

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

Financial Statements

December 31, 2013

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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, which comprise the statement of financial position as at December 31, 2013, 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 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, 2013, 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**

Toronto, Ontario
June 9, 2014

Statement of Financial Position

December 31, 2013

	2013	2012
Assets		
Current		
Cash	\$ 274,368	\$ 526,857
Investments	1,833,077	2,192,061
Accounts and other receivables (note 3)	95,829	17,180
Government remittances recoverable	92,328	2,718
Prepaid expenses	124,300	159,126
	2,419,902	2,897,942
Prepaid expenses	157,259	94,151
Capital assets (note 4)	13,272	17,276
Intangible assets (note 5)	347	1,216
	\$ 2,590,780	\$ 3,010,585
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 180,170	\$ 220,726
Government remittances payable	1,652	3,335
Deferred revenue (note 6)	250,069	433,300
Due to related organizations (note 7)	72,360	101,777
Due to Sections (note 8)	402,248	389,139
Current portion of capital lease obligation (note 9)	3,201	3,103
	909,700	1,151,380
Capital lease obligation (note 9)	2,492	5,693
Lease inducement	7,888	7,926
	920,080	1,164,999
Net Assets		
Net assets internally restricted for equipment replacement (note 10)	40,078	38,167
Net assets internally restricted relating to congress funds (note 10)	190,109	190,109
Net assets internally restricted for contingency purposes (note 10)	700,000	-
Unrestricted net assets	740,513	1,617,310
	1,670,700	1,845,586
	\$ 2,590,780	\$ 3,010,585

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

Approved by the Board

Director

Director

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Statement of Operations

for the year ended December 31, 2013

	2013	2012
Revenue		
Membership dues	\$ 1,102,686	\$ 1,108,224
Royalty and subscription <i>(note 11)</i>	911,630	868,219
Annual meeting <i>(note 3)</i>	193,793	1,073,320
Advertising and sponsorship	39,079	182,500
Investment (loss) income	(5,818)	65,207
Other <i>(note 3)</i>	82,190	60,143
	2,323,560	3,357,613
Expenses		
Human resources	1,008,023	992,902
Annual meeting <i>(note 3)</i>	544,394	1,362,542
Administration	464,101	391,485
Members' subscription to CJA <i>(note 11)</i>	149,597	152,878
Occupancy	83,441	82,527
Board	74,974	106,559
Publishing	59,549	60,477
Committees	47,519	34,726
Funding to organizations <i>(note 7)</i>	25,316	49,454
Awards	4,296	7,621
Other	29,274	34,969
Amortization	7,962	10,838
	2,498,446	3,286,978
(Deficiency) excess of revenue over expenses before allocation	(174,886)	70,635
Equipment replacement allocation <i>(note 10)</i>	5,000	5,000
(Deficiency) excess of revenue over expenses	\$ (179,886)	\$ 65,635

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

Supplementary Statement of Operations - Journal
for the year ended December 31, 2013

	2013	2012
Revenue		
Royalty and subscription (<i>note 11</i>)	\$ 911,630	\$ 868,219
Advertising and sponsorship	8,000	7,500
Other	9,241	46,653
	928,871	922,372
Expenses		
Human resources (<i>note 12</i>)	367,350	378,005
Administration (<i>note 12</i>)	40,307	27,159
Members' subscription to CJA (<i>note 11</i>)	149,597	152,878
Occupancy (<i>note 12</i>)	3,750	3,000
Board	14,354	25,830
Publishing	44,126	48,271
Committees	-	300
	619,484	635,443
Excess of revenue over expenses	\$ 309,387	\$ 286,929

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

Canadian Anesthesiologists' Society / Société canadienne des anesthésiologistes

Supplementary Statement of Operations - Annual Meeting
for the year ended December 31, 2013

