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**NATIONAL SANITARIUM  
ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of National Sanitarium Association,

### Opinion

We have audited the financial statements of National Sanitarium Association (the organization), which comprise the statement of financial position as at December 31, 2025, 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 National Sanitarium Association as at December 31, 2025 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)

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.

*Pemylegion Chung LLP*

Chartered Professional Accountants  
Licensed Public Accountants

May 22, 2026  
Toronto, Ontario

# NATIONAL SANITARIUM ASSOCIATION

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

|  | 2025                 | 2024                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                            |                      |                      |
| <b>Current assets</b>                    |                      |                      |
| Cash                                     | \$ 41,846            | \$ 16,279            |
| Investments (note 4)                     | 28,559,919           | 28,706,881           |
| HST rebate recoverable                   | 26,054               | 13,346               |
| Trust receivable                         | <u>-</u>             | <u>300</u>           |
|  | <u>\$ 28,627,819</u> | <u>\$ 28,736,806</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                      |                      |
| <b>Current liabilities</b>               |                      |                      |
| Grants payable                           | \$ -                 | \$ 599,000           |
| Accounts payable and accrued liabilities | <u>34,397</u>        | <u>34,584</u>        |
|  | <u>34,397</u>        | <u>633,584</u>       |
| <b>Net assets</b>                        |                      |                      |
| Endowment (note 5)                       | 25,472               | -                    |
| Unrestricted                             | <u>28,567,950</u>    | <u>28,103,222</u>    |
|  | <u>28,593,422</u>    | <u>28,103,222</u>    |
|  | <u>\$ 28,627,819</u> | <u>\$ 28,736,806</u> |

Approved on behalf of the Board:

*William Acton*  
William Acton (Jun 2, 2026 12:54:27 EDT), Trustee

*Amanda Lam*  
Amanda Lam (Jun 9, 2026 11:52:55 EDT), Trustee

# NATIONAL SANITARIUM ASSOCIATION

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2025

|  | 2025                 | 2024                 |
|--|----------------------|----------------------|
| <b>REVENUE</b>   |                      |                      |
| Realized and change in unrealized gains on investments | \$ 1,317,786         | \$ 541,948           |
| Investment distributions                               | 578,460              | 2,632,221            |
| HST rebate   | 12,709               | 12,441               |
| Legacies and donations                                 | 9,800                | 9,700                |
| Endowment fund distributions (note 5)                  | <u>756</u>           | <u>850</u>           |
|  | <u>1,919,511</u>     | <u>3,197,160</u>     |
| <b>EXPENSES</b>  |                      |                      |
| Grants (note 6)  | 1,297,203            | 1,403,573            |
| Investment management fees                             | 114,716              | 110,903              |
| Office and general                                     | 23,286               | 25,994               |
| Professional fees                                      | 16,442               | 16,046               |
| Insurance  | <u>3,136</u>         | <u>3,136</u>         |
|  | <u>1,454,783</u>     | <u>1,559,652</u>     |
| <b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>    | 464,728              | 1,637,508            |
| Net assets, beginning of year                          | 28,103,222           | 26,465,714           |
| Endowment  | <u>25,472</u>        | <u>-</u>             |
| <b>NET ASSETS, END OF YEAR</b>                         | <u>\$ 28,593,422</u> | <u>\$ 28,103,222</u> |

# NATIONAL SANITARIUM ASSOCIATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

|  | 2025             | 2024               |
|--|------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                                  |                  |                    |
| Excess of revenue over expenses for the year                 | \$ 464,728       | \$ 1,637,508       |
| Add back (deduct) non-cash items-                            |                  |                    |
| Realized gains and change in unrealized gains on investments | (1,317,786)      | (541,948)          |
| Net change in non-cash working capital items (see below)     | <u>(611,595)</u> | <u>204,354</u>     |
| Net cash generated from (used for) operating activities      | (1,464,653)      | 1,299,914          |
| <b>INVESTING ACTIVITIES</b>                                  |                  |                    |
| Proceeds (purchase) of investments, net of sales             | <u>1,464,748</u> | <u>(1,288,237)</u> |
| <b>FINANCING ACTIVITIES</b>                                  |                  |                    |
| Endowment received   | <u>25,472</u>    | <u>-</u>           |
| <b>NET INCREASE IN CASH FOR THE YEAR</b>                     | 25,567           | 11,677             |
| Cash, beginning of year                                      | <u>16,279</u>    | <u>4,602</u>       |
| <b>CASH, END OF YEAR</b>                                     | <u>\$ 41,846</u> | <u>\$ 16,279</u>   |

