Consolidated Financial Statements of

THE CANADIAN RED CROSS SOCIETY

March 31, 2013 and 2012

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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.

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Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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

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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 6, 2013

THE CANADIAN RED CROSS SOCIETY
Consolidated Financial Statements
March 31, 2013 and 2012

THE CANADIAN RED CROSS SOCIETY

Consolidated Statements of Financial Position

as at March 31, 2013, March 31, 2012 and April 1, 2011
(in thousands of dollars)

	March 31, 2013	March 31, 2012	April 1, 2011
CURRENT ASSETS			
Cash and cash equivalents (Note 4)	$ 62,161	$ 74,810	$ 109,667
Accounts receivable - trade and other	15,642	21,343	21,612
Inventory and prepaid	30,078	21,129	9,286
Advances on construction contracts	-	1,366	1,399
	107,881	118,648	141,964
LONG-TERM INVESTMENTS (Note 5)	114,421	162,551	165,520
CAPITAL ASSETS (Note 6)	50,584	47,228	47,188
INTANGIBLE ASSETS (Note 7)	2,850	-	-
GOODWILL (Note 7)	1,947	-	-
ACCRUED DEFINED BENEFIT PENSION PLAN ASSET (Note 8)	6,970	6,754	6,399
TOTAL ASSETS	$ 284,653	$ 335,181	$ 361,071
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 21,543	$ 25,569	$ 26,288
Government remittances payable	478	508	285
Deferred revenue - short-term (Note 9)	89,543	121,147	131,972
	111,564	147,224	158,545
DEFERRED REVENUE - LONG-TERM (Note 9)	27,473	37,362	55,474
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	9,268	9,576	10,031
DEFERRED GAIN (Note 7)	4,719	-	-
ACCRUED OTHER BENEFIT PLANS LIABILITY (Note 8)	16,690	16,652	16,698
TOTAL LIABILITIES	169,714	210,814	240,748
COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 11 and 12)			
NET ASSETS			
Invested in capital assets	41,316	37,652	37,157
Invested in RCCP (Note 7)	3,954	-	-
Restricted for endowment purposes	1,221	1,205	1,216
Internally restricted - General (Note 13)	47,531	47,531	47,531
Internally restricted - Tsunami interest (Note 13)	20,867	27,096	25,792
Unrestricted	50	10,883	8,627
TOTAL NET ASSETS	114,939	124,367	120,323
TOTAL LIABILITIES AND NET ASSETS	$ 284,653	$ 335,181	$ 361,071

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 Statements of Operations
years ended March 31, 2013 and 2012
(in thousands of dollars)

	Budget 2013 (Unaudited)	Actual 2013	Actual 2012
Revenue			
Organizational capacity			
Fundraising (Note 14)	$ 52,094	$ 48,117	$ 45,802
Investment income (Note 5)	2,280	3,646	6,783
Other	-	500	54
	54,374	52,263	52,639
Core programs	285,731	270,141	320,219
Support services	10,294	8,934	12,074
Disaster appeals	44	6,972	5,588
Total Revenues	350,443	338,310	390,520
Expenses			
Organizational capacity			
Fundraising (Note 14)	26,094	25,591	24,172
Investment expense	190	323	279
Other	537	544	711
	26,821	26,458	25,162
Core programs			
International programs	83,153	71,802	103,221
Disaster management	12,662	13,742	16,004
Health and injury prevention	194,007	182,921	193,799
Program management and volunteer resources	4,084	4,219	3,951
	293,906	272,684	316,975
Support services	41,501	41,624	38,720
Disaster appeals	44	6,972	5,588
Total Expenses	362,272	347,738	386,445
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (11,829)	$ (9,428)	$ 4,075

See accompanying notes to the consolidated financial statements

THE CANADIAN RED CROSS SOCIETY
Consolidated Statements of Changes in Net Assets
years ended March 31, 2013 and 2012
(in thousands of dollars)

