
LUNG CANCER CANADA

**AUDIT PLANNING REPORT
TO THE BOARD OF DIRECTORS**

DECEMBER 31, 2024

December 26, 2024

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

To the Board of Directors:

Re: Audit plan and strategy

This report provides an overview of our audit plan and strategy to conduct the audit of the financial statements of Lung Cancer Canada (the Organization) for the year ended December 31, 2024 in accordance with Canadian generally accepted auditing standards.

This report is to inform you of the planned scope and timing of the audit for the purpose of assisting you in discharging your responsibilities and exercising oversight over our audit of the financial statements.

Our proposed audit approach takes into consideration the relevant risks to the Organization and any relevant changes in accounting standards. Each year, we re-evaluate our audit approach and apply professional skepticism in executing a customized audit approach.

We thank the members for appointing us as auditors of the Organization for the year ended December 31, 2024 and look forward to being of service this year.

We would be pleased to discuss any questions you have regarding this report.

Yours very truly,



Pennylegion Chung LLP

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1) RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management's 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 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.

Our responsibility:

Our responsibility is to express an opinion on the financial statements based on our audit. We will conduct 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.

Greater detail about management's responsibility for the financial statements and our responsibilities as external auditors is outlined in our engagement letter attached to this report.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on our audit professional judgment and include:

- Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole, whether due to fraud or error
- Considering internal control relevant to the preparation and presentation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control
- Analysis, inquiry, and examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Assessing the appropriateness and consistency of accounting policies used
- Assessing the reasonableness of estimates made by management

2) SUMMARY OF AUDIT APPROACH

We will adopt the following audit approach in conducting our audit for the year ended December 31, 2024:

- Update our knowledge of the Organization for changes in the past year and any new or unusual funding/spending initiatives, specifically to identify and assess risks of material misstatement
- Perform a preliminary assessment of the Organization's internal control designed to prevent or detect, on a timely basis, errors resulting from problems in the processing of transactions and the maintenance of accounting records. We will follow a transaction through each process and control to confirm our understanding of each process and existence of controls
- Analysis of significant account balances, transaction streams and financial statement disclosures, focusing on areas where we have determined there are risks of material misstatement, whether due to fraud or error.
- We will obtain audit evidence from substantive testing procedures as opposed to obtaining evidence from reliance on controls. Substantive testing includes, for example, examining paid invoices and cancelled cheques, asking questions of management and employees and sending out confirmation letters to third parties.

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3) AUDIT TIMING

We plan to conduct our audit fieldwork in February or March 2025. We will be prepared to present our year end audit results package to the Board of Directors thereafter.

4) AREAS OF AUDIT EMPHASIS

Our audit will focus on understanding the specific processes associated with areas of greatest importance as listed in the table below. Our understanding of these areas of importance will determine the nature, extent and timing of our audit procedures.

AREAS OF IMPORTANCE	AUDIT APPROACH
Recognition of contribution revenue	<p>We will perform audit procedures to assess the classification of contributions received as unrestricted or restricted. Procedures will, for instance, include review of supporting documentation, such as donor letters.</p> <p>We will perform audit procedures to verify that deferred contributions are recognized appropriately. Procedures will include reviewing eligible expenses used to support the recognition of deferred contributions as revenue.</p> <p>We will perform audit procedures to verify that contributions are recognized in the appropriate fiscal period. We will review subsequent events up to the date of our audit report and we will reconcile donor receipts and grant agreements to the general ledger.</p>
Completeness of accrued liabilities	<p>We will test subsequent payments and view significant invoices received after year end to test the completeness of accrued liabilities recorded as at year end.</p>
Authorization of program payments and operating expenditures including personnel expenses	<p>We will test a sample of program and operating expenses to supporting documentation to verify that the expenses were appropriately recorded and authorized.</p>

We will also evaluate management's assessment that the Organization is a going concern. This will include inquiries of management and establishing whether any events or conditions exist that may cast significant doubt on the Organization's ability to carry on operations for the foreseeable future.

5) FRAUD CONSIDERATIONS AND RISK OF MANAGEMENT OVERRIDE

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. We will incorporate audit procedures to address the risk of material misstatement due to fraud or error, such as examining journal entries, evaluating significant management estimates and evaluating the accounting for unusual or complex transactions. We will also inquire of management and the Board of Directors whether they have knowledge of any actual, suspected or alleged fraud affecting the Organization.

Finally, it is our responsibility to respond appropriately to any fraud or suspected fraud identified during the audit by communicating these matters on a timely basis to those charged with governance.

6) REPORT ON AUDIT FINDINGS

During our audit, we may identify issues that we consider to be of interest to management and the Board of Directors in discharging their responsibilities. We will prepare a letter to the Board of Directors to report on issues we deem of significant interest, including improvements in the safeguarding of assets, opportunities for improving internal controls relating to financial reporting and increasing the efficiency and effectiveness of the Organization's financial systems. We will communicate matters that we deem to be of lesser significance directly to the persons responsible for the financial systems. We will not generally communicate these items of a lesser nature either in writing or directly to the Board of Directors.

7) ASSERTION OF INDEPENDENCE

Our professional code of conduct requires that we communicate at least annually with the Board of Directors of the Organization regarding all relationships between the Organization and Pennylegion Chung LLP that, in our professional judgment, may reasonably be thought to bear on our independence as auditors.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by CPA Ontario covering matters such as: Holding a position that gives us the right or responsibility to exert significant influence over the financial or accounting policies of the Organization; direct or indirect personal or business relationships of our immediate family, close relatives and partners with the Organization; and provision of services by us in addition to our audit engagement.

We are not aware of any relationships between the Organization and Pennylegion Chung LLP that have occurred between January 1, 2024 and December 31, 2024 that, in our professional judgment, may reasonably be thought to bear on our independence as auditors of the Organization.