

Canadian Lung Association



Financial Statements

For the year ended March 31, 2022

Canadian Lung Association
Financial Statements
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Independent Auditor's Report

To the members of the Canadian Lung Association

Qualified Opinion

We have audited the financial statements of Canadian Lung Association (the "association") which comprise the statement of financial position as at March 31, 2022, 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, except for the effect 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 association as at March 31, 2022, 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 Qualified Opinion

In common with many not-for-profit organizations, the association derives revenue from fundraising and 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 the association. The auditor's opinion on the financial statements for the year ended March 31, 2021 was also qualified because of the possible effects of this limitation. Therefore, we were not able to determine whether any adjustments might be necessary to these revenues for the years ended March 31, 2022 and March 31, 2021, excess of revenues over expenses for the years ended March 31, 2022 and March 31, 2021, and net assets at both the beginning and end of the March 31, 2022 and March 31, 2021 years.

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 qualified 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
September 17, 2022
Ottawa, Ontario

Canadian Lung Association Statement of Financial Position

March 31 **2022** **2021**

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Assets					
Current					
Cash (Note 1)	\$ 1,664,702	\$ 471,649	\$ 25,277	\$ 2,161,628	\$ 2,097,746
Interfund transfers	979,174	1,062,908	(2,042,082)	-	-
Accounts receivable (Note 3)	62,019	14,484	-	76,503	158,865
Government remittances receivable	42,848	-	-	42,848	27,065
Prepaid expenses	13,513	-	-	13,513	7,583
	2,762,256	1,549,041	(2,016,805)	2,294,492	2,291,259
Investments (Note 2)	576,231	795,747	-	1,371,978	1,316,340
Tangible capital assets (Note 4)	6,884	-	-	6,884	9,755
	\$ 3,345,371	\$ 2,344,788	\$ (2,016,805)	\$ 3,673,354	\$ 3,617,354

Liabilities and Fund Balances

Current					
Accounts payable and accrued liabilities	\$ 128,576	\$ 118,980	\$ 2	\$ 247,558	\$ 285,041
Deferred revenue (Note 5)	202,584	25,000	471,962	699,546	769,297
	331,160	143,980	471,964	947,104	1,054,338
Long-term debt (Note 6)	40,000	-	-	40,000	40,000
	371,160	143,980	471,964	987,104	\$ 1,094,338
Fund Balances					
Unrestricted	2,974,211	2,200,808	(2,488,769)	2,686,250	2,523,016
	\$ 3,345,371	\$ 2,344,788	\$ (2,016,805)	\$ 3,673,354	\$ 3,617,354

On behalf of the Board:

_____ Director _____ Director

Canadian Lung Association Statement of Operations

For the year ended March 31

2022

2021

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Revenue					
Provincial assessments	\$ 197,996	\$ 123,476	\$ -	\$ 321,472	\$ 670,655
Program and project contracts	56,804	5,102	-	61,906	8,000
Sponsorship	85,117	96,097	1,271	182,485	22,500
Donations, bequests and memorials	939,616	-	-	939,616	890,971
Endorsements	27,423	-	-	27,423	15,000
Campaign donations	-	-	141,568	141,568	161,933
Interest and investment income	14,569	18,704	-	33,273	55,955
Miscellaneous and other income (Note 9)	49,387	-	-	49,387	108,340
	1,370,912	243,379	142,839	1,757,130	1,933,354
Expenses					
Admin allocation (recovered)	(18,309)	18,309	-	-	-
Advertising and promotion	34,491	-	-	34,491	29,415
Consultants	353,458	6,704	-	360,162	95,322
Meetings and travel	5,011	8,210	-	13,221	1,598
Other operating expenses	170,673	9,687	609	180,969	161,111
Office rentals and leases	9,728	-	-	9,728	31,993
Part time contract staff	78,025	19,999	-	98,024	106,823
Professional fees	148,518	-	-	148,518	140,496
Research grants and awards (Note 7)	-	132,324	141,318	273,642	271,816
Salary	474,953	37,274	-	512,227	433,576
	1,256,548	232,507	141,927	1,630,982	1,272,150
Excess of revenue over expenses before unrealized items	114,364	10,872	912	126,148	661,204
Unrealized gain on investments	15,370	21,716	-	37,086	126,481
Excess of revenue over expenses for the year	\$ 129,734	\$ 32,588	\$ 912	\$ 163,234	\$ 787,685

