



Financial Statements

For the year ended December 31, 2021

Canadian Thoracic Society
Financial Statements
For the year ended December 31, 2021

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Baker Tilly Ottawa LLP
Chartered Professional Accountants
400-301 Moodie Drive
Ottawa, ON
Canada K2H 9C4

T: +1 613.820.8010
F: +1 613.820.0465

ottawa@bakertilly.ca
www.bakertilly.ca

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, 2021, 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, 2021, and its 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.

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 13, 2022
Ottawa, Ontario

Canadian Thoracic Society Statement of Financial Position

December 31	2021	2020
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Assets

Current

Cash (Note 2)	\$ 353,995	\$ 162,342
Short-term investments (Note 3)	50,103	290,479
Accounts receivable	108,880	61,597
Prepaid expenses and deposits	116,246	42,657
Government remittances receivable	9,525	3,796
	638,749	560,871

Tangible Capital Assets (Note 4)

2,127	-
\$ 640,876	\$ 560,871

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 39,652	\$ 73,814
Deferred revenue (Note 5)	96,850	90,031
	136,502	163,845

Loan payable (Note 6)

25,000	30,000
161,502	193,845

Net assets

Internally Restricted		
Journal Fund	47,734	47,734
Unrestricted	431,640	319,292
	479,374	367,026
	\$ 640,876	\$ 560,871

Approved on behalf of the board:



Mohit Bhutani, MD, FRCPC, FCCP
Treasurer, CTS Board of Directors

Canadian Thoracic Society Statement of Changes in Net Assets

For the year ended December 31

	Internally Restricted Journal Fund		Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$	47,734	\$ 319,292	\$ 367,026	\$ 299,092
Excess of revenues over expenditures for the year		-	112,348	112,348	67,934
Balance, end of year	\$	47,734	\$ 431,640	\$ 479,374	\$ 367,026

Canadian Thoracic Society Statement of Operations

For the year ended December 31

2021

2020

Revenues

Sponsorship	\$ 247,500	\$ 328,250
Conference (Note 8)	426,208	84,470
Education programs	1,633	-
Memberships	169,329	173,482
Journal & publications	75,700	64,636
Accreditation	4,700	2,500
Other (Note 7)	110,381	118,480
Interest	1,181	3,053
Grants	48,687	17,567
Editor-in-chief stipend	10,000	9,983
	<u>1,095,319</u>	<u>802,421</u>

Expenditures

Advertising and promotion	-	7,663
Amortization	911	13,600
Conference (Note 8)	313,615	168,992
Consultants and contractors	224,321	121,479
Meeting and travel	4,979	26,684
Office and operating expenses	129,548	117,246
Professional fees	14,189	11,798
Salaries and benefits	294,356	267,025
	<u>981,919</u>	<u>734,487</u>

Excess of revenues over expenditures before other expense	113,400	67,934
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Other expense

Loss on foreign exchange	<u>1,052</u>	<u>-</u>
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Excess of revenues over expenditures for the year	\$ 112,348	\$ 67,934
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Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31

2021

2020

Cash flows from operating activities

Excess of revenues over expenditures for the year	\$ 112,348	\$ 67,934
Adjustments for non-cash items		
Amortization	911	13,600
Debt forgiveness	-	(10,000)
	<u>113,259</u>	<u>71,534</u>
Change in non-cash working capital items		
Accounts receivable	(47,283)	(336)
Prepaid expenses and deposits	(73,589)	4,081
Government remittances receivable	(5,729)	11,384
Accounts payable and accrued liabilities	(34,162)	19,393
Deferred revenue	6,819	(123,719)
	<u>(40,685)</u>	<u>(17,663)</u>

Cash flows from investing activity

Purchase of tangible capital assets	<u>(3,038)</u>	-
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Cash flows from financing activity

Advances of loan payable	20,000	40,000
Repayment of loan payable	<u>(25,000)</u>	-
	<u>(5,000)</u>	<u>40,000</u>

Increase (decrease) in cash during the year

(48,723) 22,337

Cash, beginning of year

452,821 430,484

Cash, end of year

\$ 404,098 \$ 452,821

Cash consists of:

Cash	\$ 353,995	\$ 162,342
Short-term investments	<u>50,103</u>	<u>290,479</u>
	<u>\$ 404,098</u>	<u>\$ 452,821</u>

Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2021

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

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.

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.

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

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.

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.

Tangible Capital Assets

Tangible capital assets consist of computer equipment used by employees to carry out the society's goals. Tangible capital assets are recorded at cost. The society provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible assets over their estimated useful lives. The annual amortization rate is as follows:

Computer equipment	30%
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Tangible capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2021

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.

Other income is recognized as it is earned.

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Government Assistance The society periodically applies for financial assistance under available incentive programs for certain eligible expenditures. The society recognizes operating incentives as other income, when there is reasonable assurance that the society has complied with the conditions for receipt of such assistance.

2. Cash

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

3. Short-Term Investments

The short-term investments consists of a guaranteed investment certificate held at a Canadian chartered bank with effective interest rates at 0.40%, which matures within one year.

4. Tangible Capital Assets

	2021		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,038	\$ 911	\$ 2,127

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2021

5. Deferred Revenue

	Balance at Beginning of Year	Contri- butions	Expenses Incurred and Revenue Recognized	Balance at End of Year
Severe Asthma and the Role of Biologics CME	\$ 11,605	\$ -	\$ -	\$ 11,605
Initiatives in knowledge translation	10,000	-	-	10,000
Canadian Women in Medicine	1,000	-	-	1,000
Speakers Bureau	3,550	-	3,550	-
Mild Asthma & Primary Care	-	12,813	5,938	6,875
Unearned memberships	63,876	172,823	169,329	67,370
	\$ 90,031	\$ 185,636	\$ 178,817	\$ 96,850

6. Loan Payable

Canadian Emergency Business Account Loan bearing interest at 0% until December 2023, afterwards, bearing interest at 5% per annum, repayable in monthly interest only payments with the principal balance due December 2025.

7. Government Assistance

The society qualified for the Canadian Emergency Wage Subsidy that was created to subsidize Canadian organizations in response to the COVID-19 pandemic. As a result, the society recognized government assistance of \$84,240 (2020 - \$123,420), 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 society to reimburse a portion of the assistance.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2021

8. Canadian Respiratory Conference

	2021	2020
Revenue		
Sponsorship - current year	\$ 324,614	\$ 34,373
Sponsorship - future year	20,000	50,097
Conference registration	81,594	-
	426,208	84,470
Expenses		
Contractor - current year	62,600	74,511
Contractor - future year	15,000	45,745
Conference expenses - current year	218,590	29,764
Conference expenses - future year	17,425	16,783
Bank and credit card service fees - current year	-	2,189
	313,615	168,992
	\$ 112,593	\$ (84,522)

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, 2021. 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, 2021, the maximum fees that may be paid due to cancellations of future conferences are \$273,984 plus applicable GST, HST or QST.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 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, 2021.

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.

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, 2021

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 2020 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.
