

Canadian Lung Association



Financial Statements

For the year ended March 31, 2023

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Independent Auditor's Report

To the members of the Canadian Lung Association

Opinion

We have audited the financial statements of Canadian Lung Association (the "association") which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the association as at March 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 Opinion

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 association 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 opinion.

Other Matters

The financial statements for the year ended March 31, 2022 were qualified as the association derived revenue from fundraising and donations, the completeness of which was not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the association. As a result, we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenses and net assets for the year ended March 31, 2022.

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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
September 20, 2023
Ottawa, Ontario

Canadian Lung Association Statement of Financial Position

March 31 **2023** **2022**

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Assets					
Current					
Cash (Note 1)	\$ 965,591	\$ 516,001	\$ 45,659	\$ 1,527,251	\$ 2,161,628
Interfund transfers	1,533,190	642,587	(2,175,777)	-	-
Accounts receivable	44,648	1,225	-	45,873	76,503
Government remittances receivable	56,596	-	-	56,596	42,848
Prepaid expenses	14,150	-	-	14,150	13,513
	<u>2,614,175</u>	<u>1,159,813</u>	<u>(2,130,118)</u>	<u>1,643,870</u>	<u>2,294,492</u>
Investments (Note 2)	568,123	784,550	-	1,352,673	1,371,978
Tangible capital assets (Note 3)	3,990	-	-	3,990	6,884
	<u>\$ 3,186,288</u>	<u>\$ 1,944,363</u>	<u>\$ (2,130,118)</u>	<u>\$ 3,000,533</u>	<u>\$ 3,673,354</u>

Liabilities and Fund Balances

Current					
Accounts payable and accrued liabilities	\$ 65,515	\$ 1,772	\$ -	\$ 67,287	\$ 247,556
Current portion of long-term debt (Note 5)	40,000	-	-	40,000	-
Deferred revenue (Note 4)	26,812	2,500	358,120	387,432	699,548
	<u>132,327</u>	<u>4,272</u>	<u>358,120</u>	<u>494,719</u>	<u>947,104</u>
Long-term debt (Note 5)	-	-	-	-	40,000
	<u>132,327</u>	<u>4,272</u>	<u>358,120</u>	<u>494,719</u>	<u>\$ 987,104</u>
Fund Balances					
Unrestricted	3,053,961	1,940,091	(2,488,238)	2,505,814	2,686,250
	<u>\$ 3,186,288</u>	<u>\$ 1,944,363</u>	<u>\$ (2,130,118)</u>	<u>\$ 3,000,533</u>	<u>\$ 3,673,354</u>

On behalf of the Board:

_____ Director _____ Director

Canadian Lung Association Statement of Operations

For the year ended March 31

2023

2022

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Revenue					
Provincial assessments	\$ 48,108	\$ 32,339	\$ -	\$ 80,447	\$ 321,472
Program and project contracts	69,620	-	-	69,620	61,906
Sponsorship	209,672	44,903	-	254,575	182,485
Donations, bequests and memorials	1,017,936	-	-	1,017,936	939,616
Endorsements	28,245	-	-	28,245	27,423
Campaign donations	-	-	113,844	113,844	141,568
Interest and investment income	36,476	25,143	932	62,551	33,273
Miscellaneous and other income	20,764	-	-	20,764	49,387
	1,430,821	102,385	114,776	1,647,982	1,757,130
Expenses					
Admin allocation (recovered)	(69,149)	69,149	-	-	-
Advertising and health promotion	102,616	-	-	102,616	34,491
Consultants	334,189	-	-	334,189	360,162
Meetings and travel	10,539	10,188	-	20,727	13,221
Other operating expenses (recovered)	259,641	(2,595)	401	257,447	180,969
Office rentals and leases	15,145	-	-	15,145	9,728
Part time contract staff	71,305	-	-	71,305	98,024
Professional fees	69,793	-	-	69,793	148,518
Research grants and awards (Note 6)	-	152,833	113,844	266,677	273,642
Salary	529,976	96,220	-	626,196	512,227
	1,324,055	325,795	114,245	1,764,095	1,630,982
Excess (deficiency) of revenue over expenses before unrealized items	106,766	(223,410)	531	(116,113)	126,148
Unrealized gain/(loss) on investments	(27,016)	(37,307)	-	(64,323)	37,086
Excess (deficiency) of revenue over expenses for the year	\$ 79,750	\$ (260,717)	\$ 531	\$ (180,436)	\$ 163,234