	Invested in Capital Assets	Invested in Capital of JV RCCP	Restricted for Endowment Purposes	Internally Restricted (Note 13)	Unrestricted	Total 2013	Total 2012
NET ASSETS, BEGINNING OF YEAR	**$ 37,652**	**$ -**	**$ 1,205**	**$ 74,627**	**$ 10,883**	**$ 124,367**	$ 120,292
Excess (deficiency) of revenue over expenses	**-**	**-**	**16**	**-**	**(9,444)**	**(9,428)**	4,075
Investment in capital assets [(1)]	**3,664**	**-**	**-**	**-**	**(3,664)**	**-**	-
Investment in Joint Venture - RCCP	**-**	**3,954**	**-**	**-**	**(3,954)**	**-**	-
Internally restricted	**-**	**-**	**-**	**(6,229)**	**6,229**	**-**	-
NET ASSETS, END OF YEAR	**$ 41,316**	**$ 3,954**	**$ 1,221**	**$ 68,398**	**$ 50**	**$ 114,939**	**$ 124,367**

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

	2013	2012
Amortization of capital assets	**$ (5,306)**	$ (5,145)
Amortization of deferred contributions related to capital assets	**2,939**	2,962
Purchase of capital assets	**9,006**	5,229
Increase of deferred contributions related to capital assets	**(2,631)**	(2,507)
Proceeds on disposition of capital assets	**(649)**	(98)
Gain on disposals of capital assets	**305**	54
	$ 3,664	$ 495

See accompanying notes to the consolidated financial statements

THE CANADIAN RED CROSS SOCIETY
Consolidated Statements of Cash Flows
years ended March 31, 2013 and 2012
(in thousands of dollars)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	**$ (9,428)**	$ 4,075
Items not affecting cash		
Decrease in net employee future benefits	**(178)**	(432)
Amortization of deferred capital contributions	**(2,939)**	(2,962)
Amortization of capital assets	**5,306**	5,145
Decrease (increase) in unrealized gains on investments	**705**	(3,470)
Gain on disposal of capital assets	**(305)**	(54)
	(6,839)	2,302
Changes in non-cash operating working capital items		
Accounts receivable - trade and other	**5,701**	269
Inventory, prepaid and advances on construction	**(7,583)**	(11,810)
Accounts payable and accrued liabilities	**(4,026)**	(719)
Government remittances payable	**(30)**	223
Deferred revenue	**(41,493)**	(28,937)
	(54,270)	(38,672)
INVESTING		
Disposals of long-term investments	**47,347**	6,439
Additions to capital assets	**(9,006)**	(5,229)
	38,341	1,210
FINANCING		
Deferred contributions related to capital assets	**2,631**	2,507
Proceeds on disposition of capital assets	**649**	98
	3,280	2,605
Net cash outflow	**(12,649)**	(34,857)
Cash and cash equivalents, beginning of year	**74,810**	109,667
Cash and cash equivalents, end of year	**$ 62,161**	$ 74,810
Represented by:		
Unrestricted	**$ 5,663**	$ 8,575
Externally restricted	**34,715**	47,543
Internally restricted	**21,783**	18,692
Cash and cash equivalents	**$ 62,161**	$ 74,810

See accompanying notes to the consolidated financial statements

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

Change in accounting standards

For the year ended March 31, 2013, the Society adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standards for not-for-profit organizations (the "new standards") as set out in Part III of the CICA Handbook. The Society also applies the standards for private enterprises in Part II of the CICA Handbook to the extent that the Part II standards address topics not addressed in Part III. In accordance with Section 1501 of the CICA Handbook, Part III, *First Time adoption by not-for-profit organizations*, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and these financial statements present an opening consolidated statement of financial position at the date of transition. This opening consolidated statement of financial position is the starting point for the Society's accounting under the new standards. In its opening consolidated statement of financial position, under the recommendations of Section 1501, the Society:

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Change in accounting standards (Continued)

In accordance with the requirements of Section 1501, the accounting policies which follow have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied on a retrospective basis. Other than the exemption taken for the Employee Future Benefits, no other exemptions were taken by the Society as at April 1, 2011.

The impact on adoption of the new accounting standards is limited to a change in accounting policy related to investments.

The Society continues to recognize its investments at fair value; however the unrealized gains and losses, which were previously reported directly in net assets until realized when the cumulative gain or loss was transferred to investment revenue, are now recognized directly in the consolidated Statement of Operations. This change has no impact on investments or total net assets. However, this change has an impact on the consolidated Statement of Operations.

Reconciliation of the Consolidated Statement of Operations as at March 31, 2012:

Excess of revenue over expenses as at March 31, 2012, as stated in the previous year's consolidated financial statements	$ 605
Net change in accumulated unrealized gains and losses on investments	3,470
Excess of revenue over expenses as at March 31, 2012, in accordance with the new standards	$ 4,075

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.