	2013 <i>(note 3)</i>	2012
Revenue		
Annual meeting		
Registration	\$ 173,281	\$ 753,641
Exhibits	20,512	241,583
Social events	-	42,561
Workshops	-	35,535
	193,793	1,073,320
Advertising and sponsorship	31,079	175,000
Other <i>(note 3)</i>	54,500	-
	279,372	1,248,320
Expenses		
Human resources		
Staffing <i>(note 12)</i>	169,697	199,967
Annual meeting		
External management	256,004	232,355
Registrant	141,684	454,650
Program	111,727	428,396
Exhibit	21,944	53,825
Sponsorship	13,035	76,250
Social program	-	117,066
	544,394	1,362,542
Administration <i>(note 12)</i>	105,398	110,273
Occupancy <i>(note 12)</i>	24,000	22,000
	843,489	1,694,782
Deficiency of revenue over expenses	\$ (564,117)	\$ (446,462)

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

Supplementary Statement of Operations - All Other CAS

for the year ended December 31, 2013

	2013	2012
Revenue		
Membership dues	\$ 1,102,686	\$ 1,108,224
Investment (loss) income	(5,818)	65,207
Other	18,449	13,490
	1,115,317	1,186,921
Expenses		
Human resources	470,976	414,930
Administration	318,396	254,053
Occupancy	55,691	57,527
Board	60,620	80,729
Publishing	15,423	12,206
Committees	47,519	34,426
Funding to organizations (<i>note 7</i>)	25,316	49,454
Awards	4,296	7,621
Other	29,274	34,969
Amortization	7,962	10,838
	1,035,473	956,753
Excess of revenue over expenses before allocation	79,844	230,168
Equipment replacement allocation (<i>note 10</i>)	5,000	5,000
Excess of revenue over expenses	\$ 74,844	\$ 225,168

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, 2013

	Restricted for equipment replacement	Restricted congress funds	Restricted contingency funds	Unrestricted	2013	2012
Net Assets						
Balance, beginning of year	\$ 38,167	\$ 190,109	\$ -	\$ 1,617,310	\$ 1,845,586	\$ 1,774,951
(Deficiency) excess of revenue over expenses	-	-	-	(179,886)	(179,886)	65,635
Allocation to equipment replacement fund (note 10)	5,000	-	-	-	5,000	5,000
Purchase of capital assets (note 10)	(3,089)	-	-	3,089	-	-
Allocation to contingency fund (note 10)	-	-	700,000	(700,000)	-	-
Balance, end of year	\$ 40,078	\$ 190,109	\$ 700,000	\$ 740,513	\$ 1,670,700	\$ 1,845,586

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, 2013

	2013	2012
Cash flows from operating activities		
Cash receipts from members and activities	\$ 1,923,468	\$ 3,190,858
Cash paid to suppliers and employees	(2,561,043)	(3,088,294)
Interest received	48,602	59,738
	<u>(588,973)</u>	<u>162,302</u>
Cash flows from investing activities		
Purchase of capital assets	(3,089)	(2,604)
Net redemption (purchase) of investments	358,984	(56,416)
	<u>355,895</u>	<u>(59,020)</u>
Cash flows from financing activities		
Net decrease in amounts due to related organizations	(29,417)	(109,180)
Net increase in amounts due to Sections	13,109	71,327
Repayment of capital lease obligation	(3,103)	(3,005)
	<u>(19,411)</u>	<u>(40,858)</u>
(Decrease) increase in cash	(252,489)	62,424
Cash, beginning of year	526,857	464,433
Cash, end of year	\$ 274,368	\$ 526,857

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

Notes to Financial Statements

December 31, 2013

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 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, 2013

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
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 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.

3. Annual Meeting

In June 2013, the Society was scheduled to host the annual meeting to be held in Calgary, Alberta from June 21 to June 24, 2013. The annual meeting was cancelled due to the severe flooding and state of emergency in Calgary during that time. As a result, revenues and expenses related to the annual meeting differ significantly compared to the prior year. Also, included in accounts and other receivables as at December 31, 2013 is \$54,500 (2012 - \$Nil) in insurance proceeds recoverable related to the cancellation of the event. The proceeds are included in other income on the statement of operations.

