

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

Financial Statements

December 31, 2011

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, statement of changes in net assets and statement of 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 generally accepted accounting principles, 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.

Auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MSCM LLP

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
June 6, 2012

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Statement of Financial Position

December 31, 2011

	2011	2010
Assets		
Current		
Cash	\$ 475,670	\$ 367,428
Investments	2,018,939	1,688,451
Accounts receivable	11,399	62,760
Prepaid expenses - current portion	126,576	193,870
	2,632,584	2,312,509
Investment	100,000	100,000
Prepaid expenses	66,750	56,211
Capital assets (note 4)	24,439	41,270
Intangible assets (note 5)	2,286	3,357
	\$ 2,826,059	\$ 2,513,347
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 134,407	\$ 165,197
Deferred revenue (note 6)	373,522	540,334
Due to related organizations (note 7)	210,957	60,947
Due to Sections (note 8)	317,812	299,862
Current portion of capital lease obligation (note 9)	3,005	2,908
	1,039,703	1,069,248
Capital lease obligation (note 9)	8,796	11,801
Lease inducement	2,609	-
	1,051,108	1,081,049
Net Assets		
Net assets internally restricted for equipment replacement (note 10)	35,771	30,771
Net assets internally restricted relating to congress funds (note 10)	190,109	190,109
Unrestricted net assets	1,549,071	1,211,418
	1,774,951	1,432,298
	\$ 2,826,059	\$ 2,513,347

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

Approved by the Board

Signed:

Director

Signed:

Director

Statement of Operations

for the year ended December 31, 2011

	2011	2010
Revenue		
Annual meeting	\$ 1,234,730	\$ 1,070,944
Membership dues	1,063,554	1,019,827
Royalty and subscription <i>(note 11)</i>	826,875	787,500
Advertising and sponsorship	222,165	264,700
Investment income	75,148	37,675
Other	12,107	16,631
	3,434,579	3,197,277
Expenses		
Human resources	1,112,486	1,099,172
Annual meeting	994,716	929,492
Administration	419,177	429,834
Members' subscription to CJA <i>(note 11)</i>	151,289	153,820
Funding to organizations <i>(note 7)</i>	114,167	24,837
Board	112,792	103,632
Occupancy	73,415	74,437
Committees	47,522	33,429
Publishing	43,140	38,413
Awards	14,912	8,627
Other	28,433	19,092
Amortization	17,901	28,523
	3,129,950	2,943,308
Excess of revenue over expenses before allocation	304,629	253,969
Equipment replacement allocation <i>(note 10)</i>	5,000	2,500
Excess of revenue over expenses	\$ 299,629	\$ 251,469

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

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Supplementary Statement of Operations - Journal
for the year ended December 31, 2011

	2011	2010
Revenue		
Membership dues - allocation <i>(note 11)</i>	\$ 151,289	\$ 153,820
Royalty and subscription <i>(note 11)</i>	826,875	787,500
Advertising and sponsorship	7,665	8,000
Other	65	6,483
	985,894	955,803
Expenses		
Human resources <i>(note 14)</i>	358,123	347,386
Administration <i>(note 14)</i>	36,428	16,556
Members' subscription to CJA <i>(note 11)</i>	151,289	153,820
Funding to organizations <i>(note 7)</i>	90,000	-
Board	21,081	30,935
Occupancy <i>(note 14)</i>	3,500	3,500
Publishing	32,159	29,941
Other	-	530
	692,580	582,668
Excess of revenue over expenses	\$ 293,314	\$ 373,135

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

Supplementary Statement of Operations - Annual Meeting
for the year ended December 31, 2011

