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

March 31, 2019

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants

A member of IAPA•BHD Association with affiliated offices across
Canada and internationally

2-Spirited People of the 1st Nations

Financial Information

March 31, 2019

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Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants, Licensed Public Accountants

295 The West Mall
Suite 400
Toronto, Ontario
M9C 4Z4

Independent Auditors' Report

Tel : (416) 599-7255
Fax : (416) 599-7268
Email : mds@mdsca.com
Internet : www.mdsca.com

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

Qualified Opinion

We have audited the financial statements of 2-Spirited People of the 1st Nations (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statements of operating fund, 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 effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of 2-Spirited People of the 1st Nations as at March 31, 2019, 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 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 amount 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 fund balances.

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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Millard, DesLauriers & Shoemaker LLP

Chartered Professional Accountants, Licensed Public Accountants

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 judgement 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 Organization'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 Organization'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 Organization'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 Organization 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.

Millard, DesLauriers & Shoemaker LLP

Toronto, Canada
August 22, 2019

Chartered Professional Accountants, Licensed Public Accountants

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

As at March 31

2019

2018

Assets

Current

Cash	\$ 42,522	\$ 1,020
HST receivable	10,990	10,105
Prepaid expenses	11,840	13,890

65,352 25,015

Equipment and leasehold improvements (Note 4)

14,320 28,991

Cash - restricted (Note 5)

33,390 -

\$ 113,062 \$ 54,006

Liabilities

Current

Accounts payable and accrued liabilities	\$ 50,776	\$ 57,484
Deferred capital contributions (Note 6)	14,519	28,145
Deferred revenue	23,392	-

88,687 85,629

Funds held in trust (Note 5)

33,390 -

122,077 85,629

Operating fund deficit

(9,015) (31,623)

\$ 113,062 \$ 54,006

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

2019

2018

Operating Fund (deficit) - beginning of the year	\$ (31,623)	\$ (22,785)
Excess of revenue over expenses (expenses over revenue) for the year	28,424	(8,838)
Repayment of prior year surplus	(5,816)	-
Operating Fund (deficit) - end of the year	<u>\$ (9,015)</u>	<u>\$ (31,623)</u>

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations Statement of Operations

For the Year Ended March 31

	2019	2018
Revenue		
Ontario Ministry of Health	\$ 456,361	\$ 416,731
Fundraising (Note 8)	7,010	5,968
City of Toronto	-	16,309
University of Toronto research project	-	5,642
Amortization of deferred capital contributions	7,053	2,633
	<u>470,424</u>	<u>447,283</u>
Expenses		
Advertising and community relations	597	-
Bank charges and interest	1,918	3,535
Consultants	26,230	14,167
Depreciation	8,099	5,340
Elders honorarium	-	3,000
Insurance	6,191	6,698
Interest on long-term debt	-	71
Miscellaneous expense (recovery)	(5,000)	12,912
Nutritional breaks	1,243	608
Office supplies and printing	13,991	13,118
Ontario Aids Network	1,271	1,270
Postage	15	100
Rent and utilities	66,320	61,349
Resource materials	5,133	4,059
Telephone	5,804	11,379
Training and instructors	1,000	1,039
Travel, workshops, conferences and meetings	8,953	7,183
Wages and benefits	299,695	310,293
Volunteer appreciation	540	-
	<u>442,000</u>	<u>456,121</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ 28,424</u>	<u>\$ (8,838)</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

2019

2018

Cash flows from (for) operating activities

Excess of revenue over expenses (expenses over revenue)

for the year

\$ 28,424 \$ (8,838)

Repayment of prior year surplus

(5,816) -

Item not requiring an outlay of cash:

Depreciation

8,099 5,340

30,707 (3,498)

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

Funding receivable

- 27,593

HST receivable

(885) (1,541)

Prepaid expenses

2,050 (6,532)

Accounts payable and accrued liabilities

(6,708) (839)

Deferred capital contributions

(13,626) 25,623

Deferred revenue

23,392 (21,951)

34,930 18,855

Cash flows from (for) investing activities

Additions to equipment and leasehold improvements (net)

6,572 (28,257)

Funds held in trust

33,390 -

39,962 (28,257)

Cash flow from financing activity

Repayment of long-term debt

- (2,207)

Increase (decrease) in cash for the year

74,892 (11,609)

Cash, beginning of the year

1,020 12,629

Cash, end of the year

\$ 75,912 \$ 1,020

Cash consists of:

Cash

\$ 42,522 \$ 1,020

Cash - restricted

33,390 -

\$ 75,912 \$ 1,020

Supplementary Information

Interest paid

\$ 609 \$ 3,606

See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2019

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.

