

# Canadian Lung Association



## Financial Statements

For the year ended March 31, 2016



**Canadian Lung Association**  
**Financial Statements**  
For the year ended March 31, 2016

**Contents**

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## Independent Auditor's Report

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### To the Members of Canadian Lung Association

We have audited the accompanying financial statements of the Canadian Lung Association (the "Association") which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and for such internal controls 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 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 of 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 controls 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 audit opinion.

#### Basis for Qualified Opinion

In common with many not-for-profit organizations the association's Breathing as One Campaign 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 and we were not able to determine whether any adjustments might be necessary to fundraising and donations revenue, excess of revenue over expenses, assets and fund balances.



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## Independent Auditor's Report (continued)

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### Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the balance sheet of Canadian Lung Association as at March 31, 2016, 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.

*Collins Barrow Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
September 10, 2016  
Ottawa, Ontario

## Canadian Lung Association Statement of Financial Position

**March 31** **2016** **2015**

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
<b>Assets</b>					
<b>Current</b>					
Cash and short-term investments (Note 2)	\$ 273,057	\$ 65,965	\$ 265,752	\$ 604,774	\$ 432,678
Interfund transfers	806,433	976,240	(1,782,673)	-	-
Accounts receivable (Note 4)	137,701	40,583	1,846	180,130	150,880
Due from Canadian Thoracic Society (Note 1)	361,920	-	-	361,920	-
Government remittances receivable	21,935	3,435	38,892	64,262	69,869
Prepaid expenses	21,904	-	-	21,904	209,214
	<b>1,622,950</b>	<b>1,086,223</b>	<b>(1,476,183)</b>	<b>1,232,990</b>	<b>862,641</b>
<b>Investments</b> (Note 3)	<b>655,379</b>	<b>905,048</b>	<b>-</b>	<b>1,560,427</b>	<b>2,287,057</b>
<b>Long-term receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,136</b>
<b>Due from Canadian Thoracic Society</b> (Note 1)	<b>43,000</b>	<b>-</b>	<b>-</b>	<b>43,000</b>	<b>-</b>
<b>Tangible capital assets</b> (Note 5)	<b>7,052</b>	<b>-</b>	<b>-</b>	<b>7,052</b>	<b>4,390</b>
	<b>\$ 2,328,381</b>	<b>\$ 1,991,271</b>	<b>\$ (1,476,183)</b>	<b>\$ 2,843,469</b>	<b>\$ 3,211,224</b>

### Liabilities and Fund Balances

<b>Current</b>					
Accounts payable and accrued liabilities	\$ 156,674	\$ 29,437	\$ 54,601	\$ 240,712	\$ 211,771
Due to Canadian Thoracic Society (Note 1)	152,820	-	-	152,820	-
Deferred revenue (Note 6)	33,634	235,183	464,496	733,313	828,805
	<b>343,128</b>	<b>264,620</b>	<b>519,097</b>	<b>1,126,845</b>	<b>1,040,576</b>
<b>Fund Balances</b>					
Unrestricted	1,951,890	1,726,651	(1,995,280)	1,683,261	2,066,953
Internally restricted - CTS	-	-	-	-	70,332
Internally restricted - Respiratory conference	33,363	-	-	33,363	33,363
	<b>1,985,253</b>	<b>1,726,651</b>	<b>(1,995,280)</b>	<b>1,716,624</b>	<b>2,170,648</b>
	<b>\$ 2,328,381</b>	<b>\$ 1,991,271</b>	<b>\$ (1,476,183)</b>	<b>\$ 2,843,469</b>	<b>\$ 3,211,224</b>

