
Financial statements of
The Canadian Red Cross Society

March 31, 2023

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Independent Auditor's Report

To the Members of
The Canadian Red Cross Society

Opinion

We have audited the financial statements of the Canadian Red Cross Society (the "Society"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements dated May 24, 2022.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Financial and Operations Review.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Financial and Operations Review prior to the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants

Licensed Public Accountants

May 24, 2023

The Canadian Red Cross Society

Statement of financial position


As at March 31, 2023

(in thousands of dollars)

	Notes	2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	3	387,090	244,689
Accounts receivable		120,651	130,506
Grants receivable		68,979	54,796
Inventory		21,609	23,815
Prepaid expenses		18,965	10,754
Assets held for sale – current	6	—	2,265
		617,294	466,825
Long-term investments	4	81,066	78,999
Tangible capital and intangible assets	5	63,914	52,077
Assets held for sale	6	638	—
Defined benefit pension plan asset	10	3,855	5,131
		766,767	603,032
Liabilities and net assets			
Current liabilities			
Bank indebtedness	21	3,238	13,481
Account payable and accrued liabilities	7	53,639	47,657
Deferred contributions – short-term	8	423,736	264,381
		480,613	325,519
Deferred contributions - long-term	8	33,841	17,111
Deferred contributions related to tangible capital and intangible assets	9	9,386	9,340
Other defined benefit plans liability	10	4,014	5,141
		527,854	357,111
Net assets			
Invested in tangible capital and intangible assets	11	55,166	45,002
Restricted for endowment purposes		2,209	2,307
Internally restricted	12	106,577	108,593
Unrestricted		74,961	90,019
		238,913	245,921
Commitments, contingent liabilities, and guarantees	13, 14	766,767	603,032

The accompanying notes and supporting schedule are an integral part of these financial statements.

On behalf of the Board

 _____, Chair

 _____, Chair, Audit and Finance Committee

The Canadian Red Cross Society

Statement of operations

Year ended March 31, 2023

(in thousands of dollars)

	Notes	2023	2022
		\$	\$
Revenue			
Fundraising	15	102,481	94,671
Core programs		561,652	574,028
Total revenue		664,133	668,699
Expenses	16		
Organizational capacity			
Fundraising	15	52,974	36,895
Governance and general management		24,518	19,526
		77,492	56,421
Core programs			
Emergency management		504,895	467,612
Health		99,770	101,465
		604,665	569,077
Total expenses		682,157	625,498
(Deficiency) excess of revenue over expenses before the undernoted		(18,024)	43,201
Health restructuring reversal	19	—	5,831
Investment income (loss), net of fees		1,196	(960)
Gain on sale of tangible capital assets and assets held for sale	5, 6	9,929	16,944
(Deficiency) excess of revenue over expenses		(6,899)	65,016

The accompanying notes and supporting schedule are an integral part of the financial statements.

The Canadian Red Cross Society
Statement of changes in net assets

Year ended March 31, 2023

(in thousands of dollars)

Notes		2023				
		Invested in tangible capital and intangible assets	Restricted for endowment purposes	Internally restricted	Unrestricted	Total
		\$	\$	\$	\$	\$
Net assets, beginning of the year		45,002	2,307	108,593	90,019	245,921
Deficiency of revenue over expenses		—	(98)	—	(6,801)	(6,899)
Remeasurement loss on defined benefit pension plan asset and other defined benefit plans liability		—	—	—	(109)	(109)
Changes to net assets invested in tangible capital and intangible assets	17	10,164	—	—	(10,164)	—
Internally restricted	12	—	—	(2,016)	2,016	—
Net assets, end of the year		55,166	2,209	106,577	74,961	238,913
		2022				
		Invested in tangible capital and intangible assets	Restricted for endowment purposes	Internally restricted	Unrestricted	Total
Net assets, beginning of the year		44,949	2,244	91,909	41,672	180,774
Excess of revenue over expenses		—	63	—	64,953	65,016
Remeasurement gain on defined benefit pension plan asset and other defined benefit plans liability		—	—	—	131	131
Changes to net assets invested in tangible capital and intangible assets	17	53	—	—	(53)	—
Internally restricted	12	—	—	16,684	(16,684)	—
Net assets, end of the year		45,002	2,307	108,593	90,019	245,921

The accompanying notes and supporting schedule are an integral part of the financial statements.

