

*Financial Statements of*

**THE CANADIAN RED CROSS  
SOCIETY**

*March 31, 2012*

## Independent Auditor's Report

To the Board of Directors 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, 2012 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, 2012 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 6, 2012

**THE CANADIAN RED CROSS SOCIETY**  
**Financial Statements**  
**March 31, 2012**

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# THE CANADIAN RED CROSS SOCIETY

## Statement of Financial Position

as at March 31, 2012

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 74,810	\$ 109,667
Accounts receivable - trade and other	21,343	21,612
Inventory and prepaid	21,129	9,286
Advances on construction contracts	1,366	1,399
	<b>118,648</b>	<b>141,964</b>
LONG-TERM INVESTMENTS (Note 5)	162,551	165,520
CAPITAL ASSETS (Note 6)	47,228	47,188
ACCRUED DEFINED BENEFIT PENSION PLAN ASSET (Note 9)	6,592	6,206
<b>TOTAL ASSETS</b>	<b>\$ 335,019</b>	<b>\$ 360,878</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 26,527	\$ 26,573
Deferred revenue - short term (Note 7)	120,697	131,972
	<b>147,224</b>	<b>158,545</b>
DEFERRED REVENUE - LONG-TERM (Note 7)	37,362	55,474
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	9,576	10,031
ACCRUED OTHER BENEFIT PLANS LIABILITY (Note 9)	16,652	16,698
<b>TOTAL LIABILITIES</b>	<b>210,814</b>	<b>240,748</b>
<b>COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 14 and 15)</b>		
<b>NET ASSETS</b>		
Invested in capital assets	37,652	37,157
Restricted for endowment purposes	1,205	1,216
Internally restricted - General (Note 12)	47,531	47,531
Internally restricted - Tsunami interest (Note 12)	27,096	25,792
Unrestricted	10,721	8,434
<b>TOTAL NET ASSETS</b>	<b>124,205</b>	<b>120,130</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 335,019</b>	<b>\$ 360,878</b>

ON BEHALF OF THE BOARD

*EA Jenks*

\_\_\_\_\_  
President

*Mary-Jane Dawson*

\_\_\_\_\_  
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, 2012

(in thousands of dollars)

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
<b>Revenue</b>			
Organizational capacity			
Fundraising general (Note 10)	\$ 47,968	\$ 45,802	\$ 40,414
Investment income (Note 5)	4,628	3,313	5,412
Other	214	54	787
	<b>52,810</b>	<b>49,169</b>	<b>46,613</b>
Core programs	298,038	320,219	365,531
Support services	6,071	12,074	8,180
Disaster appeals	88	5,588	3,618
<b>Total Revenues</b>	<b>357,007</b>	<b>387,050</b>	<b>423,942</b>
<b>Expenses</b>			
Organizational capacity			
Fundraising general (Note 10)	24,755	24,172	26,113
Investment expense	226	279	450
Other	810	711	948
	<b>25,791</b>	<b>25,162</b>	<b>27,511</b>
Core programs			
International programs	105,559	103,221	167,832
Disaster management	12,077	16,004	10,880
Health and injury prevention	175,616	193,799	174,777
Program management and volunteer resources	4,150	3,951	3,961
	<b>297,402</b>	<b>316,975</b>	<b>357,450</b>
Support services	37,822	38,720	36,726
Disaster appeals	88	5,588	3,618
Reduction in pension valuation allowance (Note 9)	-	-	(5,630)
<b>Total Expenses</b>	<b>361,103</b>	<b>386,445</b>	<b>419,675</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (4,096)</b>	<b>\$ 605</b>	<b>\$ 4,267</b>

See accompanying notes to the financial statements.

**THE CANADIAN RED CROSS SOCIETY**

**Statement of Changes in Net Assets**

year ended March 31, 2012

(in thousands of dollars)

	Invested in capital assets	Restricted for endowment purposes	Internally restricted (Note 12)	Unrestricted	Total	
					2012	2011
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 37,157	\$ 1,216	\$ 73,323	\$ 8,434	\$ 120,130	\$ 114,548
Excess of revenue over expenses	-	-	-	605	605	4,267
Increase (decrease) in unrealized gains on available-for-sale financial assets	-	(11)	-	3,481	3,470	1,315
Investment in capital assets <sup>(1)</sup>	495	-	-	(495)	-	-
Internally restricted	-	-	1,304	(1,304)	-	-
<b>NET ASSETS, END OF YEAR</b>	\$ 37,652	\$ 1,205	\$ 74,627	\$ 10,721	\$ 124,205	\$ 120,130
Accumulated unrealized gains on available-for-sale financial	\$ -	\$ 89	\$ -	\$ 5,653	\$ 5,742	\$ 2,272

