

Northreach Society
(previously HIV North Society)
Financial Statements
For the year ended March 31, 2021

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Financial Statements
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Tel: 780 461 8000
Fax: 780 461 8800
www.bdo.ca

BDO Canada LLP
Suite 900, 103 Street Centre
10130 103 Street NW
Edmonton AB T5J 3N9 Canada

Independent Auditor's Report

To the Members of
Northreach Society

Qualified Opinion

We have audited the accompanying financial statements of Northreach Society (the "Society"), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Northreach Society as at March 31, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 Society 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Independent Auditor's Report (continued)

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 Society'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 Society'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 Society 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.



Independent Auditor's Report (continued)

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.

BDO Canada LLP

Chartered Professional Accountants

Edmonton, Alberta
August 30, 2021

Northreach Society Statement of Financial Position

March 31	2021	2020
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Assets

Current		
Cash (Note 2)	\$ 1,915,784	\$ 1,231,935
Accounts receivable (Note 3)	143,110	111,857
Prepaid expenses	38,390	31,935
	2,097,284	1,375,727
Security deposit	7,000	9,169
Capital assets (Note 4)	223,955	274,992
	\$ 2,328,239	\$ 1,659,888

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 285,206	\$ 278,526
Deferred revenue (Note 6)	1,951,586	1,107,467
	2,236,792	1,385,993
Deferred capital contributions (Note 7)	214,054	261,233
	2,450,846	1,647,226
Lease commitments (Note 11)		
Net assets		
Unrestricted net assets	(132,507)	(1,097)
Equity in capital assets	9,900	13,759
	(122,607)	12,662
	\$ 2,328,239	\$ 1,659,888

Approved on behalf of the board:

_____, President _____, Member

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

Northreach Society

Statement of Changes in Net Assets

For the year ended March 31 2021

	Unrestricted net assets	Equity in capital assets	Total
Balance, beginning of year	\$ (1,097)	\$ 13,759	\$ 12,662
Deficiency of revenue over expenditures for the year	<u>(131,410)</u>	<u>(3,859)</u>	<u>(135,269)</u>
Balance, end of year	<u>\$ (132,507)</u>	<u>\$ 9,900</u>	<u>\$ (122,607)</u>

For the year ended March 31 2020

	Unrestricted net assets	Equity in capital assets	Total
Balance, beginning of year	\$ 18,192	\$ 25,270	\$ 43,462
Deficiency of revenue over expenditures for the year	<u>(19,289)</u>	<u>(11,511)</u>	<u>(30,800)</u>
Balance, end of year	<u>\$ (1,097)</u>	<u>\$ 13,759</u>	<u>\$ 12,662</u>

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

Northreach Society

Statement of Operations

For the year ended March 31	2021	2020
Revenue		
City of Grande Prairie grants	\$ 2,354,086	\$ 2,464,410
SCS grants	1,293,121	1,385,865
ACHF grants	514,828	667,326
Other grants	546,183	-
WHO grant	185,059	152,743
ACCH grants	152,563	315,059
AHS THN grant	132,930	-
Community Foundation grant	100,000	-
United Way	89,028	95,855
Amortization of deferred capital contributions	83,874	111,957
Indigenous Opioid Emergency grant	26,822	107,797
Fundraising, donations and memberships	27,825	54,672
Interest	1,671	2,172
Program cost reimbursements	934	66,696
AHS Coalition grant	300	4,746
	<u>5,509,224</u>	<u>5,429,298</u>
Expenditures		
Advertising and public relations	-	75
Amortization	87,734	117,965
Insurance	35,228	28,068
Interest and bank charges	2,119	1,369
Memberships	125	667
Office	106,530	141,224
Professional development	7,569	17,848
Professional fees	46,828	45,042
Project	492,039	235,881
Rent	370,131	446,068
Repairs and maintenance	67,482	69,862
Salaries and related benefits	4,051,103	3,888,810
Security	179,710	177,126
Subcontracts	30,750	55,854
Supplies	53,647	59,438
Telephone and utilities	78,071	100,908
Travel and automotive	35,427	68,391
	<u>5,644,493</u>	<u>5,454,596</u>
Deficiency of revenue over expenditures before undernoted item	(135,269)	(25,298)
Loss on disposal of capital assets	<u>-</u>	<u>(5,502)</u>
Deficiency of revenue over expenditures for the year	<u>\$ (135,269)</u>	<u>\$ (30,800)</u>

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

Northreach Society Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Cash receipts from funding sources	\$ 6,222,054	\$ 6,054,660
Cash paid to suppliers and employees	<u>(5,538,205)</u>	<u>(5,328,398)</u>
Increase in cash during the year	683,849	726,262
Cash, beginning of year	<u>1,231,935</u>	<u>505,673</u>
Cash, end of year	<u>\$ 1,915,784</u>	<u>\$ 1,231,935</u>

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

Northreach Society

Notes to the Financial Statements

March 31, 2021

Nature of operations

Northreach Society (the "Society") addresses the Social Determinants of Health through innovation, collaboration, education, support and harm reduction. Northreach Society provides wraparound supports, addresses risks related to sexually transmitted and blood borne infections, and responds to identified community needs. They aim to build a respectful, comprehensive and dignified network of support for all populations. The Society changed its name from HIV North Society to Northreach Society on February 28, 2019. The Society is a not-for-profit organization incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act.

