

Audited Financial Information of

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

March 31, 2008



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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, 2008 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.

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 our opinion, 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, 2008 and the changes in net funds available for beneficiaries for the year then ended in accordance with the basis of accounting described in Note 2.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

May 9, 2008

THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Financial Information
March 31, 2008

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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, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents		
Externally restricted	\$ 59,707	\$ 84,633
Internally restricted income from investments	19,226	13,429
Accounts receivable	49,264	76,418
	128,197	174,480
LONG-TERM INVESTMENTS (Note 5)	64,257	71,551
NET FUNDS AVAILABLE FOR BENEFICIARIES	\$ 192,454	\$ 246,031

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, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Increase in funds		
Contributions (Note 4)	\$ 2,481	\$ 2,928
Investment income	5,797	6,709
	8,278	9,637
Decrease in funds		
Emergency relief and disaster management	1,363	3,047
Health	2,650	2,167
Livelihoods	9,506	1,475
Reconstruction	42,462	26,297
Humanitarian values and restoring family links	24	68
Organizational development	2,196	934
Water and sanitation	629	859
Community support	-	139
Supporting services		
Direct programming support (Note 6)	3,861	3,549
Total decrease in funds	62,691	38,535
DECREASE IN NET FUNDS	(54,413)	(28,898)
NET FUNDS AVAILABLE FOR BENEFICIARIES, as previously reported	246,031	274,929
Accumulated unrealized losses on long-term investments (Note 3)	(288)	-
NET FUNDS AVAILABLE FOR BENEFICIARIES, BEGINNING OF YEAR, as a result of a change in accounting policy	245,743	274,929
Increase in unrealized gains on long-term investments (Note 3)	1,124	-
	246,867	274,929
NET FUNDS AVAILABLE FOR BENEFICIARIES, END OF YEAR	\$ 192,454	\$ 246,031
Accumulated unrealized gains on long-term investments	\$ 836	\$ -

THE CANADIAN RED CROSS SOCIETY

Asian Earthquake and Tsunami Fund

Notes to the Financial Information

year ended March 31, 2008

(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 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, 2008 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, 2008
(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, 2008 are presented as long-term investments and are recorded at fair value, with changes to unrealized gains or losses recorded on the Statement of Changes in Net Funds Available for Beneficiaries as appropriate.

3. CHANGE IN ACCOUNTING POLICY

The Fund's practice in the past was to recognize all long-term investments at cost and to not recognize any unrealized gains and losses on those instruments within the financial information. The Fund has adopted retrospectively as at April 1, 2007 but without prior year's restatement an accounting policy under which the investments are recorded at fair value. On April 1, 2007, the Fund has recognized an amount of \$288 of net unrealized losses on its long-term investments within the Statement of Changes in Net Funds Available for Beneficiaries.

4. CONTRIBUTIONS

Contributions are from the following sources:

	<u>2008</u>	<u>2007</u>
Individual donors	\$ 14	\$ 177
Contributions from other Red Cross societies	2,467	2,751
	<u>\$ 2,481</u>	<u>\$ 2,928</u>

THE CANADIAN RED CROSS SOCIETY
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year ended March 31, 2008
(in thousands of dollars)

4. 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, 2008, the Fund submitted programming proposals for \$132,479 (2007 - \$132,479) and was approved for \$132,479 (2007 - \$122,479).

5. LONG-TERM INVESTMENTS

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 63,421	\$ 64,257	\$ 71,551	\$ 71,263

Fixed income investments are comprised of Canadian Bond Pooled Funds with maturity dates from 2008 to 2036, bearing interest from 2.75% to 9.25%.

6. SUPPORT SERVICES AND RELATED ENTITY TRANSACTIONS

From the inception date to March 31, 2008, the Society provided complete administrative and other support to the Fund in the form of direct programming support.

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.