

Consolidated financial statements of

**The Canadian Red Cross
Society**

March 31, 2014

The Canadian Red Cross Society

March 31, 2014

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Independent Auditor's Report

To the Board of Directors of
The Canadian Red Cross Society

We have audited the accompanying consolidated financial statements of the Canadian Red Cross Society, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Canadian Red Cross Society as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 11, 2014

The Canadian Red Cross Society

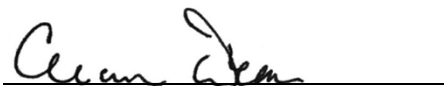
Consolidated statement of financial position

as at March 31, 2014

(in thousands of dollars)

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	186,133	62,161
Accounts receivable	22,609	15,642
Inventory and prepaid expenses	25,780	30,078
	234,522	107,881
Long-term investments (Note 5)	39,609	114,421
Capital assets (Note 6)	52,358	50,584
Intangible assets (Note 7)	1,480	2,850
Goodwill (Note 7)	1,947	1,947
Accrued defined benefit pension plan asset (Note 8)	7,252	6,970
Total assets	337,168	284,653
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	24,847	21,543
Government remittances payable	1,353	478
Deferred revenue - short-term (Note 9)	152,174	89,543
Current portion of mortgage payable (Note 10)	28	-
	178,402	111,564
Deferred revenue - long-term (Note 9)	18,607	27,473
Deferred contributions related to capital assets (Note 11)	10,886	9,268
Deferred gain (Note 7)	3,873	4,719
Mortgage payable (Note 10)	915	-
Accrued other benefit plans liability (Note 8)	17,055	16,690
Total liabilities	229,738	169,714
Commitments, contingent liabilities and guarantees (Notes 12 and 13)		
Net assets		
Invested in capital assets	40,529	41,316
Invested in RCCP (Note 7)	3,954	3,954
Restricted for endowment purposes	1,284	1,221
Internally restricted - General (Note 14)	47,531	47,531
Internally restricted - Tsunami interest (Note 14)	10,552	21,495
Unrestricted	3,580	(578)
Total net assets	107,430	114,939
Total liabilities and net assets	337,168	284,653

On behalf of the Board



Chair



Chair, National Audit and Finance Committee

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Consolidated statement of operations

year ended March 31, 2014

(in thousands of dollars)

	Budget 2014	Actual 2014	Actual 2013
	\$	\$	\$
	(Unaudited)		
Revenue			
Organizational capacity			
Fundraising (Note 15)	53,532	55,251	48,117
Investment income (Note 5)	3,030	4,202	2,959
Other	97	195	500
	56,659	59,648	51,576
Core programs	246,385	257,807	268,553
Support services	7,178	16,192	8,934
Disaster appeals	46	27,299	6,972
Total revenues	310,268	360,946	336,035
Expenses			
Organizational capacity			
Fundraising (Note 15)	27,904	27,799	25,591
Investment expense	149	166	323
Other	855	691	544
	28,908	28,656	26,458
Core programs			
International programs	68,785	62,593	64,026
Disaster management	13,927	18,980	13,742
Health and injury prevention	155,374	169,761	182,921
Program management and volunteer resources	4,223	4,158	4,219
	242,309	255,492	264,908
Support services	38,440	46,065	40,896
Disaster appeals	46	27,299	6,972
Total expenses	309,703	357,512	339,234
Excess (deficiency) of revenue over expenses			
before Net Tsunami expenses	565	3,434	(3,199)
Net Tsunami expenses (Note 14)	(10,828)	(10,943)	(6,229)
Deficiency of revenue over expenses	(10,263)	(7,509)	(9,428)

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Consolidated statement of changes in net assets

year ended March 31, 2014

(in thousands of dollars)

	Invested in capital assets	Invested in capital of JV RCCP	Restricted for endowment purposes	Internally restricted (Note 14)	Unrestricted	Total	
						2014	2013
	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	41,316	3,954	1,221	69,026	(578)	114,939	124,367
Excess (deficiency) of revenue over expenses	-	-	63	-	(7,572)	(7,509)	(9,428)
Investment in capital assets ⁽¹⁾	(787)	-	-	-	787	-	-
Internally restricted	-	-	-	(10,943)	10,943	-	-
Net assets, end of year	40,529	3,954	1,284	58,083	3,580	107,430	114,939