Canadian Lung Association Statement of Changes in Fund Balances

For the year ended March 31				2023	2022
	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Balance, beginning of year	\$ 2,974,211	\$ 2,200,808	\$ (2,488,769)	\$ 2,686,250	\$ 2,523,016
Excess (deficiency) of revenue over expenses	79,750	(260,717)	531	(180,436)	163,234
Balance, end of year	\$ 3,053,961	\$ 1,940,091	\$ (2,488,238)	\$ 2,505,814	\$ 2,686,250

Canadian Lung Association Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (180,436)	\$ 163,234
Adjustments for		
Amortization of tangible capital assets	3,970	4,314
Gain on sale of investments	(811)	(13,216)
Unrealized loss (gain) on investments	64,323	(37,086)
	(112,954)	117,246
Changes in non-cash working capital items		
Accounts receivable	30,630	82,362
Government remittances receivable	(13,748)	(15,783)
Prepaid expenses	(637)	(5,930)
Accounts payable and accrued liabilities	(180,269)	(37,483)
Deferred revenue	(312,116)	(69,751)
	(589,094)	70,661
Cash flows from investing activities		
Net change in investments	(255,200)	(59,351)
Purchase of tangible capital assets	(1,076)	(1,440)
	(256,276)	(60,791)
Increase (decrease) in cash during the year	(845,370)	9,870
Cash and short-term investments, beginning of year	2,630,193	2,620,323
Cash and short-term investments, end of year	\$ 1,784,823	\$ 2,630,193
Represented by:		
Cash (Note 1)	\$ 1,527,251	\$ 2,161,628
Cash and short term component of investments (Note 2)	257,572	468,565
	\$ 1,784,823	\$ 2,630,193

Canadian Lung Association

Summary of Significant Accounting Policies

March 31, 2023

Nature and Purpose of Organization

The association is a registered charity incorporated in Canada as a not-for-profit organization and was continued under the Canada Not-for-profit Corporations Act on December 12, 2013. The association's mission is to improve respiratory health. The association is exempt from income taxes.

Basis of Presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles. The association has established funds in accordance with the principles of fund accounting:

General Fund

The General fund accounts for the ongoing operating activities of the association.

Research Fund

Revenues and expenses related to research activities are reported in the Research Fund. A significant portion of the expenses relate to grants and fellowships.

Breathing as One Campaign Fund

Operations for *Breathing As One*, The Lung Association's national fundraising campaign for research, began in 2013-14. The campaign was implemented across the country by the provincial Lung Associations. Core operating costs for the campaign are borne at a national level by the association and reported in the Breathing as One Campaign Fund. Revenues earned through the campaign are reported at a national level in the Breathing as One Campaign Fund.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant estimates include assumptions used in estimating the measurement and collectibility of accounts receivable, in estimating the initial fair value of financial instruments, in establishing the useful lives and related amortization of tangible capital assets, and in estimating provisions for accrued liabilities.

Canadian Lung Association Summary of Significant Accounting Policies

March 31, 2023

Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included as a credit or charge to operations in the current period.

Financial Instruments

Financial instruments are financial assets or liabilities of the association where, in general, the association has the right to receive cash or another financial asset from another party or the association has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets and liabilities measured at amortized cost include cash and short-term investments, accounts receivable and accounts payable and accrued liabilities. Bonds, and equity holdings are carried at fair value based on quoted market prices.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The 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 the reversal is recognized in operations.

