

NORTHREACH SOCIETY

Financial Statements

March 31, 2023





INDEPENDENT AUDITORS' REPORT

To the Members of Northreach Society

Qualified Opinion

We have audited the financial statements of Northreach Society (the Society), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets (deficit), operations and cash flow 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 the Society as at March 31, 2023, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. The predecessor auditors' opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with 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.

Other Matter

The financial statements for the year ended March 31, 2022 were audited by BDO Canada LLP, Edmonton, who expressed a qualified opinion on those financial statements on October 20, 2022 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, 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.

(continues)

Independent Auditors' Report to the Members of Northreach Society *(continued)*

Independent Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

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.

Fletcher Murray & LLP

Grande Prairie, Alberta
June 28, 2023

Chartered Professional Accountants



NORTHREACH SOCIETY
Statement of Financial Position
March 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash <i>(Note 3)</i>	\$ 702,115	\$ 489,155
Accounts receivable <i>(Note 4)</i>	344,308	285,203
Prepaid expenses <i>(Note 5)</i>	34,988	33,919
	<hr/>	<hr/>
	1,081,411	808,277
TANGIBLE CAPITAL ASSETS <i>(Note 6)</i>	<hr/>	<hr/>
	92,996	156,983
	<hr/>	<hr/>
	\$ 1,174,407	\$ 965,260
LIABILITIES		
CURRENT		
Accounts payable <i>(Note 8)</i>	\$ 992,030	\$ 772,792
Deferred revenue <i>(Schedule 1)</i>	<hr/>	<hr/>
	98,540	121,171
	<hr/>	<hr/>
Unamortized capital contributions	1,090,570	893,963
	<hr/>	<hr/>
	89,603	149,838
	<hr/>	<hr/>
	1,180,173	1,043,801
CONTINGENT LIABILITY <i>(Note 9)</i>		
LEASE COMMITMENTS <i>(Note 10)</i>		
DEFICIT		
DEFICIT	(9,159)	(85,686)
EQUITY IN TANGIBLE CAPITAL ASSETS	<hr/>	<hr/>
	3,393	7,145
	<hr/>	<hr/>
	(5,766)	(78,541)
	<hr/>	<hr/>
	\$ 1,174,407	\$ 965,260

ON BEHALF OF THE BOARD

Tina Nelson
Tina Nelson (Jul 17, 2023 13:12 MDT) *President*

Robbie Thomlinson
Robbie Thomlinson (Jul 19, 2023 15:35 MDT) *Member*

Please see accompanying notes to financial statements



NORTHREACH SOCIETY
Statement of Changes in Net Assets (Deficit)
Year Ended March 31, 2023

	Deficit	Equity in tangible capital assets	2023	2022
NET DEFICIT - BEGINNING OF YEAR	\$ (85,686)	\$ 7,145	\$ (78,541)	\$ (122,607)
Excess (deficiency) of revenue over expenditures	<u>76,527</u>	<u>(3,752)</u>	<u>72,775</u>	<u>44,066</u>
NET DEFICIT - END OF YEAR	<u>\$ (9,159)</u>	<u>\$ 3,393</u>	<u>\$ (5,766)</u>	<u>\$ (78,541)</u>

Please see accompanying notes to financial statements



NORTHREACH SOCIETY
Statement of Operations
Year Ended March 31, 2023

	2023	2022
REVENUE		
Amortization of deferred capital contributions	\$ 38,401	\$ 64,216
Casino income	25,330	2,212
Donations	21,109	19,661
Government Grant Funding (<i>Schedule 1</i>)	5,538,949	6,438,248
Interest income	38,617	8,477
Other income	15,122	3,912
	5,677,528	6,536,726
EXPENSES		
Advertising and promotion	8,874	3,269
Amortization	39,670	66,971
Client support	23,396	303,404
Insurance	30,661	31,187
Interest and bank charges	2,475	2,902
Office	150,745	161,422
Professional fees	65,740	80,112
Rental	212,728	231,096
Repairs and maintenance	11,445	10,298
Salaries and wages	4,393,093	4,988,550
Security	173,129	160,630
Sub-contracts	31,800	26,192
Supplies (<i>Note 11</i>)	363,682	344,572
Telephone	30,592	32,302
Travel	64,240	49,753
	5,602,270	6,492,660
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	75,258	44,066
Other expenses		
Loss on disposal of tangible capital assets	(2,483)	-
EXCESS OF REVENUE OVER EXPENSES	\$ 72,775	\$ 44,066

