

**Canadian Anesthesiologists' Society
/ Société canadienne des anesthésiologistes**

Financial Statements

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

We have audited the accompanying financial statements of Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes (the "Society"), which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Society derives revenue from royalties, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amount recorded in the records of the Society, and we were not able to determine whether any adjustments might be necessary to this source of revenue, deficiency of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes as at December 31, 2014, 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.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
May 25, 2015

Statement of Financial Position

December 31, 2014

	2014	2013
Assets		
Current		
Cash	\$ 243,255	\$ 274,368
Investments	1,627,242	1,833,077
Accounts and other receivables	31,216	95,829
Government remittances recoverable	30,286	92,328
Prepaid expenses	146,007	124,300
	2,078,006	2,419,902
Prepaid expenses	149,259	157,259
Investments	332,401	-
Capital assets (note 3)	34,934	13,272
Intangible assets (note 4)	7	347
	\$ 2,594,607	\$ 2,590,780
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 158,523	\$ 180,170
Government remittances payable	1,992	1,652
Deferred revenue (note 5)	334,504	250,069
Due to related organizations (note 6)	126,748	72,360
Due to Sections (note 7)	405,461	402,248
Current portion of capital lease obligation (note 8)	2,492	3,201
	1,029,720	909,700
Capital lease obligation (note 8)	-	2,492
Lease inducement	6,136	7,888
	1,035,856	920,080
Net Assets		
Net assets internally restricted for equipment replacement (note 9)	14,259	40,078
Net assets internally restricted relating to congress funds (note 9)	190,109	190,109
Net assets internally restricted for contingency purposes (note 9)	700,000	700,000
Unrestricted net assets	654,383	740,513
	1,558,751	1,670,700
	\$ 2,594,607	\$ 2,590,780

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

Approved by the Board

Director

Director

Statement of Operations

for the year ended December 31, 2014

	2014	2013
Revenue		
Membership dues	\$ 1,098,243	\$ 1,102,686
Annual meeting	969,489	193,793
Royalties (<i>note 10</i>)	561,123	911,630
Advertising and sponsorship	119,000	39,079
Investment income (loss)	76,830	(5,818)
Other	26,549	82,190
	2,851,234	2,323,560
Expenses		
Human resources	1,001,102	1,008,023
Annual meeting	978,964	544,394
Administration	429,878	464,101
Members' subscription to CJA (<i>note 10</i>)	144,523	149,597
Board	128,734	74,974
Occupancy	80,931	83,441
Committees	50,088	47,519
Publishing	45,665	59,549
Funding to organizations (<i>note 6</i>)	25,181	25,316
Awards	16,024	4,296
Other	52,596	29,274
Amortization	9,497	7,962
	2,963,183	2,498,446
Deficiency of revenue over expenses before allocation	(111,949)	(174,886)
Equipment replacement allocation (<i>note 9</i>)	5,000	5,000
Deficiency of revenue over expenses	\$ (116,949)	\$ (179,886)

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

Supplementary Statement of Operations - Journal

for the year ended December 31, 2014

	2014	2013
Revenue		
Royalties (<i>note 10</i>)	\$ 561,123	\$ 911,630
Advertising and sponsorship	4,000	8,000
Other	6,472	9,241
	571,595	928,871
Expenses		
Human resources (<i>note 11</i>)	378,903	367,350
Administration (<i>note 11</i>)	29,789	40,307
Members' subscription to CJA (<i>note 10</i>)	144,523	149,597
Board	32,563	14,354
Occupancy (<i>note 11</i>)	4,500	3,750
Publishing	33,295	44,126
Other	9,685	-
	633,258	619,484
(Deficiency) excess of revenue over expenses	\$ (61,663)	\$ 309,387

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

Supplementary Statement of Operations - Annual Meeting

for the year ended December 31, 2014

	2014	2013
Revenue		
Annual meeting		
Registration	\$ 671,161	\$ 173,281
Exhibits	208,630	20,512
Social events	45,848	-
Workshops	43,850	-
	969,489	193,793
Advertising and sponsorship	115,000	31,079
Other	-	54,500
	1,084,489	279,372
Expenses		
Human resources		
Staffing (<i>note 11</i>)	238,134	169,697
Annual meeting		
Registrant	321,963	141,684
Program	260,851	111,727
External management	213,650	256,004
Social program	104,073	-
Exhibit	56,927	21,944
Sponsorship	21,500	13,035
	978,964	544,394
Administration (<i>note 11</i>)	110,088	105,398
Occupancy (<i>note 11</i>)	25,000	24,000
	1,352,186	843,489
Deficiency of revenue over expenses	\$ (267,697)	\$ (564,117)

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

Supplementary Statement of Operations - All Other CAS

for the year ended December 31, 2014

	2014	2013
Revenue		
Membership dues	\$ 1,098,243	\$ 1,102,686
Investment income (loss)	76,830	(5,818)
Other	20,077	18,449
	1,195,150	1,115,317
Expenses		
Human resources	384,065	470,976
Administration	290,001	318,396
Board	96,171	60,620
Occupancy	51,431	55,691
Committees	50,088	47,519
Publishing	12,370	15,423
Funding to organizations (<i>note 6</i>)	25,181	25,316
Awards	16,024	4,296
Other	42,911	29,274
Amortization	9,497	7,962
	977,739	1,035,473
Excess of revenue over expenses before allocation	217,411	79,844
Equipment replacement allocation (<i>note 9</i>)	5,000	5,000
Excess of revenue over expenses	\$ 212,411	\$ 74,844

