

Financial Statements of

**THE CANADIAN RED CROSS
SOCIETY**

March 31, 2011

Independent Auditor's Report

To the Board of Governors of
The Canadian Red Cross Society

We have audited the accompanying financial statements of the Canadian Red Cross Society, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Red Cross Society as at March 31, 2011 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

June 11, 2011

THE CANADIAN RED CROSS SOCIETY
Financial Statements
March 31, 2011

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THE CANADIAN RED CROSS SOCIETY

Statement of Financial Position

as at March 31, 2011

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	\$ 109,667	\$ 178,890
Accounts receivable - Trade and other	21,612	17,929
Accounts receivable - Tsunami	-	135
Inventory and prepaid	9,286	6,215
Advances on construction	1,399	8,918
	141,964	212,087
Long-term investments (Note 5)	165,520	108,529
Capital assets (Note 6)	47,188	47,791
Accrued pension benefit asset (Note 9)	6,206	233
TOTAL ASSETS	\$ 360,878	\$ 368,640
CURRENT LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 26,573	\$ 22,438
Deferred revenue - short term (Note 7)	131,972	150,247
	158,545	172,685
Deferred revenue - long-term (Note 7)	55,474	53,985
Deferred contributions related to capital assets (Note 8)	10,031	10,582
Accrued other benefit plans liability (Note 9)	16,698	16,840
Total Liabilities	240,748	254,092
COMMITMENTS AND GUARANTEES(Notes 14 and 16)		
NET ASSETS		
Invested in capital assets	37,157	37,209
Restricted for endowment purposes	1,216	1,204
Internally restricted - General (Note 12)	47,531	47,531
Internally restricted - Tsunami interest (Note 12)	25,792	24,601
Unrestricted	8,434	4,003
Total Net Assets	120,130	114,548
TOTAL LIABILITIES AND NET ASSETS	\$ 360,878	\$ 368,640

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, 2011

(in thousands of dollars)

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
Revenue			
Organizational Capacity			
Fundraising General (Note 10)	\$ 44,609	\$ 40,414	\$ 38,839
Investment income	5,050	5,412	4,798
Other	-	787	7,990
	49,659	46,613	51,627
Core Programs	266,359	365,531	306,171
Support Services	5,584	8,180	8,971
Disaster Appeals	493	3,618	4,921
Total revenues	322,095	423,942	371,690
Expenses			
Organizational Capacity			
Fundraising General (Note 10)	26,413	26,113	22,970
Investment expense	232	450	1,327
Other	709	948	1,474
	27,354	27,511	25,771
Core Programs			
International Programs	78,172	167,832	124,187
Disaster Management	10,511	10,880	9,483
Health and Injury Prevention	168,339	174,777	162,335
Program Management and Volunteer Resources	4,184	3,961	4,215
	261,206	357,450	300,220
Support Services	35,414	36,726	35,893
Reduction in pension valuation allowance (Note 9)	-	(5,630)	-
Disaster Appeals	493	3,618	4,921
Total expenses	324,467	419,675	366,805
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (2,372)	\$ 4,267	\$ 4,885

See accompanying notes to the financial statements

THE CANADIAN RED CROSS SOCIETY

Statement of Changes in Net Assets

year ended March 31, 2011

(in thousands of dollars)

	Invested in capital assets	Restricted for endowment purposes	Internally restricted	Unrestricted	Total	
					2011	2010
NET ASSETS, BEGINNING OF YEAR	\$ 37,209	\$ 1,204	\$ 72,132	\$ 4,003	\$ 114,548	\$ 103,305
Excess of revenue over expenses	-	-	-	4,267	4,267	4,885
Increase in unrealized gains on available- for-sale financial assets	-	12	-	1,303	1,315	6,358
Investment in capital assets ⁽¹⁾	(52)	-	-	52	-	-
Internally imposed restrictions	-	-	1,191	(1,191)	-	-
NET ASSETS, END OF YEAR	\$ 37,157	\$ 1,216	\$ 73,323	\$ 8,434	\$ 120,130	\$ 114,548
⁽¹⁾ Net changes in investment in capital assets is comprised of the following:						
Amortization of capital assets					\$ (5,584)	\$ (5,705)
Amortization of deferred contributions related to capital assets					2,943	4,349
Purchase of capital assets					5,216	12,726
Increase of deferred contributions related to capital assets					(2,392)	(2,088)
Proceeds on disposition of capital assets					(1,015)	(9,772)
Gain on disposal of capital assets					780	7,328
					\$ (52)	\$ 6,838
Accumulated unrealized gains on available- for-sale financial assets	\$ -	\$ 100	\$ -	\$ 2,172	\$ 2,272	\$ 957