Net change in non-cash working capital items:

|   |                     |                   |
|---|---------------------|-------------------|
| Decrease (increase) in current assets-      |                     |                   |
| HST rebate recoverable                      | \$ (12,708)         | \$ 7,607          |
| Trust receivable                            | 300                 | 900               |
| Increase (decrease) in current liabilities- |                     |                   |
| Grants payable                              | (599,000)           | 199,000           |
| Accounts payable and accrued liabilities    | <u>(187)</u>        | <u>(3,153)</u>    |
|   | <u>\$ (611,595)</u> | <u>\$ 204,354</u> |

# NATIONAL SANITARIUM ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

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### 1. THE ASSOCIATION

National Sanitarium Association (the organization) is a federal not-for-profit organization incorporated under *An act to incorporate the National Sanitarium Association 1896*, without share capital.

The Association is a charitable organization under the Income Tax Act (Canada) (charitable number 10776 2353 RR0001) and is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The organization's primary purpose is to provide funds for research for respiratory related diseases including chronic obstructive pulmonary disease, pneumonia, tuberculosis, and lung cancer.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Financial instruments**

Financial instruments include cash, investments, grants payable and accounts payable and accrued liabilities. Cash and investments are initially and subsequently measured at fair value. Investments comprise pooled funds. All other financial instruments are recorded initially at fair value and subsequently recorded net of any provisions for impairment in value.

Transactions are recorded on a trade-date basis and transaction costs are expensed as incurred.

#### **Revenue recognition**

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

- i) The organization follows the deferral method of revenue recognition for contributions, which include grants. Contributions related to current expenses are recorded as revenue in the current year. Contributions received in the year for expenses to be incurred in the following fiscal year are recorded as deferred contributions. Endowment contributions are recognized as direct increases to net assets.
- ii) Legacies and donation revenue is recorded when funds are received. Donated materials and services which are purchased on behalf of the organization are not recorded in the accounts.
- iii) Investment income, which comprises income distributions from pooled funds and realized gains and changes in unrealized gains, is recognized as revenue when earned.

#### **Grant expenses**

Grants are generally awarded for a period of five years. Commencing with the award of the grant, related expenses are recognized annually upon receipt of an annual progress report.

# NATIONAL SANITARIUM ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

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### 3. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The following are those financial instruments considered particularly significant and their related financial risks:

- i) The organization is exposed to interest rate risk with respect to fixed-income securities included in the pooled fund because the fair value of the underlying investments will fluctuate due to changes in market interest rates.
- ii) The organization is exposed to other price risk through changes in market prices (other than changes arising from interest rate risks) in connection with the investment held in pooled funds. This risk can be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in the market.
- iii) The organization holds units invested in foreign fixed-income and equities, and is therefore exposed to foreign currency risk as the fair value and future cash flows will fluctuate due to changes in the relative value of foreign currencies against the Canadian dollar.

Management manages these risks through investment diversification and close monitoring of the investment portfolio.

