

Audited Financial Information

The Canadian Red Cross Society

Asian Earthquake and Tsunami Fund

March 31, 2005

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AUDITORS' REPORT

To The Board of Governors of
The Canadian Red Cross Society

We have audited the statement of net funds available for beneficiaries of **The Canadian Red Cross Society - Asian Earthquake and Tsunami Fund** as at March 31, 2005 and the statement of changes in net funds available for beneficiaries for the period from December 26, 2004 (date of inception) to March 31, 2005, prepared in accordance with the basis of accounting described in Note 2. This financial information is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial information based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In common with many charitable organizations, the Society derives revenue from fundraising contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of fundraising contributions was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to fundraising contributions, net funds available for beneficiaries and current assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of fundraising contributions referred to in the preceding paragraph, this financial information presents fairly, in all material respects, the net funds available for beneficiaries of **The Canadian Red Cross Society - Asian Earthquake and Tsunami Fund** as at March 31, 2005 and the changes in net funds available for beneficiaries for the period from December 26, 2004 to March 31, 2005 in accordance with the basis of accounting described in Note 2.

Deloitte & Touche LLP

Chartered Accountants

June 9, 2005

The Canadian Red Cross Society – Asian Earthquake and Tsunami Fund

STATEMENT OF NET FUNDS AVAILABLE FOR BENEFICIARIES

[Expressed in Thousands of Dollars]

As at March 31

2005

\$

ASSETS

Current

Cash and cash equivalents

 Externally restricted

170,028

 Internally restricted (income from investments)

459

Accounts receivable

52,170

Net Funds available for beneficiaries

222,657

See accompanying notes

On behalf of the Board

President

Chair

National Audit
and Finance Committee

The Canadian Red Cross Society – Asian Earthquake and Tsunami Fund

STATEMENT OF CHANGES IN NET FUNDS AVAILABLE FOR BENEFICIARIES

[Expressed in Thousands of Dollars]

for the period from December 26, 2004 (date of inception) to March 31, 2005

	<u>2005</u>
Increase in funds	\$
Contributions <i>[note 3]</i>	218,796
Federal Government Matching <i>[note 3]</i>	51,420
Investment Income	459
Total increase in funds	<u>270,675</u>
Decrease in funds	
Program Expenditures	
Immediate Disaster Relief	37,379
Rehabilitation	165
Total program expenditures	<u>37,544</u>
Supporting Services	
Fundraising support <i>[note 4]</i>	8,713
Direct Programming support <i>[note 4]</i>	1,761
Total supporting services	<u>10,474</u>
Total decrease in funds	<u>48,018</u>
Increase in net funds	222,657
Net funds available for beneficiaries, beginning of period	<u>0</u>
Net funds available for beneficiaries, end of period	<u>222,657</u>

The Canadian Red Cross Society – Asian Earthquake and Tsunami Fund

NOTES TO THE FINANCIAL INFORMATION

[Expressed in Thousands of Dollars]

for the period from December 26, 2004 (date of inception) to March 31, 2005

1. PURPOSE AND AUTHORITY OF THE ASIAN EARTHQUAKE AND TSUNAMI FUND

The scope and purpose of the Canadian Red Cross Society - Asian Earthquake and Tsunami Fund (the Fund) was approved by the Board of Governors of The Canadian Red Cross Society (the Society) on February 26, 2005. The financial information presentation reflects the impact of those decisions retroactive to December 26, 2004.

As a result of the decisions made by the Board of Governors, the Fund is used exclusively to meet the immediate and long-term recovery needs of the people affected by the Asian earthquake and tsunami that occurred on December 26, 2004 and all investment income is restricted to the Fund. Donor-expressed designations that are more specific than the overall Fund purpose (for example, contributions for use in specific countries), will be strictly honoured and used in accordance with those designations. The Board of Governors approved the segregation of the Fund into the following Trusts:

- a) Undesignated General
- b) Canadian International Development Agency (CIDA) Matching Grant
- c) Sri Lanka
- d) Indonesia
- e) India
- f) Thailand
- g) Government of Alberta Fund

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with the following significant accounting policies:

Basis of Presentation

The accompanying financial information reflects the net funds available for beneficiaries and the revenues and expenses of the operations of the Fund. The Fund is maintained as a separate set of accounts by the Society, and includes only those financial activities associated with the Society's response to the Asian earthquake and Tsunami.

The Fund is an unincorporated operating segment of the Society. Accordingly, this financial information may not be indicative of the financial activity that would have been achieved if the Fund operated as an unaffiliated organization.

The Canadian Red Cross Society – Asian Earthquake and Tsunami Fund

NOTES TO THE FINANCIAL INFORMATION

[Expressed in Thousands of Dollars]

for the period from December 26, 2004 (date of inception) to March 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The Net funds available for beneficiaries as at March 31, 2005 are presented as deferred revenue, and as internally restricted net assets for the investment income portion, in the financial statements of the Canadian Red Cross Society.

Donated Services

The Fund 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 information because of the difficulty of measurement.

Revenue Recognition

Corporate and government contributions are recognized as revenue at the earlier of the date of receipt or the date the contribution becomes receivable under the terms of the applicable funding agreement. Donations from individuals are recognized as revenue when received.

3. FUNDRAISING CONTRIBUTIONS

Fundraising contributions consist of donations from the following sources:

	2005
	\$
Fundraising Contributions	
Individual donors eligible for CIDA Matching (i)	132,479
Corporate, Provincial Government and other	86,317
	<hr/> 218,796
CIDA Matching (i)	51,420
Total Fundraising Contributions	<hr/> 270,216 <hr/>

(i) The Canadian International Development Agency (CIDA) has agreed to provide cumulative matching grants equivalent to the total donations received from individual donors up to the end of January 11, 2005. The grants will be provided based upon approved programming proposals. As at March 31, 2005, the Fund submitted a programming proposal for \$70,000 and was approved for \$51,420 and the balance is deferred pending approval from CIDA.

The Canadian Red Cross Society – Asian Earthquake and Tsunami Fund

NOTES TO THE FINANCIAL INFORMATION

[Expressed in Thousands of Dollars]

for the period from December 26, 2004 (date of inception) to March 31, 2005

4. SUPPORT COSTS AND RELATED ENTITY TRANSACTIONS

For the period from December 26, 2004 to March 31, 2005, the Society provided complete administrative and other support to the Fund in the form of fundraising support and direct programming support.

Fundraising Support – represents costs incurred to solicit contributions, including direct response mailings; donation acknowledgements and receipts; donated advertising; donation processing; bank and credit card fees related to donations; supplemental audit fees; logistics and accounting support; equipment; set-up and maintenance costs for call centres and toll-free numbers; and systems for tracking beneficiary assistance. These costs in aggregate represent 3.2% of funds received.

Direct Programming Support – represents the necessary direct supporting activities of the disaster response including relief supplies, field visits, assessments and missions by staff and support services.