Inventory consists of medical and other supplies that are necessary for the conduct of the Society's core programs and are required to be available for use on an immediate basis. The use of these supplies is recorded as an expense of the respective core program in the period deployed by the Society. Inventory also includes items used or sold in the Society's Prevention and Safety and Respect Education programs. Inventory is valued at the lower of cost and replacement value. Cost is determined using the first in first out method.

(g) Tangible capital and intangible assets:

Purchased tangible capital and intangible assets are recorded at cost. Contributed tangible capital assets are recorded at their estimated fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the asset as follows:

Asset	Useful life
Buildings	20 to 40 years
Building improvements	10 to 20 years
Leasehold improvements	Life of related lease
Furniture, office and healthcare equipment	3 to 5 years
Vehicles	2 to 5 years
Computer hardware	2 to 3 years
Intangible assets	5 to 7 years

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

2. Significant accounting policies (continued):

(g) Tangible capital and intangible assets (continued):

Land is not amortized due to its infinite life. Assets under development are only amortized once they are put into use by the Society. Intangible assets include purchased and internally developed software. When a tangible capital or intangible asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

(h) Post-retirement benefits:

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of discount rate, retirement ages of employees and expected health care costs. Plan obligations are discounted using current market interest rates and plan assets are presented at fair market value.

The Society measures its accrued benefits obligations for accounting purposes as at March 31 of each year by extrapolating the value from the most recent actuarial valuation prepared for funding purposes.

The benefit plan expense for the year consists of the current service and finance costs. Re-measurements and other items are recorded directly on the Statement of Changes in Net Assets.

(i) Allocation of expenses:

The Society incurs common support service expenses that are common to its programs and administration.

Governance and general management expenses are not allocated and are accounted for as part of organizational capacity. Other common support service expenses are allocated directly to the programs.

Fund Development expenses are not allocated and are accounted for directly in Fundraising expense.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. In the opinion of management, these financial statements reflect, within reasonable limits of materiality, all adjustments necessary to present fairly the results for the years presented. Actual results could differ from these estimates. Key management estimates include the assumptions underlying the employee future benefit liability calculations, the impairment allowance on tangible and intangible assets where applicable, and the determination of certain accrued liabilities and contingencies. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the period in which they become known.

3. Cash and cash equivalents:

Cash and cash equivalents related to deferred contributions are restricted externally for specified purposes and not available for the Society's general operations. Cash and cash equivalents internally restricted have been allocated to specific activities identified by management and approved by the Board of Directors. The funds are not available for the Society's general operations. Total cash and cash equivalents is allocated as follows:

	2021	2020
Cash:		
Unrestricted	\$ 4,910	\$ 13,020
Externally restricted - General	12,560	35,559
Externally restricted - COVID-19	6,843	27,156
Externally restricted - Alberta Fires	16,285	7,166
Externally restricted - BC Fires	26,407	9,737
Internally restricted	8,169	3,058
	<u>75,174</u>	<u>95,696</u>
Cash equivalents:		
Unrestricted	196	482
Externally restricted - General	33,637	37,725
Externally restricted - COVID-19	19,835	–
Externally restricted - Alberta Fires	–	25,000
Externally restricted - BC Fires	–	21,500
Internally restricted	12,000	20,500
	<u>65,668</u>	<u>105,207</u>
Total cash and cash equivalents	<u>\$ 140,842</u>	<u>\$ 200,903</u>

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

4. Long-term investments:

	2021		2020	
	Fair value and carrying value	Cost	Fair value and carrying value	Cost
Investments:				
Fixed income	\$ 35,367	\$ 35,358	\$ 31,749	\$ 32,044
Equities	39,303	34,144	29,297	33,673
	<u>\$ 74,670</u>	<u>\$ 69,502</u>	<u>\$ 61,046</u>	<u>\$ 65,717</u>

The fair values of investments are based on quoted market prices.

Fixed income investments are comprised of government and corporate bonds with maturity dates ranging from 2021 to 2170, earning interest up to 50% (2020 - ranging from 2020 to 2116, earning interest up to 25%).

