

Lung Saskatchewan Inc.

Financial Statements
December 31, 2022



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Independent Auditor's Report

To the Board of Directors of Lung Saskatchewan Inc.

Qualified Opinion

We have audited the financial statements of Lung Saskatchewan Inc. (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statement of changes in net assets, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting

We have audited the financial statements of Lung Saskatchewan Inc. (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statement of changes in net assets, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives donation and fundraising revenue from direct mail campaigns and other campaigns and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to direct mail campaigns revenue, other campaigns and events revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization 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 qualified audit opinion.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on June 21, 2022 for reasons described in the *Basis for Qualified opinion* section of our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan
May 25, 2023

Lung Saskatchewan Inc.

Statement of Financial Position

As at December 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash	257,168	532,471
Investments	1,635,093	1,969,145
Accounts receivable	151,848	89,195
Prepaid expenses	21,541	16,076
	<u>2,065,650</u>	<u>2,606,887</u>
Non-current assets		
Tangible capital assets (note 4)	66,224	58,490
Other assets	8,000	8,000
	<u>74,224</u>	<u>66,490</u>
	<u>2,139,874</u>	<u>2,673,377</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	60,453	171,518
Government remittances payable	5,804	-
Accrued salaries and vacation pay	38,723	37,763
	<u>104,980</u>	<u>209,281</u>
Government loan payable (note 5)	60,000	60,000
Deferred revenue (note 6)	181,861	95,825
	<u>241,861</u>	<u>155,825</u>
Net assets		
Unrestricted net assets	1,726,809	2,249,781
Invested in tangible capital assets	66,224	58,490
	<u>1,793,033</u>	<u>2,308,271</u>
	<u>2,139,874</u>	<u>2,673,377</u>

Approved by the Board of Directors

Michael Olain

Director



Director

The accompanying notes are an integral part of these financial statements.

Lung Saskatchewan Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2022

			2022	2021
	Unrestricted \$	Invested in tangible capital assets \$	Total \$	Total \$
Balance – Beginning of year	2,249,781	58,490	2,308,271	2,130,391
Excess (deficiency) of revenue over expenses	(515,238)	-	(515,238)	177,880
Amortization of tangible capital assets	10,028	(10,028)	-	-
Purchase of tangible capital assets	(21,520)	21,520	-	-
Write-off of obsolete tangible capital assets	3,758	(3,758)	-	-
Balance – End of year	1,726,809	66,224	1,793,033	2,308,271

The accompanying notes are an integral part of these financial statements.

Lung Saskatchewan Inc.
Statement of Operations
For the year ended December 31, 2022

	2022	2021
	\$	\$
Revenue		
Lung Foundation of Saskatchewan Inc. (note 8)	600,000	400,000
Raffles	531,677	586,286
Health Promotion programs	455,305	344,000
RESPTrec	266,905	194,471
Direct mail campaigns	210,812	274,411
Grants and subsidies (note 5)	144,127	220,195
Other income (note 8)	127,660	93,309
Contracts	113,737	112,240
Bequests	96,714	309,869
Other campaigns and events	44,877	48,332
	<u>2,591,814</u>	<u>2,583,113</u>
Expenses (note 11)		
Programs		
Health Promotion – general public	1,054,850	889,275
Health Education – professional	697,747	477,917
Development and campaigns	632,200	620,754
Operations and building	295,217	344,215
Research and grants	107,701	164,490
Contracted services	94,938	93,492
	<u>2,882,653</u>	<u>2,590,143</u>
Deficiency of revenue over expenses before investment income	(290,839)	(7,030)
Investment income (loss) (note 3)	<u>(224,399)</u>	<u>184,910</u>
Excess (deficiency) of revenue over expenses	<u>(515,238)</u>	<u>177,880</u>

The accompanying notes are an integral part of these financial statements.

Lung Saskatchewan Inc.
Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	(515,238)	177,880
Item not affecting cash		
Change in fair value of investments (note 3)	344,461	(5,926)
Amortization of tangible capital assets	10,028	11,222
	<hr/>	<hr/>
	(160,749)	183,176
Net change in non-cash working capital items (note 7)	(86,383)	67,636
	<hr/>	<hr/>
	(247,132)	250,812
Investing activities		
Purchase of tangible capital assets	(21,520)	(25,255)
Purchases of investments, net	(6,651)	(93,977)
	<hr/>	<hr/>
	(28,171)	(119,232)
Financing activities		
Proceeds from government loan	-	-
	<hr/>	<hr/>
Change in cash during the year	(275,303)	131,580
Cash – Beginning of year	532,471	400,891
	<hr/>	<hr/>
Cash – End of year	257,168	532,471
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The accompanying notes are an integral part of these financial statements.