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

## Canadian Lung Association Statement of Operations

**For the year ended March 31**

**2016**

**2015**

	General Fund	Research Fund	Breathing As One Campaign	Total	Total
<b>Revenue</b>					
Provincial assessments	\$ 785,734	\$ 618,536	\$ -	\$ 1,404,270	\$ 1,156,545
Program and project contracts	121,290	69,294	-	190,584	108,559
Sponsorship	477,937	1,665	-	479,602	755,967
Donations bequests and memorials (Note 7)	414,854	5,528	-	420,382	94,862
Membership	117,807	-	-	117,807	123,192
Endorsements	20,000	-	-	20,000	11,813
Sale of materials	1,950	-	-	1,950	9,139
Campaign donations	-	-	36,866	36,866	67,966
Interest and investment income	57,835	77,878	-	135,713	136,428
Accreditation	-	-	-	-	15,750
Miscellaneous and other income	317,076	2,316	-	319,392	12,466
Conference registration	178,056	-	-	178,056	349,787
	<b>2,492,539</b>	<b>775,217</b>	<b>36,866</b>	<b>3,304,622</b>	<b>2,842,474</b>
<b>Expenses (Schedules)</b>					
Admin allocation	(57,171)	57,171	-	-	-
Advertising and promotion	57,129	1,948	39,480	98,557	138,196
Consultants	120,261	40,980	10,552	171,793	441,413
Meetings and Travel	465,472	44,598	43,299	553,369	603,323
Other operating expenses	245,310	15,985	26,088	287,383	467,922
Office rentals and leases	171,890	876	187	172,953	191,787
Professional fees	118,026	-	454	118,480	20,433
Research grants and awards	-	524,554	-	524,554	459,534
Salary	907,385	142,704	610,603	1,660,692	1,489,565
	<b>2,028,302</b>	<b>828,816</b>	<b>730,663</b>	<b>3,587,781</b>	<b>3,812,173</b>
<b>Excess (deficiency) of revenue over expenses before unrealized items</b>	<b>464,237</b>	<b>(53,599)</b>	<b>(693,797)</b>	<b>(283,159)</b>	<b>(969,699)</b>
<b>Unrealized gain (loss) on investments</b>	<b>(42,224)</b>	<b>(58,309)</b>	<b>-</b>	<b>(100,533)</b>	<b>27,319</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 422,013</b>	<b>\$ (111,908)</b>	<b>\$ (693,797)</b>	<b>\$ (383,692)</b>	<b>\$ (942,380)</b>

## Canadian Lung Association Statement of Changes in Fund Balances

**For the year ended March 31**

**2016**

**2015**

	General Fund			Research Fund	Breathing As One Campaign	Total	Total
	Unrestricted	Internally Restricted CTS	Internally Restricted Respiratory Conference	Unrestricted	Unrestricted		
<b>Balance, beginning of year</b>	\$ 1,529,877	\$ 70,332	\$ 33,363	\$ 1,838,559	\$(1,301,483)	\$ 2,170,648	\$ 3,113,028
<b>Excess (deficiency) of revenue over expenses</b>	422,013	-	-	(111,908)	(693,797)	(383,692)	(942,380)
<b>CTS transfer (Note 1)</b>	-	(70,332)	-	-	-	(70,332)	-
<b>Balance, end of year</b>	<b>\$ 1,951,890</b>	<b>\$ -</b>	<b>\$ 33,363</b>	<b>\$ 1,726,651</b>	<b>\$(1,995,280)</b>	<b>\$ 1,716,624</b>	<b>\$ 2,170,648</b>

## Canadian Lung Association Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses for the year	\$ (383,692)	\$ (942,380)
Adjustments for		
Amortization of tangible capital assets	3,333	2,554
Gain on sale of investments	(78,737)	(51,746)
Unrealized loss (gain) on investments	100,533	(27,319)
	(358,563)	(1,018,891)
Changes in non-cash working capital items		
Accounts receivable	(29,250)	133,076
Government remittances receivable	5,607	11,295
Due from Canadian Thoracic Society	(361,920)	-
Prepaid expenses	187,310	(35,191)
Accounts payable and accrued liabilities	28,941	(118,701)
Due to Canadian Thoracic Society	152,820	-
Deferred revenue	(95,492)	(184,667)
	(470,547)	(1,213,079)
<b>Cash flows from investing activities</b>		
Purchase of investments	(288,539)	(526,746)
Sale of investments	1,003,883	1,278,902
Long-term receivables	57,136	57,144
Long-term CTS receivable	(43,000)	-
Purchase of tangible capital assets	(6,886)	(5,155)
Disposal of tangible capital assets	891	1,567
Transfer of Internally Restricted CTS fund	(70,332)	-
	653,153	805,712
<b>Increase (decrease) in cash during the year</b>	<b>182,606</b>	<b>(407,367)</b>
<b>Cash and short-term investments, beginning of year</b>	<b>694,132</b>	<b>1,101,499</b>
<b>Cash and short-term investments, end of year</b>	<b>\$ 876,738</b>	<b>\$ 694,132</b>
<b>Represented by:</b>		
Cash and short-term investments (Note 2)	\$ 604,774	\$ 432,678
Cash component of investments (Note 3)	271,964	261,454
	<b>\$ 876,738</b>	<b>\$ 694,132</b>



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## Canadian Lung Association Summary of Significant Accounting Policies

March 31, 2016

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### **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 and the following Societies; the Canadian Thoracic Society (CTS) and the Canadian Respiratory Health Professionals (CRHP). The funds of CTS are internally restricted.