Please see accompanying notes to financial statements



NORTHREACH SOCIETY
Statement of Cash Flow
Year Ended March 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 72,775	\$ 44,066
Items not affecting cash:		
Amortization of tangible capital assets	39,670	66,971
Amortization of deferred capital contributions	(38,401)	(64,216)
Loss on disposal of tangible capital assets	2,483	-
	<hr/> 76,527	<hr/> 46,821
Changes in non-cash working capital:		
Accounts receivable	(59,105)	(142,093)
Prepaid expenses	(1,069)	11,471
Accounts payable	219,238	487,586
Deferred revenue	(22,631)	(1,830,415)
	<hr/> 136,433	<hr/> (1,473,451)
INCREASE (DECREASE) IN CASH	212,960	(1,426,630)
CASH - BEGINNING OF YEAR	489,155	1,915,784
CASH - END OF YEAR	\$ 702,115	\$ 489,155

Please see accompanying notes to financial statements



NORTHREACH SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

1. NATURE OF OPERATIONS

Northreach Society (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. As a registered charity the Society is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act. The Society's registered charity number is 13146 5387 RR0001.

The Society operates to address the social determinants of health through innovation, collaboration, education, support and harm reduction. The Society provides wrap-around 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Cash and cash equivalents

Cash and cash equivalents consists solely of cash in bank.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Equipment	30%
Furniture and fixtures	20%
Motor vehicles	30%
Website costs	20%

In the year of acquisition, amortization is applied at half of normal rates.

The Society regularly reviews its tangible capital assets for sold or scrapped assets, at which time the cost and the related accumulated amortization are removed from the accounts and any resulting gain or loss on disposal is reflected in income. No amortization is recorded in the year of disposition.

Impairment of long-lived assets

For financial assets measured at cost or amortized cost, the Society determines whether there are indications of possible impairment. When there is an indication of impairment, and the Society determines a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. No impairment has been recognized, and thus, no impairment loss has been recognized in these financial statements.

Unamortized capital contributions

Contributions received for the purchase of tangible capital assets are deferred and amortized on the same basis as the asset acquired.

Equity in tangible capital assets

Equity in tangible capital assets represents the Society's net investments in tangible capital assets, after deducting any portion financed by third parties through long-term capital borrowing and unamortized capital contributions.

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NORTHREACH SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Northreach Society follows the deferral method of accounting for contributions.

Restricted contributions are 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.

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.

Unrestricted investment income is recognized as revenue when earned.

Other income is recognized as revenue when services are provided or goods are exchanged.

Financial instruments

The Society recognizes a financial instrument when it becomes party to the contractual provisions of the financial instrument. The organization initially records financial instruments at their fair value.

In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. Any transaction costs are recognized in net income in the period incurred.

In subsequent periods, financial instruments without actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. Any transaction costs are recognized in net income in the period incurred.

3. CASH

Included in cash is restricted Casino funds of \$30,618 (2022 - \$6,331). Alberta Gaming, Liquor and Cannabis restricts the use of the cash as outlined in the gaming and casino agreements.

4. ACCOUNTS RECEIVABLE

	2023	2022
Federal grants receivable (<i>Schedule 1</i>)	\$ 336,962	\$ 18,700
Provincial grants receivable (<i>Schedule 1</i>)	-	171,941
Municipal grants receivable (<i>Schedule 1</i>)	-	87,287
GST receivable	6,140	7,275
Other receivables	1,206	-
	<hr/>	<hr/>
	\$ 344,308	\$ 285,203

NORTHREACH SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

5. PREPAID EXPENSES

	2023	2022
Prepaid expenses	\$ 26,488	\$ 26,919
Security deposits	<u>8,500</u>	<u>7,000</u>
	\$ 34,988	\$ 33,919

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Equipment	\$ -	\$ -	\$ -	\$ 700
Furniture and fixtures	- -	- -	- -	1,783
Motor vehicles	455,534	363,576	91,958	153,202
Website costs	<u>3,519</u>	<u>2,481</u>	<u>1,038</u>	<u>1,298</u>
	\$ 459,053	\$ 366,057	\$ 92,996	\$ 156,983

7. CREDIT FACILITY

The Society has a credit facility with Bank of Montreal, which includes an approved operating line that can be drawn upon to a maximum of \$50,000, which bears interest at prime plus 1.75% and is secured by a Registered General Security Agreement over real/moveable property and a first ranking over accounts receivable, inventory and automobiles and trucks. The operating line was unused at March 31, 2023.

