

Financial Statements of

**THE CANADIAN RED CROSS
SOCIETY**

March 31, 2010



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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, 2010 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, 2010 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 7, 2010

THE CANADIAN RED CROSS SOCIETY
Financial Statements
March 31, 2010

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THE CANADIAN RED CROSS SOCIETY

Statement of Financial Position

as at March 31, 2010

(in thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 4) | \$ 178,890 | \$ 104,697 |
| Accounts receivable - Trade and other | 17,929 | 19,188 |
| Accounts receivable - Tsunami | 135 | 7,862 |
| Inventory and prepaid | 6,215 | 4,652 |
| Advances on Construction | 8,918 | 8,166 |
| | 212,087 | 144,565 |
| Long-term investments (Note 5) | 108,529 | 98,083 |
| Capital assets (Note 6) | 47,791 | 43,214 |
| Accrued pension benefit asset (Note 9) | 233 | 279 |
| TOTAL ASSETS | \$ 368,640 | \$ 286,141 |
| CURRENT LIABILITIES AND NET ASSETS | | |
| Accounts payable and accruals | \$ 22,438 | \$ 26,237 |
| Deferred revenue - short-term (Note 7) | 150,247 | 89,190 |
| | 172,685 | 115,427 |
| Deferred revenue - long-term (Note 7) | 53,985 | 37,520 |
| Deferred contributions related to capital assets (Note 8) | 10,582 | 12,843 |
| Accrued other benefit plans liability (Note 9) | 16,840 | 17,046 |
| Total Liabilities | 254,092 | 182,836 |
| COMMITMENTS AND GUARANTEES (Notes 14 and 16) | | |
| NET ASSETS | | |
| Invested in capital assets | 37,209 | 30,371 |
| Restricted for endowment purposes | 1,204 | 1,149 |
| Internally restricted (Note 12) | 72,132 | 66,291 |
| Unrestricted | 4,003 | 5,494 |
| Total Net Assets | 114,548 | 103,305 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 368,640 | \$ 286,141 |

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, 2010 - see Schedule A

(in thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|--|-----------------|-----------------|
| Revenue | | |
| Organizational Capacity | | |
| Fundraising General (Note 10) | \$ 38,839 | \$ 41,445 |
| Investment income | 4,798 | 8,946 |
| Other | 7,990 | 4,044 |
| | 51,627 | 54,435 |
| Core Programs | 306,171 | 345,816 |
| Support Services | 8,971 | 8,947 |
| Disaster Appeals | 4,921 | 13,183 |
| Total revenues | 371,690 | 422,381 |
| Expenses | | |
| Organizational Capacity | | |
| Fundraising General (Note 10) | 22,970 | 17,434 |
| Investment expense | 1,327 | 644 |
| Other | 1,474 | 9,023 |
| | 25,771 | 27,101 |
| Core Programs | | |
| International Programs | 124,187 | 175,646 |
| Disaster Management | 9,483 | 8,371 |
| Health and Injury Prevention | 162,335 | 151,249 |
| Program Management & Volunteer Resources | 4,215 | 4,188 |
| | 300,220 | 339,454 |
| Support Services | 35,893 | 35,688 |
| Disaster Appeals | 4,921 | 13,183 |
| Total expenses | 366,805 | 415,426 |
| EXCESS OF REVENUE OVER EXPENSES | \$ 4,885 | \$ 6,955 |

See accompanying notes to the financial statements

THE CANADIAN RED CROSS SOCIETY

Statement of Changes in Net Assets

year ended March 31, 2010

(in thousands of dollars)

