

FINANCIAL STATEMENTS
For
CANADIAN DERMATOLOGY ASSOCIATION
For year ended
DECEMBER 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the directors of

CANADIAN DERMATOLOGY ASSOCIATION

Opinion

We have audited the financial statements of Canadian Dermatology Association (the "Association"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net assets 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 Association as at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 Association 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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association 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 Association 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 Association 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 Association 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
April 29, 2025.

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash (note 4)	\$ 1,930,029	\$ 1,791,222
Short-term investments (note 5)	990,845	1,376,352
Accounts receivable	117,027	133,840
Government remittances receivable	43,143	23,352
Prepaid expenses	<u>204,897</u>	<u>139,891</u>
	3,285,941	3,464,657
INVESTMENTS (note 5)	1,627,637	1,029,552
CAPITAL ASSETS (note 6)	95,391	113,358
COLLECTIONS (note 7)	<u>1</u>	<u>1</u>
	<u>\$ 5,008,970</u>	<u>\$ 4,607,568</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 258,368	\$ 131,367
Deferred revenue	<u>828,240</u>	<u>667,172</u>
	1,086,608	798,539
NET ASSETS (note 8)		
Unrestricted	3,299,244	3,163,590
Invested in capital assets	95,391	113,358
Internally restricted	<u>527,727</u>	<u>532,081</u>
	<u>3,922,362</u>	<u>3,809,029</u>
	<u>\$ 5,008,970</u>	<u>\$ 4,607,568</u>

Approved on behalf of the Board:



.....Director



.....Director

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>
Revenue		
Program revenue		
Conferences	\$ 1,966,821	\$ 1,802,636
Skin Health Program (SHP)	759,078	697,048
Publications	333,544	321,420
Sun Protection Program (SPP)	318,742	310,793
CPD and CARD	<u>120,000</u>	<u>130,000</u>
	<u>3,498,185</u>	<u>3,261,897</u>
Other revenue		
Investment income	68,002	43,502
Membership dues	175,315	182,362
Corporate support	27,500	40,000
Affiliate support	4,500	4,500
Accreditation	<u>97,237</u>	<u>7,189</u>
	<u>372,554</u>	<u>277,553</u>
	<u>3,870,739</u>	<u>3,539,450</u>
Expenses		
Program expenses		
Conferences	818,461	817,571
Skin Health Program (SHP)	31,000	16,875
Publications	88,875	143,731
Sun Protection Program (SPP)	6,750	7,500
CPD and CARD expenses	<u>124,354</u>	<u>50,666</u>
	<u>1,069,440</u>	<u>1,036,343</u>
Salaries and benefits	<u>1,622,157</u>	<u>1,423,243</u>
Other expenses		
Professional fees	602,446	289,942
Memberships and awards	123,560	6,075
Office administration	103,249	120,349
Meetings and travel	98,643	98,883
Rent and maintenance	95,613	95,631
Infotech support and development	75,677	80,683
Insurance	28,518	27,801
CSPA Grant	25,000	-
Website	24,508	18,332
Public, disease and cosmetic awareness	16,479	80,487
Bad debt	725	5,650
Amortization	<u>31,967</u>	<u>25,279</u>
	<u>1,226,385</u>	<u>849,112</u>
	<u>3,917,982</u>	<u>3,308,698</u>
Excess of revenue over expenses before items below	(47,243)	230,752
Gain (loss) on investments	161,184	83,245
Loss on disposal of equipment	<u>(608)</u>	<u>-</u>
Excess of revenue over expenses	<u>\$ 113,333</u>	<u>\$ 313,997</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2024

	Invested in <u>capital assets</u>	Internally <u>restricted</u>	<u>Unrestricted</u>	2024 <u>Total</u>	2023 <u>Total</u>
Balance at beginning of year	\$ 113,358	\$ 532,081	\$ 3,163,590	\$ 3,809,029	\$ 3,495,032
Excess of revenue over expenses	-	-	113,333	113,333	313,997
Transfer to unrestricted (note 8)	-	(4,354)	4,354	-	-
Amortization of capital assets	(31,967)	-	31,967	-	-
Additions of capital assets - net	14,608	-	(14,608)	-	-
Loss on disposal of capital assets	<u>(608)</u>	<u>-</u>	<u>608</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 95,391</u>	<u>\$ 527,727</u>	<u>\$ 3,299,244</u>	<u>\$ 3,922,362</u>	<u>\$ 3,809,029</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 113,333	\$ 313,997
Adjustments for:		
Amortization	31,967	25,279
Loss on disposal of equipment	608	-
(Gain)/loss on investments	<u>(161,184)</u>	<u>(83,245)</u>
	(15,276)	256,031
Changes in level of:		
Accounts receivable	16,813	146,942
Prepaid expenses	(65,006)	(56,310)
Accounts payable and accrued liabilities	127,001	(19,528)
Deferred revenue	161,068	217,884
Government remittances receivable	<u>(19,791)</u>	<u>(5,217)</u>
	<u>204,809</u>	<u>539,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/redemption of investments	1,504,967	774,413
Purchase of investments	(1,556,361)	(862,064)
Purchase of capital assets	<u>(14,608)</u>	<u>(38,613)</u>
	<u>(66,002)</u>	<u>(126,264)</u>
INCREASE IN CASH	138,807	413,538
CASH AT BEGINNING OF YEAR	<u>1,791,222</u>	<u>1,377,684</u>
CASH AT END OF YEAR	\$ <u>1,930,029</u>	\$ <u>1,791,222</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