THE CANADIAN RED CROSS SOCIETY

Statement of Cash Flows

year ended March 31, 2011

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 4,267	\$ 4,885
Items not affecting cash		
Decrease in employee future benefits	(6,115)	(160)
Amortization of deferred capital contributions	(2,943)	(4,349)
Amortization of capital assets	5,584	5,705
Gain on disposal of capital assets	(780)	(7,328)
	13	(1,247)
Changes in non-cash operating working capital items		
Accounts receivable - Trade and other	(3,683)	1,259
Accounts receivable - Tsunami	135	7,727
Inventory, prepaid and advances on construction	4,448	(2,315)
Accounts payable and accrued liabilities	4,135	(3,799)
Deferred revenue	(16,786)	77,522
	(11,738)	79,147
INVESTING		
Additions to long-term investments	(55,676)	(4,088)
Additions to capital assets	(5,216)	(12,726)
	(60,892)	(16,814)
FINANCING		
Deferred contributions related to capital assets	2,392	2,088
Proceeds on disposition of capital assets	1,015	9,772
	3,407	11,860
Net cash inflow (outflow)	(69,223)	74,193
Cash and cash equivalents, beginning of year	178,890	104,697
Cash and cash equivalents, end of year	\$ 109,667	\$ 178,890
Represented by:		
Unrestricted	\$ 3,090	\$ 13,489
Externally restricted	86,144	150,191
Internally restricted	20,433	15,210
	\$ 109,667	\$ 178,890

See accompanying notes to the financial statements

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(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 revenue 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, 2011

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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 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, 2011

(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, 2011
(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, 2011

(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 method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest 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, 2011

(in thousands of dollars)

2. Significant Accounting Policies (Continued)

Future accounting changes

New accounting framework

The Canadian Institute of Chartered Accountants (CICA) has issued a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years that commences on or after December 21, 2011, not-for-profit organizations will have to choose between International Financial Reporting Standards (IFRSs) and GAAP for not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. The Society currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012. The impact of this transition has not yet been determined.

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 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 Society's Statement of Investment Policies and Procedures; and
- d) to manage grants and donations with external restrictions that 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.

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Notes to the Financial Statements

year ended March 31, 2011

(in thousands of dollars)

4. Cash and cash equivalents

	2011		2010	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash				
Unrestricted	\$ 2,545	\$ 2,545	\$ 3,588	\$ 3,588
Externally restricted - General	23,485	23,485	5,131	5,131
Externally restricted - Haiti	1,707	1,707	123,719	123,719
Externally restricted - Tsunami	806	806	961	961
Internally restricted - General	12,477	12,477	251	251
Total Cash	41,020	41,020	133,650	133,650
Cash Equivalents				
Unrestricted	545	545	9,902	9,901
Externally restricted - General	11,542	11,542	-	-
Externally restricted - Haiti	36,320	36,320	-	-
Externally restricted - Tsunami	12,284	12,284	20,380	20,380
Internally restricted - General	1,045	1,047	2,906	2,906
Internally restricted - Tsunami	6,909	6,909	12,053	12,053
Total cash equivalents	68,645	68,647	45,241	45,240
Total cash and cash equivalents	\$ 109,665	\$ 109,667	\$ 178,891	\$ 178,890

5. Investments

	2011		2010	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Notes and GIC's	\$ 6,862	\$ 7,067	\$ 4,922	\$ 5,097
Fixed income	146,205	146,410	89,621	89,405
Equities	10,183	12,043	13,028	14,027
Total	\$ 163,250	\$ 165,520	\$ 107,571	\$ 108,529

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Notes to the Financial Statements
year ended March 31, 2011
(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 2012 to 2015, earning interest from 0.50% to 10.35%.

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

	<u>2011</u>	<u>2010</u>
Externally Restricted - General	\$ 46,203	\$ 43,949
Externally Restricted - Tsunami	-	11,657
Externally Restricted - Haiti	66,427	-
Internally Restricted - General	34,008	40,374
Internally Restricted - Tsunami	18,882	12,549
	<u>\$ 165,520</u>	<u>\$ 108,529</u>

Gross Investment income earned is reported as follows:

	<u>2011</u>	<u>2010</u>
Investment income - General	\$ 4,170	\$ 2,867
Investment income - Tsunami	1,242	1,931
Total investment income earned	<u>\$ 5,412</u>	<u>\$ 4,798</u>

\$3,228 (2010 - \$NIL) in Haiti investment income is externally restricted and allocated to Haiti deferred revenue.