5. Tangible capital and intangible assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,446	\$ –	\$ 3,446	\$ 5,559
Buildings and building improvements	42,430	27,250	15,180	18,445
Leasehold improvements	4,620	791	3,829	4,288
Furniture, office and healthcare equipment	30,086	26,622	3,464	3,807
Vehicles	7,695	6,991	704	728
Computer hardware	7,321	6,069	1,252	984
Intangible assets	20,589	8,007	12,582	14,700
Assets under development	8,402	–	8,402	5,092
	<u>\$ 124,589</u>	<u>\$ 75,730</u>	<u>\$ 48,859</u>	<u>\$ 53,603</u>

Cost and accumulated amortization at March 31, 2020 amounted to \$125,606 and \$72,003, respectively.

Intangible assets include purchased and internally developed software.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

5. Tangible capital and intangible assets (continued):

During the year, the Society disposed of tangible capital assets with a net book value of \$6 (2020 - \$33) for proceeds on disposal of \$73 (2020 - \$195), resulting in a gain on disposal of \$67 (2020 - \$162).

During the year, the Society expensed assets under development of \$1,674 (2020 - \$nil), following a review of the feasibility of the asset under development.

6. Assets held for sale:

As part of the Society's strategy to reduce its physical footprint to deliver its services, certain properties were considered as redundant and contracted for sale during the past few years.

During the current year, the Society did not dispose of any assets previously held for sale (2020 - \$340 with proceeds of \$587 and a gain of \$247).

Assets currently classified as held for sale are comprised of buildings located in New Brunswick, Ontario, and British Columbia. The value of the buildings have been measured at the lower of their carrying amount or fair value less cost to sell.

7. Accounts payable and accrued liabilities:

As at March 31, 2021, the Society had \$494 (2020 - \$127) payable for government remittances, including harmonized sales tax, goods and services tax and payroll remittances.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

8. Deferred contributions:

Deferred contributions are comprised of amounts restricted for the funding of expenses to be incurred in the future. The movement of the deferred contributions is as follows:

	2021				
	General	Alberta fires	BC fires	COVID-19	Total
Opening balance	\$ 88,538	\$ 32,166	\$ 29,135	\$ 27,156	\$ 176,995
Donations and grants received	74,986	–	–	271,232	346,218
Interest earned and deferred	911	445	395	130	1,881
Recognized as revenue	(78,692)	(13,226)	(5,573)	(266,800)	(364,291)
Reallocated among funds	2,140	(3,100)	–	960	–
Reallocated to deferred contributions related to tangible capital and intangible assets	(382)	–	–	–	(382)
Closing balance	87,501	16,285	23,957	32,678	160,421
Deferred contributions - short-term	87,501	9,697	15,412	32,678	145,288
Deferred contributions - long-term	\$ –	\$ 6,588	\$ 8,545	\$ –	\$ 15,133

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

8. Deferred contributions (continued):

	2020				
	General	Alberta fires	BC fires	COVID-19	Total
Opening balance	\$ 107,018	\$ 51,823	\$ 38,969	\$ –	\$ 197,810
Donations and grants received	93,599	–	–	37,039	130,638
Interest earned and deferred	1,853	1,199	819	51	3,922
Recognized as revenue	(113,623)	(20,856)	(10,653)	(9,934)	(155,066)
Reallocated to deferred contributions related to tangible capital and intangible assets	(309)	–	–	–	(309)
Closing balance	88,538	32,166	29,135	27,156	176,995
Deferred contributions - short-term	88,538	17,677	13,082	27,156	146,453
Deferred contributions - long-term	\$ –	\$ 14,489	\$ 16,053	\$ –	\$ 30,542

The amounts recognized as revenue in respect of the COVID-19, Alberta Fires and BC Fires are included as part of the Emergency Management program revenue in the detailed statement of operations schedule.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

9. Deferred contributions related to tangible capital and intangible assets:

Deferred contributions related to tangible capital and intangible assets represent the unamortized amount of donations and grants received and used for the purchase of tangible capital and intangible assets. The changes in the deferred contributions balance for the year are as follows:

	2021	2020
Balance, beginning of year	\$ 9,501	\$ 9,487
Donations and grants received, used for the purchase of tangible capital and intangible assets during the year	1,499	1,722
Amortization of deferred contributions related to tangible capital and intangible assets	(1,877)	(1,696)
Gain on sale of tangible capital assets and assets held for sale	–	(12)
Balance, end of year	\$ 9,123	\$ 9,501

10. Employee future benefits:

The Society is the sponsor and administrator of a defined contribution and a defined benefit pension plan. During the year ended March 31, 2021, the Society's contribution to its employees' defined contribution pension plan was \$3,182 (2020 - \$2,920).

