Financial Statements of

THE CANADIAN RED CROSS SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2022

THE CANADIAN RED CROSS SOCIETY

Year ended March 31, 2022

Independent Auditors' Report

Financial Statements:

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Red Cross Society,

Opinion

We have audited the financial statements of the Canadian Red Cross Society (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements and schedule, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, its changes in net assets, 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. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Financial and Operations Review.

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Financial and Operations Review as at the date of this auditors' 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 the auditors' 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 control 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 24, 2022

THE CANADIAN RED CROSS SOCIETY

Statement of Financial Position

March 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 244,689	$ 140,842
Accounts receivable	185,302	102,605
Inventory	23,815	22,845
Prepaid expenses	10,754	11,009
Asset held for sale – current (note 6)	2,265	4,131
	466,825	281,432
Long-term investments (note 4)	78,999	74,670
Tangible capital and intangible assets (note 5)	52,077	48,859
Assets held for sale (note 6)	–	1,082
Defined benefit pension plan asset (note 10)	5,131	6,000
	$ 603,032	$ 412,043
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 21)	$ 13,481	$ –
Accounts payable and accrued liabilities (note 7)	47,657	55,371
Deferred contributions - short-term (note 8)	264,381	145,288
	325,519	200,659
Deferred contributions - long-term (note 8)	17,111	15,133
Deferred contributions related to tangible capital and intangible assets (note 9)	9,340	9,123
Other defined benefit plans liability (note 10)	5,141	6,354
	357,111	231,269
Net assets (note 11):		
Invested in tangible capital and intangible assets	45,002	44,949
Restricted for endowment purposes	2,307	2,244
Internally restricted (note 12)	108,593	91,909
Unrestricted	90,019	41,672
	245,921	180,774
Commitments, contingent liabilities and guarantees (notes 13 and 14)		
	$ 603,032	$ 412,043

See accompanying notes to 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, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
	(Schedule)	
Revenue:		
Fundraising (note 15)	$ 94,671	$ 79,471
Core programs	574,028	464,722
Total revenue	668,699	544,193
Expenses (note 16):		
Organizational capacity:		
Fundraising (note 15)	36,895	36,213
Governance and general management	19,526	13,831
	56,421	50,044
Core programs:		
Emergency management	467,612	370,994
Health	101,465	109,407
	569,077	480,401
Total expenses	625,498	530,445
Excess of revenue over expenses before the undernoted	43,201	13,748
Health restructuring reversal (note 19)	5,831	–
Investment income (loss), net of fees	(960)	13,319
Gain on sale of tangible capital assets and assets held for sale (notes 5 and 6)	16,944	67
Excess of revenue over expenses	$ 65,016	$ 27,134

See accompanying notes to financial statements.

THE CANADIAN RED CROSS SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021
(In thousands of dollars)

		Invested in tangible capital and intangible assets		Restricted for endowment purposes		Internally restricted		Unrestricted		2022
Net assets, beginning of year		44,949	$	2,244	$	91,909	$	41,672	$	180,774
Excess of revenue over expenses	$	–		63		–				65,016
Remeasurement gain on defined benefit pension plan asset and other defined benefit plans liability		–		–		–				131
								64,953		
Investment in tangible capital and intangible assets (note 17)		53		–		–		(53)		–
Internally restricted (note 12)		–		–		16,684		(16,684)		–
Net assets, end of year		45,002	$	2,307	$	108,593131	$	90,019	$	245,921
	$									

		Invested in tangible capital and intangible assets		Restricted for endowment purposes		Internally restricted		Unrestricted		2021
Net assets, beginning of year		45,116	$	1,629	$	83,929	$	21,830	$	152,504
Excess of revenue over expenses	$	–		115		–				27,134
Receipt of endowed funds (note 12)		–		500		–		–		500
								27,019		
Remeasurement gain on defined benefit pension plan asset and other defined benefit plans liability		–		–		–				636
Investment in tangible capital and intangible assets (note 17)		(167)		–		–		167		–
Internally restricted (note 12)		–		–		7,980		(7,980)		–
Net assets, end of year		44,949	$	2,244	$	91,909636	$	41,672	$	180,774

