

Lung Saskatchewan Inc.

Financial Statements
December 31, 2023



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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, 2023, 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, 2023, and its results of operations 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 revenue from 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 fundraising revenue, deficiency of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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.

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, SK
June 27, 2024

Lung Saskatchewan Inc.
Statement of Financial Position
As at December 31, 2023

	2023 \$	2022 \$
Assets		
Current assets		
Cash	174,583	257,168
Accounts receivable (note 8)	164,764	151,848
Prepaid expenses	13,567	21,541
	352,914	430,557
Non-current assets		
Investments	1,600,540	1,635,093
Tangible capital assets (note 4)	58,483	66,224
Other assets	8,000	8,000
	1,667,023	1,709,317
	2,019,937	2,139,874
Liabilities and net assets		
Current liabilities		
Trade accounts payable	88,051	60,453
Accrued salaries and vacation pay	34,374	38,723
Government remittances payable	5,543	5,804
	127,968	104,980
Government loan (note 5)	-	60,000
Deferred revenue (note 6)	114,027	181,861
	114,027	241,861
Net assets		
Unrestricted net assets	1,719,459	1,726,809
Invested in tangible capital assets	58,483	66,224
	1,777,942	1,793,033
	2,019,937	2,139,874

Approved by the Board of Directors



Director

Michael Olain

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, 2023

			2023	2022
	Unrestricted \$	Invested in tangible capital assets \$	Total \$	Total \$
Balance - Beginning of year	1,726,809	66,224	1,793,033	2,308,271
Deficiency of revenue over expenses	(15,091)	-	(15,091)	(515,238)
Amortization of tangible capital assets	12,114	(12,114)	-	-
Purchase of tangible capital assets	(4,373)	4,373	-	-
Balance - End of year	1,719,459	58,483	1,777,942	1,793,033

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

Lung Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2023

	2023 \$	2022 \$
Revenue		
Raffles	823,133	531,677
Lung Foundation of Saskatchewan Inc. (note 8)	550,000	600,000
Health promotion programs	416,802	455,305
RESPTrec	245,409	266,905
Direct mail campaigns	202,433	210,812
Other campaigns and events	139,859	44,877
Contracts	132,648	113,737
Other income (note 8)	120,502	127,660
Grants and subsidies (note 5)	82,362	144,127
Bequests	69,921	96,714
	<u>2,783,069</u>	<u>2,591,814</u>
Expenses (note 9)		
Programs		
Health promotion - general public	933,460	1,054,850
Health education - professional	710,863	697,747
Development and campaigns	791,399	632,200
Operations and building	332,489	295,217
Research and grants	100,049	107,701
Contracted services	97,840	94,938
	<u>2,966,100</u>	<u>2,882,653</u>
Deficiency of revenue over expenses before investment income	(183,031)	(290,839)
Investment income (loss) (note 3)	167,940	(224,399)
Deficiency of revenue over expenses	<u>(15,091)</u>	<u>(515,238)</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, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(15,091)	(515,238)
Item not affecting cash		
Change in fair value of investments (note 3)	(74,661)	344,461
Amortization of tangible capital assets	12,114	10,028
	<u>(77,638)</u>	<u>(160,749)</u>
Net change in non-cash working capital items (note 7)	<u>(49,788)</u>	<u>(86,383)</u>
	<u>(127,426)</u>	<u>(247,132)</u>
Investing activities		
Purchase of tangible capital assets	(4,373)	(21,520)
Redemptions (purchases) of investments, net	109,214	(6,651)
	<u>104,841</u>	<u>(28,171)</u>
Financing activities		
Repayment of government loan	<u>(60,000)</u>	-
Change in cash during the year	<u>(82,585)</u>	<u>(275,303)</u>
Cash - Beginning of year	<u>257,168</u>	<u>532,471</u>
Cash - End of year	<u>174,583</u>	<u>257,168</u>

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

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.

Tangible capital assets

Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Contributed tangible capital assets are subsequently amortized. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

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

Amortization expense is reported within Invested in tangible capital assets.

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations.

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.

Financial instruments

Arm's length financial instruments are recorded at fair value at initial recognition. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in excess of revenue over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in excess of revenue over expenses.

Lung Saskatchewan Inc.
Notes to Financial Statements
December 31, 2023

Use of estimates and measurement uncertainty

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 as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

On an ongoing basis, the Organization evaluates its estimates, including those related to 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.