The Society discontinued the defined benefit option of its pension plan on September 30, 1998. Members were given the option to convert their entitlements to a defined contribution basis or to have an annuity purchased on their behalf. Certain members' elections with respect to the conversion of past service benefits accrued to the date of discontinuation have not been finalized; therefore, no annuities have been purchased on behalf of these individuals. The Society remains responsible for the frozen benefits accrued under the defined benefit option of the Plan up to September 30, 1998.

The Society also sponsors life and health benefits for its retired employees (Other Benefit Plans). However, effective September 30, 2020, post-retirement health benefits are no longer offered to new retirees. There is no impact on those employees who retired on or before that date. These benefits are not pre-funded.

The most recent actuarial valuation for the Society's defined benefit pension plan was performed in September 2019 and extrapolated to March 31, 2021. The next valuation for this plan will be performed as of September 2022. The most recent actuarial valuations for the Society's other defined benefit plans were performed in March 2019. The next valuation for these plans will be performed by March 2022.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

10. Employee future benefits (continued):

The information about the employee benefit plans is presented in the tables below:

	Defined benefit pension plan		Other defined benefit plans	
	2021	2020	2021	2020
Accrued benefit obligations, beginning of year	\$ 3,417	\$ 3,244	\$ 7,040	\$ 6,617
Current service cost	–	–	1	–
Past service cost	–	–	–	413
Finance cost	137	135	282	275
Benefits paid	(240)	(350)	(653)	(606)
Actuarial (gain) loss	(5)	388	(316)	341
Accrued benefit obligations, end of year	3,309	3,417	6,354	7,040
Fair value of plan assets	9,309	9,344	–	–
Defined benefit asset (liability)	\$ 6,000	\$ 5,927	\$ (6,354)	\$ (7,040)

The significant actuarial assumptions adopted in measuring the Society's accrued benefit obligations are as follows:

	Defined benefit pension plan		Other defined benefit plans	
	2021	2020	2021	2020
Discount rate for obligations	4.00%	4.00%	4.00%	4.15%
Discount rate for expenses	4.00%	4.15%	4.00%	4.15%
Post-retirement indexation	1.75%	1.75%	– %	– %
Dental cost increases			4.00%	4.00%
Extended healthcare cost escalations, 6.60% per annum in 2019 grading down to 4.00% per annum in and after 2040			6.35%	6.47%
Hospital benefit cost escalation			4.00%	4.00%

Other information about the Society's benefit plans is as follows:

	Defined benefit pension plan		Other defined benefit plans	
	2021	2020	2021	2020
Employees and employer contributions	\$ –	\$ –	\$ 653	\$ 606
Benefits paid	240	350	653	606

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

11. Net assets:

The Society defines its capital as its net assets. Its objectives in managing capital are:

- (a) to maintain a minimum reserve in its net assets, including \$35 million under the Legacy Fund, to ensure the ability to deliver on the operational plan priorities approved by the Board of Directors as well as continue operations in the face of unexpected events;
- (b) to invest funds in financial instruments permitted under the Board of Directors' approved Statements of Investment Policies and Procedures ("SIP&P"); and
- (c) to manage grants and donations with external restrictions in order to comply with the conditions for using these financial resources.

The Society monitors its net assets by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

Net asset management objectives, policies and procedures are unchanged since the preceding year.

The Society has complied with all the external requirements, including the requirements respecting the external restrictions.

12. Internally restricted funds:

The Society restricts the use of portions of its unrestricted net assets for specific future uses. When incurred, related expenses are charged to operations and the balance of internally restricted net assets is reduced accordingly.