| | Invested in capital assets | Restricted for endowment purposes | Internally restricted | Unrestricted | Total | |
|---|-------------------------------|---|--------------------------|--------------|------------|------------|
| | | | | | 2010 | 2009 |
| NET ASSETS, BEGINNING OF YEAR | \$ 30,371 | \$ 1,149 | \$ 66,291 | \$ 5,494 | \$ 103,305 | \$ 105,142 |
| Excess of revenue over expenses | - | - | - | 4,885 | 4,885 | 6,955 |
| Decrease in unrealized (gains) losses on available-for-sale financial assets | - | (33) | - | 5,434 | 5,401 | (3,358) |
| Increase in unrealized gains (losses) on available-for-sale financial assets | - | 88 | - | 869 | 957 | (5,434) |
| Investment in capital assets ⁽¹⁾ | 6,838 | - | - | (6,838) | - | - |
| Internally imposed restrictions (Note 12) | - | - | 5,841 | (5,841) | - | - |
| NET ASSETS, END OF YEAR | \$ 37,209 | \$ 1,204 | \$ 72,132 | \$ 4,003 | \$ 114,548 | \$ 103,305 |
| ⁽¹⁾ Net changes in investment in capital assets is comprised of the following: | | | | | | |
| Amortization of capital assets | | | | | \$ (5,705) | \$ (5,773) |
| Amortization of deferred contributions related to capital assets | | | | | 4,349 | 3,441 |
| Purchase of capital assets | | | | | 12,726 | 5,407 |
| Mortgage repayments | | | | | - | 2,492 |
| Increase of deferred contributions related to capital assets | | | | | (2,088) | (3,901) |
| Proceed on disposals of capital assets | | | | | (9,772) | (170) |
| Gain on disposals of capital assets | | | | | 7,328 | 50 |
| | | | | | \$ 6,838 | \$ 1,546 |
| Accumulated unrealized gains (losses) on available-for-sale financial assets | \$ - | \$ 88 | \$ - | \$ 869 | \$ 957 | \$ (5,401) |

See accompanying notes to the financial statements

THE CANADIAN RED CROSS SOCIETY

Statement of Cash Flows

year ended March 31, 2010

(in thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Excess of revenue over expenses | \$ 4,885 | \$ 6,955 |
| Items not affecting cash | | |
| Increase (decrease) in employee future benefits | (160) | 32 |
| Amortization of deferred capital contributions | (4,349) | (3,441) |
| Amortization of capital assets | 5,705 | 5,773 |
| Gain on disposal of capital assets | (7,328) | (50) |
| | <u>(1,247)</u> | 9,269 |
| Changes in non-cash operating working capital items | | |
| Accounts receivable trade and other | 1,259 | 2,411 |
| Accounts receivable Tsunami | 7,727 | 41,402 |
| Inventory, prepaid and advances on construction | (2,315) | 8,113 |
| Accounts payable and accruals | (3,799) | (2,614) |
| Deferred revenue | 77,522 | (96,896) |
| | <u>79,147</u> | (38,315) |
| INVESTING | | |
| Additions to long-term investments | (4,088) | (1,489) |
| Additions to capital assets | (12,726) | (5,407) |
| | <u>(16,814)</u> | (6,896) |
| FINANCING | | |
| Deferred contributions related to capital assets | 2,088 | 3,901 |
| Proceeds on disposition of capital assets | 9,772 | 170 |
| Mortgage repayments | - | (2,492) |
| | <u>11,860</u> | 1,579 |
| Net cash inflow (outflow) | <u>74,193</u> | (43,632) |
| Cash and cash equivalents, beginning of year | <u>104,697</u> | 148,329 |
| Cash and cash equivalents, end of year | <u>\$ 178,890</u> | \$ 104,697 |
| Represented by: | | |
| Unrestricted | \$ 13,489 | \$ 13,082 |
| Externally restricted | 150,191 | 25,324 |
| Internally restricted | 15,210 | 66,291 |
| | <u>\$ 178,890</u> | \$ 104,697 |

See accompanying notes to the financial statements

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(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, 2010

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Externally restricted donations 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.

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 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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Cash and cash equivalents (Continued)

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 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 |

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

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. 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 obligations for accounting purposes as at March 31 of each year.

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 |

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

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.

Loans and receivables

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

Other liabilities

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

Allocation of expenses

The Society incurs a number of general support expenses that are common to the administration of the Organization and its programs.

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 Fund Development line of the Society's financial statements.

Facilities are the only expense of which part is allocated directly to the program.

