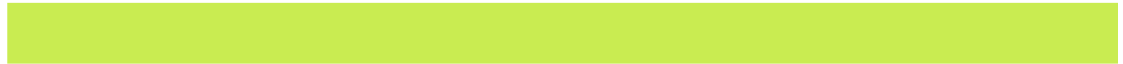


Canadian Lung Association



Financial Statements

For the year ended March 31, 2026

Canadian Lung Association
Financial Statements
For the year ended March 31, 2026

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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, 2026, 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, 2026, 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.

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 14, 2026
Ottawa, Ontario

Canadian Lung Association Statement of Financial Position

March 31

2026

2025

Assets

Current

Cash	\$ 264,198	\$ 555,765
Cash and short-term investments (Note 2)	2,165,414	1,697,451
Accounts receivable	3,476	63,984
Government remittances receivable	51,246	38,393
Prepaid expenses	22,411	29,364
	<u>2,506,745</u>	<u>2,384,957</u>

Investments (Note 2)

1,690,380	1,532,115
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Tangible capital assets (Note 3)

6,270	8,110
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<u>\$ 4,203,395</u>	<u>\$ 3,925,182</u>
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 131,014	\$ 129,752
Deferred contributions (Note 4)	437,698	554,649
	<u>568,712</u>	<u>684,401</u>

Net assets

Unrestricted net assets	3,634,683	3,812,086
Internally restricted for research	-	1,916,933
Internally restricted for Breathing As One campaign	-	(2,488,238)
	<u>3,634,683</u>	<u>3,240,781</u>
	<u>\$ 4,203,395</u>	<u>\$ 3,925,182</u>

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	Internally Restricted for Breathing As One Campaign	Total 2026	Total 2025
Balance, beginning of year	\$ 3,812,086	\$ 1,916,933	\$ (2,488,238)	\$ 3,240,781	\$ 3,029,913
Excess of revenue over expenditures for the year	393,902	-	-	393,902	210,868
Interfund transfer (Note 5)	(571,305)	(1,916,933)	2,488,238	-	-
Balance, end of year	\$ 3,634,683	\$ -	\$ -	\$ 3,634,683	\$ 3,240,781

Canadian Lung Association Statement of Operations

For the year ended March 31	2026	2025
Revenue		
Donations, bequests and memorials	\$ 1,208,012	\$ 896,416
Sponsorships	452,705	245,755
Grants	185,338	132,672
Interest and investment income (Note 2)	115,662	258,563
Program and project contracts	67,434	54,564
Endorsements	30,000	28,800
Miscellaneous and other income	28,887	27,047
Campaign donations	-	174,294
	<u>2,088,038</u>	<u>1,818,111</u>
Expenditures		
Salaries and related benefits	649,979	626,290
Consultants	337,475	255,741
Research grants and awards	267,500	234,738
Other operating expenses	180,614	141,966
Advertising and health promotion	144,007	99,855
Operational health grants	139,428	98,663
Meetings and travel	47,263	27,339
Professional fees	24,911	64,636
Office rentals and leases	14,682	16,058
Part time contract staff	-	8,662
	<u>1,805,859</u>	<u>1,573,948</u>
Excess of revenue over expenditures before undernoted item	282,179	244,163
Unrealized gain/(loss) on investments	<u>111,723</u>	<u>(33,295)</u>
Excess of revenue over expenditures for the year	<u>\$ 393,902</u>	<u>\$ 210,868</u>

Canadian Lung Association Statement of Cash Flows

For the year ended March 31

2026

2025

Cash flows from (used in) operating activities

Excess of revenue over expenditures for the year	\$ 393,902	\$ 210,868
Adjustments for non-cash items		
Amortization of tangible capital assets	3,511	1,616
Unrealized loss/(gain) on investments	(111,723)	33,295
	<u>285,690</u>	<u>245,779</u>
Change in non-cash working capital items		
Accounts receivable	60,508	(24,094)
Government remittances receivable	(12,853)	(6,903)
Prepaid expenses	6,953	(7,573)
Accounts payable and accrued liabilities	1,262	(14,427)
Deferred contributions	(116,951)	250,096
	<u>224,609</u>	<u>442,878</u>

Cash flows from (used in) investing activities

Net change in investments	(46,542)	(271,212)
Purchase of tangible capital assets	(1,671)	(9,695)
Disposal of tangible capital assets	-	1,128
	<u>(48,213)</u>	<u>(279,779)</u>

