

**DRAFT**

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**LUNG CANCER CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Lung Cancer Canada,

### Opinion

We have audited the financial statements of Lung Cancer Canada (the organization), which comprise the statement of financial position as at December 31, 2024, and the statements of operations and changes in net assets and cash flows 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 Lung Cancer Canada as at December 31, 2024 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.

### 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 organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

## INDEPENDENT AUDITOR'S REPORT (continued)

DRAFT

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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 organization 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  
Licensed Public Accountants

Report date  
Toronto, Ontario

**LUNG CANCER CANADA****STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2024****DRAFT****2024****2023****ASSETS**

## Current assets

Cash	\$ 781,237	\$ 873,580
Marketable securities (note 3)	1,647,658	1,441,408
Amounts receivable	26,400	13,808
HST rebate recoverable	35,393	33,893
Prepaid expenses	<u>11,612</u>	<u>6,253</u>
	<u>\$ 2,502,300</u>	<u>\$ 2,368,942</u>

**LIABILITIES AND NET ASSETS**

## Current liabilities

Accounts payable and accrued liabilities	\$ 21,729	\$ 31,109
Deferred contributions (note 4)	<u>727,301</u>	<u>711,822</u>
	<u>749,030</u>	<u>742,931</u>

## Net assets

Unrestricted	<u>1,753,270</u>	<u>1,626,011</u>
	<u>\$ 2,502,300</u>	<u>\$ 2,368,942</u>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

see accompanying notes

**LUNG CANCER CANADA****STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2024****DRAFT****2024****2023****REVENUE**

Contributions (note 5)	\$ 1,052,074	\$ 901,321
Investment income		
Interest and dividends	80,276	62,868
Change in unrealized gain on marketable securities	13,277	65,223
Realized gains on sale of marketable securities	7,943	79,270
Fundraising and other	<u>99,554</u>	<u>118,117</u>
	<u>1,253,124</u>	<u>1,226,799</u>

**EXPENSES**

Personnel	393,436	457,246
Public awareness and education	300,184	195,338
Research	258,212	76,782
Office and general	96,015	80,474
Occupancy	37,064	35,772
Investment management fees	17,202	17,281
Professional fees	9,719	9,203
Insurance	7,262	2,496
Events	<u>6,771</u>	<u>7,211</u>
	<u>1,125,865</u>	<u>881,803</u>

**EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR**

127,259 344,996

Net assets, beginning of year

1,626,011 1,281,015**NET ASSETS, END OF YEAR**\$ 1,753,270 \$ 1,626,011

see accompanying notes

**LUNG CANCER CANADA****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2024****DRAFT****2024****2023****OPERATING ACTIVITIES**

Excess of revenue over expenses for the year \$ 127,259 \$ 344,996

Add back non-cash items -

Amortization of capital assets - -

Change in unrealized gains on marketable securities (13,277) (65,223)

Net change in non-cash working capital items (see below) (13,352) 161,783Net cash generated from operating activities 100,630 441,556**INVESTING ACTIVITIES**

Guaranteed investment certificates purchased (250,000) (300,000)

Proceeds from sale of marketable securities, net of purchases 57,027 62,785Net cash used for investing activities (192,973) (237,215)**NET INCREASE (DECREASE) IN CASH FOR THE YEAR** (92,343) 204,341Cash, beginning of year 873,580 669,239**CASH, END OF YEAR** \$ 781,237 \$ 873,580

Net change in non-cash working capital items:

Decrease (increase) in current assets-

Amounts receivable \$ (12,592) \$ 14,442

HST rebate recoverable (1,500) (10,746)

Prepaid expenses (5,359) -

Increase (decrease) in current liabilities-

Accounts payable and accrued liabilities (9,380) 4,094

Deferred contributions 15,479 153,993\$ (13,352) \$ 161,783

see accompanying notes

Lung Cancer Canada (the organization) is continued under the Canada Not-for-profit Corporations Act without share capital. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The objectives of the organization are to raise awareness, provide patient focused information and offer peer support to everyone touched by lung cancer.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

**Revenue recognition**

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

*Contributions*

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions.

Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received.

*Contributed materials and services*

Contributed materials and services which are normally purchased by the organization are not recorded in the accounts.

*Investment income*

Investment income, which consists of interest, dividends, realized gains and losses and changes in unrealized gains, is recorded as revenue in the statement of operations when earned. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

*Foreign currency translation*

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Exchange gains and losses are included in the statement of operations.

