

Consolidated financial statements of

**The Canadian Red Cross
Society**

March 31, 2015

The Canadian Red Cross Society

March 31, 2015

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Independent Auditor's Report

To the Board of Directors of
The Canadian Red Cross Society

We have audited the accompanying consolidated financial statements of the Canadian Red Cross Society, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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 consolidated financial statements present fairly, in all material respects, the financial position of the Canadian Red Cross Society as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 10, 2015

The Canadian Red Cross Society

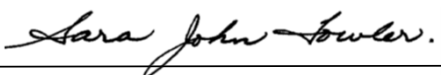
Consolidated statement of financial position


as at March 31, 2015

(in thousands of dollars)

	2015	2014
	\$	\$
		(Restated) (Note 2)
Assets		
Current assets		
Cash and cash equivalents (Note 6)	173,670	186,133
Accounts receivable	19,789	22,609
Inventory and prepaid expenses	21,595	25,780
	215,054	234,522
Long-term investments (Note 7)	21,433	39,609
Capital assets (Note 8)	50,325	52,358
Intangible assets (Note 4)	-	1,480
Goodwill (Note 4)	-	1,947
Accrued defined benefit pension plan asset (Note 9)	9,315	8,498
Total assets	296,127	338,414
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	21,861	24,847
Government remittances payable	460	1,353
Deferred revenue - short-term (Note 10)	132,737	152,174
Current portion of mortgage payable	-	28
	155,058	178,402
Deferred revenue - long-term (Note 10)	8,181	18,607
Deferred contributions related to capital assets (Note 11)	10,089	10,886
Deferred gain (Note 4)	-	3,873
Mortgage payable	-	915
Accrued other benefit plans liability (Note 9)	13,266	12,797
Total liabilities	186,594	225,480
Commitments, contingent liabilities and guarantees (Notes 12 and 13)		
Net assets		
Invested in capital assets	40,236	40,529
Invested in RCCP (Note 4)	-	3,954
Restricted for endowment purposes	1,310	1,284
Internally restricted - General (Note 14)	58,601	47,531
Internally restricted - Tsunami interest (Note 14)	5,151	10,552
Unrestricted	4,235	9,084
Total net assets	109,533	112,934
Total liabilities and net assets	296,127	338,414

On behalf of the Board

 Chair

 Chair, National Audit and Finance Committee

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Consolidated statement of operations

year ended March 31, 2015

(in thousands of dollars)

	Budget 2015	Actual 2015	Actual 2014
	\$	\$	\$
	(Unaudited)		(Restated) (Note 2)
Revenue			
Organizational capacity			
Fundraising (Note 15)	60,808	57,619	55,251
Investment income (Note 7)	2,715	2,182	4,202
Other	209	690	195
	63,732	60,491	59,648
Core programs	175,417	215,812	172,407
Support services	6,711	7,015	16,192
Disaster appeals	-	16,265	27,299
Total revenues	245,860	299,583	275,546
Expenses			
Organizational capacity			
Fundraising (Note 15)	29,910	27,293	27,799
Investment expense	155	185	166
Other	969	678	691
	31,034	28,156	28,656
Core programs			
International programs	66,765	77,661	62,593
Disaster management	16,691	41,289	18,980
Health and injury prevention	84,373	90,622	83,331
Program management and volunteer resources	5,127	4,717	4,158
	172,956	214,289	169,062
Support services	45,088	46,305	46,386
Disaster appeals	-	16,265	27,299
Total expenses	249,078	305,015	271,403
Excess (deficiency) of revenue over expenses from continuing operations before net Tsunami expenses	(3,218)	(5,432)	4,143
Net Tsunami expenses (Note 14)	(4,894)	(4,931)	(10,943)
Deficiency of revenue over expenses from continuing operations	(8,112)	(10,363)	(6,800)
Discontinued operations (Note 4)			
Deficiency of revenue over expenses from RCCP	-	(922)	(1,030)
Gain on disposal of investment in RCCP	-	7,116	-
Deficiency of revenue over expenses	(8,112)	(4,169)	(7,830)

