

FINANCIAL STATEMENTS
For
CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE
For year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the directors of

CANADIAN SURGICAL RESEARCH FUND - LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE

We have audited the accompanying financial statements of Canadian Surgical Research Fund - Le Fonds canadien de la recherche en chirurgie, which comprise the statement of financial position as at December 31, 2017 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.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Fund derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to these revenues from donations and fundraising activities, excess of expenses over revenue and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and net assets as at January 1 and December 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Surgical Research Fund - Le Fonds canadien de la recherche en chirurgie as at December 31, 2017 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.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
September 14, 2018.

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 108,740	\$ 113,990
Short-term investments - note 4	168,904	162,056
Accounts receivable	948	-
Government remittances receivable	3,395	2,563
Due from Canadian Association of General Surgeons - note 5	<u>-</u>	<u>1,158</u>
	<u>\$ 281,987</u>	<u>\$ 279,767</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 43,080</u>	<u>\$ 33,235</u>
NET ASSETS		
Internally restricted - note 6	317,846	317,846
Unrestricted	<u>(78,939)</u>	<u>(71,314)</u>
	<u>238,907</u>	<u>246,532</u>
	<u>\$ 281,987</u>	<u>\$ 279,767</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Investment income	\$ 9,384	\$ 10,477
Donations	2,312	13,326
Cost recovery - grants	<u>10,000</u>	<u>-</u>
	<u>21,696</u>	<u>23,803</u>
EXPENSES		
Grants	20,000	20,000
Professional fees	4,376	4,665
Management services	2,599	2,079
Investment management	2,333	2,237
Office	<u>13</u>	<u>127</u>
	<u>29,321</u>	<u>29,108</u>
NET EXPENSES	<u>\$ (7,625)</u>	<u>\$ (5,305)</u>

(See accompanying notes)

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF THE PERIOD	\$ 317,846	\$ (71,314)	\$ 246,532	\$ 251,837
NET EXPENSES	<u>-</u>	<u>(7,625)</u>	<u>(7,625)</u>	<u>(5,305)</u>
BALANCE, END OF THE PERIOD	<u>\$ 317,846</u>	<u>\$ (78,939)</u>	<u>\$ 238,907</u>	<u>\$ 246,532</u>

(See accompanying notes)

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net expenses	\$ (7,625)	\$ (5,305)
Changes in non-cash working capital components:		
Accounts receivable	(948)	75
Government remittances receivable	(832)	(785)
Due from Canadian Association of General Surgeons	1,158	225
Accounts payable and accrued liabilities	<u>9,845</u>	<u>(9,908)</u>
	<u>1,598</u>	<u>(15,698)</u>
INVESTING ACTIVITIES		
Purchase of short-term investments	<u>(6,848)</u>	<u>(8,045)</u>
DECREASE IN CASH	(5,250)	(23,743)
CASH AT BEGINNING OF YEAR	<u>113,990</u>	<u>137,733</u>
CASH AT END OF YEAR	<u>\$ 108,740</u>	<u>\$ 113,990</u>

(See accompanying notes)

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The Fund is controlled by the Canadian Association of General Surgeons. The Fund's mandate is to provide funds for research in the area of General Surgery in Canada. As such, the Fund collects donations from various corporations and individuals.

The Fund is a registered charity and as such is exempt from income tax under current legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Revenue recognition

The Fund follows the restricted fund method of accounting for donations. Restricted donations related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted donations are recognized as revenue of the general fund in the year in which they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income includes both realized and unrealized gains and losses and is recognized as revenue in the fund to which it relates as it is earned.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Measurement of financial instruments

The Fund initially measures its financial assets and liabilities at fair value. The Fund subsequently measures its financial assets and liabilities at amortized cost, except for investments which are measured at fair value.

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL INSTRUMENTS

The Fund is exposed to various risks through its financial instruments.

Credit risk

The Fund is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Fund's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments and accounts receivable.

The Fund's cash is deposited with a Canadian Chartered bank and its short-term investments are held by the investment arm of a Canadian Chartered bank. As a result, management believes the risk of loss on these items to be remote.

The Fund's accounts receivable are from government for sales tax refundable and from a recurring vendor and as a result, management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its demand for cash or fund its obligations as they become due. The Fund meets its liquidity requirements by preparing and monitoring forecasts of cash flow from operations, anticipating investment activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in the value of the Canadian dollar with respect to other currencies.

Substantially all of the Fund's transactions are in Canadian dollars, and the Fund's short-term investments are all denominated in Canadian dollars. Exposure to currency risk does exist within the short-term investments portfolio which includes funds that primarily invest in foreign securities.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Fund is exposed to interest rate risk through the portion of its short-term investments portfolio invested in bond funds.

**CANADIAN SURGICAL RESEARCH FUND -
LE FONDS CANADIEN DE LA RECHERCHE EN CHIRURGIE**

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL INSTRUMENTS - cont'd

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Fund's exposure to other price risk arises from its equity short-term investments.

Changes in risks

There have been no significant changes in the Fund's risk exposures from the prior years.

4. SHORT-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
Fixed income and cash	\$ 102,366	\$ 97,605
Equity instruments	<u>66,538</u>	<u>64,451</u>
	<u>\$ 168,904</u>	<u>\$ 162,056</u>

5. DUE FROM CANADIAN ASSOCIATION OF GENERAL SURGEONS

The Fund is controlled by the Canadian Association of General Surgeons.

The Canadian Association of General Surgeons collects donations on behalf of the fund. At December 31, 2017, the Canadian Association of General Surgeons held funds due to the Fund in the amount of \$Nil (2016 - \$1,158).

All amounts due from the Canadian Association of General Surgeons are non-interest bearing and due on demand.

6. INTERNALLY RESTRICTED NET ASSETS

In 2008, the board of directors of the Fund approved a motion to internally restrict these funds plus interest earned on the funds received, to establish a reserve for future research grants. These internally restricted amounts are not available for any other purpose without approval from the board of directors.