

Lung Saskatchewan Inc.

Financial Statements
December 31, 2024



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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, 2024, and the statements of changes in net assets, operations, and 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, 2024, 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 donations and fundraising, 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 revenue from raffles and development and campaigns, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2024 and 2023, current assets as at December 31, 2024 and 2023, and net assets as at January 1 and December 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended December 31, 2024 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.

Chartered Professional Accountants

Saskatoon, Saskatchewan
June 25, 2025

Lung Saskatchewan Inc.
Statement of Financial Position
As at December 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash	332,140	174,583
Accounts receivable	167,287	164,764
Prepaid expenses	16,103	13,567
	<u>515,530</u>	<u>352,914</u>
Non-current assets		
Investments (note 3)	1,682,261	1,600,540
Tangible capital assets (note 4)	52,805	58,483
Other assets	8,000	8,000
	<u>1,743,066</u>	<u>1,667,023</u>
	<u>2,258,596</u>	<u>2,019,937</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	116,143	88,051
Accrued salaries and vacation pay	33,941	34,374
Government remittances payable	10,359	5,543
	<u>160,443</u>	<u>127,968</u>
Deferred revenue (note 5)	<u>43,584</u>	<u>114,027</u>
	<u>204,027</u>	<u>241,995</u>
Net assets		
Unrestricted net assets	2,001,764	1,719,459
Invested in tangible capital assets	52,805	58,483
	<u>2,054,569</u>	<u>1,777,942</u>
	<u>2,258,596</u>	<u>2,019,937</u>

Commitments (note 9)

Approved by the Board of Directors

Michael Blain

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Director

DocuSigned by:

Matthew J. Hyl

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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, 2024

	<u>2024</u>		<u>2023</u>	
	Unrestricted \$	Invested in tangible capital assets \$	Total \$	Total \$
Balance - Beginning of year	1,719,459	58,483	1,777,942	1,793,033
Excess (deficiency) of revenue over expenses	276,627	-	276,627	(15,091)
Amortization of tangible capital assets	10,216	(10,216)	-	-
Purchase of tangible capital assets	(5,486)	5,486	-	-
Write-off of tangible capital assets	1,405	(1,405)	-	-
Gain on sale of tangible capital assets	(457)	457	-	-
Balance - End of year	<u>2,001,764</u>	<u>52,805</u>	<u>2,054,569</u>	<u>1,777,942</u>

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

Lung Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Raffles	1,034,405	823,133
Lung Foundation of Saskatchewan Inc. (note 7)	550,000	550,000
Health promotion programs	473,355	416,802
Health education programs	410,261	327,724
Development and campaigns	340,527	396,042
Bequests	200,437	16,171
Contracts	135,732	132,648
Grants and subsidies	51,494	82,362
Other income (note 7)	37,467	38,187
	<u>3,233,678</u>	<u>2,783,069</u>
Expenses (note 8)		
Programs		
Health promotion - general public	906,286	933,460
Health education - professional	751,342	710,863
Development and campaigns	463,564	425,219
Raffles	444,627	366,180
Operations and building (note 9)	372,567	332,489
Contracted services	106,692	97,840
Research and grants (note 9)	100,000	100,049
	<u>3,145,078</u>	<u>2,966,100</u>
Excess (deficiency) of revenue over expenses before investment income	88,600	(183,031)
Investment income (note 3)	<u>188,027</u>	<u>167,940</u>
Excess (deficiency) of revenue over expenses	<u>276,627</u>	<u>(15,091)</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, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	276,627	(15,091)
Item not affecting cash		
Change in fair value of investments (note 3)	(42,059)	(74,661)
Write-off of tangible capital assets	1,405	-
Amortization of tangible capital assets	10,216	12,114
Gain on sale of tangible capital assets	(457)	-
	245,732	(77,638)
Net change in non-cash working capital items (note 6)	(43,027)	(49,788)
	202,705	(127,426)
Investing activities		
Purchase of tangible capital assets	(5,486)	(4,373)
Redemptions (purchases) of investments, net	(39,662)	109,214
	(45,148)	104,841
Financing activities		
Repayment of government loan	-	(60,000)
Change in cash during the year	157,557	(82,585)
Cash - Beginning of year	174,583	257,168
Cash - End of year	332,140	174,583

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 10 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 the statement of operations. 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 the statement of operations.

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Notes to Financial Statements
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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 \$1,682,261 as at December 31, 2024 (2023 - \$1,600,540) and a book value as at December 31, 2024 of \$1,863,916 (2023 - \$1,817,978). Investment income is comprised of the following:

	2024 \$	2023 \$
Dividend and interest income	145,968	93,279
Change in fair value of investments	42,059	74,661
	188,027	167,940

4 Tangible capital assets

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	48,658	16,100	32,558	37,424
Technology and software	53,119	51,298	1,821	2,805
Equipment and vehicles	35,095	16,669	18,426	18,254
	136,872	84,067	52,805	58,483

During the year ended December 31, 2024, the Organization wrote off fully depreciated tangible capital assets with a cost and accumulated amortization balance of \$1,405 (2023 - nil).

Lung Saskatchewan Inc.
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5 Deferred revenue

	2024 \$	2023 \$
Contracts, fees, and sponsorships	35,584	33,929
Externally restricted grants and donations	5,250	77,348
RESPTrec education courses	2,750	2,750
	<u>43,584</u>	<u>114,027</u>

6 Net change in non-cash working capital items

	2024 \$	2023 \$
Accounts receivable	(2,523)	(12,916)
Prepaid expenses	(2,536)	7,974
Trade accounts payable	28,092	27,598
Government remittances payable	4,816	(261)
Accrued salaries and vacation pay	(433)	(4,349)
Deferred revenue	(70,443)	(67,834)
	<u>(43,027)</u>	<u>(49,788)</u>

7 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.:

	2024 \$	2023 \$
Operating grants received, included in grants	550,000	550,000
Administration funds received, included in other income	25,000	25,000

Lung Saskatchewan Inc.
Notes to Financial Statements
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8 Expenses by type

	2024 \$	2023 \$
Remuneration and benefits - programs	1,163,836	1,199,356
Remuneration and benefits - head office	606,886	535,327
Prizes	275,015	245,432
Materials and supplies - programs	176,323	105,440
Advertising and marketing	140,393	107,600
Professional services and contracts	116,883	107,947
Research grants (note 9)	100,000	100,049
Couriers and postage - programs	86,348	64,159
General and administration	67,563	81,478
Lease (note 9)	60,052	91,206
Materials and supplies - operations	50,689	52,194
Course facilitator fees	44,140	41,775
Bank charges and fees	43,128	32,731
Speaker fees and honorariums	42,700	31,463
Couriers and postage - programs	35,720	37,081
Travel	23,428	40,961
Utilities	22,066	23,505
Financial assistance	21,942	20,582
Staff development	21,740	8,642
Office supplies	14,786	13,701
Website and software licences	12,141	5,030
Amortization	10,216	12,114
Insurance	9,083	8,327
	<u>3,145,078</u>	<u>2,966,100</u>

9 Commitments

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

As at December 31, 2024, approximate minimum lease payments per annum under the operating lease for rental of the premises over the next 5 fiscal years is as follows:

	\$
2025	88,290
2026	93,195
2027	93,195
2028	93,195
2029	93,195
Thereafter	77,663

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 commenced during the year ended December 31, 2024.

10 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 relating 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

Lung Saskatchewan Inc.

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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.