



ANNUAL REPORT 2020-21

REPORT OF THE CHIEF FINANCIAL OFFICER



OVERALL OPERATING RESULTS

The Canadian Red Cross Society (“Red Cross”) operates four core programs – Emergency Management, Prevention and Safety, Health and Community Wellness, and International Operations – which are supported by fee-for-service contracts and donations (restricted and unrestricted).

The Red Cross had one of the busiest years in its history during the COVID-19 pandemic. Although the Red Cross experienced adverse impacts to certain programs, the COVID-19 response operations across Canada increased the program revenues by about 90% from the prior year. As a result, the Red Cross was able to maintain a strong financial position going into another COVID-19 period in fiscal 2022.

The operating surplus before investment income and other income was \$13.7 million (2020: \$12.7 million). The decrease of \$1.0 million was due to the decrease in donation net revenue of \$27.3 million which was offset by an increase in programming net revenues of \$27.6 million and decrease in governance costs of \$0.8 million. The programming net revenue increase was largely due to COVID-19 response programming.

The total revenues for the year ending March 31, 2021 were \$ 558.1 million (2020: \$354.8 million) and the total operating expenses were \$530.9 million (2020: \$344.6 million). Fundraising unrestricted revenues decreased by \$31.0 million from the prior year. Program revenues increased by \$218.0 million. Investment income from the Legacy fund and the sale of properties increased by \$16.4 million. Accordingly, the increases in program and investment revenues offset by the decrease in

fundraising revenues resulted in a net increase in the total revenues of \$203.3 million.

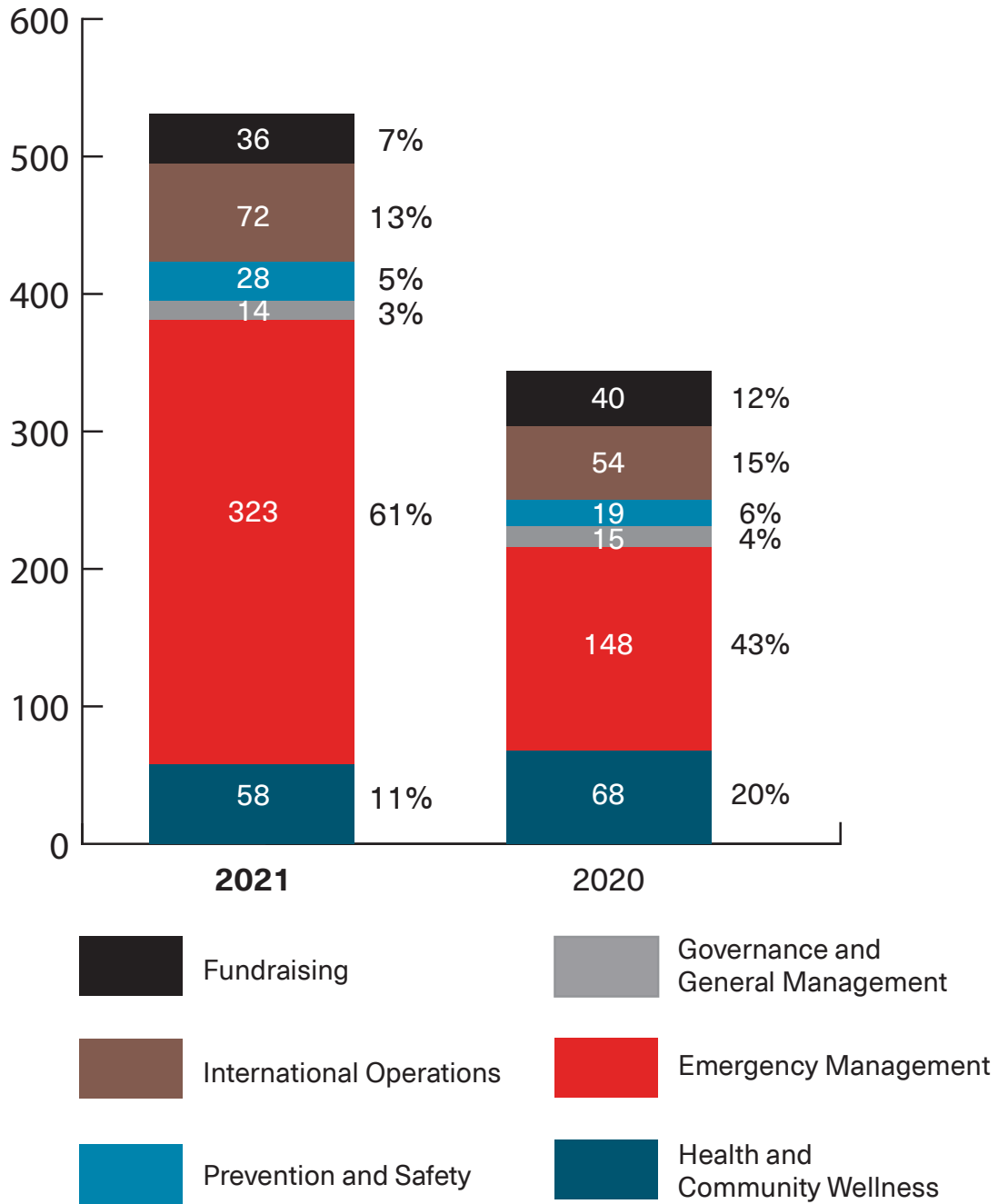
The total deficiency of program revenues over expenses was \$15.7 million (2020: \$43.3 million) or a decrease of \$27.6 million. The net decrease in expenses was due to increased COVID-19 funding and a decrease in health program transition restructuring costs.