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 Schedule A of the Financial Statements.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Changes in accounting policies

On April 1, 2009 the Society adopted the changes made to Sections 1000, 1540, 4400 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

Section 1000, *Financial Statement Concepts*, was amended to clarify the criteria for recognizing an asset.

Section 1540, *Cash Flow Statements*, has been amended to include not-for-profit organizations within its scope. As a result, investing and financing activities are now required to be presented separately.

Section 4400, *Financial Statement Presentation by Not-For-Profit Organizations*, has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

Section 4460, *Disclosure of Related Party Transactions by Not-For-Profit Organizations*, has been amended to make the language in Section 4460 consistent with Section 3840, *Related Party Transactions*.

Section 4470, *Disclosure of Allocated Expenses by Not-For-Profit Organizations*, establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

On April 1, 2009, the Society also adopted the Abstract No. 123 of the Emerging Issues Committee (EIC) of the CICA, which was amended to apply to not-for-profit organizations and requires them to disclose revenues and expenses in accordance with the guidelines in EIC-123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*.

Except for the new disclosures required under Section 4470 which are provided in Note 11 and presentation changes following adoption of EIC-123, the adoption of those new standards had no impact on the financial statements.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

3. Capital Management

The Society's objectives when managing capital (net assets) 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 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.

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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

4. Cash and cash equivalents

| | 2010 | | 2009 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash | | | | |
| Unrestricted | \$ 3,588 | \$ 3,588 | \$ 12,648 | \$ 12,648 |
| Externally restricted - General | 21,191 | 21,191 | 34,800 | 34,800 |
| Externally restricted - Haiti | 107,659 | 107,659 | - | - |
| Externally restricted - Tsunami | 961 | 961 | 951 | 951 |
| Internally restricted - General | 251 | 251 | 251 | 251 |
| Total cash | 133,650 | 133,650 | 48,650 | 48,650 |
| Cash equivalents | | | | |
| Unrestricted | 9,902 | 9,901 | 406 | 434 |
| Externally restricted - Tsunami | 20,380 | 20,380 | 42,329 | 42,329 |
| Internally restricted - General | 2,906 | 2,906 | 2,904 | 2,904 |
| Internally restricted - Tsunami | 12,053 | 12,053 | 10,380 | 10,380 |
| Total cash equivalents | 45,241 | 45,240 | 56,019 | 56,047 |
| Total cash and cash equivalents | \$ 178,891 | \$ 178,890 | \$ 104,669 | \$ 104,697 |

5. Investments

| | 2010 | | 2009 | |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Notes and GIC's | \$ 4,922 | \$ 5,097 | \$ 4,879 | \$ 5,235 |
| Fixed income | 89,621 | 89,405 | 73,676 | 75,448 |
| Equities | 13,028 | 14,027 | 24,957 | 17,400 |
| Total | \$ 107,571 | \$ 108,529 | \$ 103,512 | \$ 98,083 |

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(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 from 2011 to 2015, earning interest from 0.50% to 10.35%.

Long term investments are externally and internally restricted as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|-------------------|------------------|
| Externally Restricted - General | \$ 43,949 | \$ 20,187 |
| Externally Restricted - Tsunami | 11,657 | 25,139 |
| Internally Restricted - General | 40,374 | 40,376 |
| Internally Restricted - Tsunami | 12,549 | 12,381 |
| | <u>\$ 108,529</u> | <u>\$ 98,083</u> |

\$56,639 (2009 - \$90,229) of the total investments and cash equivalents relates to Tsunami.

