



Financial Statements

For the year ended December 31, 2019

Canadian Thoracic Society
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of Canadian Thoracic Society

Opinion

We have audited the financial statements of Canadian Thoracic Society, which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the society as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
April 16, 2020
Ottawa, Ontario

Canadian Thoracic Society Statement of Financial Position

December 31 **2019** **2018**

Assets

Current

Cash (Note 2)	\$	126,434	\$	492,528
Short-term investments (Note 3)		304,050		50,240
Accounts receivable		61,261		76,982
Prepaid expenses and deposits		46,738		39,869
Government remittances receivable		15,180		-

553,663 659,619

Intangible asset (Note 4)

13,600 27,200

\$ 567,263 \$ 686,819

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	54,421	\$	94,892
Government remittances payable		-		14,335
Deferred revenue (Note 5)		213,750		411,490

268,171 520,717

Net assets

Internally Restricted				
Journal Fund		37,151		-
Unrestricted		261,941		166,102

299,092 166,102

\$ 567,263 \$ 686,819

Approved on behalf of the board:



*John Granton, MD, FRCPC
President*



*Paul Hernandez, MDCM, FRCPC
Treasurer*

Canadian Thoracic Society Statement of Changes in Net Assets

For the year ended December 31

	Internally Restricted Journal Fund	Unrestricted	Total 2019	Total 2018
Balance, beginning of year				
As previously reported	- \$	121 167 \$ \$	121 167	90 148 \$
Prior period adjustment (Note 6)	-	44 935	44 935	-
As restated	-	166 102	166 102	90 148
Excess of revenues over expenditures for the year	37 151	95 839	132 990	75 954
Balance, end of year	37 151 \$	261 941 \$ \$	299 092	166 102 \$

Canadian Thoracic Society Statement of Operations

For the year ended December 31

2019

2018

Revenues

Sponsorship	375 000 \$	331 225 \$
Conference (Note 7)	472 865	460 902
Education programs	87 083	143 659
Memberships	164 627	182 015
Journal & publications	44 689	75 739
Accreditation	5 000	8 000
Other	19 500	22 000
Interest	7 689	1 396
Grants	255 060	25 112
Editor-in-chief stipend	37 751	-

	1 469 264	1 250 048
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Expenditures

Advertising and promotion	109 612	80 984
Amortization	13 600	13 600
Conference (Note 7)	364 773	411 497
Consultants and contractors	234 958	80 188
Meeting and travel	82 130	76 062
Office and operating expenses	189 578	184 704
Professional fees	10 419	14 374
Salaries and benefits	329 988	310 392

	1 335 058	1 171 801
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Excess of revenues over expenditures before other expense

	134 206	78 247
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Other expense

Loss on foreign exchange	1 216	2 293
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Excess of revenues over expenditures for the year

	132 990 \$	75 954 \$
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Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenditures for the year	132 990 \$	75 954 \$
Adjustment for non-cash item		
Amortization	13 600	13 600
	146 590	89 554
Change in non-cash working capital items		
Accounts receivable	15 721	15 844
Prepaid expenses and deposits	(6 869)	(20 593)
Government remittances receivable	(15 180)	-
Accounts payable and accrued liabilities	(40 471)	(47 446)
Government remittances payable	(14 335)	(15 236)
Deferred revenue	(197 740)	246 178
Increase (decrease) in cash during the year	(112 284)	268 301
Cash, beginning of year	542 768	274 467
Cash, end of year	430 484 \$	542 768 \$
Cash consists of:		
Cash	126 434 \$	492 528 \$
Short-term investments	304 050	50 240
	430 484 \$	542 768 \$

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization	The Canadian Thoracic Society (the "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 (ASNPO) which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.		
Use of Estimates	<p>The preparation of financial statements in accordance with ASNPO 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.</p> <p>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 and grant revenue earned.</p>		
Foreign Currency Transactions	Monetary assets and liabilities of the society 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	<p>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</p> <table><tr><td>Conference rights</td><td>5 year straight-line</td></tr></table>	Conference rights	5 year straight-line
Conference rights	5 year straight-line		

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2019

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, 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, 2019

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.

Memberships are recognized evenly over the duration of the membership period.

Journal and publications revenue is recognized as revenue based on the publication date of the journal.

