

**Lung Association of
Saskatchewan Inc.**

Financial Statements
December 31, 2017



April 27, 2018

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, 2017 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, 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.

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Basis for qualified opinion

In common with many not-for-profit organizations, Lung Association of Saskatchewan Inc. derives its revenue from raffles, direct mail campaigns, bequests and other campaigns and events from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Lung Association of Saskatchewan Inc. Therefore, we were not able to determine whether any adjustments might be necessary to raffles revenue, direct mail campaigns revenue, bequests revenue, other campaigns and events revenue, deficiency of revenue over expenses and cash flows from operations for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017 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 Professional Accountants

Lung Association of Saskatchewan Inc.

Statement of Financial Position

As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	412,643	404,268
Investments	2,197	-
Accounts receivable (note 6)	45,627	37,921
Prepaid expenses	36,009	68,829
	<u>496,476</u>	<u>511,018</u>
Non-current assets		
Tangible capital assets (note 3)	1,041,854	1,074,320
Related party receivables (note 6)	891,356	810,565
Other assets	8,000	8,000
	<u>1,941,210</u>	<u>1,892,885</u>
	<u>2,437,686</u>	<u>2,403,903</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	118,013	73,335
Government remittances payable	6,073	6,073
Accrued salaries and vacation pay	86,951	100,836
Deferred revenue (note 4)	287,594	279,359
	<u>498,631</u>	<u>459,603</u>
Net assets		
Unrestricted net assets	897,201	869,980
Invested in tangible capital assets	1,041,854	1,074,320
	<u>1,939,055</u>	<u>1,944,300</u>
	<u>2,437,686</u>	<u>2,403,903</u>

Approved by the Board of Directors

Karen Davis

Director

Pat Smith

Director

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

Lung Association of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2017

	2017 \$	2016 \$ (note 8)
Revenue		
Lung Foundation of Saskatchewan Inc. (note 6)	650,000	450,000
Raffles	485,031	331,949
RESPTrec	484,572	438,431
Direct mail campaigns	318,275	342,049
Bequests	199,366	348,425
Contracts	142,902	240,998
Other campaigns and events	104,914	114,422
Other income (note 6)	91,357	92,193
Professional Education programs	83,616	84,022
Grants	75,710	98,606
Health Promotion programs	69,366	54,717
Gain on disposal of tangible capital assets	-	6,773
	<hr/> 2,705,109	<hr/> 2,602,585
Expenses		
Programs (Schedule 1)		
Health Promotion – general public	670,815	660,812
Health Education – professional	722,115	604,960
Research and grants (Schedule 2)	161,561	372,224
Development and campaigns (Schedule 3)	730,157	729,297
Operating and building (Schedule 4)	302,897	276,632
Contracted services (Schedule 5)	122,809	266,958
	<hr/> 2,710,354	<hr/> 2,910,883
Deficiency of revenue over expenses	<hr/> (5,245)	<hr/> (308,298)

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

Lung Association of Saskatchewan Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2017

			<u>2017</u>	<u>2016</u>
	Unrestricted	Invested in		
	\$	tangible	Total	Total
		capital assets	\$	\$
		\$		
Balance – Beginning of year	869,980	1,074,320	1,944,300	2,252,598
Purchases of tangible capital assets	(2,311)	2,311	-	-
Excess (deficiency) of revenue over expenses	29,532	(34,777)	(5,245)	(308,298)
Balance – End of year	<u>897,201</u>	<u>1,041,854</u>	<u>1,939,055</u>	<u>1,944,300</u>

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

Lung Association of Saskatchewan Inc.

Statement of Cash Flows

For the year ended December 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(5,245)	(308,298)
Items not affecting cash		
Amortization of tangible capital assets	34,777	33,910
Gain on disposal of tangible capital assets	-	(6,773)
	29,532	(281,161)
Net change in non-cash working capital items (note 5)	(16,649)	(58,937)
	12,883	(340,098)
Investing activities		
Purchases of tangible capital assets	(2,311)	(9,275)
Proceeds from disposal of tangible capital assets	-	47,255
Proceeds from redemption (purchases) of investments, net	(2,197)	316,955
	(4,508)	354,935
Net change in cash	8,375	14,837
Cash – Beginning of year	404,268	389,431
Cash – End of year	412,643	404,268

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

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2017

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

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

Revenue recognition

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and 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 Association receives and/or raises funds through different donor directed fundraising campaigns for various restricted projects.