The Canadian Red Cross Society

Statement of cash flows

Year ended March 31, 2023

(in thousands of dollars)

	Notes	2023	2022
		\$	\$
Operating activities			
(Deficiency) excess of revenue over expenses		(6,899)	65,016
Items not involving cash			
Increase in net employee future benefits		40	(213)
Amortization of tangible capital and intangible assets		8,313	6,971
Amortization of deferred contributions related to tangible capital and intangible assets		(2,250)	(1,972)
Decrease in cumulative unrealized gains on investments		1,925	4,336
Gain on sale of tangible capital assets and assets held for sale		(9,929)	(16,944)
Changes in non-cash operating working capital			
Accounts receivable		(4,328)	(82,697)
Inventory		2,206	(970)
Prepaid expenses		(8,211)	255
Accounts payable and accrued liabilities		5,982	(7,715)
Deferred contributions		176,085	121,071
		162,934	87,138
Investing activities			
Net purchase of long-term investments		(3,992)	(8,664)
Proceeds on sale of tangible capital assets and assets held for sale		12,163	22,929
Acquisitions of tangible capital and intangible assets		(20,786)	(13,555)
		(12,615)	710
Financing activities			
Deferred contributions related to tangible capital and intangible assets		2,325	2,518
Increase in cash and cash equivalents		152,644	90,366
Cash and cash equivalents, beginning of the year		231,208	140,842
Cash and cash equivalents, end of the year		383,852	231,208
Represented by	3, 21		
Unrestricted cash (bank indebtedness)		(3,238)	(13,481)
Unrestricted cash equivalents		1,654	2,457
Externally restricted		376,459	218,788
Internally restricted		8,977	23,444
Cash and cash equivalents		383,852	231,208

The accompanying notes and supporting schedule are an integral part of the financial statements.

The Canadian Red Cross Society

Notes to the financial statements

March 31, 2023

(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 under paragraph 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies

The 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 financial statements reflect the assets, liabilities, revenues and expenses of the operations of the Society including all operations within Canada and internationally.

The Society's Vision 2025 reflects two fields of work namely, Emergency Management and Health. Emergency Management includes domestic and international response, recovery and disaster risk reduction service lines. Health encompasses international programming, first aid and water safety and community health and wellness service lines.

The Organizational Capacity and Core Programs section on the statement of operations reflect the revenue and expenses of the Emergency Management and Health programs after application of the Society's common support services expenses for programs. The Schedule provides a detailed summary of the net contributions of these two fields of work and the underlying programs after common support services expenses.

Revenue recognition

The Society follows the deferral method of accounting to account for contributions for not for profit organizations.

The Society receives donations from annual fundraising campaigns for operating purposes and from special campaigns for disaster relief programs in Canada and internationally.

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. Revenue from the sale of goods or services is recognized when the goods are delivered or services rendered.

Externally restricted donations used to purchase depreciable tangible capital and intangible assets are deferred and amortized over the life of the related tangible capital and intangible asset. Externally restricted contributions used to purchase land are recorded as a direct increase in the net assets invested in tangible capital and intangible assets.

Externally restricted contributions that have not been expended are recorded as deferred contributions on the statement of financial position.

Endowment contributions are recognized as direct increases in net assets restricted for endowment purposes.

The fair value of donated tangible capital and intangible assets is deferred and amortized to income on the same basis as the related depreciable tangible capital and intangible assets are amortized.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

2. Significant accounting policies (continued)

Revenue recognition (continued)

Investment income 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 statement of operations.

Unrealized gains and losses on financial assets are included in investment income and recognized as revenue in the 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

(a) Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument.

(b) Subsequent measurement

All financial instruments are subsequently measured at amortized cost except for the investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship, which are measured at fair value at the balance sheet date. The fair value of listed shares is based on the latest closing price, and the fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Interest earned on short-term investments and bonds, dividends received on unlisted shares, unrealized gains and losses on listed shares, and realized gains and losses on sales of short-term investments and bonds are included in Investment income in the statement of earnings.