The distribution of total expenses is shown in the chart on the following page.

In the year ending March 31, 2021, the Red Cross earned an excess of revenues over expenses of \$27.1 million (2020: \$10.1 million); the increase in the excess of revenues over expenses from 2020 of \$17.0 million is due to these major factors:

- Operating surplus of \$13.7 million compared to \$12.7 million in 2020.
- Net investment income increased by \$16.3 million.

TOTAL EXPENSES (\$ MILLIONS)



Total Program Expenses 90% (2020: 84%)

Total Fundraising Expenses 7% (2020: 12%)

Governance and General Management Expenses 3% (2020: 4%)

Total Expenses for the Year \$530.9 million (2020: \$344.6 million)

EMERGENCY MANAGEMENT

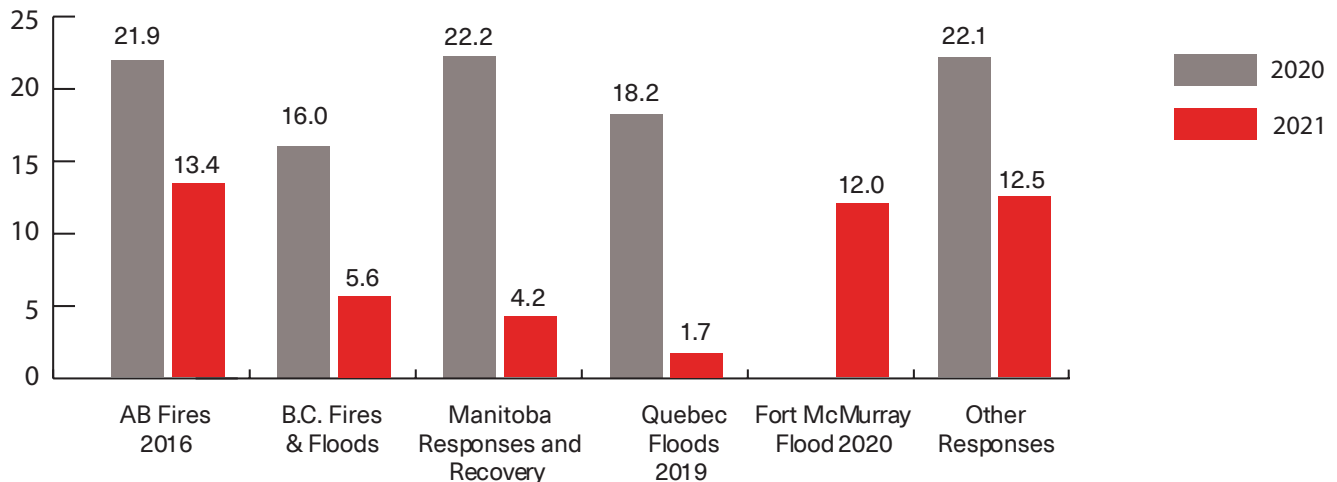
Emergency management revenues were \$316.3 million (2020: \$124.9 million), and primarily comprised of emergency response and recovery programming of \$303.7 million (2020: \$113.3 million). Major responses related to the COVID-19 pandemic accounted for \$254.3 million of the total revenue and other responses, including personal disaster assistance and past recovery programming, accounted for \$56.3 million. The chart below highlights the most significant response revenues.

