

*Financial Statements of*

**THE CANADIAN PAEDIATRIC SOCIETY**

*December 31, 2009*

## Auditors' Report

To the Members of  
The Canadian Paediatric Society

We have audited the statement of financial position of the Canadian Paediatric Society as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants  
Licensed Public Accountants

March 11, 2010

**THE CANADIAN PAEDIATRIC SOCIETY**  
**Financial Statements**  
**December 31, 2009**

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# CANADIAN PAEDIATRIC SOCIETY

## Statement of Operations

year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Revenue		
Advertising fees	\$ 73,298	\$ 64,430
Grants and sponsorships (Note 9)	1,787,542	1,864,386
Investment income (loss)	85,023	(215,396)
Meetings	452,185	513,254
Membership dues	666,129	629,623
Miscellaneous	56,443	96,483
Projects	466,046	398,072
Publication sales	380,024	289,320
	<u>3,966,690</u>	<u>3,640,172</u>
Expenses		
Administrative services	379,115	316,617
Amortization of capital assets	73,926	75,585
Meetings	891,639	662,414
Printing and postage	271,733	435,914
Projects	230,041	199,325
Rent	313,377	279,855
Salaries and benefits (Note 13)	1,490,027	1,494,232
Technology services	33,596	32,514
Travel	261,243	365,947
	<u>3,944,697</u>	<u>3,862,403</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 21,993</b>	<b>\$ (222,231)</b>

**CANADIAN PAEDIATRIC SOCIETY**  
**Statement of Changes in Net Assets**  
year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
<b>SPECIAL PROJECTS FUND</b>		
BALANCE, BEGINNING OF YEAR	\$ 122,901	\$ 122,901
BALANCE, END OF YEAR	\$ 122,901	\$ 122,901
<b>PAEDIATRICS &amp; CHILD HEALTH FUND</b>		
BALANCE, BEGINNING OF YEAR	\$ 67,382	\$ 59,215
Transfer from operating fund	4,523	8,167
BALANCE, END OF YEAR	\$ 71,905	\$ 67,382
<b>SECTIONS FUNDS (NOTE 10)</b>		
BALANCE, BEGINNING OF YEAR	\$ 98,137	\$ 86,613
Transfer from operating fund	13,361	11,524
BALANCE, END OF YEAR	\$ 111,498	\$ 98,137
<b>DEVELOPMENT FUND</b>		
BALANCE, BEGINNING OF YEAR	\$ 80,000	\$ 80,000
BALANCE, END OF YEAR	\$ 80,000	\$ 80,000
<b>NET ASSETS INVESTED IN CAPITAL ASSETS</b>		
BALANCE, BEGINNING OF YEAR	\$ 365,826	\$ 439,292
Transfer to operating fund	(65,500)	(73,466)
BALANCE, END OF YEAR	\$ 300,326	\$ 365,826
<b>OPERATING FUND</b>		
BALANCE, BEGINNING OF YEAR	\$ 767,943	\$ 936,399
Excess (deficiency) of revenues over expenses	21,993	(222,231)
Transfer to Paediatrics & Child Health Fund	(4,523)	(8,167)
Transfer to Section Fund	(13,361)	(11,524)
Transfer from Net Assets Invested in Capital Assets	65,500	73,466
BALANCE, END OF YEAR	\$ 837,552	\$ 767,943

**CANADIAN PAEDIATRIC SOCIETY**  
**Statement of Financial Position**  
as at December 31, 2009

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 25,151	\$ 48,471
Investments (Note 4)	1,995,853	1,892,072
Accounts receivable	413,364	561,082
Inventory	238,419	288,165
Prepaid expenses	118,090	91,912
	<b>2,790,877</b>	<b>2,881,702</b>
OTHER ASSET (Note 5)	53,369	108,000
CAPITAL ASSETS (Note 6)	300,326	365,826
	<b>\$ 3,144,572</b>	<b>\$ 3,355,528</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 810,601	\$ 630,129
Deferred revenue (Note 8)	658,371	1,057,679
Due to Healthy Generations (Note 9)	151,418	165,531
	<b>1,620,390</b>	<b>1,853,339</b>
<b>COMMITMENT (Note 11)</b>		
<b>NET ASSETS</b>		
Special projects fund	122,901	122,901
Paediatrics & Child Health fund	71,905	67,382
Sections funds (Note 10)	111,498	98,137
Development fund	80,000	80,000
Net assets invested in capital assets	300,326	365,826
Operating fund	837,552	767,943
	<b>1,524,182</b>	<b>1,502,189</b>
	<b>\$ 3,144,572</b>	<b>\$ 3,355,528</b>