2. Significant Accounting Policies (Continued)

Principle of consolidation

The Society reports its interest in RCCP, a jointly controlled entity, using proportionate consolidation. The Society's share of the assets, liabilities, income and expenses of RCCP is combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Profits 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.

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 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.

2. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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, advances on construction contracts, long-term investments, accounts payable and accrued liabilities.

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 equivalent 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.

2. Significant Accounting Policies (Continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at 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

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 (Note 7) is amortized on a straight-line basis over 10 years.

2. Significant Accounting Policies (Continued)

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 26 years for the defined benefit pension plan and EARSL has been determined to be 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.

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 purchase price allocation associated with the acquisition of RCCP, collectibility of accounts receivable, inventory reserves, useful life of capital assets, accrued liabilities, accrued other benefit plan liabilities and commitments.

Judgements made by management in the preparation of these consolidated statements include assessment of impairment indicators associated with goodwill and intangible assets.

2. Significant Accounting Policies (Continued)

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.

3. Capital Management

The Society's 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 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.

(in thousands of dollars)

4. Cash and cash equivalents

	March 31, 2013		March 31, 2012		April 1, 2011	
	Fair Value and Carrying Value	Cost	Fair Value and Carrying Value	Cost	Fair Value and Carrying Value	Cost
Cash						
Unrestricted	**$ 4,915**	**$ 4,915**	$ 7,530	$ 7,530	$ 2,545	$ 2,545
Externally restricted - General	**13,475**	**13,475**	9,753	9,753	23,485	23,485
Externally restricted - Haiti	**712**	**712**	1,716	1,716	1,707	1,707
Externally restricted - Tsunami	**-**	**-**	339	339	806	806
Internally restricted - General	**4,348**	**4,348**	4,365	4,365	12,477	12,477
Internally restricted - Tsunami	**165**	**165**	-	-	-	-
Total cash	**23,615**	**23,615**	23,703	23,703	41,020	41,020
Cash equivalents						
Unrestricted	**748**	**748**	1,045	1,045	545	545
Externally restricted - General	**4,902**	**4,902**	14,461	14,461	11,542	11,542
Externally restricted - Haiti	**15,626**	**15,626**	21,154	21,154	36,320	36,320
Externally restricted - Tsunami	**-**	**-**	120	120	12,284	12,284
Internally restricted - General	**6,811**	**6,811**	1,284	1,296	1,047	1,045
Internally restricted - Tsunami	**10,459**	**10,459**	13,043	13,043	6,909	6,909
Total cash equivalents	**38,546**	**38,546**	51,107	51,119	68,647	68,645
Total cash and cash equivalents	**$ 62,161**	**$ 62,161**	$ 74,810	$ 74,822	$ 109,667	$ 109,665

5. Investments

	March 31, 2013		March 31, 2012		April 1, 2011	
	Fair Value and Carrying Value	Cost	Fair Value and Carrying Value	Cost	Fair Value and Carrying Value	Cost
Investments						
Fixed income	**$ 100,365**	**$ 97,592**	$ 144,708	$ 140,500	$ 153,477	$ 153,067
Equities	**14,056**	**12,540**	17,843	16,297	12,043	10,183
Total investments	**$ 114,421**	**$ 110,132**	$ 162,551	$ 156,797	$ 165,520	$ 163,250

(in thousands of dollars)

5. Investments (Continued)

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

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

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

	March 31, 2013	March 31, 2012	April 1, 2011
Externally Restricted - General	**$ 42,203**	$ 62,913	$ 46,203
Externally Restricted - Haiti	**31,112**	42,041	66,427
Internally Restricted - General	**31,051**	43,544	34,008
Internally Restricted - Tsunami	**10,055**	14,053	18,882
	$ 114,421	$ 162,551	$ 165,520

Gross investment income earned is reported as follows:

	2013	2012
Investment income - General	**$ 2,853**	$ 4,934
Investment income - Tsunami	**793**	1,849
Total	**$ 3,646**	$ 6,783

Investment income earned from the Haiti fund of $1,796 (2012 - $4,537) is externally restricted and allocated to Haiti deferred revenue.

Investment income earned from the General fund of $2,272 (2012 - $3,428) is externally restricted and allocated to General deferred revenue.