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

Statement of Changes in Net Assets
for the year ended December 31, 2014

	Restricted for equipment replacement	Restricted congress funds	Restricted contingency funds	Unrestricted	2014	2013
Net Assets						
Balance, beginning of year	\$ 40,078	\$ 190,109	\$ 700,000	\$ 740,513	\$ 1,670,700	\$ 1,845,586
Deficiency of revenue over expenses	-	-	-	(116,949)	(116,949)	(179,886)
Allocation to equipment replacement fund (note 9)	5,000	-	-	-	5,000	5,000
Purchase of capital assets (note 9)	(30,819)	-	-	30,819	-	-
Balance, end of year	\$ 14,259	\$ 190,109	\$ 700,000	\$ 654,383	\$ 1,558,751	\$ 1,670,700

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

Statement of Cash Flows

for the year ended December 31, 2014

	2014	2013
Cash flows from operating activities		
Cash receipts from members and activities	\$ 2,470,068	\$ 1,011,838
Cash paid to suppliers and employees	(2,990,452)	(2,561,043)
Royalties received	551,785	911,630
Interest received	40,471	48,602
	71,872	(588,973)
Cash flows from investing activities		
Purchase of capital assets	(30,819)	(3,089)
Net (purchase) redemption of investments	(126,566)	358,984
	(157,385)	355,895
Cash flows from financing activities		
Net increase (decrease) in amounts due to related organizations	54,388	(29,417)
Net increase in amounts due to Sections	3,213	13,109
Repayment of capital lease obligation	(3,201)	(3,103)
	54,400	(19,411)
Decrease in cash	(31,113)	(252,489)
Cash, beginning of year	274,368	526,857
Cash, end of year	\$ 243,255	\$ 274,368
Represented by:		
Operating accounts	\$ 181,559	\$ 274,368
Trust account (<i>note 5 (i)</i>)	61,696	-
	\$ 243,255	\$ 274,368

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

Notes to Financial Statements

December 31, 2014

1. Purpose of the Society

The Society is a national, non-profit organization whose purpose is to promote the advancement of the medical practice of anesthesia through academic endeavour and excellence in patient care. Its voluntary membership base is mostly comprised of medical practitioners residing in Canada who are certified as specialists in anesthesia.

"The Canadian Anesthesiologist's Society enables anesthesiologists to excel in patient care through research, education and advocacy" is the Society's mission statement.

The Society publishes the *Canadian Journal of Anesthesia* ("CJA") and the *Guidelines to the Practice of Anesthesia*, holds an annual meeting, funds research in Canada, and disseminates anesthesia-related information for anesthesiologists, allied health care providers and the general public on its website.

The Society was incorporated under the Canada Not-for-profit Corporations Act and is defined as a non-profit organization under the Canadian Income Tax Act.

2. Summary of Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and liabilities at amortized cost except for the Society's investments, consisting of securities and bonds with varying maturity dates, which are measured at fair value.

Financial assets measured at amortized cost include cash and accounts and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, amounts due to related organizations, amounts due to Sections and capital lease obligation.

Impairment of financial instruments

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Notes to Financial Statements

December 31, 2014

2. Summary of Significant Accounting Policies - continued

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the following:

Computer equipment	-	5 years straight-line
Office equipment	-	30 % declining balance
Computer software	-	3 years straight-line
Furniture and fixtures	-	20 % declining balance

Intangible assets

Intangible assets consist of trademarks being amortized over a five year period for which the trademarks are effective.

Revenue recognition

Membership dues and royalties are recognized as revenue over the annual term of the membership and journal subscriptions, respectively.

Annual meeting fees and sponsorship revenue are recognized when the event is held.

Investment income includes dividends, interest and realized gains and losses on sales of investments, as well as unrealized gains and losses on investments measured at fair value. Dividends and interest income are recognized when earned.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from prior years have been reclassified to conform to the current year's presentation.

Notes to Financial Statements

December 31, 2014

3. Capital Assets

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 35,769	\$ 28,145	\$ 7,624	\$ 4,192
Office equipment	31,733	27,675	4,058	5,796
Computer software	24,750	4,125	20,625	-
Furniture and fixtures	39,536	36,909	2,627	3,284
	\$ 131,788	\$ 96,854	\$ 34,934	\$ 13,272

4. Intangible Assets

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Trademarks	\$ 5,354	\$ 5,347	\$ 7	\$ 347

5. Deferred Revenue

The balance of deferred revenue consists of the following:

	2014	2013
Membership dues	\$ 214,541	\$ 8,698
Annual meeting and other deposits (i)	119,963	241,371
	\$ 334,504	\$ 250,069

(i) Included in Annual meeting and other deposits are amounts totaling \$54,375 (net of HST) which are being held in trust by a service provider on behalf of CAS.