Increase in cash during the year

176,396 163,099

Cash and cash equivalents, beginning of year

2,253,216 2,090,117

Cash and cash equivalents, end of year

\$ 2,429,612 \$ 2,253,216

Cash and cash equivalents consist of:

Cash	\$ 264,198	\$ 555,765
Cash and short-term investments	<u>2,165,414</u>	<u>1,697,451</u>
	<u>\$ 2,429,612</u>	<u>\$ 2,253,216</u>

Canadian Lung Association Notes to the Financial Statements

March 31, 2026

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 certain 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, 2026

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. Investments in traded equity and security holdings are measured 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 consist of cash held in bank accounts and highly liquid investments, including high-interest savings accounts and money market funds.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over three years.

Canadian Lung Association

Notes to the Financial Statements

March 31, 2026

1. Significant Accounting Policies (continued)

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. The terms of the projects and contribution agreements specify that the unexpended amounts remaining at completion of the projects must be returned. Contributions received are deferred and recognized as revenue as the related expenses are incurred in accordance with the terms of the contribution agreements. Unexpended amounts at year end are included in deferred revenue.

Endorsement revenue is recognized as the related licensing and endorsement obligations are fulfilled over the term of the applicable agreement.

Program and project contract revenue is recognized as the related services are provided in accordance with the terms of the applicable agreements.

Interest and investment income and miscellaneous and other income are recognized as earned.

2. Investments

The carrying values of the investments are as follows:

	2026	2025
Cash and short-term investments	\$ 2,165,414	\$ 1,697,451
Equities	898,325	809,622
ETFs and mutual funds	792,055	722,493
Total investments	3,855,794	3,229,566
Investments - short-term portion	(2,165,414)	(1,697,451)
Investments - long-term portion	\$ 1,690,380	\$ 1,532,115

Investments in common equities include amounts denominated in U.S. dollars of \$208,843 (2025 - \$187,674).

Canadian Lung Association Notes to the Financial Statements

March 31, 2026

2. Investments (continued)

Realized gains of \$47,840 (2025 - \$150,638) were recognized in the current year on the sale of investments and are included in interest and investment income.

3. Tangible Capital Assets

	2026		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 11,367	\$ 5,097	\$ 6,270
Furniture, fixtures and office equipment	8,816	8,816	-
Leasehold improvements	6,025	6,025	-
	\$ 26,208	\$ 19,938	\$ 6,270
	2025		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 9,696	\$ 1,586	\$ 8,110
Furniture, fixtures and office equipment	8,816	8,816	-
Leasehold improvements	6,025	6,025	-
	\$ 24,537	\$ 16,427	\$ 8,110

4. Deferred Contributions

	Balance, beginning of year	Additions during the year	Amounts recognized as revenue	Balance, end of year
Health programs	\$ 89,065	\$ 164,500	\$ (227,158)	\$ 26,406
NL programming	21,080	-	-	21,080
Research	105,914	12,271	(79,461)	38,724
Estates	178,546	-	(100,000)	78,546
Sunlife	160,044	250,000	(160,044)	250,000
Government of Ontario	-	208,280	(185,338)	22,942
	\$ 554,649	\$ 635,051	\$ (752,001)	\$ 437,698

Canadian Lung Association Notes to the Financial Statements

March 31, 2026

4. Deferred Contributions (continued)

The amounts recognized as revenue are included in donations, bequests and memorials, sponsorships, and grants on the statement of operations.

5. Interfund Transfer

During the year, the association's Board of Directors approved the closure of the internally restricted Research and Breathing as One funds, effective April 1, 2025. As a result, the balances of these funds were transferred to unrestricted net assets. The net effect of the transfer was a reduction of unrestricted net assets of \$571,305.

6. Commitments

The association has entered into a rental property operating lease. The lease expires in December 2028 and the association is committed to base rent of \$6,800 plus operating costs until expiry.

The association has agreed to providing grant payments to recipients as multi-year awards. The total payments committed to are as follows:

2027	\$ 75,000
2028	50,000
2029	<u>50,000</u>
	<u>\$ 175,000</u>

7. 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, 2026.

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 the Financial Statements

March 31, 2026

7. Risk and Concentrations (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. 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 high-interest savings accounts and money market funds are exposed to limited interest rate 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 traded equity and security holdings held.

Changes in risk

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