



Financial Statements

2-Spirited People of the 1st Nations

March 31, 2023

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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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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.

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.

Markham, Canada
June 23, 2023

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

Chartered Professional Accountants
Licensed Public Accountants

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

As at March 31

2023

2022

Assets

Current

Cash	\$ 826,476	\$ 510,829
Cash – restricted (Note 4)	16,428	16,428
HST receivable	66,256	46,303
Accounts receivable	240,022	110,800
Prepaid expenses	<u>35,445</u>	<u>38,292</u>
	<u>1,184,627</u>	<u>722,652</u>

Equipment and leasehold improvements (Note 3)

226,294 204,345

\$ 1,410,921 \$ 926,997

Liabilities

Current

Accounts payable and accrued liabilities	\$ 227,088	\$ 118,262
Deferred revenue (Note 7)	571,306	365,076
Deferred capital contributions (Note 5)	<u>224,294</u>	<u>202,345</u>
	<u>1,022,688</u>	<u>685,683</u>

Funds held in trust (Note 4)

16,428 16,428

1,039,116 702,111

Operating fund surplus

371,805 224,886

\$ 1,410,921 \$ 926,997

Lease commitments (Note 9)

Approved on behalf of the board of directors:

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

	2023	2022
Operating Fund - beginning of the year	\$ 224,886	\$ 65,819
Excess of revenue over expenses for the year	150,581	159,067
Repayment of prior year surplus (Note 11)	<u>(3,662)</u>	<u>-</u>
Operating Fund - end of the year	<u>\$ 371,805</u>	<u>\$ 224,886</u>

See accompanying notes to the financial statements.

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

For the Year Ended March 31

2023

2022

Revenue

Crisis Response	\$ 1,964,245	\$ 132,769
Ontario Ministry of Health	474,337	474,337
TASSC COVID-19 funding	276,113	1,192,275
Crown-Indigenous Relations and Northern Affairs Canada	215,207	-
City of Toronto	156,687	234,638
Long Term Care - LHIN	128,451	125,451
Fundraising	112,931	86,401
United Way	93,750	-
Other grant revenue	92,478	8,385
South Riverdale Community Centre	90,800	-
Surry Place	79,435	79,440
Pride Toronto	77,000	85,000
Ontario Trillium Foundation	70,584	-
Dollar A Day	50,000	50,000
The Neighborhood Organization	46,270	-
Women and Gender Equality Canada	16,844	-
Ministry of Transportation	-	74,400
MMWIG	-	50,000
Toronto Foundation	-	20,000
The Climate Fund Action Plan	-	4,000
University of Toronto	-	3,410
Amortization of deferred capital contributions	46,818	40,973
	<u>3,991,950</u>	<u>2,661,479</u>

Expenses

Advertising and promotion	1,008	19,849
Bank charges and interest	2,354	6,604
Bursary	12,000	-
Consultants	283,196	391,208
Depreciation	46,818	40,973
Elders honorarium	67,542	40,581
Insurance	21,514	12,326
Office supplies and printing	212,882	168,128
Ontario Aids Network	2,000	2,000
Project expenditures	60,926	260,661
Rent and utilities	163,921	157,410
Telephone	47,218	56,985
Travel, workshops, conference and meetings	228,294	121,030
Volunteer appreciation	1,000	1,000
Wages and benefits	2,690,696	1,223,657
	<u>3,841,369</u>	<u>2,502,412</u>

Excess of revenue over expenses

\$ 150,581

\$ 159,067

See accompanying notes to the financial statements.

