

# **Spirit North**

Financial Statements  
**June 30, 2020**



## *Independent auditor's report*

To the Board of Directors of Spirit North

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### *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, 2020 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, 2020;
- the statement of revenue and expenses 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.

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### *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.

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### *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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.

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### *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  
September 26, 2020

# Spirit North

## Statement of Financial Position

As at June 30, 2020

	2020 \$	2019 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 4)	795,796	1,131,350
Accounts receivable	246,113	28,393
Deposits	35,271	32,909
	<u>1,077,180</u>	<u>1,192,652</u>
<b>Capital assets</b> (note 5)	31,129	39,044
	<u>1,108,309</u>	<u>1,231,696</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	56,277	89,101
Withholding taxes payable	7,870	5,930
Deferred contributions (note 6)	331,371	672,515
	<u>395,518</u>	<u>767,546</u>
<b>Long-term liabilities</b>		
Long-term loan (note 8)	40,000	-
Deferred contributions related to capital assets (note 9)	11,418	15,640
	<u>446,936</u>	<u>783,186</u>
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>661,373</u>	<u>448,510</u>
	<u>1,108,309</u>	<u>1,231,696</u>
<b>Commitments</b> (note 11)		

### 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 Revenue and Expenses and Changes in Net Assets

For the year ended June 30, 2020

	2020 \$	2019 \$
<b>Revenue</b>		
Grants		
Indigenous Services Canada	518,121	1,020,429
Corporate and community	546,909	336,698
Provincial	3,000	32,613
Fundraising	20,423	35,956
Donations and other		
Corporate	350,000	311,377
Individual and community	93,291	48,076
Other revenue (note 7)	63,359	12,261
Amortization of deferred contributions related to capital assets (note 9)	4,222	11,646
	<u>1,599,325</u>	<u>1,809,056</u>
<b>Expenses</b>		
Subcontractors	494,441	415,008
Salaries and benefits	334,486	307,311
Travel and subsistence	116,548	149,402
Equipment costs	129,707	249,086
Professional fees	87,274	144,761
General and administration	208,394	183,410
Amortization	15,612	12,483
Loss on sale of assets	-	6,162
	<u>1,386,462</u>	<u>1,467,623</u>
<b>Excess of revenue over expenses for the year</b>	212,863	341,433
<b>Net assets – Beginning of year</b>	448,510	107,077
<b>Net assets – End of year</b>	<u>661,373</u>	<u>448,510</u>

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

# Spirit North

## Statement of Cash Flows

For the year ended June 30, 2020

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	212,863	341,433
Add (deduct) items not affecting cash flows		
Amortization		
Capital assets	15,612	12,483
Deferred contributions related to capital assets	(4,222)	(11,646)
Loss on disposal of capital assets	-	6,162
	224,253	348,432
(Decrease) increase in non-cash working capital	(592,110)	603,257
	(367,857)	951,689
<b>Investing activities</b>		
Purchase of capital assets	(7,697)	(30,401)
<b>Financing activities</b>		
Long-term loan	40,000	-
<b>(Decrease) increase in cash and cash equivalents during the year</b>	(335,554)	921,288
<b>Cash and cash equivalents – Beginning of year</b>	1,131,350	210,062
<b>Cash and cash equivalents – End of year</b>	795,796	1,131,350
<b>Cash and cash equivalents are represented by:</b>		
Cash	329,288	328,141
Cash equivalents	466,508	803,209
	795,796	1,131,350

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

# Spirit North

## Notes to Financial Statements

June 30, 2020

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### 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 Change in accounting policies

Effective July 1, 2019, the Organization adopted the new standards of the Chartered Professional Accountants Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 (Tangible Capital Assets Held by Not-for-profit Organizations). There was no material impact on the Organization's financial statements as a result of this adoption.

### 3 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian ASNPO.

#### Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with initial terms to maturity of three months or less.

#### 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	20%
Automotive	30%
Computer equipment	20%
Sports equipment	50%

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The writedowns of capital assets are recognized as expenses in the statement of revenue and expenses and changes in net assets. Writedowns are not subsequently reversed.



# Spirit North

## Notes to Financial Statements

June 30, 2020

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### **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 revenue and expenses 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 revenue and expenses 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.

# Spirit North

## Notes to Financial Statements

June 30, 2020

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### 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 revenue and expenses and changes in net assets for the current year.