(c) Transaction costs

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

(d) Impairment

With respect to financial assets measured at cost or amortized cost, the Society recognizes an impairment loss, if any, in net earnings when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash and equivalents that mature within six months and those that can be readily converted to cash, less bank indebtedness.

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 consists of emergency relief, medical and other supplies that are necessary for the conduct of the Society's core programs and are required to be available for use on an immediate basis. The use of these supplies is recorded as an expense of the respective core program in the period deployed by the Society. Inventory also includes items used or sold in the Society's Prevention and Safety programs. Inventory is valued at the lower of cost and replacement value. Cost is determined using the first in first out method.

Tangible capital and intangible assets

Purchased tangible capital and intangible assets are recorded at cost. Contributed tangible 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 of the asset as follows:

Assets	Useful life
Buildings	20 to 40 years
Building improvements	10 to 20 years
Leasehold improvements	Life of related lease
Furniture, office and healthcare equipment	3 to 5 years
Vehicles	2 to 5 years
Computer hardware	2 to 3 years
Intangible assets	5 to 7 years

Land is not amortized due to its infinite life. Assets under development are only amortized once they are put into use by the Society. Intangible assets include purchased and internally developed software. When a tangible capital or intangible asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

The gain or loss on disposal of tangible capital and intangible assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of the disposal and is included in profit or loss in the year of disposal.

The useful life and residual value of tangible capital and intangible assets are reviewed annually. Judgment is applied in determining the useful lives of tangible capital and intangible assets. Any reassessment of useful life and residual value in a particular year will affect depreciation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

2. Significant accounting policies (continued)

Post-retirement benefits

During the year ended March 31, 2022, the Society early adopted the amendments to Handbook Section 3462, Employee Future Benefits, which changed the measurement of the pension obligation related to certain defined benefit pension plans. For defined benefit plans with no legislative, regulatory or contractual requirement to prepare a funding valuation, the amendments remove the accommodation to allow for the use of a funding valuation and an accounting valuation is required to be used. The amendments did not result in any material impact on the disclosures or the amounts reported in these consolidated financial statements.

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 measures its accrued benefits obligations for accounting purposes as at March 31 of each year by extrapolating the value from the most recent actuarial valuation prepared for funding purposes for the defined benefit pension plan and using the accounting basis for the other defined benefit plans.

The benefit plan expense for the year consists of the current service and finance costs. Remeasurements and other items are recorded directly on the Statement of changes in net assets.

Allocation of expenses

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

The Society allocates support services expenses directly to its programs based on activity, cost or revenue drivers such as number of transactions, number of full-time equivalents or service line gross revenue.

Governance and general management expenses are not allocated and are accounted for as part of organizational capacity.

Fund Development expenses are not allocated and are accounted for directly in Fundraising expense.

Use of estimates

The preparation of these 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 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. Key management estimates include the useful lives of tangible capital and intangible assets, allowance for doubtful accounts, provision for obsolete inventory, assumptions underlying the employee future benefit liability calculations, the impairment allowance on tangible capital and intangible assets where applicable, and the determination of certain accrued liabilities and contingencies. These estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the period in which they become known.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

3. Cash and cash equivalents

Cash and cash equivalents related to deferred contributions are restricted externally for specified purposes and not available for the Society's general operations. Cash and cash equivalents internally restricted have been allocated to specific activities identified by management and approved by the Board of Directors. The funds are not available for the Society's general operations. Total cash and cash equivalents is allocated as follows:

	2023	2022
	\$	\$
Cash		
Externally restricted – General	9,158	48,517
Externally restricted – Employment and Social Development Canada	161,335	—
Externally restricted – Ukraine	20,993	60,970
Externally restricted – COVID 19	2,392	19,818
Externally restricted – Alberta Fires 2016	5,173	5,149
Externally restricted – BC Fires 2017	109	3,648
Externally restricted – Türkiye Syria Earthquake	27,532	—
Internally restricted	6,477	23,444
	233,169	161,546
Cash equivalents		
Unrestricted	1,654	2,457
Externally restricted – General	90,035	55,563
Externally restricted – Ukraine	35,000	—
Externally restricted – COVID 19	22,732	10,123
Externally restricted – Alberta Fires 2016	—	3,000
Externally restricted – BC Fires 2017	2,000	12,000
Internally restricted	2,500	—
	153,921	83,143
Total cash and cash equivalents before bank indebtedness	387,090	244,689
Less: Bank indebtedness	(3,238)	(13,481)
Total cash and cash equivalents	383,852	231,208