Transaction costs

The association recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Financial Risk Management

The association manages its investment portfolio to earn investment income and invests only in low risk investments. The association is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Canadian Lung Association

Summary of Significant Accounting Policies

March 31, 2023

Cash and Cash Equivalents Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with terms to maturity of less than a year as at year end.

Investments Investments are recorded at market value, determined directly by reference to published price quotations in an active market. Interest on investments is accrued as earned. Dividends are recorded when received. Gains and losses on the sale of investments are recognized in the year of disposal. Fair value changes of investments are recorded as unrealized gains or losses and recognized in the statement of operations.

Tangible Capital Assets Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over three years.

Impairment of Long-Lived Assets Tangible capital assets with finite lives are long-lived assets. They are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the expected undiscounted cash flows resulting from the operations of the association and the respective asset's use and eventual disposition. The impairment loss is charged to operations and is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

Revenue Recognition The association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The association receives conditional contributions from certain organizations for projects. Terms of the projects and contribution agreements specify that the unexpended amounts remaining at completion of the projects must be returned. Amounts contributed and received are deferred until they are expended in accordance with the terms of the contribution agreements. Project contributions are recognized as revenue as the related expenses are incurred, and unexpended amounts at year end are reflected in current liabilities as deferred revenue.

Other income is recognized as earned.

The association has elected to recognize government assistance in other income as opposed to being applied against expenses.

Canadian Lung Association Summary of Significant Accounting Policies

March 31, 2023

Allocation of Expenses

The association provides several programs as part of their initiative to improve respiratory health. The costs of each program include amounts directly related to providing the program. The association also incurs general support expenses that are common to the administration of the association and each of its programs.

The association allocates an allowance for general support expenses to individual projects proportionately based on the proportion of staff working on each project.

Canadian Lung Association Notes to Financial Statements

March 31, 2023

1. Cash

The association's bank accounts are held at one chartered bank and earn interest between 0% and prime less 2.75%.

2. Investments

The carrying values of the investments are as follows:

	2023			2022	
	General Fund	Research Fund	Total	Total	
Cash and short-term	\$ 108,180	\$ 149,392	\$ 257,572	\$	468,565
Common equities	280,178	386,912	667,090	\$	559,671
Fixed income	179,765	248,246	428,011	\$	343,742
	\$ 568,123	\$ 784,550	\$ 1,352,673	\$	1,371,978

The interest rates on the fixed income bonds range from 2.38% to 3.98% per annum and mature between November 2024 and October 2027.

Investments in common equities include amounts denominated in U.S. dollars of \$144,513 (2022 - \$139,070).

Interest earned on investments was \$5,692 (2022 - \$5,696). A capital gain of \$811 was recognized in the current year on the sale of investments (2022 - \$13,216).

Canadian Lung Association Notes to Financial Statements

March 31, 2023

3. Tangible Capital Assets

	2023			2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture, fixtures and office equipment	\$ 11,217	\$ 11,217	\$ -	\$ 11,217	\$ 11,217	\$ -
Computer equipment	12,311	9,780	2,531	14,646	11,716	2,930
Leasehold improvements	7,484	6,025	1,459	7,484	3,530	3,954
	\$ 31,012	\$ 27,022	\$ 3,990	\$ 33,347	\$ 26,463	\$ 6,884

During the year, the association incurred amortization expense of \$3,970 (2022 - \$4,314) which was charged to the departments for which the related tangible capital assets were purchased.

4. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
General Fund				
Corporate Sponsorship	\$ 181,504	\$ 29,400	\$ 205,172	\$ 5,732
NL Programming and Research	21,080	-	-	21,080
	202,584	29,400	205,172	26,812
Research Fund				
Research Grants	25,000	5,000	27,500	2,500
Breathing as One Campaign				
Future Research Competition Grants	453,913	-	95,793	358,120
	18,051	-	18,051	-
	471,964	-	113,844	358,120
	\$ 699,548	\$ 34,400	\$ 346,516	\$ 387,432

Canadian Lung Association Notes to Financial Statements

March 31, 2023

5. Long-Term Debt

	2023	2022
Canada Emergency Business Account Loan, interest free, \$20,000 forgivable if repaid before December 31, 2023, unsecured, due December 31, 2025	\$ 40,000	\$ 40,000
Less: Principal portion due within one year	40,000	-
	\$ -	\$ 40,000

The association intends to repay the Canada Emergency Business Account loan before December 31, 2023. Accordingly, the forgivable portion was recognized in other income during the 2021 fiscal year.

Estimated principal repayments are as follows:

2024	\$ 40,000
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6. Studentships, Fellowships, Research Grants and Honorariums

Included in the departmental expenses of the research fund are studentships, fellowships, grants and honorariums as summarized by research centre:

	2023	2022
Université de Laval	\$ 4,250	\$ -
University of British Columbia	30,680	14,924
McMaster University	5,435	7,500
Sunnybrook Research Institute	4,150	4,150
Canadian Allergy, Asthma and Immunology Foundation	17,000	17,000
Fellowships		
Research Institute of McGill UHC	15,000	25,000
University of Calgary	-	5,250
Ryerson University	1,000	-
Hospital for Sick Children	2,000	37,500
University of Toronto	6,500	-
University Health Network	16,818	-
Ottawa Hospital Research Institute	40,000	25,000
University of Ontario Institute of Technology	10,000	-
Refunds of previously paid research projects		
University of Alberta	-	(1,750)
Children's Hospital of Eastern Ontario	-	(2,250)
	\$ 152,833	\$ 132,324

Canadian Lung Association Notes to Financial Statements

March 31, 2023

6. Studentships, Fellowships, Research Grants and Honorariums (continued)

Included in the departmental expenses of the Breathing as One campaign funds are studentships, fellowships, grants and honorariums as summarized by research centre:

	2023	2022
Ottawa Hospital Research Institute	\$ 15,000	\$ 15,000
University of Ottawa	7,500	7,500
Ryerson University	-	7,500
CIUSS Centre-Ouest	-	15,000
Unity Health Toronto	50,000	-
University of Alberta	5,000	-
University Health Network	-	51,818
Queen's University	-	7,500
University of Windsor	7,500	7,500
University of British Columbia	14,744	15,000
University of Calgary	7,000	-
University of Manitoba	1,000	-
McMaster University	6,100	-
Research Institute of McGill UHC	-	14,500
	\$ 113,844	\$ 141,318

7. Pension Plan

Effective April 1, 2022 the association terminated its defined contribution registered pension plan. Pension expense for the year was nil (2022 - \$21,148 which is included in salary expense).

8. Risks and Concentration

The association is exposed to various risks through its financial instruments. The following analysis provides a measure of the association's risk exposure and concentrations as at March 31, 2023.

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 association's main credit risks relate to its accounts receivable. The association mitigates its exposure to credit loss by placing its cash with major financial institutions. The association also routinely assesses the financial strength of its contributors and establishes an allowance for doubtful accounts based on credit risk applicable to particular contributors, historical and other information.

Canadian Lung Association Notes to Financial Statements

March 31, 2023

8. Risks and Concentration (continued)

Liquidity risk

Liquidity risk relates to the risk that the association will encounter difficulty in meeting its obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and deferred revenue. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The association is exposed to currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The association is exposed to currency exchange risk by virtue of the fact that it transacts in currencies other than the Canadian dollar. This exposure is limited to the extent that these currencies fluctuate between the dates that transactions are made and settlement occurs.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The association's fixed income investments are exposed to interest rate risk. The association's investment managers take steps in the active management of the bond portfolio to mitigate this risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The association is exposed to other price risk with respect to equities held.

Changes in risk

There have been no significant changes in the association's risk exposures from the 2022 fiscal year.
