



Financial Statements

For the year ended December 31, 2020

Canadian Thoracic Society
Financial Statements
For the year ended December 31, 2020

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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, 2020, 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, 2020, 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
March 29, 2021
Ottawa, Ontario

Canadian Thoracic Society Statement of Financial Position

December 31

2020

2019

Assets

Current

Cash (Note 2)	\$ 162,342	\$ 126,434
Short-term investments (Note 3)	290,479	304,050
Accounts receivable	61,597	61,261
Prepaid expenses and deposits	42,657	46,738
Government remittances receivable	<u>3,796</u>	<u>15,180</u>
	560,871	553,663

Intangible asset (Note 4)

<u>-</u>	<u>13,600</u>
\$ 560,871	\$ 567,263

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 73,814	\$ 54,421
Deferred revenue (Note 5)	<u>90,031</u>	<u>213,750</u>
	163,845	268,171

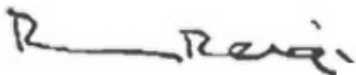
Loan payable (Note 6)

<u>30,000</u>	<u>-</u>
193,845	268,171

Net assets

Internally Restricted		
Journal Fund	47,734	37,151
Unrestricted	<u>319,292</u>	<u>261,941</u>
	367,026	299,092
	\$ 560,871	\$ 567,263

Approved on behalf of the board of directors:



Canadian Thoracic Society Statement of Changes in Net Assets

For the year ended December 31

	Internally Restricted				Total	Total
	Journal	Fund	Unrestricted		2020	2019
Balance, beginning of year	\$	37,751	\$	261,341	\$	299,092
Excess of revenues over expenditures for the year		9,983		57,951		67,934
Balance, end of year	\$	47,734	\$	319,292	\$	367,026
					\$	299,092

Canadian Thoracic Society Statement of Operations

For the year ended December 31

2020

2019

Revenues

Sponsorship	\$ 328,250	\$ 375,000
Conference (Note 8)	84,470	472,865
Education programs	-	87,083
Memberships	173,482	164,627
Journal & publications	64,636	44,689
Accreditation	2,500	5,000
Other	118,480	19,500
Interest	3,053	7,689
Grants	17,567	255,060
Editor-in-chief stipend	9,983	37,751

	802,421	1,469,264
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Expenditures

Advertising and promotion	7,663	109,612
Amortization	13,600	13,600
Conference (Note 8)	168,992	364,773
Consultants and contractors	121,479	234,958
Meeting and travel	26,684	82,130
Office and operating expenses	117,246	189,578
Professional fees	11,798	10,419
Salaries and benefits	267,025	329,988

	734,487	1,335,058
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Excess of revenues over expenditures before other expense

	67,934	134,206
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Other expense

Loss on foreign exchange	-	1,216
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Excess of revenues over expenditures for the year

	\$ 67,934	\$ 132,990
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Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31	2020	2019
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 67,934	\$ 132,990
Adjustments for non-cash items		
Amortization	13,600	13,600
Debt forgiveness	(10,000)	-
	<u>71,534</u>	<u>146,590</u>
Change in non-cash working capital items		
Accounts receivable	(336)	15,721
Prepaid expenses and deposits	4,081	(6,869)
Government remittances receivable	11,384	(15,180)
Accounts payable and accrued liabilities	19,393	(40,471)
Government remittances payable	-	(14,335)
Deferred revenue	(123,719)	(197,740)
	<u>(17,663)</u>	<u>(112,284)</u>
Cash flows from financing activity		
Advances of loan payable	40,000	-
Increase (decrease) in cash during the year	22,337	(112,284)
Cash, beginning of year	430,484	542,768
Cash, end of year	\$ 452,821	\$ 430,484
Cash consists of:		
Cash	\$ 162,342	\$ 126,434
Short-term investments	290,479	304,050
	<u>\$ 452,821</u>	<u>\$ 430,484</u>

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2020

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.
Cash and Cash Equivalents	Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with terms to maturity of a year or less at the date of purchase.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

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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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, 2020

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, 2020

3. Short-Term Investments

The short-term investments consists of two guaranteed investment certificates held at a Canadian chartered bank with effective interest rates between 0.35% and 1.00%, both of which mature within one year.

4. Intangible Asset

	2020		
	Cost	Accumulated Amortization	Net Book Value
Conference rights	\$ 68,000	\$ 68,000	\$ -
	2019		
	Cost	Accumulated Amortization	Net Book Value
Conference rights	\$ 68,000	\$ 54,400	\$ 13,600

5. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
CRC 2020	\$ 101,499	\$ -	\$ 101,499	\$ -
CRC 2021	-	50,097	50,097	-
COPD CME Speaker Series	25,852	-	25,852	-
Severe Asthma and the Role of Biologics CME	12,854	-	1,249	11,605
Initiatives in knowledge translation	-	10,000	-	10,000
Canadian Women in Medicine	-	1,000	-	1,000
Speakers Bureau	-	4,000	450	3,550
Unearned memberships	73,545	163,813	173,482	63,876
	\$ 213,750	\$ 228,910	\$ 352,629	\$ 90,031

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2020

6. Loan Payable

Canadian Emergency Business Account Loan bearing interest at 0% until December 2022, afterwards, bearing interest at 5% per annum, repayable in monthly interest only payments with the principle balance due December 2025.

It is the intention of management to repay the loan by December 2022, qualifying for the \$10,000 loan forgiveness grant. As a result the \$10,000 grant was recorded as revenue in the current year period end.

7. Government Assistance

The society qualified for the Canadian Emergency Wage Subsidy that was created to subsidize Canadian corporations in response to the COVID-19 pandemic. As a result, the company recognized government assistance of \$123,420 (2019 - \$nil), which was fully recognized as other income and conference income. Government assistance may be subject to audit under the terms and conditions of the wage subsidy program. Should an audit reveal that any of the qualifying criteria or expenses incurred are not in accordance with program guidelines, the federal government may require the company to reimburse a portion of the assistance.

8. Canadian Respiratory Conference

	2020	2019
Revenue		
Sponsorship - current year	\$ 34,373	\$ 250,835
Sponsorship - future year	50,097	-
Conference registration	-	214,530
Advertising	-	7,500
	84,470	472,865
Expenses		
Contractor - current year	74,511	50,347
Contractor - future year	45,745	25,000
Conference expenses - current year	29,764	262,095
Conference expenses - future year	16,783	22,600
Bank and credit card service fees - current year	2,189	4,731
	168,992	364,773
	\$ (84,522)	\$ 108,092

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2020

9. 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, 2020. 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.

10. 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, 2020, the maximum fees that may be paid due to cancellations of future conferences are \$353,881 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 \$69,500 plus HST in 2021.

Additionally, the society has an additional commitment for rent of \$18,652 plus HST in 2021.

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, 2020.

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.

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2020

11. Financial Instruments Risks and Uncertainties (continued)

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.

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 2019 fiscal year.

12. Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the society or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the society's operations, financial results and condition in future periods.