**2. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS**

The organization's financial instruments include cash, marketable securities, amounts receivable, accounts payable and accrued liabilities. Marketable securities consist of publicly traded equities, guaranteed investment certificates and mutual funds. Equity and mutual funds are initially and subsequently recorded at fair market value. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value. Amounts receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value.

The organization's mutual funds are exposed to interest rate risk to the extent that the mutual funds hold fixed-income securities because the fair value will fluctuate due to changes in market interest rates.

The organization's equities and mutual funds are exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks). The organization's equities and mutual funds held in U.S. dollars are exposed to foreign currency exchange risk through fluctuations of foreign exchange rates and the degree of volatility of these rates.

**3. MARKETABLE SECURITIES**

Marketable securities are as follows:

	2024	2023
Mutual funds	\$ 626,651	\$ 868,972
Guaranteed investment certificates	550,000	300,000
Canadian and US equities	<u>471,007</u>	<u>272,436</u>
	<u>\$ 1,647,658</u>	<u>\$ 1,441,408</u>

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear interest of 5.05% and mature in January 2025.

**4. DEFERRED CONTRIBUTIONS**

Continuity of deferred contributions for the year is as follows:

	2024	2023
Deferred contributions, beginning of year	\$ 711,822	\$ 557,829
Add cash received from contributions	1,067,553	1,055,314
Less contribution revenue recognized in year	<u>(1,052,074)</u>	<u>(901,321)</u>
Deferred contributions, end of year	<u>\$ 727,301</u>	<u>\$ 711,822</u>



**5. CONTRIBUTIONS**

Contribution revenue recognized in the year was as follows:

	2024	2023
Corporations	\$ 454,597	\$ 426,862
Individuals	332,185	420,659
Foundations	256,024	53,800
Government	<u>9,268</u>	<u>-</u>
	<u>\$ 1,052,074</u>	<u>\$ 901,321</u>

**6. LEASE COMMITMENT**

The organization leases office space in Toronto, Canada. Minimum annual payments over the term of the lease, which expires in October 2025, are as follows:

2025	\$ 34,755
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## **LUNG CANCER CANADA**

**Report to the Board of Directors  
Communication of audit results**

**FOR THE YEAR ENDED DECEMBER 31, 2024**

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June 18, 2025

The Board of Directors  
Lung Cancer Canada  
133 Richmond Street West, Suite 208  
Toronto, Ontario  
M5H 2L3

To the members of the Board of Directors:

Re: Communication of audit results

We are pleased to report that we have substantially completed our audit of the financial statements of Lung Cancer Canada (the Organization) for the year ended December 31, 2024. The enclosed report is meant to assist us in engaging in effective two-way communication regarding our financial statement audit. This communication is also intended to assist the Organization's Board of Directors (the "Board") in understanding the results of our audit procedures. This communication has been prepared to comply with Canadian generally accepted auditing standards and is solely for the information and use of the Board.

Sincerely,



Chartered Professional Accountants  
Licensed Public Accountants

### 1) Status of the audit

The following items are outstanding as at the date of this report:

- Inquiries regarding subsequent events will be updated to the date of approval of the financial statements.
- The financial statements must be approved by the Board of Directors.
- The management representation letter must be signed and returned to us.

### 2) Responsibility 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. We are responsible for forming and expressing an opinion on the financial statements, in accordance with Canadian generally accepted auditing standards, that have been prepared by management with the oversight of the Board of Directors. Greater detail about management's responsibility for the financial statements and our responsibilities as your external auditor is outlined in our engagement letter to the Board dated December 26, 2024.

### 3) Fraud risk considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. It is also our responsibility to respond appropriately to any fraud or suspected fraud identified during the audit. We have inquired of management whether they have knowledge of any actual, suspected or alleged fraud affecting the Organization. Management has responded that they are not aware of any such circumstances and has assessed the risk that the financial statements may be materially misstated due to fraud as low. We concur with this assessment based on our understanding of the Organization's internal controls, management's integrity and audit procedures that we performed during the audit including i) testing of journal entries, ii) review of non-salary payments to staff, iii) review of accounting estimates for biases and iv) review of unusual and significant transactions in the year.

#### 4) Audit approach and areas of audit emphasis

As described in greater detail in our audit planning letter to the Board on December 26, 2024, our audit included gaining an understanding of the Organization's internal control over financial reporting. Our understanding focused on the specific processes associated with identified areas of greatest importance (listed below). This understanding determined the nature, extent and timing of our audit procedures.

