

Financial Statements of

**THE CANADIAN RED CROSS
SOCIETY**

March 31, 2009



Deloitte & Touche LLP
800 - 100 Queen Street
Ottawa, ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

Auditors' Report

To the Board of Governors of
The Canadian Red Cross Society

We have audited the statement of financial position of the Canadian Red Cross Society as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Red Cross Society as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

May 8, 2009

THE CANADIAN RED CROSS SOCIETY
Financial Statements
March 31, 2009

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 20
Schedule A - Detailed Statement of Operations	21 - 22
Schedule B - Statement of Operations by Zone	23

THE CANADIAN RED CROSS SOCIETY

Statement of Financial Position

as at March 31, 2009

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 13,082	\$ 11,387
Externally restricted - General	9,355	14,479
Externally restricted - Tsunami	15,969	59,707
Internally restricted	66,291	62,756
Accounts receivable - Trade and other	19,188	21,599
Accounts receivable - Tsunami	7,862	49,264
Inventory and prepaid	4,652	4,319
Advances on construction	8,166	16,612
	144,565	240,123
LONG-TERM INVESTMENTS (Note 4)	98,083	105,386
CAPITAL ASSETS (Note 5)	43,214	43,700
ACCRUED PENSION BENEFIT ASSET (Note 9)	279	366
	\$ 286,141	\$ 389,575
CURRENT LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 26,237	\$ 28,851
Deferred revenue - General (Note 6)	65,749	51,215
Deferred revenue - Tsunami (Note 6)	23,441	108,134
Current portion of mortgage payable (Note 8)	-	102
	115,427	188,302
DEFERRED REVENUE - TSUNAMI (Note 6)	37,520	64,257
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	12,843	12,383
MORTGAGE PAYABLE (Note 8)	-	2,390
ACCRUED OTHER BENEFIT PLANS LIABILITY (Note 9)	17,046	17,101
	182,836	284,433
COMMITMENTS (Notes 13 and 15)		
NET ASSETS		
Invested in capital assets	30,371	28,825
Restricted for endowment purposes	1,149	1,267
Internally restricted (Note 11)	66,291	62,756
Unrestricted	5,494	12,294
	103,305	105,142
	\$ 286,141	\$ 389,575

ON BEHALF OF THE BOARD

President

Chair, National Audit and Finance Committee

See accompanying notes to the financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Operations

year ended March 31, 2009 - see Schedules A and B

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
Revenue		
Organizational capacity		
Fundraising general (Note 10)	\$ 37,019	\$ 33,899
Investment income	8,946	13,477
Other	4,044	4,301
	<u>50,009</u>	51,677
Core programs	345,816	239,498
Support services	8,947	9,470
Disaster appeals	13,183	6,365
Total revenue	<u>417,955</u>	307,010
Expenses		
Organizational capacity		
Fundraising general (Note 10)	13,008	13,110
Investment expense	644	592
Other	9,023	9,039
	<u>22,675</u>	22,741
Core programs		
International programs	175,646	84,918
Disaster management	8,371	6,763
Health and injury prevention	151,249	138,119
Program management and volunteer resources	4,188	3,419
	<u>339,454</u>	233,219
Support services	35,688	32,972
Disaster appeals	13,183	6,365
	<u>48,871</u>	39,337
Total expenses	<u>411,000</u>	295,297
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 6,955</u>	<u>\$ 11,713</u>

See accompanying notes to the financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Changes in Net Assets

year ended March 31, 2009

(in thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment Purposes	Internally Restricted	Unrestricted	Total	
					2009	2008
NET ASSETS, BEGINNING OF YEAR	\$ 28,825	\$ 1,267	\$ 62,756	\$ 12,294	\$ 105,142	\$ 96,645
Excess of revenue over expenses	-	-	-	6,955	6,955	11,713
Decrease in unrealized gains on available- for-sale financial assets	-	(118)	-	(3,240)	(3,358)	(3,216)
Increase in unrealized losses on available- for-sale financial assets	-	-	-	(5,434)	(5,434)	-
Investment in capital assets ⁽¹⁾	1,546	-	-	(1,546)	-	-
Internally imposed restrictions	-	-	3,535	(3,535)	-	-
NET ASSETS, END OF PERIOD	\$ 30,371	\$ 1,149	\$ 66,291	\$ 5,494	\$ 103,305	\$ 105,142
¹ Net changes in investment in capital assets is comprised of the following:						
Amortization of capital assets					\$ (5,773)	\$ (4,761)
Amortization of deferred contributions related to capital assets					3,441	2,793
Purchase of capital assets					5,407	6,969
Mortgage repayments					2,492	109
Increase of deferred contributions related to capital assets					(3,901)	(2,566)
Disposals of capital assets					(170)	(30)
Gain on disposal of capital assets					50	25
					\$ 1,546	\$ 2,539
Accumulated unrealized gains (losses) on available-for-sale financial assets	\$ -	\$ 33	\$ -	\$ (5,434)	\$ (5,401)	\$ 3,391

