



# Financial Statements

2-Spirited People of the 1st Nations

March 31, 2021

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# Independent Auditor's Report

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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, 2021, 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 section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and its results of 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 Organization derives donations and fundraising, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 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 Organization 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 opinion.

## 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 entity or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's Report (continued)

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

## **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 entity'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 entity'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 entity 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Toronto, Canada  
July 28, 2021

Chartered Professional Accountants  
Licensed Public Accountants

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

As at March 31

2021

2020

### Assets

#### Current

Cash	\$ 787,067	\$ -
Cash - restricted (Note 4)	16,428	58,348
HST receivable	35,284	45,353
Accounts receivable	159,173	256,949
Prepaid expenses	29,834	29,501

**1,027,786** 390,151

Equipment and leasehold improvements (Note 3)

**120,307** 35,721

**\$ 1,148,093** \$ 425,872

### Liabilities

#### Current

Bank indebtedness (Note 6)	\$ -	\$ 151,684
Accounts payable and accrued liabilities	173,713	80,616
Deferred revenue (Note 7)	771,826	89,023
Deferred capital contributions (Note 5)	120,307	35,721

**1,065,846** 357,044

Funds held in trust (Note 4)

**16,428** 58,348

**1,082,274** 415,392

Operating fund surplus

**65,819** 10,480

**\$ 1,148,093** \$ 425,872

Lease commitments (Note 9)

Approved on behalf of the board of directors:

\_\_\_\_\_

Director

\_\_\_\_\_

Director

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## 2-Spirited People of the 1st Nations Statement of Operating Fund

For the Year Ended March 31

2021

2020

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Operating Fund (deficit) - beginning of the year	\$	10,480	\$	(9,015)
Excess of revenue over expenses for the year		57,668		19,495
Repayment of prior year surplus (Note 11)		(2,329)		-
		<hr/>		<hr/>
Operating Fund - end of the year	\$	65,819	\$	10,480

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

For the Year Ended March 31

2021

2020

### Revenue

TASSC COVID-19 funding	\$	<b>708,344</b>	\$	6,793
Ontario Ministry of Health		<b>474,337</b>		365,426
Long Term Care - LHIN		<b>140,451</b>		124,526
University of Toronto		<b>85,479</b>		11,112
Pride Toronto		<b>71,000</b>		-
Women and Gender Equity Canada		<b>54,501</b>		195,499
Crown-Indigenous Relations and Northern Affairs Canada		<b>44,518</b>		174,528
City of Toronto		<b>42,788</b>		6,112
Other grant revenue		<b>40,496</b>		35,413
Fundraising		<b>40,208</b>		10,650
Amortization of deferred capital contributions		<b>29,320</b>		13,634
		<b>1,731,442</b>		943,693

### Expenses

Advertising and promotion		<b>15,237</b>		75
Bank charges and interest		<b>1,996</b>		1,811
Consultants		<b>184,135</b>		82,634
Depreciation		<b>29,320</b>		13,434
Elders honorarium		<b>33,113</b>		13,489
Insurance		<b>8,389</b>		8,104
Office supplies and printing		<b>194,571</b>		53,878
Ontario Aids Network		<b>1,276</b>		1,270
Project expenditures		<b>201,915</b>		63,960
Rent and utilities		<b>99,680</b>		78,459
Telephone		<b>76,303</b>		18,312
Travel, workshops, conference and meetings		<b>34,581</b>		149,982
Volunteer appreciation		<b>1,478</b>		3,879
Wages and benefits		<b>791,780</b>		434,911
		<b>1,673,774</b>		924,198

Excess of revenue over expenses

**\$ 57,668**      **\$ 19,495**

## 2-Spirited People of the 1st Nations Statement of Cash Flows

For the Year Ended March 31

2021

2020

### Cash flows from (for) operating activities

Excess of revenue over expenses for the year	\$ 57,668	\$ 19,495
Repayment of prior year surplus	(2,329)	-
Items not requiring an outlay of cash:		
Depreciation	29,320	13,434
Amortization of deferred capital contributions	(29,320)	(13,634)
Deferred revenue	(68,023)	(23,392)
	<u>(12,684)</u>	<u>(4,097)</u>