Internally restricted funds are comprised of:

- Legacy Fund: On January 31, 2020, a new fund was created by combining the Contingency Reserve with new donations of \$31,200 to provide investment income to support operations. As at March 31, 2021, the cumulative amounts of \$71,800 (2020 - \$60,400) internally restricted and \$500 (2020 - \$nil) endowed are reserved to both ensure the ability to continue operations in the face of unexpected events and provide investment income to support operations. The Society allocates annually 3% of the average prior three-year fair value of the fund to the unrestricted reserves to support operations.

In the year, the Society received a \$500 endowed donation in favour of the Legacy Fund.

- Strategic Investment Reserve Fund ("SIRF"): A cumulative amount of \$14,700 (2020 - \$23,300) is reserved to finance strategic initiatives.
- COVID-19 Insurance Fund: A cumulative amount of \$5,300 (2020 - \$nil) is reserved to supplement the Society's insurance program.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

12. Internally restricted funds (continued):

- Tsunami Fund: An amount of \$119 (2020 - \$331) was expended on the objectives of the Tsunami Fund leaving a remaining balance of \$110 (2020 - \$229) as internally restricted.

13. Commitments:

The Society has entered into various operating leases for buildings and equipment. The minimum annual lease payments for the next five fiscal years are as follows:

2022	\$	6,957
2023		4,335
2024		2,185
2025		1,785
2026		1,532

The Society has also committed a total amount of \$41,841 (2020 - \$59,426) under signed contracts where the services have yet to be delivered. In addition, \$10,440 (2020 - \$10,126) of uncontracted commitments have been agreed to. Of this amount, all are expected to be expended within five years.

14. Contingent liabilities and guarantees:

The Society receives contributions from federal and provincial funding agencies that are subject to restrictions as to the use of the funds. The Society's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

In the normal course of operations, the Society provides indemnification agreements with various counterparties in transactions such as service agreements, software licenses, leases, and purchases of goods. Under these agreements, the Society agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Society in relation to the agreement. The nature of the indemnification agreements prevents the Society from making a reasonable estimate of the maximum potential amount that the Society would be required to pay such counterparties.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

15. Fundraising:

Fundraising revenue and expenses are as follows:

	2021	2020
Revenue:		
Bequests	\$ 6,663	\$ 43,508
Direct marketing	59,052	50,950
Lotteries and gaming	809	852
Special events and other fundraising	12,947	15,219
	<u>79,471</u>	<u>110,529</u>
Direct expenses:		
Bequests	1,292	1,159
Direct marketing	22,967	25,469
Lotteries and gaming	640	748
Special events and other fundraising	11,314	12,547
	<u>36,213</u>	<u>39,923</u>
	<u>\$ 43,258</u>	<u>\$ 70,606</u>

During the year, the Society received \$79,471 (2020 - \$110,529) in unrestricted donations. In addition, the Society received restricted donations accounted for as program revenue of \$9,232 (2020 - \$10,170) and restricted donations accounted for as deferred contributions of \$43,962 (2020 - \$29,433), for total fundraising of \$132,665 (2020 - \$150,132) raised during the year.

16. Allocation of expenses:

Net support services are allocated directly to programs. During the year, they were allocated as follows:

	2021	2020
Organizational capacity	\$ 14,111	\$ 14,644
International operations	5,085	6,166
Emergency management	18,320	16,542
Prevention and safety	5,672	5,867
Health and community wellness	9,096	9,638
	<u>\$ 52,284</u>	<u>\$ 52,857</u>

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

17. Changes to net assets invested in tangible capital and intangible assets:

Net changes are comprised of the following:

	2021	2020
Amortization of tangible capital and intangible assets	\$ (7,162)	\$ (6,812)
Amortization of deferred contributions related to tangible capital and intangible assets	1,877	1,696
Gain on sale of tangible capital assets and assets held for sale	67	421
Proceeds on sale of tangible capital assets and assets held for sale	(73)	(782)
Acquisitions of tangible capital and intangible assets	6,623	9,325
Decrease of deferred contributions related to tangible capital and intangible assets	(1,499)	(1,722)
	\$ (167)	\$ 2,126

18. Financial risks:

The Society is subject to the following risks from its financial instruments:

(a) Market risk :

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, namely foreign currency risk, interest rate risk and other price risk:

i) Foreign currency risk:

The Society operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. Foreign exchange risk is not significant as risk is limited to USD and other foreign currency cash holdings totaling \$665 (2020 - \$741).

ii) Interest rate risk:

Interest rate risk refers to adverse consequences of interest rate changes on the Society cash flows, financial position, investment income and interest expense. The Society's exposure to interest rate risk is limited to its fixed income investments as disclosed in note 4. The potential impact of adverse changes in rates is not considered significant.

iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society believes that it is not exposed to significant other price risk arising from its financial instruments.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

18. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations associated with financial liabilities or to meet cash requirements on a timely basis or a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash forecasts to ensure it has sufficient fund to fulfill its obligations.