See accompanying notes to the financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Cash Flows

year ended March 31, 2009

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 6,955	\$ 11,713
Items not affecting cash		
Increase (decrease) in employee future benefits	32	(48)
Amortization of deferred contributions related to capital assets	(3,441)	(2,793)
Amortization of capital assets	5,773	4,761
Gain on disposal of capital assets	(50)	(25)
	<u>9,269</u>	<u>13,608</u>
Changes in non-cash operating working capital items		
Accounts receivable - trade and other	2,411	(2,822)
Accounts receivable - Tsunami	41,402	27,154
Inventory, prepaid and advances on construction	8,113	(16,173)
Accounts payable and accrued liabilities	(2,614)	4,772
Deferred revenue	(96,896)	(57,713)
	<u>(38,315)</u>	<u>(31,174)</u>
INVESTING		
Reduction of (addition to) investments	(1,489)	6,307
Purchase of capital assets	(5,407)	(6,969)
	<u>(6,896)</u>	<u>(662)</u>
FINANCING		
Deferred contributions related to capital assets	3,901	2,566
Proceeds on disposition of capital assets	170	30
Mortgage repayments	(2,492)	(109)
	<u>1,579</u>	<u>2,487</u>
Net cash outflow	<u>(43,632)</u>	<u>(29,349)</u>
Cash and cash equivalents, beginning of year	148,329	177,678
Cash and cash equivalents, end of year	\$ 104,697	\$ 148,329
Represented by:		
Unrestricted	\$ 13,082	\$ 11,387
Externally restricted	25,324	74,186
Internally restricted	66,291	62,756
	<u>\$ 104,697</u>	<u>\$ 148,329</u>

See accompanying notes to the financial statements.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(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 financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations and include the following significant accounting policies:

Basis of presentation

The financial statements of the Society reflect the assets, liabilities, revenues and expenses of the operations of the Society including, the International Program, the four geographic Zones representing Canada's regions and the National office (referred to as the "Zones"). Schedule B provides a detailed summary of revenues and expenses by Zone.

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

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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Externally restricted donations and government funding relating to 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 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.

Donated capital assets and contributions received towards the acquisition of capital assets are 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 investment gains and losses, and where applicable, charges for other than temporary impairment of investments. Dividend and interest income as well as realized gains and losses have been recorded directly in the Statement of Operations. Unrealized gains and losses on available-for-sale financial assets are recorded on the Statement of Changes in Net Assets or deferred contributions as appropriate, until the asset is removed from the Statement of Financial Position. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the Statement of Operations, deferred or reported directly in the Statement of Changes in Net Assets, 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.

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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Cash and cash equivalents (Continued)

Internally restricted cash represents money set aside to fund specific activities identified by management and approved by the Board of Governors. 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 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.

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

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. The EARSL has been determined to be 17.5 years for the pension defined benefit plan and 16 years for the other benefit plans. The Society measures its accrued benefits obligation for accounting purposes as at March 31 of each year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Use of estimates

The preparation of these financial statements in conformity with Canadian GAAP for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. In the opinion of management, these 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, inventory reserves, useful life of capital assets, accrued liabilities, accrued other benefit plan liabilities and commitments.

Classification of financial instruments

All financial instruments reported on the Statement of Financial Position of the Society are classified as follows:

Classification:

Cash	Held-for-trading
Cash equivalents	Available-for-sale
Accounts receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Mortgages	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the Statement of Financial Position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Available-for-sale

These financial assets are carried at fair value with unrealized gains and losses included in accumulated unrealized gains and losses in the Statement of Changes in Net Assets until realized when the cumulative gains or losses are transferred to revenue or expense.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Loans and receivables

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest method.