THE CANADIAN RED CROSS SOCIETY
Notes to the Financial Statements
year ended March 31, 2011
(in thousands of dollars)

6. Capital Assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 8,870	\$ -	\$ 8,870	\$ 8,759
Buildings	55,062	23,467	31,595	31,870
Furniture, office, healthcare equipment	14,308	11,146	3,162	3,375
Vehicles	10,364	7,255	3,109	2,795
Computer hardware and software	3,402	2,950	452	992
	\$ 92,006	\$ 44,818	\$ 47,188	\$ 47,791

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:

	2011			
	General	Haiti	Tsunami	Total
Opening balance	\$ 51,187	\$ 123,719	\$ 29,326	\$ 204,232
Donations and grants received	144,937	54,778	-	199,715
Interest earned and deferred	-	3,228	-	3,228
Recognized as revenue	(116,351)	(86,852)	(16,526)	(219,729)
Closing balance	79,773	94,873	12,800	187,446
Less long-term portion	-	(55,474)	-	(55,474)
Short-term portion	\$ 79,773	\$ 39,399	\$ 12,800	\$ 131,972

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(in thousands of dollars)

7. Deferred Revenue (Continued)

	2010			
	<u>General</u>	<u>Haiti</u>	<u>Tsunami</u>	<u>Total</u>
Opening balance	\$ 65,749	\$ -	\$ 60,961	\$ 126,710
Donations and grants received	99,683	146,463	-	246,146
Recognized as revenue	(114,245)	(22,744)	(31,635)	(168,624)
Closing balance	51,187	123,719	29,326	204,232
Less long-term portion	-	(42,328)	(11,657)	(53,985)
Short-term portion	<u>\$ 51,187</u>	<u>\$ 81,391</u>	<u>\$ 17,669</u>	<u>\$ 150,247</u>

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 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:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 10,582	\$ 12,843
Cash contributions received and used during the year	2,392	2,088
Amortization of deferred capital contributions	(2,943)	(4,349)
Balance, end of year	<u>\$ 10,031</u>	<u>\$ 10,582</u>

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(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 \$2,601 (2010 - \$2,154).

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. 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 valuations for all the Society's plans were performed in March 2010 and the next valuations 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	
	2011	2010	2011	2010
Fair value of plan assets	\$ 12,718	\$ 12,463	\$ -	\$ -
Accrued benefit obligation	(4,841)	(4,701)	(10,110)	(9,623)
Surplus (deficit)	7,877	7,762	(10,110)	(9,623)
Unamortized net actuarial gain	(1,671)	(1,899)	(6,588)	(7,217)
Valuation allowance	-	(5,630)	-	-
Accrued benefit asset (liability)	\$ 6,206	\$ 233	\$ (16,698)	\$ (16,840)

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Notes to the Financial Statements
year ended March 31, 2011
(in thousands of dollars)

9. Employee Future Benefits (Continued)

Elements of costs recognized in the year:

	Pension Defined Benefit Plan		Other Benefit Plans	
	2011	2010	2011	2010
Current service cost (employer)	\$ 57	\$ 77	\$ 480	\$ 350
Interest cost	261	345	532	657
Expected return on plan assets	(614)	(573)	-	-
Amortization of transitional asset	(31)	(31)	-	-
Amortization of net actuarial gain	(16)	(13)	(491)	(473)
Amortization of past service cost	-	-	(185)	(185)
Increase (decrease) in valuation allowance ¹	(5,630)	241	-	-
	\$ (5,973)	\$ 46	\$ 336	\$ 349

Plan assets are held by Manulife. Based on the fair value of the plan assets at March 31, 2011, the assets of the Plan were composed of 31% in equity, 67% in fixed income, and 2% in short-term securities and cash (2010 - 33% in equity, 65% in fixed income, and 2% in short-term securities and cash).

¹ The current year decrease in the valuation allowance of \$5,630 is the impact of the Kerry decision in the Supreme Court of Canada which has been taken into account in the March 31, 2011 financial statements, with the end result that the limit on the accrued benefit asset is removed and the amount of previous year's valuation allowance recognized as income for the year ending March 31, 2011. The Kerry decision and the resulting accounting reversal of the valuation allowance reflect a pension holiday option that the Society has at its disposition.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(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	
	2011	2010	2011	2010
Discount rate for obligations	5.00%	5.75%	6.00%	6.25%
Discount rate for expense	5.75%	8.50%	6.25%	9.00%
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%	2.19%	-	-
Pre-retirement indexation	2.19%	2.19%	-	-

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

	Pension Defined Benefit Plan		Other Benefit Plans	
	2011	2010	2011	2010
Employees and employer contributions	\$ 57	\$ 77	\$ 478	\$ 554
Benefits paid	307	155	478	554

For measurement purposes of the Other Benefit Plans, a 4.5% (2010 - 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% (2010 - 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.