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society
Consolidated statement of changes in net assets
year ended March 31, 2015
(in thousands of dollars)

	Invested in capital assets	Invested in capital of JV RCCP	Restricted for endowment purposes	Internally restricted	Unrestricted	Total	
						2015	2014
	\$	\$	\$	\$	\$	\$	\$
				(Note 14)			(Restated) (Note 2)
Net assets, beginning of year	40,529	3,954	1,284	58,083	9,084	112,934	114,939
Prior period adjustment as a result of a change in accounting policy (Note 2)	-	-	-	-	-	-	6,656
Adjusted balance, beginning of year	40,529	3,954	1,284	58,083	9,084	112,934	121,595
Excess (deficiency) of revenue over expenses	-	-	26	-	(4,195)	(4,169)	(7,830)
Remeasurement gains (losses) on defined benefit pension plan asset and other benefit plans liability	-	-	-	-	768	768	(831)
Investment in capital assets ⁽¹⁾	(293)	-	-	-	293	-	-
Internally restricted	-	(3,954)	-	5,669	(1,715)	-	-
Net assets, end of year	40,236	-	1,310	63,752	4,235	109,533	112,934
<i>⁽¹⁾ Net changes in investment in capital assets is comprised of the following:</i>							
Amortization of capital assets						(5,734)	(5,624)
Amortization of deferred contributions related to capital assets						2,698	2,725
Acquisitions of capital assets						6,150	7,669
Mortgage repayments						14	32
Increase of deferred contributions related to capital assets						(1,901)	(4,343)
Proceeds on disposition of capital assets						(464)	(1,316)
Gain on disposal of capital assets						386	70
Derecognition of RCCP capital assets						(2,371)	-
Derecognition of RCCP mortgage						929	-
						(293)	(787)
Accumulated remeasurement losses on defined benefit pension plan asset and other benefit plans liability						(63)	(831)

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Consolidated statement of cash flows

year ended March 31, 2015

(in thousands of dollars)

	2015	2014
	\$	\$
		(Restated)
		(Note 2)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses from continuing operations	(10,363)	(6,800)
Items not affecting cash		
Increase (decrease) in net employee future benefits	(276)	1,189
Remeasurement gains (losses) on defined benefit pension plan asset and other benefit plans liability	768	(831)
Amortization of deferred capital contributions	(2,698)	(2,725)
Amortization of capital assets	5,528	5,393
Amortization of deferred gain	(423)	(846)
Decrease in unrealized gains on investments	918	2,583
Gain on disposal of capital assets	(379)	(71)
	(6,925)	(2,108)
Changes in non-cash operating working capital items from continuing operations		
Accounts receivable	(4,119)	(7,763)
Inventory and prepaid expenses	3,842	4,209
Accounts payable and accrued liabilities	4,151	2,233
Government remittances payable	(690)	1,218
Deferred revenue	(29,764)	53,830
	(33,505)	51,619
Investing		
Net disposals of long-term investments	17,258	72,229
Proceeds on disposal of capital assets	452	1,310
Acquisitions of capital assets	(6,074)	(6,061)
	11,636	67,478
Financing		
Deferred contributions related to capital assets	1,901	4,343
Net cash (outflow) inflow from continuing operations	(19,968)	123,440
Cash inflow from discontinued operations (Note 4)	7,505	532
Cash and cash equivalents, beginning of year	186,133	62,161
Cash and cash equivalents, end of year	173,670	186,133
<i>Represented by:</i>		
Unrestricted	9,058	15,471
Externally restricted	122,969	151,531
Internally restricted	41,643	19,131
Cash and cash equivalents	173,670	186,133

See accompanying notes to the consolidated financial statements.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(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. Change in accounting policy

For the fiscal year ended March 31, 2015, the Society adopted the Chartered Professional Accountants of Canada Handbook, Part II, Section 3462, Employee Future Benefits and Part III, Section 3463, Employee Future Benefits for Not-for-Profit Organizations.

Section 3462 eliminates the deferral and amortization method of accounting for actuarial gains and losses and past service costs. Accordingly, the immediate recognition approach must be applied for defined benefit plans.