⁽¹⁾ Net changes in investment in capital assets is comprised of the following:

Amortization of capital assets	(5,624)	(5,306)
Amortization of deferred contributions related to capital assets	2,725	2,939
Acquisitions of capital assets	7,669	9,006
Mortgage repayments	32	-
Increase of deferred contributions related to capital assets	(4,343)	(2,631)
Proceeds on disposition of capital assets	(1,316)	(649)
Gain on disposal of capital assets	70	305
	(787)	3,664

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Consolidated statement of cash flows

year ended March 31, 2014

(in thousands of dollars)

	2014	2013
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses	(7,509)	(9,428)
Items not affecting cash		
Increase (decrease) in net employee future benefits	83	(178)
Amortization of deferred capital contributions	(2,725)	(2,939)
Amortization of capital assets	5,624	5,306
Amortization of intangible assets	1,370	685
Amortization of deferred gain	(846)	(423)
Decrease in unrealized gains on investments	2,583	1,465
Gain on disposal of capital assets	(70)	(305)
	(1,490)	(5,817)
Changes in non-cash operating working capital items		
Accounts receivable	(6,967)	5,701
Inventory and prepaid expenses	4,298	(7,583)
Accounts payable and accrued liabilities	3,304	(4,026)
Government remittances payable	875	(30)
Deferred revenue	53,765	(41,493)
	53,785	(53,248)
Investing		
Disposals of long-term investments	72,229	46,325
Acquisitions to capital assets	(7,669)	(9,006)
	64,560	37,319
Financing		
Deferred contributions related to capital assets	4,343	2,631
Proceeds on disposition of capital assets	1,316	649
Mortgage repayments	(32)	-
	5,627	3,280
Net cash inflow (outflow)	123,972	(12,649)
Cash and cash equivalents, beginning of year	62,161	74,810
Cash and cash equivalents, end of year	186,133	62,161
<i>Represented by:</i>		
Unrestricted	15,471	5,663
Externally restricted	151,531	34,715
Internally restricted	19,131	21,783
Cash and cash equivalents	186,133	62,161
Non-cash transaction		
Acquisition of property and equipment financed by mortgage payable	975	-

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(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.

2. Significant accounting policies

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

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operations of the Society including all operations within Canada, the International Program and the Society's share of Red Cross Care Partners ("RCCP") (Note 7).

The Organizational Capacity and Core Programs reflect the net contribution before application of the Society's common management and administration expenses. The Schedule provides a detailed summary of the fundraising and program contributions before Society common management and administration costs and expenses.

Principle of consolidation

The Society reports its interest in RCCP, a jointly controlled entity, using the proportionate consolidation method. The Society's share of the assets, liabilities, revenue and expenses of RCCP is combined with the equivalent items in the Society's consolidated financial statements on a line-by-line basis. Gains and losses resulting from transactions with RCCP are recognized in the Society's consolidated financial statements only to the extent of interests in RCCP that are unrelated to the Society.

Revenue recognition

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

The Society follows the deferral method of accounting to account for contributions.

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. Other revenues are recognized when the goods or services have been rendered.

Externally restricted donations used to purchase depreciable capital assets are deferred and amortized over the life of the related capital asset. Externally restricted contributions used to purchase land are recorded as a direct increase in the net assets invested in capital assets. Externally restricted contributions that have not been expended are recorded as deferred revenue on the consolidated Statement of financial position.

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.

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

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

2. Significant accounting policies (continued)

Revenue recognition (continued)

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

Investment income (expense) 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 consolidated Statement of operations.

Unrealized gains and losses on financial assets are included in investment income and recognized as revenue in the consolidated 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.

Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable and accrued liabilities, government remittances payable and mortgages payable.

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except cash and cash equivalents and investments which are recorded at fair value.

Cash and cash equivalents

Cash and cash equivalents represent externally restricted, internally restricted and unrestricted cash and equivalents and mature within three months.