	2011	2010
Revenue		
Annual meeting		
Registration	\$ 817,472	\$ 759,449
Exhibits	321,714	250,037
Social events	59,564	23,585
Workshops	35,980	37,873
	<u>1,234,730</u>	<u>1,070,944</u>
Sponsorship	214,500	254,700
	<u>1,449,230</u>	<u>1,325,644</u>
Expenses		
Human resources		
External management	228,942	236,030
Staffing (<i>note 14</i>)	184,603	166,395
	<u>413,545</u>	<u>402,425</u>
Annual meeting		
Program	371,106	321,859
Registrant	366,509	399,876
Social program	115,862	60,672
Sponsorship	72,125	101,752
Exhibit	69,114	45,333
	<u>994,716</u>	<u>929,492</u>
Administration (<i>note 14</i>)	61,636	68,164
Occupancy (<i>note 14</i>)	20,500	19,500
	<u>1,490,397</u>	<u>1,419,581</u>
Deficiency of revenue over expenses	\$ (41,167)	\$ (93,937)

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

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Supplementary Statement of Operations - All Other CAS
for the year ended December 31, 2011

	2011	2010
Revenue		
Membership dues	\$ 1,063,554	\$ 1,019,827
Less: allocation to Journal <i>(note 11)</i>	(151,289)	(153,820)
	<u>912,265</u>	<u>866,007</u>
Investment income	75,148	37,675
Advertising and sponsorship	-	2,000
Other	12,042	10,148
	<u>999,455</u>	<u>915,830</u>
Expenses		
Human resources	340,818	349,361
Administration	321,113	345,114
Funding to organizations <i>(note 7)</i>	24,167	24,837
Board	91,711	72,697
Occupancy	49,415	51,437
Committees	47,522	33,429
Publishing	10,981	8,472
Awards	14,912	8,627
Other	28,433	18,562
Amortization	17,901	28,523
	<u>946,973</u>	<u>941,059</u>
Excess (deficiency) of revenue over expenses before allocation	52,482	(25,229)
Equipment replacement allocation <i>(note 10)</i>	5,000	2,500
Excess (deficiency) of revenue over expenses	\$ 47,482	\$ (27,729)

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

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Statement of Changes in Net Assets

for the year ended December 31, 2011

	Restricted for equipment replacement	Restricted congress funds	Unrestricted	2011	2010
Net Assets					
Balance, beginning of year	\$ 30,771	\$ 190,109	\$1,211,418	\$1,432,298	\$1,174,609
Excess of revenues over expenses	-	-	299,629	299,629	251,469
Allocation to equipment replacement fund (<i>note 10</i>)	5,000	-	-	5,000	2,500
Reclassification adjustment for realized gains included in excess of revenue over expenses	-	-	(2,472)	(2,472)	(61)
Unrealized gains on available-for- sale financial assets arising during the year	-	-	40,496	40,496	3,781
Balance, end of year	\$ 35,771	\$ 190,109	\$1,549,071	\$1,774,951	\$1,432,298

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

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Statement of Cash Flows

for the year ended December 31, 2011

	2011	2010
Cash flows from operating activities		
Cash receipts from members and activities	\$ 3,057,125	\$ 3,307,547
Cash paid to suppliers and employees	(2,896,620)	(2,806,594)
Interest received	60,944	46,349
	<u>221,449</u>	<u>547,302</u>
Cash flows from investing activities		
Purchase of capital assets	-	(1,020)
Purchase of intangible assets	-	(67)
Net purchase of investments	(278,259)	(419,785)
	<u>(278,259)</u>	<u>(420,872)</u>
Cash flows from financing activities		
Net increase in amounts due to related organizations	150,010	17,557
Net increase of funds due to Sections	17,950	21,214
Repayment of capital lease obligation	(2,908)	(4,389)
	<u>165,052</u>	<u>34,382</u>
Increase in cash	108,242	160,812
Cash, beginning of year	367,428	206,616
Cash, end of year	\$ 475,670	\$ 367,428
Non-cash transactions:		
Capital asset addition subject to capital lease obligation	\$ -	\$ 15,549

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

Notes to Financial Statements

December 31, 2011

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 comprises to the greatest part 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 is incorporated under the Canada Corporations Act as a Not-for-Profit organization 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 generally accepted accounting principles ("GAAP") applicable to not-for-profit entities.