3 Investments and investment income

The Organization holds its investments in a pooled investment fund, with a fair value of \$1,600,540 at December 31, 2023 (2022 - \$1,635,093) and a book value of \$1,817,978 (2022 - \$1,963,939). Investment income (loss) is comprised of the following:

	2023 \$	2022 \$
Dividend and interest income	93,279	120,062
Change in fair value of investments	74,661	(344,461)
	167,940	(224,399)

4 Tangible capital assets

	2023		2022	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	48,658	11,234	37,424	37,698
Technology and software	51,535	48,730	2,805	7,643
Equipment and vehicles	32,597	14,343	18,254	20,883
	132,790	74,307	58,483	66,224

During the year ended December 31, 2023, the Organization wrote off fully depreciated tangible capital assets with a cost and accumulated amortization balance of nil (2022 - \$3,758).

Lung Saskatchewan Inc.
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5 Government loan

	2023 \$	2022 \$
Canada Emergency Business Account (CEBA) term loan payable, repaid during the year	-	60,000

6 Deferred revenue

	2023 \$	2022 \$
Externally restricted grants and donations	77,348	106,995
Contracts, fees, and sponsorships	33,929	69,002
RESPTrec education courses	2,750	2,750
Unrestricted grants and donations	-	3,114
	<u>114,027</u>	<u>181,861</u>

7 Net change in non-cash working capital items

	2023 \$	2022 \$
Accounts receivable	(12,916)	(62,653)
Prepaid expenses	7,974	(5,465)
Trade accounts payable	27,598	(111,065)
Government remittances payable	(261)	5,804
Accrued salaries and vacation pay	(4,349)	960
Deferred revenue	(67,834)	86,036
	<u>(49,788)</u>	<u>(86,383)</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.:

	2023 \$	2022 \$
Grants received, included in grants Operating	<u>550,000</u>	<u>600,000</u>
Administration, included in other income Administration	<u>25,000</u>	<u>6,300</u>

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In addition, in 2023, an amount of \$ 1,238 (2022 - \$1,238) owing to the Organization from The Lung Foundation of Saskatchewan Inc. is included in accounts receivable.

- 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 \$13,368 (2022 - \$12,084) from Saskatoon Pulmonary Consultants Professional Corporation for contract services.
- c) During the year, transactions with board members totaled nil (2022 - \$2,423). These amounts primarily related to honoraria and travel expenses.

9 Expenses by type

	2023 \$	2022 \$
Remuneration and benefits - programs	1,199,356	1,228,585
Remuneration and benefits - head office	535,327	457,933
Prizes	245,432	202,338
Professional services and contracts	107,947	90,437
Advertising and marketing	107,600	110,682
Materials and supplies - programs	105,440	114,620
Research grants	100,049	107,701
Lease	91,206	88,249
General and administration	66,796	55,055
Couriers and postage - programs	64,159	75,086
Materials and supplies - head office	52,194	57,478
Course facilitator fees	41,775	38,625
Travel	40,961	21,233
Couriers and postage - head office	37,081	43,055
Bank charges and fees	32,731	20,993
Speaker fees and honorariums	31,463	44,232
Utilities	23,505	31,358
Financial assistance	20,582	15,276
General and administration	14,682	21,485
Office supplies	13,701	14,180
Amortization	12,114	10,028
Staff development	8,642	19,132
Insurance	8,327	8,865
Website and software licences	5,030	6,027
	<u>2,966,100</u>	<u>2,882,653</u>

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.

As at December 31, 2023, approximate minimum lease payments per annum under the operating lease for rental of the premises over the next 5 fiscal years is as follows:

	\$
2024	86,655
2025	93,195
2026	93,195
2027	93,195
2028	93,195
Thereafter	372,215

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 5 years for a maximum of \$500,000. The funding commitments will commence during the year ended December 31, 2024.

11 Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument default on their obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization’s financial instruments are exposed to concentration of credit risk relate primarily to its account receivable. The majority of the Organization’s receivables are from Saskatchewan Liquor and Gaming Association and the Organizations works to ensure it meets all eligibility criteria in order to qualify to receive the grant proceeds. The Organization is also exposed to credit risk arising from its investments being held in a pooled fund.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable

and accrued salaries and vacation pay. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and strategic plan to ensure it has sufficient funds to fulfill its obligations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its floating interest rate financial instruments. Floating rate instruments subject the Organization to a cash flow risk.

The Organization's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

The Organization is exposed to changes in interest rates related to its investments in marketable securities. The Organization's primary objective is to ensure the security of principal amounts invested and provide a high degree of liquidity, while achieving a satisfactory return. The risk is that the fair value of the pooled fund will fluctuate because of changes in the market.