

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

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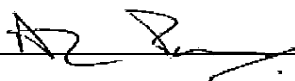
THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
Haiti Earthquake Fund

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 |
| CURRENT ASSETS | | | | | | |
| 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 |
| CURRENT LIABILITIES | | | | | | |
| 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 |
| NET FUNDS AVAILABLE FOR BENEFICIARIES | \$ 45,461 | \$ 61,656 | \$ 95,133 | \$ 21,495 | \$ 29,507 | \$ 38,714 |

ON BEHALF OF THE BOARD

 Chair

 Chair, National Audit and Finance Committee

THE CANADIAN RED CROSS SOCIETY
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| | Haiti | | Tsunami | |
|--|------------------|-----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Increase in funds | | | | |
| Contributions (Note 3) | \$ 115 | \$ 633 | \$ (193) | \$ - |
| Investment income | 2,269 | 4,537 | 857 | 1,304 |
| | 2,384 | 5,170 | 664 | 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 | 18,091 | 40,149 | 8,493 | 11,018 |
| Increase (decrease) in unrealized gains on long-term investments | (488) | 1,502 | (183) | 507 |
| DECREASE IN NET FUNDS | (16,195) | (33,477) | (8,012) | (9,207) |
| NET FUNDS AVAILABLE FOR BENEFICIARIES, BEGINNING OF YEAR | 61,656 | 95,133 | 29,507 | 38,714 |
| NET FUNDS AVAILABLE FOR BENEFICIARIES, END OF YEAR | \$ 45,461 | \$ 61,656 | \$ 21,495 | \$ 29,507 |

THE CANADIAN RED CROSS SOCIETY
Asian Earthquake and Tsunami Fund
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Notes to the Financial Information
years ended March 31, 2013 and 2012
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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 12th, 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:

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

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 | \$ 31,112 | \$ 29,836 | \$ 10,055 | \$ 9,630 | \$ 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).