Externally restricted cash and cash equivalents are restricted for specified purposes and are not available for the Society's general operations.

Internally restricted cash represents money set aside to fund specific activities identified by management and approved by the Board of Directors. The funds are not available for the Society's general operations.

Unrestricted cash represents funds available for the Society's general operations.

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 consolidated financial statements because of the difficulty of measurement.

Inventory

Inventory includes current materials and supplies necessary for the conduct of the Society's operations. Inventory is valued at the lower of cost and replacement value using the moving average method.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

2. Significant accounting policies (continued)

Capital assets

Purchased capital assets are recorded at cost. Contributed 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 as follows:

Buildings	20 to 40 years
Furniture, office and healthcare equipment	3 to 5 years
Vehicles	2 to 5 years
Computer hardware and software	2 to 3 years
Land is not amortized due to its infinite life	

Intangible assets

Intangible assets represent the portion of the purchase price of the Society's interest in the RCCP joint venture relating to government contracts. These costs are amortized on a straight-line basis over the term of the estimated beneficial life of the assets, which is five years.

Goodwill

Goodwill represents the excess of the purchase price of the Society's interest in the RCCP joint venture over identifiable tangible and intangible assets. Goodwill is tested for impairment whenever an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount of RCCP, including goodwill, exceeds its fair value, a goodwill impairment loss is recognized in excess of revenue over expenses in an amount equal to the excess.

Deferred gain

The deferred gain in respect of the acquisition of the interest in RCCP is amortized on a straight-line basis over 10 years (Note 7).

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 amortizes past service costs and cumulative unrecognized net actuarial gains and losses, in excess of 10% of the greater of the projected benefit obligation or the market-related value of plan assets, over the expected average remaining service lifetime (EARSL) of the active employee group covered by the plans or over the average remaining life expectancy of former employees.

The average remaining life expectancy of former employees has been determined to be 25 (2013 - 26) years for the defined benefit pension plan and EARSL has been determined to be 13 (2013 - 13) years for the other benefit plans. The Society measures its accrued benefits obligations for accounting purposes as at March 31 of each year.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

2. Significant accounting policies (continued)

Use of estimates

The preparation of these consolidated 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 consolidated financial statements and the accompanying notes. In the opinion of management, these consolidated 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. Assumptions are used in estimating the collectibility of accounts receivable, the obsolescence of inventory, the useful life of capital assets, the assessment of impairment indicators associated with goodwill and intangible assets, the amount of accrued liabilities and the assumptions underlying the employee future benefit calculations.

Allocation of expenses

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

Corporate governance and general management expenses are not allocated and are accounted for in Support Services. Other general support expenses that relate directly to the programs are accounted for in Program Management.

Fund Development expenses are not allocated and are accounted for directly in the Fundraising line of the Society's consolidated financial statements.

Facilities are the only expense of which part is allocated directly to the Core Programs. The allocation is based on revenue stream. If a building is directly related to one program and that revenue stream is prevalent, the total cost of that building will be allocated to that program. Those facilities that are common to the administration of the Society and its programs are recorded under the Rental and Facilities line in the Schedule to these consolidated financial statements.

Future accounting policies

The Accounting Standards Board recently issued CPA Canada Accounting Handbook Sections 3462, Employee Future Benefits, and 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations. Section 3462 establishes standards for the recognition, measurement, and disclosure of the cost of employee future benefits; significant changes from the previous standard include eliminating the deferral and amortization approach for defined benefit plans and requiring measurement of plan assets and obligations as of the balance sheet date; Section 3463 prescribes the accounting treatment for employee future benefits provided by a not-for-profit organization; in particular, remeasurements and other items shall be recognized directly in net assets in the statement of financial position rather than in the statement of operations; and presented as a separately identified item in the statement of changes in net assets.

These Sections are applicable for fiscal years beginning on or after January 1, 2014 on a retrospective basis. The Society is currently evaluating the impact of adopting these sections on its consolidated financial statements.

