

**Canadian Mathematical Society /
Société Mathématique du Canada**

**Financial Statements
December 31, 2010**

Independent Auditor's Report	2 - 3
Financial Statements	
Financial Position	4
Revenue and Expenditures, Operations Fund	5
Changes in Fund Balances, Operations Fund	6
Revenue, Expenditures and Changes in Fund Balances, Restricted Funds	7
Cash flows	8
Notes to Financial Statements	9 - 15



Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
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Ottawa, Ontario K1H 1E4

To the Members of
Canadian Mathematical Society /
Société Mathématique du Canada

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We have audited the accompanying financial statements of Canadian Mathematical Society / Société Mathématique du Canada, which comprise the statement of financial position as at December 31, 2010 and the statements of revenue and expenditures, operations fund; changes in fund balances, operations fund; revenues, expenditures and changes in fund balances, restricted funds; 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.

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 Mathematical Society / Société Mathématique du Canada as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Cholet Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
June 5, 2011

Canadian Mathematical Society / Société Mathématique du Canada

Financial Position

December 31, 2010

	Operations Fund	Contingency Fund	Endowment Fund		Mathematical Olympiads Fund		Borwein Distinguished Career Fund		Total	Total
			Capital	Operations	Capital	Operations	Capital	Operations	2010	2009
			\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current assets										
Cash (Note 3)	64,445								64,445	129,471
Short-term investments (Note 4)	83,162								83,162	157,861
Accounts receivable	358,120	18,550							376,670	373,927
Prepaid expenses	42,506								42,506	59,224
Due from (to) specified fund	127,222	(68,233)	(44,787)	9,625	(24,564)	6,127	(4,464)	(926)		
	675,455	(49,683)	(44,787)	9,625	(24,564)	6,127	(4,464)	(926)	566,783	720,483
Investments (Note 5)	3,359	928,881	434,497		215,062		56,757		1,638,556	1,518,374
Capital assets (Note 6)	33,884								33,884	38,818
	712,698	879,198	389,710	9,625	190,498	6,127	52,293	(926)	2,239,223	2,277,675
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities (Note 3)	188,087								188,087	242,848
Deferred revenue (Note 7)	395,153	184,933							580,086	700,843
	583,240	184,933							768,173	943,691
FUND BALANCES										
Restricted		694,265	389,710	9,625	190,498	6,127	52,293	(926)	1,341,592	1,265,213
Unrestricted	129,458								129,458	68,771
	129,458	694,265	389,710	9,625	190,498	6,127	52,293	(926)	1,471,050	1,333,984
	712,698	879,198	389,710	9,625	190,498	6,127	52,293	(926)	2,239,223	2,277,675

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

Canadian Mathematical Society / Société Mathématique du Canada

Revenue and Expenditures, Operations Fund

Year ended December 31, 2010

	General Division		Publishing Division		Research Division		Education Division		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Grants	1,500				50,042	73,400	90,726	123,208	142,268	196,608
Donations	3,978	4,924	762	812	990	1,096	113,671	108,678	119,401	115,510
Membership fees	135,782	138,085							135,782	138,085
Registration fees and other sales					188,650	203,735	119,195	151,700	307,845	355,435
Subscriptions and publications	2	2	739,696	839,198	160	40			739,858	839,240
Services, advertising and sales	98,249	78,333	11,260	17,428	6,914	33,876			116,423	129,637
	239,511	221,344	751,718	857,438	246,756	312,147	323,592	383,586	1,561,577	1,774,515
Expenditures										
National projects	10,314	8,511					240,883	230,601	251,197	239,112
Speakers and prizes	1,431	584	125	26	49,613	93,362	20,470	52,631	71,639	146,603
Production			114,527	135,081	6,228	6,275			120,755	141,356
Promotional material	3,631	5,193	15,956	4,036	4,873	4,221	4,683	5,051	29,143	18,501
Salaries and benefits	178,140	182,875	238,503	262,329	151,934	160,083	91,480	98,778	660,057	704,065
Boards and committees	32,817	29,676	84,535	78,570	4	133	3,031	2,096	120,387	110,475
Legal and audit	111	3,986	112	3,986	112	3,986	85	3,030	420	14,988
General administration	43,926	55,017	63,058	80,726	111,517	147,657	17,127	55,922	235,628	339,322
Amortization of capital assets	2,088	3,286	1,601	2,520	5,871	7,497	1,601	2,520	11,161	15,823
Development campaign	10	496			3	165	14	662	27	1,323
Other expenditures	242	5,031	234	4,766					476	9,797
	272,710	294,655	518,651	572,040	330,155	423,379	379,374	451,291	1,500,890	1,741,365
Excess (deficiency) of revenue over expenditures	(33,199)	(73,311)	233,067	285,398	(83,399)	(111,232)	(55,782)	(67,705)	60,687	33,150