See accompanying notes to financial statements. $

THE CANADIAN RED CROSS SOCIETY

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 65,016	$ 27,134
Items not involving cash:		
Increase in net employee future benefits	(213)	(123)
Amortization of tangible capital and intangible assets	6,971	7,162
Amortization of deferred contributions related to tangible capital and intangible assets	(1,972)	(1,877)
Decrease (increase) in cumulative unrealized gains on investments	4,336	(9,839)
Gain on sale of tangible capital assets and assets held for sale	(16,944)	(67)
Change in non-cash operating working capital:		
Accounts receivable	(82,697)	(64,481)
Inventory	(970)	(9,241)
Prepaid expenses	255	(2,531)
Accounts payable and accrued liabilities	(7,715)	18,712
Deferred contributions	121,071	(16,574)
	87,138	(51,725)
Investing activities:		
Net purchase of long-term investments	(8,664)	(3,785)
Proceeds on sale of tangible capital assets and assets held for sale	22,929	73
Acquisitions of tangible capital and intangible assets	(13,555)	(6,623)
	710	(10,335)
Financing activities:		
Deferred contributions related to tangible capital and intangible assets	2,518	1,499
Endowment contributions	–	500
	2,518	1,999
Increase (decrease) in cash and cash equivalents	90,366	(60,061)
Cash and cash equivalents, beginning of year	140,842	200,903
Cash and cash equivalents, end of year	$ 231,208	$ 140,842
Represented by (note 3):		
Unrestricted cash (bank indebtedness)	$ (13,481)	$ 4,910
Unrestricted cash equivalents	2,457	196
Externally restricted	218,788	115,567
Internally restricted	23,444	20,169
Cash and cash equivalents	$ 231,208	$ 140,842

See accompanying notes to financial statements.

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:

(a) 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. Certain comparative information has been reclassified to conform with the current year presentation.

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.

(b) 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.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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.

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.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial assets measured at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) 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.

(e) 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.

(f) Inventory:

Inventory consists of 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.

2. Significant accounting policies (continued):

(g) 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:

Asset	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.

(h) 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 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.

2. Significant accounting policies (continued):

(h) Post-retirement benefits (continued):

The benefit plan expense for the year consists of the current service and finance costs. Re-measurements and other items are recorded directly on the Statement of Changes in Net Assets.

(i) 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.

(j) 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, 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.

(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:

	2022	2021
Cash:		
Unrestricted	$ –	$ 4,910
Externally restricted - General	48,517	12,560
Externally restricted – Ukraine	60,970	–
Externally restricted - COVID-19	19,818	6,843
Externally restricted - Alberta Fires	5,149	16,285
Externally restricted - BC Fires	3,648	26,407
Internally restricted	23,444	8,169
	161,546	75,174
Cash equivalents:		
Unrestricted	2,457	196
Externally restricted - General	55,563	33,637
Externally restricted - COVID-19	10,123	19,835
Externally restricted - Alberta Fires	3,000	–
Externally restricted - BC Fires	12,000	–
Internally restricted	–	12,000
	83,143	65,668
Total cash and cash equivalents	$ 244,689	$ 140,842

(In thousands of dollars)

4. Long-term investments:

	2022		2021	
	Fair value and carrying value	Cost	Fair value and carrying value	Cost
Investments:				
Fixed income	$ 39,594	$ 42,182	$ 35,367	$ 35,358
Equities	39,405	35,983	39,303	34,144
	$ 78,999	$ 78,165	$ 74,670	$ 69,502

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 2022 to 2170, earning interest up to 21% (2021 - ranging from 2021 to 2170, earning interest up to 50%).

5. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 3,601	$ –	$ 3,601	$ 3,446
Buildings and building improvements	33,097	21,186	11,911	15,180
Leasehold improvements	6,470	1,047	5,423	3,829
Furniture, office and healthcare equipment	32,089	28,411	3,678	3,464
Vehicles	7,871	6,761	1,110	704
Computer hardware	7,696	6,358	1,338	1,252
Intangible assets	20,860	10,929	9,931	12,582
Assets under development	15,085	–	15,085	8,402
	$ 126,769	$ 74,692	$ 52,077	$ 48,859

Cost and accumulated amortization at March 31, 2021 amounted to $124,589 and $75,730, respectively.

Intangible assets include purchased and internally developed software.

5. Tangible capital and intangible assets (continued):

During the year, the Society disposed of tangible capital assets with a net book value of $1,060 (2021 - $6) for proceeds on disposal of $4,908 (2021 - $73), resulting in a gain on disposal of $3,848 (2021 - $67).

During the year, the Society did not expense any assets under development (2021 - $1,674), following a review of the feasibility of the assets under development.

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 $4,925 (2021 - $Nil) for proceeds on disposal of $18,021 (2021 - $Nil), resulting in a gain on disposal of $13,096 (2021 - $Nil).