3. Capital management

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

- a) to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual strategic plan review;
- b) to maintain a minimum reserve in its Net Assets under Internally Restricted - General of \$43.5 million to ensure the ability to continue operations in the face of unexpected events;
- c) to invest funds in financial instruments permitted under the Board of Directors' approved Statement of Investment Policies and Procedures (SIP&P); and
- d) to manage grants and donations with external restrictions in order to comply with the conditions for using these financial resources.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

3. Capital management (continued)

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

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

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

4. Cash and cash equivalents

	2014	2013
	Cost and fair value	Cost and fair value
	\$	\$
Cash		
Unrestricted	15,471	4,915
Externally restricted - General	23,028	13,475
Externally restricted - Haiti	804	712
Internally restricted - General	3,810	4,348
Internally restricted - Tsunami	97	165
Total cash	43,210	23,615
Cash equivalents		
Unrestricted	-	748
Externally restricted - General	93,206	4,902
Externally restricted - Haiti	34,493	15,626
Internally restricted - General	4,435	6,811
Internally restricted - Tsunami	10,789	10,459
Total cash equivalents	142,923	38,546
Total cash and cash equivalents	186,133	62,161

5. Long-term Investments

	2014		2013	
	Fair value and carrying value	Cost	Fair value and carrying value	Cost
	\$	\$	\$	\$
Investments				
Fixed income	22,261	21,843	100,365	97,592
Equities	17,348	16,060	14,056	12,540
	39,609	37,903	114,421	110,132

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

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

5. Long-term Investments (continued)

Fixed income investments are comprised of Government of Canada and corporate bonds with maturity dates ranging from 2014 to 2049, earning interest from 1.00% to 7.00% (2013 - ranging from 2013 to 2049, earning interest from 2.25% to 10.35%).

Long-term investments are externally and internally restricted as follows:

	2014	2013
	\$	\$
Externally restricted - General	-	42,203
Externally restricted - Haiti	-	31,112
Internally restricted - General	39,609	31,051
Internally restricted - Tsunami	-	10,055
	39,609	114,421

Gross investment income earned is reported as follows:

	2014	2013
	\$	\$
Investment income - General	4,202	2,959
Investment income - Tsunami	247	719
	4,449	3,678

Investment income earned from the Haiti fund of \$584 (2013 - \$1,796) is externally restricted and allocated to Haiti deferred revenue.

Investment income earned from the General fund of \$838 (2013 - \$2,272) is externally restricted and allocated to General deferred revenue.

6. Capital assets

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	9,412	-	9,412	9,316
Buildings	60,802	26,756	34,046	33,017
Furnitures, office and healthcare equipment	21,749	16,612	5,137	4,491
Vehicles	9,921	7,701	2,220	2,583
Computer hardware and software	5,208	3,665	1,543	1,177
	107,092	54,734	52,358	50,584

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

7. Red Cross Care Partners

On October 1, 2012, the Society merged its personal support and home making activities in Ontario with the nursing and therapy services of CarePartners, a privately owned entity. The new home care entity, 8262900 Canada Inc. (operating as Red Cross Care Partners), is a for-profit oriented entity incorporated under the laws of Canada. The Society owns 50% of the voting shares of RCCP and its financial results are proportionately consolidated in these consolidated financial statements.

On the transfer date, the Society transferred cash of \$6,000, capital assets of \$175 and inventories of \$341. Goodwill and intangible assets were valued at \$10,284. The deferred gain of \$5,142 on transfer date represents the gain attributable to the unrelated joint venturer's portion of the intangible assets and goodwill and will be amortized on a straight-line basis over 5 and 10 years respectively.

At March 31, 2014, the deferred gain is \$3,873 (2013 - \$4,719). The amortization of the deferred gain during the year was \$846 (2013 - \$423). At March 31, 2014, the unrelated intangible assets and goodwill are \$1,480 and \$1,947 respectively (2013 - \$2,850 and \$1,947 respectively). The Society's share of the amortization on intangible assets during the year was \$1,370 (2013 - \$685).

The following amounts are included in the Society's consolidated financial statements as a result of the proportionate consolidation of RCCP.

