

PricewaterhouseCoopers

**Lung Association of
Saskatchewan Inc.**

Financial Statements
December 31, 2016



April 4, 2017

Independent Auditor's Report

To the Directors of Lung Association of Saskatchewan Inc.

We have audited the accompanying financial statements of Lung Association of Saskatchewan Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes and schedules, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, Lung Association of Saskatchewan Inc. derives its 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 Lung Association of Saskatchewan Inc. Therefore, we

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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, 2016 and December 31, 2015, current assets as at December 31, 2016 and December 31, 2015, and net assets as at January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Lung Association of Saskatchewan Inc. as at December 31, 2016 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.

PricewaterhouseCoopers LLP

Chartered Accountants

Lung Association of Saskatchewan Inc.
Statement of Financial Position
As at December 31, 2016

	Dec 31 2016 \$	Dec 31 2015 \$
Assets		
Current assets		
Cash	404,268	389,431
Investments	-	316,955
Accounts receivable	37,921	118,713
Prepaid expenses	68,829	75,701
	511,018	900,800
Non-current assets		
Tangible capital assets, less accumulated amortization (note 3)	1,074,320	1,139,437
Related party receivables (note 6)	810,565	757,065
Other assets	8,000	8,000
	1,892,885	1,904,502
	2,403,903	2,805,302
Liabilities and net assets		
Current liabilities		
Trade accounts payable	73,335	56,814
Government remittances payable	6,073	4,318
Accrued salaries and vacation pay	100,836	78,782
Deferred revenue (note 4)	279,359	412,790
	459,603	552,704
Net assets		
Unrestricted net assets	869,980	1,113,161
Invested in capital assets	1,074,320	1,139,437
	1,944,300	2,252,598
	2,403,903	2,805,302

Approved by the Board of Directors

 Director

 Director

Lung Association of Saskatchewan Inc.**Statement of Changes in Net Assets****For the year ended December 31, 2016**

			2016	2015
	Unrestricted	Invested in	Total	Total
	\$	capital assets	\$	\$
		\$		
Balance - Beginning of year	1,113,161	1,139,437	2,252,598	2,280,193
Purchases of tangible capital assets	(9,275)	9,275	-	-
Proceeds from disposal of tangible capital assets	47,255	(47,255)	-	-
Gain on disposal of tangible capital assets	(6,773)	6,773	-	-
Deficiency of revenue over expenses	(274,388)	(33,910)	(308,298)	(27,595)
Balance - End of year	869,980	1,074,320	1,944,300	2,252,598

Lung Association of Saskatchewan Inc.**Statement of Operations****For the year ended December 31, 2016**

	2016	2015
	\$	\$
Revenue		
Operating income		
Grants (note 6)	556,097	911,253
RESPTrec	437,231	390,806
Bequests	323,763	140,987
Program cost recovery	134,740	67,940
Technology services	90,660	73,171
Program development funding	84,022	40,000
Respiratory Therapy Program	78,864	78,247
Sublease income and cost recovery	54,290	92,211
Other income (note 6)	30,935	39,910
Sponsorships	18,709	38,500
Saskatchewan Thoracic Society	17,160	18,070
Gain on disposal of tangible capital assets	6,773	9,225
Saskatoon Health Region	-	41,466
Other campaigns and events		
Share the Air Raffle	194,282	240,099
Babies Breath Raffle (formerly Stamp Out Asthma Raffle)	140,669	175,395
Other fundraising	55,032	32,109
Memorials	24,661	31,122
Donor's Choice	12,648	12,640
Door to Door	-	64,590
Direct mail campaigns		
Christmas Seals	172,813	149,384
Lung Disease Research Fund	49,222	80,661
Other direct mail campaigns	41,457	44,036
Artworks	47,446	46,015
Sweepstakes	31,111	49,305
	2,602,585	2,867,142
Expenses		
Programs (Schedule 1)		
Health Promotion - general public	808,892	777,999
Health Education - professional	633,613	689,189
Research and grants (Schedule 2)	368,492	251,132
Development and campaign (Schedule 3)	656,126	646,674
Operating and building (Schedule 4)	276,520	228,654
Contracted services and other (Schedule 5)	167,240	301,089
	2,910,883	2,894,737
Deficiency of revenue over expenses	(308,298)	(27,595)

Lung Association of Saskatchewan Inc.**Statement of Cash Flows****For the year ended December 31, 2016**