(in thousands of dollars)

6. Capital Assets

	March 31, 2013			March 31, 2012	April 1, 2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Land	**$ 9,316**	**$ -**	**$ 9,316**	$ 8,850	$ 8,870
Buildings	**60,377**	**27,360**	**33,017**	31,713	31,595
Furniture, office, healthcare equipment	**18,998**	**14,507**	**4,491**	3,214	3,162
Vehicles	**9,866**	**7,283**	**2,583**	2,932	3,109
Computer hardware and software	**4,417**	**3,240**	**1,177**	519	452
	$ 102,974	**$ 52,390**	**$ 50,584**	$ 47,228	$ 47,188

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, 2013, the deferred gain is $4,719. At March 31, 2013, the unrelated intangible assets and goodwill are $2,850 and $1,947 respectively. The Society's share of the amortization on intangible assets during the year was $685.

(in thousands of dollars)

7. Red Cross Care Partners (Continued)

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		**As at March 31, 2013**
Current assets	**$**	**15,739**
Non-current assets		**10,099**
Current liabilities		**9,696**
Non-current liabilities		**26**

Statement of operations		**For the six-month period ended March 31, 2013**
Revenue	**$**	**41,308**
Expenses		**41,350**
Net income (loss)		**(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 $2,574 (2012 - $2,719).

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.

(in thousands of dollars)

8. Employee Future Benefits (Continued)

The Society also sponsors life and health care benefits for its retired employees (Other Benefit Plans). These benefits are not funded.

The last actuarial valuations for all the Society's plans were performed in September 2010 and the next valuations will be performed by September 2013.

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

	Defined Benefit Pension Plan			Other Benefit Plans		
	March 31, 2013	March 31, 2012	April 1, 2011	**March 31, 2013**	March 31, 2012	April 1, 2011
Fair value of plan assets	**$ 13,432**	$ 13,050	$ 12,718	**$ -**	$ -	$ -
Accrued benefit obligation	**(5,036)**	(5,049)	(4,841)	**(12,441)**	(11,276)	(10,110)
Surplus (deficit)	**8,396**	8,001	7,877	**(12,441)**	(11,276)	(10,110)
Unamortized net actuarial gain	**(1,426)**	(1,247)	(1,478)	**(4,249)**	(5,376)	(6,588)
Accrued benefit asset (liability)	**$ 6,970**	$ 6,754	$ 6,399	**$ (16,690)**	$ (16,652)	$ (16,698)

At transition to the accounting standards for not-for-profit organizations, the Society elected to use the Section 1501 exemption for Employee Future Benefits. Effective April 1, 2011, the Society elected to recognize its unamortized transitional asset of $193 as an increase in the Accrued Benefit Asset and a reduction of its Pension Cost. The March 31, 2012 adjustment is a continuation of the April 1, 2011 opening adjustment. The unamortized transitional asset of $355 was recognized as an increase in the Accrued Benefit Asset and a reduction of its Pension Cost.

(in thousands of dollars)

8. Employee Future Benefits (Continued)

Elements of costs recognized in the year:

	Defined Benefit Pension Plan		Other Benefit Plans	
	2013	2012	**2013**	2012
Current service cost (employer)	**$ 34**	$ 46	**$ 633**	$ 518
Interest cost	**198**	237	**533**	553
Expected return on plan assets	**(448)**	(630)	**-**	-
Amortization of transitional asset	**-**	(31)	**-**	-
Amortization of net actuarial gain	**-**	(8)	**(286)**	(438)
Amortization of past service cost	**-**	-	**(168)**	(185)
Curtailment	**-**	-	**(160)**	-
	$ (216)	$ (386)	**$ 552**	$ 448

The assets of the defined benefit pension are held by Manulife. Based on the fair value of the plan assets at March 31, 2013, the assets of the Plan are comprised of 31% equity, 67% fixed income, and 2% short-term securities and cash (2012 - 31% equity, 67% fixed income, and 2% short-term securities and cash).

