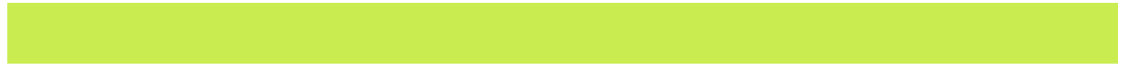


Canadian Lung Association



Financial Statements

For the year ended March 31, 2024

Canadian Lung Association
Financial Statements
For the year ended March 31, 2024

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Independent Auditor's Report

To the Members of 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, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the association as at March 31, 2024, and its financial performance 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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
August 28, 2024
Ottawa, Ontario

Canadian Lung Association Statement of Financial Position

March 31	2024	2023
(see Note 2)		
Assets		
Current		
Cash (Note 3)	\$ 357,923	\$ 1,527,251
Cash and short-term investments (Note 4)	1,732,194	257,572
Accounts receivable	39,890	45,873
Government remittances receivable	31,490	56,596
Prepaid expenses	21,791	14,150
	2,183,288	1,901,442
Investments (Note 4)	1,294,199	1,095,101
Tangible capital assets (Note 5)	1,158	3,990
	\$ 3,478,645	\$ 3,000,533

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 144,179	\$ 67,287
Deferred contributions (Note 6)	304,553	387,432
Current portion of CEBA loan	-	40,000
	448,732	494,719
Net assets		
Unrestricted net assets	3,601,218	3,053,961
Internally restricted for research	1,916,933	1,940,091
Internally restricted for Breathing As One campaign	(2,488,238)	(2,488,238)
	3,029,913	2,505,814
	\$ 3,478,645	\$ 3,000,533

Approved on behalf of the board:

Director

Director

Canadian Lung Association Statement of Changes in Net Assets

For the year ended March 31

	Unrestricted Net Assets	Internally Restricted for Research (Note 8)	Internally Restricted for Breathing As One Campaign (Note 8)	Total 2024	Total 2023
Balance, beginning of year	\$ 3,053,961	\$ 1,940,091	\$ (2,488,238)	\$ 2,505,814	\$ 2,686,250
Excess (deficiency) of revenue over expenses for the year	547,257	(23,158)	-	524,099	(180,436)
Balance, end of year	\$ 3,601,218	\$ 1,916,933	\$ (2,488,238)	\$ 3,029,913	\$ 2,505,814

Canadian Lung Association Statement of Operations

For the year ended March 31

2024

2023

(see Notes 2, 6 and 8)

Revenue

Donations, bequests and memorials	\$ 1,331,544	\$ 1,037,300
Sponsorships	263,522	254,575
Interest and investment income	108,510	62,551
Campaign donations	91,762	113,844
Program and project contracts	70,460	69,620
Endorsements	28,800	28,245
Miscellaneous and other income	27,107	1,400
Grants	16,752	-
Provincial assessments	-	80,447

	1,938,457	1,647,982
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Expenses

Salaries and related benefits	741,948	625,099
Consultants	176,000	339,215
Research grants and awards	143,637	266,677
Other operating expenses	127,387	253,518
Operational health grants	101,136	45,937
Part time contract staff	83,819	71,305
Meetings and travel	49,174	20,727
Advertising and health promotion	44,273	56,679
Professional fees	37,496	69,793
Office rentals and leases	17,410	15,145

	1,522,280	1,764,095
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Excess (deficiency) of revenue over expenses before undernoted item

	416,177	(116,113)
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Unrealized gain/(loss) on investments

	107,922	(64,323)
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Excess (deficiency) of revenue over expenses for the year

	\$ 524,099	\$ (180,436)
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Canadian Lung Association Statement of Cash Flows

For the year ended March 31

2024

2023

Cash flows from (used in) operating activities

Excess (deficiency) of revenue over expenses for the year	\$ 524,099	\$ (180,436)
Adjustments for non-cash items		
Amortization of tangible capital assets	2,832	3,970
Unrealized (gain)/loss on investments	(107,922)	64,323
Gain on sale of capital assets	-	(811)
	<u>419,009</u>	<u>(112,954)</u>
Change in non-cash working capital items		
Accounts receivable	5,983	30,630
Government remittances receivable	25,106	(13,748)
Prepaid expenses	(7,641)	(637)
Accounts payable and accrued liabilities	76,892	(180,269)
Deferred contributions	(82,879)	(312,116)
	<u>436,470</u>	<u>(589,094)</u>

Cash flows from (used in) investing activities

Net change in investments	(91,176)	(255,200)
Purchase of tangible capital assets	-	(1,076)
	<u>(91,176)</u>	<u>(256,276)</u>

Cash flows from (used in) financing activity

Repayments of CEBA loan	(40,000)	-
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Increase (decrease) in cash during the year

305,294 (845,370)

Cash and cash equivalents, beginning of year

1,784,823 2,630,193

Cash and cash equivalents, end of year

\$ 2,090,117 \$ 1,784,823

Cash and cash equivalents consist of:

Cash	\$ 357,923	\$ 1,527,251
Cash and short-term investments	<u>1,732,194</u>	<u>257,572</u>
	<u>\$ 2,090,117</u>	<u>\$ 1,784,823</u>

Canadian Lung Association

Notes to the Financial Statements

March 31, 2024

1. Significant Accounting Policies

Purpose of the Association	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.
Use of Estimates	<p>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.</p> <p>Significant estimates include assumptions used in estimating the measurement and collectibility of accounts receivable, in establishing the useful lives and related amortization of tangible capital assets, and in estimating provisions for accrued liabilities.</p>
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	<p>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.</p> <p><u>Measurement of arm's length financial instruments</u></p> <p>The association initially measures its financial assets and liabilities at fair value.</p>

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement of arm's length financial instruments (continued)

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, 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.