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

Canadian Mathematical Society / Société Mathématique du Canada

Changes in Fund Balance, Operations Fund

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Fund balance, beginning of year	68,771	35,621
Excess of revenue over expenditures	<u>60,687</u>	<u>33,150</u>
Fund balance, end of year	<u><u>129,458</u></u>	<u><u>68,771</u></u>

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

Canadian Mathematical Society / Société Mathématique du Canada

Revenue, Expenditures and Changes in Fund Balances, Restricted Funds

Year ended December 31, 2010

	Contingency Fund	Endowment Fund		Mathematical Olympiads Fund		Borwein Distinguished Career Fund		Total	
		Capital	Operations	Capital	Operations	Capital	Operations	2010	2009
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations		1,860		470		300		2,630	4,105
Dividend, interest and other income	28,228	12,769		6,397		1,699		49,093	50,198
Gain on investments due to changes in fair value	40,351	18,252		9,144		2,427		70,174	105,783
	68,579	32,881		16,011		4,426		121,897	160,086
Expenditures									
Projects			305		3,176			3,481	1,500
Mathematical Olympiad annual transfer									2,630
Service fees	8,626	3,902		1,954		518		15,000	15,000
Invested Funds Committee	680		308		154		41	1,183	243
Speakers and prizes							1,854	1,854	
Other compensation	24,000							24,000	
	33,306	3,902	613	1,954	3,330	518	1,895	45,518	19,373
Excess (deficiency) of revenue over expenditures	35,273	28,979	(613)	14,057	(3,330)	3,908	(1,895)	76,379	140,713
Fund balances, beginning of year	658,992	367,110	3,859	179,632	6,266	49,245	109	1,265,213	1,124,500
Contribution from (to) operations from capital		(6,379)	6,379	(3,191)	3,191	(860)	860		
Fund balances, end of year	694,265	389,710	9,625	190,498	6,127	52,293	(926)	1,341,592	1,265,213

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

Canadian Mathematical Society / Société Mathématique du Canada

Cash Flows

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures, Operations Fund	60,687	33,150
Excess of revenue over expenditures, Restricted Funds	76,379	140,713
Non-cash items		
Amortization of capital assets	11,161	15,823
Gain on investments due to changes in fair value	(70,174)	(105,783)
Changes in working capital items		
Accounts receivable	(2,743)	48,204
Budget advances		4,000
Prepaid expenses	16,718	780
Accounts payable and accrued liabilities	(54,763)	(111,181)
Deferred revenue	(120,757)	107,479
Cash flows from operating activities	<u>(83,492)</u>	<u>133,185</u>
INVESTING ACTIVITIES		
Acquisition of short-term investments	(250,490)	(660,000)
Proceeds on disposal of short-term investments	325,189	573,515
Acquisition of investments	(91,425)	(50,196)
Proceeds on disposal of investments	41,419	
Acquisition of capital assets	(6,227)	(19,020)
Cash flows from investing activities	<u>18,466</u>	<u>(155,701)</u>
Net decrease in cash	(65,026)	(22,516)
Cash, beginning of year	<u>129,471</u>	<u>151,987</u>
Cash, end of year	<u><u>64,445</u></u>	<u><u>129,471</u></u>

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

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Canadian Mathematical Society/Société Mathématique du Canada ("the Society") is a non-profit organization incorporated without share capital under Part II of the Canada Corporations Act, to promote and advance the discovery, learning and application of mathematics. The Canadian Mathematical Society/Société Mathématique du Canada is a registered charitable organization for purposes of the Income Tax Act, and is not subject to income tax.

2 - ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Society may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

The Society has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets and liabilities

Cash and investments are held-for-trading financial assets and are measured at their fair value with changes in fair value being recognized in the statement of operations.