ON BEHALF OF THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CANADIAN PAEDIATRIC SOCIETY

## Statement of Cash Flows

year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	\$ 21,993	\$ (222,231)
Items not affecting cash:		
Loss (gain) on sale of investments	(123,733)	101,993
Amortization of capital assets	73,926	75,585
	<b>(27,814)</b>	(44,653)
Changes in non-cash operating working capital items:		
Accounts receivable	147,718	194,345
Other asset	54,631	-
Inventory	49,746	(148,877)
Prepaid expenses	(26,178)	(20,195)
Accounts payable and accrued liabilities	180,472	(108,624)
Deferred revenue	(399,308)	(55,881)
	<b>(20,733)</b>	(183,885)
INVESTING		
Acquisition of capital assets	(8,426)	(2,119)
Net additions to investments	19,952	(74,446)
	<b>11,526</b>	(76,565)
FINANCING		
Advances from (to) Healthy Generations	(14,113)	111,850
NET CASH OUTFLOW	<b>(23,320)</b>	(148,600)
CASH, BEGINNING OF YEAR	48,471	197,071
CASH, END OF YEAR	<b>\$ 25,151</b>	<b>\$ 48,471</b>

# THE CANADIAN PAEDIATRIC SOCIETY

## Notes to the Financial Statements

year ended December 31, 2009

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### 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. CHANGES IN ACCOUNTING POLICIES

#### *Financial statements by not-for-profit organizations*

On January 1, 2009, the Society adopted the Canadian Institute of Chartered Accountants (CICA) issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-For-Profit Organizations*. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles (GAAP)*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs. These amendments had no significant impact on the Society's financial statements.

The CICA issued amendments to Section 1000, *Financial Statement Concepts*, to clarify the criteria for recognizing an asset.

#### *Future accounting changes - New accounting framework*

The CICA has issued a new accounting framework applicable to Canadian private enterprises. Effective for fiscal years beginning on January 1, 2011, private enterprises will have the option to choose between International Financial Reporting Standards (IFRS) and Canadian generally accepted accounting principles (GAAP). The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) are currently working together to assess the strategic direction of financial reporting standards for not-for-profit organizations in Canada. The AcSB and PSAB plan to release an Exposure Draft for public comment in 2010 that proposes possible reporting options for the sector. Until a new direction has been established, the Society will continue to follow existing CICA Handbook accounting standards for not-for-profit organizations.

# THE CANADIAN PAEDIATRIC SOCIETY

## Notes to the Financial Statements

year ended December 31, 2009

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### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian (GAAP) and reflect the following significant accounting policies:

#### *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

Cash and cash equivalents	Held-for-trading
Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

#### 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 investment 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.

# THE CANADIAN PAEDIATRIC SOCIETY

## Notes to the Financial Statements

year ended December 31, 2009

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 stated at cost. Amortization is provided on a declining-balance basis at the following annual rates, adjusted to one-half in the year of acquisition:

Computer equipment	30%
Furniture and fixtures	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

#### *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.

In addition, the Society has the following revenue recognition policies:

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 when the item is shipped and revenue has been received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Fees collected from registered instructors are recorded when revenue has been received.

#### *Deferred revenue*

Deferred revenue represents unspent resources externally restricted for various projects and events administered by the Society, as well as corporate sponsorships relating to future years.

**THE CANADIAN PAEDIATRIC SOCIETY**  
**Notes to the Financial Statements**  
year ended December 31, 2009

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Reserve funds*

Transfers between funds are made as approved by the Board of Directors.

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.

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

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

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

*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. Actual results could differ from these estimates. Significant management estimates include the allowance for doubtful accounts, the net realizable value of certain inventories, certain accrued liabilities and the useful life of capital assets.

**4. 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:

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income bonds	\$ 1,054,120	\$ 1,175,288	\$ 1,184,497	\$ 1,303,641
Common shares	736,706	820,565	683,798	588,431
	<b>\$ 1,790,826</b>	<b>\$ 1,995,853</b>	<b>\$ 1,868,295</b>	<b>\$ 1,892,072</b>

**THE CANADIAN PAEDIATRIC SOCIETY**  
**Notes to the Financial Statements**  
year ended December 31, 2009

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**5. OTHER ASSET**

Other asset represents a deposit for two months of rent under the office operating lease, which expires in March 2015.

**6. CAPITAL ASSETS**

	<b>2009</b>			<b>2008</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer equipment	\$ 402,422	\$ 360,990	\$ 41,432	\$ 52,497
Furniture and fixtures	281,953	223,622	58,331	69,441
Leasehold improvements	410,303	209,740	200,563	243,888
	<b>\$ 1,094,678</b>	<b>\$ 794,352</b>	<b>\$ 300,326</b>	<b>\$ 365,826</b>

**7. BANK DEMAND LOAN**

The Society has access to a demand loan facility of \$50,000 bearing interest at prime plus 1% per annum and is secured by a general security agreement. As at December 31, 2009, the facility remained unused.