Changes in accounting policies

The Society did not adopt the Canadian Institute of Chartered Accountants (CICA) Sections 3862 and 3863 *Financial Instruments - Disclosures and Presentation* this year as the adoption of these sections become optional in late 2008 for not-for-profit organizations.

On April 1, 2008, the Society has adopted Section 3031, *Inventories*, issued by the CICA. This new section provides additional guidance over the measurement and disclosure of inventories. In accordance with the new Section, merchandise inventories are valued at the lower of cost, determined principally on an average basis using the retail inventory method, and net realizable value. Cost includes the cost of purchase, transportation costs and other costs that are directly incurred to bring inventories to their present location and condition. The Society estimates net realizable value as the amount that inventories are expected to be sold after taking into consideration fluctuations of retail prices due to seasonality. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices. The adoption of this new standard has had no impact on the Society's financial statements.

On April 1, 2008, the Society also adopted the new disclosure standard that was issued by the CICA: Handbook Section 1535, *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009
(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Changes in accounting policies (Continued)

On April 23, 2008, the CICA amended Section 3855, *Financial Instruments - Recognition and Measurement* of the CICA Handbook. The amended section allows not-for-profit organizations to elect not to account for certain non-financial contracts as derivatives and also not to account for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives. If the Society did not elect this option it would be required to account for derivative financial instruments and embedded derivative financial instruments in accordance with the guidance in section 3855. The Society has elected to adopt these amendments to Section 3855 effective for its fiscal year beginning on April 1, 2008 and has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

Future accounting changes

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Society will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

The Society is currently evaluating the impact of the adoption of these new standards on its financial statements. The Society does not expect that the adoption of these new Sections will have a material impact on its financial statements.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

3. Capital Management

As disclosed in Note 2, the Society adopted Handbook Section 1535 effective April 1, 2008.

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 Governors during its annual strategic plan review;
- b) to maintain a minimum reserve in Internally Restricted Fund of \$43.5 million to ensure the capability of operations in the event of unexpected events;
- c) to invest funds in financial instruments permitted under the Statement of Investment Policies and Procedures; and
- d) to manage grants and donations with external restrictions that specifies 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.

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

4. Investments

	2009			2008		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Short-term						
Cash equivalents	\$ 56,019	\$ 56,047	\$ 28	\$ 125,992	\$ 127,806	\$ 1,814
Long-term						
Notes and GIC's	4,879	5,235	356	2,196	2,231	35
Fixed Income	73,676	75,448	1,772	85,363	86,980	1,617
Equities	24,957	17,400	(7,557)	16,250	16,175	(75)
	103,512	98,083	(5,429)	103,809	105,386	1,577
Total	\$ 159,531	\$ 154,130	\$ (5,401)	\$ 229,801	\$ 233,192	\$ 3,391

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

4. 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 and Canadian Pooled Fixed Income Funds with maturity dates from 2009 to 2049, earning interest from 2.75% to 10.35%.

\$76,250 (2008 - \$143,190) of the total investments relates to Tsunami.

Investment income earned is reported as follows:

	<u>2009</u>	<u>2008</u>
Investment income - General	\$ 5,258	\$ 7,488
Investment income - Tsunami	3,688	5,989
Total investment income earned	<u>\$ 8,946</u>	<u>\$ 13,477</u>

5. Capital Assets

	<u>2009</u>			<u>2008</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 9,001	\$ -	\$ 9,001	\$ 8,940
Buildings	49,058	22,809	26,249	26,080
Furniture, office, healthcare equipment	10,685	6,793	3,892	4,323
Vehicles	8,627	5,878	2,749	2,334
Computer hardware and software	2,791	1,468	1,323	2,023
	<u>\$ 80,162</u>	<u>\$ 36,948</u>	<u>\$ 43,214</u>	<u>\$ 43,700</u>

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

6. 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:

	<u>2009</u>		<u>2008</u>	
	<u>General</u>	<u>Tsunami</u>	<u>General</u>	<u>Tsunami</u>
Opening balance	\$ 51,215	\$ 172,391	\$ 48,717	\$ 232,602
Donations received	111,978	-	26,355	1,086
Recognized as revenue	<u>(97,444)</u>	<u>(111,430)</u>	<u>(23,857)</u>	<u>(61,297)</u>
Closing balance	65,749	60,961	51,215	172,391
Less long-term portion	<u>-</u>	<u>(37,520)</u>	<u>-</u>	<u>(64,257)</u>
Current portion	<u>\$ 65,749</u>	<u>\$ 23,441</u>	<u>\$ 51,215</u>	<u>\$ 108,134</u>

Tsunami deferred revenue is recognized as part of the international programming revenue in the detailed statement of operations in Schedule A.