Statement of financial position	2014	2013
	\$	\$
Current assets	12,906	15,739
Non-current assets	11,073	10,099
Current liabilities	7,265	9,696
Non-current liabilities	987	26
Shareholders' equity	15,727	16,116

Statement of operations	For the twelve-month period ended March 31, 2014	For the six-month period ended March 31, 2013
	\$	\$
Revenue	85,400	41,308
Expenses	86,430	41,350
Net income (loss)	(1,030)	(42)

8. Employee future benefits

The Society has a defined contribution and a defined benefit pension plan. The Society's contribution to its employees' defined contribution pension plan was \$2,482 (2013 - \$2,574).

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 care benefits for its retired employees (Other Benefit Plans). These benefits are not pre-funded.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

8. Employee future benefits (continued)

The most recent actuarial valuations for all of the Society's plans were performed in September 2013 and extrapolated to March 31, 2014. The next valuations will be performed by September 2016.

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

	Defined benefit pension plan		Other benefit plans	
	2014	2013	2014	2013
	\$	\$	\$	\$
Fair value of plan assets	13,709	13,432	-	-
Accrued benefit obligations	(5,387)	(5,036)	(12,884)	(12,441)
Surplus (deficit)	8,322	8,396	(12,884)	(12,441)
Unamortized net actuarial gain	(1,070)	(1,426)	(4,171)	(4,249)
Accrued benefit asset (liability)	7,252	6,970	(17,055)	(16,690)

Elements of costs recognized in the year are as follows:

	Defined benefit pension plan		Other benefit plans	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current service cost (employer)	24	34	723	633
Interest cost	157	198	540	533
Expected return on plan assets	(460)	(448)	-	-
Amortization of net actuarial gain	-	-	-	(286)
Amortization of past service cost	-	-	-	(168)
Curtailment	-	-	-	(160)
	(279)	(216)	1,263	552

The assets of the defined benefit pension are held by Manulife. Based on the fair value of the plan assets at March 31, 2014, the assets of the Plan are comprised of 32% equity, 66% fixed income, and 2% short-term securities and cash (2013 - 31% equity, 67% fixed income, and 2% short-term securities and cash).

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

	Defined benefit pension plan		Other benefit plans	
	2014	2013	2014	2013
	%	%	%	%
Discount rate for obligations	3.70	3.30	4.60	4.40
Discount rate for expenses	3.30	4.10	4.40	5.00
Expected long-term rate of return				
on plan assets	3.50	3.50	-	-
Rate of compensation increase	3.00	2.00	3.00	2.00
Post-retirement indexation	1.97	1.97	-	-
Pre-retirement indexation	1.97	1.97	-	-

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

8. Employee future benefits (continued)

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

	Defined benefit pension plan		Other benefit plans	
	2014	2013	2014	2013
	\$	\$	\$	\$
Employees and employer contributions	24	34	503	541
Benefits paid	581	456	503	541

For measurement purposes of the Other Benefit Plans, a 4.5% (2013 - 4.5%) annual rate of increase in the per capita cost of covered hospital benefits was assumed. The per capita cost of drugs was assumed to increase by 9.0% (2013 - 9.0%) and was assumed to decrease linearly to 4.5% over 19 years and remain at 4.5% thereafter. The per capita cost of dental and other benefits was assumed to increase at 4.5% per annum (2013 - 4.5%).

9. Deferred revenue

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

	2014				2013			
	General	Haiti	Tsunami	Total	General	Haiti	Tsunami	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	73,299	43,717	-	117,016	96,831	59,896	1,782	158,509
Donations and grants received	194,100	625	-	194,725	67,511	15	-	67,626
Interest earned and deferred	838	584	-	1,422	2,272	1,796	-	4,068
Recognized as revenue	(127,374)	(15,008)	-	(142,382)	(93,315)	(18,090)	(1,782)	(113,187)
Closing balance	140,863	29,918	-	170,781	73,299	43,717	-	117,016
Deferred revenue - short-term	140,863	11,311	-	152,174	73,299	16,244	-	89,543
Deferred revenue - long-term	-	18,607	-	18,607	-	27,473	-	27,473

The amounts recognized as revenue in respect of Tsunami and Haiti are included as part of the international programming revenue in the detailed statement of operations in the Schedule.