The baseline emergency management program had total revenues of \$6.9 million (2020: \$6.0 million) to maintain the current capacity of emergency management.

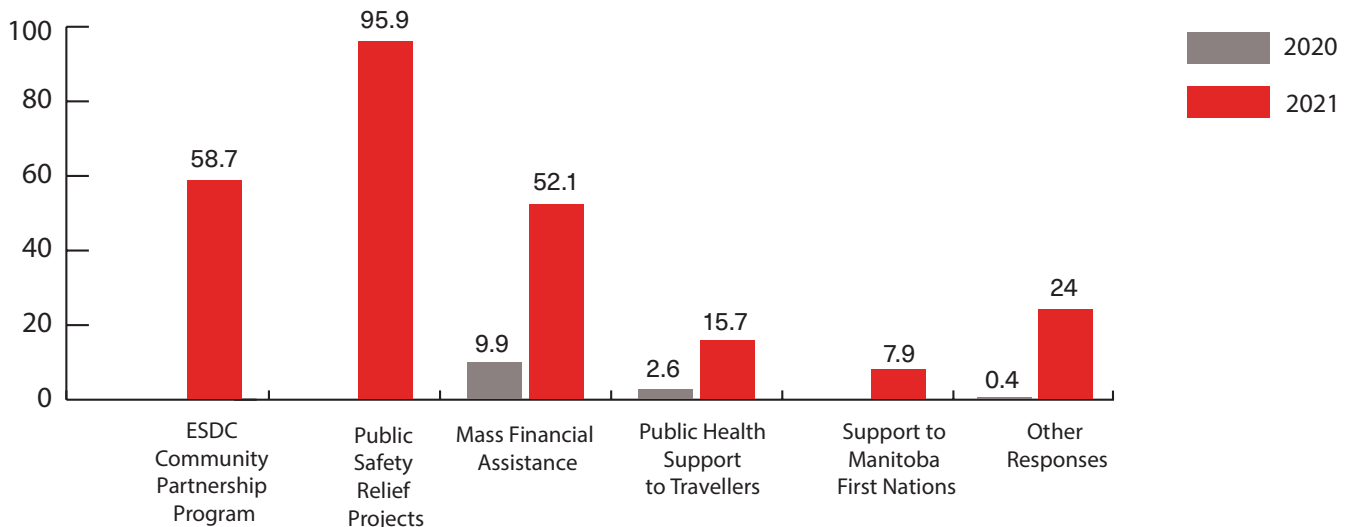
Also included in emergency management revenue is prevention and risk reduction, mainly for Indigenous programming and violence prevention, amounting to \$5.7 million (2020: \$5.4 million).

The deficiency of revenues over expenses decreased by \$17.1 million due to recoveries from major COVID-19 responses.

Emergency Management Revenue Major Responses (Excluding COVID-19)



Emergency Management Revenue COVID-19 Responses



INTERNATIONAL OPERATIONS

International Operations had revenues of \$66.4 million (2020: \$48.7 million), which primarily represents programming for emergency response, \$43.4 million (2020: \$22.5 million); global programming, \$20.6 million (2020: \$24.7 million); and other activities, \$2.4 million (2020: \$1.5 million).

Total revenues increased by \$17.7 million due to flow through funds to IFRC to support COVID-19 responses.

Despite these revenue increases, the deficiency of revenues over expenses remained unchanged from last year due to delays in project work because of COVID-19. These delays caused lower cost recovery rates.

PREVENTION AND SAFETY

Prevention and safety programs had revenues of \$26.7 million (2020: \$18.4 million), which primarily represent First Aid training sales of \$12.1 million (2020: \$15.0 million), Water Safety of \$0.8 million (2020: \$3.4 million) and Government contracts of \$13.8 million (2020: nil) primarily from a COVID-19 program with Employment and Social Development Canada (ESDC) for distribution of personal protective equipment and related training.

The deficiency of revenues over expenses increased by \$0.7 million due to reduced revenue related to COVID-19 restrictions.