<sup>(1)</sup> Net changes in investment in capital assets is comprised of the following:

Amortization of capital assets	\$ (5,145)	\$ (5,584)
Amortization of deferred contributions related to capital assets	2,962	2,943
Purchase of capital assets	5,229	5,216
Increase of deferred contributions related to capital assets	(2,507)	(2,392)
Proceeds on disposition of capital assets	(98)	(1,015)
Gain on disposals of capital assets	54	780
	\$ 495	\$ (52)

# THE CANADIAN RED CROSS SOCIETY

## Statement of Cash Flows

year ended March 31, 2012

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 605	\$ 4,267
Items not affecting cash		
Decrease in employee future benefits	(432)	(6,115)
Amortization of deferred capital contributions	(2,962)	(2,943)
Amortization of capital assets	5,145	5,584
Gain on disposal of capital assets	(54)	(780)
	<b>2,302</b>	<b>13</b>
Changes in non-cash operating working capital items		
Accounts receivable - trade and other	269	(3,683)
Accounts receivable - Tsunami	-	135
Inventory, prepaid and advances on construction	(11,810)	4,448
Accounts payable and accrued liabilities	(46)	4,135
Deferred revenue	(29,387)	(16,786)
	<b>(38,672)</b>	<b>(11,738)</b>
<b>INVESTING</b>		
Disposals (additions) to long-term investments	6,439	(55,676)
Additions to capital assets	(5,229)	(5,216)
	<b>1,210</b>	<b>(60,892)</b>
<b>FINANCING</b>		
Deferred contributions related to capital assets	2,507	2,392
Proceeds on disposition of capital assets	98	1,015
	<b>2,605</b>	<b>3,407</b>
Net cash outflow	<b>(34,857)</b>	<b>(69,223)</b>
Cash and cash equivalents, beginning of year	<b>109,667</b>	<b>178,890</b>
Cash and cash equivalents, end of year	<b>\$ 74,810</b>	<b>\$ 109,667</b>
<i>Represented by:</i>		
Unrestricted	\$ 8,575	\$ 3,090
Externally restricted	47,543	86,144
Internally restricted	18,692	20,433
Cash and cash equivalents	<b>\$ 74,810</b>	<b>\$ 109,667</b>

See accompanying notes to the financial statements



# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 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 the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V *Pre-Changeover Accounting Standards* (Canadian GAAP) 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. 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, 2012

(in thousands of dollars)

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### 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, 2012

(in thousands of dollars)

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### 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 Directors. The funds are not available for the Society's general operations.

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

#### *Donated services*

The Society benefits greatly from donated services in the form of volunteer work for various activities. The value of donated services is not recognized in the 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, 2012  
(in thousands of dollars)

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### 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 13 years for the other benefit plans. The Society measures its accrued benefits obligations for accounting purposes as at March 31 of each year.

#### *Impairment of long-lived assets*

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

#### *Use of estimates*

The preparation of these 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.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 2. Significant Accounting Policies (Continued)

#### *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

#### *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 initially measured at fair value and thereafter are recorded at amortized cost using the effective interest rate method.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012  
(in thousands of dollars)

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### 2. Significant Accounting Policies (Continued)

#### *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 Fundraising general line of the Society's financial statements.

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

#### *Future accounting changes*

In 2010, the CICA issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either the CICA Handbook Part I - *International Financial Reporting Standards* or Part III - *Accounting Standards for Not-for-Profit Organizations*. The Society will adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective April 1, 2012. The impact of this transition is currently being determined.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 3. Capital Management

The Society's objectives in managing capital are:

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

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

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

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

**THE CANADIAN RED CROSS SOCIETY**  
**Notes to the Financial Statements**  
year ended March 31, 2012  
(in thousands of dollars)