Section 3463 requires not-for-profit organizations to recognize remeasurement gains and losses directly in net assets in the statement of financial position rather than in the statement of operations and that the balance be presented as a separately identified line item in the statement of changes in net assets.

The Society has chosen to use the funding valuation prepared by the actuary for financial reporting purposes.

The impact of these policy changes, which were accounted for retrospectively with restatement of comparative figures, is as follows:

- The April 1, 2013 opening net assets increased by \$6,656, the accrued defined benefit pension plan asset increased by \$1,756 and the accrued other benefit plans liability decreased by \$4,900.
- For the fiscal year ended March 31, 2014, the employee future benefit expenses increased by \$321 thereby increasing the deficiency of revenue over expenses and decreasing the unrestricted net assets by the same amount.
- The accrued defined benefit pension plan asset increased by a total of \$1,246 as at March 31, 2014, including the impact in the opening balances. Remeasurement losses of \$588 were recorded directly in the statement of changes in net assets as at March 31, 2014.
- The accrued other benefit plans liability decreased by a total of \$4,258 as at March 31, 2014, including the impact in the opening balances. Remeasurement losses of \$243 were recorded in net assets as at March 31, 2014.

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operations of the Society including all operations within Canada and the International Program. These consolidated statements also include the Society's share of Red Cross Care Partners ("RCCP") up to the date of the disposal of its shares on September 25, 2014 (Note 4).

The Organizational Capacity and Core Programs reflect the net contribution before application of the Society's common management and administration expenses. The Schedule provides a detailed summary of the fundraising and program contributions before Society common management and administration costs and expenses.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

3. Significant accounting policies (continued)

Principle of consolidation

The Society reported its interest in RCCP, a jointly controlled entity, using the proportionate consolidation method up to the date of the disposal of its shares on September 25, 2014. The Society's share of the assets, liabilities, revenue and expenses of RCCP were combined with the equivalent items in the Society's consolidated financial statements on a line-by-line basis up to the date of the disposal of its shares. Gains and losses resulting from transactions with RCCP are recognized in the Society's consolidated financial statements only to the extent of interests in RCCP that are unrelated to the Society.

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 to account for contributions.

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.

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 consolidated 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 and unrealized investment gains and losses, and where applicable, charges for other than temporary impairment of investments. Dividend and interest income as well as realized and unrealized gains and losses have been recorded directly in the consolidated statement of operations.

Unrealized gains and losses on financial assets are included in investment income and recognized as revenue in the consolidated statement of operations or deferred 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.

Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable and accrued liabilities and government remittances payable.

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes 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 long-term investments which are recorded at fair value.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents represent externally restricted, internally restricted and unrestricted cash and equivalents and mature within three months.

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 consolidated 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. Cost is determined using the moving average method.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their 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

Land is not amortized due to its infinite life.

Intangible assets

Intangible assets represented the portion of the purchase price of the Society's interest in the RCCP joint venture relating to government contracts. These costs were amortized on a straight-line basis over the term of the estimated beneficial life of the assets, which was five years, up to the date of the disposal of its shares on September 25, 2014 (Note 4).

Goodwill

Goodwill represented the excess of the purchase price of the Society's interest in the RCCP joint venture over identifiable tangible and intangible assets. Goodwill was tested for impairment whenever an event or circumstance occurred that indicated that goodwill might have been impaired up to the date of the disposal of its shares on September 25, 2014 (Note 4). When the carrying amount of RCCP, including goodwill, exceeded its fair value, a goodwill impairment loss was recognized in excess of revenue over expenses in an amount equal to the excess.

Deferred gain

The deferred gain in respect of the acquisition of the interest in RCCP was amortized on a straight-line basis over 10 years up to the date of the disposal of its shares on September 25, 2014 (Note 4).

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

3. 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 uses the immediate recognition approach for past service costs, remeasurement gains and losses and other items. These amounts are recorded directly in the consolidated statement of changes in net assets.

The Society measures its accrued benefits obligations for accounting purposes as at March 31 of each year using actuarial valuations on a funding basis.