Canadian Lung Association Statement of Changes in Fund Balances

For the year ended March 31				2022	2021
	General Fund	Research Fund	Breathing As One Campaign	Total	Total
Balance, beginning of year	\$ 2,844,477	\$ 2,168,220	\$(2,489,681)	\$ 2,523,016	\$ 1,735,331
Excess of revenue over expenses	129,734	32,588	912	163,234	787,685
Balance, end of year	\$ 2,974,211	\$ 2,200,808	\$(2,488,769)	\$ 2,686,250	\$ 2,523,016

Canadian Lung Association Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 163,234	\$ 787,685
Adjustments for		
Amortization of tangible capital assets	4,314	3,868
Debt forgiveness	-	(20,000)
Gain on sale of investments	(13,216)	(15,469)
Unrealized loss (gain) on investments	(37,086)	(126,481)
	117,246	629,603
Changes in non-cash working capital items		
Accounts receivable	82,362	51,946
Government remittances receivable	(15,783)	(6,362)
Prepaid expenses	(5,930)	79
Accounts payable and accrued liabilities	(37,483)	211,688
Deferred revenue	(69,751)	(10,297)
	70,661	876,657
Cash flows from investing activities		
Net change in investments	(59,351)	(39,844)
Purchase of tangible capital assets	(1,440)	(10,468)
	(60,791)	(50,312)
Cash flows from financing activities		
Advances of long-term debt	-	60,000
Increase in cash during the year	9,870	886,345
Cash and short-term investments, beginning of year	2,620,323	1,733,978
Cash and short-term investments, end of year	\$ 2,630,193	\$ 2,620,323
Represented by:		
Cash (Note 1)	\$ 2,161,628	\$ 2,097,746
Cash and short term component of investments (Note 2)	468,565	522,577
	\$ 2,630,193	\$ 2,620,323

Canadian Lung Association

Summary of Significant Accounting Policies

March 31, 2022

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, 2022

**Use of Estimates
(continued)**

Uncertainty due to COVID-19

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the association or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely affect the association's operations, financial results and condition in future periods are also subject to significant uncertainty.

**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.

Canadian Lung Association

Summary of Significant Accounting Policies

March 31, 2022

**Financial Instruments
(continued)**

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.

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.

**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.

Canadian Lung Association Summary of Significant Accounting Policies

March 31, 2022

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.

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, 2022

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:

	2022			2021
	General Fund	Research Fund	Total	Total
Cash and short-term	\$ 196,797	\$ 271,768	\$ 468,565	\$ 522,577
Common equities	235,062	324,609	559,671	499,835
Fixed income	144,372	199,370	343,742	293,928
	\$ 576,231	\$ 795,747	\$ 1,371,978	\$ 1,316,340

The investments in fixed income securities are with the Government of Canada and its Provinces and senior Canadian financial institutions and companies. Interest rates on the bonds range from 2.61% to 4.35% per annum and mature between March 2023 and January 2025.

Investments in common equities include amounts denominated in U.S. dollars of \$139,070 (2021 - \$137,160).

Interest earned on investments was \$5,696 (2021 - \$10,254). A capital gain of \$13,216 was recognized in the current year on the sale of investments (2021 - \$15,469).

3. Accounts Receivable

Accounts receivable are not net of an allowance for doubtful accounts this year (2021 - \$164,883).