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

Accounts receivable	97,776	(256,949)
HST receivable	10,069	(34,363)
Prepaid expenses	(333)	(17,662)
Accounts payable and accrued liabilities	93,097	29,842
Deferred revenue	750,826	89,023
	<u>938,751</u>	<u>(194,206)</u>

### Cash flows from (for) investing activities

Additions to equipment and leasehold improvements (net)	(113,906)	(34,836)
Funds held in trust	(41,920)	24,958
	<u>(155,826)</u>	<u>(9,878)</u>

### Cash flows from financing activities

Bank indebtedness	(151,684)	151,684
Deferred capital contributions	113,906	34,836
	<u>(37,778)</u>	<u>186,520</u>

Increase (decrease) in cash for the year

745,147 (17,564)

Cash, beginning of the year

58,348 75,912

Cash, end of the year

\$ 803,495 \$ 58,348

Cash consists of:

Cash	\$ 787,067	\$ -
Funds held in trust	16,428	58,348
	<u>\$ 803,495</u>	<u>\$ 58,348</u>

Supplementary Information

Interest paid	\$ -	\$ -
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# 2-Spirited People of the 1st Nations

## Notes to Financial Statements

March 31, 2021

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### 1. Nature of operations

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.

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### 2. Significant accounting policies

The Organization has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies used are as follows:

#### Fund description

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

#### 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 fundraising is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

#### Equipment and leasehold improvements 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.

Equipment and leasehold improvements are depreciated on a straight-line basis over their estimated useful lives as follows:

Office equipment and software	-	3 years
Leasehold improvements	-	5 years
Automobile	-	10 years

One-half the normal rate of amortization is recorded in the year of acquisition.

Grants received for the purpose of funding property 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 equipment and leasehold improvements funded.

Long-lived assets are reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the asset no longer contributes to the Organization's ability to provide goods and services, or that the future economic benefit or service potential associated with the asset is less than its net carrying amount. Other factors that may indicate impairment are expected future asset utilization and economic outlook.

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## 2-Spirited People of the 1st Nations

### Notes to Financial Statements

March 31, 2021

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#### 2. Significant accounting policies (continued)

##### 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. Restrictions on cash are described in Note 6.

##### 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.

##### Use of 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 and accrued liabilities.

##### 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.

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#### 3. Equipment and leasehold improvements

	2021		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 153,380	\$ 106,381	\$ 46,999
Leasehold improvements	7,687	3,384	4,303
Automobile	72,637	3,632	69,005
	<u>\$ 233,704</u>	<u>\$ 113,397</u>	<u>\$ 120,307</u>
	2020		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Office equipment and software	\$ 115,798	\$ 81,277	\$ 34,521
Leasehold improvements	4,000	2,800	1,200
Automobile	12,557	12,557	-
	<u>\$ 132,355</u>	<u>\$ 96,634</u>	<u>\$ 35,721</u>

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## 2-Spirited People of the 1st Nations

### Notes to Financial Statements

March 31, 2021

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#### 4. Funds held in trust

##### (a) Two Spirit Youth Mental Health and Wellness

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, 2021, \$16,962 (2020 - \$10,778) was spent on this project. The remaining cash relating to this agreement has been identified as restricted on the statement of financial position.

##### (b) 2 Spirits in Motion

The Organization was named as a financial host in a funding agreement between 2 Spirits in Motion and Women and Gender Equity Canada in the amount of \$250,000 in 2020. As part of this agreement, the Organization would receive the funds and is responsible for the disbursement of the funds to cover approved expenditures. At March 31, 2021, all (2020 - \$230,000) of the total funding had been received, and all of it (2020 - \$195,499) had been spent on approved expenditures. \$35,736 was identified as restricted on the statement of financial position in 2020. The Organization earned \$6,036 (2020 - \$32,045) in administration fees for the services provided under this agreement.