Financial instruments

The Society's financial instruments include cash, investments, accounts receivable, accounts payable and accrued liabilities, amounts due to related organizations, amounts due to Sections and capital lease obligation.

Cash is classified as held-for-trading and is measured at fair value.

Investments are classified as available-for-sale. The Society's investments consist of securities and bonds with varying maturity dates. The fair values of investments are based on quoted market prices. Unrealized gains and losses are included directly in net assets until the asset is disposed of or impaired. Realized gains and losses are recognized in the statement of operations.

Accounts receivable is classified as loans and receivables and is recorded at amortized cost.

Accounts payable and accrued liabilities, amounts due to related organizations, amounts due to Sections and capital lease obligation are classified as other liabilities and are recorded at amortized cost.

The Society applies Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in these financial statements instead of Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments - Presentation (Handbook Section 3863), as permitted under the transition rules for not-for-profit organizations in these standards.

Notes to Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies - continued

Capital assets

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

Computer equipment	-	5 years straight-line
Leasehold improvements	-	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 journal royalties and subscriptions 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 is recognized as revenue when earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP 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.

3. Future Changes in Accounting Policies

Canadian Generally Accepted Accounting Principles

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") would replace Canadian GAAP in 2011 for Canadian publicly accountable profit-oriented enterprises. In December 2010, the AcSB issued a new set of accounting standards developed specifically for Canadian private sector not-for-profit organizations.

Not-for-profit organizations can continue to use the current Canadian GAAP until fiscal years beginning on or after January 1, 2012. At that time they must adopt either accounting standards for not-for-profit organizations or IFRS. The adoption of either set of standards may require adjustments to the comparative figures for the prior year.

The Organization previously decided to early adopt accounting standards for not-for-profit organizations, however has subsequently decided to defer adoption until January 1, 2012.

Notes to Financial Statements

December 31, 2011

4. Capital Assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 40,159	\$ 30,537	\$ 9,622	\$ 15,336
Leasehold improvements	43,390	43,390	-	3,819
Office equipment	31,078	20,043	11,035	15,764
Computer software	7,482	6,638	844	2,678
Furniture and fixtures	37,586	34,648	2,938	3,673
	\$ 159,695	\$ 135,256	\$ 24,439	\$ 41,270

5. Intangible Assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Trademarks	\$ 5,354	\$ 3,068	\$ 2,286	\$ 3,357

6. Deferred Revenue

The balance of deferred revenue consists of the following:

	2011	2010
Annual meeting and other deposits	\$ 85,182	\$ 170,252
Membership dues	288,340	370,082
	\$ 373,522	\$ 540,334

Notes to Financial Statements

December 31, 2011

7. 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.

Transactions with related organizations, consisting of amounts paid and collected on their behalf, are in the normal course of business and are recorded at the exchange amount, which is the amount agreed to by the related organizations.

As at December 31, 2011, the following amounts are due to related organizations:

	2011	2010
Due to IEF	\$ 47,281	\$ 12,010
Due to CARF	117,489	14,546
Due to CPAS	46,187	34,391
	\$ 210,957	\$ 60,947

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 (2010 - \$20,000) and committed to make another \$90,000 donation to CARF which are included in funding to organizations expense. The \$90,000 donation was paid subsequent to year end. In addition, the Society donates staff time and management services to related organizations. The estimated fair value of these services is as follows:

	2011	2010
Donated services to CARF	\$ 36,000	\$ 34,300
Donated services to IEF	27,000	25,700
	\$ 63,000	\$ 60,000

In addition to the services donated above, the Society also donated overhead with an estimated fair value of \$18,000 (2010 - \$17,700) and \$14,000 (2010 - \$13,300) to CARF and IEF, respectively.

