

*Financial information of*

**THE CANADIAN RED CROSS  
SOCIETY**

**Asian Earthquake and Tsunami Fund  
Haiti Earthquake Fund**

*March 31, 2013 and 2012*

## Independent Auditor's Report

To the Board of Directors of  
The Canadian Red Cross Society

We have audited the accompanying financial information of the Canadian Red Cross Society - Asian Earthquake and Tsunami Fund and Haiti Earthquake Fund, which comprise the statements of net funds available for beneficiaries as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of changes in net funds available for beneficiaries for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Information*

Management is responsible for the preparation and fair presentation of this financial information in accordance with the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this financial information based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial information is free from material misstatement.

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

## **Independent Auditor's Report (Continued)**

### *Auditor's Responsibility (Continued)*

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

### *Opinion*

In our opinion, the financial information presents fairly, in all material respects, the net funds available for beneficiaries of the Canadian Red Cross Society - Asian Earthquake and Tsunami Fund and Haiti Earthquake Fund as at March 31, 2013, March 31, 2012 and April 1, 2011 and the changes in net funds available for beneficiaries for the years ended March 31, 2013 and March 31, 2012 in accordance with the basis of accounting described in Note 2.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

June 6, 2013

**THE CANADIAN RED CROSS SOCIETY**  
**Asian Earthquake and Tsunami Fund**  
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**Financial Information**  
**March 31, 2013 and 2012**

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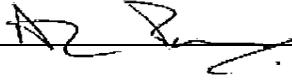
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**THE CANADIAN RED CROSS SOCIETY**  
**Asian Earthquake and Tsunami Fund**  
**Haiti Earthquake Fund**  
**Statements of Net Funds Available for Beneficiaries**  
as at March 31, 2013, March 31, 2012 and April 1, 2011  
(in thousands of dollars)

	Haiti			Tsunami		
	March 31, 2013	March 31, 2012	April 1, 2011	March 31, 2013	March 31, 2012	April 1, 2011
<b>CURRENT ASSETS</b>						
Cash and cash equivalents						
Externally restricted	\$ 16,338	\$ 22,870	\$ 38,027	\$ 165	\$ 459	\$ 13,090
Internally restricted income from investments	-	-	-	10,459	13,043	6,909
Prepaid expenses	1,374	138	255	2,288	3,733	3,099
	17,712	23,008	38,282	12,912	17,235	23,098
LONG-TERM INVESTMENTS (Note 4)	31,112	42,041	66,427	10,055	14,053	18,882
	48,824	65,049	104,709	22,967	31,288	41,980
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	1,044	664	3,180	1,077	1,431	466
Payable to the Canadian Red Cross Society	2,319	2,729	6,396	395	350	2,800
	3,363	3,393	9,576	1,472	1,781	3,266
<b>NET FUNDS AVAILABLE FOR BENEFICIARIES</b>	<b>\$ 45,461</b>	<b>\$ 61,656</b>	<b>\$ 95,133</b>	<b>\$ 21,495</b>	<b>\$ 29,507</b>	<b>\$ 38,714</b>

ON BEHALF OF THE BOARD

  
\_\_\_\_\_ Chair

  
\_\_\_\_\_ Chair, National Audit and Finance Committee

**THE CANADIAN RED CROSS SOCIETY**  
**Asian Earthquakes and Tsunami Fund**  
**Haiti Earthquake Fund**  
**Statements of Changes in Net Funds Available for Beneficiaries**  
years ended March 31, 2013 and 2012  
(in thousands of dollars)

	Haiti		Tsunami	
	2013	2012	2013	2012
Increase in funds				
Contributions (Note 3)	\$ 115	\$ 633	\$ (193)	\$ -
Investment income	2,269	4,537	857	1,304
	<b>2,384</b>	5,170	<b>664</b>	1,304
Decrease (increase) in funds				
Emergency relief and disaster management	3,466	(4,630)	2,982	2,152
Health including water and sanitation	4,212	1,392	796	1,084
Livelihoods	-	-	429	(417)
Reconstruction	4,801	34,984	230	2,523
Humanitarian values and restoring family links	-	78	412	603
Organizational development	1,022	413	1,605	2,375
Direct programming support (Note 5)	4,590	7,912	2,039	2,698
Total decrease in funds	<b>18,091</b>	40,149	<b>8,493</b>	11,018
Increase (decrease) in unrealized gains on long-term investments	<b>(488)</b>	1,502	<b>(183)</b>	507
DECREASE IN NET FUNDS	<b>(16,195)</b>	(33,477)	<b>(8,012)</b>	(9,207)
NET FUNDS AVAILABLE FOR BENEFICIARIES, BEGINNING OF YEAR	<b>61,656</b>	95,133	<b>29,507</b>	38,714
NET FUNDS AVAILABLE FOR BENEFICIARIES, END OF YEAR	<b>\$ 45,461</b>	\$ 61,656	<b>\$ 21,495</b>	\$ 29,507

**THE CANADIAN RED CROSS SOCIETY**  
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**1. PURPOSE AND AUTHORITY OF THE FUNDS**

*Purpose and authority of the Asian Earthquake and Tsunami Fund*

The scope and purpose of the Canadian Red Cross Society - Asian Earthquake and Tsunami Fund (the "Fund") were approved by the Board of Directors of the Canadian Red Cross Society (the "Society") on February 26, 2005.

