

Audited Financial Information of

**THE CANADIAN RED
CROSS SOCIETY
Asian Earthquake and Tsunami Fund**

March 31, 2007

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, 2007 and the statement of changes in net funds available for beneficiaries for the year then ended. 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 these revenues 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, 2007 and the changes in net funds available for beneficiaries for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

May 11, 2007

THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Financial Information
March 31, 2007

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THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Statement of Net Funds Available for Beneficiaries
as at March 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents		
Externally restricted	\$ 84,633	\$ 90,836
Internally restricted income from investments	13,429	6,720
Accounts receivable	76,418	80,678
	174,480	178,234
LONG-TERM INVESTMENTS (Note 4)	71,551	96,695
NET FUNDS AVAILABLE FOR BENEFICIARIES	\$ 246,031	\$ 274,929

ON BEHALF OF THE BOARD

_____ President, Board of Governors

_____ 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
year ended March 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
Increase in funds		
Contributions (Note 3)	\$ 2,928	\$ 7,821
Federal government matching (Note 3)	-	81,059
Investment income	6,709	6,261
	9,637	95,141
Decrease in funds		
Emergency relief and disaster management	3,047	31,382
Health	2,167	1,917
Livelihoods	1,475	520
Reconstruction	26,297	2,288
Humanitarian values and restoring family links	68	983
Organizational development	934	645
Water and sanitation	859	136
Community support	139	428
	34,986	38,299
Supporting services		
Fundraising support (Note 5)	-	1,594
Direct programming support (Note 5)	3,549	2,976
	3,549	4,570
Total decrease in funds	38,535	42,869
INCREASE (DECREASE) IN NET FUNDS	(28,898)	52,272
NET FUNDS AVAILABLE FOR BENEFICIARIES, BEGINNING OF YEAR	274,929	222,657
NET FUNDS AVAILABLE FOR BENEFICIARIES, END OF YEAR	\$ 246,031	\$ 274,929

THE CANADIAN RED CROSS SOCIETY

Asian Earthquake and Tsunami Fund

Notes to the Financial Information

year ended March 31, 2007

(in thousands of dollars)

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.

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 Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of presentation

The accompanying financial information reflects the net funds available for beneficiaries and the changes in net funds available for beneficiaries 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 net funds available for beneficiaries as at March 31, 2007 are presented as deferred revenue, and as internally restricted net assets for the investment income portion, in accordance with Canadian generally accepted accounting principles, in the financial statements of the Canadian Red Cross Society.

THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Notes to the Financial Information
year ended March 31, 2007
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Long-term investments

Investments with a duration to maturity greater than one year from March 31, 2007 are presented as long-term investments recorded at cost less write-downs, if required, for other than temporary declines in value.

3. CONTRIBUTIONS

Contributions consist of donations from the following sources:

	<u>2007</u>	<u>2006</u>
Fundraising contributions		
Individual donors eligible for CIDA Matching	\$ 177	\$ -
Corporate, provincial government and other	2,751	7,821
	<u>2,928</u>	<u>7,821</u>
CIDA Matching	-	81,059
	<u>\$ 2,928</u>	<u>\$ 88,880</u>

THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Notes to the Financial Information
year ended March 31, 2007
(in thousands of dollars)

3. CONTRIBUTIONS (Continued)

The Canadian International Development Agency (CIDA) has agreed to provide cumulative matching grants equivalent to the total donations received from individual donors up to January 11, 2005. The grants will be provided based upon approved programming proposals. As at March 31, 2007, the Fund submitted programming proposals for \$132,479 (2006 -\$132,479) and was approved for \$122,479 (2006 - \$56,370) and the balance is pending approval from CIDA.

4. LONG-TERM INVESTMENTS

	<u>2007</u>		<u>2006</u>	
	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Fixed income	\$ 71,551	\$ 71,263	\$ 96,695	\$ 95,547

Fixed income investments are comprised of governments and corporate bonds with maturity dates from 2008 to 2036, bearing interest from 2.75% to 9.25%.

5. SUPPORT SERVICES AND RELATED ENTITY TRANSACTIONS

From the inception date to March 31, 2007, the Society provided complete administrative and other support to the Fund in the form of fundraising support and direct programming support.

Fundraising 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 2.75% (2006 - 2.82%) of funds received.

Direct programming support

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