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 consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these consolidated 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 collectability of accounts receivable, the obsolescence of inventory, the useful life of capital assets, the assessment of impairment indicators associated with goodwill and intangible assets, the amount of certain accrued liabilities and the assumptions underlying the employee future benefit calculations.

Allocation of expenses

The Society incurs general support expenses that are common to its programs and administration.

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 line of the Society's consolidated 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 the Schedule to these consolidated financial statements.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

4. Discontinued operations

On October 1, 2012, the Society merged its personal support and home making activities in Ontario with the nursing and therapy services of CarePartners, a privately owned entity. The new home care entity, 8262900 Canada Inc. (operating as Red Cross Care Partners ("RCCP")), was a for-profit oriented entity incorporated under the laws of Canada.

On the transfer date, the Society transferred cash of \$6,000, capital assets of \$175 and inventories of \$341. Goodwill and intangible assets were valued at \$10,284. The deferred gain of \$5,142 on the transfer date represented the gain attributable to the unrelated joint venturer's portions of the intangible assets and goodwill and were amortized on a straight-line basis over 5 and 10 years respectively.

The Society owned 50% of the voting shares of RCCP and its financial results were proportionately consolidated in these consolidated financial statements until September 25, 2014. On that date, the Society (the "Seller") sold its shares of RCCP to 1003694 Ontario Inc. (the "Buyer") for cash. The sale price was determined based on two independent valuations. Following the transaction, the Buyer became the sole owner of RCCP.

The following table summarizes the proceeds applied to the investment sold and deferred gain recognized:

	September 25, 2014
	\$
Gross proceeds on sale, as stipulated in the share purchase agreement	12,346
Disposal of investment in RCCP	(15,727)
Recognition of amounts arising from the original merger:	
- Seller's portion of the deferred gain on capital assets	1,827
- Seller's portion of the deferred gain on intangible assets	3,315
- Buyer's portion of the deferred gain on capital assets	1,461
- Buyer's portion of the deferred gain on intangible assets	1,989
Seller's portion of retained earnings of RCCP	1,986
Less: transactions costs	(81)
Gain on disposal of net assets	7,116

On September 25, 2014, as a result of the sale of RCCP shares, the Society eliminated the deferred gain, unrelated intangible assets and goodwill balances. At March 31, 2014, the deferred gain was \$3,873, the unrelated intangible assets were \$1,480 and the goodwill was \$1,947.

The amortization of the deferred gain up to the date of the disposal of its shares was \$423 (2014 - \$846). The Society's share of the amortization of intangible assets up to the date of the disposal of its shares was \$666 (2014 - \$1,370).

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

4. Discontinued operations (continued)

The results of operations of RCCP have been segregated in the consolidated statement of operations and consolidated statement of cash flows as discontinued operations up to the date of the disposal using the proportionate consolidation method. The cash flow from discontinued operations is as follows:

Statement of cash flows

	for the period up to the date of the disposal	for the year ended
	2015	2014
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses from discontinued operations	6,194	(1,030)
Items not affecting cash		
Increase in net employee future benefits	43	46
Amortization of capital assets	206	231
Amortization of intangible assets	666	1,370
Gain on the sale of RCCP	(7,116)	-
Loss (gain) on disposal of capital assets	(7)	1
	(14)	618
Changes in non-cash operating working capital items	(2,038)	1,548
	(2,052)	2,166
Investing		
Proceeds on disposal of capital assets	12	6
Proceeds on sale of shares in RCCP, net of cash position	9,716	-
Transaction costs	(81)	-
Acquisitions of capital assets	(76)	(1,608)
	9,571	(1,602)
Financing		
Mortgage repayments	(14)	(32)
	(14)	(32)
Net cash inflow from discontinued operations	7,505	532

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

5. Capital management

The Society defines its capital as its net assets. Its 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 its Net Assets under Internally Restricted - General of \$25 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 Statements of Investment Policies and Procedures (SIP&P); 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.

