

The Lung Association of Saskatchewan Inc.

Financial Statements
December 31, 2021



Independent auditor's report

To the Board of Directors of The Lung Association of Saskatchewan Inc.

Our qualified opinion

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 Lung Association of Saskatchewan Inc. (the Association) as at December 31, 2021 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, 2021;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives revenues from direct mail campaigns and other campaigns and events 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, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020 and net assets as at the beginning and the end of the years ended December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 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.

PricewaterhouseCoopers LLP
128 4th Avenue South, Suite 600, Saskatoon, Saskatchewan, Canada S7K 1M8
T: +1 306 668 5900, F: +1 306 652 1315



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
June 21, 2022

The Lung Association of Saskatchewan Inc.

Statement of Financial Position

As at December 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	532,471	400,891
Investments	1,969,145	1,869,242
Accounts receivable	89,195	54,989
Prepaid expenses	16,076	23,293
	<u>2,606,887</u>	<u>2,348,415</u>
Non-current assets		
Tangible capital assets (note 4)	58,490	44,457
Other assets	8,000	8,000
	<u>66,490</u>	<u>52,457</u>
	<u>2,673,377</u>	<u>2,400,872</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	171,518	28,609
Government remittances payable	-	12,351
Accrued salaries and vacation pay	37,763	33,663
	<u>209,281</u>	<u>74,623</u>
Government loan payable (note 5)	60,000	60,000
Deferred revenue (note 6)	95,825	135,858
	<u>155,825</u>	<u>195,858</u>
Net assets		
Unrestricted net assets	2,249,781	2,085,934
Invested in tangible capital assets	58,490	44,457
	<u>2,308,271</u>	<u>2,130,391</u>
	<u>2,673,377</u>	<u>2,400,872</u>

Approved by the Board of Directors

Michael Olain

Director

Aileen McMahon

Director

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

The Lung Association of Saskatchewan Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2021

			2021	2020
	Unrestricted \$	Invested in tangible capital assets \$	Total \$	Total \$
Balance – Beginning of year	2,085,934	44,457	2,130,391	2,195,492
Excess (deficiency) of revenue over expenses	177,880	-	177,880	(65,101)
Amortization of tangible capital assets	11,222	(11,222)	-	-
Purchase of tangible capital assets	(25,255)	25,255	-	-
Balance – End of year	2,249,781	58,490	2,308,271	2,130,391

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

The Lung Association of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2021

	2021 \$	2020 \$
Revenue		
Raffles	586,286	404,878
Lung Foundation of Saskatchewan Inc. (note 8)	400,000	150,000
Health Promotion programs	344,000	406,056
Bequests	309,869	284,737
Direct mail campaigns	274,411	256,952
Grants and subsidies (note 5)	220,195	246,766
RESPTrec	194,471	156,692
Contracts	112,240	97,906
Other income (note 8)	93,309	86,081
Other campaigns and events	48,332	46,117
	<hr/> 2,583,113	<hr/> 2,136,185
Expenses (note 11)		
Programs		
Health Promotion – general public	889,275	898,683
Health Education – professional	477,917	445,389
Development and campaigns	620,754	570,618
Operations and building	344,215	281,979
Research and grants	164,490	114,480
Contracted services	93,492	92,530
	<hr/> 2,590,143	<hr/> 2,403,679
Deficiency of revenue over expenses before investment income	(7,030)	(267,494)
Investment income (note 3)	184,910	202,393
Excess (deficiency) of revenue over expenses	<hr/> 177,880	<hr/> (65,101)

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

The Lung Association of Saskatchewan Inc.

Statement of Cash Flows

For the year ended December 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	177,880	(65,101)
Item not affecting cash		
Amortization of tangible capital assets	11,222	7,826
	<hr/>	<hr/>
	189,102	(57,275)
Net change in non-cash working capital items (note 7)	67,636	147,686
	<hr/>	<hr/>
	256,738	90,411
Investing activities		
Purchase of tangible capital assets	(25,255)	(40,873)
Purchases of investments, net	(99,903)	(42,398)
	<hr/>	<hr/>
	(125,158)	(83,271)
Financing activities		
Proceeds from government loan	-	60,000
	<hr/>	<hr/>
Change in cash during the year	131,580	67,140
Cash – Beginning of year	400,891	333,751
	<hr/>	<hr/>
Cash – End of year	532,471	400,891
	<hr/>	<hr/>

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

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

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 (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 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 collectibility 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 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

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

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 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 Association evaluates its estimates, including those related to collectibility 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 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