7. 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:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 12,383	\$ 12,610
Cash contributions received and used during the year	3,901	2,566
Amortization of deferred capital contributions	<u>(3,441)</u>	<u>(2,793)</u>
Balance, end of year	<u>\$ 12,843</u>	<u>\$ 12,383</u>

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

8. Mortgage Payable

The acquisition of premises in Burnaby (B.C.) was partially financed by a mortgage. A summary of the account is as follows:

	<u>2009</u>	<u>2008</u>
Total mortgage obligation	\$ -	\$ 2,492
Less current portion	-	102
Mortgage payable	\$ -	\$ 2,390

The Burnaby mortgage was retired on August 1, 2008.

9. 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 approximately \$2,184 (2008 - \$2,065).

The Society discontinued the defined benefit option of its pension plan. 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 September 30, 1998 have not been finalized; therefore, no annuities have been purchased. 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 funded.

The last actuarial valuation for its pension defined benefit plan was performed in September 2007 and the next actuarial evaluation must be performed by September 2010. The last actuarial valuation for its other benefit plans was performed in December 2006 and the next actuarial valuation must be performed by December 2009.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

9. Employee Future Benefits (Continued)

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

	Pension Defined Benefit Plan		Other Benefit Plans	
	2009	2008	2009	2008
Fair value of plan assets	\$ 11,568	\$ 12,765	\$ -	\$ -
Accrued benefit obligation	4,133	4,324	8,754	9,710
Surplus (deficit)	7,435	8,441	(8,754)	(9,710)
Unamortized net actuarial gain	(1,767)	(3,157)	(8,292)	(7,391)
Valuation allowance	(5,389)	(4,918)	-	-
Accrued benefit asset (liability)	\$ 279	\$ 366	\$ (17,046)	\$ (17,101)

Elements of costs recognized in the year:

	Pension Defined Benefit Plan		Other Benefit Plans	
	2009	2008	2009	2008
Current service cost (employer)	\$ 82	\$ 83	\$ 461	\$ 548
Interest cost	253	226	515	458
Expected return on plan assets	(631)	(604)	-	-
Amortization of transitional asset	(31)	(31)	-	-
Amortization of net actuarial gain	(57)	(60)	(412)	(371)
Amortization of past service cost	-	-	(185)	(185)
Increase in valuation allowance	471	276	-	-
	\$ 87	\$ (110)	\$ 379	\$ 450

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

9. Employee Future Benefits (Continued)

Plan assets are held by Manulife. Based on the fair value of the plan assets at March 31, 2009, the assets of the Plan were composed of 28% in equity, 70% in fixed income, and 2% in short-term securities and cash (2008 - 26% in equity, 72% in fixed income, and 2% in short-term securities and cash).

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

	Pension Defined Benefit Plan		Other Benefit Plans	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Discount rate for disclosure	8.50%	6.00%	9.00%	6.25%
Discount rate for expense	6.00%	5.00%	6.25%	5.25%
Expected long-term rate of return on plan assets	5.00%	4.75%	-	-
Rate of compensation increase	3.00%	3.00%	3.00%	2.30%
Post-retirement indexation	1.31%	2.01%	-	-
Pre-retirement indexation	1.31%	2.01%	-	-

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

	Pension Defined Benefit Plan		Other Benefit Plans	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Employees and employer contributions	\$ 82	\$ 83	\$ 435	\$ 387
Benefits paid	216	141	435	387

For measurement purposes of the Other Benefit Plans, a 9.0% (2008 - 8.5%) annual rate of increase in the per capita cost of covered hospital benefits was assumed and the rate was assumed to decrease linearly to 4.5% over nine years and remain at 4.5% thereafter. The per capita cost of drugs was assumed to increase by 10.0% (2008 - 9.4%) and was assumed to decrease linearly to 5.0% over nine years and remain at 5.0% thereafter. The per capita cost of dental and other benefits was assumed to increase at 4.5% per annum. The impact of a 1% increase or decrease in the rate assumption would be \$99.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