**8. DEFERRED REVENUE**

Changes in the deferred revenue balance are as follows:

	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 1,057,679	\$ 1,113,560
Amounts recognized as revenue relating to projects, events, and corporate sponsorships in the year	(761,361)	(560,521)
Amounts received relating to projects, events, and corporate sponsorships for future years	362,053	504,640
Balance, end of year	<b>\$ 658,371</b>	<b>\$ 1,057,679</b>

**THE CANADIAN PAEDIATRIC SOCIETY**  
**Notes to the Financial Statements**  
year ended December 31, 2009

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**9. 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.

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

A financial summary of this unconsolidated entity as at December 31, 2009 and 2008 and for the years then ended are as follows:

**Financial Position**

	<u>2009</u>	<u>2008</u>
Total assets	<b>\$ 190,746</b>	\$ 233,769
Total liabilities	<b>\$ 54,997</b>	\$ 100,270
Total net assets	<b>135,749</b>	133,499
	<b>\$ 190,746</b>	\$ 233,769

**Results of Operations**

Total revenues	<b>\$ 179,843</b>	\$ 321,854
Total expenditures	<b>189,026</b>	286,497
Excess of revenue over expenditures	<b>\$ (9,183)</b>	\$ 35,357

During the year, the Society received contributions of \$101,430 (2008 - \$229,450) 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 \$151,418 (2008 - \$165,531). This amount is due on demand without interest.

# THE CANADIAN PAEDIATRIC SOCIETY

## Notes to the Financial Statements

year ended December 31, 2009

### 10. SECTIONS FUNDS

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

	Balance December 31, <u>2008</u>	Transfer from (to) Operating <u>Fund</u>	Balance December 31, <u>2009</u>
Adolescent Health Section	\$ 8,274	\$ 1,045	\$ 9,319
Allergy Section	1,959	-	1,959
Community Paediatrics Section	10,624	4,176	14,800
Child and Youth Maltreatment Section	4,958	1,176	6,134
Developmental Paediatrics Section	11,073	2,851	13,924
Emergency Paediatrics Section	13,742	1,044	14,786
Hospital Paediatrics Section	3,427	1,457	4,884
International Health Section	5,240	(619)	4,621
Mental Health Section	3,208	976	4,184
Neonatal - Prenatal Medicine Section	9,932	(1,494)	8,438
Oral Health Section	333	524	857
Paediatric Environmental Health Section	(918)	2,544	1,626
Paediatric Rheumatology Section	2,329	-	2,329
Paediatric Sports and Exercise Medicine Section	469	(229)	240
Respiratory Medicine Section	23,487	(90)	23,397
	<u>\$ 98,137</u>	<u>\$ 13,361</u>	<u>\$ 111,498</u>

**THE CANADIAN PAEDIATRIC SOCIETY**  
**Notes to the Financial Statements**  
year ended December 31, 2009

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**11. COMMITMENT**

The Society rents a building under a long-term lease which expires March 2015. The aggregate rental payable to the expiry date amounts to \$949,624. The annual future minimum lease payments, excluding operating costs and taxes for the next six years are as follows:

2010	\$ 172,325
2011	175,992
2012	175,992
2013	186,992
2014	190,658
2015	47,665
	<hr/>
	\$ 949,624
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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Credit risk*

The Society is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Society has adopted credit policies which include the advance receipt of publication sales.

*Investment risk*

The maximum investment risk to the Society is represented by the fair value of the investments. Investments in financial instruments also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

*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.

*Fair value*

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and due to Healthy Generations approximates their carrying values due to their short-term maturity.

The fair value of investments is derived from the quoted market prices at December 31, 2009, determined from the Society's investment portfolio statements.

# **THE CANADIAN PAEDIATRIC SOCIETY**

## **Notes to the Financial Statements**

**year ended December 31, 2009**

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### **13. EMPLOYEE FUTURE BENEFITS**

Substantially all of the employees of the Society are members of the Hospitals of Ontario Pension Plan (HOOPP). This Plan is a multi-employer defined benefit pension plan. Pension benefit costs are expensed as contributions are made. This is in accordance with defined contribution plan accounting for pension contributions as insufficient information exists to apply defined benefit plan accounting due to the number of participating employers.

Employer contributions made during the year on behalf of the employees amount to \$105,639 (2008 - \$94,884).

There were no significant changes during the year affecting comparability. Employer contributions were consistent at 126% of employee contributions.

### **14. CAPITAL MANAGEMENT**

The Society's objectives when managing capital are 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 fund balances and capital assets. The Society is not subject to any externally imposed capital requirements or restrictions.

There have been no changes to the Society's capital requirements and its overall strategy with respect to capital has remained unchanged from the prior year.

### **15. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2009.