

Northreach Society
(previously HIV North Society)
Financial Statements
For the year ended March 31, 2020

Northreach Society
Financial Statements
For the year ended March 31, 2020

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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, 2020, 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, 2020, 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 donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue 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 and donations revenue, deficiency of revenue over expenditures, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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 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

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

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 23, 2020

Northreach Society

Statement of Financial Position

March 31	2020	2019
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Assets

Current

Cash (Note 2)	\$ 1,231,935	\$ 505,673
Accounts receivable (Note 3)	111,857	1,113,811
Prepaid expenses	31,935	39,745

	1,375,727	1,659,229
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Security deposit

Capital assets (Note 4)	9,169	2,169
	274,992	398,460

	\$ 1,659,888	\$ 2,059,858
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 278,526	\$ 271,102
Deferred revenue (Note 6)	1,107,467	1,372,104

	1,385,993	1,643,206
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Deferred capital contributions (Note 7)

	261,233	373,190
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	1,647,226	2,016,396
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Lease commitments (Note 11)

Net assets

Unrestricted net assets	(1,097)	18,192
Equity in capital assets	13,759	25,270

	12,662	43,462
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	\$ 1,659,888	\$ 2,059,858
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Approved on behalf of the board:

Robbie Thomlinson

Robbie Thomlinson (Jan 20, 2021 14:38 MST), President

Johnathon Fortune

, 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

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	(19,289)	(11,511)	(30,800)
Balance, end of year	\$ (1,097)	\$ 13,759	\$ 12,662

For the year ended March 31

2019

	Unrestricted net assets	Equity in capital assets	Total
Balance, beginning of year	\$ 17,510	\$ 30,695	\$ 48,205
Excess (deficiency) of revenue over expenditures for the year	72,027	(76,770)	(4,743)
Purchase of capital assets	(444,535)	444,535	-
Deferred capital contributions (Note 7)	373,190	(373,190)	-
Balance, end of year	\$ 18,192	\$ 25,270	\$ 43,462

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

Northreach Society

Statement of Operations

For the year ended March 31	2020	2019
Revenue		
City of Grande Prairie grants	\$ 2,464,410	\$ 1,341,624
SCS grants	1,385,865	334,836
ACHF grants	667,326	597,739
ACCH grants	315,059	276,979
WHO grant	152,743	250
Amortization of deferred capital contributions (Note 7)	111,957	65,857
Indigenous Opioid Emergency grant	107,797	104,323
United Way	95,855	106,290
Program cost reimbursements	66,696	10,477
Fundraising, donations and memberships	54,672	75,539
AHS Coalition grant	4,746	5,250
Interest	2,172	675
Casino	-	38,668
YASUP grant	-	17,052
Rental	-	2,940
Community Foundation grant	-	2,000
	5,429,298	2,980,499
Expenditures		
Advertising and public relations	75	1,666
Amortization	117,965	75,255
Casino	-	2,212
Insurance	28,068	18,536
Interest and bank charges	1,369	1,371
Memberships	667	901
Office	141,224	62,636
Professional development	17,848	33,518
Professional fees	45,042	39,096
Project	235,881	170,071
Rent	446,068	94,425
Repairs and maintenance	69,862	-
Salaries and related benefits	3,888,810	2,259,396
Security	177,126	1,967
Subcontracts	55,854	57,975
Supplies	59,438	59,792
Telephone and utilities	100,908	36,218
Travel and automotive	68,391	68,692
	5,454,596	2,983,727
Deficiency of revenue over expenditures before undernoted item	(25,298)	(3,228)
Loss on disposal of capital assets	(5,502)	(1,515)
Deficiency of revenue over expenditures for the year	\$ (30,800)	\$ (4,743)

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

Northreach Society Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Cash receipts from funding sources	\$ 6,054,660	\$ 3,091,553
Cash paid to suppliers and employees	<u>(5,328,398)</u>	<u>(2,802,668)</u>
	<u>726,262</u>	<u>288,885</u>
Cash flows from investing activities		
Capital contribution received	-	439,047
Purchase of capital assets	<u>-</u>	<u>(444,535)</u>
	<u>-</u>	<u>(5,488)</u>
Increase in cash during the year	726,262	283,397
Cash, beginning of year	<u>505,673</u>	<u>222,276</u>
Cash, end of year	<u>\$ 1,231,935</u>	<u>\$ 505,673</u>

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

Northreach Society

Notes to the Financial Statements

March 31, 2020

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%

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.