(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 Operating 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 Operating 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, 2019

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	-	straight-line over three years
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, 2019

2. Significant Accounting Policies (continued)

(h) Financial Instruments

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.

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.

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2019

3. Financial Risk Management (continued)

(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 7.

(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.

4. Equipment and Leasehold Improvements

	2019		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 80,963	\$ 67,843	\$ 13,120
Leasehold improvements	4,000	2,800	1,200
Automobile	12,557	12,557	-
	<u>\$ 97,520</u>	<u>\$ 83,200</u>	<u>\$ 14,320</u>
	2018		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 87,536	\$ 61,191	\$ 26,345
Leasehold improvements	4,000	2,400	1,600
Automobile	12,557	11,511	1,046
	<u>\$ 104,093</u>	<u>\$ 75,102</u>	<u>\$ 28,991</u>

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2019

5. Funds Held in Trust

The Organization was named as trustee in a funding agreement between Two Spirit Youth Mental Health and Wellness Team and the City of Toronto in the amount of \$33,390. As part of this agreement, the Organization received the funding and is responsible for the disbursement of the funds to Two Spirit Youth Mental Health and Wellness Team. At March 31, 2019 no funds have been spent on this project and the cash related to this agreement has been identified as restricted on the statement of financial position.

6. Deferred Capital Contributions

Deferred capital contributions consist of:

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 28,145	\$ 2,522
Current year additions (net)	(6,573)	28,256
Amortization	(7,053)	(2,633)
	<u>\$ 14,519</u>	<u>\$ 28,145</u>

7. 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, 2019 the Organization had not used any of its available limit (2018 - \$Nil).

8. Fundraising

Fundraising revenue consists of:

	<u>2019</u>	<u>2018</u>
Honorarium	\$ 5,000	\$ -
Unreceipted Donations	2,010	5,968
	<u>\$ 7,010</u>	<u>\$ 5,968</u>

2-Spirited People of the 1st Nations

Notes to Financial Statements

March 31, 2019

9. Commitments

The Organization leases its premises under an operating lease with an expiry date of May, 2020. Future minimum annual payments (excluding taxes, insurance and maintenance costs) under the leases are as follows:

2020	\$63,427
2021	10,663

10. 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 were payable to the Ministry totaling \$5,816 relating to a surplus in both the Core and Long-Term Care Programs for the 2017 fiscal period. This 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. There were no amounts repayable to the Ministry in the prior year.

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, 2019

295 The West Mall
Suite 400
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M9C 4Z4

Tel : (416) 599-7255
Fax : (416) 599-7268
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ADDITIONAL COMMENTS OF AUDITORS ON SUPPLEMENTARY SCHEDULE FOR THE YEAR ENDED MARCH 31, 2019

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, 2019 and for the year then ended and hence is excluded from the opinion in our report dated August 22, 2019 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
August 22, 2019

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>2019</u>	<u>2018</u>
Revenue					
Ontario Ministry of Health	\$ 330,910	\$ 125,451	\$ -	\$ 456,361	\$ 416,731
City of Toronto	-	-	-	-	16,309
Fundraising	-	-	7,010	7,010	5,968
University of Toronto research project	-	-	-	-	5,642
Amortization of deferred capital contributions	7,053	-	-	7,053	2,633
	<u>337,963</u>	<u>125,451</u>	<u>7,010</u>	<u>470,424</u>	<u>447,283</u>
Expenses					
Advertising and community relations	597	-	-	597	-
Bank charges and interest	1,918	-	-	1,918	3,535
Consultants	22,221	4,009	-	26,230	14,167
Depreciation	7,053	1,046	-	8,099	5,340
Elders honorarium	-	-	-	-	3,000
Insurance	6,191	-	-	6,191	6,698
Interest on long-term debt	-	-	-	-	71
Miscellaneous expense (recovery)	-	-	(5,000)	(5,000)	12,912
Nutritional breaks	1,243	-	-	1,243	608
Office supplies and printing	5,153	8,838	-	13,991	13,118
Ontario Aids Network	1,271	-	-	1,271	1,270
Postage	15	-	-	15	100
Rent and utilities	48,856	17,464	-	66,320	61,349
Resource materials	5,261	(128)	-	5,133	4,059
Telephone	566	5,238	-	5,804	11,379
Training and instructors	1,000	-	-	1,000	1,039
Travel, workshops, conferences and meetings	5,404	3,549	-	8,953	7,183
Volunteer appreciation	540	-	-	540	-
Wages and benefits	216,876	82,819	-	299,695	310,293
	<u>324,165</u>	<u>122,835</u>	<u>(5,000)</u>	<u>442,000</u>	<u>456,121</u>
Excess (deficiency) of revenue over expenses	\$ 13,798	\$ 2,616	\$ 12,010	\$ 28,424	\$ (8,838)