
**2-Spirited People of the 1st Nations
Annual Financial Statements**

March 31, 2016

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants

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Canada and internationally

2-Spirited People of the 1st Nations

Financial Information

March 31, 2016

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Millard, DesLauriers & Shoemaker LLP

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Independent Auditors' Report

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To the Directors of
2-Spirited People of the 1st Nations

We have audited the accompanying financial statements of 2-Spirited People of the 1st Nations, which comprise the statement of financial position as at March 31, 2016 and the statements of operating fund, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants, Licensed Public Accountants

Basis for Qualified Opinion

In common with many organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and the operating fund deficit.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of 2-Spirited People of the 1st Nations as at March 31, 2016, and its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Millard, DesLauriers & Shoemaker LLP

Toronto, Canada
June 27, 2016

Chartered Professional Accountants, Licensed Public Accountants

2-Spirited People of the 1st Nations Statement of Financial Position

As at March 31

2016

2015

Assets

Current

Accounts receivable	\$	-	\$	6,955
HST receivable		8,046		7,894
Prepaid expenses		13,967		13,758
		<u>22,013</u>		<u>28,607</u>

Equipment and leasehold improvements (Note 5)

		<u>8,968</u>		<u>12,034</u>
	\$	<u>30,981</u>	\$	<u>40,641</u>

Liabilities

Current

Bank indebtedness (Note 6)	\$	29,319	\$	31,127
Accounts payable and accrued liabilities		32,330		37,082
Deferred capital contributions (Note 9)		3,060		3,657
Current portion of long term debt (Note 10)		2,752		2,549
Deferred revenue		<u>4,650</u>		<u>-</u>
		<u>72,111</u>		<u>74,415</u>

Long-term debt (Note 10)

		<u>2,207</u>		<u>4,959</u>
		<u>74,318</u>		<u>79,374</u>

Operating fund deficit (page 3)

		<u>(43,337)</u>		<u>(38,733)</u>
	\$	<u>30,981</u>	\$	<u>40,641</u>

Approved on behalf of the Board:

Director

Director

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Statement of Operating Fund

For the Year Ended March 31

2016

2015

Operating Fund (deficit) - beginning of the year	\$ (38,733)	\$ (37,253)
Excess of revenue over expenses (expenses over revenue) for the year	(576)	401
Repayment of prior year surplus	(4,028)	(1,881)
Operating Fund (deficit) - end of the year	<u>\$ (43,337)</u>	<u>\$ (38,733)</u>

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Statement of Operations

For the Year Ended March 31

	2016	2015
Revenue		
Ontario Ministry of Health	\$ 411,988	\$ 411,988
Miziwe Biik	-	18,914
University of Toronto research project	9,400	6,955
Fundraising	791	4,725
Amortization of deferred capital contributions	597	681
Memberships and other	540	1,535
	<u>423,316</u>	<u>444,798</u>
Expenses		
Bank charges and interest	1,689	2,685
Consultants	17,591	8,711
Depreciation	3,066	3,311
Elders honorarium	-	200
Insurance	5,167	6,520
Interest on long-term debt	489	677
Miscellaneous (expenses allocated to other programs)	1,539	1,534
Office supplies and printing	10,897	7,120
Postage	2,264	2,741
Rent and utilities	58,793	58,421
Resource materials	611	3,134
Telephone	9,595	8,540
Training and instructors	682	200
Travel, workshops, conferences and meetings	9,124	11,805
Volunteer appreciation	1,317	991
Wages and benefits	301,068	327,807
	<u>423,892</u>	<u>444,397</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ (576)</u>	<u>\$ 401</u>

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Statement of Cash Flows

For the Year Ended March 31

2016

2015

Cash flows from (for) operating activities

Excess of revenue over expenses (expenses over revenue)

for the year

\$ (576) \$ 401

Repayment of prior year surplus

(4,028) (1,881)

Item not requiring an outlay of cash:

Depreciation

3,066 3,311

(1,538) 1,831

Changes in non-cash working capital balances related to operations:

Accounts receivable

6,955 (6,955)

HST receivable

(152) 764

Prepaid expenses

(209) 1,642

Accounts payable and accrued liabilities

(4,752) 13,893

Deferred capital contributions

(597) (681)

Deferred revenue

4,650 -

4,357 10,494

Cash flow for investing activity

Additions to equipment and leasehold improvements

- -

Cash flow from financing activity

Bank indebtedness

(1,808) (8,133)

Repayment of long-term debt

(2,549) (2,361)

(4,357) (10,494)

Increase in cash for the year

- -

Cash, beginning of the year

- -

Cash, end of the year

\$ - \$ -

Supplementary Information

Interest paid

\$ 1,173 \$ 2,145

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

1. Organization

2-Spirited People of the 1st Nations (the "Organization") is an incorporated organization in Toronto, Ontario, providing direct services on social issues dealing with Aboriginal people living with HIV/AIDS. Effective August 1, 2002 the Organization became a registered charity.

2. Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

(b) Fund Description

The Operating Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

(c) Revenue Recognition

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions related to general operations are recognized as revenue of the Unexpended Fund in the year in which the related expenses are incurred. Contributions received for which related expenses have not been incurred are classified as deferred revenue.

Unrestricted contributions are recognized as revenue of the Unexpended Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

2. Significant Accounting Policies (continued)

(d) Equipment and Deferred Capital Contributions

Equipment and leasehold improvements are recorded at cost. Contributed equipment is recorded at fair value at the date of the gift. Depreciation is provided on a basis designed to amortize the equipment and leasehold improvements over their estimated useful life. The annual amortization rates are as follows:

Office equipment and software	-	30% diminishing balance basis
Leasehold improvements	-	straight-line over five years
Automobile	-	straight-line over six years

Grants received for the purpose of funding leasehold improvements and equipment acquisitions are recorded as deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations in an amount equal to amortization recorded on the property and equipment funded.

Long-lived assets are reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its fair value and is not recoverable. The fair amount of an asset is defined as the estimated undiscounted future cash flows expected to result from the use of the asset. Other factors that may indicate impairment are expected future asset utilization and economic outlook.

(e) Bank Indebtedness

Cash consists of bank deposits held with financial institutions. Bank indebtedness, as it occurs, consists of bank overdraft and cheques written on the account in excess of available funds. There are no restrictions on cash held by the Organization.

(f) Donated Materials and Services

Donations of materials and services, including volunteer services, not normally paid for by the Organization are not recorded in the accounts, as it would be difficult to determine their fair value.

(g) Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant estimates made by management include amortization and impairment of equipment and leasehold improvements.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

3. Financial Risk Management

The significant financial risks to which the Organization is exposed to are credit risk, liquidity risk and market risk. Market risk consists of currency risk, interest rate risk, and other price risk. There have been no changes to the risk exposures of the Organization from the prior year.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss or the other party by failing to discharge an obligation. The Organization is not subject to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Organization will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Organization's exposure to liquidity risk is dependent on its ability to meet the requirements set out by the funders in order to continue receiving funds from various funders to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met with the use of the available operating line of credit.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Organization is not subject to foreign exchange risk as none of its financial instruments are denominated in foreign currencies.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from fluctuations in interest rates on its bank indebtedness as described in Note 6.

(iii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not subject to other price risk.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

4. Fair Value of Financial Assets

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost consists of accounts receivable and HST receivable. Financial liabilities measured at amortized cost included bank indebtedness, accounts payable and accrued liabilities, amounts repayable to funders, deferred revenue and long-term debt.

5. Equipment and Leasehold Improvements

	2016		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 59,279	\$ 57,943	\$ 1,336
Leasehold improvements	4,000	1,600	2,400
Automobile	12,557	7,325	5,232
	<u>\$ 75,836</u>	<u>\$ 66,868</u>	<u>\$ 8,968</u>
	2015		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 59,279	\$ 57,370	\$ 1,909
Leasehold improvements	4,000	1,200	2,800
Automobile	12,557	5,232	7,325
	<u>\$ 75,836</u>	<u>\$ 63,802</u>	<u>\$ 12,034</u>

6. Bank Indebtedness

The Organization has available to it an operating line of credit with the Bank of Montreal (the "Bank") in the amount of \$30,000.

The operating line of credit bears interest at Bank prime plus 3.00%, with interest payable monthly. It is secured by a General Security Agreement. As at March 31, 2016 the Organization had used \$12,043 (2015 - \$15,933) of its available limit.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

7. Commitments

The Organization leases its premises and equipment under operating leases with various expiry dates to May, 2020. Future minimum annual payments (excluding taxes, insurance and maintenance costs) under the leases are as follows:

2017	\$69,820
2018	16,305
2019	5,602
2020	5,602
2021	1,041

8. Amounts Repayable to Funders

The Organization receives funding from government agencies based on specific program needs and budgets. In certain circumstances, the Organization provides allocations from current year general program funding to ensure programs do not generate a deficit. In addition, management makes estimates to allocate certain administrative expenses according to the activity to which they benefit. The funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their programs. The management of the Organization feels that their expenses are fair and accurate in the circumstances. At this time no estimate of the requirements, if any, to reimburse the agencies can be made.