**4. Cash and cash equivalents**

	<b>2012</b>		<b>2011</b>	
	<u>Fair Value and Carrying Value</u>	<u>Cost</u>	<u>Fair Value and Carrying Value</u>	<u>Cost</u>
<b>Cash</b>				
Unrestricted	\$ 7,530	\$ 7,530	\$ 2,545	\$ 2,545
Externally restricted - General	9,753	9,753	23,485	23,485
Externally restricted - Haiti	1,716	1,716	1,707	1,707
Externally restricted - Tsunami	339	339	806	806
Internally restricted - General	4,365	4,365	12,477	12,477
<b>Total Cash</b>	<b>23,703</b>	<b>23,703</b>	<b>41,020</b>	<b>41,020</b>
<b>Cash equivalents</b>				
Unrestricted	1,045	1,045	545	545
Externally restricted - General	14,461	14,461	11,542	11,542
Externally restricted - Haiti	21,154	21,154	36,320	36,320
Externally restricted - Tsunami	120	120	12,284	12,284
Internally restricted - General	1,284	1,296	1,047	1,045
Internally restricted - Tsunami	13,043	13,043	6,909	6,909
<b>Total cash equivalents</b>	<b>51,107</b>	<b>51,119</b>	<b>68,647</b>	<b>68,645</b>
<b>Total cash and cash equivalents</b>	<b>\$ 74,810</b>	<b>\$ 74,822</b>	<b>\$ 109,667</b>	<b>\$ 109,665</b>

**5. Investments**

	<b>2012</b>		<b>2011</b>	
	<u>Fair Value and Carrying Value</u>	<u>Cost</u>	<u>Fair Value and Carrying Value</u>	<u>Cost</u>
Fixed income	\$ 144,708	\$ 140,500	\$ 153,477	\$ 153,067
Equities	17,843	16,297	12,043	10,183
<b>Total</b>	<b>\$ 162,551</b>	<b>\$ 156,797</b>	<b>\$ 165,520</b>	<b>\$ 163,250</b>



# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 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 2049, earning interest from 2.25% to 10.35%.

Long term investments are externally and internally restricted as follows:

	<u>2012</u>	<u>2011</u>
Externally Restricted - General	\$ 62,913	\$ 46,203
Externally Restricted - Haiti	42,041	66,427
Internally Restricted - General	43,544	34,008
Internally Restricted - Tsunami	14,053	18,882
	<u>\$ 162,551</u>	<u>\$ 165,520</u>

Gross investment income earned is reported as follows:

	<u>2012</u>	<u>2011</u>
Investment income - General	\$ 1,971	\$ 4,170
Investment income - Tsunami	1,342	1,242
<b>Total investment income earned</b>	<u>\$ 3,313</u>	<u>\$ 5,412</u>

Haiti investment income of \$4,537 (2011 - \$3,228) is externally restricted and allocated to Haiti deferred revenue.

**THE CANADIAN RED CROSS SOCIETY**  
**Notes to the Financial Statements**  
year ended March 31, 2012  
(in thousands of dollars)

**6. Capital Assets**

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 8,850	\$ -	\$ 8,850	\$ 8,870
Buildings	57,103	25,390	31,713	31,595
Furniture, office, healthcare equipment	15,928	12,714	3,214	3,162
Vehicles	9,576	6,644	2,932	3,109
Computer hardware and software	3,459	2,940	519	452
	<b>\$ 94,916</b>	<b>\$ 47,688</b>	<b>\$ 47,228</b>	<b>\$ 47,188</b>

**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:

	2012			
	General	Haiti	Tsunami	Total
Opening balance	\$ 79,773	\$ 94,873	\$ 12,800	\$ 187,446
Donations and grants received	106,111	633	-	106,744
Interest earned and deferred	3,428	4,537	-	7,965
Recognized as revenue	(92,931)	(40,147)	(11,018)	(144,096)
Closing balance	96,381	59,896	1,782	158,059
Less: Long-term portion	-	(37,362)	-	(37,362)
Short-term portion	\$ 96,381	\$ 22,534	\$ 1,782	\$ 120,697

**THE CANADIAN RED CROSS SOCIETY**  
**Notes to the Financial Statements**  
year ended March 31, 2012  
(in thousands of dollars)

**7. Deferred Revenue (Continued)**

	2011			
	<u>General</u>	<u>Haiti</u>	<u>Tsunami</u>	<u>Total</u>
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	<u>(116,351)</u>	<u>(86,852)</u>	<u>(16,526)</u>	<u>(219,729)</u>
Closing balance	<u>79,773</u>	<u>94,873</u>	<u>12,800</u>	<u>187,446</u>
Less long-term portion	<u>-</u>	<u>(55,474)</u>	<u>-</u>	<u>(55,474)</u>
Short-term portion	<u>\$ 79,773</u>	<u>\$ 39,399</u>	<u>\$ 12,800</u>	<u>\$ 131,972</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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 10,031	\$ 10,582
Donations and grants received and used for the purchase of capital assets during the year	2,507	2,392
Amortization of deferred capital contributions	<u>(2,962)</u>	<u>(2,943)</u>
Balance, end of year	<u>\$ 9,576</u>	<u>\$ 10,031</u>

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(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 \$2,719 (2011 - \$2,601).