1. NATURE OF OPERATIONS

The Canadian Dermatology Association (the "Association") was incorporated without share capital on May 26, 1926, under the provisions of Part II of the Canada Business Corporations Act. Effective October 24, 2013, the Association continued its articles of incorporation under the Canada Not-for-profit Corporations Act. The Association is a non-profit organization and as such is not subject to income tax under paragraph 149(1)(l) of the Income Tax Act (Canada).

The Association is committed to advancing the science and art of medicine and surgery related to the care of the skin, hair and nails; providing continuing education professional development for its members; supporting and advancing patient care; providing public education on sun protection and other aspects of skin health and promoting a lifetime of healthier skin, hair and nails.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Association uses the deferral method of accounting for contributions for not-for-profit organizations. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Conferences revenue and publications revenue are recognized when the related event or publication takes place.

Membership dues are recognized over the period of activity to which they relate.

The Association receives contract revenues based on the terms of the contract. This includes revenue from the Sun Protection Program, Skin Health Program, corporate support and publications. Revenues are recognized when earned based on the terms of the contract.

Sun Protection Program and Skin Health Program revenues, including application fees for use of the Association logo, are recognized as revenue when products or services are delivered, when title has passed and when collection is reasonably assured.

Investment income is recognized on the accrual basis for interest bearing investments. For equity investments, unrealized gains and losses in fair value, as well as realized changes in fair value for dispositions are recognized in the statement of operations.

Corporate revenue is recognized when earned if receipt thereof is reasonably assured. This includes funding for conferences, as well as CPD and CARD revenue.

Affiliate support is recognized when the services have been provided and collection is reasonably assured.

Financial instruments

The Association's cash and investments are measured at fair value. All other financial instruments are initially recognized at fair value and subsequently measured at amortized cost at the date of the statement of financial position.

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Capital assets

Capital assets are stated at acquisition cost. Amortization is provided at the following methods and annual rates:

Computer equipment	- 3 years straight line
Furniture	- 5 years straight line
Computer software	- 5 years straight line

Leasehold improvements are amortized on a straight line basis over the term of the lease.

In the year of acquisition one-half of the aforesaid rates are used.

Internally restricted net assets

Internally restricted net assets represent amounts approved by the Board to be set aside for specific purposes. These amounts are not available for unrestricted purposes without the approval of the Board.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the allowance for doubtful accounts, the estimated useful life of the Association's capital assets, and in determining certain accrued liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements for changes in these estimates in future periods could be material.

3. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations.

There have been no significant changes in the Association risk exposures from the prior year.

Credit risk

Credit risk is the risk that parties will cause financial loss by failing to discharge their obligations. The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association cash, investments and accounts receivable give rise to credit risk. The Association cash and investments are held with a Canadian chartered bank and as a result, management believes the risk of loss on these items to be unlikely. The Association management believes the credit risk with respect to accounts receivable is limited. The Association mitigates credit risk with vigilant collection practices for its small customer base. Management has established an allowance for doubtful accounts receivable at December 31, 2024 of \$6,375 (2023 - \$5,650) that represents management's best estimate of potentially uncollectible accounts. At December 31, 2024, approximately 55% of the Association's accounts receivable were from two customers.

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2024

3. FINANCIAL INSTRUMENTS- Cont'd.

Liquidity risk

Liquidity risk is the risk that the Association is unable to meet financial obligations as they become due by not being able to liquidate assets in a timely manner. The Association manages this risk by establishing budgets and cash estimates to ensure it has funds available to fulfil its obligations.

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 is comprised of currency risk, interest rate risk and other price risk. The Association is not subject to significant market risk.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Substantially all of the Association transactions are denominated in Canadian dollars and as a result, the Association is not subject to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Association diversifies its interest rate based investments by renewing them over time and staggering their maturity dates (note 5). As such, management believes there is no significant interest rate risk.

iii) *Other price risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market. The Association mitigates other price risk by holding primarily principal protected investments.