10. Mortgage payable

RCCP has entered into a mortgage agreement on land and building purchased during the year bearing interest at a rate of 5.2% per annum, with a maturity date of November 1, 2033. The mortgage is secured by the land and building and is repayable in monthly instalments of \$12.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

10. Mortgage payable (continued)

Future minimum principal payments for the mortgage are as follows:

	\$
2015	28
2016	30
2017	32
2018	33
2019 and thereafter	820
	<hr/> 943
Less: current portion	(28)
	<hr/> 915

The related interest expense for the year was \$41 (2013 - \$NIL).

11. Deferred contributions related to capital assets

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

	2014	2013
	\$	\$
Balance, beginning of year	9,268	9,576
Donations and grants received and used for the purchase of capital assets during the year	4,343	2,631
Amortization of deferred capital contributions	(2,725)	(2,939)
Balance, end of year	<hr/> 10,886	<hr/> 9,268

12. 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:

	\$
2015	3,157
2016	2,869
2017	2,517
2018	2,071
2019	1,768

The Society has also committed a total amount of \$23,449 under signed contracts where the services have yet to be delivered. Out of this committed amount, all are expected to be extinguished during the upcoming year.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

13. Contingent liabilities and guarantees

The Society received contributions from the Department of Foreign Affairs, Trade and Development Canada (DFATD) and other 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 by DFATD and other funding agencies 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 consolidated 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.

14. Internally restricted funds

Internally restricted funds are comprised of:

a) General

- A cumulative gain on disposals of capital assets of \$4,000 (2013 - \$4,000) which was internally restricted for future capital asset acquisitions.
- A cumulative amount of \$43,531 (2013 - \$43,531) which was reserved in previous years to ensure the ability to continue operations in the face of unexpected events.

b) Tsunami

- Interest and investment income for an amount of \$184 (2013 - \$687) was appropriated to the internally restricted funds and an amount of \$11,127 (2013 - \$6,916) was expended on the objectives of the Tsunami Fund leaving a remaining amount of \$10,552 (2013 - \$21,495) as internally restricted.

The Tsunami revenue and expenses are as follows:

	2014			2013		
	Revenue	Expenses	Net	Revenue	Expenses	Net
	\$	\$	\$	\$	\$	\$
Organizational capacity						
Other income and expenses:						
Investment income - Tsunami (Note 5)	247	63	184	719	32	687
Core programs						
International programs:						
Programming	-	10,315	(10,315)	943	7,200	(6,257)
Other	-	-	-	646	577	69
Total - International programs	-	10,315	(10,315)	1,589	7,777	(6,188)
Support services						
Corporate obligations and support services	-	812	(812)	-	728	(728)
Net Tsunami Expenses	247	11,190	(10,943)	2,308	8,537	(6,229)

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

15. Fundraising

Fundraising revenue and expenses are as follows:

	2014	2013
	\$	\$
Revenue		
Bequests	5,426	5,684
Direct marketing	34,140	26,599
Lotteries and gaming	4,016	5,384
Special events and other fundraising	11,669	10,450
Total fundraising revenue	55,251	48,117
Direct expenses		
Bequests	901	998
Direct marketing	13,578	11,328
Lotteries and gaming	2,920	3,879
Special events and other fundraising	10,400	9,386
Total fundraising expenses	27,799	25,591
Net fundraising revenues	27,452	22,526

Lotteries and gaming expenses are as follows:

	2014	2013
	\$	\$
Expenses		
Prizes	1,533	1,944
Marketing and other	1,387	1,935
	2,920	3,879

In addition to the net fundraising revenues of \$27,452 (2013 - \$22,526), the Society received restricted donations accounted for as deferred revenue of \$114,144 (2013 - \$12,295) for total fundraising of \$141,596 (2013 - \$34,821) raised during the year.

