

*Audited Financial Information of*

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

*March 31, 2006*

## 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, 2006 and the statement of changes in net funds available for beneficiaries for the year then ended, 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, 2006 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  
May 12, 2006

**THE CANADIAN RED CROSS SOCIETY**  
**Asian Earthquake and Tsunami Fund**  
**Financial Information**  
**March 31, 2006**

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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, 2006  
(tabular amounts are in thousands of dollars)

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Externally restricted	\$ 90,836	\$ 170,028
Internally restricted income from investments	6,720	459
Accounts receivable	80,678	52,170
	<b>178,234</b>	222,657
<b>LONG-TERM INVESTMENTS (Note 4)</b>	<b>96,695</b>	-
<b>NET FUNDS AVAILABLE FOR BENEFICIARIES</b>	<b>\$ 274,929</b>	<b>\$ 222,657</b>

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, 2006  
(tabular amounts are in thousands of dollars)

	<u>2006</u>	December 26, 2004 to March 31, <u>2005</u>
Increase in funds		
Contributions (Note 3)	\$ 7,821	\$ 218,796
Federal government matching (Note 3)	81,059	51,420
Investment income	6,261	459
	<u>95,141</u>	<u>270,675</u>
Decrease in funds		
Emergency relief and disaster management	31,382	37,544
Health	1,917	-
Livelihoods	520	-
Reconstruction	2,288	-
Humanitarian values and restoring family links	983	-
Organizational development	645	-
Water and sanitation	136	-
Community support	428	-
	<u>38,299</u>	<u>37,544</u>
Supporting services		
Fundraising support (Note 5)	1,594	8,713
Direct programming support (Note 5)	2,976	1,761
	<u>4,570</u>	<u>10,474</u>
Total decrease in funds	<u>42,869</u>	<u>48,018</u>
INCREASE IN NET FUNDS	52,272	222,657
NET FUNDS AVAILABLE FOR BENEFICIARIES, BEGINNING OF YEAR	<u>222,657</u>	-
NET FUNDS AVAILABLE FOR BENEFICIARIES, END OF YEAR	\$ 274,929	222,657

# THE CANADIAN RED CROSS SOCIETY

## Asian Earthquake and Tsunami Fund

### Notes to the Financial Information

year ended March 31, 2006

(tabular amounts are in thousands of dollars)

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#### 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 2005 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 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, 2006 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**  
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year ended March 31, 2006  
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**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, 2006 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>2006</u>	<u>2005</u>
Fundraising contributions		
Individual donors eligible for CIDA Matching	\$ -	\$ 132,479
Corporate, provincial government and other	<u>7,821</u>	<u>86,317</u>
	7,821	218,796
CIDA Matching	<u>81,059</u>	<u>51,420</u>
	<u>\$ 88,880</u>	<u>\$ 270,216</u>

**THE CANADIAN RED CROSS SOCIETY**  
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**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, 2006, the Fund submitted programming proposals for \$132,479 (2005 - \$70,000) and was approved for \$56,370 (2005 - \$51,420) and the balance is pending approval from CIDA.

**4. LONG-TERM INVESTMENTS**

	2006		2005	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Fixed income	\$ 96,695	\$ 95,547	\$ -	\$ -

Fixed income investments are comprised of governments and corporate bonds with maturity dates from 2007 to 2033, bearing interest from 2.75% to 9.25%.

**5. SUPPORT SERVICES AND RELATED ENTITY TRANSACTIONS**

From the inception date to March 31, 2006, 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 2.8% (2005 - 3.2%) 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.