Notes to Financial Statements

December 31, 2013

4. Capital Assets

	2013			2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer equipment	\$ 29,701	\$ 25,509	\$ 4,192	\$	4,890
Leasehold improvements	43,390	43,390	-		-
Office equipment	31,733	25,937	5,796		8,281
Computer software	7,482	7,482	-		-
Furniture and fixtures	39,536	36,252	3,284		4,105
	\$ 151,842	\$ 138,570	\$ 13,272	\$	17,276

5. Intangible Assets

	2013			2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Trademarks	\$ 5,354	\$ 5,007	\$ 347	\$	1,216

6. Deferred Revenue

The balance of deferred revenue consists of the following:

	2013		2012	
Annual meeting and other deposits	\$	241,371	\$	158,380
Membership dues		8,698		274,920
	\$	250,069	\$	433,300

Notes to Financial Statements

December 31, 2013

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.

As at December 31, 2013, the following amounts are due to related organizations:

	2013	2012
Due to IEF	\$ 3,000	\$ 17,728
Due to CARF	8,812	21,850
Due to CPAS	60,548	62,199
	\$ 72,360	\$ 101,777

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 (2012 - \$20,000) to CARF, which is included in funding to organizations expense.

8. 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:

	2013	2012
Balance, beginning of year	\$ 389,139	\$ 317,812
Sections' revenues collected during the year	31,386	105,078
Sections' expenses paid during the year	(18,277)	(33,751)
Balance, end of year	\$ 402,248	\$ 389,139

9. Capital Lease Obligation

	2013	2012
Photocopier lease, imputed interest of 3.31%, expires December 2015. Quarterly payments of principal and interest of \$840.	\$ 5,693	\$ 8,796
Less: Current portion	3,201	3,103
	\$ 2,492	\$ 5,693

Notes to Financial Statements

December 31, 2013

10. Restriction on Net Assets

During the year, the Society internally restricted \$5,000 (2012 - \$5,000) of unrestricted net assets to be held for future equipment replacement and utilized \$3,089 (2012 - \$2,604) of the fund balance for this purpose. As at December 31, 2013, the total funds held for future equipment replacement are \$40,078 (2012 - \$38,167).

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 internally restricted \$700,000 (2012 - \$Nil) of unrestricted net assets 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.

11. 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, 2013, the Society manages the content of the Journal and Springer publishes and distributes 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, 2013, the Society recognized royalty fees of \$911,630 (2012 - \$868,219) and remitted subscription fees of \$149,597 (2012 - \$152,878) from/to Springer, respectively.

Effective for 2014, the Society has entered into a new five year agreement with Springer which ends December 31, 2018. The responsibilities of the Society and Springer remain unchanged, however, the calculation of the royalty payment to the Society has been amended. The new agreement requires a percentage of the net revenue earned by Springer to be paid to the Society and does not include a minimum royalty payment amount. The Society will also continue to remit annually to Springer a subscription fee for each member of the Society in exchange for a Society member subscription. Although it is not possible to predict the future impact of the amended royalty payment clause, it may have a material impact on future royalty and subscription revenues of the Journal.

Notes to Financial Statements

December 31, 2013

12. 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 \$24,750 (2012 - \$19,000) based on the proportion of staff time spent on the function. Included in Journal administration is \$6,500 (2012 - \$6,000) of administration costs and included in Journal occupancy is \$3,750 (2012 - \$3,000) based on the function usage.

Included in Annual Meeting human resources (staffing) is an allocation of \$160,000 (2012 - \$141,000) based on the proportion of staff time spent on the function. Included in Annual Meeting administration is \$44,000 (2012 - \$45,000) of administration costs and included in Annual Meeting occupancy is \$24,000 (2012 - \$22,000) based on the function usage.

13. Lease Commitments

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

2014	\$	85,676
2015		85,832
2016		87,547
2017		15,829
	\$	274,884

14. 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.