16. Allocation of expense

Facilities are the only expense of which part is allocated directly to the programs. During the year, total facilities expenses of \$2,738 (2013 - \$2,719) were allocated as follows: \$287 (2013 - \$286) was allocated to First Aid, Swimming and Water Safety, \$2,090 (2013 - \$1,957) was allocated to the Healthcare Equipment Loan, \$361 (2013 - \$238) was allocated to Community Initiatives, and \$NIL (2013 - \$238) was allocated to Personal Support in the six months prior to its transfer to RCCP.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2014

(in thousands of dollars)

17. Financial instruments

Fair values

The carrying values of accounts receivable, accounts payable and accrued liabilities, government remittances payable and mortgages payable approximate their fair value due to the relatively short periods to maturity of the instruments.

Refer to Note 5 for fair values related to the Society's long-term investments.

Investment risk

The Society's Board of Directors has approved a Statement of Investment Policies and Procedures (SIP&P) that provides the guidelines for managing investments of the Society. Through this approach, investments are strategically invested on a long-term basis, among several classes of assets to reduce the risk of investment volatility. Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentration of risk is not unusual.

Foreign exchange risk

The Society operates internationally, giving rise to exposure to market risks from changes in interest rates and foreign exchange rates. Foreign exchange risk is not significant.

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 Community Health and Disaster Management Programs represent over 77% (2013 - 80%) of the total accounts receivable. The credit is provided mainly to 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.

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 fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered significant.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

The Canadian Red Cross Society

Detailed consolidated statement of operations - Schedule

year ended March 31, 2014

(in thousands of dollars)

	2014			2013		
	Revenue	Expenses	Net	Revenue	Expenses	Net
	\$	\$	\$	\$	\$	\$
Organizational capacity						
Fundraising (Note 15)	55,251	27,799	27,452	48,117	25,591	22,526
Other income and expenses:						
Development projects	125	691	(566)	195	544	(349)
Gain on disposals of capital assets	70	-	70	305	-	305
Investment income - General (Note 5)	4,202	166	4,036	2,959	323	2,636
Total - Other income and expenses	4,397	857	3,540	3,459	867	2,592
Total - Organizational capacity	59,648	28,656	30,992	51,576	26,458	25,118
Core programs						
International programs:						
Programming	62,877	60,610	2,267	61,411	60,469	942
Humanitarian issues program	390	762	(372)	852	1,439	(587)
Other	-	1,221	(1,221)	1,448	2,117	(669)
Total - International programs	63,267	62,593	674	63,711	64,025	(314)
Disaster management	15,756	18,980	(3,224)	13,770	13,742	28
Health and injury prevention:						
Swimming and water safety	3,429	3,402	27	3,309	3,377	(68)
First aid	17,827	12,460	5,367	17,059	12,564	4,495
Respect ed	3,401	4,003	(602)	3,336	3,977	(641)
Community initiatives and other health	35,597	34,445	1,152	24,110	22,736	1,374
Healthcare equipment loan	18,026	15,990	2,036	17,445	15,638	1,807
Personal support	100,403	99,461	942	125,784	124,629	1,155
Total - Health and injury prevention	178,683	169,761	8,922	191,043	182,921	8,122
Program management	24	2,634	(2,610)	17	2,949	(2,932)
Volunteer resources	77	1,524	(1,447)	11	1,270	(1,259)
Total - Program management and Volunteer resources	101	4,158	(4,057)	28	4,219	(4,191)
Total - Core programs	257,807	255,492	2,315	268,552	264,907	3,645
Support services						
Amortization of capital assets	2,725	5,394	(2,669)	2,939	5,273	(2,334)
Rental and facilities	2,414	6,687	(4,273)	3,371	7,770	(4,399)
Corporate obligations and support services	11,053	33,984	(22,931)	2,624	27,853	(25,229)
Total - Support services	16,192	46,065	(29,873)	8,934	40,896	(31,962)
Disaster appeals						
Domestic	26,976	26,976	-	4,317	4,317	-
International	323	323	-	2,655	2,655	-
Total - Disaster appeals	27,299	27,299	-	6,972	6,972	-
Excess (deficiency) of revenue over expenses before Net Tsunami Expenses	360,946	357,512	3,434	336,034	339,233	(3,199)
Net Tsunami Expenses (Note 14)	247	11,190	(10,943)	2,308	8,537	(6,229)
Excess (deficiency) of revenue over expenses	361,193	368,702	(7,509)	338,342	347,770	(9,428)