Notes to Financial Statements

December 31, 2014

6. Related Organizations

The Society, Canadian Anesthesiologists' Society International Education Foundation – Fondation d'éducation internationale de la Société canadienne des anesthésiologistes ("IEF"), Canadian Anesthesia Research Foundation – Fondation canadienne de recherche en anesthésie ("CARF"), and The Canadian Pediatric Anesthesia Society ("CPAS"), which have all been established to support advancements in anesthesia, are related to each other by common management.

As at December 31, 2014, the following amounts are due to related organizations:

	2014	2013
Due to IEF	\$ 9,307	\$ 3,000
Due to CARF	21,056	8,812
Due to CPAS	96,385	60,548
	\$ 126,748	\$ 72,360

Amounts due to related organizations are non-interest bearing, unsecured and due on demand.

During the year, the Society made a cash donation of \$20,000 (2013 - \$20,000) to CARF, which is included in funding to organizations expense.

CAS also provides staff time, management services and overhead to these organizations. Although no consideration has been paid nor recognized in these financial statements with respect to these services, the fair value of these services are estimated as follows:

	2014	2013
IEF	\$ 50,000	\$ 46,000
CARF	52,000	42,000
CPAS	2,000	-
	\$ 104,000	\$ 88,000

7. Due to Sections

The Society performs bookkeeping services on behalf of various external organizations ("Sections"). The balance due to Sections represents accumulated amounts collected net of amounts paid by the Society on the Sections' behalf. All amounts are unsecured and due on demand.

Amounts due to Sections consist of the following:

	2014	2013
Balance, beginning of year	\$ 402,248	\$ 389,139
Sections' revenues collected during the year	56,891	31,386
Sections' expenses paid during the year	(53,678)	(18,277)
Balance, end of year	\$ 405,461	\$ 402,248

Notes to Financial Statements

December 31, 2014

8. Capital Lease Obligation

	2014	2013
Photocopier lease, imputed interest of 3.31%, expires December 2015. Quarterly payments of principal and interest of \$840.	\$ 2,492	\$ 5,693
Less: Current portion	2,492	3,201
	\$ -	\$ 2,492

9. Restriction on Net Assets

During the year, the Society internally restricted \$5,000 (2013 - \$5,000) of unrestricted net assets to be held for future equipment replacement and utilized \$30,819 (2013 - \$3,089) of the fund balance for this purpose. As at December 31, 2014, the total funds held for future equipment replacement are \$14,259 (2013 - \$40,078).

Net assets relating to congress funds of \$190,109 represent the proceeds from the 12th World Congress of Anaesthesiologists hosted by the CAS in June 2000, which are internally restricted for endowment purposes.

The Society also has \$700,000 of net assets internally restricted to be held for contingency purposes. None of the restricted funds were used in the year for this purpose.

Internally restricted amounts are not available for any other purposes without approval of the Board of Directors.

10. Royalty and Subscription Revenue and Expenses

The Society outsources the publication of The Canadian Journal of Anesthesia (Journal canadien d'anesthésie) (the "Journal") to Springer Science+Business Media, LLC ("Springer"). Under the five year agreement ending December 31, 2018, the Society manages the content of the Journal and Springer publishes and distributes the Journal in exchange for all advertising and subscription revenue. Springer remits to the Society an annual royalty payment equal to a percentage of the net revenue earned by Springer and the Society remits annually to Springer a subscription fee for each member of the Society in exchange for a Society member subscription.

During the year ended December 31, 2014, the Society recognized royalties of \$561,123 (2013 - \$911,630) and remitted subscription fees of \$144,523 (2013 - \$149,597) from/to Springer, respectively.

Notes to Financial Statements

December 31, 2014

11. Allocation of Expenses

The Society allocates its expenses by function into Journal, Annual Meeting, and Other CAS. The costs that are directly related to each function have been presented on the respective supplementary statements of operations.

Included in Journal human resources is an allocation of \$32,400 (2013 - \$24,750) based on the proportion of staff time spent on the function. Included in Journal administration is \$7,500 (2013 - \$6,500) of administration costs and included in Journal occupancy is \$4,500 (2013 - \$3,750) based on the function usage.

Included in Annual Meeting human resources (staffing) is an allocation of \$182,000 (2013 - \$160,000) based on the proportion of staff time spent on the function. Included in Annual Meeting administration is \$44,000 (2013 - \$44,000) of administration costs and included in Annual Meeting occupancy is \$25,000 (2013 - \$24,000) based on the function usage.

12. Lease Commitments

The Society has entered into operating leases for office premises and equipment that provide for approximate minimum annual lease payments as follows:

2015	\$	85,832
2016		87,547
2017		15,829
	\$	189,208

13. Financial Instruments

Credit risk

The Society is exposed to credit risk on its accounts receivable.

The Society's management is of the opinion that the risk that the Society will realize a loss as a result of not collecting on its accounts receivable is limited based on past experience, its assessment of current economic conditions and historically minimal bad debts.

Market risk

The Society is exposed to market risk on its investments. Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, interest rates, or exchange rates. The Society does not use derivative instruments to mitigate these risks.