### 4. INVESTMENTS

Investments, which are units held in pooled funds, consist of the following asset classes:

|                                 | 2025                 | %          | 2024                 | %          |
|---------------------------------|----------------------|------------|----------------------|------------|
| Cash and short-term investments | \$ 2,137,348         | 7          | \$ 3,444,826         | 12         |
| Fixed-income                    | 6,978,659            | 24         | 5,741,376            | 20         |
| Canadian equities               | 6,069,658            | 21         | 6,028,445            | 21         |
| Foreign equities                | 7,740,999            | 27         | 8,612,064            | 30         |
| Canadian real estate            | 964,101              | 3          | 895,655              | 3          |
| Foreign real estate             | 251,505              | 1          | 261,233              | 1          |
| Infrastructure                  | 1,550,946            | 5          | 1,343,482            | 5          |
| Agriculture                     | 1,383,276            | 6          | 1,231,525            | 4          |
| Private debt                    | <u>1,483,427</u>     | <u>4</u>   | <u>1,148,275</u>     | <u>4</u>   |
|                                 | <u>\$ 28,559,919</u> | <u>100</u> | <u>\$ 28,706,881</u> | <u>100</u> |

### 5. ENDOWMENT

During the year, the organization received a distribution of funds from the Hammond Memorial Trust in the amount of \$25,472 because the external trustee of this endowment fund no longer wanted to managing the fund. This endowment contribution has been recorded as a direct increase to net assets.

The Lillian Massey Treble Fund, which is administered by external trustees is not recorded in these financial statements. The organization is the income beneficiary of these funds and net income distributions are recorded as revenue when received. The value of assets in the Funds, which is \$33,834 as at December 31, 2025 and \$32,111 as at December 31, 2024.

# NATIONAL SANITARIUM ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

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### 6. GRANTS AND GRANT COMMITMENTS

Grants expense and outstanding commitments comprise the following at December 31, 2025:

|  | Expense             | Outstanding commitments |                     |
|--|---------------------|-------------------------|---------------------|
|  | 2025                | 2026                    | After 2026          |
| McGill University - Dr. Campbell<br><i>Motivating Tuberculosis Prevention:<br/>Understanding the Consequences of Tuberculosis</i>      | \$ 200,000          | \$ 200,000              | \$ 199,662          |
| McMaster University - Dr. Satia<br><i>Comprehensive Cough Evaluation Centre</i>  | 200,000             | 200,000                 | 200,000             |
| McMaster University - Dr. Zhang<br><i>Development of Clinical Trial On-A-Plate for the<br/>Preparation of future pandemics</i>         | 199,000             | -                       | -                   |
| University Health Network - Dr. Goligher<br><i>Adaptive Platform Trial Pipeline for Lung-<br/>and Diaphragm-Protective Ventilation</i> | 200,000             | -                       | -                   |
| Centre of Lung Health - Dr. Carlsten<br><i>Personalized Respiratory Health in<br/>a Polluted Environment</i>                           | 207,395             | 200,000                 | 387,616             |
| University of Calgary- Dr. Khan<br><i>TB Persistence in Bone Marrow:<br/>Implications &amp; Strategies</i>                             | 100,000             | 100,000                 | 200,000             |
| University of Toronto- Dr. Li<br><i>Nonviral Delivery of Gene Editors for Treating<br/>Genetic Respiratory Disease</i>                 | 100,000             | 100,000                 | 200,000             |
| Wilfred Laurier University - Dr. Story<br><i>Fighting the Great White Plague</i>   | 90,808              | 100,000                 | 209,192             |
| University of British Columbia - Dr. Yarnell<br><i>When to Intubate in Acute Hypoxemic Respiratory<br/>Failure.</i>                    | -                   | 124,575                 | 275,162             |
| McGill University - Dr. Kaufmann<br><i>Small but Mighty - How Allergen inhalation<br/>subverts immunity</i>                            | -                   | 100,000                 | 300,000             |
| McGill University - Dr. Lupien<br><i>Accelerating Tuberculosis Prevention</i>  | <u>-</u>            | <u>90,000</u>           | <u>280,000</u>      |
|  | <u>\$ 1,297,203</u> | <u>\$ 1,214,575</u>     | <u>\$ 2,251,632</u> |

### 7. COMPARATIVE AMOUNTS

Certain comparative amounts as at December 31, 2024, and for the year then ended have been reclassified to conform with the current year's basis of financial statement presentation.









# NSA 2025 - Financial statements - FINAL

Final Audit Report

2026-06-09

|                 |  |
|-----------------|--|
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| By:             | Lesley Fletcher (nicole@poets.ca)            |
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