4. Long-term investments

	2023		2022	
	Fair value and carrying value	Cost	Fair value and carrying value	Cost
	\$	\$	\$	\$
Investments				
Fixed income	41,957	45,585	39,594	42,182
Equities	39,109	36,572	39,405	35,983
	81,066	82,157	78,999	78,165

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

4. Long-term investments (continued)

The fair values of investments are based on quoted market prices.

Fixed income investments are comprised of government and corporate bonds with maturity dates ranging from 2023 to 2172, earning interest up to 16.35% (ranging from 2022 to 2170, earning interest up to 21% in 2022).

5. Tangible capital and intangible assets

	2023			2022
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	3,351	—	3,351	3,601
Buildings and building improvements	31,300	19,999	11,301	11,911
Leasehold improvements	12,025	1,846	10,179	5,423
Furniture, office and healthcare equipment	34,341	30,415	3,926	3,678
Vehicles	7,414	6,241	1,173	1,110
Computer hardware	7,794	6,665	1,129	1,338
Intangible assets	33,730	14,912	18,818	9,931
Assets under development	14,037	—	14,037	15,085
	143,992	80,078	63,914	52,077

Cost and accumulated amortization at March 31, 2022 amounted to \$126,769 and \$74,692 respectively. Amortization expense for the year was \$8,313.

Intangible assets include purchased and internally developed software.

During the year, the Society disposed of tangible capital assets with a net book value of \$620 (\$1,160 in 2022) for proceeds on disposal of \$92 (\$4,908 in 2022), resulting in a loss on disposal of \$528 (gain of \$3,848 in 2022).

6. Assets held for sale

As part of the Society's strategy to reduce its physical footprint to deliver its services, certain properties were considered as redundant and contracted for sale during the past few years.

During the current year, the Society disposed of assets previously held for sale with a net book value of \$1,614 (\$4,925 in 2022) for proceeds on disposal of \$12,071 (\$18,021 in 2022), resulting in a gain on disposal of \$10,457 (\$13,096 in 2022).

Assets currently classified as held for sale are comprised of buildings located in Manitoba and Saskatchewan. The values of the buildings have been measured at the lower of their carrying amount or fair value less cost to sell.

7. Accounts payables and accrued liabilities

As at March 31, 2023, the Society had \$230 (\$250 in 2022) payable for government remittances, including harmonized sales tax, goods and services tax and payroll remittances.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

8. Deferred contributions

Deferred contributions are comprised of amounts restricted for the funding of expenses to be incurred in the future and are composed of cash and other assets. The movement of the deferred contributions is as follows:

									2023
	General	COVID-19	Employment and Social Development Canada	Turkiye Syria Earthquake	BC Floods 2021	Ukraine	AB Fires 2016	BC Fires 2017	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	106,181	29,941	—	—	41,039	78,083	7,923	18,325	281,492
Donations and grants received	183,157	38,323	161,984	40,771	1,697	78,250	—	—	504,182
Interest earned and deferred	1,118	276	1,685	142	386	1,737	195	185	5,724
Recognized as revenue	(144,939)	(49,889)	(2,334)	(3,644)	(16,956)	(102,228)	(2,633)	(7,287)	(329,910)
Reallocated among funds	(6,443)	6,340	—	263	—	151	(311)	—	—
Reallocated to deferred capital contributions	(3,911)	—	—	—	—	—	—	—	(3,911)
Closing balance	135,163	24,991	161,335	37,532	26,166	55,993	5,174	11,223	457,577
Deferred contributions -short-term	135,163	24,991	161,335	37,532	26,166	29,242	1,904	7,403	423,736
Deferred contributions - long-term	—	—	—	—	—	26,751	3,270	3,820	33,841