As a result of the decisions made by the Board of Directors, the Fund is used exclusively to meet the immediate and long-term recovery needs of the people affected by the Asian Earthquake and Tsunami that occurred on December 26, 2004 and all investment income is restricted to the Fund. Donor-expressed designations that are more specific than the overall Fund purpose (for example, contributions for use in specific countries), will be strictly honoured and used in accordance with those designations.

*Purpose and authority of the Haiti Earthquake Fund*

The devastating earthquake on January 12<sup>th</sup>, 2010 of 7.3 magnitude on the Richter scale that struck Haiti, left more than 1.2 million homeless in need of a full range of emergency assistance as well as recovery and longer term reconstruction efforts.

The Society has raised over \$200 million from the public, provincial and federal governments and corporations, which includes \$54 million matching fund established by the Canadian International Development Agency (CIDA).

The Board has approved allocation of funds to Emergency and Relief Response in the first twenty-four months, Recovery Response in the next thirty-six months and to the longer term support for the Organizational Development of the Haitian Red Cross Society.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

*Change in accounting standards*

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

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies which follow have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied on a retrospective basis. No exemptions were taken by the Fund as at April 1, 2011.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Change in accounting standards (Continued)*

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

*Basis of presentation*

The accompanying financial information reflects the net funds available for beneficiaries and the changes in net funds available for beneficiaries of the Asian Earthquake and Tsunami Fund and Haiti Earthquake Fund (the "Funds"). The Funds are maintained as a separate set of accounts by the Society, and includes only those financial activities associated with the Fund's response to these disasters.

The Funds are an unincorporated operating segment of the Society. Accordingly, this financial information may not be indicative of the financial activity that would have been achieved if the Funds operated as an unaffiliated organization.

The net funds available for beneficiaries as at March 31, 2013 are presented in accordance with Canadian accounting standards for not-for-profit organizations as deferred revenue, and as internally restricted net assets for the investment income portion of the Asian Earthquake and Tsunami Fund, in the financial statements of the Canadian Red Cross Society.

*Donated services*

The Funds benefit greatly from donated services in the form of volunteer work for various activities. The value of donated services is not recognized in this financial information because of the difficulty of measurement.

*Revenue recognition*

Corporate and government contributions are recognized as revenue at the earlier of the date of receipt or the date the contribution becomes receivable under the terms of the applicable funding agreement. Donations from individuals are recognized as revenue when received.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments*

The Funds' financial instruments consist of cash and cash equivalents, long-term investments, accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value when the Funds become a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except cash and cash equivalents and investments which are recorded at fair value.

*Long-term investments*

Investments with duration to maturity greater than one year from March 31, 2013 are presented as long-term investments and are recorded at fair value, with changes to unrealized gains or losses recorded on the Statement of Changes in Net Funds Available for Beneficiaries.

**3. CONTRIBUTIONS**

Contributions are from the following sources:

	<b>Haiti</b>		<b>Tsunami</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Contributions from public and other Red Cross societies	\$ 115	\$ 633	\$ -	\$ -
CIDA	-	-	(193)	-
	<b>\$ 115</b>	<b>\$ 633</b>	<b>\$ (193)</b>	<b>\$ -</b>

Haiti: CIDA contributed funds towards the two ERU hospitals and for building shelters. No new funding was received during the fiscal period.

Tsunami: CIDA had agreed to provide cumulative matching grants equivalent to the total donations received from individual donors up to January 11, 2005. No new funding was received during the fiscal period. During the year, the Fund recorded adjustments of \$193 (2012 - \$NIL) to the Tsunami Fund as a result of audits conducted by CIDA on various projects.

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**4. LONG-TERM INVESTMENTS**

	<u>March 31, 2013</u>				<u>March 31, 2012</u>				<u>April 1, 2011</u>			
	<u>Haiti</u>		<u>Tsunami</u>		<u>Haiti</u>		<u>Tsunami</u>		<u>Haiti</u>		<u>Tsunami</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Fixed income	<b>\$ 31,112</b>	<b>\$ 29,836</b>	<b>\$ 10,055</b>	<b>\$ 9,630</b>	\$ 42,041	\$ 40,277	\$ 14,053	\$ 13,445	\$ 66,427	\$ 66,165	\$ 18,882	\$ 18,745

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

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**5. SUPPORT SERVICES AND RELATED ENTITY TRANSACTIONS**

The Society provides complete administrative and other support to the Funds in the form of direct programming support.

Direct programming support represents the necessary direct supporting activities of the disaster response, recovery and reconstruction including relief supplies, field visits, assessments and missions by staff and support services.

**6. FINANCIAL INSTRUMENTS**

*Fair values*

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

Refer to Note 4 for fair values' relating to the Fund's investments.

*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 Fund. 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 Fund 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 credit is provided mainly to provincial governments and, accordingly, presents minimal credit risk to the Fund.

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**6. FINANCIAL INSTRUMENTS (Continued)**

*Credit risk (Continued)*

The maximum credit exposure of the Fund is represented by the fair value of the investments as presented in the Statement of Net Funds Available for Beneficiaries.

*Interest rate risk*

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

**7. CONTRACTUAL OBLIGATIONS**

Asian Earthquake and Tsunami Funds have contractual obligations of \$1,609 (March 31, 2012 - \$2,310; April 1, 2011 - \$4,026).

Haiti Earthquake Fund has contractual obligations of \$4,816 (March 31, 2012 - \$4,455; April 1, 2011 - \$8,379).