THE CHAMPLAIN SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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JMM
J. Michael Mulholland
Chartered Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Champlain Society

I have audited the accompanying financial statements of **The Champlain Society**, which comprise the statement of financial position as at December 31, 2012, and the statements of changes in net assets, operations 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
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 organization'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 organization'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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INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

The Champlain Society derives a material amount of revenue from donations and fundraising activities. I was not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

Except as noted in the above paragraph, in my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to note 3 to the financial statements which describes that The Champlain Society adopted Canadian accounting standards for private enterprises on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of changes in net assets, operations and cash flows for the year ended December 31, 2011 and related disclosures.

J. Michael Mulholland

Richmond Hill, Canada
September 18, 2013

CHARTERED ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

THE CHAMPLAIN SOCIETY

Statement of Financial Position

December 31, 2012

		December 31, 2012		December 31, 2011		January 1, 2011
ASSETS						
Current						
Cash	**$**	**26,825**	$	95,251	$	6,665
Marketable securities		**71,216**		1,234		130,848
Accounts receivable		**802**		-		8,322
Champlain Society Volumes		**4,543**		3,486		5,988
Prepaid expenses		**4,633**		4,633		-
HST recoverable		**12,634**		7,562		3,738
	$	**120,653**	$	112,166	$	155,561
LIABILITIES						
Current						
Accounts payable and accrued liabilities	**$**	**9,714**	$	6,471	$	32,546
Deferred revenue		**10,250**		7,910		5,520
		19,964		14,381		38,066
FUND BALANCES						
Unrestricted		**23,382**		34,654		63,628
Chalmers Award Fund		**52,307**		53,131		53,867
John Warkentin Challenge Fund		**25,000**		10,000		-
		100,689		97,785		117,495
	$	**120,653**	$	112,166	$	155,561

APPROVED ON BEHALF OF THE BOARD

_____________________________ **Director** _____________________________ **Director**

THE CHAMPLAIN SOCIETY

Statement of Changes in Net Assets
Year ended December 31, 2012

	Unrestricted	Chalmers Award Fund	John Warkentin Challenge Fund	**Total 2012**	Total 2011
Balance - beginning of year	$ 34,654	$ 53,131	$ 10,000	**$ 97,785**	$ 117,495
Excess (deficiency) of revenues over expenditures	(11,272)	(824)	15,000	**2,904**	(19,710)
Balance - end of year	**$ 23,382**	**$ 52,307**	**$ 25,000**	**$ 100,689**	$ 97,785

THE CHAMPLAIN SOCIETY

Statement of Operations

Year ended December 31, 2012

	2012	2011
Revenues		
Membership fees	**$ 54,410**	$ 48,256
Other donations	**24,750**	22,317
Book sales	**8,546**	2,143
Royalties	**1,486**	1,336
Interest and other income	**2,178**	4,420
	91,370	78,472
Expenditures		
Volume costs	**31,388**	36,915
General and administrative	**24,881**	29,509
Secretariat	**22,560**	20,580
Honoraria for general editor	**6,000**	6,000
Audit	**2,637**	2,667
Chalmers Book Award	**1,000**	1,424
	88,466	97,095
Excess (deficiency) of revenues over expenditures before the undernoted item	**2,904**	(18,623)
Decrease (increase) in investment value	**-**	1,087
Excess (deficiency) of revenues over expenditures	**$ 2,904**	$ (19,710)

THE CHAMPLAIN SOCIETY

Statement of Cash Flows

Year ended December 31, 2012

		2012		2011
Cash flows from operating activities				
Excess (deficiency) of revenues over expenditures	**$**	**2,904**	$	(19,710)
Changes in non-cash working capital				
Marketable securities		**(69,982)**		129,614
Accounts receivable		**(802)**		8,322
Champlain Society Volumes		**(1,057)**		2,502
Prepaid expenses		**-**		(4,633)
HST recoverable		**(5,072)**		(3,824)
Accounts payable and accrued liabilities		**3,243**		(26,075)
Deferred revenue		**2,340**		2,390
Net increase (decrease) in cash and cash equivalents		**(68,426)**		88,586
Cash and cash equivalents - beginning of year		**95,251**		6,665
Cash and cash equivalents - end of year	**$**	**26,825**	$	95,251

1. NATURE OF OPERATIONS

The Champlain Society (the "Society") endeavours to increase public awareness of, and access to, Canada's rich historical records by publishing books and volumes which deal with subjects of a historical significance to Canada. The Society was incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered Charity under the Income Tax Act, and accordingly is tax exempt provided the Society meets certain disbursement requirements. As a registered Charity, the Society is entitled to recover 50% of the GST paid on expenses incurred and 82% of the HST incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) **Basis of presentation**

These financial statements have been prepared in accordance the Canadian generally accepted accounting principles.