THE CANADIAN RED CROSS SOCIETY
Notes to the Financial Statements
year ended March 31, 2011
(in thousands of dollars)

10. Fundraising Revenue and Expenses

Fundraising revenue and expenses are as follows:

	<u>2011</u>	<u>2010</u>
Revenue		
Bequests	\$ 5,449	\$ 6,056
Direct marketing	18,809	16,568
Lotteries and gaming	6,055	6,390
Special events and other fundraising	10,101	9,825
	<hr/>	<hr/>
Total fundraising revenue	40,414	38,839
	<hr/>	<hr/>
Direct expenses		
Bequests	973	941
Direct marketing	12,598	10,139
Lotteries and gaming	4,116	4,241
Special events and other fundraising	8,426	7,649
	<hr/>	<hr/>
Total fundraising expenses	26,113	22,970
	<hr/>	<hr/>
Net fundraising revenues	\$ 14,301	\$ 15,869

Lotteries and gaming expenses are as follows:

	<u>2011</u>	<u>2010</u>
Expenses:		
Prizes	\$ 1,915	\$ 1,952
Marketing and other	2,201	2,289
	<hr/>	<hr/>
	\$ 4,116	\$ 4,241

In addition to the net fundraising revenues of \$14,301 (2010 - \$15,869), the Society received restricted donations accounted for as deferred revenue of \$60,932 (2010 - \$142,593) for total fundraising of \$75,233 (2010 - \$158,462) raised during the year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(in thousands of dollars)

11. Allocation of Expense

Facilities are the only expense of which part is allocated directly to the program. During the year, total facilities expenses of \$3,205 (2010 - \$2,788) were allocated as follows: \$327 (2010 - \$236) was allocated to Injury Prevention, \$1,451 (2010 - \$1,290) was allocated to the Healthcare Equipment Loan Program, \$781 (2010 - \$585) was allocated to Community Initiatives, and \$646 (2010 - \$677) was allocated to Community Health Services.

12. Internally Restricted Funds

The General internally restricted funds of \$47,531 is comprised of:

- A cumulative gain on disposals of capital assets of \$4,000 which has been internally restricted for future capital asset acquisitions.
- A cumulative amount of \$43,531 which has been reserved in previous years to ensure the capability of operations in the event of unexpected events.

During the year, the Tsunami interest in the amount of \$1,191 was appropriated to the internally restricted funds for a cumulative amount of \$25,792.

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 fair values related to the Society's other financial instruments.

Investment risk

The Society 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, 2011

(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's 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:

2012	\$ 1,925
2013	1,675
2014	1,518
2015	1,379
2016	1,354

The Society has also committed a total amount of \$13,829 under signed contracts where the services have yet to be delivered. Out of this committed amount, all are expected to be extinguished during the upcoming year.

THE CANADIAN RED CROSS SOCIETY

Notes to the Financial Statements

year ended March 31, 2011

(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 one (2010 - two) projects in the year where revenues and expenses of \$581 (2010 - \$2,631) were incurred. At year-end, the Trust owes the Society \$56 (2010 - \$248); this amount is included in accounts receivable.

The Trust's year-end is December 31, 2010. During 2010, it had revenues of \$581 (2009 - \$2,981) and expenses of \$581 (2009 - \$2,981). At December 31, 2010, the Trust had assets of \$180 (2009 - \$757) and liabilities of \$180 (2009 - \$757).

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.

THE CANADIAN RED CROSS SOCIETY
Detailed Statement of Operations
year ended March 31, 2011
(in thousands of dollars)

