

The Lung Association, Manitoba Inc.

Financial Statements

Year Ended March 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of The Lung Association, Manitoba Inc.:

Opinion

We have audited the financial statements of The Lung Association, Manitoba Inc. (the "Association"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in fund balances, the statement of cash flows, and the schedule to the financial statements 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, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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 relating 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.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
June 23, 2023

THE LUNG ASSOCIATION, MANITOBA INC.

Statement of Financial Position

March 31, 2023

	2023			2022
	General Fund	Research Fund	Total	Total
ASSETS				
CURRENT				
Cash	\$ 544,452	\$ 41,983	\$ 586,435	\$ 611,048
Short-term guaranteed investment certificates (Note 3)	650,000	-	650,000	700,000
Accounts receivable (Note 4)	16,327	-	16,327	27,000
Prepaid expenses and supplies	10,671	-	10,671	10,057
	1,221,450	41,983	1,263,433	1,348,105
GUARANTEED INVESTMENT CERTIFICATES (Note 3)	150,000	-	150,000	-
INVESTMENTS (Note 5)	-	699,035	699,035	719,685
EQUIPMENT (Note 6)	10,168	-	10,168	9,690
	\$ 1,381,618	\$ 741,018	\$ 2,122,636	\$ 2,077,480
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued charges (Note 7)	\$ 36,067	\$ -	\$ 36,067	\$ 15,548
Current portion of Canada Emergency Business Account loan (Note 8)	40,000	-	-	-
Deferred revenue	72,148	-	72,148	73,022
Deferred capital grant (Note 9)	1,824	-	1,824	2,467
Inter-fund balance (Note 10)	(41,100)	41,100	-	-
	108,939	41,100	110,039	91,037
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 8)	-	-	-	40,000
	108,939	41,100	110,039	131,037
NET ASSETS				
Unrestricted	1,272,679	-	1,272,679	1,142,378
Donor designated (Note 11)	-	699,918	699,918	804,065
	1,272,679	699,918	1,972,597	1,946,443
	\$ 1,381,618	\$ 741,018	\$ 2,082,636	\$ 2,077,480

APPROVED BY THE BOARD:



Jeannie Lee, Chair

Eric Grabner, Treasurer



THE LUNG ASSOCIATION, MANITOBA INC.

Statement of Operations

Year Ended March 31, 2023

	2023			2022
	General Fund	Research Fund	Total	Total
REVENUES				
Fundraising				
Christmas Seals	\$ 156,404	\$ -	\$ 156,404	\$ 199,399
Other direct appeals	52,554	3,248	55,802	57,689
Corporate, employee and other	82,781	-	82,781	82,386
Memorial donations	21,264	-	21,264	16,762
	313,003	3,248	316,251	356,236
Tuberculosis contracted services	-	-	-	79,301
Health initiatives and other recoveries	210,350	6,050	216,400	196,594
Investment income	16,357	27,141	43,498	27,654
	539,710	36,439	576,149	659,785
EXPENDITURES (Schedule)	546,730	100,571	647,301	602,087
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE BEQUESTS AND OTHER ITEMS	(7,020)	(64,132)	(71,152)	57,698
BEQUESTS	137,321	15,225	152,546	497,492
REALIZED GAIN ON SALE OF INVESTMENTS	-	4,625	4,625	19,697
UNREALIZED (LOSS) GAIN IN FAIR VALUE OF INVESTMENTS	-	(59,865)	(59,865)	58,277
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ 130,301	\$ (104,147)	\$ 26,154	\$ 633,164

THE LUNG ASSOCIATION, MANITOBA INC.

Statement of Changes in Fund Balances

Year Ended March 31, 2023

	2023			2022
	General Fund	Research Fund	Total	Total
BALANCE - BEGINNING OF THE YEAR	\$ 1,142,378	\$ 804,065	\$ 1,946,443	\$ 1,313,279
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	130,301	(104,147)	26,154	633,164
BALANCE - END OF THE YEAR	\$ 1,272,679	\$ 699,918	\$ 1,972,597	\$ 1,946,443

THE LUNG ASSOCIATION, MANITOBA INC.