	2016	2015
	\$	\$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(308,298)	(27,595)
Item not affecting cash		
Amortization of tangible capital assets	33,910	55,296
Gain on disposal of tangible capital assets	(6,773)	(9,225)
	(281,161)	18,476
Net change in non-cash working capital items (note 5)	(58,937)	(671,493)
	(340,098)	(653,017)
Investing activities		
Purchases of tangible capital assets	(9,275)	(6,662)
Proceeds from disposal of tangible capital assets	47,255	23,063
Proceeds from redemption (purchases) of investments, net	316,955	(102,636)
	354,935	(86,235)
Net change in cash	14,837	(739,252)
Cash - Beginning of year	389,431	1,128,683
Cash - End of year	404,268	389,431

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2016

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

Use of estimates and measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions about future events 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 year. On an on-going basis, the association evaluates its estimates, including those related to collectability of accounts receivable 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. Future events could alter such estimates in the near term.

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.

The association receives funding for various restricted projects and also raises funds through different donor directed fundraising campaigns. Funds that are received in advance of the planned expenditure are recorded as deferred revenue.

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 on vehicles and equipment is provided on a straight-line basis over estimated useful lives of three to five years. Amortization on the building is provided on a straight-line basis over an estimated remaining useful life of 25 years.

Investments

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

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2016

2 Significant accounting policies (continued)

Donated materials and services

Volunteers contribute their time in assisting the association in carrying out its fundraising and service delivery activities. Because of 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.

Financial instruments

The association recognizes and measures its financial instruments as follows: cash, investments, accounts receivable, and trade accounts payable are initially recorded at their fair value. Cash, accounts receivable 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.

3 Tangible capital assets

	2016		2015	
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Land	515,000	-	515,000	515,000
Building	716,336	170,636	545,700	611,519
Equipment and vehicles	276,138	262,518	13,620	12,918
	<u>1,507,474</u>	<u>433,154</u>	<u>1,074,320</u>	<u>1,139,437</u>

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2016

4 Deferred revenue

	2016	2015
	\$	\$
Grants	161,925	258,009
RESPTrec education courses	107,525	142,080
Professorships and visiting professor	9,909	12,701
	<hr/>	<hr/>
	279,359	412,790
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5 Net change in non-cash working capital items

	2016	2015
	\$	\$
Accounts receivable	80,792	23,950
Prepaid expenses	6,872	(25,908)
Related party receivable	(53,500)	(711,365)
Trade accounts payable	16,521	(30,277)
Government remittances payable	1,755	(1,643)
Accrued salaries and vacation pay	22,054	(5,478)
Deferred revenue	(133,431)	79,228
	<hr/>	<hr/>
	(58,937)	(671,493)
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Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2016

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 legal entity, the primary purpose of which is to receive and maintain funds and to apply the funds to charitable organizations engaged in respiratory health. A portion of its funding disbursements are for designated programs of the Association. The following transactions occurred between the association and The Lung Foundation of Saskatchewan Inc.:

	2016	2015
	\$	\$
Grants received, included in grants:		
Operating	446,500	720,861
Restricted	3,500	4,139
	<u>450,000</u>	<u>725,000</u>
Administration and planned giving fees received, included in other income:		
Administration	5,000	5,000
Planned giving	-	30,389
	<u>5,000</u>	<u>35,389</u>

In addition, at December 31, 2016 an amount of \$681,350 (2015 - \$653,525) owing to the association 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 association. During the year, the association earned revenue of \$12,184 (2015 - \$2,300) from Saskatoon Pulmonary Consultants Professional Corporation for contract services and procurement costs recovered of \$7,775 (2015 - \$18,379).

c) The Lung Health Institute of Canada Inc. (the institute) is a separate legal entity and non-profit corporation. The institute's mission is to become an eminent center for pulmonary and sleep health and wellness in Canada. The institute was incorporated on October 22, 2013. Three directors of the association also serve on the Board of Directors of the institute.

During the year ended December 31, 2016, the association incurred expenses of \$20,874 (2015 - \$90,785) related to the institute.

In addition, at December 31, 2016 an amount of \$129,215 (2015 - \$103,540) owing from the institute to the association is included in accounts receivable, representing amounts incurred on behalf of the institute that are to be reimbursed to the association and are included in the expenses above.

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2016

7 Financial instruments

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

Credit risk

The association's financial assets, including accounts receivable, are not exposed to significant credit risk. There is concentration of credit risk as a result of the significant accounts receivable from the Lung Foundation of Saskatchewan Inc. (note 7).

Interest rate risk

The association is exposed to changes in interest rates related to its 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 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.