HEALTH AND COMMUNITY WELLNESS

Health and Community Wellness programs, which mostly operate in the Atlantic region, Ontario, Alberta and British Columbia had revenues of \$55.3 million (2020: \$54.7 million) primarily from home support of \$9.4 million (2020: \$14.7 million), health equipment loans of \$21.8 million (2020: \$24.0 million), transportation of \$5.3 million (2020: \$7.7 million), meal deliveries of \$4.9 million (2020: \$2.9 million), and community initiatives of \$13.5 million (2020: \$5.1 million). Community initiatives included COVID-19 related programming for Quebec seniors of \$8.5 million, and Ontario meals delivery of \$1.7 million.

The deficiency of revenues over expenses decreased by \$11.3 million as a result of a reduction in program transition costs from last year and additional services provided responding to COVID-19, increasing revenue in Quebec community initiatives and Ontario meals.

FUNDRAISING

Philanthropy raised unrestricted and restricted donations of \$132.7 million (2020: \$150.1 million). The overall decrease is largely attributable to a decrease in bequest donations offset by a halo effect from the COVID-19 appeal – especially in the house mail, major gifts and corporate channels.

While the cost of fundraising decreased from last year (2021: \$37.1 million; 2020: \$41.6 million), the ratio of fundraising costs to total revenues for the Red Cross increased to 27.9% (2020: 27.7%). This was the result of the significant decrease in fundraising revenues from last year. The five-year rolling average cost of fundraising for the Red Cross is 25.4% (2020: 24.8%).

FINANCIAL POSITION

As of March 31, 2021, the Red Cross was in a strong financial position with net assets of \$180.8 million (2020: \$152.5 million) which increased by \$28.3 million from last year, due mainly to the excess of revenues over expenses of \$27.1 million. This excess was due largely to unrealized gains on the Society's investments and emergency response work relating to COVID-19.

Unrestricted cash or cash equivalents is \$5.1 million (2020: \$13.5 million). The decrease in cash is mainly COVID-19 related. Outstanding receivables from provincial and federal governments as at March 31 has impacted cash flows during the last two quarters. Externally restricted cash or cash equivalents of \$115.6 million (2020: \$163.8 million) represent restricted donations from appeals during the year or carried forward from prior years. The decrease in externally restricted cash is due mainly to spend on COVID-19 mass assistance in the first quarter of the fiscal and the full year spend on BC and Alberta Fires.

The Red Cross maintains \$35.0 million (2020: \$35.0 million) as contingency funds to ensure the continuity of Red Cross operations if a disruptive event impacts fundraising or program revenues. These funds form part of and are invested together with the

Society's Legacy Fund. A portion of the investment income of this fund is maintained in the unrestricted reserve to support the Society's operations. The March 2021 balance of this fund was \$72.3 million (2020: \$60.4 million) as at year-end.

The Red Cross set up during the year a COVID-19 self-insurance fund of \$5.3 million to offset changes in insurance coverage related to the COVID-19 pandemic.

Working capital for Red Cross consists mainly of accounts receivable and accounts payable arising from credit provided to or from its partners in the above-noted programs. The Red Cross has limited credit risk as the majority of its debtors are provincial and federal governments. The substantial increase in working capital at year-end was largely due to COVID-19 related operations.

Inventory consists of current materials and supplies necessary for our disaster management and international programs, so they can respond quickly across Canada or internationally. Inventories increased in part due to the procurement of COVID-19 personal protective equipment or other materials needed to support COVID-19 operations.

ACCOUNTABILITY AND OVERSIGHT

The audited financial statements of the Red Cross have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Accounting Standards Board of Canada.

The Board of the Red Cross approves an annual operating plan and budget and receives quarterly reports from management. Additionally, the Audit and Finance Committee (“Committee”) of the Board – composed of volunteers with expertise in finance, accounting, investment and risk management – meets quarterly with management to monitor the external audit, financial performance and internal control environment of the organization.

The Society has an independent internal audit function which has further enhanced the corporate governance structure of the Red Cross. A three-year internal audit plan was reviewed and approved by the Board.

Enterprise risks and related mitigation strategies of the Red Cross are reviewed periodically, as needed, and are examined by the Board and its Committees. Management has been further investing in its incident management, compliance, quality oversight, and data governance capacities. The COVID-19 pandemic resulted in creating new oversight processes for the monitoring of COVID-19 related incidents and also reviewing the adequacy of the Red Cross insurance program which resulted in the creation of a COVID-19 self-insurance fund.

The audited financial statements of the Canadian Red Cross and audited special purpose financial statements of the Alberta Fires Fund are available on the Red Cross website at [redcross.ca](https://www.redcross.ca).



Larry Mills
Chief Financial Officer
Chief Corporate Services Officer