

# **Lung Association of Saskatchewan Inc.**

Financial Statements  
**December 31, 2014**



April 2, 2015

## **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, 2014 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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*PricewaterhouseCoopers LLP  
Suite 600, 128 4<sup>th</sup> Avenue South, Saskatoon, Saskatchewan, S7K 1M8  
T: +1 306 668 5900, F: +1 306 652 1315*



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, 2014 and December 31, 2013, current assets as at December 31, 2014 and December 31, 2013, and net assets as at January 1 and December 31 for both 2014 and 2013 years. Our audit opinion on the financial statements for the year ended December 31, 2013 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, 2014 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 Accountants**

# Lung Association of Saskatchewan Inc.

Statement of Financial Position

As at December 31, 2014

	<b>Dec 31 2014</b>	<b>Dec 31 2013</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,128,683	294,466
Investments	214,319	863,036
Accounts receivable (note 7)	188,363	47,758
Prepaid expenses	49,793	107,059
	<u>1,581,158</u>	<u>1,312,319</u>
<b>Non-current assets</b>		
Tangible capital assets, less accumulated amortization (note 3)	1,201,909	1,206,413
Other assets	8,000	8,000
	<u>1,209,909</u>	<u>1,214,413</u>
	<u>2,791,067</u>	<u>2,526,732</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Trade accounts payable	87,091	52,123
Government remittances payable	5,961	6,180
Accrued salaries and vacation pay	84,260	53,636
Deferred revenue (note 4)	333,562	236,001
	<u>510,874</u>	<u>347,940</u>
<b>Net assets</b>		
Unrestricted net assets	1,078,284	972,379
Invested in capital assets	1,201,909	1,206,413
	<u>2,280,193</u>	<u>2,178,792</u>
	<u>2,791,067</u>	<u>2,526,732</u>

**Operating lease** (note 6)

**Approved by the Board of Directors**

\_\_\_\_\_  
Director

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Director

# Lung Association of Saskatchewan Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2014

			2014	2013
	Unrestricted net assets \$	Invested in capital assets \$	Total \$	Total \$
<b>Balance - Beginning of year</b>	972,379	1,206,413	2,178,792	2,197,339
Purchases of tangible capital assets	(55,667)	55,667	-	-
Excess (deficiency) of revenue over expenses	161,572	(60,171)	101,401	(18,547)
<b>Balance - End of year</b>	<b>1,078,284</b>	<b>1,201,909</b>	<b>2,280,193</b>	<b>2,178,792</b>

# Lung Association of Saskatchewan Inc.

Statement of Operations

For the year ended December 31, 2014

	2014	2013
	\$	\$
<b>Revenue</b>		
Direct mail campaigns		
Christmas Seals	172,913	194,889
Lung Disease Research Fund	78,416	80,398
Artworks	51,789	53,023
Other direct mail campaigns	41,229	24,976
Sweepstakes	28,864	-
Summer Campaign	-	28,651
Other campaigns and events		
Share the Air Raffle	248,317	272,467
Stamp Out Asthma Raffle	213,064	202,482
Bequests	209,979	581,311
Door to Door	111,439	113,271
Memorials	38,027	48,431
Other fundraising	34,009	42,109
Donor's Choice	14,395	15,508
Other income		
Grants (note 7)	977,311	406,774
RESPTrec	361,069	497,182
Canadian Lung Association	95,348	30,421
Respiratory Therapy Program	77,472	77,718
Program cost recovery	51,092	47,267
Sublease income and cost recovery	48,308	-
Saskatoon Health Region	40,397	-
Other income (note 7)	37,563	36,240
Investment income	1,705	2,721
	<u>2,932,706</u>	<u>2,755,839</u>
<b>Expenses (note 7)</b>		
Programs (Schedule 1)		
Health Promotion - general public	1,048,483	976,065
Health Education - professional	616,800	663,472
Research and grants (Schedule 2)	151,906	221,257
Development and campaign (Schedule 3)	705,352	695,365
Operating and building (Schedule 4)	308,764	218,227
	<u>2,831,305</u>	<u>2,774,386</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u><b>101,401</b></u>	<u><b>(18,547)</b></u>