Lung Association of Saskatchewan Inc.**Schedule 1 - Program Expenses****For the year ended December 31, 2016**

	2016	2015
	\$	\$
Program expenses		
Professional education programs	579,486	617,244
Health promotion	435,970	365,583
SAIL Respiratory Therapy Program	84,410	80,354
Training grants, seminars and other	27,336	25,923
	<u>1,127,202</u>	<u>1,089,104</u>
Allocated from		
Development and campaign expenses (Schedule 3)	80,785	75,995
Operating and building expenses (Schedule 4)	234,518	302,089
	<u>315,303</u>	<u>378,084</u>
Total program expenses	<u>1,442,505</u>	<u>1,467,188</u>
Distribution to programs		
Health Promotion - general public	808,892	777,999
Health Education - professional	633,613	689,189
Net program expenses	<u>1,442,505</u>	<u>1,467,188</u>

Lung Association of Saskatchewan Inc.
Schedule 2 - Research and Grant Expenses
For the year ended December 31, 2016

	2016	2015
	\$	\$
Research and grant expenses		
Research grants	207,488	60,000
Canadian Lung Association assessments and contributions	81,953	80,632
Seconded staff	51,551	40,000
Professorships	27,500	50,000
Consultant fees	-	20,500
Total research and grant expenses	368,492	251,132

Lung Association of Saskatchewan Inc.
Schedule 3 - Development and Campaign Expenses
For the year ended December 31, 2016

	2016	2015
	\$	\$
Direct mail campaigns		
Christmas Seals	61,020	57,258
Lung Disease Research Fund	21,282	29,060
Artworks	18,048	18,188
Sweepstakes	17,812	21,635
Other direct mail campaigns	14,904	10,535
Contract services	2,850	27,863
	<u>135,916</u>	<u>164,539</u>
Other campaigns and events		
Share the Air Raffle	164,952	169,874
Babies Breath Raffle (formerly Stamp Out Asthma Raffle)	123,399	136,676
Memorials	5,060	3,904
Other fundraising	193	187
Door to Door	-	37,119
	<u>293,604</u>	<u>347,760</u>
Other development expenses		
Salaries and benefits	201,453	94,629
Other expenses	14,997	10,575
Branch office costs	14,780	20,657
	<u>231,230</u>	<u>125,861</u>
Total development and campaign expenses	<u>660,750</u>	<u>638,160</u>
Allocated from (to)		
Program expenses (Schedule 1)	(80,785)	(75,995)
Operating and building expenses (Schedule 4)	76,161	84,509
	<u>(4,624)</u>	<u>8,514</u>
Net development and campaign expenses	<u>656,126</u>	<u>646,674</u>

Lung Association of Saskatchewan Inc.
Schedule 4 - Operating and Building Expenses
For the year ended December 31, 2016

	2016	2015
	\$	\$
Operating expenses		
Salaries and benefits	424,377	419,431
Audit and accounting fees	16,935	19,520
Director expense	16,634	20,603
Printing, supplies, and stationery	12,951	4,855
Equipment maintenance	9,233	18,365
Other	7,145	3,825
Bank and credit card charges	5,832	8,921
Vehicle and equipment amortization	5,257	16,024
Travel	4,361	9,592
Association and membership fees	2,707	2,174
Postage and courier	1,556	2,804
Professional and legal fees	-	2,497
	<u>506,988</u>	<u>528,611</u>
Building expenses		
Building amortization	28,653	39,272
Janitorial and supplies	13,198	12,126
Property taxes	11,348	10,967
Utilities	10,789	11,460
Repairs and maintenance	8,005	5,207
Insurance	5,108	4,324
Garbage and snow removal	2,191	2,527
Telephone	919	758
	<u>80,211</u>	<u>86,641</u>
Total operating and building expenses	<u>587,199</u>	<u>615,252</u>
Allocated to		
Program expenses (Schedule 1)	(234,518)	(302,089)
Development and campaign expenses (Schedule 3)	(76,161)	(84,509)
	<u>(310,679)</u>	<u>(386,598)</u>
Net operating and building expenses	<u>276,520</u>	<u>228,654</u>

Lung Association of Saskatchewan Inc.
Schedule 5 - Contracted Services and Other Expenses
For the year ended December 31, 2016

	2016	2015
	\$	\$
Contracted services and other expenses		
Regina office - shared services	52,112	52,960
Technology services	44,519	39,758
Recovered office costs	27,956	40,731
Lung Health Institute (note 6)	20,874	90,785
Saskatchewan Pulmonary Consultants (note 6)	16,779	-
Lung Foundation of Saskatchewan Inc. (note 6)	5,000	35,389
Saskatoon Health Region CRE educator	-	41,466
Total contracted services and other expenses	167,240	301,089