Statement of Cash Flows

Year Ended March 31, 2023

	2023			2022
	General Fund	Research Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenditures for the year	\$ 130,301	\$ (104,147)	\$ 26,154	\$ 633,164
Items not affecting cash and cash equivalent				
Amortization	2,935	-	2,935	3,199
Realized loss on disposal of equipment	2,164	-	2,164	-
Realized (gain) on sale of investments	-	(4,625)	(4,625)	(19,697)
Unrealized loss (gain) in fair value of investments	-	59,865	59,865	(58,277)
	135,400	(48,907)	86,493	558,389
Changes in non-cash working capital items				
Decrease in accounts receivable	10,673	-	10,673	156,711
(Increase) decrease in prepaid expenses and supplies	(614)	-	(614)	938
Decrease (increase) in accounts payable	20,519	-	20,519	(25,640)
(Decrease) increase in deferred revenue	(1,517)	-	(1,517)	11,351
Cash provided by operating activities	29,061	-	29,061	143,360
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(5,577)	-	(5,577)	(2,102)
Purchase of guaranteed investment certificates	(100,000)	-	(100,000)	(700,000)
Purchase of investments	-	(80,689)	(80,689)	(97,709)
Redemption of investments	-	46,099	46,099	74,366
Cash (used) by investing activities	(105,577)	(34,590)	(140,167)	(725,445)
INCREASE (DECREASE) IN CASH DURING THE YEAR	58,884	(83,497)	(24,613)	(23,696)
CASH - BEGINNING OF THE YEAR	485,568	125,480	611,048	634,744
CASH - END OF THE YEAR	\$ 544,452	\$ 41,983	\$ 586,435	\$ 611,048

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

1. NATURE OF ACTIVITIES

The Lung Association, Manitoba Inc. (the "Association") is a registered charity and as such is exempt from income tax.

The Association promotes lung health and other initiatives through various health programs and services.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Association follows the restricted fund method to account for its activities. The funds are as follows:

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. Restricted funds have been restricted by donors and are to be used for research and education in the prevention and management of various lung diseases.

Equipment

Equipment is stated at cost less accumulated amortization. Amortization is provided using the following methods and rates:

	Basis	Rates
Furniture and equipment	Straight-line	10 years
Lung function equipment	Straight-line	5 years
Computer equipment	Straight-line	5 years

Revenue recognition

The Association follows the deferral method of accounting for revenue which includes donations and government grants. Unrestricted donations and grants are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Bequests are recognized as revenue when received. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred, or the restrictions are met. Interest, fundraising and investment income are recorded as revenue when earned.

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government assistance

Government assistance towards current expenses, including salaries, is recognized as a revenue when the related expenses are incurred, provided there is reasonable assurance that the Association has complied and will continue to comply with all the conditions of the government assistance.

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 sponsorship revenues expected to be received in this program.

Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in shares of publicly traded companies that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets subsequently measured at amortized cost include cash, guaranteed investment certificates and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued charges and Canada Emergency Business Account Loan.

Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

Significant areas requiring the use of management estimates relate to estimated useful life of the equipment, amounts recorded as financial instruments. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

3. GUARANTEED INVESTMENT CERTIFICATES

	2023	2022
Guaranteed investment certificates with CIBC		
0.60% due on September 29, 2022	\$ -	\$ 250,000
0.60% due on September 29, 2022	-	250,000
0.60% due on January 12, 2023	-	100,000
0.60% due on January 12, 2023	-	100,000
4.65% due on November 16, 2023	500,000	-
4.50% due on March 13, 2024	150,000	-
4.00% due on March 13, 2025	150,000	-
	800,000	700,000
Maturing within one year	(650,000)	(700,000)
	\$ 150,000	\$ -

4. ACCOUNTS RECEIVABLE

	2023	2022
Province of Manitoba	\$ -	\$ 10,056
Government of Canada	-	8,084
Canada Emergency Wage Subsidy	3,305	5,846
Goods and Services Tax rebate	13,022	3,014
Other		
	\$ 16,327	\$ 27,000

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

5. INVESTMENTS

	2023	2022
Investment in fixed income securities of publicly traded companies (recorded at fair value)	\$ 197,019	\$ 181,613
Investment in shares of publicly traded companies (recorded at fair value)	502,016	538,072
	<u>\$ 699,035</u>	<u>\$ 719,685</u>
Total investments (at cost)	<u>\$ 607,872</u>	<u>\$ 568,826</u>

6. EQUIPMENT

	2023			2022
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 7,368	\$ 2,579	\$ 4,789	\$ 1,219
Lung function equipment	2,773	2,449	324	878
Computer equipment	10,287	5,232	5,055	7,593
	<u>\$ 20,428</u>	<u>\$ 10,260</u>	<u>\$ 10,168</u>	<u>\$ 9,690</u>

Amortization of equipment included in the schedule of expenditures amounts to \$2,935 (2022 - \$3,199).