Gross investment income earned is reported as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-----------------|-----------------|
| Investment income - General | \$ 2,867 | \$ 5,258 |
| Investment income - Tsunami | 1,931 | 3,688 |
| Total Investment Income Earned | <u>\$ 4,798</u> | <u>\$ 8,946</u> |

6. Capital Assets

| | <u>2010</u> | | | <u>2009</u> |
|---|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | \$ 8,759 | \$ - | \$ 8,759 | \$ 9,001 |
| Buildings | 53,624 | 21,754 | 31,870 | 26,249 |
| Furniture, office and healthcare equipment | 12,582 | 9,207 | 3,375 | 3,892 |
| Vehicles | 9,281 | 6,486 | 2,795 | 2,749 |
| Computer hardware and software | 3,160 | 2,168 | 992 | 1,323 |
| | <u>\$ 87,406</u> | <u>\$ 39,615</u> | <u>\$ 47,791</u> | <u>\$ 43,214</u> |

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

7. 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:

| | 2010 | | | | 2009 | | |
|------------------------|-----------|-----------|-----------|------------|-----------|------------|------------|
| | General | Haiti | Tsunami | Total | General | Tsunami | Total |
| Opening balance | \$ 65,749 | \$ - | \$ 60,961 | \$ 126,710 | \$ 51,215 | \$ 172,391 | \$ 223,606 |
| Donations received | 106,424 | 135,033 | - | 241,457 | 111,978 | - | 111,978 |
| Recognized as revenue | (114,245) | (18,055) | (31,635) | (163,935) | (97,444) | (111,430) | (208,874) |
| Closing balance | 57,928 | 116,978 | 29,326 | 204,232 | 65,749 | 60,961 | 126,710 |
| Less long-term portion | - | (42,328) | (11,657) | (53,985) | - | (37,520) | (37,520) |
| Short-term portion | \$ 57,928 | \$ 74,650 | \$ 17,669 | \$ 150,247 | \$ 65,749 | \$ 23,441 | \$ 89,190 |

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

8. 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:

| | 2010 | 2009 |
|--|-----------|-----------|
| Balance, beginning of year | \$ 12,843 | \$ 12,383 |
| Cash contributions received and used during the year | 2,088 | 3,901 |
| Amortization of deferred capital contributions | (4,349) | (3,441) |
| Balance, end of year | \$ 10,582 | \$ 12,843 |

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

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 \$2,154 (2009 - \$2,184).

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 valuation must be performed by September 2010. The last actuarial valuation for its other benefit plans was performed in March 2010 and the next actuarial valuation must be performed by March 2013.

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

| | Pension Defined Benefit Plan | | Other Benefit Plans | |
|-----------------------------------|------------------------------|-----------|---------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Fair value of plan assets | \$ 12,463 | \$ 11,568 | \$ - | \$ - |
| Accrued benefit obligation | (4,701) | (4,133) | (9,623) | (8,754) |
| Surplus (deficit) | 7,762 | 7,435 | (9,623) | (8,754) |
| Unamortized net actuarial gain | (1,899) | (1,767) | (7,217) | (8,292) |
| Valuation allowance | (5,630) | (5,389) | - | - |
| Accrued benefit asset (liability) | \$ 233 | \$ 279 | \$ (16,840) | \$ (17,046) |

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Notes to the Financial Statements
year ended March 31, 2010
(in thousands of dollars)

9. Employee Future Benefits (Continued)

Elements of costs recognized in the year:

| | Pension Defined Benefit Plan | | Other Benefit Plans | |
|---------------------------------------|---------------------------------|--------------|------------------------|---------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Current service cost (employer) | \$ 77 | \$ 82 | \$ 350 | \$ 461 |
| Interest cost | 345 | 253 | 657 | 515 |
| Expected return on plan assets | (573) | (631) | - | - |
| Amortization of transitional asset | (31) | (31) | - | - |
| Amortization of net actuarial gain | (13) | (57) | (473) | (412) |
| Amortization of past service cost | - | - | (185) | (185) |
| Increase in valuation allowance | 241 | 471 | - | - |
| | <u>\$ 46</u> | <u>\$ 87</u> | <u>\$ 349</u> | <u>\$ 379</u> |

Plan assets are held by Manulife. Based on the fair value of the plan assets at March 31, 2010, the assets of the Plan were composed of 33% in equity, 65% in fixed income, and 2% in short-term securities and cash (2009 - 28% in equity, 70% in fixed income, and 2% in short-term securities and cash).

