

Financial Statements of

THE CANADIAN PAEDIATRIC SOCIETY

December 31, 2011

Independent Auditor's Report

To the Members of
The Canadian Paediatric Society.

Report on the Financial Statements

We have audited the accompanying financial statements of the Canadian Paediatric Society, which comprise the statement of financial position as at December 31, 2011, and the statements of revenue and expenses, 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 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.

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.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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 the Canadian Paediatric Society 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants

April 24, 2013

THE CANADIAN PAEDIATRIC SOCIETY
Financial Statements
December 31, 2011

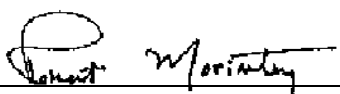
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CANADIAN PAEDIATRIC SOCIETY
Statement of Financial Position
as at December 31, 2011

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Accounts receivable	\$ 1,098,183	\$ 690,579
Inventory	486,671	135,917
Prepaid expenses	92,142	88,325
	1,676,996	914,821
INVESTMENTS (Note 3)	1,731,084	2,077,053
CAPITAL ASSETS (Note 4)	196,265	250,035
	\$ 3,604,345	\$ 3,241,909
CURRENT LIABILITIES		
Bank indebtedness	\$ 294,999	\$ 122,338
Bank loan payable (Note 5)	300,000	-
Accounts payable and accrued liabilities	957,372	841,003
Deferred revenue (Note 6)	445,398	530,297
Due to Healthy Generations (Note 7)	132,111	128,342
	2,129,880	1,621,980
COMMITMENT (Note 8)		
NET ASSETS		
IMPACT Fund	70,831	70,831
<i>Paediatrics & Child Health</i> Fund	77,335	73,139
Neonatal Resuscitation Program Fund	126,659	104,001
Sections Funds (Note 9)	142,194	122,596
Development Fund	80,000	80,000
Special Projects Fund	122,901	122,901
Invested in capital assets	196,265	250,035
Operating Fund	658,280	796,426
	1,474,465	1,619,929
	\$ 3,604,345	\$ 3,241,909

ON BEHALF OF THE BOARD

 _____ DIRECTOR

 _____ DIRECTOR

CANADIAN PAEDIATRIC SOCIETY

Statement of Operations

year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Grants and programs funding	\$ 2,443,561	\$ 2,341,789
Sponsorships	1,134,166	1,644,786
Meeting registrations	752,439	699,243
Membership dues	713,671	691,578
Publication sales	515,355	301,288
Investment income	9,172	91,639
Miscellaneous	134,808	-
	<u>5,703,172</u>	<u>5,770,323</u>
Expenses		
Salaries and benefits	1,805,763	1,883,097
Professional education	1,454,804	1,306,486
Projects	1,346,704	1,307,046
Administrative services	475,377	564,525
Publication sales	218,632	134,181
Communications and public education	191,800	179,821
Advocacy	79,684	196,653
Board governance	85,984	93,783
Membership services	68,480	61,978
Amortization of capital assets	63,613	62,343
Sections	57,795	77,133
	<u>5,848,636</u>	<u>5,867,046</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (145,464)</u>	<u>\$ (96,723)</u>

CANADIAN PAEDIATRIC SOCIETY
Statement of Changes in Net Assets
year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
IMPACT FUND		
BALANCE, BEGINNING OF YEAR	\$ 70,831	\$ 70,831
BALANCE, END OF YEAR	\$ 70,831	\$ 70,831
PAEDIATRICS & CHILD HEALTH FUND		
BALANCE, BEGINNING OF YEAR	\$ 73,139	\$ 71,905
Transfer from operating fund	4,196	1,234
BALANCE, END OF YEAR	\$ 77,335	\$ 73,139
NEONATAL RESUSCITATION PROGRAM FUND		
BALANCE, BEGINNING OF YEAR	\$ 104,001	\$ 121,639
Transfer from (to) operating fund	22,658	(17,638)
BALANCE, END OF YEAR	\$ 126,659	\$ 104,001
SECTIONS FUNDS (Note 9)		
BALANCE, BEGINNING OF YEAR	\$ 122,596	\$ 111,498
Transfer from operating fund	19,598	11,098
BALANCE, END OF YEAR	\$ 142,194	\$ 122,596
DEVELOPMENT FUND		
BALANCE, BEGINNING OF YEAR	\$ 80,000	\$ 80,000
BALANCE, END OF YEAR	\$ 80,000	\$ 80,000

