



Financial Statements

For the year ended December 31, 2022

Canadian Thoracic Society
Financial Statements
For the year ended December 31, 2022

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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, 2022, 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, 2022, 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 20, 2023
Ottawa, Ontario

Canadian Thoracic Society Statement of Financial Position

December 31

2022

2021

Assets

Current

Cash (Note 2)	\$ 73,217	\$ 353,995
Short-term investments	-	50,103
Accounts receivable	140,710	108,880
Prepaid expenses and deposits	158,526	116,246
Government remittances receivable	3,287	9,525

	375,740	638,749
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Investments (Note 3)

	250,061	-
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Tangible capital assets (Note 4)

	4,787	2,127
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	\$ 630,588	\$ 640,876
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 89,141	\$ 39,652
Deferred revenue (Note 5)	148,496	96,850

	237,637	136,502
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Loan payable (Note 6)

	15,000	25,000
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	252,637	161,502
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Net assets

Internally Restricted		
Journal Fund	44,860	47,734
Unrestricted	333,091	431,640

	377,951	479,374
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	\$ 630,588	\$ 640,876
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Approved on behalf of the board:



Melinda Solomon, MD, FRCPC
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 2022	Total 2021
Balance, beginning of year	\$	47,734	\$ 431,640	\$ 479,374	\$ 367,026
Excess (deficiency) of revenues over expenditures for the year		(2,874)	(98,549)	(101,423)	112,348
Balance, end of year	\$	44,860	\$ 333,091	\$ 377,951	\$ 479,374

Canadian Thoracic Society Statement of Operations

For the year ended December 31

2022

2021

Revenues

Sponsorship	\$ 252,500	\$ 247,500
Conference (Note 7)	738,650	426,208
Education programs	64,364	1,633
Memberships	178,683	169,329
Journal & publications	70,255	75,700
Accreditation	40,000	4,700
Other	27,821	110,381
Grants	189,753	48,687
Editor-in-chief stipend	15,000	10,000

1,577,026	1,094,138
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Expenditures

Advertising and promotion	27,121	-
Amortization of tangible capital assets	2,697	911
Conference (Note 7)	633,593	313,615
Consultants and contractors	217,160	224,321
Management fees	3,813	-
Meeting and travel	53,802	4,979
Office and operating expenses	280,932	129,548
Professional fees	18,541	14,189
Salaries and benefits	421,819	294,356

1,659,478	981,919
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Excess (deficiency) of revenues over expenditures before other expenses

(82,452)	112,219
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Other expenses (income)

Investment income	(4,630)	(1,181)
Loss (gain) on foreign exchange	(1,100)	1,052
Loss on sale of marketable securities	14,971	-
Unrealized loss on marketable securities	9,730	-

18,971	(129)
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Excess (deficiency) of revenues over expenditures for the year

\$ (101,423)	\$ 112,348
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Canadian Thoracic Society Statement of Cash Flows

For the year ended December 31

2022

2021

Cash flows from operating activities

Excess (deficiency) of revenues over expenditures for the year	\$ (101,423)	\$ 112,348
Adjustments for non-cash items		
Amortization	2,697	911
Loss on sale of investments	14,971	-
Unrealized loss on investments	10,182	-
Loan forgiveness	(10,000)	-

	(83,573)	113,259
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Change in non-cash working capital items

Accounts receivable	(31,830)	(47,283)
Prepaid expenses and deposits	(42,280)	(73,589)
Government remittances receivable	6,238	(5,729)
Accounts payable and accrued liabilities	49,489	(34,162)
Deferred revenue	51,646	6,819

	(50,310)	(40,685)
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Cash flows from investing activity

Purchase of investments	(456,948)	-
Proceeds on sale of investments	181,734	-
Purchase of tangible capital assets	(5,357)	(3,038)

	(280,571)	(3,038)
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Cash flows from financing activity

Advances of loan payable	-	20,000
Repayment of loan payable	-	(25,000)

	-	(5,000)
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Decrease in cash during the year

	(330,881)	(48,723)
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Cash, beginning of year

	404,098	452,821
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Cash, end of year

	\$ 73,217	\$ 404,098
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Cash consists of:

Cash	\$ 64,622	\$ 353,995
Cash and short term component of investments (Note 3)	8,595	-
Short-term investments	-	50,103

	\$ 73,217	\$ 404,098
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Canadian Thoracic Society

Notes to the Financial Statements

December 31, 2022

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. Bonds and equity holdings are carried at fair value based on quoted market prices.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2022

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.

Financial Risk Management

The society manages its investment portfolio to earn investment income to support the society's operational budget and implementation of its strategic plan. The society invests only in low risk investments. The society is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

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, 2022

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, 2022

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. Investments

	2022	2021
Cash and short-term	\$ 8,809	\$ -
Common equities	140,027	-
Fixed income	79,125	-
Foreign securities	22,100	-
	\$ 250,061	\$ -

The investments in fixed income securities are with the Government of Canada and its Provinces and senior Canadian financial institutions and companies. Interest rates on the bonds range from 0.25% to 1.10% per annum and mature between April 2024 and March 2031.

Investments in common equities include amounts denominated in U.S. dollars of \$20,254 (2021 - \$0).

Interest earned on investments was \$1,474 (2021 - \$1,181). A capital loss of \$14,971 was recognized in the current year on the sale of investments (2021 - \$0).

4. Tangible Capital Assets

	2022		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,395	\$ 3,608	\$ 4,787

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2022

4. Tangible Capital Assets (continued)

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

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	-
CRC Sponsorship	-	991,150	991,150	-
Mild Asthma & Primary Care	6,875	-	6,875	-
Unearned Memberships	67,370	179,274	178,683	67,961
Licensing Agreements	-	30,195	18,680	11,515
Pulmonary Hypertension CME	-	95,830	38,415	57,415
	\$ 96,850	\$ 1,296,449	\$ 1,244,803	\$ 148,496

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.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2022

7. Canadian Respiratory Conference

	2022	2021
Revenue		
Sponsorship - current year	\$ 511,385	\$ 324,614
Sponsorship - future year	71,804	20,000
Conference registration	155,461	81,594
	738,650	426,208
Expenses		
Contractor - current year	76,100	62,600
Contractor - future year	15,600	15,000
Conference expenses - current year	485,689	218,590
Conference expenses - future year	56,204	17,425
	633,593	313,615
	\$ 105,057	\$ 112,593

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, 2022. 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, 2022, the maximum fees that may be paid due to cancellations of future conferences are \$180,009 plus applicable GST, HST or QST.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2022

10. 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, 2022.

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 risk 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 exposed to currency risk, interest rate risk and other price 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 that 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's investment managers take steps in the active management of the portfolio to mitigate this risk.

Canadian Thoracic Society Notes to the Financial Statements

December 31, 2022

10. 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 exposed to other price risk with respect to equities held.

Changes in risk

The society is now exposed to other price risk by virtue of the investments held. There have been no other significant changes in society's risk exposures from the 2021 fiscal year.