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

For the Year Ended March 31

2023

2022

Cash flows from (for) operating activities

Excess of revenue over expenses for the year	\$ 150,581	\$ 159,067
Repayment of prior year surplus	(3,662)	-
Items not requiring an outlay of cash:		
Depreciation	46,818	40,973
Amortization of deferred capital contributions	(46,818)	(40,973)
Deferred revenue	-	-
	<u>146,919</u>	<u>159,067</u>
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(129,222)	48,373
HST receivable	(19,953)	(11,019)
Prepaid expenses	2,847	(8,458)
Accounts payable and accrued liabilities	108,826	(55,451)
Deferred revenue	206,230	(406,750)
	<u>315,647</u>	<u>(274,238)</u>

Cash flows from (for) investing activity

Additions to equipment and leasehold improvements (net)	<u>(68,767)</u>	<u>(125,010)</u>
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Cash flows from financing activity

Deferred capital contributions	<u>68,767</u>	<u>123,010</u>
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Increase (decrease) in cash for the year	315,647	(276,238)
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Cash, beginning of the year	<u>527,257</u>	<u>803,495</u>
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Cash, end of the year	<u>\$ 842,904</u>	<u>\$ 527,257</u>
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Cash consists of:

Cash	\$ 826,476	\$ 510,829
Funds held in trust	<u>16,428</u>	<u>16,428</u>
	<u>\$ 842,904</u>	<u>\$ 527,257</u>

Supplementary Information

Interest paid	<u>\$ -</u>	<u>\$ -</u>
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See accompanying notes to the financial statements.

2-Spirited People of the 1st Nations

Notes to the Financial Statements

March 31, 2023

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.

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.

2-Spirited People of the 1st Nations Notes to the Financial Statements

March 31, 2023

2. Significant accounting policies (continued)

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.

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 4.

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.

3. Equipment and leasehold improvements

	2023		
	Cost	Accumulated Amortization	Net Book Value
Office equipment and software	\$ 179,964	\$ 158,457	\$ 21,507
Leasehold improvements	7,687	4,922	2,765
Automobile	<u>239,832</u>	<u>37,810</u>	<u>202,022</u>
	\$ 427,483	\$ 201,189	\$ 226,294

2-Spirited People of the 1st Nations Notes to the Financial Statements

March 31, 2023

3. Equipment and leasehold improvements (continued)

	2022		
	Cost	Accumulated Amortization	Net Book Value
Office equipment and software	\$ 165,483	\$ 133,675	\$ 31,808
Leasehold improvements	7,687	4,153	3,534
Automobile	<u>185,544</u>	<u>16,541</u>	<u>169,003</u>
	<u>\$ 358,714</u>	<u>\$ 154,369</u>	<u>\$ 204,345</u>

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, 2023, \$16,962 (2022 - \$16,962) was spent on this project. The remaining cash relating to this agreement has been identified as restricted on the statement of financial position.

5. Deferred capital contributions

Deferred capital contributions consist of:

	2023	2022
Opening balance	\$ 202,345	\$ 120,307
Current year additions	68,767	123,011
Amortization	<u>(46,818)</u>	<u>(40,973)</u>
	<u>\$ 224,294</u>	<u>\$ 202,345</u>

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, 2023, the Organization had drawn upon \$Nil (2022 - \$Nil) of its available limit. The effective interest rate at year end was 7.70% (+2022 - 3.70%).

2-Spirited People of the 1st Nations Notes to the Financial Statements

March 31, 2023

7. Deferred revenue

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 365,076	\$ 771,826
Current year additions	978,889	230,402
Amounts brought into income	<u>(772,659)</u>	<u>(637,152)</u>
	<u>\$ 571,306</u>	<u>\$ 365,076</u>

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

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.

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.

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.

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.

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 the Financial Statements

March 31, 2023

8. Financial risk management (continued)

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 not currently exposed to interest rate risk arising from fluctuations in interest rates.

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.

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:

2024	\$170,643
2025	159,452
2026	26,575

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 (2022 - \$474,337) with respect to the operating budget for the fiscal year ending March 31, 2023.

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 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 \$3,662 relating to a surplus in the 2019 fiscal period.

2-Spirited People of the 1st Nations Notes to the Financial Statements

March 31, 2023

12. Capital disclosures

The Organization considers its Capital to be the balance maintained in its Operating Fund account. The balance on March 31, 2023 is \$371,805 (2022 - \$224,886). 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.