10. Fundraising Revenue and Expenses

Fundraising revenue and expenses are as follows:

	<u>2009</u>	<u>2008</u>
Revenue		
Bequests	\$ 7,963	\$ 5,669
Direct marketing	15,650	14,523
Lotteries and gaming (net)	2,286	2,435
Special events and other fundraising	11,120	11,272
Total fundraising revenue	<u>37,019</u>	<u>33,899</u>
Direct expenses		
Bequests	973	774
Direct marketing	5,370	5,537
Special events and other fundraising	6,665	6,799
Total fundraising expenses	<u>13,008</u>	<u>13,110</u>
Net fundraising revenues	<u>\$ 24,011</u>	<u>\$ 20,789</u>

Lotteries and gaming revenue and expenses are as follows:

	<u>2009</u>	<u>2008</u>
Revenue	\$ 6,712	\$ 6,967
Expenses:		
Prizes	2,068	2,049
Marketing and other	2,358	2,483
	<u>4,426</u>	<u>4,532</u>
	<u>\$ 2,286</u>	<u>\$ 2,435</u>

In addition to the net fundraising revenues of \$24,011 (2008 - \$20,789), the Society received restricted donations accounted for as deferred revenue of \$111,978 (2008 - \$27,441) for a total fundraising net revenue of \$135,989 (2008 - \$48,230) raised in the year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

11. Internally Restricted Funds

During the year, Tsunami interest for an amount of \$3,535 (cumulative \$22,761) was appropriated to the internally restricted funds.

A cumulative amount of \$43,530 (2008 - \$43,530) has been reserved in previous years to ensure the capability of operations in the event of unexpected events.

12. Financial Instruments

Fair values

The carrying values of cash and 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 4 for fair values related to the Society's other financial instruments.

Investment risk

The Society's National Audit and Finance Committee have approved a Statement of Investment Policies and Procedures 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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

12. 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.

13. 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:

2010	\$ 1,665
2011	1,339
2012	1,089
2013	968
2014	968

The Society has also committed a total amount of \$20,007 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, except for \$6,600 which will extinguish the following year.

14. Related Entity

The Red Cross International Aid Trust Fund of Canada ("the Trust") administered by the Society has not been consolidated in these financial statements. The Trust was created on July 6, 2000 to hold funds received from the Canadian International Development Agency (CIDA) until their disbursement to international relief projects.

The Society received funds for five (2008 - ten) projects in the year where revenues and expenses of \$14,909 (2008 - \$14,051) were incurred. At year-end, the Trust owes the Society \$450 (2008 - \$3,530); this amount is included in accounts receivable.

The Trust's year-end is December 31, 2008. During 2008, it had revenues of \$47,981 (2007 - \$47,878) and expenses of \$47,981 (2007 - \$47,878). At December 31, 2008, the Trust had assets of \$3,250 (2007 - \$12,482) and liabilities of \$3,250 (2007 - \$12,482).

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2009

(in thousands of dollars)

15. Guarantees

The Society received contributions from 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 financial statements as a result of these audits, if any, 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.

16. Comparative Figures

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

THE CANADIAN RED CROSS SOCIETY

Detailed Statement of Operations

year ended March 31, 2009

(in thousands of dollars)