During the current fiscal year, the Organization was advised by the Ontario Ministry of Health and Long-Term Care that amounts are payable to the Ministry totaling \$4,028 (2015 - \$1,881) relating to surplus in the Core Program for the 2014 fiscal period (2015 - 2013 fiscal period). The Organization has not accrued this amount in the current fiscal period as amounts repayable to the Ontario Ministry of Health were paid over the course of the fiscal year.

9. Deferred Capital Contributions

Deferred capital contributions consist of:

	<u>2016</u>	<u>2015</u>
Opening balance	\$ 3,657	\$ 4,338
Current year funding grants	-	-
Amortization	<u>(597)</u>	<u>(681)</u>
	<u>\$ 3,060</u>	<u>\$ 3,657</u>

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

10. Long-term Debt

	<u>2016</u>	<u>2015</u>
Nissan Finance, monthly repayments of \$253.16, interest at 7.69%, due December, 2017	\$ 4,959	\$ 7,508
Current portion	<u>(2,752)</u>	<u>(2,549)</u>
Long term portion	<u>\$ 2,207</u>	<u>\$ 4,959</u>
Interest on the loan in the year amounted to	<u>\$ 489</u>	<u>\$ 677</u>

Principal repayments over the term of the loan are as follows:

2017	\$ 2,752
2018	<u>2,207</u>
	<u>\$ 4,959</u>

The loan is secured by the vehicle having an original cost of \$12,557 and a net book value of \$5,232 (2015 - \$7,325).

11. Economic Dependence

The future viability of the Organization is dependant upon its ability to generate revenues in excess of expenditures. The Organization is dependent on the Ontario Ministry of Health for their continuing support for operations.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2016

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ADDITIONAL COMMENTS OF AUDITORS ON SUPPLEMENTARY SCHEDULE FOR THE YEAR ENDED MARCH 31, 2016

The accompanying schedule is presented as supplementary information only and is intended to provide readers with detailed information regarding revenue and expenses on a program basis. In this respect, it does not form part of the financial statements of 2-Spirited People of the 1st Nations as at March 31, 2016 and for the year then ended and hence is excluded from the opinion in our report dated June 27, 2016 to the directors on such financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of 2-Spirited People of the 1st Nations and, in our opinion, is fairly presented in all respects material to those financial statements.

Millard, DesLauriers & Shoemaker LLP

Toronto, Canada
June 27, 2016

Chartered Professional Accountants, Licensed Public Accountants

2-Spirited People of the 1st Nations Schedule of Revenue and Expenses by Program

For the Year Ended March 31

	<u>Core</u>	<u>Long Term Care</u>	<u>Other</u>	<u>2016</u>	<u>2015</u>
Revenue					
Ontario Ministry of Health	\$ 286,537	\$ 125,451	-	\$ 411,988	\$ 411,988
Fundraising	791	-	-	791	4,725
Memberships and other	-	-	540	540	1,535
Miziwe Bliik	-	-	-	-	18,914
University of Toronto research project	-	-	9,400	9,400	6,955
Amortization of deferred capital contributions	597	-	-	597	681
	<u>287,925</u>	<u>125,451</u>	<u>9,940</u>	<u>423,316</u>	<u>444,798</u>
Expenses					
Advertising and community relations	-	-	-	-	-
Bank charges and interest	1,689	-	-	1,689	2,685
Consultants	16,591	1,000	-	17,591	8,711
Depreciation	-	3,066	-	3,066	3,311
Elders honorarium	-	-	-	-	200
Interest on long-term debt	-	489	-	489	677
Insurance	3,157	2,010	-	5,167	6,520
Miscellaneous (expenses allocated to other programs)	1,272	267	-	1,539	1,534
Office supplies and printing	9,079	1,818	-	10,897	7,120
Postage	2,264	-	-	2,264	2,741
Rent and utilities	42,571	16,222	-	58,793	58,421
Resource materials	571	40	-	611	3,134
Telephone	6,457	3,138	-	9,595	8,540
Training and instructors	582	100	-	682	200
Travel, workshops, conferences and meetings	2,122	7,002	-	9,124	11,805
Wages and benefits	212,038	89,030	-	301,068	327,807
Volunteer appreciation	992	325	-	1,317	991
	<u>299,385</u>	<u>124,507</u>	<u>-</u>	<u>423,892</u>	<u>444,397</u>
Excess (deficiency) of revenue over expenses	<u>\$ (11,460)</u>	<u>\$ 944</u>	<u>\$ 9,940</u>	<u>\$ (576)</u>	<u>\$ 401</u>