Spirit North

Financial Statements
June 30, 2023

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, 2023 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, 2023;
- 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.

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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 28, 2023

Spirit North

Statement of Financial Position

As at June 30, 2023

	2023 $	2022 $
Assets		
Current		
Cash and cash equivalents (note 3)	3,750,340	2,132,021
Accounts receivable	571,094	465,704
Deposits	105,579	55,091
	4,427,013	2,652,816
Investments (note 4)	1,237,908	939,582
Other investment	9,800	-
Capital assets (note 5)	82,973	74,514
	5,757,694	3,666,912
Liabilities		
Current		
Accounts payable and accruals	215,184	154,366
Deferred contributions (note 6)	262,747	568,095
	477,931	722,461
Deferred contributions related to capital assets (note 7)	11,350	16,719
	489,281	739,180
Net Assets		
Unrestricted	5,268,413	2,927,732
	5,757,694	3,666,912
Commitments (note 9)	109,144	134,589

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, 2023

	2023 $	2022 $
Revenue		
Grants		
Corporate and community	2,258,296	1,127,513
Government – provincial and federal	1,669,188	281,302
Fundraising	22,900	30,419
Donations and other		
Corporate	1,373,555	878,728
Individual and community	605,166	829,195
Community partnerships	42,682	292,508
Other revenue	116,350	10,940
Amortization of deferred contributions related to capital assets (note 7)	6,864	11,542
Gain (loss) on investments	17,771	(60,418)
	6,112,772	3,401,729
Expenses		
Coaching and related	1,477,720	941,755
Salaries and benefits	942,003	606,184
Travel and subsistence	495,908	209,933
Program costs	320,466	106,103
General and administration	252,821	180,672
Equipment costs	135,983	198,821
Professional fees	117,796	113,339
Amortization	28,505	22,656
Loss on sale of assets	889	-
	3,772,091	2,379,463
Excess of revenue over expenses for the year	2,340,681	1,022,266
Net assets – Beginning of year	2,927,732	1,905,466
Net assets – End of year	5,268,413	2,927,732

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

Spirit North

Statement of Cash Flows

For the year ended June 30, 2023

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	2,340,681	1,022,266
Items not affecting cash		
Amortization		
Capital assets	28,505	22,656
Deferred contributions related to capital assets	(6,864)	(11,542)
Loss on sale of capital assets	889	-
Non-cash donation investment	(40,355)	-
Realized and unrealized loss on investments	59,209	60,418
Changes in non-cash working capital items	(400,409)	(415,227)
	1,981,656	678,571
Investing activities		
Purchase of capital assets	(37,853)	(55,868)
Increase in deferred contributions relating to capital	1,495	-
Purchase of investments	(409,846)	(1,121,853)
Sale of investments	82,867	121,853
	(363,337)	(1,055,868)
Increase (decrease) in cash and cash equivalents during the year	1,618,319	(377,297)
Cash and cash equivalents – Beginning of year	2,132,021	2,509,318
Cash and cash equivalents – End of year	3,750,340	2,132,021
Cash and cash equivalents are represented by		
Cash	351,484	798,847
Cash equivalents	3,398,856	1,333,174
	3,750,340	2,132,021

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 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 initial terms to maturity of three months or less.

Investments

Investments include cash and cash equivalents, fixed income, equities and mutual funds and are recorded at fair value in accordance with the Organization's investment policies. Realized and unrealized gains and losses due to changes in fair value are recorded in investment income or loss on investments in the period in which they arise.

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%
Leasehold Improvements	20%

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 as 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

A financial asset or a financial liability is initially recognized when the Organization becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished. The Organization initially measures financial assets and financial liabilities, assumed in an arm's length transaction, at their fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, other than investments, which are measured and reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable and deposits. The financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

Financial assets originated or acquired, and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayments terms, cost is determined as the sum of undiscounted cash flows less any impairment losses previously recognized by the transferor. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received by the Organization in the transaction.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method.

With respect to financial assets measured at amortized cost, the Organization recognizes an impairment loss, if any, in the statement of revenue and expenses and changes in net assets, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of revenue and expenses and changes in net assets, in the period the reversal occurs.

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 as 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.

3 Cash and cash equivalents

	2023 $	2022 $
Cash on hand	351,484	798,847
Notice 31-day demand account	3,398,856	1,333,174
	3,750,340	2,132,021

4 Investments

	2023 $	2022 $
Cash equivalents	5,268	55,774
Fixed income	378,654	59,145
Equities	754,555	690,404
Mutual funds/segregated funds	99,431	134,259
	1,237,908	939,582

5 Capital assets

			2023	2022
	Cost $	Accumulated amortization $	Net $	Net $
Office furniture and fixtures	5,149	1,338	3,811	870
Leasehold improvements	36,055	10,095	25,960	32,450
Automotive	40,045	23,342	16,703	12,916
Computer equipment	29,287	12,927	16,360	12,562
Sports equipment	71,465	51,326	20,139	15,716
	182,001	99,028	82,973	74,514

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.

	2022 $	Additions $	Released $	2023 $
Vancouver Foundation	50,000	-	50,000	-
Montreal Lake Cree Nation FY22/23	24,531	-	24,531	-
Canadian Heritage	-	60,812	-	60,812
Sun Life	200,000	-	200,000	-
Inter Pipeline Ltd.	25,000	25,000	25,000	25,000
Peter Cundill Foundation	258,000	-	258,000	-
Pauw Foundation	10,564	-	10,564	-
Fyfe Foundation	-	69,049	-	69,049
Chevron Canada	-	30,000	-	30,000
Other	-	77,886	-	77,886
	568,095	262,747	568,095	262,747

7 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:

	2023 $	2022 $
Balance – Beginning of year	16,719	28,261
Amount received during the year	1,495	-
Less: Amounts recognized as revenue during the year	6,864	11,542
Balance – End of year	11,350	16,719

8 Related party transactions

During the year there were no related party transactions.

9 Commitments

The Organization has one lease agreement with respect to its head office. The head office's lease expires on April 30, 2027. The minimal annual lease payments as at June 30, 2023 for the next four years are as follows:

	$
2024	26,708
2025	27,969
2026	29,231
2027	25,236
	109,144

10 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	72,204
Direct expenses incurred for the purpose of soliciting contributions including grants and donations	16,749

11 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 on by the grantor and the grantee. Approximately 27% (2022 – 15%) of the Organization's revenue is received from one grantor.

12 Financial instruments

The Organization, as part of its operations, carries a number of financial instruments recognized in the statement of financial position. These are subject to the following market, interest rate, credit and liquidity risks as outlined below.

Market risk

The portfolio investments of the Organization are subject to price risks as changing interest rates impact the market value of the fixed rate investments, the general economic conditions affect the market value of equity investments and currency exchange rate changes impact the market value of investments denominated in currencies other than the Canadian dollar. This risk is mitigated through the use of a qualified investment manager and through adherence to Board approved investment guidelines.

Interest rate risk

The Organization is exposed to interest rate risk on its investment. Interest rates of investments vary from 2.077% to 5.75%. These investments mature at various dates from one to nine years. The Organization engages investment advisors to manage the investment portfolio in accordance with the Organization's Board approved investment policies.

Credit risk

As at June 30, 2023, one grantor accounted for 69% (2022 – 58%) 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. 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.

Portfolio investments are subject to liquidity risk if the Organization is required to sell at a time that the market for investments is unfavourable. To manage the risk, the Organization uses an investment manager and adheres to the Board approved investment guidelines that recognize the Organization's liquidity needs.

13 Comparative figures

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.