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

7. Accounts payable and accrued liabilities:

As at March 31, 2022, the Society had $250 (2021 - $494) payable for government remittances, including harmonized sales tax, goods and services tax and payroll remittances.

(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. The movement of the deferred contributions is as follows:

	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

(In thousands of dollars)

8. Deferred contributions (continued):

	2021				
	General	COVID-19	AB Fires 2016	BC Fires 2017	Total
Opening balance	$ 88,538	$ 27,156	$ 32,166	$ 29,135	$ 176,995
Donations and grants received	74,986	271,232	–	–	346,218
Interest earned and deferred	911	130	445	395	1,881
Recognized as revenue	(78,692)	(266,800)	(13,226)	(5,573)	(364,291)
Reallocated among funds	2,140	960	(3,100)	–	–
Reallocated to deferred contributions related to tangible capital and intangible assets	(382)	–	–	–	(382)
Closing balance	87,501	32,678	16,285	23,957	160,421
Deferred contributions - short-term	87,501	32,678	9,697	15,412	145,288
Deferred contributions - long-term	$ –	$ –	$ 6,588	$ 8,545	$ 15,133

The amounts recognized as revenue in respect of COVID-19, BC Floods, Ukraine, AB Fires and BC Fires are included as part of the Emergency Management Canadian and International program revenue in the detailed statement of operations schedule.

(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:

		2022		2021
Balance, beginning of year	$	9,123	$	9,501
Donations and grants received, used for the purchase of tangible capital and intangible assets during the year		2,518		1,499
Amortization of deferred contributions related to tangible capital and intangible assets		(1,972)		(1,877)
Gain on sale of tangible capital assets and assets held for sale		(329)		–
Balance, end of year	$	9,340	$	9,123

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, 2022, the Society's contribution to its employees' defined contribution pension plan was $3,526 (2021 - $3,182).

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 2019 and extrapolated to March 31, 2022. The next valuation for this plan will be performed as of September 2022. The most recent actuarial valuations for the Society's other defined benefit plans were performed in March 2022. The next valuation for these plans will be performed by March 2025.

(In thousands of dollars)

10. Employee future benefits (continued):

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

	Defined benefit pension plan		Other defined benefit plans	
	2022	2021	2022	2021
Accrued benefit obligations, beginning of year	$ 3,309	$ 3,417	$ 6,354	$ 7,040
Current service cost	–	–	–	1
Finance cost	132	137	216	282
Benefits paid	(207)	(240)	(670)	(653)
Actuarial (gain) loss	(4)	(5)	(759)	(316)
Accrued benefit obligations, end of year	3,230	3,309	5,141	6,354
Fair value of plan assets	8,361	9,309	–	–
Defined benefit asset (liability)	$ 5,131	$ 6,000	$ (5,141)	$ (6,354)

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

	Defined benefit pension plan		Other defined benefit plans	
	2022	2021	2022	2021
Discount rate for obligations	4.00%	4.00%	3.40%	4.00%
Discount rate for expenses	4.00%	4.00%	3.40%	4.00%
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			6.23%	6.35%
Hospital benefit cost escalation			4.00%	4.00%

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

	Defined benefit pension plan		Other defined benefit plans	
	2022	2021	2022	2021
Employees and employer contributions	$ –	$ –	$ 670	$ 653
Benefits paid	207	240	670	653

11. Net assets:

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

(a) 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;

(b) to invest funds in financial instruments permitted under the Board of Directors' approved Statements of Investment Policies and Procedures ("SIP&P"); and

(c) 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, 2022, the cumulative amounts of $74,119 (2021 - $71,800) internally restricted and $500 (2021 - $500) 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.

  In the year, the Society received $Nil (2021 - $500) as an endowed donation in favour of the Legacy Fund.

- Strategic Investment Reserve Fund ("SIRF"): A cumulative amount of $29,010 (2021 - $14,700) is reserved to finance strategic initiatives.

- Other, comprised of the COVID-19 Insurance Fund and Tsunami Fund in the amount of $5,464 (2021 - $5,410).

(In thousands of dollars)

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:

2023	$	6,472
2024		3,703
2025		3,094
2026		2,315
2027		1,782

The Society has also committed a total amount of $36,203 (2021 - $41,841) under signed contracts where the services have yet to be delivered. In addition, $11,936 (2021 - $10,440) of uncontracted commitments have been agreed upon. Of this amount, all are expected to be expended within five years.

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.