(c) Credit risk:

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Society's accounts receivable represent credit provided for the Society's programs. The Society extends credit to its authorized providers and funding agencies. The Society's Health and Community Wellness and Emergency Management programs represent 92% (2020 - 84%) of the total accounts receivable. The credit is provided mainly to federal and provincial governments and, accordingly, presents minimal credit risk to the Society.

The maximum credit exposure of the Society is represented by the fair value of the investments and amounts receivable as presented in the statement of financial position. The Society has an allowance for doubtful accounts of \$672 (2020 - \$808).

There has been no significant change in the risk exposures of the Society in the year.

19. Restructuring:

In February 2020, the Board approved the discontinuance of the Atlantic Home Support program, a program under the Society's Health and Community Wellness program. The planned exit resulted in obligations being incurred at the balance sheet date in relation to the termination of various government contracts.

During 2021, previously announced restructuring initiatives continued for the Health and Community Wellness Program in Ontario and began in Atlantic Canada. These activities have not been completed and will carry into the 2022 fiscal year.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

19. Restructuring (continued):

The obligations accrued and settled are as follows:

	2021			
	Health and Community Wellness	Prevention and Safety		Total
Employment-related obligations	\$ 6,734	\$ –	\$	6,734
Support service obligations	834	–		834
Amounts settled in year	(200)	–		(200)
Remaining obligations	\$ 7,368	\$ –	\$	7,368

	2020			
	Health and Community Wellness	Prevention and Safety		Total
Employment-related obligations	\$ 6,828	\$ 167	\$	6,995
Support service obligations	871	213		1,084
Amounts settled in year	(131)	(380)		(511)
Remaining obligations	\$ 7,568	\$ –	\$	7,568

20. Effects of COVID-19:

Prior to March 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and societal impact. There were no significant impacts to the Society prior to that time.

During the year ended March 31, 2021, the COVID-19 pandemic had a significant impact on operating revenues and expenditures of the Society with total operating revenues of \$286,576 (2020 - \$12,919) received to fund the Society's emergency response efforts.

21. Subsequent event:

On April 29, 2021, the Society completed the sale of one of its properties classified as held for sale at March 31, 2021, for proceeds of \$16,108, resulting in a gain on disposal of \$11,977.

THE CANADIAN RED CROSS SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

22. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

THE CANADIAN RED CROSS SOCIETY

Detailed Statement of Operations - Schedule

Year ended March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	2021			2020		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Organizational capacity:						
Fundraising (note 15)	\$ 79,471	\$ 36,213	\$ 43,258	\$ 110,529	\$ 39,923	\$ 70,606
Governance and general management	–	13,831	(13,831)	–	14,644	(14,644)
	79,471	50,044	29,427	110,529	54,567	55,962
Core programs:						
International operations	66,426	71,937	(5,511)	48,729	54,202	(5,473)
Emergency management	316,296	322,508	(6,212)	124,941	148,202	(23,261)
Prevention and safety	26,706	28,246	(1,540)	18,398	19,216	(818)
Health and community wellness	55,294	57,710	(2,416)	54,661	68,371	(13,710)
	464,722	480,401	(15,679)	246,729	289,991	(43,262)
Excess of revenue over expenses before the undernoted	544,193	530,445	13,748	357,258	344,558	12,700
Other income and expenses:						
Investment income (loss)	13,822	503	13,319	(2,923)	86	(3,009)
Gain on sale of tangible capital assets and assets held for sale (notes 5 and 6)	67	–	67	421	–	421
Excess of revenue over expenses	\$ 558,082	\$ 530,948	\$ 27,134	\$ 354,756	\$ 344,644	\$ 10,112