#### **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 will be 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 will also be 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.

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## Canadian Lung Association Summary of Significant Accounting Policies

March 31, 2016

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### 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, long-term receivables, 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.

#### 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.

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## Canadian Lung Association Summary of Significant Accounting Policies

**March 31, 2016**

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<b>Revenue Recognition</b>	<p>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.</p> <p>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.</p>
<b>Investments</b>	<p>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.</p>
<b>Tangible Capital Assets</b>	<p>Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over three years.</p>
<b>Allocation of Expenses</b>	<p>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.</p> <p>The association allocates an allowance for general support expenses to individual projects proportionately based on the proportion of staff working on each project.</p>

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## Canadian Lung Association Notes to Financial Statements

**March 31, 2016**

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### 1. Transfer of CTS, CRC and CRHP

The association has elected to transfer the assets, liabilities, fund balance and operations of the Canadian Thoracic Society (CTS), Canadian Respiratory Conference (CRC) and Canadian Respiratory Health Professionals (CRHP) divisions to the newly formed Canadian Thoracic Society Corporation.

An Asset Transfer Agreement between CLA and CTS has been developed, some of the conditions of which are contingent upon CRA approval.

- The assets, liabilities and operations of CTS will be transferred to the Canadian Thoracic Society with an effective date of September 1, 2015.
- The assets, liabilities and operations of CRC will be transferred to the Canadian Thoracic Society with an effective date of December 1, 2015.
- The assets, liabilities and operations of CRHP will be transferred to the Canadian Thoracic Society with an effective date of April 1, 2016.

A receivable of \$361,920 from CTS exists that pertains to costs incurred by the association on behalf of the divisions, reimbursement of deposits and the assessed value of the CRC. A long-term receivable of \$43,000 from CTS exists that pertains to future services to be provided at CRC over the next four years.

A payable of \$152,820 to CTS exists that pertains to the transfer of the Internally Restricted CTS fund and memberships received by the association on behalf of CTS.

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### 2. Cash and Short-Term Investments

The association's bank accounts are held at one chartered bank and earn interest between 0% and prime less 2.75%.

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### 3. Investments

The carrying values of the investments are as follows:

	2016			2015
	General Fund	Research Fund	Total	Total
Cash and short-term	\$ 114,225	\$ 157,739	\$ 271,964	\$ 261,454
Common equities	152,984	211,264	364,248	519,467
Fixed income	388,170	536,045	924,215	1,506,136
	\$ 655,379	\$ 905,048	\$ 1,560,427	\$ 2,287,057

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## Canadian Lung Association Notes to Financial Statements

**March 31, 2016**

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### 3. Investments (continued)

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 2.15% to 4.85% per annum and mature between April 2017 and June 2025.

Investments in common equities include amounts denominated in U.S. dollars of \$155,504 (2015 - \$166,660).

Interest earned on investments was \$37,596 (2015 - \$59,974). A capital gain of \$78,737 was recognized in the current year on the sale of investments (2015 - \$51,746).

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### 4. Accounts Receivable

Accounts receivable are net of an allowance for doubtful accounts of \$80,685 (2015 - 63,861).

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### 5. Tangible Capital Assets

	2016			2015		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 22,851	\$ 21,943	\$ 908	\$ 22,163	\$ 22,163	\$ -
Computer equipment	39,469	33,325	6,144	43,141	38,751	4,390
Computer software	14,080	14,080	-	14,080	14,080	-
Leasehold improvements	2,577	2,577	-	2,577	2,577	-
	<b>\$ 78,977</b>	<b>\$ 71,925</b>	<b>\$ 7,052</b>	<b>\$ 81,961</b>	<b>\$ 77,571</b>	<b>\$ 4,390</b>

During the year, property and equipment was purchased for \$6,884 (2015 - \$5,043).

During the year, the association incurred amortization expense of \$3,333 (2015 - \$2,554) which was charged to the departments for which the related equipment was purchased.

During the year, property and equipment with a cost basis of \$891 was disposed of as part of the CTS transfer discussed in Note 1.