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

8. Deferred contributions (continued)

							2022
	General	COVID-19	BC Floods 2021	Ukraine	AB Fires 2016	BC Fires 2017	Total
	\$	\$	\$	\$	\$	\$	\$
Opening balance	87,501	32,678	—	—	16,285	23,957	160,421
Donations and grants received	112,852	105,287	75,611	141,231	—	—	434,981
Interest earned and deferred	530	170	22	11	93	167	993
Recognized as revenue	(101,432)	(107,774)	(34,594)	(63,159)	(7,277)	(5,799)	(320,035)
Reallocated among funds	1,598	(420)	—	—	(1,178)	—	—
Reallocated to deferred contributions	5,132	—	—	—	—	—	5,132
Closing balance	106,181	29,941	41,039	78,083	7,923	18,325	281,492
Deferred contributions - short-term	106,181	29,941	41,039	78,083	4,228	4,909	264,381
Deferred contributions - long-term	—	—	—	—	3,695	13,416	17,111

The amounts recognized as revenue in respect of COVID-19, BC Floods, Ukraine, Türkiye Syria Earthquake, AB Fires 2016, BC Fires 2017 and Employment and Social Development Canada are included as part of the Emergency Management revenue in the detailed statement of operations schedule.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

9. Deferred contributions related to tangible capital and intangible assets

Deferred contributions related to tangible capital and intangible assets represent the unamortized amount of donations and grants received and used for the purchase of tangible capital and intangible assets. The changes in the deferred contributions balance for the year are as follows:

	2023	2022
	\$	\$
Balance, beginning of the year	9,340	9,123
Donations and grants received, used for the purchase of tangible capital and intangible assets during the year	2,325	2,518
Amortization of deferred contributions related to tangible capital and intangible assets	(2,250)	(1,972)
Gain on sale of tangible capital assets and assets held for sale	(29)	(329)
Balance, end of the year	9,386	9,340

10. Employee future benefits

The Society is the sponsor and administrator of a defined contribution and a defined benefit pension plan. During the year ended March 31, 2023, the Society's contribution to its employees' defined contribution pension plan was \$4,110 (\$3,526 in 2022).

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 benefits for its retired employees (Other Benefit Plans). However, effective September 30, 2020, post-retirement health benefits are no longer offered to new retirees. There is no impact on those employees who retired on or before that date. These benefits are not pre-funded.

The most recent actuarial valuation for the Society's defined benefit pension plan was performed in September 2022 and extrapolated to March 31, 2023. The next valuation for this plan will be performed as of September 2025. The most recent actuarial valuations for the Society's other defined benefit plans were performed in March 2022 and extrapolated to March 31, 2023. The next valuation for these plans will be performed by March 2025.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

10. Employee future benefits (continued)

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

	2023		2022	
	Defined benefit pension plan	Other defined benefit plans	Defined benefit pension plan	Other defined benefit plans
	\$	\$	\$	\$
Accrued benefit obligations, beginning of the year	3,230	5,141	3,309	6,354
Current service cost	—	—	—	—
Finance cost	129	216	132	216
Benefits paid	(237)	(636)	(207)	(670)
Actuarial loss	(5)	(707)	(4)	(759)
Accrued benefit obligations, end of the year	3,117	4,014	3,230	5,141
Fair value of plan assets	6,972	—	8,361	—
Defined benefit asset (liability)	3,855	(4,014)	5,131	(5,141)

The significant actuarial assumptions adopted in measuring the Society's accrued benefit obligations are as follows:

	2023		2022	
	Defined benefit pension plan	Other defined benefit plans	Defined benefit pension plan	Other defined benefit plans
Discount rate for obligations	4.00%	4.20%	4.00%	3.40%
Discount rate for expenses	4.00%	4.20%	4.00%	3.40%
Post-retirement indexation	1.75%	—%	1.75%	—%
Dental cost increases		4.00%		4.00%
Extended healthcare cost escalations, 6.60% per annum in 2019 grading down to 4.00% per annum in and after 2040		6.10%		6.23%
Hospital benefit cost escalation		4.00%		4.00%

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

	2023		2022	
	Defined benefit pension plan	Other defined benefit plans	Defined benefit pension plan	Other defined benefit plans
	\$	\$	\$	\$
Employees and employer contributions	—	636	—	670
Benefits paid	237	636	207	670

The Canadian Red Cross Society

Notes to the financial statements

March 31, 2023

(in thousands of dollars)

11. Net assets

The Society defines its capital as its net assets. Its objectives in managing capital are:

- to maintain a minimum reserve in its net assets, including \$35 million under the Legacy Fund, to ensure the ability to deliver on the operational plan priorities approved by the Board of Directors as well as continue operations in the face of unexpected events;
- to invest funds in financial instruments permitted under the Board of Directors' approved Statements of Investment Policies and Procedures ("SIP&P"); and
- to manage grants and donations with external restrictions in order to comply with the conditions for using these financial resources.