Areas of audit emphasis based on risk assessment:

AREAS OF IMPORTANCE	OUR AUDIT RESPONSE AND CONCLUSION
Recognition of contribution revenue	<p>We performed audit procedures to assess the classification of contributions received as unrestricted and restricted. Based on our review of supporting documentation, such as donor letters, contributions were appropriately classified and recognized in the financial statements.</p> <p>We performed audit procedures to verify that deferred contributions were recognized appropriately. Based on our review of eligible expenses used to support the recognition of deferred contributions as revenue, the amounts recognized appear appropriate.</p> <p>We performed audit procedures to verify that contributions were recognized in the appropriate fiscal period. Based on our review of subsequent events and reconciliation of donor receipts and grant agreements to the general ledger, contribution revenue recognized in the fiscal year appears appropriate.</p>
Authorization of operating expenditures including personnel expenses	<p>We tested a sample of operating expenditures, including personnel, to supporting documentation to verify that the expenses were appropriately recorded and authorized.</p> <p>Based on audit procedures performed, we have no issues to report.</p>

## **5) Audit conclusions and other matters**

### *Uncorrected misstatement*

We have no non-trivial unadjusted misstatements to report.

### *Significant deficiencies in internal control*

In the course of our audit fieldwork we noted that only a single signatory is required for all payments made from the organization's bank account, including cheques and internet banking. In order to avoid unauthorized payments, we recommend that the organization strengthen its internal controls and segregation of duties around cash disbursements such that all payments made require two authorized signatories. We recommend that the organization implement this as soon as practicable.

### *Related parties*

We noted no related parties during the course of our audit and based on our discussions with management, there are no transactions with related parties that warrant disclosure in the financial statements.

### *Going concern*

Management's assessment is that the Organization is a going concern. We concur. We noted no events or conditions that may cast doubt on the Organization's ability to continue as a going concern.

### *Cooperation during the audit*

We report that we received full cooperation from the Organization's management. To our knowledge, we were provided with access to all necessary records and other documentation requested. Any issues that arose as a result of our audit, were discussed with management and have been resolved to our satisfaction.

### *Audit opinion*

We have not detected any evidence of misstatements that would have a material effect on the financial statements and, accordingly, we expect to issue an unqualified audit report once all outstanding issues have been resolved.

**Lung Cancer Canada**  
**133 Richmond Street West, Suite 208**  
**Toronto, Ontario**  
**M5H 2L3**

Pennylegion Chung LLP  
Chartered Professional Accountants  
99 Yorkville Avenue, Suite 200  
Toronto, Ontario  
M5R 3K5

Dear Auditors:

This representation letter is provided in connection with your audit of the financial statements of Lung Cancer Canada (the Organization) for the year ended December 31, 2024 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

We confirm that, after having made inquiries we considered necessary for the purpose of appropriately informing ourselves, to the best of our knowledge and belief:

**Financial Statements and Financial Records**

- 1) We have fulfilled our responsibilities for the preparation and presentation of the financial statements. Specifically, the financial statements are fairly presented, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.
- 2) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 3) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations.
- 4) We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 5) The significant accounting policies adopted in the preparation of the financial statements are fully and fairly described in the financial statements and have been applied consistently.
- 6) We are not aware of any significant deficiencies in the design or operation of internal control over financial reporting.

**Information Provided**

- 1) We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
  - Additional information that you have requested from us for the purpose of the audit
  - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- 2) All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3) We have assessed the risk that the financial statements may be materially misstated as a result of fraud and have determined such risk to be low. We have no knowledge of any fraud or suspected fraud affecting the Organization involving management, employees who have significant roles in internal control, or others, where the fraud could have a non-trivial effect on the financial statements.

- 4) No events or transactions other than those disclosed in the financial statements have occurred from the statement of financial position date to the date of the signing of this letter relating to matters that existed at the statement of financial position date that would require adjustment to, or disclosure in, the financial statements, including the related notes.
- 5) We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 6) There were no direct or contingent liabilities, unusual contractual obligations nor any substantial commitments, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the Organization, except as disclosed in the financial statements.
- 7) There are no outstanding legal actions or possible claims which have not been provided for or disclosed in the financial statements.
- 8) We have reviewed and approved the attached list of journal entries you prepared or changed. In addition, we have reviewed and approved the account groupings you determined or changed, transactions you classified and accounting records you prepared or changed.
- 9) We are not aware of any reason that Pennylegion Chung LLP would not be considered to be independent for purposes of the Organization's audit.
- 10) We have made available to you all minutes of the meetings of members, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through to the date of the independent auditor's report.

The Board of Directors approved for issue the annual audited financial statements for December 31, 2024 at the board meeting held on the following date:

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Date of board meeting

Yours truly,

Lung Cancer Canada

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Shem Singh, Executive Director

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Nicolas Delisle, Treasurer