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:

	Defined Benefit Pension Plan		Other Benefit Plans	
	2012	2011	2012	2011
Fair value of plan assets	\$ 13,050	\$ 12,718	\$ -	\$ -
Accrued benefit obligation	(5,049)	(4,841)	(11,276)	(10,110)
Surplus (deficit)	8,001	7,877	(11,276)	(10,110)
Unamortized net actuarial gain	(1,409)	(1,671)	(5,376)	(6,588)
Accrued benefit asset (liability)	\$ 6,592	\$ 6,206	\$ (16,652)	\$ (16,698)

**THE CANADIAN RED CROSS SOCIETY**  
**Notes to the Financial Statements**  
year ended March 31, 2012  
(in thousands of dollars)

**9. Employee Future Benefits (Continued)**

Elements of costs recognized in the year:

	Defined Benefit Pension Plan		Other Benefit Plans	
	2012	2011	2012	2011
Current service cost (employer)	\$ 46	\$ 57	\$ 518	\$ 480
Interest cost	237	261	553	532
Expected return on plan assets	(630)	(614)	-	-
Amortization of transitional asset	(31)	(31)	-	-
Amortization of net actuarial gain	(8)	(16)	(438)	(491)
Amortization of past service cost	-	-	(185)	(185)
Decrease in valuation allowance <sup>1</sup>	-	(5,630)	-	-
	<b>\$ (386)</b>	<b>\$ (5,973)</b>	<b>\$ 448</b>	<b>\$ 336</b>

Plan assets are held by Manulife. Based on the fair value of the plan assets at March 31, 2012, the assets of the Plan comprised of 31% equity, 67% fixed income, and 2% short-term securities and cash (2011 - 31% equity, 67% fixed income, and 2% short-term securities and cash).

<sup>1</sup> The prior year decrease in the valuation allowance of \$5,630 resulted from the impact of the Kerry decision in the Supreme Court of Canada (August 7, 2009) which was taken into account in the March 31, 2011 financial statements, with the end result that the limit on the accrued benefit asset was removed and the amount of previous year's valuation allowance recognized as income for the year ending March 31, 2011. The Society has adopted the pension holiday option as a result of the Kerry decision.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(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:

	Defined Benefit Pension Plan		Other Benefit Plans	
	2012	2011	2012	2011
Discount rate for obligations	4.10%	5.00%	5.00%	6.00%
Discount rate for expense	5.00%	5.75%	6.00%	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	1.97%	2.19%	-	-
Pre-retirement indexation	1.97%	2.19%	-	-

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

	Defined Benefit Pension Plan		Other Benefit Plans	
	2012	2011	2012	2011
Employees and employer contributions	\$ 46	\$ 57	\$ 495	\$ 478
Benefits paid	206	307	495	478

For measurement purposes of the Other Benefit Plans, a 4.5% (2011 - 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% (2011 - 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, 2012  
(in thousands of dollars)

**10. Fundraising Revenue and Expenses**

Fundraising revenue and expenses are as follows:

	<u>2012</u>	<u>2011</u>
Revenue		
Bequests	\$ 4,592	\$ 5,449
Direct marketing	25,186	18,809
Lotteries and gaming	5,702	6,055
Special events and other fundraising	10,322	10,101
	<hr/>	<hr/>
Total fundraising revenue	45,802	40,414
	<hr/>	<hr/>
Direct expenses		
Bequests	986	973
Direct marketing	10,629	12,598
Lotteries and gaming	3,831	4,116
Special events and other fundraising	8,726	8,426
	<hr/>	<hr/>
Total fundraising expenses	24,172	26,113
	<hr/>	<hr/>
Net fundraising revenues	\$ 21,630	\$ 14,301

