

FINANCIAL STATEMENTS
For
CANADIAN DERMATOLOGY ASSOCIATION
For year ended
DECEMBER 31, 2025

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, 2025, 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, 2025, 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
May 11, 2026.

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash (note 4)	\$ 1,796,334	\$ 1,930,029
Short-term investments (note 5)	657,534	990,845
Accounts receivable	166,933	117,027
Government remittances receivable	29,133	43,143
Prepaid expenses	<u>228,377</u>	<u>204,897</u>
	2,878,311	3,285,941
INVESTMENTS (note 5)	2,377,595	1,627,637
CAPITAL ASSETS (note 6)	79,614	95,391
COLLECTIONS (note 7)	<u>1</u>	<u>1</u>
	<u>\$ 5,335,521</u>	<u>\$ 5,008,970</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 245,323	\$ 258,368
Deferred revenue	<u>608,517</u>	<u>828,240</u>
	853,840	1,086,608
NET ASSETS (note 8)		
Unrestricted	3,768,483	3,299,244
Invested in capital assets	79,614	95,391
Internally restricted	<u>633,584</u>	<u>527,727</u>
	4,481,681	3,922,362
	<u>\$ 5,335,521</u>	<u>\$ 5,008,970</u>

Approved on behalf of the Board:

Mark Kirchof

.....Director

J. Linguet

.....Director

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Revenue		
Program revenue		
Conferences	\$ 2,096,245	\$ 1,966,821
Skin Health Program (SHP)	754,776	759,078
Publications	383,016	333,544
Sun Protection Program (SPP)	312,916	318,742
CPD and CARD	<u>305,000</u>	<u>120,000</u>
	<u>3,851,953</u>	<u>3,498,185</u>
Other revenue		
Investment income	79,250	68,002
Membership dues	172,311	175,315
Corporate support	80,000	27,500
Affiliate support	15,975	4,500
Accreditation	2,479	8,424
Member benefit sponsorship	<u>81,105</u>	<u>88,813</u>
	<u>431,120</u>	<u>372,554</u>
	<u>4,283,073</u>	<u>3,870,739</u>
Expenses		
Program expenses		
Conferences	852,945	818,461
Skin Health Program (SHP)	14,750	31,000
Publications	95,559	88,875
Sun Protection Program (SPP)	9,750	6,750
CPD and CARD	<u>199,143</u>	<u>124,354</u>
	<u>1,172,147</u>	<u>1,069,440</u>
Salaries and benefits	<u>1,641,862</u>	<u>1,622,157</u>
Other expenses		
Professional fees	526,510	602,446
Memberships and awards	101,173	123,560
Office administration	97,758	103,249
Meetings and travel	178,048	98,643
Rent and maintenance	95,723	95,613
Infotech support and development	87,196	75,677
Insurance	29,071	28,518
CSPA Grant	-	25,000
Website	33,235	24,508
Public, disease and cosmetic awareness	85,005	16,479
Bad debt	12,750	725
Amortization	<u>33,395</u>	<u>31,967</u>
	<u>1,279,864</u>	<u>1,226,385</u>
	<u>4,093,873</u>	<u>3,917,982</u>
Excess of revenue over expenses before items below	189,200	(47,243)
Change in fair value of investments	370,119	161,184
Loss on disposal of equipment	<u>-</u>	<u>(608)</u>
Excess of revenue over expenses	<u>\$ 559,319</u>	<u>\$ 113,333</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2025

	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Internally restricted</u>	<u>2025 Total</u>	<u>2024 Total</u>
Balance at beginning of year	\$ 3,299,244	\$ 95,391	\$ 527,727	\$ 3,922,362	\$ 3,809,029
Excess of revenue over expenses	559,319	-	-	559,319	113,333
Transfer to (from) unrestricted (note 8)	(105,857)	-	105,857	-	-
Amortization of capital assets	33,395	(33,395)	-	-	-
Additions of capital assets - net	<u>(17,618)</u>	<u>17,618</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 3,768,483</u>	<u>\$ 79,614</u>	<u>\$ 633,584</u>	<u>\$ 4,481,681</u>	<u>\$ 3,922,362</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 559,319	\$ 113,333
Adjustments for:		
Amortization	33,395	31,967
Loss on disposal of equipment	-	608
Change in fair value of investments	<u>(370,119)</u>	<u>(161,184)</u>
	222,595	(15,276)
Changes in level of:		
Accounts receivable	(49,906)	16,813
Government remittances receivable	14,010	(19,791)
Prepaid expenses	(23,480)	(65,006)
Accounts payable and accrued liabilities	(13,045)	127,001
Deferred revenue	<u>(219,723)</u>	<u>161,068</u>
	<u>(69,549)</u>	<u>204,809</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale/redemption of investments	2,279,772	1,504,967
Purchase of investments	(2,326,300)	(1,556,361)
Purchase of capital assets	<u>(17,618)</u>	<u>(14,608)</u>
	<u>(64,146)</u>	<u>(66,002)</u>
INCREASE (DECREASE) IN CASH	(133,695)	138,807
CASH AT BEGINNING OF YEAR	<u>1,930,029</u>	<u>1,791,222</u>
CASH AT END OF YEAR	\$ <u>1,796,334</u>	\$ <u>1,930,029</u>

(See accompanying notes)

CANADIAN DERMATOLOGY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and the collection is reasonably assured.