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

9. Employee Future Benefits (Continued)

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

| | Pension Defined Benefit Plan | | Other Benefit Plans | |
|--|------------------------------|-------|---------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Discount rate for obligations | 5.75% | 8.50% | 6.25% | 9.00% |
| Discount rate for expense | 8.50% | 6.00% | 9.00% | 6.25% |
| Expected long-term rate of return on plan assets | 5.00% | 5.00% | - | - |
| Rate of compensation increase | 3.00% | 3.00% | 3.00% | 3.00% |
| Post-retirement indexation | 2.19% | 1.31% | - | - |
| Pre-retirement indexation | 2.19% | 1.31% | - | - |

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

| | Pension Defined Benefit Plan | | Other Benefit Plans | |
|--------------------------------------|------------------------------|-------|---------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Employees and employer contributions | \$ 77 | \$ 82 | \$ 554 | \$ 435 |
| Benefits paid | 155 | 216 | 554 | 435 |

For measurement purposes of the Other Benefit Plans, a 4.5% (2009 - 9.0%) annual rate of increase in the per capita cost of covered hospital benefits was assumed (2009 - the rate was assumed to decrease linearly to 4.5% over 9 years and remain at 4.5% thereafter). The per capita cost of drugs was assumed to increase by 9.0% (2009 - 10.0%) 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. 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, 2010

(in thousands of dollars)

10. Fundraising Revenue and Expenses

Fundraising revenue and expenses are as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|------------------|------------------|
| Revenue | | |
| Bequests | \$ 6,056 | \$ 7,963 |
| Direct marketing | 16,568 | 15,650 |
| Lotteries and gaming | 6,390 | 6,712 |
| Special events and other fundraising | 9,825 | 11,120 |
| Total fundraising revenue | <u>38,839</u> | <u>41,445</u> |
| Direct expenses | | |
| Bequests | 941 | 973 |
| Direct marketing | 10,139 | 5,370 |
| Lotteries and gaming ¹ | 4,241 | 4,426 |
| Special events and other fundraising | 7,649 | 6,665 |
| Total fundraising expenses | <u>22,970</u> | <u>17,434</u> |
| Net fundraising revenues | <u>\$ 15,869</u> | <u>\$ 24,011</u> |

¹ Lotteries and gaming expenses are as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------------|-----------------|-----------------|
| Prizes | \$ 1,952 | \$ 2,068 |
| Marketing and other | 2,289 | 2,358 |
| | <u>\$ 4,241</u> | <u>\$ 4,426</u> |

In addition to the net fundraising revenues of \$15,869 (2009 - \$24,011), the Society received restricted donations accounted for as deferred revenue of \$241,457 (2009 - \$111,978) for a total fundraising net revenue of \$257,326 (2009 - \$135,989) raised in the year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

11. Allocation of Expense

Facilities are the only expenses of which part is allocated directly to programs. During the year, total facilities expenses of \$2,788 (2009 - \$2,586) were allocated as follows: \$236 (2009 - \$269) was allocated to Injury Prevention, \$1,290 (2009 - \$1,065) was allocated to the Healthcare Equipment Loan Program, \$585 (2009 - \$586) was allocated to Community Initiatives and \$677 (2009 - \$666) was allocated to Community Health Services.

12. Internally Restricted Funds

During the year, the net Tsunami investment income for an amount of \$1,841 (cumulative \$24,601) was appropriated to the internally restricted funds.

During the year, a portion of the gain on disposals of capital assets has been internally restricted for future capital asset acquisitions (cumulative \$4,000).

A cumulative amount of \$43,531 (2009 - \$43,531) has been reserved in previous years to ensure the capability of operations in the event of unexpected events.

13. 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 5 for a fair value related to the Society's other financial instruments.

Investment risk

The Society's National Audit and Finance Committee has 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.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

13. Financial Instruments (Continued)

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 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.