**Lotteries and gaming expenses are as follows:**

	<u>2012</u>	<u>2011</u>
<b>Expenses:</b>		
Prizes	\$ 1,890	\$ 1,915
Marketing and other	1,941	2,201
	<hr/>	<hr/>
	\$ 3,831	\$ 4,116

In addition to the net fundraising revenues of \$21,630 (2011 - \$14,301), the Society received restricted donations accounted for as deferred revenue of \$57,332 (2011 - \$60,932) for total fundraising of \$78,962 (2011 - \$75,233) raised during the year.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 11. Allocation of Expense

Facilities are the only expense of which part is allocated directly to the programs. During the year, total facilities expenses of \$2,709 (2011 - \$3,205) were allocated as follows: \$443 (2011 - \$327) was allocated to Water safety and First aid, \$1,695 (2011 - \$1,451) was allocated to the Healthcare Equipment Loan, \$166 (2011 - \$781) was allocated to Community Initiatives, and \$405 (2011 - \$646) was allocated to Personal support.

### 12. Internally Restricted Funds

Internally restricted funds are comprised of:

#### a) General

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

#### b) Tsunami

- Interest and investment income for an amount of \$1,304 (2011 - \$1,191) was appropriated to the internally restricted funds for a cumulative amount of \$27,096 (2011 - \$25,792).

### 13. Financial Instruments

#### *Fair values*

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

Refer to Note 5 for fair values related to the Society's other financial instruments.



# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012  
(in thousands of dollars)

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### 13. Financial Instruments (Continued)

#### *Investment risk*

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

#### *Foreign exchange risk*

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

#### *Credit risk*

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Society's accounts receivable represents credit provided for the Society's programs. The Society extends credit to its authorized providers and funding agencies. The Society's Community Health Programs represent over 80% of the total accounts receivable. The credit is provided mainly to provincial governments and, accordingly, presents minimal credit risk to the Society.

The maximum credit exposure of the Society is represented by the fair value of the investments and amounts receivable as presented in the Statement of Financial Position.

#### *Interest rate risk*

Interest rate risk refers to adverse consequences of interest rate changes on the Society cash flows, financial position, investment income and interest expense. The Society's fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

# THE CANADIAN RED CROSS SOCIETY

## Notes to the Financial Statements

year ended March 31, 2012

(in thousands of dollars)

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### 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:

2013	\$	2,981
2014		2,299
2015		2,027
2016		1,909
2017		1,743

The Society has also committed a total amount of \$ 7,626 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.

### 15. Contingent Liabilities and 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.

## Detailed Statement of Operations

year ended March 31, 2012  
(in thousands of dollars)

	2012			2011		
	Revenue	Expenses	Net	Revenue	Expenses	Net
<b>Organizational capacity</b>						
Fundraising general (Note 10)	\$ 45,802	\$ 24,172	\$ 21,630	\$ 40,414	\$ 26,113	\$ 14,301
Other income and expenses:						
Development projects	-	711	(711)	7	833	(826)
Gain on disposals of capital assets	54	-	54	780	-	780
Investment income - General (Note 5)	1,971	241	1,730	4,170	399	3,771
Investment income - Tsunami (Note 5)	1,342	38	1,304	1,242	51	1,191
Other	-	-	-	-	115	(115)
Total other income and expenses	3,367	990	2,377	6,199	1,398	4,801
<b>Total - Organizational capacity</b>	<b>49,169</b>	<b>25,162</b>	<b>24,007</b>	<b>46,613</b>	<b>27,511</b>	<b>19,102</b>
<b>Core programs</b>						
International programs:						
Programming	101,665	98,442	3,223	168,485	163,364	5,121
Humanitarian issues program	747	1,136	(389)	853	1,706	(853)
Other	3,006	3,643	(637)	2,232	2,762	(530)
Total - International programs	105,418	103,221	2,197	171,570	167,832	3,738
Disaster management	12,244	16,004	(3,760)	7,932	10,880	(2,948)
Health and injury prevention:						
Water safety	3,316	3,137	179	3,096	2,791	305
First aid	16,091	11,912	4,179	13,753	9,714	4,039
Respect ed	2,071	3,292	(1,221)	2,193	3,207	(1,014)
Community initiatives and other health	31,894	30,163	1,731	21,679	20,507	1,172
Healthcare equipment loan	15,542	13,885	1,657	13,959	12,432	1,527
Personal support	133,610	131,410	2,200	131,329	126,126	5,203
Total - Health and injury prevention	202,524	193,799	8,725	186,009	174,777	11,232
Program management	16	2,895	(2,879)	1	2,907	(2,906)
Volunteer resources	17	1,056	(1,039)	19	1,054	(1,035)
Total - Program management and Volunteer resources	33	3,951	(3,918)	20	3,961	(3,941)
<b>Total - Core programs</b>	<b>320,219</b>	<b>316,975</b>	<b>3,244</b>	<b>365,531</b>	<b>357,450</b>	<b>8,081</b>
<b>Support services</b>						
Amortization of capital assets	2,962	5,145	(2,183)	2,943	5,584	(2,641)
Rental and facilities	3,580	6,190	(2,610)	3,270	6,666	(3,396)
Corporate obligations and support services	5,532	27,385	(21,853)	1,967	24,476	(22,509)
Reduction in pension valuation allowance (Note 9)	-	-	-	-	(5,630)	5,630
Total - Support services	12,074	38,720	(26,646)	8,180	31,096	(22,916)
<b>Disaster appeals</b>						
Domestic	4,792	4,792	-	2,310	2,310	-
International - General	796	796	-	1,308	1,308	-
Total - Disaster appeals	5,588	5,588	-	3,618	3,618	-
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 387,050</b>	<b>\$ 386,445</b>	<b>\$ 605</b>	<b>\$ 423,942</b>	<b>\$ 419,675</b>	<b>\$ 4,267</b>