1. Summary of significant accounting policies

The Society follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

Measurement uncertainty	The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.
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Capital assets	Capital assets are recorded at cost. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:
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Asset	Rate
Vehicles	30%
Furniture and fixtures	20%
Computer equipment	30%
Website costs	20%

Northreach Society

Notes to the Financial Statements

March 31, 2021

1. Summary of significant accounting policies (continued)

Financial instruments

The Society initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed to by the related parties.

The Society subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations.

Revenue recognition

Revenue on significant contracts, which provide for progress billings and payments as part of the contract, are recognized on the percentage of completion method. Deferred revenue, in current liabilities, represents billings rendered in excess of revenue earned.

Externally restricted contributions for the purchase of capital assets are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expenditure related to the acquired capital assets.

Contributed services

Volunteers contributed time to assist the Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Cash

Included in cash is restricted Casino funds of \$24,714 (2020 - \$33,200). This amount is subject to Alberta Gaming and Liquor Commission's spending regulations.

There is no unrestricted cash invested in a high interest savings account earning interest (2020 - \$42,302 at 0.4% per annum).

3. Accounts receivable

The accounts receivable balance consists of the following:

	2021	2020
	<hr/>	<hr/>
Carried forward	\$ -	\$ -

Northreach Society

Notes to the Financial Statements

March 31, 2021

3. Accounts receivable (continued)

		2021	2020
Carried forward	\$ -	\$ -	\$ -
Grant related receivables			
PHAC Grant		\$ 65,327	\$ -
COVID-19 Response Program		43,609	-
Holdback receivable for AHS THN grant		14,813	-
Holdback receivable for the ACCH (ACHF) grants		12,725	13,398
Owing from employees		92	62
Parkside grant receivable		-	28,476
United Way Fort McMurray grant receivable		-	22,139
ACCH (THN) Grande Prairie grant receivable		-	15,429
Grande Spirit Foundation Receivable		-	11,894
ACCH (THN) Fort McMurray grant receivable		-	7,930
Sagitawa Friendship Society		-	2,000
MD of Greenview		-	518
		136,566	101,846
Other receivables			
GST Receivable		6,544	10,011
		<u>\$ 143,110</u>	<u>\$ 111,857</u>

4. Capital assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Vehicles	\$ 492,229	\$ 273,368	\$ 455,534	\$ 187,434
Furniture and fixtures	1,783	1,257	1,783	1,126
Computer equipment	10,110	7,164	10,110	5,902
Website costs	3,519	1,897	3,519	1,492
	<u>507,641</u>	<u>283,686</u>	<u>470,946</u>	<u>195,954</u>
Net book value		<u>\$ 223,955</u>		<u>\$ 274,992</u>

5. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities balance consists of the following:

	2021	2020
Trade payables and accrued liabilities	\$ 125,834	\$ 130,240
Government remittances	69,747	45,123
Grant program repayments	89,625	103,163
	<u>\$ 285,206</u>	<u>\$ 278,526</u>

Northreach Society

Notes to the Financial Statements

March 31, 2021

6. Deferred revenue

Deferred grant revenue relates to government grants and funds which were unspent at the end of the year.

	2021	2020
Balance, beginning of year	\$ 1,107,467	\$ 1,372,104
Grants received	6,182,070	4,981,017
Grants receivable	136,566	101,846
Revenue recognized	(5,395,852)	(5,260,498)
Program funds repayable	(78,665)	(87,002)
Balance, end of year	<u>\$ 1,951,586</u>	<u>\$ 1,107,467</u>

7. Deferred capital contributions

Deferred capital contributions represent restricted contributions that have been used for the acquisition of capital assets. Changes in the deferred capital contribution are as follows:

	2021	2020
Balance, beginning of year	\$ 261,233	\$ 373,190
Capital asset contributed	36,695	-
	297,928	373,190
Amortization of deferred capital contributions	(83,874)	(111,957)
Balance, end of year	<u>\$ 214,054</u>	<u>\$ 261,233</u>

8. Non-cash harm reduction funding

The Society was provided non-cash contribution, in the form of harm reduction supplies from ACCH between April and October 2020. In November 2020, AHS assumed the role of ACCH and provided the Society with harm reduction supplies. These supplies are ordered as needed by the Society.

The Society obtained supplies with a value of \$417,744 (2020 - \$251,707).

9. Income taxes

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

10. Economic dependence

The Society is economically dependent on grants from various government agencies and foundations and the City of Grande Prairie to provide revenue to fund operations. The Society enters into annual contracts for its specific programs.

Northreach Society Notes to the Financial Statements

March 31, 2021

11. Lease commitments

The Society leases real property in Fort McMurray and Grande Prairie. The agreements expire June 30, 2021 and July 31, 2024, respectively. The Society has a Xerox machine under an operating lease commitment that will expire in July 2021. There is also a sublease ending on September 30, 2021 with Copper Tip Energy Services Inc. for office space. The lease commitments for the next four years are as follows:

2022	\$ 114,717
2023	86,100
2024	<u>28,700</u>
	<u>\$ 229,517</u>

12. COVID-19 Outbreak

The outbreak of the novel strain of the coronavirus, specifically identified as 'COVID-19', has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, governments have been implementing measures to keep economies afloat incurring large deficits. As of the time of filing, it is not possible to reliably estimate the length and severity of these developments and its impact on the contributions to and operations of the Society.