Loans and receivables and other financial liabilities

Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method (including any impairment). Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

Cash and cash equivalents

The Society's policy is to present cash and investments having a term of three months or less from the acquisition date with cash and cash equivalents.

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

2 - ACCOUNTING POLICIES (Continued)

Fund accounting

The Society follows the restricted fund method of accounting for contributions.

Revenue and expenses related to general, publishing, research and educational activities are reported in the Operations Fund.

The Contingency Fund records its portion of investment income from restricted investments. Any amount in excess of \$75,000 in the Operations Fund balance at the end of the financial period is transferred to the Contingency Fund as a special contribution. In extraordinary circumstances, and as approved by the Board of Directors, an appeal may be made to the Contingency Fund for a contribution to alleviate a deficit in the Operations Fund balance.

The Endowment Fund records bequests and other contributions. From time to time, the Society's Board of Directors will approve projects to be supported from income earned on investments.

The Mathematical Olympiads Fund, established by means of a donation from the OIM 1995 IMO Corporation, receives bequests and other contributions restricted for support of the Mathematical Olympiads program in Canada. Each year, a portion of the income is used to support these activities.

The Borwein Distinguished Career Fund is the result of a pledge from the Borwein Family to create an endowment fund for a Distinguished Career Award which recognizes exceptional, broad and continued contributions to Canadian mathematics.

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operations Fund, in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted funds.

Unrestricted contributions are recognized as revenue of the Operations Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual basis. Dividends are recognized as of the ex-dividend date. Transaction costs related to the acquisitions and disposals of investments are included in the cost of the investments acquired or treated as a reduction of the proceeds on the disposal of investments.

Contributed supplies and services

The Society recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Membership, subscription and registration fees

Membership and subscription fees are calendar-year based. They are recognized when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Registration fees are recorded in the period in which the events take place.

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

2 - ACCOUNTING POLICIES (Continued)

Life membership fees are recorded as deferred revenues in the Contingency Fund in the year that they are received or receivable, if the amounts to be received can be reasonably estimated and collection is reasonably assured. Amounts are amortized into membership revenues of the Operations Fund - General Division, over the average estimated duration of the memberships.

Publications

The Society publishes journals, bulletins and other works. As their eventual sale is unpredictable, no year-end valuation is made in recognition of any unsold stocks.

Capital assets

Computer equipment and furniture and fixtures are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset ranging from 48 to 60 months.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date.

3 - FUNDS HELD IN TRUST

Included in cash are funds held in trust of \$7,829 (2009 - \$7,979) and \$18,742 (2009 - \$18,667) in short-term investments for the Canadian Undergraduate Mathematics Conference. The Society received funds to set up two accounts with the purpose of providing the organizers of the conference a day-to-day chequing account and a reserve to assist the organizers if they are unable to raise sufficient funds to host the conference. There is a corresponding balance of \$26,571 (2009 - \$26,646) in accounts payable and accrued liabilities.

4 - SHORT-TERM INVESTMENTS

Short-term investments consist of money market funds. The fair value of the investments at December 31, 2010 is \$83,162 (2009 - \$157,861).

5 - INVESTMENTS

	2010		2009	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Operations Fund				
Equities	1,654	3,359	1,654	2,443

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

5 - INVESTMENTS (Continued)

	2010		2009	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Contingency Fund				
Mixed pooled funds				
Bonds	337,568	359,446	331,326	344,396
Canadian Equities	67,322	98,856	68,222	88,653
Global Equities	552,102	470,579	528,141	427,253
	<u>956,992</u>	<u>928,881</u>	<u>927,689</u>	<u>860,302</u>
Endowment Fund				
Mixed pool funds				
Bonds	158,406	168,671	155,723	161,863
Canadian Equities	31,344	46,026	31,868	41,411
Global Equities	257,879	219,800	247,476	200,202
	<u>447,629</u>	<u>434,497</u>	<u>435,067</u>	<u>403,476</u>
Mathematical Olympiads Fund				
Mixed pooled funds				
Bonds	78,407	83,499	77,043	80,089
Canadian Equities	15,514	22,780	15,751	20,468
Global Equities	127,629	108,783	122,334	98,965
	<u>221,550</u>	<u>215,062</u>	<u>215,128</u>	<u>199,522</u>
Borwein Distinguished Career Fund				
Mixed pool funds				
Bonds	20,737	22,080	20,372	21,175
Canadian Equities	4,064	5,968	4,120	5,354
Global Equities	33,682	28,709	32,265	26,102
	<u>58,483</u>	<u>56,757</u>	<u>56,757</u>	<u>52,631</u>

