

Lung Association of Saskatchewan Inc.

Financial Statements
December 31, 2015



March 31, 2016

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, 2015 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes and schedules, 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.

Basis for qualified opinion

In common with many not-for-profit organizations, Lung Association of Saskatchewan Inc. derives its direct mail campaigns revenue and other campaigns and events revenue 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

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were not able to determine whether any adjustments might be necessary to direct mail campaigns revenue, other campaigns and events revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended December 31, 2015 and December 31, 2014, current assets as at December 31, 2015 and December 31, 2014, and net assets as at January 1 and December 31 for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended December 31, 2014 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 Lung Association of Saskatchewan Inc. as at December 31, 2015 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, 2015

	Dec 31 2015	Dec 31 2014
	\$	\$
Assets		
Current assets		
Cash	389,431	1,128,683
Investments	316,955	214,319
Accounts receivable (note 7)	875,778	188,363
Prepaid expenses	75,701	49,793
	<u>1,657,865</u>	<u>1,581,158</u>
Non-current assets		
Tangible capital assets, less accumulated amortization (note 3)	1,139,437	1,201,909
Other assets	8,000	8,000
	<u>1,147,437</u>	<u>1,209,909</u>
	<u>2,805,302</u>	<u>2,791,067</u>
Liabilities and net assets		
Current liabilities		
Trade accounts payable	56,814	87,091
Government remittances payable	4,318	5,961
Accrued salaries and vacation pay	78,782	84,260
Deferred revenue (note 4)	412,790	333,562
	<u>552,704</u>	<u>510,874</u>
Net assets		
Unrestricted net assets	1,113,161	1,078,284
Invested in capital assets	1,139,437	1,201,909
	<u>2,252,598</u>	<u>2,280,193</u>
	<u>2,805,302</u>	<u>2,791,067</u>

Approved by the Board of Directors

 Director

 Director

Lung Association of Saskatchewan Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2015

			<u>2015</u>	<u>2014</u>
	<u>Unrestricted</u>	<u>Invested in</u>	<u>Total</u>	<u>Total</u>
	<u>\$</u>	<u>capital assets</u>	<u>\$</u>	<u>\$</u>
		<u>\$</u>		
Balance - Beginning of year	1,078,284	1,201,909	2,280,193	2,178,792
Purchases of tangible capital assets	(6,662)	6,662	-	-
Proceeds from disposal of tangible capital assets	23,063	(23,063)	-	-
Gain on sale of tangible capital assets	(9,225)	9,225	-	-
Excess (deficiency) of revenue over expenses	27,701	(55,296)	(27,595)	101,401
Balance - End of year	<u>1,113,161</u>	<u>1,139,437</u>	<u>2,252,598</u>	<u>2,280,193</u>

Lung Association of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Operating income		
Grants (note 7)	911,253	977,311
RESPTrec	390,806	342,954
Bequests	140,987	209,979
Sublease income and cost recovery	92,211	48,308
Respiratory Therapy Program	78,247	77,472
External Contracts	73,171	95,348
Program cost recovery	67,940	51,092
Saskatoon Health Region	41,466	40,397
Program development funding	40,000	-
Other income (note 7)	39,910	35,519
Sponsorships	38,500	3,750
Saskatchewan Thoracic Society	18,070	18,115
Gain on disposal of tangible capital assets	9,225	-
Other campaigns and events		
Share the Air Raffle	240,099	248,317
Stamp Out Asthma Raffle	175,395	213,064
Door to Door	64,590	111,439
Other fundraising	32,109	34,009
Memorials	31,122	38,027
Donor's Choice	12,640	14,395
Direct mail campaigns		
Christmas Seals	149,384	172,913
Lung Disease Research Fund	80,661	78,416
Sweepstakes	49,305	28,864
Artworks	46,015	51,789
Other direct mail campaigns	44,036	41,229
	<u>2,867,142</u>	<u>2,932,707</u>
Expenses		
Programs (Schedule 1)		
Health Promotion - general public	777,999	913,353
Health Education - professional	689,189	616,800
Research and grants (Schedule 2)	251,132	151,907
Development and campaign (Schedule 3)	646,674	689,454
Operating and building (Schedule 4)	228,654	181,428
Contracted services and other (Schedule 5)	301,089	278,364
	<u>2,894,737</u>	<u>2,831,306</u>
Excess (deficiency) of revenue over expenses	<u>(27,595)</u>	<u>101,401</u>

Lung Association of Saskatchewan Inc.

