

FINANCIAL STATEMENTS

For

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

For six months ended

DECEMBER 31, 2014

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, 2014 and the statements of operations, changes in net assets and cash flows for the six months 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, deficiency of revenues over expenses, cash flows from operations, current assets and net assets.

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, 2014 and the results of its operations and its cash flows for the six months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Canadian Surgical Research Fund - Le Fonds canadien de la recherche en chirurgie for the year ended June 30, 2014, were audited by another auditor who expressed a qualified opinion on those statements on September 17, 2014.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
April 30, 2015.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	Dec. 31, <u>2014</u>	June 30, <u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 127,282	\$ 283,552
Short-term investments - note 4	152,296	-
Accounts receivable	95	-
Government remittances receivable	1,026	520
Due from Canadian Association of General Surgeons - note 5	<u>14,437</u>	<u>1,091</u>
	\$ 295,136	\$ 285,163
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 33,782</u>	<u>\$ 14,154</u>
NET ASSETS		
Unrestricted	(56,492)	(46,837)
Internally restricted - note 6	<u>317,846</u>	<u>317,846</u>
	<u>261,354</u>	<u>271,009</u>
	\$ 295,136	\$ 285,163

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

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

STATEMENT OF OPERATIONS

SIX MONTHS ENDED DECEMBER 31, 2014

	6 months ended Dec. 31, <u>2014</u>	Year ended June 30, <u>2014</u>
Revenue		
Donations	\$ 10,928	\$ 19,562
Investment income	2,490	-
Silent auction	<u>2,340</u>	<u>2,785</u>
	<u>15,758</u>	<u>22,347</u>
Expenses		
Grants	20,000	50,000
Professional fees	4,179	4,064
Management services	1,039	3,118
Investment management	178	-
Office	17	-
Travel	<u>-</u>	<u>589</u>
	<u>25,413</u>	<u>57,771</u>
Excess expenses over revenue	\$ <u>(9,655)</u>	\$ <u>(35,424)</u>

(See accompanying notes)

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

STATEMENT OF CHANGES IN NET ASSETS

SIX MONTHS ENDED DECEMBER 31, 2014

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>6 months ended Dec. 31, 2014</u>	<u>Year ended June 30, 2014</u>
Balance, beginning of the period	\$ 317,846	\$ (46,837)	\$ 271,009	\$ 306,433
Excess expenses over revenue	<u>-</u>	<u>(9,655)</u>	<u>(9,655)</u>	<u>(35,424)</u>
Balance, end of the period	<u>\$ 317,846</u>	<u>\$ (56,492)</u>	<u>\$ 261,354</u>	<u>\$ 271,009</u>

(See accompanying notes)

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

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2014

	6 months ended Dec. 31, <u>2014</u>	Year ended June 30, <u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess expenses over revenue	\$ (9,655)	\$ (35,424)
Changes in non-cash working capital components:		
Accounts receivable	(95)	-
Government remittances receivable/payable	(506)	(520)
Due from Canadian Association of General Surgeons	(13,346)	20,468
Accounts payable and accrued liabilities	<u>19,628</u>	<u>1,156</u>
	<u>(3,974)</u>	<u>(14,320)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	<u>(152,296)</u>	<u>-</u>
 DECREASE IN CASH	 (156,270)	 (14,320)
 CASH AT BEGINNING OF YEAR	 <u>283,552</u>	 <u>297,872</u>
 CASH AT END OF YEAR	 <u>\$ 127,282</u>	 <u>\$ 283,552</u>

(See accompanying notes)

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

NOTES TO THE FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2014

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 was incorporated under Part II of the Canada Corporations Act and continued under the Canada Not-for-Profit Corporations Act, 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.

SIX MONTHS ENDED DECEMBER 31, 2014

3. FINANCIAL INSTRUMENTS

The Fund is exposed to various risks through its financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to currency risk.

Credit risk

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

The Fund's cash is deposited with a Canadian Chartered bank. 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 manages its credit risk by reviewing accounts receivable on a continuous basis and follows up on outstanding amounts. Management believes that all accounts receivable at year end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

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 interest rate risk and other price risk.

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's exposure to interest rate risk arises from its fixed income short-term investments.

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.

Liquidity risk

Liquidity risk is the risk that the organization cannot meet its demand for cash or fund its obligations as they become due. The organization 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.

Changes in risks

The Fund is now exposed to market, interest rate and other price risks through its short-term investments.

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

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

SIX MONTHS ENDED DECEMBER 31, 2014

4. SHORT-TERM INVESTMENTS

	Dec. 31, <u>2014</u>	June 30, <u>2014</u>
Fixed income and cash	\$ 90,013	\$ -
Equity instruments	<u>62,283</u>	<u>-</u>
	<u>\$ 152,296</u>	<u>\$ -</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, 2014, the Canadian Association of General Surgeons held funds due to the Fund in the amount of \$14,437 (June 2014 - \$1,091).

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.

7. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor.

Comparative figures have been reclassified to reflect the financial statement presentation adopted in the current year.