# Lung Association of Saskatchewan Inc.

## Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	101,401	(18,547)
Item not affecting cash		
Amortization of tangible capital assets	60,171	65,026
	161,572	46,479
Net change in non-cash working capital items (note 5)	79,595	22,950
	241,167	69,429
<b>Investing activities</b>		
Purchases of tangible capital assets	(55,667)	(43,287)
Proceeds from redemption (purchases) of investments, net	648,717	(52,707)
	593,050	(95,994)
<b>Increase (decrease) in cash</b>	834,217	(26,565)
<b>Cash - Beginning of year</b>	294,466	321,031
<b>Cash - End of year</b>	1,128,683	294,466

# **Lung Association of Saskatchewan Inc.**

Notes to Financial Statements

**December 31, 2014**

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## **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 the financial statement 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 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 collectibility 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 tangible capital assets are recorded at fair value at the date of contribution. Amortization on equipment and vehicles 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 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, 2014

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## 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 their 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

	2014		2013	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	515,000	-	515,000	515,000
Building	769,429	118,638	650,791	631,661
Equipment and vehicles	325,836	289,718	36,118	59,752
	<u>1,610,265</u>	<u>408,356</u>	<u>1,201,909</u>	<u>1,206,413</u>

# Lung Association of Saskatchewan Inc.

Notes to Financial Statements

December 31, 2014

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## 4 Deferred revenue

	2014	2013
	\$	\$
Grants	216,230	72,398
RespTrec Education courses	100,385	144,370
Professorships and visiting professor	16,947	19,233
	<u>333,562</u>	<u>236,001</u>

## 5 Net change in non-cash working capital items

	2014	2013
	\$	\$
Decrease (increase) in accounts receivable	(140,605)	33,396
Decrease in prepaid expenses	57,266	41,164
Increase (decrease) in trade accounts payable	34,968	(22,119)
Increase (decrease) in government remittances payable	(219)	2,091
Increase in accrued salaries and vacation pay	30,624	6,608
Increase (decrease) in deferred revenue	97,561	(38,190)
	<u>79,595</u>	<u>22,950</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, 2014

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## 7 Related party transactions

The related party transactions 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.:

	<b>2014</b>	<b>2013</b>
	\$	\$
Grants received, included in grants:		
Operating	920,000	300,000
Restricted	7,400	7,500
	<hr/>	<hr/>
	927,400	307,500
	<hr/>	<hr/>
Administration and planned giving fees received, included in other income:		
Administration	5,000	5,000
Planned giving fees	31,302	32,735
	<hr/>	<hr/>
	36,302	37,735
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In addition, an amount of \$2,762 (2013 - \$771) owing to the association from the Lung Foundation of Saskatchewan Inc. is included in accounts receivable.

b) The association contracts with Karen Davis, a member of the Board of Directors, for special projects. There were no amounts paid for the year ended December 31, 2014 (2013 - \$10,028).

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. The association incurred the following expenses in the establishment of the institute:

	<b>2014</b>	<b>2013</b>
	\$	\$
Professional fees	123,000	113,538
Salaries and benefits	35,975	-
Legal fees	-	4,854
Other	-	808
	<hr/>	<hr/>
	158,975	119,200
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In addition, an amount of \$42,938 (2013 - nil) 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 therefore not included in the expenses above.

# **Lung Association of Saskatchewan Inc.**

Notes to Financial Statements

**December 31, 2014**

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## **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.

### **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.

### **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 risk 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**

The association has no significant exposure to currency risk or other price risk. There is concentration of interest rate risk as a result of the limited number of individual counterparties to the association's investments.

