# Spirit North

Financial Statements
**June 30, 2021**

# 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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

## 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.

## 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
September 17, 2021

# Spirit North

Statement of Financial Position

**As at June 30, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents (note 4) | 2,509,318 | 795,796 |
| Accounts receivable | 158,296 | 246,113 |
| Deposits | 35,219 | 35,271 |
| | 2,702,833 | 1,077,180 |
| **Capital assets** (note 5) | 41,302 | 31,129 |
| | 2,744,135 | 1,108,309 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accruals | 114,035 | 56,277 |
| Withholding taxes payable | - | 7,870 |
| Deferred contributions (note 6) | 696,373 | 331,371 |
| | 810,408 | 395,518 |
| **Long-term loan** (note 8) | - | 40,000 |
| **Deferred contributions related to capital assets** (note 9) | 28,261 | 11,418 |
| | 838,669 | 446,936 |
| **Net Assets** | | |
| **Unrestricted** | 1,905,466 | 661,373 |
| | 2,744,135 | 1,108,309 |

**Commitments** (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, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Revenue** | | |
| Grants | | |
| Indigenous Services Canada | - | 518,121 |
| Corporate and community | 1,070,222 | 546,909 |
| Government – Provincial and federal | 394,165 | 3,000 |
| Fundraising | 18,946 | 20,423 |
| Donations and other | | |
| Corporate | 457,373 | 350,000 |
| Individual and community | 406,544 | 93,291 |
| Community partnerships | 181,728 | - |
| Other revenue (note 7) | 59,613 | 63,359 |
| Amortization of deferred contributions related to capital assets (note 9) | 9,198 | 4,222 |
| | 2,597,789 | 1,599,325 |
| **Expenses** | | |
| Coaching and related | 474,934 | 494,441 |
| Salaries and benefits | 453,702 | 334,486 |
| Travel and subsistence | 81,622 | 116,548 |
| Equipment costs | 49,576 | 129,707 |
| Professional fees | 90,378 | 87,274 |
| General and administration | 186,867 | 208,394 |
| Amortization | 16,190 | 15,612 |
| Loss on sale of assets | 427 | - |
| | 1,353,696 | 1,386,462 |
| **Excess of revenue over expenses for the year** | 1,244,093 | 212,863 |
| **Net assets – Beginning of year** | 661,373 | 448,510 |
| **Net assets – End of year** | 1,905,466 | 661,373 |

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

# Spirit North

Statement of Cash Flows

**For the year ended June 30, 2021**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenue over expenses for the year | 1,244,093 | 212,863 |
| Add (deduct) items not affecting cash flows | | |
| Amortization | | |
| Capital assets | 16,190 | 15,612 |
| Deferred contributions related to capital assets | (9,198) | (4,222) |
| Long-term loan forgiveness (note 8) | (10,000) | - |
| Loss on sale of capital assets | 427 | - |
| | 1,241,512 | 224,253 |
| Increase (decrease) in non-cash working capital | 502,758 | (592,110) |
| | 1,744,270 | (367,857) |
| **Investing activities** | | |
| Purchase of capital assets | (26,791) | (7,697) |
| Increase in deferred contributions relating to capital | 26,043 | - |
| | (748) | (7,697) |
| **Financing activities** | | |
| Long-term loan | (30,000) | 40,000 |
| **Increase (decrease) in cash and cash equivalents during the year** | 1,713,522 | (335,554) |
| **Cash and cash equivalents – Beginning of year** | 795,796 | 1,131,350 |
| **Cash and cash equivalents – End of year** | 2,509,318 | 795,796 |
| **Cash and cash equivalents are represented by** | | |
| Cash | 936,528 | 329,288 |
| Cash equivalents | 1,572,790 | 466,508 |
| | 2,509,318 | 795,796 |

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 the Canada Not-for-Profit Corporations Act and is a registered charity and thus is exempt from income taxes under the Income Tax Act (Canada) (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 COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a global pandemic, resulting in significant public health measures and restrictions being 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, 2021, 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, 2021.