6. Cash and cash equivalents

	2015	2014
	Cost and fair value	Cost and fair value
	\$	\$
Cash		
Unrestricted	9,036	15,471
Externally restricted - General	27,767	23,028
Externally restricted - Haiti	601	804
Internally restricted - General	2,136	3,810
Internally restricted - Tsunami	82	97
Total cash	39,622	43,210
Cash equivalents		
Unrestricted	22	-
Externally restricted - General	72,410	93,206
Externally restricted - Haiti	22,191	34,493
Internally restricted - General	34,517	4,435
Internally restricted - Tsunami	4,908	10,789
Total cash equivalents	134,048	142,923
Total cash and cash equivalents	173,670	186,133

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

7. Long-term investments

	2015		2014	
	Fair value and carrying value	Cost	Fair value and carrying value	Cost
	\$	\$	\$	\$
Investments				
Fixed income	10,150	9,646	22,261	21,843
Equities	11,283	11,000	17,348	16,060
	21,433	20,646	39,609	37,903

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 ranging from 2015 to 2064, earning interest up to 12.2% (2014 - ranging from 2014 to 2049, earning interest up to 7.0%).

Gross investment income earned is reported as follows:

	2015	2014
	\$	\$
Investment income - General	2,182	4,202
Investment income - Tsunami	69	247
	2,251	4,449

Investment income earned from the Haiti fund of \$234 (2014 - \$584) is externally restricted and allocated to Haiti deferred revenue.

Investment income earned from the General fund of \$693 (2014 - \$838) is externally restricted and allocated to General deferred revenue.

8. Capital assets

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	9,147	-	9,147	9,412
Buildings	62,227	28,866	33,361	34,046
Furnitures, office and healthcare equipment	21,994	18,535	3,459	5,137
Vehicles	10,719	7,991	2,728	2,220
Computer hardware and software	5,533	3,903	1,630	1,543
	109,620	59,295	50,325	52,358

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(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 \$2,641 (2014 - \$2,482).

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 on behalf of these individuals. 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 pre-funded.

The most recent actuarial valuations for all of the Society's plans were performed in September 2013 and extrapolated to March 31, 2015. The next valuations will be performed by September 2016.

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

	Defined benefit pension plan		Other benefit plans	
	2015	2014	2015	2014
	\$	\$	\$	\$
		(Restated) (Note 2)		(Restated) (Note 2)
Fair value of plan assets	14,463	13,709	-	-
Accrued benefit obligations	(5,148)	(5,211)	(13,266)	(12,797)
Accrued benefit asset (liability)	9,315	8,498	(13,266)	(12,797)

Elements of costs recognized in the year are as follows:

	Defined benefit pension plan		Other benefit plans	
	2015	2014	2015	2014
	\$	\$	\$	\$
		(Restated) (Note 2)		(Restated) (Note 2)
Current service cost (employer)	-	-	711	701
Supplemental contributions	104	24	-	-
Finance cost	(374)	(384)	560	518
	(270)	(360)	1,271	1,219

The assets of the defined benefit pension are held by Manulife. Based on the fair value of the plan assets at March 31, 2015, the assets of the Plan are comprised of 31% equity, 67% fixed income, and 2% short-term securities and cash (2014 - 32% equity, 66% fixed income, and 2% short-term securities and cash).

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(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	
	2015	2014	2015	2014
	%	%	%	%
Discount rate for obligations	4.40	3.70	4.40	4.60
Discount rate for expenses	4.40	3.30	4.40	4.40
Expected long-term rate of return				
on plan assets	-	3.50	-	-
Rate of compensation increase	3.00	3.00	3.00	3.00
Post-retirement indexation	1.93	1.97	-	-
Pre-retirement indexation	-	1.97	-	-

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

	Defined benefit pension plan		Other benefit plans	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employees and employer contributions	24	24	508	503
Benefits paid	286	581	508	503

For measurement purposes of the Other Benefit Plans, a 4.5% (2014 - 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% (2014 - 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 (2014 - 4.5%).