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

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

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

12. Internally restricted funds

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.

Internally restricted funds are comprised of:

- Legacy Fund: On January 31, 2020, a new fund was created by combining the Contingency Reserve with new donations of \$31,200 to provide investment income to support operations. As at March 31, 2023, the cumulative amounts of \$73,995 (\$74,119 in 2022) internally restricted and \$500 (\$500 in 2022) endowed are reserved to both ensure the ability to continue operations in the face of unexpected events and provide investment income to support operations. The Society allocates annually 3% of the average prior three-year fair value of the fund to the unrestricted reserves to support operations.
- Strategic Investment Reserve Fund ("SIRF"): A cumulative amount of \$27,159 (\$29,010 in 2022) is reserved to finance strategic initiatives.
- Other: Comprised of the COVID-19 Insurance Fund and Tsunami Fund in the amount of \$5,423 (\$5,464 in 2022).

13. 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:

	\$
2024	8,493
2025	7,581
2026	6,781
2027	6,019
2028	3,723

The Society has also committed a total amount of \$53,802(\$36,203 in 2022) under signed contracts where the services have yet to be delivered. In addition, \$167,280 (\$11,936 in 2022) of uncontracted commitments have been agreed upon. Of this amount, all are expected to be expended within five years.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

14. Contingent liabilities and guarantees

The Society receives contributions from federal and provincial 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 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.

15. Fundraising

Fundraising revenue and expenses are as follows:

	2023	2022
	\$	\$
Revenue		
Bequests	12,307	17,305
Direct marketing	68,105	64,459
Special events and other fundraising	22,069	12,907
	102,481	94,671
Direct expenses		
Bequests	1,391	1,127
Direct marketing	35,817	23,887
Special events and other fundraising	15,766	11,881
	52,974	36,895
	49,507	57,776

During the year, the Society received \$98,748 (\$94,671 in 2022) in unrestricted donations. In addition, the Society received restricted donations accounted for as program revenue of \$10,428 (\$9,372 in 2022) and restricted donations accounted for as deferred contributions of \$142,613 (\$204,160 in 2022), for total fundraising of \$251,789 (\$308,203 in 2022) raised during the year.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

16. Allocations of expenses

Net support services are allocated directly to programs. During the year, they were allocated as follows:

	2023	2022
	\$	\$
Organizational capacity	24,518	19,526
Emergency management	44,409	22,010
Health:		
International operations	4,456	4,530
Prevention and safety	4,332	5,405
Community health and wellness	7,167	10,470
Total Health	15,955	20,405
	84,883	61,941

17. Changes to net assets invested in tangible capital and intangible assets

Net changes are comprised of the following:

	2023	2022
	\$	\$
Amortization of tangible capital and intangible assets	(8,313)	(6,971)
Amortization of deferred contributions related to tangible capital and intangible assets	2,250	1,972
Gain on sale of tangible capital assets and assets held for sale	9,929	16,944
Proceeds on sale of tangible capital assets and assets held for sale	(12,163)	(22,929)
Acquisitions of tangible capital and intangible assets	20,786	13,555
Decrease in deferred contributions related to tangible capital and intangible assets	(2,325)	(2,518)
	10,164	53

18. Financial risks

The Society is subject to the following risks from its financial instruments:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, namely foreign currency risk, interest rate risk and other price risk:

Foreign currency risk

The Society operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. Foreign exchange risk is not significant as risk is limited to USD and other foreign currency cash holdings totaling \$4,611 (\$2,084 in 2022).