Lung Saskatchewan Inc.

Notes to Financial Statements

December 31, 2022

1 Purpose of the Organization

Lung Saskatchewan Inc. (the Organization) promotes the improvement of respiratory health, the prevention of lung disease, and the improvement of care and treatment of victims of respiratory diseases in Saskatchewan through education, support programs and funding of research. The Organization was incorporated under the provisions of the Non-Profit Corporations Act (Saskatchewan) on May 28, 2002 and became operational on September 1, 2002.

The Organization has been granted non-profit status by the Non-Profit Corporations Act of the Province of Saskatchewan and charitable status by Canada Revenue Agency and is therefore not taxable under the Income Tax Act (Canada).

2 Significant accounting policies

Basis of presentation

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

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

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

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Investment income earned on restricted and unrestricted investments is recorded as earned. The Organization receives and raises funds through different donor directed fundraising campaigns for various restricted projects.

Investments

Investments are classified as current assets as they are capable of reasonably prompt liquidation.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is calculated using the following annual rates and methods and is designated to amortize the assets over their estimated useful lives:

Leasehold improvements	10 years straight-line
Technology and software	3 to 5 years straight-line
Equipment and vehicles	3 to 5 years straight-line

Lung Saskatchewan Inc.

Notes to Financial Statements

December 31, 2022

Donated materials and services

Volunteers contribute their time in assisting the Organization in carrying out its fundraising and service delivery activities. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements. Donations in-kind of goods that would normally be purchased by the Organization are recorded at fair value.

Allocation of expenses

Expenses that can be directly identified with programming activities are charged accordingly. Certain research, development and operational expenses have been allocated to program activities based on management's best determination of where they were incurred.

Use of estimates and measurement uncertainty

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Organization evaluates its estimates, including those related to collectibility of related party receivables and the useful life of tangible capital assets. The Organization bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

Financial instruments

The Organization's financial instruments are initially recorded at their fair value and consist of cash, investments, accounts receivable, related party receivable and trade accounts payable. Cash, accounts receivable, related party receivable and trade accounts payable are subsequently measured at amortized cost. Investments are traded in active markets and are subsequently measured at fair value.

Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired.

3 Investments and investment income

The Organization holds all their investment in one pooled investment fund, with a fair value of \$1,635,093 at December 31, 2022 (2021 - \$1,969,145) and a book value of \$1,963,939 (2021 - \$1,954,664). Investment income (loss) is comprised of the following:

	2022 \$	2021 \$
Dividend and interest income	120,062	178,984
Change in fair value of investments	(344,461)	5,926
	<u>(224,399)</u>	<u>184,910</u>

Lung Saskatchewan Inc.

Notes to Financial Statements

December 31, 2022

4 Tangible capital assets

			2022	2021
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	44,285	6,587	37,698	27,541
Technology and software	51,535	43,892	7,643	12,141
Equipment and vehicles	32,597	11,714	20,883	18,808
	128,417	62,193	66,224	58,490

During the year ended December 31, 2022, the Organization wrote off fully depreciated assets with a cost and accumulated amortization balance of \$ 3,758 (2021 - \$nil), respectively.

5 Government assistance

	2022 \$	2021 \$
Canada Emergency Business Account (CEBA) term loan payable, bearing interest at 0% until December 31, 2023. 5% per annum interest will apply to any balance owing starting January 1, 2024. The full amount of the loan (including principal and interest) is due and payable on December 31, 2025. If \$40,000 of the \$60,000 loan is repaid by December 31, 2023, then loan forgiveness of \$20,000 will apply.	60,000	60,000
	\$	
2023	40,000	
2024	20,000	

In addition, during the year ended December 31, 2022, the Organization did not receive the Canada Emergency Wage Subsidy (CEWS). However, in 2021, the Organization recognized and received \$70,785 of revenue related to the CEWS. Revenues recognized from government subsidies were used to fund salaries and wages expenses.

Lung Saskatchewan Inc.