Investments

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

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is calculated using the following annual rates and methods and is designated to amortize the assets over their estimated useful lives:

Building	25 years straight-line
Equipment and vehicles	3 to 5 years straight-line
Technology and software	3 to 5 years straight-line

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2017

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.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets, 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 reporting period. Actual results could differ from those estimates.

On an on-going basis, the Association evaluates its estimates, including those related to collectability of related party receivables and the useful life of tangible capital assets. The Association bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

Financial instruments

The Association's financial instruments are initially recorded at their fair value and consist of cash, investments, accounts receivable, related party receivable and trade accounts payable. Cash, accounts receivable, related party receivables 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.

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2017

3 Tangible capital assets

			2017	2016
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	515,000	-	515,000	515,000
Building	716,337	199,289	517,048	545,700
Equipment and vehicles	95,243	93,401	1,842	2,702
Technology and software	183,205	175,241	7,964	10,918
	<u>1,509,785</u>	<u>467,931</u>	<u>1,041,854</u>	<u>1,074,320</u>

4 Deferred revenue

	2017	2016
	\$	\$
Grants	183,087	161,925
RESPTrec education courses	96,555	107,525
Professorships and visiting professor	7,952	9,909
	<u>287,594</u>	<u>279,359</u>

5 Net change in non-cash working capital items

	2017	2016
	\$	\$
Accounts receivable	(7,706)	80,792
Prepaid expenses	32,820	6,872
Related party receivables	(80,791)	(53,500)
Trade accounts payable	44,678	16,521
Government remittances payable	-	1,755
Accrued salaries and vacation pay	(13,885)	22,054
Deferred revenue	8,235	(133,431)
	<u>(16,649)</u>	<u>(58,937)</u>

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2017

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 not-for-profit legal entity with Board members in common with the Association, the primary purpose of which is to receive and maintain funds and to apply the funds to charitable organizations engaged in respiratory health. The following transactions occurred between the Association and The Lung Foundation of Saskatchewan Inc.:

	2017 \$	2016 \$
Grants received, included in grants:		
Operating	646,500	446,500
Restricted	3,500	3,500
	<hr/> 650,000	<hr/> 450,000
Administration and planned giving fees received, included in other income:		
Administration	5,000	5,000
Planned giving	-	-
	<hr/> 5,000	<hr/> 5,000

At December 31, 2017, an amount of \$891,356 (2016 - \$681,350) owing to the Association from the Lung Foundation of Saskatchewan Inc. is included in related party receivables.

- 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 \$10,801 (2016 - \$12,184) from Saskatoon Pulmonary Consultants Professional Corporation for contract services and procurement costs recovered of \$9,006 (2016 - \$7,775).
- c) The Lung Health Institute of Canada Inc. (the Institute) is a separate not-for-profit legal entity with Board members in common with the Association. 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.

During the year ended December 31, 2017, the Association incurred expenses of nil (2016 - \$20,874) related to the Institute.

At December 31, 2017 an amount of nil (2016 - \$129,215) owing from the Institute to the Association is included in related party receivables, 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, 2017

7 Financial instruments

The Association's financial assets and liabilities consist of cash, investments, accounts receivable, related party receivables and trade accounts payable.

Credit risk

The Association's financial assets, including accounts receivable and related party receivables, are not exposed to significant credit risk. There is concentration of credit risk as a result of the amounts receivable from the Lung Foundation of Saskatchewan Inc. (note 6).

Interest rate risk

The Association is exposed to changes in interest rates related to its cash and investments. The Association's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. There is concentration of interest rate risk as a result of the limited number of individual counterparties to the Association's cash and investments.

Liquidity risk

Liquidity risk is the risk 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.

8 Comparative figures

Certain items within the Statement of Operations for the year ended December 31, 2016 have been modified to conform with the presentation and classification adopted for the Statement of Operations for the year ended December 31, 2017.