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2023	2022
Salaries, wages, and benefits	\$ 2,795	\$ 4,957
Suppliers	33,272	10,591
	<u>\$ 36,067</u>	<u>\$ 15,548</u>

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

8. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

	2023	2022
Government of Canada loan issued by CIBC, with an unpaid principal of \$60,000	\$ 40,000	\$ 40,000

Principal repayment terms are approximately:

Before December 31, 2023	\$ 40,000
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The Canada Emergency Business Account (CEBA) is an interest free loan issued by the Government of Canada through CIBC to assist with operating costs of the Association as a result of a reduction in revenue due to the Covid-19 global pandemic. An amount up to \$20,000 which is 25% of the first \$40,000 loan and 50% of the additional \$20,000 loan will be forgiven, if the Association repays the \$40,000 on or before December 31, 2023. If the full amount of \$40,000 of the loan is not repaid by December 31, 2023, the loan will be extended into a two-year loan bearing interest at 5%. It is management's opinion that the Association will repay the \$40,000 by December 31, 2023. In 2021, the Association recognized \$20,000 as revenue in health initiatives and other recoveries.

9. DEFERRED CAPITAL GRANT

	2023	2022
Balance - beginning of the year	\$ 2,467	\$ 3,111
Amortization of capital grant	(643)	(644)
Balance – end of the year	\$ 1,824	\$ 2,467

10. INTER-FUND TRANSFER

Amounts owing between the General and Research Funds are non-interest bearing and have no fixed terms of repayment.

11. RESEARCH FUND

During the year, the Research Fund received \$16,694 (2022 – \$47,422) of bequests and major gifts which are being internally restricted.

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

12. PENSION PLAN

The Association is a participating employer in the Healthcare Employees Pension Plan – Manitoba, a multi-employer defined benefit pension plan. The Association has insufficient information to be able to account for the plan as a defined benefit pension plan. The most recent actuarial valuation prepared as at December 31, 2021 by AON Hewitt, the Plan's actuary, reported a deficiency of the actuarial value of net assets over the actuarial present value of accrued pension benefits in the amount of \$1,272,435,000, as well as a solvency deficiency of \$1,243,206,000.

13. RESIDUARY INTERESTS

The Association has a residuary interest in various estates or trusts which continue to be administered by executors and trustees, and for which no values have been recorded in these financial statements.

14. COMMITMENTS

The Association has entered into an agreement to receive services such as financial accounting and reporting, payroll and budget preparations, donation processing and receipting, staff supervision and Information Technology management. The required payment is as follows:

2023/2024	\$36,000
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The Association signed a three-year contract for an internet service. The payments are as follows:

2023/2024	1,050
2024/2025	525

THE LUNG ASSOCIATION, MANITOBA INC.

Notes to Financial Statements

Year Ended March 31, 2023

15. FINANCIAL INSTRUMENTS

The Association is exposed to certain risks through its financial instruments and has a risk management framework to monitor, evaluate and manage the risk. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2023. There has been no significant change in the risks from prior year.

It is management's opinion that the Association is not exposed to significant interest or currency risk arising from these financial instruments.

Credit risk

Credit risk arises from the potential that a counter party fails to perform its obligations. The Association is exposed to credit risk with respect to the accounts receivable and grants receivable. The grants were received soon after year-end. The Association assesses, on a continuous basis, accounts receivable based on amounts it is virtually certain to receive. In the current year, there is \$Nil in allowance for doubtful accounts (2022 - \$Nil).

Market risk

Market risk is the risk of loss that may arise from changes in market conditions, such equity prices. These risks are outside control of the Association. The Association is exposed to market risk with respect to the investment in publicly traded securities in the equity market. The risk is that the shares fair value will fluctuate because of changes in market prices.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

17. SUBSEQUENT EVENTS

Effective April 1, 2023, The Lung Association, Manitoba Inc. is no longer a member of Canadian Lung Association (CLA). The Association was the last member in the federation. CLA and the Association are in negotiation to finalize licensing and service agreements. As of the date of the audited financial statements, these agreements have not been finalized.

THE LUNG ASSOCIATION, MANITOBA INC.

Schedule of Expenditures

Year Ended March 31, 2023

	2023	2022
GENERAL FUND		
Fundraising	\$ 63,756	\$ 104,691
Health initiatives	289,098	332,273
National programs	27,131	27,131
Administrative support	166,745	101,872
	<u>546,730</u>	<u>565,967</u>
RESEARCH FUND		
Canadian Lung Association Research	19,460	19,460
General research	53,272	-
Studentship grant	24,000	12,000
Investment fee	3,839	4,660
	<u>100,571</u>	<u>36,120</u>
	<u>\$ 647,301</u>	<u>\$ 602,087</u>