(In thousands of dollars)

15. Fundraising:

Fundraising revenue and expenses are as follows:

	2022	2021
Revenue:		
Bequests	$ 17,305	$ 6,663
Direct marketing	64,459	59,052
Lotteries and gaming	–	809
Special events and other fundraising	12,907	12,947
	94,671	79,471
Direct expenses:		
Bequests	1,127	1,292
Direct marketing	23,887	22,967
Lotteries and gaming	–	640
Special events and other fundraising	11,881	11,314
	36,895	36,213
	$ 57,776	$ 43,258

During the year, the Society received $94,671 (2021 - $79,471) in unrestricted donations. In addition, the Society received restricted donations accounted for as program revenue of $9,372 (2021 - $9,232) and restricted donations accounted for as deferred contributions of $204,160 (2021 - $43,962), for total fundraising of $308,203 (2021 - $132,665) raised during the year.

(In thousands of dollars)

16. Allocation of expenses:

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

		2022		2021
Organizational capacity	$	19,526	$	13,831
Emergency management		22,010		20,862
Health:				
International operations		4,530		2,543
Prevention and safety		5,405		5,672
Community health and wellness		10,470		9,096
Total Health		20,405		17,311
	$	61,941	$	52,004

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

Net changes are comprised of the following:

		2022		2021
Amortization of tangible capital and intangible assets	$	(6,971)	$	(7,162)
Amortization of deferred contributions related to tangible capital and intangible assets		1,972		1,877
Gain on sale of tangible capital assets and assets held for sale		16,944		67
Proceeds on sale of tangible capital assets and assets held for sale		(22,929)		(73)
Acquisitions of tangible capital and intangible assets		13,555		6,623
Decrease in deferred contributions related to tangible capital and intangible assets		(2,518)		(1,499)
	$	53	$	(167)

18. Financial risks:

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

(a) 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:

i) 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 $2,084 (2021 - $665).

ii) 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 potential impact of adverse changes in rates is not considered significant.

iii) 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.

(b) 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 fund to fulfill its obligations.

(c) 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 Health and Emergency Management programs represent 92% (2021 - 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.

(In thousands of dollars)

18. Financial risks (continued):

(c) Credit risk (continued):

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 $825 (2021 - $672).

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. These activities have not been completed and will carry into 2023 fiscal year.

Provisions of $5,831 related to the restructuring of certain Health and Community Wellness programs were reversed as the restructuring activities were substantially completed.

	2022	2021
Employment-related obligations	$ 6,548	$ 6,734
Support service obligations	820	834
Amounts settled in year	(1,013)	(200)
Amounts reversed in year	(5,831)	–
Remaining obligations	$ 524	$ 7,368

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, 2022, the COVID-19 pandemic had a significant impact on operating revenues and expenditures of the Society with total operating revenues of $227,390 (2021 - $286,576) received to fund the Society's emergency response efforts.

During the year, the Society applied 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. Government assistance recognized as a reduction of expenses under CEWS amount to $26,460 (2021 - $11,534).

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, 2022, $13,481 was drawn against this facility (2021 - $Nil).

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, 2022, with comparative information for 2021
(In thousands of dollars)

	2022			2021		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Organizational capacity:						
Fundraising (note 15)	$ 94,671	$ 36,895	$ 57,776	$ 79,471	$ 36,213	$ 43,258
Governance and general management	–	19,526	(19,526)	–	13,831	(13,831)
	94,671	56,421	38,250	79,471	50,044	29,427
Core programs:						
Emergency management	470,934	467,612	3,322	360,979	370,994	(10,015)
Health:						
International operations	22,873	24,204	(1,331)	21,743	23,451	(1,708)
Prevention and safety	21,183	20,364	819	26,706	28,246	(1,540)
Community health and wellness	59,038	56,897	2,141	55,294	57,710	(2,416)
Total Health	103,094	101,465	1,629	103,743	109,407	(5,664)
	574,028	569,077	4,951	464,722	480,401	(15,679)
Excess of revenue over expenses before the undernoted	668,699	625,498	43,201	544,193	530,445	13,748
Other income and expenses:						
Health restructuring reversal (note 19)	–	(5,831)	5,831	–	–	–
Investment income (loss)	(384)	576	(960)	13,822	503	13,319
Gain on sale of tangible capital assets and assets held for sale (notes 5 and 6)	16,944	–	16,944	67	–	67
Excess of revenue over expenses	$ 685,259	$ 620,243	$ 65,016	$ 558,082	$ 530,948	$ 27,134