(b) **Fund accounting restricted**

The net assets of the Chalmers Award Fund are restricted to earning revenues which are used to fund all expenses for the Chalmers Book Award.

The Society follows the deferral method of fund accounting, whereby restricted contributions for expenses of future periods are deferred and recognized in the same period as the related expenses.

(c) **Revenue recognition**

Membership fees are recognized as revenue at the time of receipt of the payments. Donations are received from both corporations and individuals. Since the amounts of donations vary and cannot be predicted in advance, donations are recognized as revenue when received.

Royalties are earned from the use of quotes or volumes belonging to the Society. They are recorded as revenue when received.

Book sales of the Society volumes are recorded as revenue when invoices are issued.

(d) **Champlain Society Volumes**

The Champlain Society Volumes represent an inventory of prior publications which are available for sale to the Members and non-members. The volumes are recorded at the lower of cost or net realizable value as determined on a first-in first-out basis. The Society assigns a net realizable value of $nil to volumes still on hand that were released for distribution two fiscal years ago or earlier. Historically, sales beyond two years of the release date have been minimal. The cost of volumes sold is recorded in printing expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(e) **Marketable securities and investment income**

These investments are recorded at their quoted market value at the year-end date.

Investment income consists of interest income from the government bond, reinvested distributions from the mutual fund and realized gains and losses on the sale of investments. Unrealized gains and losses on marketable securities are disclosed separately on the statement of operations.

(f) **Deferred revenue**

Deferred revenue consists of prepaid membership fees applicable to the following fiscal year.

(g) **Contributed services**

Volunteers contribute significant amounts of time to assist the Society in carrying out its activities. Due to the difficulty of determining the fair value of these services, they have not been recognized in the financial statements.

(h) **Foreign exchange**

The organization's foreign operations are translated using the current rate method. Under this method foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses (other than amortization which is translated at rates pertaining to the related assets) are translated at the yearly average exchange rates. Non-monetary assets and liabilities are translated at the exchange rate at the date of acquisition. Exchange gains or losses arising on the translation are included in the statement of earnings and retained earnings.

(i) **Measurement uncertainty**

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 and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The organization has elected to apply the standards in Part III of the CICA Accounting Handbook for not-for-profit organizations in accordance with Canadian accounting standards for non-profit organizations.

These financial statements are the first financial statements for which the entity has applied Canadian accounting standards for not-for-profit organizations hereafter referred to as "ASNPO".

The financial statements for the year ended December 31, 2012 were prepared in accordance with the accounting principles and provisions set out in FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501, for first-time adopters of this basis of accounting.

The impact of adopting these standards has not resulted in any material changes to the opening financial statements for the current or previous year end.

4. CHALMERS ASSETS

The interest income generated on the Chalmers assets, which are part of the marketable securities, is restricted to offsetting the expenses of the annual Chalmers Book Award, an award granted to authors and publishers of Canadian historical books and publications.

5. MARKETABLE SECURITIES

	2012 Face Value	2012 Market Value	2011. Face Value	2011 Market Value
Mutual fund - Renaissance High Interest Savings	$ -	$ -	$ 1,234	$ 1,234
1.96% EQ TR GIC due April 18, 2013	71,216	71,216	-	-
	$ 71,216	$ 71,216	$ 1,234	$ 1,234

6. JOHN WARKENTIN CHALLENGE FUND

During the year, a donation was received in the amount of $15,000 for which the donor requested last year that a reserve fund be set up to be used for future operations of the organization. That brought the balance of the John Walkentin Challenge Fund to a total of $25,000 at the year end date.

Subsequent to the initial receipt of funds last year, the organization's Board of Directors imposed an internal restriction on the donations that only the income earned on the donated amount could be used for current operations of the organization. This internal restriction may be removed at any time by the Board at its discretion.

No specific assets of the organization have been set aside to represent the fund.

7. MANAGEMENT OF NET ASSETS

The objective of organization in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate as stated in note 1 to the financial statements. It achieves its objective by management of its cash flows and by regularly monitoring revenues and expenditures against its annual operating plans. When necessary, the organization takes action to raise additional revenues when actual revenues do not meet its plans and to reduce expenditures or curtail programs when alternate sources of revenue can not be found.

8. FINANCIAL INSTRUMENTS

The organization’s financial instruments include cash, accounts receivable, marketable securities and accounts payable. The carrying values of these financial instruments approximate their fair values.

The organization is exposed to interest rate and market risk on its marketable securities and to normal credit risk on its accounts receivable. The organization’s management and Board of Directors monitor these risks on an ongoing basis.