Grants are included in revenue in the periods to which the grant applies or the related expenses under the terms of the grant are incurred. Grants received in advance and those for which the related expenses have not been incurred are reflected in current liabilities as deferred revenue.

Editor-in-chief stipend is recognized as received and will be restricted to the journal fund. The stipend has been internally restricted to only be used to support the role of the editor-in-chief.

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 a Canadian chartered bank and earn nominal interest.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2019

3. Short-Term Investments

The short-term investments consist of a guaranteed investment certificate held at a Canadian chartered bank with an effective interest rate of 1.80% which matures within one year.

4. Intangible Asset

	2019		
	Cost	Accumulated Amortization	Net Book Value
Conference rights	68 000 \$	54 400 \$	13 600 \$
	2018		
	Cost	Accumulated Amortization	Net Book Value
Conference rights	68 000 \$	40 800 \$	27 200 \$

5. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
CRC 2019	\$ 36 908	\$ -	\$ 36 908	\$ -
CRC 2020	-	101 499	-	101 499
COPD CME Speaker Series	168 400	20 000	162 548	25 852
Editor-in-chief stipend	22 500	12 751	35 251	-
Severe Asthma and the Role of Biologics CME	89 366	-	76 512	12 854
CRC Purchase	10 750	-	10 750	-
Unearned memberships	83 566	153 189	163 210	73 545
	\$ 411 490	\$ 287 439	\$ 485 179	\$ 213 750

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2019

6. Prior Period Adjustment

Comparative amounts for the year ended December 31, 2018 have been adjusted to account for additional membership revenues that were over accrued in deferred revenue. Financial statement amounts that have been presented for comparative purposes that have been restated are:

December 31, 2018	Previously reported	Adjustments	Restated
Statement of Operations			
Memberships	\$ 137 080	\$ 44 935	\$ 182 015
Statement of Financial Position			
Deferred revenue	\$ 456 425	\$ (44 935)	\$ 411 490
Net Assets	121 167	44 935	166 102
Statement of Cash Flows			
Excess (deficiency) of revenues over expenditures	\$ 31 019	\$ 44 935	\$ 75 954
Deferred revenue	291 113	(44 935)	246 178

7. Canadian Respiratory Conference

	2019	2018
Revenue		
Sponsorship - current year	\$ 250 835	\$ 229 750
Sponsorship - future year	-	41 592
Conference registration	214 530	185 060
Advertising	7 500	4 500
	472 865	460 902
Expenses		
Contractor - current year	50 347	70 300
Contractor - future year	25 000	27 863
Conference expenses - current year	262 095	294 601
Conference expenses - future year	22 600	13 730
Bank and credit card service fees - current year	4 731	5 003
	364 773	411 497
	\$ 108 092	\$ 49 405

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2019

8. Credit Facilities

The Society 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, 2019. 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

As part of its ongoing operations the society is committed under the terms of various agreements for facility, equipment and food and beverage costs, for future conferences. In certain cases, within agreed notice periods, should the conference be cancelled or be relocated to another venue, the guarantees of payments may not all be required. As at December 31, 2019, the maximum fees that may be paid due to cancellations of future conferences are \$525,343 plus applicable GST, HST or QST.

The society also has an agreement for the management of its annual conference with a conference management company. The fees to be paid include \$62,500+HST in 2020.

Additionally, the society has an additional commitment for rent of \$18,558+HST in 2020.

10. Subsequent Events

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the society's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) will have a material impact on the society's operations.

As a result of this pandemic, the society has cancelled the 2020 Canadian Respiratory Conference. This will result in lost revenues pertaining to the 2020 conference and will likely require the repayment of some or all the deferred sponsorship revenues related to the 2020 conference in Note 5. Further, the society has a mutual agreement in principle with the venue to waive any cancellation fees. The 2020 conference guaranteed minimum required hotel fees of \$253,178 are included in Note 9 as at the date of issuance of the financial statements, a mutual cancellation agreement has not been signed with the venue.

The extent of the future impact of this outbreak and related containment measures on the society's operations beyond what is listed above cannot be reliably estimated at this time.

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2019

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, 2019.

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.

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2019

11. Financial Instruments Risks and Uncertainties (continued)

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 2018 fiscal year.