**THE CANADIAN RED CROSS SOCIETY**  
**Statement of Operations by Zone**  
year ended March 31, 2012  
(in thousands of dollars)

**Schedule B**

	<u>Atlantic</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Western</u>	<u>International</u>	<u>National</u>	<u>2012</u>	<u>2011</u>
<b>Revenue</b>								
Organizational capacity								
Fundraising general <sup>1</sup>	\$ 1,585	\$ 6,015	\$ 7,271	\$ 6,082	\$ -	\$ 24,849	\$ 45,802	\$ 40,414
Investment income	-	-	-	38	1,342	1,933	3,313	5,412
Other	-	-	-	-	-	54	54	787
<b>Core programs</b>	1,585	6,015	7,271	6,120	1,342	26,836	49,169	46,613
Support services	25,239	7,352	159,963	21,537	104,334	1,794	320,219	365,531
Disaster appeals <sup>2</sup>	2,091	139	1,522	736	-	7,586	12,074	8,180
	156	-	-	447	-	4,985	5,588	3,618
<b>Total Revenues</b>	<b>29,071</b>	<b>13,506</b>	<b>168,756</b>	<b>28,840</b>	<b>105,676</b>	<b>41,201</b>	<b>387,050</b>	<b>423,942</b>
<b>Expenses</b>								
Organizational capacity								
Fundraising general (Note 10)	1,288	2,238	4,706	4,523	-	11,417	24,172	26,113
Investment expense	-	-	-	-	38	241	279	450
Other	-	-	64	-	-	647	711	948
<b>Core programs</b>	1,288	2,238	4,770	4,523	38	12,305	25,162	27,511
International programs	74	487	755	631	101,274	-	103,221	167,832
Disaster management	1,252	6,581	3,981	2,674	-	1,516	16,004	10,880
Health and injury prevention	21,868	1,813	151,889	15,262	-	2,967	193,799	174,777
Program management and volunteer resources	317	645	1,281	1,522	-	186	3,951	3,961
<b>Support services</b>	23,511	9,526	157,906	20,089	101,274	4,669	316,975	357,450
Disaster appeals <sup>2</sup>	3,806	2,141	8,301	5,806	2,840	15,826	36,720	36,726
Reduction in pension valuation (note 9)	156	-	-	447	-	4,985	5,588	3,618
	-	-	-	-	-	-	-	(5,630)
<b>Total Expenses</b>	<b>28,761</b>	<b>13,905</b>	<b>170,977</b>	<b>30,865</b>	<b>104,152</b>	<b>37,785</b>	<b>386,445</b>	<b>419,675</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 310</b>	<b>\$ (399)</b>	<b>\$ (2,221)</b>	<b>\$ (2,025)</b>	<b>\$ 1,524</b>	<b>\$ 3,416</b>	<b>\$ 605</b>	<b>\$ 4,267</b>

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

Direct marketing fundraising is now being accounted for at the National Office.

<sup>2</sup> The majority of revenue and expense for appeals is now being accounted for at the National Office.