Canadian Lung Association Notes to Financial Statements

March 31, 2022

4. Tangible Capital Assets

	2022			2021		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture, fixtures and office equipment	\$ 11,217	\$ 11,217	\$ -	\$ 11,217	\$ 11,056	\$ 161
Computer equipment	14,646	11,716	2,930	13,205	10,059	3,146
Leasehold improvements	7,484	3,530	3,954	7,484	1,036	6,448
	\$ 33,347	\$ 26,463	\$ 6,884	\$ 31,906	\$ 22,151	\$ 9,755

During the year, the association incurred amortization expense of \$4,314 (2021 - \$3,868) which was charged to the departments for which the related tangible capital assets were purchased.

5. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
General Fund				
Corporate Funds Development	\$ 6,107	\$ -	\$ 6,107	\$ -
Corporate Sponsorship	-	232,500	50,996	181,504
Consumer Health Information	24,622	-	24,622	-
Government Relations	9,499	-	9,499	-
NL Programming and Research	16,667	4,413	-	21,080
	56,895	236,913	91,224	202,584
Research Fund				
Research Grants	98,602	-	73,602	25,000
Breathing as One Campaign				
Future Research Competition	534,980	750	81,818	453,912
Patient Engagement	1,270	-	1,270	-
Grants	77,550	-	59,500	18,050
	613,800	750	142,588	471,962
	\$ 769,297	\$ 237,663	\$ 307,414	\$ 699,546

Canadian Lung Association Notes to Financial Statements

March 31, 2022

6. Long-Term Debt

	2022	2021
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

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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7. 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:

	2022	2021
University of British Columbia	\$ 14,924	\$ -
McMaster University	7,500	-
Sunnybrook Research Institute	4,150	-
St. Michael's Hospital	-	45,000
Canadian Allergy, Asthma and Immunology Foundation	17,000	-
Research Institute of McGill UHC	25,000	-
University of Calgary	5,250	-
University of Alberta	-	27,000
University of Manitoba	-	10,500
Hospital for Sick Children	37,500	12,500
Ottawa Hospital Research Institute	25,000	6,000
Children's Hospital of Eastern Ontario	-	27,000
Ontario Tech University	-	5,000
Refunds of previously paid research projects		
University of Alberta	(1,750)	-
Children's Hospital of Eastern Ontario	(2,250)	-
	\$ 132,324	\$ 133,000

Canadian Lung Association Notes to Financial Statements

March 31, 2022

7. 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:

	2022	2021
Ottawa Hospital Research Institute	\$ 15,000	\$ -
University of Ottawa	7,500	-
Ryerson University	7,500	-
CIUSS Centre-Ouest	15,000	-
Health Sciences North Research Institute	-	15,000
CHEO Research Institute	-	26,316
University Health Network	51,818	20,000
Queen's University	7,500	15,000
University of Windsor	7,500	-
University of British Columbia	15,000	25,000
University of Toronto	-	20,000
McGill University	-	15,000
Ontario Tech University	-	2,500
Research Institute of McGill UHC	14,500	-
	\$ 141,318	\$ 138,816

8. Pension Plan

Employees of the association participate in a defined contribution registered pension plan. All eligible employees are required to be members of the plan. The association contributes at a rate of 6% of all eligible employees earnings though the employees may continue to contribute to the plan on a voluntary basis. Voluntary contributions are permitted to the extent that total contributions to a member's plan do not exceed the limits specified under the Income Tax Act of Canada. Pension expense for the year was \$21,148 (2021 - \$21,786) and is included in salary expense.

9. Government Assistance

The association qualified for the Canadian Emergency Wage Subsidy that was created to subsidize Canadian corporations in response to the COVID-19 pandemic. As a result, the association received government assistance of \$37,628 (2021 - \$87,256), which was fully recognized as other income. Government assistance may be subject to audit under the terms and conditions of the wage subsidy program. Should an audit reveal that any of the qualifying criteria or expenses incurred are not in accordance with program guidelines, the federal government may require the association to reimburse a portion of the assistance.

Canadian Lung Association

Notes to Financial Statements

March 31, 2022

10. 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, 2022.

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 accrual 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.

Canadian Lung Association Notes to Financial Statements

March 31, 2022

10. **Risks and Concentration (continued)**

Changes in risk

There have been no significant changes in the association's risk exposures from the 2021 fiscal year.