	2009			2008		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Organizational capacity						
Fundraising general (Note 10)	\$ 37,019	\$ 13,008	\$ 24,011	\$ 33,899	\$ 13,110	\$ 20,789
Other income and expenses:						
Development projects	2,448	9,023	(6,575)	3,605	9,039	(5,434)
Gain on disposals of capital assets	50	-	50	25	-	25
Investment income - General (Note 4)	5,258	491	4,767	7,488	400	7,088
Investment income - Tsunami (Note 4)	3,688	153	3,535	5,989	192	5,797
Other income	1,546	-	1,546	671	-	671
	12,990	9,667	3,323	17,778	9,631	8,147
	\$ 50,009	\$ 22,675	\$ 27,334	\$ 51,677	\$ 22,741	\$ 28,936
Core Programs						
International:						
Programming	\$ 176,996	\$ 172,035	\$ 4,961	\$ 86,588	\$ 82,493	\$ 4,095
Humanitarian issues program	878	1,935	(1,057)	1,370	1,875	(505)
Other	1,120	1,676	(556)	596	550	46
	178,994	175,646	3,348	88,554	84,918	3,636
Disaster management	3,677	8,371	(4,694)	3,194	6,763	(3,569)
Health and injury prevention:						
Water safety	3,187	2,527	660	2,970	2,471	499
First aid	11,869	8,007	3,862	10,926	7,362	3,564
Respect Ed	2,322	2,900	(578)	2,117	2,752	(635)
Community initiatives	18,928	17,147	1,781	14,706	13,910	796
Healthcare equipment loan	11,938	10,425	1,513	10,660	8,692	1,968
Community health services	114,712	110,243	4,469	106,031	102,932	3,099
	162,956	151,249	11,707	147,410	138,119	9,291
Program management	14	2,697	(2,683)	26	2,038	(2,012)
Volunteer resources	175	1,491	(1,316)	314	1,381	(1,067)
	189	4,188	(3,999)	340	3,419	(3,079)
	\$ 345,816	\$ 339,454	\$ 6,362	\$ 239,498	\$ 233,219	\$ 6,279
Support services						
Amortization of capital assets	\$ 3,441	\$ 5,773	\$ (2,332)	\$ 2,793	\$ 4,761	\$ (1,968)
Rental and facilities	2,568	5,744	(3,176)	2,834	5,109	(2,275)
Corporate obligations and support services	2,938	24,171	(21,233)	3,843	22,788	(18,945)
Restructuring provision	-	-	-	-	314	(314)
	\$ 8,947	\$ 35,688	\$ (26,741)	\$ 9,470	\$ 32,972	\$ (23,502)

THE CANADIAN RED CROSS SOCIETY**Detailed Statement of Operations**

year ended March 31, 2009

(in thousands of dollars)

	2009			2008		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Disaster appeals						
Domestic	\$ 908	\$ 908	\$ -	\$ 273	\$ 273	\$ -
International - General	12,275	12,275	-	6,092	6,092	-
	13,183	13,183	-	6,365	6,365	-
EXCESS OF REVENUE OVER EXPENSES			\$ 6,955			\$ 11,713

THE CANADIAN RED CROSS SOCIETY

Statement of Operations by Zone

as at March 31, 2009

(in thousands of dollars)

	Atlantic	Quebec	Ontario	Western	International	National	2009	2008
Revenue								
Organizational capacity								
Fundraising general (Note 10)	\$ 2,109	\$ 7,087	\$ 9,820	\$ 10,843	\$ 87	\$ 7,073	\$ 37,019	\$ 33,899
Investment Income	-	-	-	-	3,811	5,135	8,946	13,477
Other	24	138	178	424	782	2,498	4,044	4,301
	2,133	7,225	9,998	11,267	4,680	14,706	50,009	51,677
Core programs	23,036	2,540	125,247	16,399	177,848	746	345,816	239,498
Support services	130	21	1,101	346	-	7,349	8,947	9,470
Disaster appeals	4	924	456	220	9,557	2,022	13,183	6,365
Total revenues	25,303	10,710	136,802	28,232	192,085	24,823	417,955	307,010
Expenses								
Organizational capacity								
Fundraising general (Note 10)	1,095	2,000	4,128	5,425	-	360	13,008	13,110
Investment expense	-	-	-	-	170	474	644	592
Other	-	-	-	-	-	9,023	9,023	9,039
	1,095	2,000	4,128	5,425	170	9,857	22,675	22,741
Core Programs								
International programs	65	385	660	664	173,872	-	175,646	84,918
Disaster management	1,373	2,127	2,354	1,778	-	739	8,371	6,763
Health and injury prevention	19,935	1,675	116,340	12,245	-	1,054	151,249	138,119
Program management and volunteer resources	428	728	1,449	1,506	-	77	4,188	3,419
	21,801	4,915	120,803	16,193	173,872	1,870	339,454	233,219
Support services	1,547	1,835	5,245	4,401	204	22,456	35,688	32,972
Disaster appeals	4	924	456	220	9,557	2,022	13,183	6,365
	1,551	2,759	5,701	4,621	9,761	24,478	48,871	39,337
Total expenses	24,447	9,674	130,632	26,239	183,803	36,205	411,000	295,297
EXCESS (DEFICIENCY) OF REVENUE								
OVER EXPENSES	\$ 856	\$ 1,036	\$ 6,170	\$ 1,993	\$ 8,282	\$ (11,382)	\$ 6,955	\$ 11,713