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	(27,595)	101,401
Item not affecting cash		
Amortization of tangible capital assets	55,296	60,171
Gain on disposal of tangible capital assets	(9,225)	-
	<u>18,476</u>	<u>161,572</u>
Net change in non-cash working capital items (note 5)	(671,493)	79,595
	<u>(653,017)</u>	<u>241,167</u>
Investing activities		
Purchases of tangible capital assets	(6,662)	(55,667)
Proceeds from disposal of tangible capital assets	23,063	-
Proceeds from redemption (purchases) of investments, net	(102,636)	648,717
	<u>(86,235)</u>	<u>593,050</u>
Net change in cash	(739,252)	834,217
Cash - Beginning of year	<u>1,128,683</u>	<u>294,466</u>
Cash - End of year	<u>389,431</u>	<u>1,128,683</u>

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2015

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

Use of estimates and measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions about future events 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 year. On an on-going basis, the association evaluates its estimates, including those related to collectability of accounts receivable 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. Future events could alter such estimates in the near term.

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.

The association receives funding for various restricted projects and also raises funds through different donor directed fundraising campaigns. Funds that are received in advance of the planned expenditure are recorded as deferred revenue.

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 on vehicles and equipment is provided on a straight-line basis over estimated useful lives of three to five years. Amortization on the building is provided on a straight-line basis over an estimated remaining useful life of 25 years.

Investments

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

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2015

2 Significant accounting policies (continued)

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.

Financial instruments

The association recognizes and measures its financial instruments as follows: cash, investments, accounts receivable, and trade accounts payable are initially recorded at their fair value. Cash, accounts receivable 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.

3 Tangible capital assets

	2015		2014	
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Land	515,000	-	515,000	515,000
Building	769,429	157,910	611,519	650,791
Equipment and vehicles	309,435	296,517	12,918	36,118
	<u>1,593,864</u>	<u>454,427</u>	<u>1,139,437</u>	<u>1,201,909</u>

Lung Association of Saskatchewan Inc.
Notes to Financial Statements
December 31, 2015

4 Deferred revenue

	2015	2014
	\$	\$
Grants	258,009	216,230
RESPTrec education courses	142,080	100,385
Professorships and visiting professor	12,701	16,947
	<u>412,790</u>	<u>333,562</u>

5 Net change in non-cash working capital items

	2015	2014
	\$	\$
Accounts receivable	(687,415)	(140,605)
Prepaid expenses	(25,908)	57,266
Trade accounts payable	(30,277)	34,968
Government remittances payable	(1,643)	(219)
Accrued salaries and vacation pay	(5,478)	30,624
Deferred revenue	79,228	97,561
	<u>(671,493)</u>	<u>79,595</u>

6 Operating lease

On May 1, 2014 the association entered into a new lease agreement for office space. The term of the lease agreement is five years. The future minimum annual lease payments are \$31,850 per year for the first three years and \$34,398 per year for the remaining term. The lease agreement expires on April 30, 2019.

Lung Association of Saskatchewan Inc.
Notes to Financial Statements
December 31, 2015

7 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 legal entity, the primary purpose of which is to receive and maintain funds and to apply the funds to charitable organizations engaged in respiratory health. A portion of its funding disbursements are for designated programs of the Association. The following transactions occurred between the association and The Lung Foundation of Saskatchewan Inc.:

	2015	2014
	\$	\$
Grants received, included in grants:		
Operating	720,861	920,000
Restricted	4,139	7,400
	<u>725,000</u>	<u>927,400</u>
Administration and planned giving fees received, included in other income:		
Administration	5,000	5,000
Planned giving	30,389	31,302
	<u>35,389</u>	<u>36,302</u>

In addition, at December 31, 2015 an amount of \$653,525 (2014 - \$2,762) owing to the association from the Lung Foundation of Saskatchewan Inc. is included in accounts receivable.

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 \$20,679 (2014 - nil) from Saskatoon Pulmonary Consultants Professional Corporation for contract services and procurement costs recovered and \$20,769 is included in accounts receivable at December 31, 2015 (2014 - nil).

c) The Lung Health Institute of Canada Inc. (the institute) is a separate legal entity and non-profit corporation. 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. Three directors of the association also serve on the Board of Directors of the institute.

During the year ended December 31, 2015, the association incurred expenses of \$90,785 (2014 - \$158,976) related to the institute.

In addition, at December 31, 2015 an amount of \$103,540 (2014 - \$42,938) owing from the institute to the association is included in accounts receivable, representing amounts incurred on behalf of the institute that are to be reimbursed to the association and are not included in the expenses above.

Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2015

8 Financial instruments

The association's financial assets and liabilities consist of cash, investments, accounts receivable, and trade accounts payable.

Credit risk

The association's financial assets, including accounts receivable, are not exposed to significant credit risk. There is concentration of credit risk as a result of the significant accounts receivable from the Lung Foundation of Saskatchewan Inc. (note 7).

Interest rate risk

The association is exposed to changes in interest rates related to its 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 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.