4. CREDIT FACILITIES

The Association has overdraft protection on its bank account with a Canadian chartered bank of up to \$300,000. No amounts have been drawn upon as at December 31, 2024 (2023 - \$nil).

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2024

5. INVESTMENTS

	2024		2023	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
BNS S25, Indexed fund, due January 12, 2024	-	-	172,755	150,000
Ind & Comm BK China, 5.05%, due January 31, 2024	-	-	200,000	200,000
BNS S26, Indexed fund, due February 13, 2024	-	-	379,440	300,000
Peoples Trust Company GIC, 5.10%, due December 2, 2024	-	-	100,000	100,000
CIBC - Fixed rate GIC, 3.15%, due January 10, 2025	327,954	318,206	317,885	308,463
CIBC - Flexible GIC, cashable, 4.25%, due January 13, 2025	214,921	206,437	206,272	201,402
BNS S121, Indexed fund, due October 28, 2025	347,970	300,000	293,910	300,000
B2B Bank GIC, 5.09%, due December 1, 2025	100,000	100,000	100,000	100,000
BNS S107, Indexed fund, due February 17, 2027	290,520	300,000	262,980	300,000
BMO CDN FIN GRWTH S131, Indexed fund, due May 13, 2027	286,403	250,000	232,390	250,000
ICICI Bank GTD Investment, 3.90%, due December 13, 2027	156,000	156,000	-	-
Community Trust Company GTD, 3.93%, due December 13, 2027	100,000	100,000	-	-
NBC Extendible Coupons Flex, 5.85%, due December 6, 2030	-	-	140,272	137,900
BNS CDN EQT BSK AR GIC, Indexed fund, due February 6, 2031	179,000	179,000	-	-
CIBC CDN PORTFOLIO, Indexed fund, due March 31, 2031	393,786	368,000	-	-
NBC Extendible Coupons Flex, 5.20%, due February 14, 2034	<u>221,928</u>	<u>210,000</u>	<u>-</u>	<u>-</u>
	2,618,482	2,487,643	2,405,904	2,347,765
Current portion	<u>990,845</u>	<u>924,643</u>	<u>1,376,352</u>	<u>1,259,865</u>
Non-current portion	<u>\$ 1,627,637</u>	<u>\$ 1,563,000</u>	<u>\$ 1,029,552</u>	<u>\$ 1,087,900</u>

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2024

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 58,614	\$ 33,904	\$ 46,152	\$ 17,210
Furniture	49,893	20,072	48,595	10,548
Leasehold improvements	55,092	14,232	55,092	8,723
Computer software	<u>76,998</u>	<u>76,998</u>	<u>76,998</u>	<u>76,998</u>
	240,597	<u>\$ 145,206</u>	226,837	<u>\$ 113,479</u>
Accumulated amortization	<u>145,206</u>		<u>113,479</u>	
	<u>\$ 95,391</u>		<u>\$ 113,358</u>	

7. COLLECTIONS

The Association maintains a collection of rare and historical books that are held for education and research are protected, cared for, and preserved.

Contributions and acquisitions of collection items are recorded on the Statement of Financial Position at a nominal value. The amount of expenditures on collection items in the period are \$nil (2023 - \$nil).

8. NET ASSETS

The Association considers its capital to consist of its net assets. The Association's overall objective with its net assets is to fund capital assets, future projects, and ongoing operations. The Association manages its net assets by establishing internally restricted funds and appropriating amounts to the funds for the future activities as directed by the Canadian Professors of Dermatology ("CPD") and the Canadian Association of Rheumatology and Dermatology ("CARD").

The Association is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2023.

Internally restricted net assets

Revenue relating to CPD and CARD has been restricted by the Board of Directors to be used to fund expenses incurred with regard to CPD and CARD. The excess of revenue over expenses relating to CPD and CARD is transferred on an annual basis to internally restricted net assets to be used on future CPD and CARD programs, or to fund future deficiencies of revenues over expense. The Association transferred \$4,354 in the current year to the unrestricted fund to cover this year's shortfall (2023 - \$79,334 transferred to the unrestricted fund to apply the prior year's surplus).

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2024

9. COMMITMENTS

The Association has entered into an agreement to lease its premises until July 31, 2032. Base rent plus estimated operating costs and taxes payable over the next five years are as follows:

2025	\$ 91,470
2026	91,470
2027	92,584
2028	94,143
2029	94,143
2030 and thereafter	<u>243,203</u>
	<u>\$ 798,483</u>