Spirit North

Financial Statements
June 30, 2019

Independent auditor's report

To the Board of Directors of Spirit North

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Spirit North (the Organization) as at June 30, 2019 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.

What we have audited
The Organization's financial statements comprise:

- the statement of financial position as at June 30, 2019;
- the statement of income and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The comparative information as at, and for the year ended June 30, 2018 has not been audited.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
October 4, 2019

Spirit North

Statement of Financial Position

As at June 30, 2019

	2019 $	2018 $ (unaudited)
Assets		
Current		
Cash and cash equivalents (note 3)	1,131,350	210,062
Accounts receivable	28,393	58,231
Deposits	32,909	-
	1,192,652	268,293
Capital assets (note 4)	39,044	27,286
	1,231,696	295,579
Liabilities		
Current		
Accounts payable and accruals	89,101	34,369
Withholding taxes payable	5,930	11,443
Deferred contributions (note 5)	672,515	115,404
	767,546	161,216
Deferred contributions related to capital assets (note 6)	15,640	27,286
	783,186	188,502
Net Assets		
Unrestricted	448,510	107,077
	1,231,696	295,579

Approved on Behalf of the Board of Directors

____________________________ Director ____________________________ Director

The accompanying notes are an integral part of these financial statements.

Spirit North

Statement of Income and Changes in Net Assets

For the year ended June 30, 2019

	2019 $	2018 $ (unaudited)
Revenue		
Grants		
Indigenous Services Canada	1,020,429	380,995
Corporate and community	336,698	225,087
Provincial	32,613	50,037
Fundraising	35,956	43,221
Donations and other		
Corporate	311,377	33,644
Individual and community	48,076	17,213
Other revenue	12,261	-
Amortization of deferred contributions related to capital assets (note 6)	11,646	5,682
	1,809,056	755,879
Expenses		
Subcontractors	415,008	200,929
Salaries and benefits	307,311	143,148
Travel and subsistence	149,402	78,900
Equipment costs	249,086	60,864
Professional fees	144,761	56,099
General and administration	183,410	103,180
Amortization	12,483	5,682
Loss on sale of assets	6,162	-
	1,467,623	648,802
Excess of revenue over expenses for the year	341,433	107,077
Net assets – Beginning of year	107,077	-
Net assets – End of year	448,510	107,077

The accompanying notes are an integral part of these financial statements.

Spirit North

Statement of Cash Flows

For the year ended June 30, 2019

	2019 $	2018 $ (unaudited)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	341,433	107,077
Add (deduct) items not affecting cash flows		
Amortization		
Capital assets	12,483	5,682
Deferred contributions related to capital assets	(11,646)	(5,682)
Loss on disposal of capital assets	6,162	-
	348,432	107,077
Increase (decrease) in non-cash working capital	603,257	102,985
	951,689	210,062
Investing activities		
Purchase of capital assets	(30,401)	(32,968)
Financing activities		
Increase in deferred contributions related to capital assets	-	32,968
Increase in cash and cash equivalents during the year	921,288	210,062
Cash and cash equivalents – Beginning of year	210,062	-
Cash and cash equivalents – End of year	1,131,350	210,062

The accompanying notes are an integral part of these financial statements.

1 Incorporation and nature of the organization

Spirit North (the Organization) was incorporated on August 1, 2017 under the authority of Canada Not-for-Profit Corporations Act and is a registered charity and thus is exempt from income taxes under the Income Tax Act (the Act). In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements established by the Act.

The Organization is committed to improving the health and well-being of Indigenous children and youth across western Canada through sport and play.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

During the year, the Organization changed its cash flow presentation from the direct method to the indirect method.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, amortization is calculated at one-half the noted rate. No amortization is recorded in the year of disposal.

Office furniture and fixtures	30%
Automotive	30%
Computer equipment	20%
Sports equipment	50%

The Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate that the capital asset no longer has any long-term service potential for the Organization. If the carrying amount is greater than the residual value, the asset is written down to its estimated residual value. Writedowns are not reversed.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization's equipment and automotive assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the statement of income and changes in net assets in the periods in which they become known.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. 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. Contributions received for the purpose of capital assets are deferred and amortized into revenue at the same rate as the amortization of the related capital asset.

Restricted interest income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest income is recognized as revenue when earned.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of income and changes in net assets when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Volunteers contribute hours and commercial donors provide inventory to assist the Organization in carrying out its objectives and fundraising; because of the difficulty of determining their fair value, these contributed materials and services are not recognized in the financial statements.

Financial instruments

The Organization recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, excluding financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840, Related Party Transactions.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the statement of income and changes in net assets for the current year.

3 Cash and cash equivalents

	2019 **$**	**2018** **$** (unaudited)
Cash on hand	328,141	110,062
Notice 31 day demand account	803,209	
Guaranteed Investment Certificate (GIC) bearing interest at 0.71%, maturing September 10, 2018	-	100,000
	1,131,350	210,062

4 Capital assets

			2019	2018
	Cost $	Accumulated amortization $	Net $	Net $ (unaudited)
Office furniture and fixtures	888	89	799	-
Automotive	14,813	5,999	8,814	12,591
Computer equipment	14,137	4,498	9,639	10,195
Sports equipment	26,389	6,597	19,792	4,500
	56,227	17,183	39,044	27,286

5 Deferred contributions

Deferred contributions consist of unspent contributions externally restricted by the contributor. Recognition of these amounts as revenue is deferred to periods when the specific expenditures approved by the contributor are made.

	2018 $ (unaudited)	Additions $	Released $	2019 $
Alberta Sport Connection	5,612	-	(5,612)	-
Alberta Sport Grant	13,800	-	(13,800)	-
Mountain Equipment Co-op	20,000	-	-	20,000
Alberta Culture and Tourism	25,000	-	(25,000)	-
Ptarmigan Foundation	30,000	-	(30,000)	-
Charities Aid Foundation of America	20,992	-	-	20,992
Indigenous Services Canada Grant	-	1,457,550	(972,820)	484,730
Indigenous Services Canada Admin Grant	-	81,000	(47,609)	33,391
Makadif Sports Challenge	-	25,000	-	25,000
Banff Community Foundation	-	9,000	-	9,000
Vancouver Foundation	-	100,000	(49,840)	50,160
Calgary Foundation Trails Grant	-	48,500	(19,258)	29,242
	115,404	1,721,050	(1,163,939)	672,515

6 Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2019 $	2018 $ (unaudited)
Balance – Beginning of year	27,286	-
Amount received during the year	-	32,968
Less: Amounts recognized as revenue during the year	11,646	5,682
Balance – End of year	15,640	27,286

7 Economic dependence

The Organization's primary sources of revenue are federal and provincial government grants, corporate grants and community grants. The grant funding can be cancelled if the Organization does not observe certain established guidelines agreed upon by the grantor and the grantee. Approximately 56% (2018 – 50%) of the Organization's revenue is received from one grantor.

8 Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

As at June 30, 2019, one grantor accounted for 94% (2018 – 74%) of the accounts receivable. The Organization reports to their grantors as specified in the terms of the grant and only applies for grants with various government and not-for-profit organizations. The Organization will complete regular assessments of other non-for-profit organizations and provides allowances for potentially uncollectible receivables.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

The Organization mitigates this risk by ensuring that it has sufficient capital on hand to meet short-term obligations after taking into account its operations and cash on hand. It is management's opinion that the Organization is not exposed to significant liquidity risk.

9 Comparative figures

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