(in thousands of dollars)

8. Employee Future Benefits (Continued)

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

	Defined Benefit Pension Plan		Other Benefit Plans	
	2013	2012	**2013**	2012
Discount rate for obligations	**3.30%**	4.10%	**4.40%**	5.00%
Discount rate for expense	**4.10%**	5.00%	**5.00%**	6.00%
Expected long-term rate of return on plan assets	**3.50%**	5.00%	**-**	-
Rate of compensation increase	**2.00%**	3.00%	**2.00%**	3.00%
Post-retirement indexation	**1.97%**	1.97%	**-**	-
Pre-retirement indexation	**1.97%**	1.97%	**-**	-

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

	Defined Benefit Pension Plan		Other Benefit Plans	
	2013	2012	**2013**	2012
Employees and employer contributions	**$ 34**	$ 46	**$ 541**	$ 495
Benefits paid	**456**	206	**541**	495

For measurement purposes of the Other Benefit Plans, a 4.5% (2012 - 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% (2012 - 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.

(in thousands of dollars)

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:

	March 31, 2013				**March 31, 2012**				**April 1, 2011**			
	General	Haiti	Tsunami	Total	General	Haiti	Tsunami	Total	General	Haiti	Tsunami	Total
Opening balance	**$ 96,831**	**$ 59,896**	**$ 1,782**	**$ 158,509**	$ 79,773	$ 94,873	$ 12,800	$ 187,446	$ 51,187	$ 123,719	$ 29,326	$ 204,232
Donations and grants received	**67,511**	**115**	**-**	**67,626**	106,561	633	-	107,194	144,937	54,778	-	199,715
Interest earned and deferred	**2,272**	**1,796**	**-**	**4,068**	3,428	4,537	-	7,965	-	3,228	-	3,228
Recognized as revenue	**(93,315)**	**(18,090)**	**(1,782)**	**(113,187)**	(92,931)	(40,147)	(11,018)	(144,096)	(116,351)	(86,852)	(16,526)	(219,729)
Closing balance	**73,299**	**43,717**	**-**	**117,016**	96,831	59,896	1,782	158,509	79,773	94,873	12,800	187,446
Less: Long-term portion	**-**	**(27,473)**	**-**	**(27,473)**	-	(37,362)	-	(37,362)	-	(55,474)	-	(55,474)
Short-term portion	**$ 73,299**	**$ 16,244**	**$ -**	**$ 89,543**	$ 96,831	$ 22,534	$ 1,782	$ 121,147	$ 79,773	$ 39,399	$ 12,800	$ 131,972

The amounts recognized above 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.

(in thousands of dollars)

10. 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:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	**$ 9,576**	$ 10,031	$ 10,582
Donations and grants received and used for the purchase of capital assets during the year	**2,631**	2,507	2,392
Amortization of deferred capital contributions	**(2,939)**	(2,962)	(2,943)
Balance, end of year	**$ 9,268**	$ 9,576	$ 10,031

11. 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:

2014	**$ 4,151**
2015	**2,997**
2016	**2,265**
2017	**1,958**
2018	**1,738**

The Society has also committed a total amount of $7,430 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.

12. Contingent Liabilities and Guarantees

The Society received contributions from the Canadian International Development Agency (CIDA) 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 CIDA 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.

13. Internally Restricted Funds

Internally restricted funds are comprised of:

a) General

- A cumulative gain on disposals of capital assets of $4,000 which was internally restricted for future capital asset acquisitions.

- A cumulative amount of $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 $687 (2012 - $1,304) was appropriated to the internally restricted funds and an amount of $6,916 (2012 - $NIL) was expended on the objectives of the Tsunami Fund leaving a remaining amount of $20,867 (2012 - $27,096) as internally restricted.

(in thousands of dollars)

14. Fundraising

Fundraising revenue and expenses are as follows:

	2013	2012
Revenue		
Bequests	**$ 5,684**	$ 4,592
Direct marketing	**26,599**	25,186
Lotteries and gaming	**5,384**	5,702
Special events and other fundraising	**10,450**	10,322
Total fundraising revenue	**48,117**	45,802
Direct expenses		
Bequests	**998**	986
Direct marketing	**11,328**	10,629
Lotteries and gaming	**3,879**	3,831
Special events and other fundraising	**9,386**	8,726
Total fundraising expenses	**25,591**	24,172
Net fundraising revenues	**$ 22,526**	$ 21,630

Lotteries and gaming expenses are as follows:

	2013	2012
Expenses		
Prizes	**$ 1,944**	$ 1,890
Marketing and other	**1,935**	1,941
	$ 3,879	$ 3,831

In addition to the net fundraising revenues of $22,526 (2012 - $21,630), the Society received restricted donations accounted for as deferred revenue of $12,295 (2012 - $57,332) for total fundraising of $34,821(2012 - $78,962) raised during the year.