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

10. 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:

	2015			2014		
	General	Haiti	Total	General	Haiti	Total
	\$	\$	\$	\$	\$	\$
Opening balance	140,863	29,918	170,781	73,299	43,717	117,016
Donations and grants received	108,653	3,503	112,156	194,100	625	194,725
Interest earned and deferred	693	234	927	838	584	1,422
Recognized as revenue	(127,378)	(15,568)	(142,946)	(127,374)	(15,008)	(142,382)
Closing balance	122,831	18,087	140,918	140,863	29,918	170,781
Deferred revenue - short-term	122,831	9,906	132,737	140,863	11,311	152,174
Deferred revenue - long-term	-	8,181	8,181	-	18,607	18,607

The amounts recognized as revenue in respect of Haiti are included as part of the international programming revenue in the detailed consolidated statement of operations Schedule.

11. 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:

	2015	2014
	\$	\$
Balance, beginning of year	10,886	9,268
Donations and grants received and used for the purchase of capital assets during the year	1,901	4,343
Amortization of deferred capital contributions	(2,698)	(2,725)
Balance, end of year	10,089	10,886

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

12. 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:

	\$
2016	3,779
2017	2,776
2018	2,407
2019	1,917
2020	1,608

The Society has also committed a total amount of \$30,206 under signed contracts where the services have yet to be delivered. Out of this committed amount, all are expected to be extinguished within five years.

13. Contingent liabilities and guarantees

The Society received contributions from the Department of Foreign Affairs, Trade and Development Canada (DFATD) 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 DFATD 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 consolidated 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.

14. Internally restricted funds

Internally restricted funds are comprised of:

a) General

- A cumulative amount of \$25,000 (2014 - \$43,531) which was reserved in previous years to ensure the ability to continue operations in the face of unexpected events.
- A cumulative amount of \$29,601 (2014 - \$NIL) which was reserved into a Strategic Investment Reserve Fund (SIRF) for future strategic initiatives.
- A cumulative gain on disposals of capital assets of \$4,000 (2014 - \$4,000) which was reserved in previous years for future capital asset acquisitions.

b) Tsunami

- Interest and investment income for an amount of \$58 (2014 - \$184) was appropriated to the internally restricted funds and an amount of \$5,459 (2014 - \$11,127) was expended on the objectives of the Tsunami Fund leaving a remaining amount of \$5,151 (2014 - \$10,552) as internally restricted.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

14. Internally restricted funds (continued)

The Tsunami revenue and expenses are as follows:

	2015			2014		
	Revenue	Expenses	Net	Revenue	Expenses	Net
	\$	\$	\$	\$	\$	\$
Organizational capacity						
Other income and expenses:						
Investment income - Tsunami (Note 7)	69	11	58	247	63	184
Core programs						
International programs	-	4,896	(4,896)	-	10,315	(10,315)
Support services						
Corporate obligations and support services	-	93	(93)	-	812	(812)
Net Tsunami expenses	69	5,000	(4,931)	247	11,190	(10,943)

15. Fundraising

Fundraising revenue and expenses are as follows:

	2015	2014
	\$	\$
Revenue		
Bequests	7,858	5,426
Direct marketing	33,825	34,140
Lotteries and gaming	1,403	4,016
Special events and other fundraising	14,533	11,669
Total fundraising revenue	57,619	55,251
Direct expenses		
Bequests	830	901
Direct marketing	15,397	13,578
Lotteries and gaming	1,015	2,920
Special events and other fundraising	10,051	10,400
Total fundraising expenses	27,293	27,799
Net fundraising revenues	30,326	27,452

Lotteries and gaming expenses are as follows:

	2015	2014
	\$	\$
Expenses		
Prizes	552	1,533
Marketing and other	463	1,387
	1,015	2,920

In addition to the net fundraising revenues of \$30,326 (2014 - \$27,452), the Society received restricted donations accounted for as deferred revenue of \$16,093 (2014 - \$114,144) for total fundraising of \$46,419 (2014 - \$141,596) raised during the year.

The Canadian Red Cross Society

Notes to the consolidated financial statements

March 31, 2015

(in thousands of dollars)

16. Allocation of expense

Facilities are the only expense of which part is allocated directly to the programs. During the year, total facilities expenses of \$2,865 (2014 - \$2,738) were allocated as follows: \$287 (2014 - \$287) was allocated to First Aid, Swimming and Water Safety, \$2,307 (2014 - \$2,090) was allocated to Healthcare Equipment Loan, and \$271 (2014 - \$361) was allocated to Community Initiatives.