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 as earned. Unrealized and realized changes in fair value for dispositions are recognized in the statement of operations.

Corporate support 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.

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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.

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.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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's cash, investments and accounts receivable give rise to credit risk. The Association's 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's 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, 2025 of \$nil (2024 - \$6,375) that represents management's best estimate of potentially uncollectible accounts. At December 31, 2025, approximately 76% (2024 - 55%) of the Association's accounts receivable were from three customers.

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

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, 2025 (2024 - \$nil).

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

5. INVESTMENTS

	2025		2024	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
CIBC - Fixed rate GIC, 3.15%, due January 10, 2025	\$ -	\$ -	\$ 327,954	\$ 318,206
CIBC - Flexible GIC, cashable, 4.25%, due January 13, 2025	-	-	214,921	206,437
BNS S121, Indexed fund, due October 28, 2025	-	-	347,970	300,000
B2B Bank GIC, 5.09%, due December 1, 2025	-	-	100,000	100,000
CIBC Flexible GIC 00329, 3.25%, due January 12, 2026	359,093	350,000	-	-
CIBC Flexible GIC 00337, 3.25%, due January 12, 2026	198,441	193,416	-	-
Ind & Comm BK China, 3.50%, due February 13, 2026	100,000	100,000	-	-
BNS S107, Indexed fund, due February 17, 2027	-	-	290,520	300,000
BMO CDN FIN GRWTH S131, Indexed fund, due May 13, 2027	-	-	286,403	250,000
ICICI Bank GTD Investment, 3.90%, due December 13, 2027	156,000	156,000	156,000	156,000
Community Trust Company GTD, 3.93%, due December 13, 2027	100,000	100,000	100,000	100,000
RFA BK of CDA GTD Investment, 3.34%, due February 14, 2028	97,785	95,000	-	-
BNS S31, Indexed fund, due November 7, 2028	204,260	200,000	-	-
BNS S33, Indexed fund, due March 19, 2030	269,667	207,500	-	-
BMO PPN S754, Indexed fund, due July 22, 2030	313,560	250,000	-	-
BNS S42, Indexed fund, due December 16, 2030	77,670	77,000	-	-
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
CIBC DVSF EQTY S44, Indexed fund, due March 18, 2032	224,731	207,500	-	-
CIBC DVSF EQTY S35, Indexed fund, due July 26, 2032	289,475	250,000	-	-
CIBC DVSF EQTY S43, Indexed fund, due August 23, 2032	228,132	200,000	-	-
NBC Extendible Coupons Flex, 5.20%, due February 14, 2034	222,495	210,000	221,928	210,000
NBC Extendible Linear Accrual Flex, 5.87%, due December 10, 2040	<u>193,820</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>3,035,129</u>	<u>2,796,416</u>	<u>2,618,482</u>	<u>2,487,643</u>
Current portion	<u>657,534</u>	<u>643,416</u>	<u>990,845</u>	<u>924,643</u>
Non-current portion	<u>\$ 2,377,595</u>	<u>\$ 2,153,000</u>	<u>\$ 1,627,637</u>	<u>\$ 1,563,000</u>

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

6. CAPITAL ASSETS

Capital assets consist of the following:

	2025		2024	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 54,942	\$ 30,522	\$ 58,614	\$ 33,904
Furniture	49,893	30,050	49,893	20,072
Leasehold improvements	55,092	19,741	55,092	14,232
Computer software	-	-	<u>76,998</u>	<u>76,998</u>
	<u>159,927</u>	<u>\$ 80,313</u>	<u>240,597</u>	<u>\$ 145,206</u>
Accumulated amortization	<u>80,313</u>		<u>145,206</u>	
	<u>\$ 79,614</u>		<u>\$ 95,391</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 (2024 - \$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, 2024.

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 \$105,857 in the current year from the unrestricted fund to reflect this year's surplus (2024 - \$4,354 transferred to the unrestricted fund to apply the prior year's surplus to cover the shortfall).

CANADIAN DERMATOLOGY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

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:

2026	\$ 92,940
2027	94,054
2028	95,613
2029	95,613
2030	95,613
Thereafter	<u>151,387</u>
	<u>\$ 625,220</u>

10. COMPARATIVE FIGURES

The financial statements have been reclassified where necessary to conform to the presentation adopted in the current year.