The Organization was also named as a financial host in a funding agreement between 2 Spirits in Motion and Crown-Indigenous Relations and Northern Affairs Canada in the amount of \$218,845 in 2020. As part of this agreement, the Organization would receive the funds and is responsible for the disbursement of the funds to cover approved expenditures. At March 31, 2021, all (2020 - none) of the funding had been received and was fully spent (2020 - \$175,527) on approved expenditures. The Organization earned \$Nil (2020 - \$28,545) in administration fees for the services provided under this agreement.

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#### 5. Deferred capital contributions

Deferred capital contributions consist of:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 35,721	\$ 14,519
Current year additions	113,906	34,836
Amortization	<u>(29,320)</u>	<u>(13,634)</u>
	<u>\$ 120,307</u>	<u>\$ 35,721</u>

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#### 6. Bank indebtedness

The Organization has available to it a demand operating line of credit with the Bank of Montreal (the "Bank") up to a maximum amount of \$200,000.

The operating line of credit bears interest at Bank prime plus 1%, with interest payable monthly. It is secured by equipment, an assignment of deposits in the amount of \$25,000 and a general assignment of debts. As at March 31, 2021, the Organization had drawn upon \$Nil (2020 - \$47,564) of its available limit. The effective interest rate at year end was 3.45% (2020 - 3.95%).

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## 2-Spirited People of the 1st Nations

### Notes to Financial Statements

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March 31, 2021

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#### 7. Deferred revenue

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 89,023	\$ 23,392
Current year additions	750,826	89,023
Amounts brought into income	<u>(68,023)</u>	<u>(23,392)</u>
	<u>\$ 771,826</u>	<u>\$ 89,023</u>

Deferred revenue consists primarily of program funding received in advance of the service being provided.

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#### 8. 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 through accounts receivable. Accounts receivable are subject to normal government funding policies.

The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable, when considered appropriate.

##### (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 fulfil 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 an available operating line of credit. The Organization's primary lender is a single federally regulated Canadian financial institution.

##### (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.

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## 2-Spirited People of the 1st Nations

### Notes to Financial Statements

March 31, 2021

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#### 8. Financial risk management (continued)

##### Market risk (continued)

(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.

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#### 9. Lease commitments

The Organization leases its premises under an operating lease with an expiry date of May, 2025. Future minimum annual payments (excluding taxes, insurance and maintenance costs) under the leases are as follows:

2022	\$83,980
2023	83,980
2024	87,663
2025	88,400
2026	14,733

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#### 10. Economic dependency

The Organization is dependent on the Ontario Ministry of Health and Long-Term Care (the "Ministry") for funding of a significant portion of operations. Funding is provided each fiscal year based on an operating budget for the year approved by the Ministry. The Ministry approved funding of \$474,337 (2020 - \$399,337) with respect to the operating budget for the fiscal year ending March 31, 2021.

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## **2-Spirited People of the 1st Nations**

### **Notes to Financial Statements**

March 31, 2021

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#### **11. 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 year, the Organization was advised by the Ontario Ministry of Health and Long-Term Care that an amount of \$2,329 was payable to the Ministry on account of 2019 fiscal year end. This amount is recorded as payable as of year end and was recovered by the Ministry in May 2021.

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#### **12. Capital disclosures**

The Organization considers its Capital to be the balance maintained in its Operating Fund account. The balance on March 31, 2021 is \$65,819 (2020 - \$10,480). The primary objective of the Organization is to invest its Capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the Organization with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Organization is not subject to any externally imposed requirements on its Capital.

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#### **13. Impact of COVID-19**

As of March 11, 2020, the World Health Organization declared a global pandemic (the "pandemic") as a result of the spread of COVID-19. Since that time, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Management considers the impact of the pandemic on the Organization to be low as the Organization continues to receive government and other funding. The Organization also received additional COVID-19 relief funding in 2021 from the Toronto Aboriginal Support Services Council Corp. ("TASSC") to help members of the Organization and the Toronto community manage the impact of COVID-19. Management continues to manage the budget and monitor the potential impacts of the pandemic to the Organization and will respond accordingly.

The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of the Organization for future periods.

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