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 revenue 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, 2021.

## 3 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 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.

**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 time 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 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 reasonable assurance that the grant will be received and the Organization will comply with all attached conditions.

## 4 Cash and cash equivalents

| | 2021 $ | 2020 $ |
|---|---|---|
| Cash on hand | 936,528 | 329,288 |
| Notice 31-day demand account | 1,572,790 | 466,508 |
| | 2,509,318 | 795,796 |

## 5 Capital assets

| | | | 2021 | 2020 |
|---|---|---|---|---|
| | Cost $ | Accumulated amortization $ | Net $ | Net $ |
| Office furniture and fixtures | 1,688 | 601 | 1,087 | 1,359 |
| Automotive | 23,063 | 12,828 | 10,235 | 9,825 |
| Computer equipment | 16,621 | 8,158 | 8,463 | 10,050 |
| Sports equipment | 48,481 | 26,964 | 21,517 | 9,895 |
| | 89,853 | 48,551 | 41,302 | 31,129 |

## 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.

| | 2020 $ | Additions $ | Released $ | 2021 $ |
|---|---|---|---|---|
| Wetzin'kwa Mountain Bike Programs | 15,000 | - | 15,000 | - |
| Banff Canmore Community Foundation | 10,350 | - | 10,350 | - |
| Vancouver Foundation | 87,821 | 100,000 | 153,550 | 34,271 |
| ISC (Indigenous Services Canada) | 170,950 | - | 170,950 | - |
| Other | 17,500 | 76,166 | 17,500 | 76,166 |
| Calgary Community Foundation | 29,750 | - | 29,750 | - |
| Montreal Lake Cree Nation FY21/22 | - | 212,891 | - | 212,891 |
| Enoch Cree Nation | - | 20,000 | - | 20,000 |
| Canadian Heritage | - | 100,000 | 23,368 | 76,632 |
| Community Initiatives Program (CIP) Ministry of Culture Alberta | - | 75,000 | - | 75,000 |
| Pembina | - | 75,000 | 13,295 | 61,705 |
| Alberta MIIG | - | 25,000 | - | 25,000 |
| MEC | - | 32,500 | 13,246 | 19,254 |
| Alberta Health | - | 150,000 | 54,546 | 95,454 |
| | 331,371 | 866,557 | 501,555 | 696,373 |

## 7 Government assistance

The Canada 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 $42,660 (2020 – $42,979) from the Government of Canada for the year ended June 30, 2021.

## 8 Long-term loan

During the year, the Organization repaid the Canada Emergency Business Account loan that it obtained in the previous fiscal year. The Organization repaid $30,000 and has shown the $10,000 of forgiven loan amount as revenue during the year.

## 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:

| | 2021 $ | 2020 $ |
|---|---|---|
| Balance – Beginning of year | 11,418 | 15,640 |
| Amount received during the year | 26,041 | - |
| Less: Amounts recognized as revenue during the year | 9,198 | 4,222 |
| Balance – End of year | 28,261 | 11,418 |

## 10 Related party transactions

During the year, the Organization hired the spouse of a Board member. Remuneration of $5,211 and reimbursements of $589 were paid

## 11 Commitments

The Organization has one lease agreement with respect to its head office. The head office's lease expires on September 30, 2022. The minimal annual lease payments as at June 30, 2021 for the next two years are as follows:

| | $ |
|---|---|
| 2022 | 12,064 |
| 2023 | 3,016 |
| | 15,080 |

## 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 | 89,600 |
| Direct expenses incurred for the purpose of soliciting contributions including grants and donations | 32,069 |

## 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 23% (2020 – 32%) 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, 2021, one grantor accounted for 68% (2020 – 73%) of the accounts receivable. The Organization reports to its 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.