15. Allocation of Expense

Facilities are the only expense of which part is allocated directly to the programs. During the year, total facilities expenses of $2,719 (2012 - $2,709) were allocated as follows: $286 (2012 - $443) was allocated to First Aid, Swimming and Water Safety, $1,957 (2012 - $1,695) was allocated to the Healthcare Equipment Loan, $238 (2012 - $166) was allocated to Community Initiatives, and $238 (2012 - $405) was allocated to Personal Support in the six months prior to its transfer to RCCP.

16. Financial Instruments

Fair values

The carrying values of cash equivalents, accounts receivable, accounts payable and accrued liabilities 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 other financial instruments.

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 distributed 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 material.

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 represents credit provided for the Society's programs. The Society extends credit to its authorized providers and funding agencies. The Society's Community Health Programs represent over 80% of the total accounts receivable. The credit is provided mainly to provincial governments and, accordingly, presents minimal credit risk to the Society.

16. Financial Instruments (continued)

Credit risk (Continued)

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 material.

THE CANADIAN RED CROSS SOCIETY

Schedule

Detailed Statements of Operations

years ended March 31, 2013 and 2012
(in thousands of dollars)

	2013			2012		
	Revenue	**Expenses**	**Net**	Revenue	Expenses	Net
Organizational capacity						
Fundraising (Note 11)	**$ 48,117**	**$ 25,591**	**$ 22,526**	$ 45,802	$ 24,172	$ 21,630
Other income and expenses:						
Development projects	**195**	**544**	**(349)**	-	711	(711)
Gain on disposals of capital assets	**305**	**-**	**305**	54	-	54
Investment income - General (Note 5)	**2,927**	**291**	**2,636**	4,934	241	4,693
Investment income - Tsunami (Note 5)	**719**	**32**	**687**	1,849	38	1,811
Total other income and expenses	**4,146**	**867**	**3,279**	6,837	990	5,847
Total - Organizational capacity	**52,263**	**26,458**	**25,805**	52,639	25,162	27,477
Core programs						
International programs:						
Programming	**62,354**	**67,669**	**(5,315)**	101,665	98,442	3,223
Humanitarian issues program	**852**	**1,439**	**(587)**	747	1,136	(389)
Other	**2,094**	**2,694**	**(600)**	3,006	3,643	(637)
Total - International programs	**65,300**	**71,802**	**(6,502)**	105,418	103,221	2,197
Disaster management	**13,770**	**13,742**	**28**	12,244	16,004	(3,760)
Health and injury prevention:						
Water safety	**3,309**	**3,377**	**(68)**	3,316	3,137	179
First aid	**17,059**	**12,564**	**4,495**	16,091	11,912	4,179
Respect ed	**3,336**	**3,977**	**(641)**	2,071	3,292	(1,221)
Community initiatives and other health	**24,110**	**22,736**	**1,374**	31,894	30,163	1,731
Healthcare equipment loan	**17,445**	**15,638**	**1,807**	15,542	13,885	1,657
Personal support	**125,784**	**124,629**	**1,155**	133,610	131,410	2,200
Total - Health and injury prevention	**191,043**	**182,921**	**8,122**	202,524	193,799	8,725
Program management	**17**	**2,949**	**(2,932)**	16	2,895	(2,879)
Volunteer resources	**11**	**1,270**	**(1,259)**	17	1,056	(1,039)
Total - Program management and Volunteer resources	**28**	**4,219**	**(4,191)**	33	3,951	(3,918)
Total - Core programs	**270,141**	**272,684**	**(2,543)**	320,219	316,975	3,244
Support services						
Amortization of capital assets	**2,939**	**5,273**	**(2,334)**	2,962	5,145	(2,183)
Rental and facilities	**3,371**	**7,770**	**(4,399)**	3,580	6,190	(2,610)
Corporate obligations and support services	**2,624**	**28,581**	**(25,957)**	5,532	27,385	(21,853)
Total - Support services	**8,934**	**41,624**	**(32,690)**	12,074	38,720	(26,646)
Disaster appeals						
Domestic	**4,317**	**4,317**	**-**	4,792	4,792	-
International	**2,655**	**2,655**	**-**	796	796	-
Total - Disaster appeals	**6,972**	**6,972**	**-**	5,588	5,588	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ 338,310**	**$ 347,738**	**$ (9,428)**	$ 390,520	$ 386,445	$ 4,075