CANADIAN PAEDIATRIC SOCIETY
Statement of Changes in Net Assets
year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
SPECIAL PROJECTS FUND		
BALANCE, BEGINNING OF YEAR	\$ 122,901	\$ 122,901
BALANCE, END OF YEAR	\$ 122,901	\$ 122,901
NET ASSETS INVESTED IN CAPITAL ASSETS		
BALANCE, BEGINNING OF YEAR	\$ 250,035	\$ 300,326
Transfer to operating fund	(53,770)	(50,291)
BALANCE, END OF YEAR	\$ 196,265	\$ 250,035
OPERATING FUND		
BALANCE, BEGINNING OF YEAR	\$ 796,426	\$ 837,552
Deficiency of revenue over expenses	(145,464)	(96,723)
Transfer to <i>Paediatrics & Child Health</i> Fund	(4,196)	(1,234)
Transfer from (to) Neonatal Resuscitation Program Fund	(22,658)	17,638
Transfer to Sections Funds (Note 9)	(19,598)	(11,098)
Transfer from Net Assets Invested in Capital Assets	53,770	50,291
BALANCE, END OF YEAR	\$ 658,280	\$ 796,426

CANADIAN PAEDIATRIC SOCIETY

Statement of Cash Flows

year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses	\$ (145,464)	\$ (96,723)
Item not affecting cash:		
Amortization of capital assets	63,613	62,343
Loss on sale of investments	(76,265)	(54,154)
Change in unrealized gains	67,093	(37,485)
Change in deferred revenue	(84,899)	(377,273)
	<u>(175,922)</u>	<u>(503,292)</u>
Changes in non-cash operating working capital items:		
Accounts receivable	(407,604)	164,454
Inventory	(350,754)	102,502
Prepaid expenses	(3,817)	83,134
Accounts payable and accrued liabilities	116,369	30,402
	<u>(821,728)</u>	<u>(122,800)</u>
INVESTING		
Acquisition of capital assets	(9,843)	(12,052)
Purchase of investments	(302,222)	(801,674)
Proceeds on sale of investments	657,363	812,113
	<u>345,298</u>	<u>(1,613)</u>
FINANCING		
Bank loan payable	300,000	-
Repayments from (advances to) Healthy Generations	3,769	(23,076)
	<u>303,769</u>	<u>(23,076)</u>
NET CASH OUTFLOW	(172,661)	(147,489)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	(122,338)	25,151
BANK INDEBTEDNESS, END OF YEAR	\$ (294,999)	\$ (122,338)

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

1. PURPOSE OF THE ORGANIZATION

The Canadian Paediatric Society (the "Society") is a federally incorporated not-for-profit professional organization as defined in the Income Tax Act and as such is exempt from income taxes. Its mission is to serve its members and Canadian children. The Society's goals are to serve an advocacy role on issues relating to child health and welfare, to provide continuing education for its members, to establish Canadian standards and guidelines for paediatric care and practice, and to promote the interests of paediatricians.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V - *Pre-Changeover Accounting Standards* (Canadian GAAP) and include the following significant accounting policies:

Future accounting changes

In 2010, the CICA issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt the CICA Handbook Part I - *International Financial reporting Standards* or Part III - *Accounting Standards for Not-for-Profit Organizations*. The Society currently plans to adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective January 1, 2012. The impact of this transition has not yet been determined.

Financial instruments

All financial assets are required to be classified as held-for-trading, held-to-maturity, loans and receivables, or available-for-sale. All financial liabilities are required to be classified as held-for trading or other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Society's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest rate method.

Classification

Bank indebtedness	Held-for-trading
Investments	Held-for-trading
Bank loan payable	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to Healthy Generations	Other liabilities

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in miscellaneous revenue.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest rate method and include all financial liabilities, other than derivative instruments. Related party liabilities are recorded at the exchange amount.

Fair value

The fair value of cash and bank indebtedness, accounts receivable, bank loan payable, accounts payable and accrued liabilities, and due to Healthy Generations approximates their carrying values due to their short-term maturity. It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial statements.

The fair value of investments and related risks are disclosed in Note 3.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first in, first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining-balance basis over the estimated life of the assets at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%
Leasehold improvements	straight-line over the term of lease

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants and programs funding as well as sponsorships related to expenses and events of future period are carried in the statement of operations as deferred revenue and then recognized as revenue when the related program costs are charged to expenses or events are held.

Meeting registration fees are recorded as revenue at the time of the event.

Membership dues are recorded as revenue in the period to which they relate.

Proceeds from the sales of books and other publications are recognized as revenue in the period in which the item is shipped.

All other revenue is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Reserve funds

Reserve funds are established by the Board of Directors and transfers between the Society's funds are made as approved by the Board of Directors.