Investment income is comprised of the following:

	2021 \$	2020 \$
Dividend and interest income	178,984	123,130
Change in fair value of investments	5,926	79,263
	<u>184,910</u>	<u>202,393</u>

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

4 Tangible capital assets

			2021	2020
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	29,820	2,279	27,541	13,665
Technology and software	52,905	40,764	12,141	11,844
Equipment and vehicles	27,932	9,124	18,808	18,948
	<u>110,657</u>	<u>52,167</u>	<u>58,490</u>	<u>44,457</u>

During the year ended December 31, 2021, the Association wrote off fully depreciated assets with a cost and accumulated amortization balance of \$nil (2020 – \$63,219), respectively.

5 Government assistance

	2021 \$	2020 \$
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.	<u>60,000</u>	<u>60,000</u>
	\$	
2022	40,000	
2023	20,000	

In addition, during the year ended December 31, 2021, the Association was eligible for the Canada Emergency Wage Subsidy (CEWS). The Association recognized and received \$70,785 (2020 – \$167,234) of revenue related to the CEWS. Revenues recognized from government subsidies were used to fund salaries and wages expenses.

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

6 Deferred revenue

	2021 \$	2020 \$
Grants	86,525	114,708
RESPTrec education courses	9,300	21,150
	<u>95,825</u>	<u>135,858</u>

7 Net change in non-cash working capital items

	2021 \$	2020 \$
Accounts receivable	(34,206)	(10,964)
Prepaid expenses	7,217	32,255
Related party receivable	-	90,000
Trade accounts payable	142,909	(1,488)
Government remittances payable	(12,351)	7,042
Accrued salaries and vacation pay	4,100	(8,378)
Deferred revenue	(40,033)	39,219
	<u>67,636</u>	<u>147,686</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 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.:

	2021 \$	2020 \$
Grants received, included in grants		
Operating	400,000	150,000
Restricted	-	-
	<u>400,000</u>	<u>150,000</u>
Administration and planned giving fees received, included in other income		
Administration	5,860	5,789

In addition, at 2021, an amount of \$nil (2020 – \$5,789) owing to the Association from The Lung Foundation of Saskatchewan Inc. is included in accounts receivable.

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

- 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 \$7,920 (2020 – \$5,568) from Saskatoon Pulmonary Consultants Professional Corporation for contract services and recovered procurement costs of \$nil (2020 – \$320).

9 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.

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 the Association will not be able to meet its financial obligations as they come 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.

10 Commitments

The Association has entered into a 10-year lease agreement with a term from September 1, 2020 through September 30, 2030. Starting January 15, 2022, the Association 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.

The Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2021

11 Expenses by type

	2021	2020
	\$	\$
Remuneration and benefits – programs	1,210,467	1,043,181
Remuneration and benefits – head office	311,223	295,748
Prizes	210,954	159,943
Research grants	164,490	114,480
Professional services and contracts	104,174	64,746
Materials and supplies – programs	95,042	133,459
Couriers and postage – programs	86,946	87,887
Lease	72,025	104,771
Advertising and marketing	53,771	87,771
Other	42,772	35,080
Couriers and postage – head office	42,435	51,504
Materials and supplies – head office	37,633	50,746
Speaker fees and honorariums	29,055	8,682
Utilities	26,753	34,813
Course facilitator fees	25,175	30,525
Bank charges and fees	19,722	21,863
Depreciation	18,226	13,550
Office supplies	10,890	7,677
Financial assistance	7,720	7,974
General and administration	7,023	17,054
Insurance	6,116	10,455
Website and software licences	5,173	5,525
Travel	2,358	16,245
	<u>2,590,143</u>	<u>2,403,679</u>

12 COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic resulting in significant public health measures and restrictions put in place. Restrictions such as travel bans, closure of non-essential businesses and physical distancing have caused disruption to businesses and a significant decline in global capital markets resulting in an economic slowdown.

Management has assessed the financial impact of COVID-19 at December 31, 2021, including the valuation of assets, assessment of provisions and contingent liabilities, and timing of revenue recognition. Management did not identify any impact to its financial statements as at December 31, 2021.

The long-term impact of the pandemic on the Association and the economy is not yet known and information surrounding the global economic impact of COVID-19 and the estimated length of the pandemic continues to evolve. Future impacts of the pandemic may have a financial effect on the Association's future revenues and operating results. It is not possible to estimate any results of future financial impacts of COVID-19 on the Association subsequent to December 31, 2021.