

Northreach Society
(previously HIV North Society)
Financial Statements
For the year ended March 31, 2022

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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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended March 31, 2021 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society 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
October 20, 2022

Northreach Society
Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 489,155	\$ 1,915,784
Accounts receivable (Note 3)	285,203	143,110
Prepaid expenses	<u>26,919</u>	<u>38,390</u>
	801,277	2,097,284
Security deposit	7,000	7,000
Capital assets (Note 4)	<u>156,983</u>	<u>223,955</u>
	\$ 965,260	\$ 2,328,239
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 772,792	\$ 285,206
Deferred revenue (Note 6)	<u>121,171</u>	<u>1,951,586</u>
	893,963	2,236,792
Deferred capital contributions (Note 7)	<u>149,838</u>	<u>214,054</u>
	1,043,801	2,450,846
Lease commitments (Note 8)		
Net assets		
Unrestricted net assets	(85,686)	(132,507)
Equity in capital assets	<u>7,145</u>	<u>9,900</u>
	(78,541)	(122,607)
	\$ 965,260	\$ 2,328,239

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

<u>For the year ended March 31</u>	<u>2022</u>		
	Unrestricted net assets	Equity in capital assets	Total
Balance, beginning of year	\$ (132,507)	\$ 9,900	\$ (122,607)
Excess revenue (expenditures) for the year	<u>46,821</u>	<u>(2,755)</u>	<u>44,066</u>
Balance, end of year	\$ (85,686)	\$ 7,145	\$ (78,541)

<u>For the year ended March 31</u>	<u>2021</u>		
	Unrestricted net assets	Equity in capital assets	Total
Balance, beginning of year	\$ (1,097)	\$ 13,759	\$ 12,662
Excess expenditures for the year	<u>(131,410)</u>	<u>(3,859)</u>	<u>(135,269)</u>
Balance, end of year	\$ (132,507)	\$ 9,900	\$ (122,607)

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

Northreach Society Statement of Operations

For the year ended March 31

	2022	2021
Revenue		
City of Grande Prairie grants	\$ 2,881,289	\$ 2,354,086
SCS grants	1,661,412	1,293,121
STBBI Income	531,281	-
AHS Nurse expenses billed	399,031	-
AHS THN grant	255,603	132,930
WHO grant	187,926	185,059
AHS Needle income	104,561	-
Other grants	90,486	546,183
Alberta Critical Worker Benefit	66,547	-
Amortization of deferred capital contributions	64,216	83,874
United Way	60,531	89,028
Fundraising, donations and memberships	19,661	27,825
Vax incentive	15,000	-
Interest	8,477	1,671
ACCH grants	4,277	152,563
Akphp Income	3,912	-
Casino	2,212	-
AHS Coalition grant	1,679	300
Community Foundation grant	-	100,000
Indigenous Opioid Emergency grant	-	26,822
Program cost reimbursements	-	934
ACHF grants	25,259	514,828
	<hr/>	<hr/>
	6,383,360	5,509,224
 Expenditures		
Advertising and public relations	1,583	-
Amortization	66,971	87,734
Casino	2,201	-
Contractors	4,022	-
Drags and Bags Expenses	6,247	-
Insurance	31,187	35,228
Interest and bank charges	2,904	2,119
Memberships	-	125
Office	154,007	106,530
Peer expenses	2,490	-
Professional development	20,937	7,569
Professional fees	80,112	46,828
Project	356,829	492,039
Recovery care support	1,233	-
Rent	214,330	370,131
Repairs and maintenance	10,298	67,482
Salaries and related benefits	5,062,425	4,051,103
Security	160,630	179,710
Subcontracts	4,545	30,750
Supplies	56,971	53,647
Telephone and utilities	48,278	78,071
Travel and automotive	49,753	35,427
Wellness	1,341	-
	<hr/>	<hr/>
	6,339,294	5,644,493
 Excess revenue (expenditures) for the year	<hr/>	<hr/>
	\$ 44,066	\$ (135,269)

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

Northreach Society
Statement of Cash Flows

<u>For the year ended March 31</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash receipts from funding sources	\$ 4,804,836	\$ 6,222,054
Cash paid to suppliers and employees	<u>(6,231,465)</u>	<u>(5,538,205)</u>
Increase (decrease) in cash during the year	(1,426,629)	683,849
Cash, beginning of year	<u>1,915,784</u>	<u>1,231,935</u>
Cash, end of year	\$ 489,155	\$ 1,915,784

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

Northreach Society Notes to the Financial Statements

March 31, 2022

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.