17. Financial instruments

Fair values

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

Refer to Note 7 for fair values related to the Society's long-term investments.

Investment risk

The Society's Board of Directors has approved Statements of Investment Policies and Procedures (SIP&P) which provide the guidelines for managing investments of the Society. Through this approach, investments are strategically invested 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 significant.

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 represent credit provided for the Society's programs. The Society extends credit to its authorized providers and funding agencies. The Society's Community Health and Disaster Management Programs represent over 73% (2014 - 77%) 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 significant.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

The Canadian Red Cross Society
Detailed consolidated statement of operations - Schedule
year ended March 31, 2015
(in thousands of dollars)

	2015			2014		
	Revenue	Expenses	Net	Revenue	Expenses	Net
	\$	\$	\$	\$	\$	\$
					(Restated) (Note 2)	(Restated) (Note 2)
Organizational capacity						
Fundraising (Note 15)	57,619	27,293	30,326	55,251	27,799	27,452
Other income and expenses:						
Development projects	311	678	(367)	125	691	(566)
Gain on disposals of capital assets	379	-	379	70	-	70
Investment income - General (Note 7)	2,182	185	1,997	4,202	166	4,036
Total - Other income and expenses	2,872	863	2,009	4,397	857	3,540
Total - Organizational capacity	60,491	28,156	32,335	59,648	28,656	30,992
Core programs						
International programs:						
Programming	78,826	75,451	3,375	62,877	60,610	2,267
Humanitarian issues program	176	629	(453)	390	762	(372)
Other	-	1,581	(1,581)	-	1,221	(1,221)
Total - International programs	79,002	77,661	1,341	63,267	62,593	674
Disaster management	37,096	41,289	(4,193)	15,756	18,980	(3,224)
Health and injury prevention:						
Swimming and water safety	3,200	3,518	(318)	3,429	3,402	27
First aid	18,424	13,041	5,383	17,827	12,460	5,367
Respect ed	3,365	3,783	(418)	3,401	4,003	(602)
Community initiatives and other health	39,708	38,915	793	35,597	34,445	1,152
Healthcare equipment loan	19,118	17,204	1,914	18,026	15,990	2,036
Personal support	15,682	14,161	1,521	15,003	13,031	1,972
Total - Health and injury prevention	99,497	90,622	8,875	93,283	83,331	9,952
Program management	138	3,197	(3,059)	24	2,634	(2,610)
Volunteer resources	79	1,520	(1,441)	77	1,524	(1,447)
Total - Program management and Volunteer resources	217	4,717	(4,500)	101	4,158	(4,057)
Total - Core programs	215,812	214,289	1,523	172,407	169,062	3,345
Support services						
Amortization of capital assets	2,698	5,528	(2,830)	2,725	5,394	(2,669)
Rental and facilities	1,708	6,584	(4,876)	2,414	6,687	(4,273)
Corporate obligations and support services	2,609	34,193	(31,584)	11,053	34,305	(23,252)
Total - Support services	7,015	46,305	(39,290)	16,192	46,386	(30,194)
Disaster appeals						
Domestic	16,234	16,234	-	26,976	26,976	-
International	31	31	-	323	323	-
Total - Disaster appeals	16,265	16,265	-	27,299	27,299	-
Excess (deficiency) of revenue over expenses from continuing operations before Net Tsunami expenses	299,583	305,015	(5,432)	275,546	271,403	4,143
Net Tsunami Expenses (Note 14)	69	5,000	(4,931)	247	11,190	(10,943)
Deficiency of revenue over expenses from continuing operations	299,652	310,015	(10,363)	275,793	282,593	(6,800)
Discontinued operations (Note 4)						
Deficiency of revenue over expenses from RCCP	42,143	43,065	(922)	85,400	86,430	(1,030)
Gain on disposal of investment in RCCP	7,197	81	7,116	-	-	-
Deficiency of revenue over expenses	348,992	353,161	(4,169)	361,193	369,023	(7,830)

See accompanying notes to the consolidated financial statements.