14. 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:

| | |
|-------------|-----------------|
| 2011 | \$ 1,816 |
| 2012 | 1,459 |
| 2013 | 1,256 |
| 2014 | 1,130 |
| 2015 | 1,075 |

The Society has also committed a total amount of \$15,610 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 \$600 which will extinguish the following year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2010

(in thousands of dollars)

15. 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 two (2009 - five) projects in the year where revenues and expenses of \$2,631 (2009 - \$14,909) were incurred. At year-end, the Trust owes the Society \$248 (2009 - \$450); this amount is included in accounts receivable.

The Trust's year-end is December 31, 2009. During 2009, it had revenues of \$2,981 (2008 - \$47,981) and expenses of \$2,981 (2008 - \$47,981). At December 31, 2009, the Trust had assets of \$757 (2008 - \$3,250) and liabilities of \$757 (2008 - \$3,250).

16. 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 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.

17. 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, 2010

(in thousands of dollars)

| | 2010 | | | 2009 | | |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| | Revenue | Expenses | Net | Revenue | Expenses | Net |
| Organizational Capacity | | | | | | |
| Fundraising General (Note 10) | \$ 38,839 | \$ 22,970 | \$ 15,869 | \$ 41,445 | \$ 17,434 | \$ 24,011 |
| Other income and expenses: | | | | | | |
| Development projects | 662 | 1,473 | (811) | 2,448 | 9,023 | (6,575) |
| Gain on disposals of capital assets | 7,328 | - | 7,328 | 50 | - | 50 |
| Investment income - General (Note 5) | 2,867 | 1,237 | 1,630 | 5,258 | 491 | 4,767 |
| Investment income - Tsunami (Note 5) | 1,931 | 90 | 1,841 | 3,688 | 153 | 3,535 |
| Other income (loss) | - | 1 | (1) | 1,546 | - | 1,546 |
| Total other income and expenses | 12,788 | 2,801 | 9,987 | 12,990 | 9,667 | 3,323 |
| Total - Organizational Capacity | 51,627 | 25,771 | 25,856 | 54,435 | 27,101 | 27,334 |
| Core Programs | | | | | | |
| International: | | | | | | |
| Programming | 124,165 | 121,085 | 3,080 | 176,996 | 172,035 | 4,961 |
| Humanitarian Issues Program | 854 | 1,413 | (559) | 878 | 1,935 | (1,057) |
| Other | 918 | 1,689 | (771) | 1,120 | 1,676 | (556) |
| Total International | 125,937 | 124,187 | 1,750 | 178,994 | 175,646 | 3,348 |
| Disaster Management | 6,950 | 9,483 | (2,533) | 3,677 | 8,371 | (4,694) |
| Health and Injury Prevention: | | | | | | |
| Water Safety | 2,974 | 2,616 | 358 | 3,187 | 2,527 | 660 |
| First Aid | 12,478 | 8,586 | 3,892 | 11,869 | 8,007 | 3,862 |
| Respect Ed | 2,221 | 2,957 | (736) | 2,322 | 2,900 | (578) |
| Community Initiatives | 20,276 | 18,805 | 1,471 | 18,928 | 17,147 | 1,781 |
| Healthcare Equipment Loan | 12,029 | 10,518 | 1,511 | 11,938 | 10,425 | 1,513 |
| Community Health Services | 123,227 | 118,853 | 4,374 | 114,712 | 110,243 | 4,469 |
| Total - Health and Injury Prevention | 173,205 | 162,335 | 10,870 | 162,956 | 151,249 | 11,707 |
| Program Management | - | 2,624 | (2,624) | 14 | 2,697 | (2,683) |
| Volunteer Resources | 79 | 1,591 | (1,512) | 175 | 1,491 | (1,316) |
| Total - Program Management and Volunteer Resources | 79 | 4,215 | (4,136) | 189 | 4,188 | (3,999) |
| Total - Core Programs | 306,171 | 300,220 | 5,951 | 345,816 | 339,454 | 6,362 |
| Support Services | | | | | | |
| Amortization of capital assets | 4,349 | 5,705 | (1,356) | 3,441 | 5,773 | (2,332) |
| Rental and facilities | 2,774 | 6,526 | (3,752) | 2,568 | 5,744 | (3,176) |
| Corporate obligations and support services | 1,848 | 23,662 | (21,814) | 2,938 | 24,171 | (21,233) |
| Total - Support Services | 8,971 | 35,893 | (26,922) | 8,947 | 35,688 | (26,741) |
| Disaster Appeals | | | | | | |
| Domestic | 849 | 849 | - | 908 | 908 | - |
| International - General | 4,072 | 4,072 | - | 12,275 | 12,275 | - |
| Total - Disaster Appeals | 4,921 | 4,921 | - | 13,183 | 13,183 | - |
| EXCESS OF REVENUE OVER EXPENSES | \$ 371,690 | \$ 366,805 | \$ 4,885 | \$ 422,381 | \$ 415,426 | \$ 6,955 |