The IMPACT Fund represents excess revenue over expenditures associated with the IMPACT program. These funds may be used with the approval of the IMPACT Committee in a way that furthers the mandate of the program.

The *Paediatrics & Child Health* Fund represents unused editorial revenue or editorial board revenue in excess of expenditures for the year.

The Neonatal Resuscitation Program Fund represents excess revenue over expenditures associated with the Neonatal Resuscitation program. These funds may be used with the approval of the Neonatal Resuscitation Program Committee and in a way that furthers the mandate of the program.

The Sections Funds represent excess revenue over expenditures for projects undertaken by each Section.

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Development Fund has been established to finance costs associated with the ongoing organizational development needs of the Society.

The Special Projects Fund is to be used toward the cost of activities that specifically relate to infectious diseases and their effect on children and adolescents.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect at the balance sheet date. Gains and losses are recognized in the statement of revenue and expenses.

Use of estimates

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant management estimates include collectibility of accounts receivable, the net realizable value of inventories, accrued liabilities and the useful life of capital assets. Actual results could differ from these estimates.

3. INVESTMENTS

The monies of the Society are invested in a fiscally responsible manner that is determined by the Board of Directors. Accordingly, the Society has the following investments:

	2011			2010		
	Fair Value	%of Fair Value	Cost	Fair Value	%of Fair Value	Cost
Bonds						
Canadian	\$ 1,035,299	60	\$ 915,498	\$ 1,327,690	64	\$1,198,841
Equity						
Canadian	373,318	21	327,707	420,420	20	344,430
U.S.	174,852	10	160,720	166,509	8	154,767
International	147,615	9	151,741	162,434	8	136,504
	695,785	40	640,168	749,363	36	635,701
	\$ 1,731,084	100	\$1,555,666	\$ 2,077,053	100	\$1,834,542

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

3. INVESTMENTS (Continued)

Determination of fair value

Bonds are debt obligations of governments and corporations paying interest at rates appropriate to the market at their date of purchase. The fair value for bonds and equity is determined based upon published market quotations. Bonds mature at face value on a staggered basis over the next forty-three years. Stated interest rates for these bonds range from 2.4% to 5.8% (2010 - from 2.4% to 5.8%).

Investment risk

Investments in financial instruments renders the Society susceptible to a potential risk arising from the failure of a party to a financial instrument to discharge its obligation when due. The maximum investment risk to the Society is represented by the fair value of the investments.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations described above do not represent excessive risk.

Interest rate risk

The financial risk to the Society's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Society does not use derivative instruments to reduce its exposure to interest risk.

Foreign currency exposure arises from the Society's holdings of U.S. and international equities. The foreign content on investments totals \$322,467 (2010 - \$328,943).

THE CANADIAN PAEDIATRIC SOCIETY
Notes to the Financial Statements
year ended December 31, 2011

4. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 424,317	\$ 388,477	\$ 35,840	\$ 39,247
Furniture and fixtures	281,953	244,621	37,332	46,665
Leasehold improvements	410,303	287,210	123,093	164,123
	\$ 1,116,573	\$ 920,308	\$ 196,265	\$ 250,035

5. BANK LOAN PAYABLE

During the year, the Society entered into a demand loan facility agreement of \$300,000 bearing interest at prime plus 1% per annum and is secured by a general security agreement. As at December 31, 2011, the facility is fully used.

6. DEFERRED REVENUE

Changes in the deferred revenue balance are as follows:

	2011	2010
Balance, beginning of year	\$ 530,297	\$ 907,570
Amounts recognized as revenue relating to projects, events, and corporate sponsorships in the year	(278,538)	(692,933)
Amounts received relating to projects, events, and corporate sponsorships for future years	193,638	315,660
Balance, end of year	\$ 445,398	\$ 530,297

7. HEALTHY GENERATIONS

The Society controls Healthy Generations, incorporated as Canadian Paediatric Foundation under the Canada Business Corporations Act as a corporation without share capital. Healthy Generations is a registered charity under the Income Tax Act whose purpose is to promote, facilitate and contribute to scientific programs relating to infants, children and adolescents.

THE CANADIAN PAEDIATRIC SOCIETY
Notes to the Financial Statements
year ended December 31, 2011

7. HEALTHY GENERATIONS (Continued)

Healthy Generations has not been consolidated into the Society's financial statements. Unaudited financial statements of Healthy Generations are available upon request.