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

18. Financial risks (continued)

Market risk (continued)

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 exposure to interest rate risk is limited to its fixed income investments as disclosed in Note 4. The fair value of financial instruments having fixed rates of interest could fluctuate because of changes in market interest rates. The potential impact of adverse changes in rates is not considered significant.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society is exposed to other price risk with respect to its long-term investments, its holdings of pooled fund investments and equity investments as disclosed in Note 4. There has been no significant change in this exposure from the previous period.

Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfill its obligations associated with financial liabilities or to meet cash requirements on a timely basis or a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. As at March 31, 2023, the most significant financial liabilities are the bank indebtedness and accounts payable and accrued liabilities

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 Emergency Management programs represent 96% (2022 - 92%) of the total accounts receivable. The credit is provided mainly to federal and 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. The Society has an allowance for doubtful accounts of \$3,176 (\$825 in 2022), including a provision this year for accrued receivables.

There has been no significant change in the risk exposures of the Society in the year.

19. Restructuring

During 2022, the Health segment carried out further restructuring activities including previously announced restructuring initiatives which continued in the Health and Community Wellness program in Ontario and Atlantic Canada. Provisions of \$5,831 related to the restructuring of certain Health and Community Wellness programs were reversed in 2022 as the restructuring activities were substantially completed.

The Canadian Red Cross Society
Notes to the financial statements

March 31, 2023

(in thousands of dollars)

20. Effects of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and societal impact. There were no significant impacts to the Society prior to that time.

During the year ended March 31, 2023, the COVID-19 pandemic continued to have a significant impact on operating revenues and expenditures of the Society with total operating revenues of \$41,116 (\$227,390 in 2022) received to fund the Society's emergency response efforts.

During the year, the Society entered into a \$164,984 contribution agreement with Employment and Social Development Canada to deliver a granting program as part of the Community Services Recovery Fund to respond to the adaptation and modernization needs of non-profit and charitable Community Service Organizations facing immediate and long-term impacts of the COVID pandemic as they continue to support communities. \$2,334 of revenues have been recognized during the year and the Society has received funding which has been recognized as deferred revenue (see notes 3 and 8).

This year, the Society did not apply for assistance under the Canada Emergency Wage Subsidy (CEWS) set up by the Government of Canada to assist Canadian organizations during the COVID-19 pandemic as the program ended in 2022. In 2022, this government assistance was recognized as a reduction of expenses amounting to \$26,460.

21. Bank indebtedness

The Society has a revolving demand facility with the Royal Bank of Canada for \$30,000 which is secured with a general security providing first ranking over the Society's assets. Interest payable on the facility is under a variable interest rate arrangement. At March 31, 2023, \$3,238 was drawn against this facility (\$13,481 in 2022).

22. Comparative information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

The Canadian Red Cross Society
Detailed statement of operations - schedule

Year ended March 31, 2023

(in thousands of dollars)

	Notes	2023			2022		
		Revenue	Expenses	Net	Revenue	Expenses	Net
		\$	\$	\$	\$	\$	\$
Organizational capacity							
Fundraising	15	102,481	52,974	49,507	94,671	36,895	57,776
Governance and general management		—	24,518	(24,518)	—	19,526	(19,526)
		102,481	77,492	24,989	94,671	56,421	38,250
Core programs							
Emergency management		470,022	504,895	(34,873)	470,934	467,612	3,322
Health							
International operations		22,313	25,831	(3,518)	22,873	24,204	(1,331)
Prevention and safety		20,509	21,418	(909)	21,183	20,364	819
Community health and wellness		48,808	52,521	(3,713)	59,038	56,897	2,141
Total Health		91,630	99,771	(8,140)	103,094	101,465	1,629
		561,652	604,665	(43,013)	574,028	569,077	4,951
(Deficit) excess of revenue over expenses before the undernoted		664,133	682,157	(18,024)	668,699	625,498	43,201
Other income and expenses							
Health restructuring reversal	19	—	—	—	—	(5,831)	5,831
Investment income (loss)		2,209	1,013	1,196	(384)	576	(960)
Gain on sale of tangible capital assets and assets held for sale	5, 6	9,929	—	9,929	16,944	—	16,944
(Deficit) excess of revenue over expenses		676,271	683,170	(6,899)	685,259	620,243	65,016