Notes to Financial Statements

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6 Deferred revenue

	2022 \$	2021 \$
Externally restricted grants and donations	142,102	27,999
Grants	37,009	58,526
RESPTrec education courses	2,750	9,300
	<u>181,861</u>	<u>95,825</u>

7 Net change in non-cash working capital items

	2022 \$	2021 \$
Accounts receivable	(62,653)	(34,206)
Prepaid expenses	(5,465)	7,217
Trade accounts payable	(111,065)	142,909
Government remittances payable	5,804	(12,351)
Accrued salaries and vacation pay	960	4,100
Deferred revenue	86,036	(40,033)
	<u>(86,383)</u>	<u>67,636</u>

8 Related party transactions

The related party transactions and balances described below are measured at carrying amounts.

- a) The Lung Foundation of Saskatchewan Inc. is a separate not-for-profit legal entity with Board members in common with the Organization, the primary purpose of which is to receive and maintain funds and to apply the funds to charitable organizations engaged in respiratory health. The following transactions occurred between the Organization and The Lung Foundation of Saskatchewan Inc.:

	2022 \$	2021 \$
Grants received, included in grants		
Operating	600,000	400,000
Restricted	-	-
	<u>600,000</u>	<u>400,000</u>
Administration and planned giving fees received, included in other income		
Administration	6,300	5,860

In addition, in 2022, an amount of \$1,238 (2021 – \$nil) owing to the Organization from The Lung Foundation of Saskatchewan Inc. is included in accounts receivable.

Lung Saskatchewan Inc.

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December 31, 2022

- b) Saskatoon Pulmonary Consultants Professional Corporation is a separate legal entity with Board members in common with the Organization. During the year, the Organization earned revenue of \$12,084 (2021 – \$7,920) from Saskatoon Pulmonary Consultants Professional Corporation for contract services and recovered procurement costs of nil (2021 – \$nil).
- c) During the year, transactions with board members totaled \$2,423 (2021 - \$nil). These amounts primarily related to honoraria and travel expenses.

9 Financial instruments

The Organization's financial assets and liabilities consist of cash, investments, accounts receivable, related party receivable and trade accounts payable. There are no significant credit, interest and liquidity risk identified in the Organization.

The Organization has no significant exposure to currency risk or other price risk.

10 Commitments

The Organization has entered into a 10-year lease agreement with a term from September 1, 2020, through September 30, 2030. Starting January 15, 2022, the Organization amended the previous lease agreement for increased space. There is a commitment to pay \$4,633 plus GST and other applicable occupancy costs per month from January 15, 2022, to September 30, 2025. Thereafter, there is a commitment to pay \$5,178 plus GST and other applicable occupancy costs over the remaining term of the lease.

At December 31, 2022, minimum lease payments per annum under the operating lease for rental of the premises over the next 5 fiscal years approximates the following:

	\$
2023	86,655
2024	86,655
2025	93,195
2026	93,195
2027	93,195
Thereafter	465,975

The Organization has entered into a partnership with Saskatchewan Health Research Foundation (SHRF) and committed to award a maximum of \$100,000 per year towards research grants for 3 years. The funding commitments in place as of December 31, 2022 are as follows:

	\$
2023	100,000
2024	25,198

Lung Saskatchewan Inc.

Notes to Financial Statements

December 31, 2022

11 Expenses by type

	2022	2021
	\$	\$
Remuneration and benefits – programs	1,228,585	1,210,467
Remuneration and benefits – head office	457,933	311,223
Prizes	202,338	210,954
Materials and supplies – programs	114,620	95,042
Advertising and marketing	110,682	53,771
Research grants	107,701	164,490
Professional services and contracts	90,437	104,174
Lease	88,249	72,025
Couriers and postage – programs	75,086	86,946
Materials and supplies – head office	57,478	37,633
Other	55,055	46,625
Speaker fees and honorariums	44,232	29,055
Couriers and postage – head office	43,055	42,435
Course facilitator fees	38,625	25,175
Utilities	31,358	26,753
General and administration	21,485	7,023
Travel	21,233	2,358
Bank charges and fees	20,993	19,722
Staff development	19,132	3,151
Financial assistance	15,276	7,720
Office supplies	14,180	10,890
Depreciation	10,028	11,222
Insurance	8,865	6,116
Website and software licences	6,027	5,173
	<u>2,882,653</u>	<u>2,590,143</u>