### Government assistance

Grants from the government are recognized at their fair value as other revenue where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

## 4 Cash and cash equivalents

	2020 \$	2019 \$
Cash on hand	329,288	328,141
Notice 31 day demand account	466,508	803,209
	<u>795,796</u>	<u>1,131,350</u>

# Spirit North

## Notes to Financial Statements

June 30, 2020

### 5 Capital assets

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office furniture and fixtures	1,688	329	1,359	799
Automotive	19,113	9,288	9,825	8,814
Computer equipment	16,734	6,684	10,050	9,639
Sports equipment	26,388	16,493	9,895	19,792
	<u>63,923</u>	<u>32,794</u>	<u>31,129</u>	<u>39,044</u>

### 6 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.

	2019 \$	Additions \$	Released \$	2020 \$
Mountain Equipment Co-op	20,000	-	20,000	-
Charities Aid Foundation of America	20,992	-	20,992	-
Indigenous Services Canada Grant	484,730	170,950	484,730	170,950
Indigenous Services Canada Admin Grant	33,391	-	33,391	-
Makadif Sports Challenge	25,000	-	25,000	-
Banff Community Foundation	9,000	-	9,000	-
Vancouver Foundation	50,160	87,821	50,160	87,821
Calgary Foundation Trails Grant	29,242	-	29,242	-
Banff Canmore Community Foundation	-	10,350	-	10,350
Calgary Community Foundation	-	29,750	-	29,750
Wetzin'kwa Community Forest Corp	-	15,000	-	15,000
Other	-	17,500	-	17,500
	<u>672,515</u>	<u>331,371</u>	<u>672,515</u>	<u>331,371</u>

# Spirit North

## Notes to Financial Statements

June 30, 2020

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### 7 Government assistance

The Canadian Emergency Wage Subsidy (CEWS) was brought into law on April 11, 2020 and introduced a wage subsidy of up to 75% for qualifying businesses retroactive to March 15, 2020. The 10% Temporary Wage Subsidy for Employers (TWS) was brought into law on March 25, 2020 and introduced a wage subsidy up to 10% of a qualifying business's employee remuneration. The Organization qualified for both CEWS and TWS and as a result, received \$42,979 from the Government of Canada for the year ended June 30, 2020.

### 8 Long-term loan

During the year, the Organization applied for and obtained a Canada Emergency Business Account loan from the federal government for \$40,000. The loan carries no interest and has no repayment schedule and if repaid by December 31, 2021 will have \$10,000 of the sum forgiven. Spirit North intends to repay the amount payable by December 2021.

### 9 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:

	2020 \$	2019 \$
Balance – Beginning of year	15,640	27,286
Amount received during the year	-	-
Less: Amounts recognized as revenue during the year	4,222	11,646
Balance – End of year	<u>11,418</u>	<u>15,640</u>

### 10 Related party transactions

During the year, the Organization hired the spouse of a Board member as a contractor. Invoices totalling \$16,080 and reimbursements totalling \$1,358 were paid to the contractor.

### 11 Commitments

During the year, the Organization entered into a lease agreement with respect to its new head office during the year. The head office's lease expires on September 30, 2022. The minimal annual lease payments as at June 30, 2020 for the next three years are as follows:

	\$
2021	12,058
2022	12,058
2023	<u>3,015</u>
	<u>27,131</u>

# Spirit North

## Notes to Financial Statements

June 30, 2020

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### 12 Fundraising expenses

As required under Section 7(2) of the Charitable Fundraising Regulation in Alberta, the following amounts are disclosed:

	\$
Amounts paid as remuneration to employees whose principal duties involve fundraising	80,000
Direct expenses incurred for the purpose of soliciting contributions including grants and donations	42,270

### 13 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 32% (2019 – 56%) of the Organization's revenue is received from one grantor.

### 14 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 or other price risks arising from these financial instruments.

#### Credit risk

As at June 30, 2020, one grantor accounted for 73% (2019 – 94%) 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. As a result of the COVID-19 pandemic, the Organization has completed a full assessment of its receivables and has determined that based on the credit ratings of its debtors, no allowance should be made.

#### 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 during the COVID-19 pandemic.

# Spirit North

## Notes to Financial Statements

June 30, 2020

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### 15 COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic resulting in significant public health measures and restrictions put in place. Restrictions such as travel bans, closure of non-essential businesses and physical distancing have caused disruption to businesses and a significant decline in global capital markets resulting in an economic slowdown.

Management has assessed the financial impact of COVID-19 as at June 30, 2020, including the collectibility of receivables, assessment of provisions and the impact on funding agreements. Management did not identify any impact to its financial statements as at June 30, 2020.

The long-term impact of the pandemic on the Organization and the economy is not yet known and information surrounding the global economic impact of COVID-19 and the estimated length of the pandemic continues to evolve. Future impacts of the pandemic may have a financial effect on the Organization's future revenues and operating results. It is not possible to estimate any results of future financial impacts of COVID-19 on the Organization subsequent to June 30, 2020.