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## Canadian Lung Association Notes to Financial Statements

March 31, 2016

### 6. Deferred Revenue

	Balance at Beginning of Year	Contributions	Expenses Incurred and Revenue Recognized	Balance at End of Year
<b>General Fund</b>				
Corporate Funds Development	\$ 9,099	\$ 10,000	\$ -	\$ 19,099
Respiratory Conference 2015	283,619	-	283,619	-
Consumer Health Information	8,139	-	4,814	3,325
CTS Programs	17,992	10,000	27,992	-
Unearned memberships	33,367	111,670	133,827	11,210
	<u>352,216</u>	<u>131,670</u>	<u>450,252</u>	<u>33,634</u>
<b>Research Fund</b>				
Research Grants	347,691	89,964	202,472	235,183
<b>Breathing as One Campaign</b>				
Future Research Competition	128,898	110,598	-	239,496
Asthma Control in Canada Report	-	175,000	-	175,000
Patient Engagement	-	50,000	-	50,000
	<u>128,898</u>	<u>335,598</u>	<u>-</u>	<u>464,496</u>
	<u>\$ 828,805</u>	<u>\$ 557,232</u>	<u>\$ 652,724</u>	<u>\$ 733,313</u>

### 7. Donations, Bequests and Memorials

Category	Received during the year	Less: Grants to Provincial Associations		Net Retained by CLA	2015
		Paid in 2015-16	Payable Q1 2016-17		
Donations	\$ 240,555	\$ (191,900)	\$ (18,815)	\$ 29,840	\$ 37,340
Bequests	520,799	(80,641)	(62,425)	377,733	34,940
Memorials	66,194	(32,988)	(20,397)	12,809	22,582
	<u>\$ 827,548</u>	<u>\$ (305,529)</u>	<u>\$ (101,637)</u>	<u>\$ 420,382</u>	<u>\$ 94,862</u>

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## Canadian Lung Association Notes to Financial Statements

**March 31, 2016**

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### 8. Commitments

The association is committed to monthly premises lease payments of \$6,662 ending October 31, 2017 and an equipment lease of \$897 per quarter ending June 30, 2020. Minimum payments over the next five years to meet the above commitments is as follows:

2017	\$	83,528
2018		50,220
2019		3,588
2020		3,588
2021		897
		<hr/>
	\$	<u>141,821</u>

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### 9. Contribution Agreements

Contributions received from government agencies may be subject to audit under the terms and conditions of the contribution agreement. Should an audit reveal that any of the expenses of the project are not in accordance with funding guidelines or should any unspent funds remain at the end of the project, the funder may require the association to reimburse a portion of the funds advanced. No claim for reimbursement has been made to date and management is of the opinion that the amount of any possible claim cannot be anticipated at this time. No provision for reimbursement of funds has been made in the financial statements. In the event any sum has to be reimbursed, it will be treated as a current period expense.

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## Canadian Lung Association Notes to Financial Statements

**March 31, 2016**

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**10. Studentships, Fellowships, Research Grants and Honorariums:**

Included in the departmental expenses of the research fund are the following studentships, fellowships, grants and honorariums:

	2016	2015
<b>Studentships:</b>		
M. Dorrington, McMaster University	\$ 21,000	\$ 10,500
S. Satyanarayana, McGill University	31,500	10,500
M. Sze, University of British Columbia	10,500	10,500
C.J. Walsh, St. Michael's Hospital	21,000	-
<b>Fellowships:</b>		
L. Desveaux, University of Toronto	5,000	5,000
K. Godri-Pollitt, University Health Network	-	22,500
K. Horvery, University of Saskatchewan	5,000	5,000
M. Jensen, Hôpital Sainte-Justine (Montreal)	-	34,375
L. Mostaco-Guidolin, University of British Columbia	45,000	-
J. Reid, McMaster University	10,000	-
M. Shafa, Ottawa Hospital Research Institute	45,000	22,500
D. Vasilescu, University of British Columbia	22,500	22,500
L. Wickerson, University of Toronto	15,000	5,000
<b>Grants:</b>		
D. Brooks, West Park Healthcare Centre	12,256	12,256
R. Débigaré, University of Laval	11,754	11,754
N. Eves, University of British Columbia	10,000	-
A. Hudson-Mason, Alberta Health Services	-	9,954
T. Janaudis-Ferreira, West Park Healthcare Centre	12,490	12,490
J. King, University of Ottawa	9,964	-
D. Lucy, University of Western Ontario	-	6,831
M. Nonoyama, University of Toronto	-	13,374
D. Saey, University of Laval	19,590	2,500
Canadian Respiratory Research Network	217,000	217,000
	<b>\$ 524,554</b>	<b>\$ 434,534</b>

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# Canadian Lung Association

## Notes to Financial Statements

March 31, 2016

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### 11. 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, 2016.

