

Lung Association of Saskatchewan Inc.

Financial Statements
December 31, 2018



Independent auditor's report

To the Directors of The Lung Association of Saskatchewan Inc.

Our qualified opinion

In our opinion, except for the possible effects on the comparative information 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 Lung Association of Saskatchewan Inc. (the "Association") as at December 31, 2018 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.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives direct mail campaigns revenue and other campaigns and events revenue from donations, 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to direct mail campaigns revenue, other campaigns and events revenue, deficiency of revenue over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at the beginning and the end of the years ended December 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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'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 Association or to cease operations, or has no realistic alternative but to do so.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan
May 3, 2019

Lung Association of Saskatchewan Inc.

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	226,915	412,643
Investments	2,574	2,197
Accounts receivable	47,054	45,627
Prepaid expenses	14,145	36,009
	<u>290,688</u>	<u>496,476</u>
Non-current assets		
Tangible capital assets (note 3)	1,031,308	1,041,854
Related party receivable (note 6)	840,000	891,356
Other assets	8,000	8,000
	<u>1,879,308</u>	<u>1,941,210</u>
	<u>2,169,996</u>	<u>2,437,686</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	32,825	118,013
Government remittances payable	5,294	6,073
Accrued salaries and vacation pay	58,017	86,951
Deferred revenue (note 4)	136,641	287,594
	<u>232,777</u>	<u>498,631</u>
Net assets		
Unrestricted net assets	905,911	897,201
Invested in tangible capital assets	1,031,308	1,041,854
	<u>1,937,219</u>	<u>1,939,055</u>
	<u>2,169,996</u>	<u>2,437,686</u>

Approved by the Board of Directors

 Director  Director

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

Lung Association of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2018

	2018 \$	2017 \$
Revenue		
Raffles	539,979	485,031
RESPTrec	447,400	484,572
Lung Foundation of Saskatchewan Inc. (note 6)	425,000	650,000
Bequests	275,935	199,366
Direct mail campaigns	267,996	318,275
Other campaigns and events	152,986	104,914
Contracts	119,040	142,902
Professional Education programs	94,156	83,616
Other income (note 6)	88,256	91,357
Health Promotion programs	72,195	69,366
Grants	42,794	75,710
	<hr/> 2,525,737	<hr/> 2,705,109
Expenses		
Programs (Schedule 1)		
Health Promotion – general public	720,045	670,815
Health Education – professional	650,267	722,115
Research and grants (Schedule 2)	77,525	161,561
Development and campaigns (Schedule 3)	729,210	730,157
Operations and building (Schedule 4)	243,482	302,897
Contracted services (Schedule 5)	107,044	122,809
	<hr/> 2,527,573	<hr/> 2,710,354
Deficiency of revenue over expenses	<hr/> (1,836)	<hr/> (5,245)

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

Lung Association of Saskatchewan Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2018

			<u>2018</u>	<u>2017</u>
	<u>Unrestricted</u>	<u>Invested in</u>	<u>Total</u>	<u>Total</u>
	<u>\$</u>	<u>tangible</u>	<u>\$</u>	<u>\$</u>
		<u>capital assets</u>		
		<u>\$</u>		
Balance – Beginning of year	897,201	1,041,854	1,939,055	1,944,300
Purchases of tangible capital assets	(25,681)	25,681	-	-
Excess (deficiency) of revenue over expenses	34,391	(36,227)	(1,836)	(5,245)
Balance – End of year	<u>905,911</u>	<u>1,031,308</u>	<u>1,937,219</u>	<u>1,939,055</u>

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

Lung Association of Saskatchewan Inc.

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(1,836)	(5,245)
Item not affecting cash		
Amortization of tangible capital assets	36,227	34,777
	<u>34,391</u>	<u>29,532</u>
Net change in non-cash working capital items (note 5)	(194,061)	(16,649)
	<u>(159,670)</u>	<u>12,883</u>
Investing activities		
Purchases of tangible capital assets	(25,681)	(2,311)
Purchases of investments, net	(377)	(2,197)
	<u>(26,058)</u>	<u>(4,508)</u>
Net change in cash	(185,728)	8,375
Cash – Beginning of year	<u>412,643</u>	<u>404,268</u>
Cash – End of year	<u>226,915</u>	<u>412,643</u>

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

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2018

1 Purpose of the Association

The Lung Association of Saskatchewan Inc. (the “Association”) 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 Association was incorporated under the provisions of the Non-Profit Corporations Act (Saskatchewan) on May 28, 2002 and became operational on September 1, 2002.

The Association 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.

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 Association 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 Association 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 market 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:

Building	25 years straight-line
Technology and software	3 to 5 years straight-line
Equipment and vehicles	3 to 5 years straight-line

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2018

Donated materials and services

Volunteers contribute their time in assisting the Association 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 Association 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Financial instruments

The Association'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 receivables and trade accounts payable are subsequently measured at amortized cost. Investments are subsequently measured at cost less any reduction for impairment.

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

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2018

3 Tangible capital assets

			<u>2018</u>	<u>2017</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	515,000	-	515,000	515,000
Building	732,816	228,767	504,049	517,048
Technology and software	192,408	181,489	10,919	7,964
Equipment and vehicles	95,243	93,904	1,340	1,842
	<u>1,535,467</u>	<u>504,160</u>	<u>1,031,308</u>	<u>1,041,854</u>

4 Deferred revenue

	<u>2018</u>	<u>2017</u>
	\$	\$
Grants	80,296	183,087
RESPTrec education courses	50,800	96,555
Professorships and visiting professor	5,545	7,952
	<u>136,641</u>	<u>287,594</u>

5 Net change in non-cash working capital items

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts receivable	(1,427)	(7,706)
Prepaid expenses	21,864	32,820
Related party receivables	51,356	(80,791)
Trade accounts payable	(85,188)	44,678
Government remittances payable	(779)	-
Accrued salaries and vacation pay	(28,934)	(13,885)
Deferred revenue	(150,953)	8,235
	<u>(194,061)</u>	<u>(16,649)</u>

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2018

6 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 Association, 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 Association and The Lung Foundation of Saskatchewan Inc.:

	2018 \$	2017 \$
Grants received, included in grants:		
Operating	421,000	646,500
Restricted	4,000	3,500
	<hr/> 425,000	<hr/> 650,000
Administration and planned giving fees received, included in other income:		
Administration	10,000	5,000
Planned giving	-	-
	<hr/> 10,000	<hr/> 5,000

At December 31, 2018, an amount of \$840,000 (2017 – \$891,356) owing to the Association from the Lung Foundation of Saskatchewan Inc. is included in related party receivables.

- b) Saskatoon Pulmonary Consultants Professional Corporation is a separate legal entity with Board members in common with the Association. During the year, the Association earned revenue of \$6,234 (2017 – \$10,800) from Saskatoon Pulmonary Consultants Professional Corporation for contract services.

7 Financial instruments

The Association's financial assets and liabilities consist of cash, investments, accounts receivable, related party receivable and trade accounts payable.

Credit risk

The Association's financial assets, including accounts receivable and related party receivable, are not exposed to significant credit risk. There is concentration of credit risk as a result of the amount receivable from the Lung Foundation of Saskatchewan Inc. (note 6).

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

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Interest rate risk

The Association is exposed to changes in interest rates related to its cash and investments. The Association's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. There is concentration of interest rate risk as a result of the limited number of individual counterparties to the Association's cash and investments.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Association's approach to managing liquidity is to ensure that it has sufficient cash flows available to fund its operations and to meet its obligations when due, under both normal and stressed conditions. The Association is not exposed to significant liquidity risk.

Other risks

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