THE CANADIAN RED CROSS SOCIETY

Statement of Operations by Zone

year ended March 31, 2010

(in thousands of dollars)

| | Atlantic | Quebec | Ontario | Western | International | National | Total 2010 | 2009 |
|---|---------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| Revenue | | | | | | | | |
| Organizational Capacity | | | | | | | | |
| Fundraising General ¹ | \$ 2,536 | \$ 7,965 | \$ 13,448 | \$ 13,420 | \$ - | \$ 1,470 | \$ 38,839 | \$ 41,445 |
| Investment income | - | - | - | 21 | 1,955 | 2,822 | 4,798 | 8,946 |
| Other | - | - | 433 | - | - | 7,557 | 7,990 | 4,044 |
| | 2,536 | 7,965 | 13,881 | 13,441 | 1,955 | 11,849 | 51,627 | 54,435 |
| Core Programs | 22,984 | 3,365 | 135,448 | 18,397 | 125,081 | 896 | 306,171 | 345,816 |
| Support Services | 2,532 | 123 | 1,363 | 852 | - | 4,101 | 8,971 | 8,947 |
| Disaster Appeals | 111 | 1,029 | 659 | 979 | - | 2,143 | 4,921 | 13,183 |
| Total Revenues | 28,163 | 12,482 | 151,351 | 33,669 | 127,036 | 18,989 | 371,690 | 422,381 |
| Expenses | | | | | | | | |
| Organizational Capacity | | | | | | | | |
| Fundraising General | 1,963 | 2,411 | 6,744 | 6,894 | - | 4,958 | 22,970 | 17,434 |
| Investment expense | - | - | - | - | 96 | 1,231 | 1,327 | 644 |
| Other | - | - | 433 | 1 | - | 1,040 | 1,474 | 9,023 |
| | 1,963 | 2,411 | 7,177 | 6,895 | 96 | 7,229 | 25,771 | 27,101 |
| Core Programs | | | | | | | | |
| International Programs | 67 | 140 | 672 | 679 | 122,629 | - | 124,187 | 175,646 |
| Disaster Management | 1,127 | 3,101 | 2,538 | 1,754 | - | 963 | 9,483 | 8,371 |
| Health and Injury Prevention | 19,955 | 1,410 | 126,106 | 13,616 | - | 1,248 | 162,335 | 151,249 |
| Program Management and Volunteer Resources | 217 | 751 | 1,648 | 1,442 | - | 157 | 4,215 | 4,188 |
| | 21,366 | 5,402 | 130,964 | 17,491 | 122,629 | 2,368 | 300,220 | 339,454 |
| Support Services | 4,390 | 1,973 | 7,236 | 5,761 | 653 | 15,880 | 35,893 | 35,688 |
| Disaster Appeals | 111 | 1,029 | 659 | 979 | - | 2,143 | 4,921 | 13,183 |
| Total Expenses | 27,830 | 10,815 | 146,036 | 31,126 | 123,378 | 27,620 | 366,805 | 415,426 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 333 | \$ 1,667 | \$ 5,315 | \$ 2,543 | \$ 3,658 | \$ (8,631) | \$ 4,885 | \$ 6,955 |

¹ As explained in Note 10, this fundraising revenue does not include restricted donations received accounted for as deferred revenue.