A financial summary of this unconsolidated entity as at December 31, 2011 and 2010 and for the years then ended are as follows:

Statement of Financial Position

	<u>2011</u> (Unaudited)	<u>2010</u> (Unaudited)
Total assets	\$ 221,971	\$ 214,256
Total liabilities	\$ 109,967	\$ 85,131
Total net assets	112,004	129,125
	<u>\$ 221,971</u>	<u>\$ 214,256</u>

Statement of Operations

Total revenues	\$ 31,853	\$ 138,011
Total expenses	49,474	146,710
Deficiency of revenue over expenses	<u>\$ (17,621)</u>	<u>\$ (8,699)</u>

During the year, the Society received contributions of \$302 (2010 - \$100,968) from Healthy Generations to assist in the funding of particular endeavours. The contributions arose during the normal course of operations and have been carried out, using the exchange amount, on the same terms as would apply with unrelated parties.

During the year, advances were paid to and received from Healthy Generations, resulting in a balance payable of \$132,111 (2010 - \$128,342). This amount is due on demand without interest.

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

8. COMMITMENT

The Society rents a building under a long-term lease which expires in March 2015. The aggregate rental payable to the expiry date amounts to \$601,307. The annual future minimum lease payments, excluding operating costs and taxes for the next four years are as follows:

2012	\$ 175,992
2013	186,992
2014	190,658
2015	47,665
	<u>601,307</u>
	\$ 601,307

9. SECTIONS FUNDS

The Sections Fund was established on the authority of the Board of Directors for the purpose of funding future program expenditures and program shortfalls. The Fund consist of the following Sections:

	2010	Transfer from (to) Operating Fund	2011
Adolescent Health Section	\$ 10,391	\$ 1,199	\$ 11,590
Allergy Section	2,507	(95)	2,412
Community Paediatrics Section	15,753	5,147	20,900
Child and Youth Maltreatment Section	7,230	1,656	8,886
Developmental Paediatrics Section	13,200	6,372	19,572
Emergency Paediatrics Section	18,049	1,297	19,346
Hospital Paediatrics Section	5,129	(849)	4,280
International Health Section	8,592	1,004	9,596
Mental Health Section	5,113	1,056	6,169
Neonatal - Prenatal Medicine Section	8,877	485	9,362
Oral Health Section	1,429	609	2,038
Paediatric Environmental Health Section	1,297	792	2,089
Paediatric Rheumatology Section	2,329	-	2,329
Paediatric Sports and Exercise Medicine Section	(861)	278	(583)
Respiratory Medicine Section	23,561	647	24,208
	<u>\$ 122,596</u>	<u>\$ 19,598</u>	<u>\$ 142,194</u>

THE CANADIAN PAEDIATRIC SOCIETY
Notes to the Financial Statements
year ended December 31, 2011

9. SECTIONS FUNDS (Continued)

	2009	Transfer from (to) Operating Fund	2010
Adolescent Health Section	\$ 9,319	\$ 1,072	\$ 10,391
Allergy Section	1,959	548	2,507
Community Paediatrics Section	14,800	953	15,753
Child and Youth Maltreatment Section	6,134	1,096	7,230
Developmental Paediatrics Section	13,924	(724)	13,200
Emergency Paediatrics Section	14,786	3,263	18,049
Hospital Paediatrics Section	4,884	245	5,129
International Health Section	4,621	3,971	8,592
Mental Health Section	4,184	929	5,113
Neonatal - Prenatal Medicine Section	8,438	439	8,877
Oral Health Section	857	572	1,429
Paediatric Environmental Health Section	1,626	(329)	1,297
Paediatric Rheumatology Section	2,329	-	2,329
Paediatric Sports and Exercise Medicine Section	240	(1,101)	(861)
Respiratory Medicine Section	23,397	164	23,561
	<u>\$ 111,498</u>	<u>\$ 11,098</u>	<u>\$ 122,596</u>

10. EMPLOYEE FUTURE BENEFITS

Substantially all of the employees of the Society are members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer defined benefit pension plan available to all eligible employees of the healthcare community. The plan is accounted for as a defined contribution plan. Employer contributions made during the year on behalf of the employees amount to \$121,160 (2010 - \$127,771) and are included in the statement of operations.

THE CANADIAN PAEDIATRIC SOCIETY

Notes to the Financial Statements

year ended December 31, 2011

10. EMPLOYEE FUTURE BENEFITS (Continued)

Pension expense is based on the Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2011 indicated the Plan is fully funded.

11. CAPITAL MANAGEMENT

The Society's objective when managing capital is to safeguard its ability to continue as a not-for-profit organization in an effort to carry out its mission and goals. Capital consists of net assets.

The Society manages contributions with external restrictions that specify the conditions for using these financial resources. The Society has complied with the requirements respecting these restricted contributions.

There have been no changes to the Society's capital management strategy in the current year except the internal restrictions of net assets as noted in Note 9 as well as presented in the statement of changes in net assets.