Lung Association of Saskatchewan

Schedule 1 a – Health Promotion

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
Radon program	82,341	64,031
Core funding grant	30,000	20,000
Lung Health materials	6,570	8,219
	<hr/> 118,911	<hr/> 92,250
Expenses		
General and administration	255,476	264,817
Radon program	61,470	64,471
Outreach and awareness	18,381	10,044
Public resource materials	16,120	6,177
Financial assistance	1,000	-
	<hr/> 352,447	<hr/> 345,509
Expenses before allocations	352,447	345,509
Expenses allocated from		
Development and campaigns (Schedule 3)	141,197	80,785
Operating and building (Schedule 4)	177,171	234,518
	<hr/> 670,815	<hr/> 660,812
Expenses after allocations	670,815	660,812
Deficiency of revenue over expenses	<hr/> (551,904)	<hr/> (568,562)

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

Lung Association of Saskatchewan

Schedule 1 b – Professional Education

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
RESPTrec courses	484,572	438,431
Conference and webinars	90,827	78,119
Program development funding	83,616	84,022
	<hr/> 659,015	<hr/> 600,572
Expenses		
RESPTrec course costs	286,806	301,173
General and administration	205,820	160,212
Program development	93,851	85,175
Conference costs	39,229	58,400
	<hr/> 625,706	<hr/> 604,960
Expenses before allocations	625,706	604,960
Expenses allocated from		
Operating and building (Schedule 4)	96,409	-
	<hr/> 722,115	<hr/> 604,960
Expenses after allocations	722,115	604,960
Deficiency of revenue over expenses	<hr/> (63,100)	<hr/> (4,388)

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

Lung Association of Saskatchewan

Schedule 2 – Research and Grants

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
Visiting professorship grant	15,324	45,730
Expenses		
Research grants	92,688	234,988
Canadian Lung Association assessments and contributions	64,971	81,954
Grants	3,902	55,282
	<u>161,561</u>	<u>372,224</u>
Deficiency of revenue over expenses	<u>(146,237)</u>	<u>(326,494)</u>

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

Lung Association of Saskatchewan

Schedule 3 – Development and Campaigns

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
Direct mail campaigns		
Christmas seals	151,097	172,813
Other direct mail campaigns	106,647	120,014
Lung disease research fund	60,531	49,222
Fall raffle	272,844	140,669
Share the air raffle	212,189	191,280
Bequests and memorials	199,366	348,425
Other campaigns and events	104,914	114,422
	<hr/> 1,107,588	<hr/> 1,136,845
Expenses		
Raffle costs	333,421	288,352
General and administration	272,346	214,521
Direct mail costs	112,934	133,700
Other campaigns and events	63,875	97,348
	<hr/> 782,576	<hr/> 733,921
Expenses before allocations		
Expenses allocated from (to)		
Health promotion (Schedule 1 a)	(141,197)	(80,785)
Operating and building (Schedule 4)	88,778	76,161
	<hr/> 730,157	<hr/> 729,297
Excess of revenue over expenses	<hr/> 377,431	<hr/> 407,548

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

Lung Association of Saskatchewan

Schedule 4 – Operating and Building Expenses

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
Lung Foundation of Saskatchewan Inc.	650,000	450,000
Grants	11,141	15,342
Other income	230	14,075
Gain on disposal of tangible capital assets	-	6,773
	<hr/> 661,371	<hr/> 486,190
Expenses		
General and administration	562,500	490,467
Building costs	86,075	80,210
Board costs	16,680	16,634
	<hr/> 665,255	<hr/> 587,311
Expenses before allocations	665,255	587,311
Expenses allocated to		
Health promotion and professional education (Schedule 1a and 1b)	(273,580)	(234,518)
Development and campaigns (Schedule 3)	(88,778)	(76,161)
	<hr/> 302,897	<hr/> 276,632
Excess of revenue over expenses	<hr/> 358,474	<hr/> 209,558

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

Lung Association of Saskatchewan

Schedule 5 – Contracted Services

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
SAIL respiratory therapy	78,440	78,864
Technology services contracts	48,660	90,660
Saskatchewan Pulmonary consultant contract	10,800	12,184
Lung Foundation of Saskatchewan Inc.	5,000	5,000
Regina office sublease	-	54,290
	<hr/> 142,900	<hr/> 240,998
Expenses		
General and administration	<hr/> 122,809	<hr/> 266,958
Excess (deficiency) of revenue over expenses	<hr/> 20,091	<hr/> (25,960)

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