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

6 - CAPITAL ASSETS

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	114,007	99,190	14,817
Furniture and fixtures	47,116	28,049	19,067
	<u>161,123</u>	<u>127,239</u>	<u>33,884</u>
	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	111,775	90,692	21,083
Furniture and fixtures	43,121	25,386	17,735
	<u>154,896</u>	<u>116,078</u>	<u>38,818</u>

7 - DEFERRED REVENUE

Deferred membership fees

	2010	2009
	\$	\$
Balance, beginning of year	93,654	76,313
Recognized as revenue	(86,708)	(68,206)
Received relating to the following year	79,153	85,547
Balance, end of year	<u>86,099</u>	<u>93,654</u>

Deferred grants and contributions

Balance, beginning of year	25,000	
Recognized as revenue	(25,000)	
Received relating to the following year	50	25,000
Balance, end of year	<u>50</u>	<u>25,000</u>

Deferred subscriptions and publications

Balance, beginning of year	398,893	371,943
Recognized as revenue	(397,428)	(370,793)
Received relating to the following year	307,539	397,743
Balance, end of year	<u>309,004</u>	<u>398,893</u>

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

7 - DEFERRED REVENUE (Continued)

Deferred lifetime membership fees

Balance, beginning of year	183,296	145,108
Recognized as revenue	(10,063)	(11,062)
Received relating to following years	<u>11,700</u>	<u>49,250</u>
Balance, end of year	<u>184,933</u>	<u>183,296</u>
	<u>580,086</u>	<u>700,843</u>

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Society is exposed to various financial risks resulting from both its operations and its investment activities. The Society's management manages financial risks.

The Society does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Society's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

The financial instruments that potentially expose the Society to credit risk are primarily accounts receivable. Credit risk relating to accounts receivable is generally diversified since the Society negotiates with a large number of members.

Foreign exchange risk

The Society is exposed to foreign exchange risk due to cash, accounts receivable, short and long-term investments, and accounts payable and accrued liabilities denominated in U.S. dollars. As at December 31, 2010, assets denominated in U.S. dollars consisting of cash, accounts receivable, and short and long-term investments totalled US\$70,070 (CDN - \$70,070) (2009 - US\$38,786 (CDN - \$40,764)) and accounts payable denominated in U.S. dollars totalled US\$6,063 (CDN - \$6,063) (2009 - US\$1,763 (CDN - \$1,853)).

The Society does not enter into arrangements to hedge its foreign exchange risk.

Concentration of risk

Concentration of risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. To minimize exposure to risk, the Society maintains a balanced portfolio consisting of bonds, Canadian common and preferred shares, and "blue chip" foreign securities.

Canadian Mathematical Society / Société Mathématique du Canada

Notes to Financial Statements

December 31, 2010

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS *(Continued)*

Market risk

The Society has adopted an investment policy to control the amount of risk to which it is exposed. Investment practices are designed to avoid undue risk of loss or impairment of assets and to provide, given the nature of the investments, a reasonable expectation of fair return. Maximum investment risk is represented by the market value of investments. Fair value approximates the value at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. Information supplied by the Society's custodian of securities is used to estimate fair value, which may differ from that which could eventually be realized.

9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Society's objectives when managing capital are:

- To safeguard the Society's ability to continue as a going concern;
- To represent and bring benefit to members.

The Society manages its capital mainly by way of monitoring the level of its fund balances to ensure it has sufficient resources to fund its operations. In addition, the Society has created a capital fund component for some of its restricted funds in order to better manage the seed capital of each of the Endowment, Mathematical Olympiads and Borwein Distinguished Career funds. Capital accretion, uses and replenishment for each of these funds is governed by the Society's by-laws, which may be amended by the Board of Directors from time to time. The Society is not subject to any externally imposed capital requirements.

10 - COMMITMENTS

The Society has entered into lease commitments for office space, and office and equipment expiring between March 2011 and September 2015, which call for lease payments of \$114,100. Minimum lease payments for the next five years are \$32,200 in 2011, \$27,100 in 2012, \$21,900 in 2013, \$18,800 in 2014 and \$14,100 in 2015.