Notes to Financial Statements

December 31, 2011

8. Due to Sections

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

Amounts due to Sections consist of the following:

	2011	2010
Balance, beginning of year	\$ 299,862	\$ 278,648
Sections' revenues collected during the year	70,571	79,934
Sections' expenses paid during the year	(52,621)	(58,720)
Balance, end of year	\$ 317,812	\$ 299,862

9. Capital Lease Obligation

	2011	2010
Photocopier lease, imputed interest of 3.31%, expires December 2015. Quarterly payments of principal and interest of \$840.	\$ 11,801	\$ 14,709
Less: Current portion	3,005	2,908
	\$ 8,796	\$ 11,801

10. Restrictions on Net Assets

During the year, the Society internally restricted \$5,000 (2010 - \$2,500) of unrestricted net assets to be held for future equipment replacement and utilized \$Nil (2010 - \$1,020) of the fund balance for this purpose. As at December 31, 2011, the total funds held for future equipment replacement are \$35,771 (2010 - \$30,771).

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

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

Notes to Financial Statements

December 31, 2011

11. Royalty and Subscription Revenue and Expenses

Commencing January 1, 2009, the Society outsourced 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, 2013, the Society will manage the content of the Journal and Springer will publish and distribute the Journal in exchange for all advertising and subscription revenue. Springer will remit to the Society an annual royalty payment and the Society will remit 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, 2011, the Society recognized royalty fees of \$826,875 (2010 - \$787,500) and remitted subscription fees of \$151,289 (2010 - \$153,820) from/to Springer, respectively.

12. Unrealized Gains and Losses Included In Unrestricted Net Assets

As described in note 2, unrealized gains and losses on available-for-sale financial instruments are included directly in net assets until the asset is disposed of or impaired. As a result, the unrestricted net assets include unrealized gains and losses as follows:

	2011	2010
Unrealized gains (losses) included in unrestricted net assets, beginning of year	\$ 2,472	\$ (1,248)
Gains realized during the year	(2,472)	(61)
Unrealized gains arising during the year	40,496	3,781
Unrealized gains included in unrestricted net assets, end of year	\$ 40,496	\$ 2,472

13. Capital Management

The Society defines capital as its unrestricted net assets. The Society is not subject to externally imposed requirements on capital.

The Society's objectives when managing capital are to generally match the structure of its capital to the underlying nature and term of the assets being financed, and to hold sufficient funds to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. The Society seeks to maintain sufficient liquidity to enable it to meet its obligations as they become due.

There were no changes in the Society's approach to capital management during the year ended December 31, 2011.

Notes to Financial Statements

December 31, 2011

14. 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 statement of operations.

Included in Annual Meeting human resources (staffing) is an allocation of \$121,000 (2010 - \$117,500) based on the proportion of staff time spent on the function. Included in Annual Meeting administration is \$41,500 (2010 - \$42,000) of administration costs and included in Annual Meeting occupancy is \$20,500 (2010 - \$19,500) based on the function usage.

Included in Journal human resources is an allocation of \$22,000 (2010 - \$21,000) based on the proportion of staff time spent on the function. Included in Journal administration is \$7,500 (2010 - \$7,500) of administration costs and included in Journal occupancy is \$3,500 (2010 - \$3,500) based on the function usage.

15. Lease Commitments

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

2012	\$	78,607
2013		83,960
2014		85,676
2015		85,832
2016		87,547
Thereafter		15,829
	\$	437,451

Notes to Financial Statements

December 31, 2011

16. 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.

Fair value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term maturities. The fair value of amounts due to related organizations and due to sections is not determinable as the cash flow streams are not known.

The fair value of the capital lease obligation has not been determined as it is not practical within constraints of timeliness and cost to determine the fair value.

Price risk

The Society is exposed to price risk on its investments. Price 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. As described in significant accounting policies note 2, unrealized gains and losses are included directly in net assets until the asset is disposed of or impaired. Realized gains and losses are recognized in the statement of operations. The Society does not use derivatives to mitigate these risks.