The Society also has corporate Mastercards with an aggregate limit of \$45,000.

8. ACCOUNTS PAYABLE

	2023	2022
Trade payable and accrued liabilities	\$ 324,309	\$ 192,735
Payroll remittances	<u>53,428</u>	<u>86,832</u>
Provincial grant repayments (<i>Schedule 1</i>)	<u>507,104</u>	<u>41,461</u>
Municipal grant repayments (<i>Schedule 1</i>)	<u>85,349</u>	<u>400,665</u>
Other grant repayments (<i>Schedule 1</i>)	<u>21,840</u>	<u>51,099</u>
	\$ 992,030	\$ 772,792

NORTHREACH SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

9. CONTINGENT LIABILITY

The Society receives funding from various government contracts. Under the terms of such contracts, the Society could become liable for any unspent funds which would require repayment to the various governments. Any liability incurred would be accounted for as a current transaction in the year the repayment becomes necessary.

10. LEASE COMMITMENTS

The Society has a real property and office space leases in Fort McMurray and Grande Prairie. The agreements expire October 31, 2023 and July 31, 2024 respectively. Future minimum lease payments as at year-end are as follows:

2024	\$ 116,400
2025	<hr/> 34,000
\$ 150,400	<hr/>

11. NON-CASH FUNDING

The Society was provided non-cash contributions in the form of harm reduction supplies from AHS. These supplies are ordered as needed by the Society and are reported as government grant funding.

During the year, the Society obtained supplies with a value of \$262,770 (2022 - \$153,365).

12. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

13. ECONOMIC DEPENDENCE

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

14. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered professional accountants. Fletcher Mudryk LLP performed those procedures as determined to be necessary to ensure reliance could be placed on the comparative figures.

Some of the comparative figures have been reclassified to conform to the current year's presentation.



NORTHREACH SOCIETY

Government Grant Funding

(Schedule 1)

Year Ended March 31, 2023

	Deferred revenue <i>March 31, 2022</i>	Grants received <i>2023</i>	Grants receivable <i>March 31, 2023</i>	Revenue recognized <i>2023</i>	Program funds repayable <i>March 31, 2023</i>	Deferred revenue <i>March 31, 2023</i>
Community Action Fund	\$ -	\$ -	\$ 117,951	\$ (117,951)	\$ -	\$ -
Harm Reduction Fund	-	-	109,757	(109,757)	-	-
Substance Use and Addiction Program						
- Health Canada	-	-	108,304	(108,304)	-	-
Substance Use and Addiction Program						
- ACCH	-	97,780	950	(98,730)	-	-
Federal grant funding	-	97,780	336,962	(434,742)	-	-
Take Home Naloxone Program	-	296,250	-	(289,383)	(6,867)	-
Women's Health Organization	57,274	241,238	-	(224,335)	(74,177)	-
Sexually Transmitted Blood Borne						
Infections	43,606	720,816	-	(674,063)	-	90,359
Supervised Consumption Site program	-	2,100,000	-	(1,673,940)	(426,060)	-
AHS Nurse expenses billed	-	82,750	-	(82,750)	-	-
AHS Supplies Income (<i>Note 11</i>)	-	262,770	-	(262,770)	-	-
Provincial grant funding	100,880	3,703,824	-	(3,207,241)	(507,104)	90,359
Youth Mentor Program	-	25,000	-	(18,819)	-	6,181
Coordinated Care Campus	-	1,712,455	-	(1,627,106)	(85,349)	-
Hotel Isolation Program	-	120,399	-	(120,399)	-	-
Municipal grant funding	-	1,857,854	-	(1,766,324)	(85,349)	6,181
United Way	18,596	109,191	-	(105,947)	(21,840)	-
Dr. Peter Covid 19 Micro Grant	-	25,000	-	(23,000)	-	2,000
Other Grants	1,695	-	-	(1,695)	-	-
Other grant funding	20,291	134,191	-	(130,642)	(21,840)	2,000
 Total grant funding	 \$ 121,171	 \$ 5,793,649	 \$ 336,962	 \$ (5,538,949)	 \$ (614,293)	 \$ 98,540

Please see accompanying notes to financial statements