Cash and Short-term Investments

Cash and short-term investments are defined as cash and highly liquid investments, consisting primarily of high interest savings accounts and term deposits with terms to maturity of less than a year as at year end.

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

1. **Significant Accounting Policies (continued)**

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.
Internally Restricted Net Assets	<p>The association has internally restricted net assets for the following purposes:</p> <p><u><i>Internally restricted for Research</i></u></p> <p>Net assets internally restricted for research represent grants and fellowships related to research activities.</p> <p><u><i>Internally restricted for Breathing As One Campaign</i></u></p> <p>Net assets internally restricted for Breathing As One represents 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.</p>
Revenue Recognition	<p>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.</p> <p>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.</p> <p>Other income is recognized as earned.</p>

Canadian Lung Association

Notes to the Financial Statements

March 31, 2024

2. Change in Accounting Policy

The association has voluntarily elected to discontinue the use of fund accounting as the external funders are no longer supporting the operations of the funds previously separated out in the financial statements. The new method of presentation is deemed more appropriate given the size and nature of the association.

3. Cash

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

4. Investments

The carrying values of the investments are as follows:

	2024	2023
Cash and short term investments	\$ 1,732,194	\$ 257,572
Common equities	739,071	667,090
Fixed income	555,128	428,011
Total investments	3,026,393	1,352,673
Investments - short-term portion	(1,732,194)	(257,572)
Investments - long-term portion	\$ 1,294,199	\$ 1,095,101

The interest rates on the fixed income bonds range from 2.62% to 3.98% per annum and mature between September 2025 and September 2028.

Investments in common equities include amounts denominated in U.S. dollars of \$178,710 (2023 - \$144,513).

Interest earned on investments was \$13,358 (2023 - \$5,692). A capital loss of \$7,590 (2023 - gain of \$811) was recognized in the current year on the sale of investments.

Investments are held for the following purposes:

	2024	2023
General	\$ 2,170,974	\$ 568,123
Research	855,419	784,550
	\$ 3,026,393	\$ 1,352,673

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

5. Tangible Capital Assets

	2024		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 10,557	\$ 9,399	\$ 1,158
Furniture, fixtures and office equipment	11,217	11,217	-
Leasehold improvements	6,025	6,025	-
	\$ 27,799	\$ 26,641	\$ 1,158
	2023		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 12,311	\$ 9,780	\$ 2,531
Furniture, fixtures and office equipment	11,217	11,217	-
Leasehold improvements	7,484	6,025	1,459
	\$ 31,012	\$ 27,022	\$ 3,990

During the year, the association wrote off fully amortized assets of \$1,459.

6. Deferred Contributions

	Balance, beginning of year	Additions during the year	Amounts recognized as revenue	Unused funding - repayable	Balance, end of year
Health programs	\$ 5,732	\$ 35,500	\$ (29,732)	\$ -	\$ 11,500
NL programming	21,080	-	-	-	21,080
Research	94,564	5,615	(2,500)	-	97,679
Lung cancer grant	-	50,672	(11,060)	(39,612)	-
Breathing as One - future research competition	266,056	-	(91,762)	-	174,294
	\$ 387,432	\$ 91,787	\$ (135,054)	\$ (39,612)	\$ 304,553

The \$39,612 of unused funds noted above are included in accounts payable and accrued liabilities. The amounts recognized as revenue are included in sponsorships and campaign donations on the statement of operations.

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

6. Deferred Contributions (continued)

The breakdown of deferred contributions is as follows:

	2024	2023
General	\$ 130,259	\$ 26,812
Research	-	2,500
Breathing as One	174,294	358,120
	<u>\$ 304,553</u>	<u>\$ 387,432</u>

7. Commitments

The association has entered into a rental property operating lease. The lease expires in December 2024 and the association is committed to base rent of \$5,100 plus operating costs until expiry.

The association has agreed to providing grant payments to recipients as multi-year awards. The total payments for the next five years as follows:

2025	\$ 174,000
2026	50,000
2027	50,000
2028	50,000
2029	<u>50,000</u>
	<u>\$ 374,000</u>

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

8. Revenues and Expenses - Research and Breathing as One Campaign

Revenues and expenses related to research activities for the year were as follows:

	<u>2024</u>	<u>2023</u>
Provincial assessments	\$ -	\$ 32,339
Sponsorships	98,450	44,903
Interest and investment income	82,423	25,143
	<u>180,873</u>	<u>102,385</u>
Total revenues		
Admin allocation	(17,233)	(69,149)
Meetings and travel	(23,298)	(10,188)
Other operating expenses (recovered)	(10,741)	2,595
Research grants and awards	(51,875)	(152,833)
Salaries and related benefits	(100,884)	(96,220)
	<u>(204,031)</u>	<u>(325,795)</u>
Total expenses		
Net research activity	<u>\$ (23,158)</u>	<u>\$ (223,410)</u>

Revenues and expenses related to the Breathing as One Campaign activities for the year were as follows:

	<u>2024</u>	<u>2023</u>
Campaign donations	\$ 91,762	\$ 113,844
Interest and investment income	-	932
	<u>91,762</u>	<u>114,776</u>
Total revenues		
Other operating expenses	-	(401)
Research grants and awards	(91,762)	(113,844)
	<u>(91,762)</u>	<u>(114,245)</u>
Total expenses		
Net Breathing as One campaign activity	<u>\$ -</u>	<u>\$ 531</u>

9. Risk and Concentrations

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, 2024.

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

9. Risk and Concentrations (continued)

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.

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. 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 or 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.

Canadian Lung Association Notes to the Financial Statements

March 31, 2024

9. Risk and Concentrations (continued)

Changes in risk

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

10. Comparative Amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net assets.