	2011			2010		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Organizational Capacity						
Fundraising General (Note 10)	\$ 40,414	\$ 26,113	\$ 14,301	\$ 38,839	\$ 22,970	\$ 15,869
Other income and expenses:						
Development projects	7	833	(826)	662	1,473	(811)
Gain on disposals of capital assets	780	-	780	7,328	-	7,328
Investment income - General (Note 5)	4,170	399	3,771	2,867	1,237	1,630
Investment income - Tsunami (Note 5)	1,242	51	1,191	1,931	90	1,841
Other	-	115	(115)	-	1	(1)
Total other income and expenses	6,199	1,398	4,801	12,788	2,801	9,987
Total - Organizational Capacity	46,613	27,511	19,102	51,627	25,771	25,856
Core Programs						
International:						
Programming	168,485	163,364	5,121	124,165	121,085	3,080
Humanitarian Issues Program	853	1,706	(853)	854	1,413	(559)
Other	2,232	2,762	(530)	918	1,689	(771)
Total International	171,570	167,832	3,738	125,937	124,187	1,750
Disaster Management	7,932	10,880	(2,948)	6,950	9,483	(2,533)
Health and Injury Prevention:						
Water Safety	3,096	2,791	305	2,974	2,616	358
First Aid	13,753	9,714	4,039	12,478	8,586	3,892
Respect Ed	2,193	3,207	(1,014)	2,221	2,957	(736)
Community Initiatives and Other Health	21,679	20,507	1,172	20,276	18,805	1,471
Healthcare Equipment Loan	13,959	12,432	1,527	12,029	10,518	1,511
Personal Support	131,329	126,126	5,203	123,227	118,853	4,374
Total - Health and Injury Prevention	186,009	174,777	11,232	173,205	162,335	10,870
Program Management	1	2,907	(2,906)	-	2,624	(2,624)
Volunteer resources	19	1,054	(1,035)	79	1,591	(1,512)
Total - Program Management and Volunteer Resources	20	3,961	(3,941)	79	4,215	(4,136)
Total - Core Programs	365,531	357,450	8,081	306,171	300,220	5,951
Support Services						
Amortization of capital assets	2,943	5,584	(2,641)	4,349	5,705	(1,356)
Rental and facilities	3,270	6,666	(3,396)	2,774	6,526	(3,752)
Corporate obligations and support services	1,967	24,476	(22,509)	1,848	23,662	(21,814)
Reduction in pension valuation allowance (Note 9)	-	(5,630)	5,630	-	-	-
Total - Support Services	8,180	31,096	(22,916)	8,971	35,893	(26,922)
Disaster Appeals						
Domestic	2,310	2,310	-	849	849	-
International - General	1,308	1,308	-	4,072	4,072	-
Total - Disaster Appeals	3,618	3,618	-	4,921	4,921	-
EXCESS OF REVENUE OVER EXPENSES	\$ 423,942	\$ 419,675	\$ 4,267	\$ 371,690	\$ 366,805	\$ 4,885

Schedule B

THE CANADIAN RED CROSS SOCIETY

Statement of Operations by Zone

year ended March 31, 2011

(in thousands of dollars)

	<u>Atlantic</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Western</u>	<u>International</u>	<u>National</u>	Total	
							<u>2011</u>	2010
Revenue								
Organizational Capacity								
Fundraising General ¹	\$ 2,460	\$ 7,668	\$ 13,073	\$ 12,574	\$ -	\$ 4,639	\$ 40,414	\$ 38,839
Investment income	-	-	-	32	1,332	4,048	5,412	4,798
Other	-	-	19	-	-	768	787	7,990
	2,460	7,668	13,092	12,606	1,332	9,455	46,613	51,627
Core Programs	24,962	3,897	146,122	18,803	170,670	1,077	365,531	306,171
Support Services	2,004	121	1,684	769	-	3,602	8,180	8,971
Disaster Appeals	1,397	205	153	1,569	-	294	3,618	4,921
Total Revenues	30,823	11,891	161,051	33,747	172,002	14,428	423,942	371,690
Expenses								
Organizational Capacity								
Fundraising General (Note 10)	1,795	2,600	6,289	6,855	-	8,574	26,113	22,970
Investment expense	-	-	-	-	122	328	450	1,327
Other	-	-	12	115	-	821	948	1,474
	1,795	2,600	6,301	6,970	122	9,723	27,511	25,771
Core Programs								
International Programs	143	186	687	793	166,023	-	167,832	124,187
Disaster Management	1,141	3,331	3,080	2,183	-	1,145	10,880	9,483
Health and Injury Prevention	22,090	1,512	135,571	13,723	-	1,881	174,777	162,335
Program Management and Volunteer Resources	310	704	1,422	1,428	-	97	3,961	4,215
	23,684	5,733	140,760	18,127	166,023	3,123	357,450	300,220
Support Services	3,836	2,082	8,394	6,135	2,460	13,819	36,726	35,893
Reduction in pension valuation (Note 9)	-	-	-	-	-	(5,630)	(5,630)	-
Disaster Appeals	1,397	205	153	1,569	-	294	3,618	4,921
Total Expenses	30,712	10,620	155,608	32,801	168,605	21,329	419,675	366,805
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 111	\$ 1,271	\$ 5,443	\$ 946	\$ 3,397	\$ (6,901)	\$ 4,267	\$ 4,885

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