# Lung Association of Saskatchewan Inc.

Schedule 1 - Program Expenses

For the year ended December 31, 2014

	2014	2013
	\$	\$
<b>Program expenses</b>		
Professional Education Programs	508,656	572,438
Health Promotion	397,578	402,965
SAIL Home Respiratory Therapy Program	85,027	80,653
Training grants, seminars and other	29,473	36,363
	<u>1,020,734</u>	<u>1,092,419</u>
<b>Allocated from</b>		
Development and campaign expenses (Schedule 3)	88,384	69,407
Operating and building expenses (Schedule 4)	556,165	477,711
	<u>644,549</u>	<u>547,118</u>
<b>Total program expenses</b>	<u>1,665,283</u>	<u>1,639,537</u>
<b>Distribution to programs</b>		
Health Promotion - general public	1,048,483	976,065
Health Education - professional	616,800	663,472
<b>Net program expenses</b>	<u>1,665,283</u>	<u>1,639,537</u>

# Lung Association of Saskatchewan Inc.

Schedule 2 - Research and Grants Expense

For the year ended December 31, 2014

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	2014	2013
	\$	\$
<b>Research and grants expenses</b>		
Professorships	70,000	100,000
Canadian Lung Association assessments and contributions	68,391	66,956
Seconded staff	13,515	24,301
Research grants	-	30,000
<b>Total research and grant expenses</b>	<u>151,906</u>	<u>221,257</u>

# Lung Association of Saskatchewan Inc.

Schedule 3 - Development and Campaign Expenses

For the year ended December 31, 2014

	2014	2013
	\$	\$
<b>Direct mail campaigns</b>		
Christmas Seals	54,854	53,629
Lung Disease Research Fund	26,758	33,434
Artworks	19,195	16,806
Sweepstakes	17,350	-
Contract services	11,569	12,595
Other direct mail campaigns	2,863	4,720
Summer Campaign	-	15,838
<b>Other campaigns and events</b>		
Share the Air Raffle	169,448	174,103
Stamp Out Asthma Raffle	159,383	150,766
Door to Door	45,372	58,937
Other fundraising	5,711	10,951
Memorials	5,442	6,146
<b>Other development expenses</b>		
Salaries and benefits	109,496	107,452
Branch office costs	50,621	13,989
Other expenses	16,074	16,350
	<u>694,136</u>	<u>675,716</u>
<b>Allocated from (to)</b>		
Program expenses (Schedule 1)	(88,384)	(69,407)
Operating and building expenses (Schedule 4)	99,600	89,056
	<u>11,216</u>	<u>19,649</u>
<b>Net development and campaign expenses</b>	<u>705,352</u>	<u>695,365</u>

# Lung Association of Saskatchewan Inc.

Schedule 4 - Operating and Building Expenses

For the year ended December 31, 2014

	2014	2013
	\$	\$
<b>Operating expenses</b>		
Salaries and benefits	505,417	414,338
Professional and legal fees	160,510	132,742
Seconded staff	119,388	30,820
Vehicle and equipment amortization	26,208	35,484
Equipment maintenance	18,093	20,359
Director expense	17,527	23,869
Audit and accounting fees	14,633	17,477
Bank and credit card charges	8,417	7,569
Travel	4,351	8,618
Printing, supplies, and stationery	3,454	8,179
Other	2,882	4,119
Association and membership fees	2,508	2,951
Postage and courier	1,609	1,824
	<u>884,997</u>	<u>708,349</u>
<b>Building expenses</b>		
Building amortization	33,963	28,276
Utilities	11,420	10,028
Property taxes	10,833	10,072
Janitorial and supplies	10,546	10,697
Insurance	5,166	4,781
Repairs and maintenance	3,568	7,905
Garbage and snow removal	3,202	4,086
Telephone	834	800
	<u>79,532</u>	<u>76,645</u>
<b>Total operating and building expenses</b>	<u>964,529</u>	<u>784,994</u>
<b>Allocated to</b>		
Program expenses (Schedule 1)	(556,165)	(477,711)
Development and campaign expenses (Schedule 3)	(99,600)	(89,056)
	<u>(655,765)</u>	<u>(566,767)</u>
<b>Net operating and building expenses</b>	<u>308,764</u>	<u>218,227</u>