

# Canadian Thoracic Society



## **Financial Statements** For the year ended December 31, 2016



**Canadian Thoracic Society**  
**Financial Statements**  
For the year ended December 31, 2016

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## Independent Auditor's Report

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### To the Members of Canadian Thoracic Society

We have audited the accompanying financial statements of Canadian Thoracic Society, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and 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 entity, 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.



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## Independent Auditor's Report (continued)

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Thoracic Society as at December 31, 2016, 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.

*Collins Barrow Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

Ottawa, Ontario

## Canadian Thoracic Society Statement of Financial Position

**December 31** **2016** **2015**

### Assets

#### Current

Cash (Note 2)	\$	<b>38,936</b>	\$	350,193
Short-term investments (Note 3)		<b>41,853</b>		41,800
Accounts receivable (Note 4)		<b>417,975</b>		17,981
Government remittances receivable		<b>3,143</b>		23,814
Prepaid expenses and deposits		<b>11,614</b>		2,875

**513,521** 436,663

#### Intangible asset (Note 5)

**54,400** -

**\$ 567,921** \$ 436,663

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities	\$	<b>320,582</b>	\$	108,154
Deferred revenue (Note 6)		<b>142,582</b>		328,509

**463,164** 436,663

#### Net assets

**104,757** -

**\$ 567,921** \$ 436,663

Approved on behalf of the board:

  
\_\_\_\_\_ Member

Catherine Lemière, CTS Treasurer

## Canadian Thoracic Society Statement of Operations and Changes in Net Assets

<b>For the year ended December 31</b>	<b>2016</b>	<b>2015</b>
<i>(With comparative figures for 149 days ended December 31, 2015)</i>		
<b>Revenues</b>		
Sponsorship	\$ 675,190	\$ 224,873
Conference (Note 8)	586,916	14,414
Education programs	46,508	-
Memberships	96,105	464
Journal & publications	119,253	22,229
Accreditation	2,875	750
Other	11,002	4,429
Interest	350	52
	<b>1,538,199</b>	<b>267,211</b>
<b>Expenditures</b>		
Advertising and promotion	69,136	-
Amortization	13,600	-
Conference (Note 8)	447,795	14,414
Consultants and contractors	238,810	180,372
Meeting and travel	107,716	20,769
Office and operating expenses	409,375	12,464
Professional fees	28,641	22,792
Salaries and benefits	189,019	16,400
	<b>1,504,092</b>	<b>267,211</b>
<b>Excess of revenues over expenditures before undernoted item</b>	<b>34,107</b>	<b>-</b>
<b>Other income</b>		
Gain on foreign exchange	317	-
<b>Excess of revenues over expenditures for the year</b>	<b>34,424</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Transfer of net assets from the Canadian Lung Association (Note 7)</b>	<b>70,333</b>	<b>-</b>
<b>Net assets, end of year</b>	<b>\$ 104,757</b>	<b>\$ -</b>

## Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31	2016	2015
(With comparative figures for 149 days ended December 31, 2015)		
<b>Cash flows from (used in) operating activities</b>		
Excess of revenues over expenditures for the year	\$ 34,424	\$ -
Adjustment for non-cash item		
Amortization	13,600	-
	48,024	-
Change in non-cash working capital items		
Accounts receivable	(399,994)	(17,981)
Government remittances receivable	20,671	(23,814)
Prepaid expenses and deposits	(8,739)	(2,875)
Accounts payable and accrued liabilities	212,429	108,154
Deferred revenue	(185,927)	328,509
	(313,536)	391,993
<b>Cash flows from (used in) investing activities</b>		
Intangible asset purchase	(68,000)	-
Transfer of net assets	70,332	-
	2,332	-
<b>Increase (decrease) in cash during the year</b>	(311,204)	391,993
<b>Cash, beginning of year</b>	391,993	-
<b>Cash, end of year</b>	\$ 80,789	\$ 391,993
<b>Cash consists of:</b>		
Cash	\$ 38,936	\$ 350,193
Short-term investments	41,853	41,800
	\$ 80,789	\$ 391,993

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# Canadian Thoracic Society Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

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## 1. Significant Accounting Policies

**Nature and Purpose of Organization** The Canadian Thoracic Society was incorporated on August 5, 2015 under the Canada Not-for-profit Corporations Act, without share capital and was formed to enhance the ability of lung health professionals through leadership, collaboration, learning and advocacy, research and providing the best respiratory practices in Canada.

**Basis of Presentation** The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

**Use of Estimates** The preparation of financial statements in accordance 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 periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant estimates include assumptions used in estimating the measurement and collectibility of accounts receivable, in estimating provisions for accrued liabilities and estimating the portion of sponsorship revenue earned.

**Foreign Currency Transactions** Monetary assets and liabilities of the company that are denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items recorded in income from transactions denominated in foreign currencies are translated at the rates of exchange in effect at the date of the transaction. Revenues and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Exchange gains and losses on current items are included in income (loss) for the year.

**Intangible Assets** Intangible assets consist of the conference asset which give the society the right to hold the annual Canadian Respiratory Conference. Intangible assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate is as follows

Conference rights                      5 year straight-line



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# Canadian Thoracic Society

## Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

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### 1. Significant Accounting Policies (continued)

#### Financial Instruments

Financial instruments are financial assets or liabilities of the Society where, in general, the Society has the right to receive cash or another financial asset from another party or the Society has the obligation to pay another party cash or other financial assets.

#### *Measurement of financial instruments*

The Society initially measures its financial assets and liabilities at fair value, and subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, short-term investments, accounts receivable and government remittances receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The Society has no financial assets measured at fair value.

#### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

#### *Transaction costs*

The Society recognizes its transactions costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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## Canadian Thoracic Society Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

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**1. Significant Accounting Policies (continued)**

**Revenue Recognition**

The Society follows the deferral method of accounting for contributions. Sponsorships are included in revenue in the periods to which the sponsorship applies or the related expenses under the terms of the sponsorship are incurred. Sponsorships received in advance and those for which the related expenses have not been incurred are reflected in current liabilities as deferred revenue. Pledged sponsorships are recognized as revenue in the year that they are received or pledged at the amount committed less a provision for uncollectible pledges.

Unrestricted contributions are recognized as revenue when received or receivable. Contributions are recognized if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is unrestricted and is recognized in operations as it is earned.

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**2. Cash**

The Society's cash balances are held at a Canadian chartered bank and earn nominal interest.

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**3. Short-Term Investments**

The short-term investments consist of guaranteed investment certificates held at a Canadian chartered bank with effective interest rates between 0.75 and 0.80% which mature within one year.

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**4. Accounts Receivable**

	<u>2016</u>	<u>2015</u>
General receivable	\$ 361,885	\$ 17,981
Pledges receivable	56,090	-
	<u>\$ 417,975</u>	<u>\$ 17,981</u>

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## Canadian Thoracic Society Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

### 5. Intangible Asset

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Conference rights	\$ 68,000	\$ 13,600	\$ 54,400	\$ -

### 6. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
CTS Sponsorship	\$ 91,411	\$ -	\$ 91,411	\$ -
CRGC Channel	38,328	-	16,810	21,518
Respiratory Conference 2016	20,586	326,000	346,586	-
Continuing Medical Education New Treatment Options in IPF	166,637	79,583	246,220	-
Unearned memberships	11,547	121,064	11,547	121,064
	<u>\$ 328,509</u>	<u>\$ 526,647</u>	<u>\$ 712,574</u>	<u>\$ 142,582</u>

### 7. Transfer of net assets from the Canadian Lung Association

An asset transfer agreement between the Society and Canadian Lung Association (CLA) has been established for the transfer of the assets, liabilities, fund balance and operations of the Canadian Thoracic Society (CTS), Canadian Respiratory Conference (CRC) and Canadian Respiratory Health Professionals (CRHP) divisions, previously a part of the CLA.

The fund balance transferred to the Society during the year was \$70,333.

- ♦ The assets, liabilities and operations of CTS have been transferred to the Canadian Thoracic Society with an effective date of September 1, 2015.
- ♦ The assets, liabilities and operations of CRC will be transferred to the Canadian Thoracic Society with an effective date of December 1, 2015.
- ♦ The assets, liabilities and operations of CRHP will be transferred to the Canadian Thoracic Society with an effective date of April 1, 2016.

## Canadian Thoracic Society Notes to the Financial Statements

### December 31, 2016

(With comparative figures for 149 days ended December 31, 2015)

#### 7. Transfer of net assets from the Canadian Lung Association (continued)

Included in accounts payable is \$244,544 payable to CLA for costs incurred by the Society on behalf of the divisions, reimbursement of deposits, the assessed value of the CRC and future services to be provided to CLA at the CRC over the next four years.

Included in accounts receivable is \$164,392 receivable from CLA for the transfer of the Internally Restricted CTS fund and membership revenue received by CLA on behalf of CTS.

#### 8. Canadian Respiratory Conference

	2016	2015
Revenue		
Sponsorship - 2016	\$ 346,585	\$ 14,414
Sponsorship - 2017	10,000	-
Pledged sponsorship - 2017	56,090	-
Conference registration - 2016	152,741	-
Advertising - 2016	21,500	-
	586,916	14,414
Expenses		
Contractor - 2016	71,768	1,911
Contractor - 2017	27,500	-
Conference expenses - 2016	303,572	12,503
Conference expenses - 2017	38,044	-
Bank and credit card service fees - 2016	6,366	-
Bank and credit card service fees - 2017	545	-
	447,795	14,414
Excess of conference revenue over conference expenses	\$ 139,121	\$ -

#### 9. Credit Facilities

The Society has an authorized line of credit with the Toronto Dominion Bank in the amount of \$50,000, none of which was utilized at December 31, 2016. The loan bears interest at the bank's prime rate plus 3.00%. A general security agreement is in place as part of the conditions of the line of credit with the Toronto Dominion Bank. The Society also has credit card facilities with a combined maximum of \$38,000. These facilities are secured by the GIC's in Note 3.

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# Canadian Thoracic Society Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

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## **10. Comparative Figures**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

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## **11. Financial Instruments Risks and Uncertainties**

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations as at December 31, 2016.

### Financial risk management

The Society manages its investment portfolio according to its cash needs and in such a way to maximize investment income. The Society is not involved in any hedging relationships through its operations and does not hold or use any derivative investments for trading purposes.

### Liquidity risk

Liquidity risk relates to the risk that the Society will encounter difficulty in meeting its obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risks relate to its accounts receivable. The Society routinely assesses the financial strength of its contributors and establishes an allowance for doubtful accounts based on credit risk applicable to particular contributors, historical and other information.

### 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 comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and currency risk..

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is exposed to currency exchange risk by the virtue of the fact that it transacts in currencies other than the Canadian dollar. This exposure is limited to the extent that these currencies fluctuate between the dates the transactions are made and settlement occurs.

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## Canadian Thoracic Society Notes to the Financial Statements

**December 31, 2016**

(With comparative figures for 149 days ended December 31, 2015)

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**11. Financial Instruments Risks and Uncertainties (continued)**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its investments. The Society only invests in secured investments with guaranteed interest rates to mitigate this risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to other price risks.

Changes in risk

There have been no significant changes in Society's risk exposures from the 2015 fiscal year.

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