Northreach Society

Notes to the Financial Statements

March 31, 2020

1. Summary of significant accounting policies (continued)

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 \$33,200 (2019 - \$43,417), which are subject to Alberta Gaming and Liquor Commission's spending regulations. Of this amount, \$179 (2019 - \$178) was invested in a high interest savings account earning interest at 0.15% (2019 - 0.15%) per annum.

Included in the unrestricted cash is \$42,302 (2019 - \$41,989) invested in a high interest savings account earning interest at 0.4% (2019 - 0.4%) per annum.

3. Accounts receivable

The accounts receivable balance consists of the following:

	2020	2019
Parkside grant receivable	\$ 28,476	\$ -
United Way Fort McMurray grant receivable	22,139	-
ACCH (THN) Grande Prairie grant receivable	15,429	7,390
Holdback receivable for the ACCH (ACHF) grants	13,398	26,796
Grande Spirit Foundation Receivable	11,894	-
ACCH (THN) Fort McMurray grant receivable	7,930	7,389
Sagittawa Friendship Society	2,000	-
MD of Greenview	518	-
Owing from employees	62	-
SCS Grande Prairie grant receivable	-	1,061,392
GST Receivable	10,011	10,844
	\$ 111,857	\$ 1,113,811

Northreach Society Notes to the Financial Statements

March 31, 2020

4. Capital assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Vehicles	\$ 455,534	\$ 187,434	\$ 468,745	\$ 80,243
Furniture and fixtures	1,783	1,126	1,783	613
Computer equipment	10,110	5,902	10,110	3,856
Website costs	3,519	1,492	3,519	985
	470,946	195,954	484,157	85,697
Net book value		\$ 274,992		\$ 398,460

5. Accounts payable and accrued liabilities

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

	2020	2019
Trade payables and accrued liabilities	\$ 130,240	\$ 93,298
Government remittances	45,123	34,027
Grant program repayments	103,163	143,777
	\$ 278,526	\$ 271,102

6. Deferred revenue

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

	2020	2019
Balance, beginning of year	\$ 1,372,104	\$ 1,174,090
Grants received	4,981,017	2,031,224
Grants receivable	101,846	1,102,967
Revenue recognized	(5,260,498)	(2,792,400)
Program funds repayable	(87,002)	(143,777)
Balance, end of year	\$ 1,107,467	\$ 1,372,104

Northreach Society

Notes to the Financial Statements

March 31, 2020

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 follow:

	2020	2019
Balance, beginning of year	\$ 373,190	\$ -
Contributions spent on the purchase of capital assets	-	439,047
	<u>373,190</u>	<u>439,047</u>
Amortization of deferred capital contributions	(111,957)	(65,857)
Balance, end of year	<u>\$ 261,233</u>	<u>\$ 373,190</u>

8. Non-cash harm reduction funding

The Society has a non-cash allocation through ACCH, which is used to obtain harm reduction supplies.

The supplies budget in 2020 was \$119,000 (2019 - \$97,000) and the Society obtained supplies with a value of \$251,707 (2019 - \$140,615).

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 it's specific programs.

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 2022. There is also a sublease ending on September 30, 2020 with Copper Tip Energy Services Inc. for office space. The lease commitments for the next four years are as follows:

2021	\$ 148,384
2022	90,117
2023	86,100
2024	<u>28,700</u>
	<u>\$ 353,301</u>

Northreach Society Notes to the Financial Statements

March 31, 2020

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.






Northreach 2020 Financial Statements

Final Audit Report

2021-01-20

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