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:

Asset	Rate
Vehicles	30%
Furniture and fixtures	20%
Computer equipment	30%
Website costs	20%

Northreach Society Notes to the Financial Statements

March 31, 2022

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. Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition.

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 \$6,331 (2021 - \$24,714). 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.

Northreach Society Notes to the Financial Statements

March 31, 2022

3. Accounts receivable

The accounts receivable balance consists of the following:

	2022	2021
Grant related receivables		
PHAC Grant	\$ 18,700	\$ 65,327
COVID-19 Response Program	-	43,609
Holdback receivable for AHS THN grant	-	14,813
Holdback receivable for the ACCH (ACHF) grant	-	12,725
Alberta Health Services	171,941	-
The City of Grande Prairie	87,287	-
Owing from employees	-	92
	277,928	136,566
Other receivables		
GST Receivable	<u>7,275</u>	<u>6,544</u>
	<u>\$ 285,203</u>	<u>\$ 143,110</u>

4. Capital assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Vehicles	\$ 492,229	\$ 339,026	\$ 492,229	\$ 273,368
Furniture and fixtures	1,783	1,362	1,783	1,257
Computer equipment	10,110	8,048	10,110	7,164
Website costs	3,519	2,222	3,519	1,897
	<u>507,641</u>	<u>350,658</u>	<u>507,641</u>	<u>283,686</u>
Net book value	<u>\$ 156,983</u>		<u>\$ 223,955</u>	

5. Accounts payable and accrued liabilities

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

	2022	2021
Trade payables and accrued liabilities	\$ 192,735	\$ 125,834
Government remittances	86,832	69,747
Grant program repayments	<u>493,225</u>	<u>89,625</u>
	<u>\$ 772,792</u>	<u>\$ 285,206</u>

Northreach Society Notes to the Financial Statements

March 31, 2022

6. Deferred revenue

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

	2022	2021
Balance, beginning of year	\$ 1,951,586	\$ 1,107,467
Grants received	4,641,758	6,182,070
Grants receivable	277,928	136,566
Revenue recognized	(6,330,340)	(5,395,852)
Program funds repayable	<u>(419,761)</u>	<u>(78,665)</u>
Balance, end of year	<u>\$ 121,171</u>	<u>\$ 1,951,586</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:

	2022	2021
Balance, beginning of year	\$ 214,054	\$ 261,233
Capital asset contributed	<u>-</u>	<u>36,695</u>
Amortization of deferred capital contributions	<u>214,054</u>	<u>297,928</u>
	<u>(64,216)</u>	<u>(83,874)</u>
Balance, end of year	<u>\$ 149,838</u>	<u>\$ 214,054</u>

8. Lease commitments

The Society leases real property and office space in Fort McMurray and Nisku. The agreements expire July 31, 2024 and September 30, 2022, respectively.

The lease commitments are as follows:

2023	\$ 110,700
2024	86,100
2025	<u>28,700</u>
	<u>\$ 225,500</u>

9. Non-cash harm reduction funding

The Society was provided non-cash contribution, in the form of harm reduction supplies from AHS. These supplies are ordered as needed by the Society.

The Society obtained supplies with a value of \$153,365 (2021 -\$417,744)

Northreach Society Notes to the Financial Statements

March 31, 2022

10. 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.

11. 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.

12. Covid-19 Impact

The impact of COVID-19 in Canada and the global economy has been significant. As the impacts of COVID-19 continue, it is uncertain as to the full magnitude that the pandemic will have on the Society's financial condition. Management is actively monitoring the global situation on its financial condition, operations, industry, and workforce. At this time, the full potential impact of COVID-19 on the Society is not known.