9 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2015. Expenses previously reported within "Programs", "Development and campaign", and "Operating and building" are now reported within "Contracted services and other expenses".

Lung Association of Saskatchewan Inc.

Schedule 1 - Program Expenses

For the year ended December 31, 2015

	2015	2014
	\$	\$
Program expenses		
Professional education programs	617,244	508,655
Health promotion	365,583	397,578
SAIL Respiratory Therapy Program	80,354	85,027
Training grants, seminars and other	25,923	29,473
	<u>1,089,104</u>	<u>1,020,733</u>
Allocated from		
Development and campaign expenses (Schedule 3)	75,995	88,384
Operating and building expenses (Schedule 4)	302,089	421,036
	<u>378,084</u>	<u>509,420</u>
Total program expenses	<u>1,467,188</u>	<u>1,530,153</u>
Distribution to programs		
Health Promotion - general public	777,999	913,353
Health Education - professional	689,189	616,800
Net program expenses	<u>1,467,188</u>	<u>1,530,153</u>

Lung Association of Saskatchewan Inc.
Schedule 2 - Research and Grant Expenses
For the year ended December 31, 2015

	2015	2014
	\$	\$
Research and grant expenses		
Canadian Lung Association assessments and contributions	80,632	68,392
Research grants	60,000	-
Professorships	50,000	70,000
Seconded staff	40,000	13,515
Consultant fees	20,500	-
Total research and grant expenses	251,132	151,907

Lung Association of Saskatchewan Inc.
Schedule 3 - Development and Campaign Expenses
For the year ended December 31, 2015

	2015	2014
	\$	\$
Direct mail campaigns		
Christmas Seals	57,258	54,854
Lung Disease Research Fund	29,060	26,758
Contract services	27,863	11,569
Sweepstakes	21,635	17,350
Artworks	18,188	19,195
Other direct mail campaigns	10,535	2,863
	<u>164,539</u>	<u>132,589</u>
Other campaigns and events		
Share the Air Raffle	169,874	169,448
Stamp Out Asthma Raffle	136,676	159,383
Door to Door	37,119	45,372
Memorials	3,904	5,442
Other fundraising	187	5,711
	<u>347,760</u>	<u>385,356</u>
Other development expenses		
Salaries and benefits	94,629	109,496
Branch office costs	20,657	50,621
Other expenses	10,575	16,074
	<u>125,861</u>	<u>176,191</u>
Total development and campaign expenses	<u>638,160</u>	<u>694,136</u>
Allocated from (to)		
Program expenses (Schedule 1)	(75,995)	(88,384)
Operating and building expenses (Schedule 4)	84,509	83,702
	<u>8,514</u>	<u>(4,682)</u>
Net development and campaign expenses	<u>646,674</u>	<u>689,454</u>

Lung Association of Saskatchewan Inc.
Schedule 4 - Operating and Building Expenses
For the year ended December 31, 2015

	2015	2014
	\$	\$
Operating expenses		
Salaries and benefits	419,431	505,417
Director expense	20,603	17,527
Audit and accounting fees	19,520	14,633
Equipment maintenance	18,365	18,093
Vehicle and equipment amortization	16,024	26,208
Travel	9,592	4,351
Bank and credit card charges	8,921	8,417
Printing, supplies, and stationery	4,855	3,454
Other	3,825	2,882
Postage and courier	2,804	1,609
Professional and legal fees	2,497	1,535
Association and membership fees	2,174	2,508
	<u>528,611</u>	<u>606,634</u>
Building expenses		
Building amortization	39,272	33,963
Janitorial and supplies	12,126	10,546
Utilities	11,460	11,420
Property taxes	10,967	10,833
Repairs and maintenance	5,207	3,568
Insurance	4,324	5,166
Garbage and snow removal	2,527	3,202
Telephone	758	834
	<u>86,641</u>	<u>79,532</u>
Total operating and building expenses	<u>615,252</u>	<u>686,166</u>
Allocated to		
Program expenses (Schedule 1)	(302,089)	(421,036)
Development and campaign expenses (Schedule 3)	(84,509)	(83,702)
	<u>(386,598)</u>	<u>(504,738)</u>
Net operating and building expenses	<u>228,654</u>	<u>181,428</u>

Lung Association of Saskatchewan Inc.
Schedule 5 - Contracted Services and Other Expenses
For the year ended December 31, 2015

	2015	2014
	\$	\$
Contracted services and other expenses		
Lung Health Institute (note 7)	90,785	158,976
Regina office - shared services	52,960	-
Saskatoon Health Region CRE educator	41,466	40,397
Recovered office costs	40,731	-
External Contract costs	39,758	44,127
Lung Foundation of Saskatchewan Inc. (note 7)	35,389	34,864
Total contracted services and other expenses	301,089	278,364