#### 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 and long-term receivables. 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 bank indebtedness, 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 mainly exposed to interest rate 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.

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## Canadian Lung Association Notes to Financial Statements

**March 31, 2016**

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

Changes in risk

There have been no significant changes in the association's risk exposures from the 2015 fiscal year.

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**12. Prior Period Adjustment**

Comparative amounts for the year ended March 31, 2015 have been adjusted to account for deferred revenues that were recorded in revenues.

Financial statement amounts that have been presented for comparative purposes that have been restated are:

Increase in Breathing as One Deferred Revenue	\$	128,898
Decrease in Net Income	\$	(128,898)
Decrease in Breathing as One Campaign Fund	\$	(128,898)

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## Canadian Lung Association Schedule 1 - Summary by Line of Business

For the year ended March 31, 2016

	General Admin	Health Care Professionals	Canadian Respiratory Conference	Consumer Health Information	Communications and Advocacy	Making Quitting Happen	National Coordination	International	Research	Breathing As One Campaign	Total
<b>Expenses</b>											
Admin allocation	\$ (404,143)	\$ 134,059	\$ 31,543	\$ 15,771	\$ 70,971	\$ -	\$ 94,628	\$ -	\$ 57,171	\$ -	\$ -
Advertising and promotion	13	5,652	42,651	178	8,635	-	-	-	1,948	39,480	<b>98,557</b>
Consultants	13,234	9,041	84,711	-	3,080	-	-	10,195	40,980	10,552	<b>171,793</b>
Meetings and travel	2,123	152,860	176,918	229	11,554	-	82,566	39,222	44,598	43,299	<b>553,369</b>
Other operating expenses	107,250	(39,748)	119,409	5,442	20,260	-	7,122	25,575	15,985	26,088	<b>287,383</b>
Office rental and leases	84,272	5,220	80,342	91	166	-	1,799	-	876	187	<b>172,953</b>
Professional fees	111,052	1,185	-	-	-	-	5,789	-	-	454	<b>118,480</b>
Research grants and awards	-	-	-	-	-	-	-	-	524,554	-	<b>524,554</b>
Salary	169,447	234,721	55,556	27,825	122,732	-	297,104	-	142,704	610,603	<b>1,660,692</b>
<b>Total Expense</b>	<b>\$ 83,248</b>	<b>\$ 502,990</b>	<b>\$ 591,130</b>	<b>\$ 49,536</b>	<b>\$ 237,398</b>	<b>\$ -</b>	<b>\$ 489,008</b>	<b>\$ 74,992</b>	<b>\$ 828,816</b>	<b>\$ 730,663</b>	<b>\$3,587,781</b>

**Canadian Lung Association**  
**Schedule 1 - Summary by Line of Business**  
(continued)

For the year ended March 31, 2015

	General Admin	Health Care Professionals	Canadian Respiratory Conference	Consumer Health Information	Communications and Advocacy	Making Quitting Happen	National Coordination	International	Research	Breathing As One Campaign	Total
Expenses											
Admin allocation	\$ (516,907)	\$ 161,665	\$ 34,320	\$ 69,995	\$ 30,933	\$ 51,932	\$ 64,049	\$ 6,020	\$ 97,993	\$ -	\$ -
Advertising and promotion	26	9,966	72,386	197	8,813	-	1,507	-	-	45,301	138,196
Consultants	15,761	31,918	91,862	52,386	-	-	14,218	4,360	43,711	187,197	441,413
Meetings and travel	15,681	217,498	211,116	1,429	4,303	298	73,619	-	33,566	45,813	603,323
Other operating expenses	229,014	(19,000)	132,094	44,493	16,374	821	9,627	5,584	9,246	39,669	467,922
Office rental and leases	84,094	5,548	100,691	373	124	1	178	-	196	582	191,787
Professional fees	20,071	55	-	-	-	-	-	-	-	307	20,433
Research grants awards	-	-	-	-	-	-	-	-	434,534	25,000	459,534
Salary	258,195	259,831	56,814	128,028	72,258	18,031	221,871	3,134	95,592	375,811	1,489,565
<b>Total Expense</b>	<b>\$ 105,935</b>	<b>\$ 667,481</b>	<b>\$ 699,283</b>	<b>\$ 296,901</b>	<b>\$ 132,805</b>	<b>\$ 71,083</b>	<b>\$ 385,069</b>	<b>\$ 19,098</b>	<b>\$ 714,838</b>	<b>\$ 719,680</b>	<b>\$3,812,173</b>