

Canadian Thoracic Society



Financial Statements For the year ended December 31, 2017



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Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

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, 2017, 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)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Thoracic Society 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.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants

April 11, 2018

Ottawa, Ontario

Canadian Thoracic Society Statement of Financial Position

December 31 **2017** **2016**

Assets

Current

Cash (Note 2)	\$	232,667	\$	38,936
Short-term investments (Note 3)		41,800		41,853
Accounts receivable (Note 4)		92,826		417,975
Prepaid expenses and deposits		19,276		11,614
Government remittances receivable		-		3,143

386,569 513,521

Intangible asset (Note 5)

40,800 54,400

\$ 427,369 \$ 567,921

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	142,338	\$	288,332
Government remittances payable		29,571		-
Deferred revenue (Note 6)		165,312		174,832


337,221 463,164

Net assets

90,148 104,757

\$ 427,369 \$ 567,921

Approved on behalf of the board:



John Granton, MD
Treasurer, CTS Executive



Janet Sutherland
Executive Director

Canadian Thoracic Society Statement of Operations and Changes in Net Assets

For the year ended December 31	2017	2016
Revenues		
Sponsorship	\$ 367,018	\$ 675,190
Conference (Note 7)	475,342	586,916
Education programs	105,915	124,550
Memberships	123,008	96,105
Journal & publications	33,229	41,211
Accreditation	13,875	2,875
Other	14,169	11,002
Interest	263	350
Grants	24,100	-
	<u>1,156,919</u>	<u>1,538,199</u>
Expenditures		
Advertising and promotion	93,822	69,136
Amortization	13,600	13,600
Conference (Note 7)	389,408	447,795
Consultants and contractors	117,854	238,810
Meeting and travel	95,412	107,716
Office and operating expenses	159,537	409,375
Professional fees	11,334	28,641
Salaries and benefits	291,103	189,019
	<u>1,172,070</u>	<u>1,504,092</u>
Excess (deficiency) of revenues over expenditures before undernoted item	(15,151)	34,107
Other income		
Gain on foreign exchange	542	317
Excess (deficiency) of revenues over expenditures for the year	(14,609)	34,424
Net assets, beginning of year	104,757	-
Transfer of net assets from the Canadian Lung Association	-	70,333
Net assets, end of year	<u>\$ 90,148</u>	<u>\$ 104,757</u>

Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31	2017	2016
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ (14,609)	\$ 34,424
Adjustment for non-cash item		
Amortization	13,600	13,600
	(1,009)	48,024
Change in non-cash working capital items		
Accounts receivable	325,149	(399,994)
Prepaid expenses and deposits	(7,662)	(8,739)
Government remittances receivable	3,143	20,671
Accounts payable and accrued liabilities	(145,994)	180,179
Government remittances payable	29,571	-
Deferred revenue	(9,520)	(153,677)
	193,678	(313,536)
Cash flows from (used in) investing activities		
Intangible asset purchase	-	(68,000)
Transfer of net assets	-	70,332
	-	2,332
Increase (decrease) in cash during the year	193,678	(311,204)
Cash, beginning of year	80,789	391,993
Cash, end of year	\$ 274,467	\$ 80,789
Cash consists of:		
Cash	\$ 232,667	\$ 38,936
Short-term investments	41,800	41,853
	\$ 274,467	\$ 80,789

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2017

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

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2017

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 and liabilities measured at amortized cost include cash, short-term investments, accounts receivable, government remittances receivable/payable, and 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.

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2017

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.

2. **Cash**

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

3. **Short-Term Investments**

The short-term investments consist of guaranteed investment certificates held at a Canadian chartered bank with an effective interest rate of 0.60% which mature within one year.

4. **Accounts Receivable**

	<u>2017</u>	<u>2016</u>
General receivable	\$ 92,826	\$ 361,885
Pledges receivable	-	56,090
	<u>\$ 92,826</u>	<u>\$ 417,975</u>

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2017

5. Intangible Asset

	2017		
	Cost	Accumulated Amortization	Net Book Value
Conference rights	\$ 68,000	\$ 27,200	\$ 40,800
			2016
	Cost	Accumulated Amortization	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
CRC	\$ 32,250	\$ -	\$ 10,750	\$ 21,500
CRGC channel	21,518	-	21,518	-
Editor-in-chief stipend	-	10,000	-	10,000
Unearned memberships	121,064	69,185	56,437	133,812
	\$ 174,832	\$ 79,185	\$ 88,705	\$ 165,312

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2017

7. Canadian Respiratory Conference

	2017	2016
Revenue		
Sponsorship - current year	\$ 208,915	\$ 346,585
Sponsorship - future year	46,500	10,000
Pledged sponsorship	-	56,090
Conference registration	192,427	152,741
Advertising	27,500	21,500
	475,342	586,916
Expenses		
Contractor - current year	69,800	71,768
Contractor - future year	29,966	27,500
Conference expenses - current year	264,744	303,572
Conference expenses - future year	16,132	38,044
Bank and credit card service fees - current year	7,779	6,366
Bank and credit card service fees - future year	987	545
	389,408	447,795
	\$ 85,934	\$ 139,121

8. 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, 2017. 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.

The Society also has an authorized line of credit with the Royal Bank of Canada in the amount of \$30,000, none of which was utilized at December 31, 2017. The loan bears interest at the bank's prime rate plus 5.00%. The Society also has credit card facilities with a combined maximum of \$45,000.

9. Commitment

The Society has an agreement for the management of its annual conference with a conference management company. The fees to be paid include \$70,300 + HST in 2018 and \$102,200 + HST in 2019. The Society has an additional commitment \$21,012 + HST in 2018 and \$17,510 + HST in 2019.

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2017

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.

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, 2017.

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2017

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 2016 fiscal year.
