

TRUE NORTH AID
FINANCIAL STATEMENTS

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
True North Aid

Opinion

We have audited the financial statements of True North Aid, which comprise the balance sheet as at December 31, 2022, and the statements of changes in fund balances, revenue and expenses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations.

Basis for Opinion

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 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 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.

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:

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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 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 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 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.



Hamilton, Ontario
April 4, 2023

DBK Accounting Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

TRUE NORTH AID
BALANCE SHEET
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,043,332	\$ 1,855,605
HST recoverable	70,910	43,954
Prepaid expenses	4,325	-
Advances receivable	<u>159,423</u>	<u>-</u>
	<u>\$ 1,277,990</u>	<u>\$ 1,899,559</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,499	\$ 9,972
Government remittances payable	5,082	3,487
Deferred revenue	<u>325,236</u>	<u>80,816</u>
	<u>339,817</u>	<u>94,275</u>
FUND BALANCES		
General Fund	938,173	1,314,584
Internally Restricted (Note 3)	<u>-</u>	<u>490,700</u>
	<u>938,173</u>	<u>1,805,284</u>
	<u>\$ 1,277,990</u>	<u>\$ 1,899,559</u>

Approved on behalf of the Board:

_____ Member
See accompanying notes to the financial statements

_____ Member
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TRUE NORTH AID

**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>General Fund</u>	<u>Internally Restricted</u>	<u>Total 2022</u>	<u>Total 2021</u>
Fund balance, beginning of year				
As previously reported	\$ 1,266,895	\$ 490,700	\$ 1,757,595	\$ 441,461
Prior period adjustment (Note 4)	<u>47,689</u>	<u>-</u>	<u>47,689</u>	<u>-</u>
As restated	1,314,584	490,700	1,805,284	441,461
Excess (deficiency) of revenues over expenses	(867,111)	-	(867,111)	1,363,823
Transfer (Note 3)	<u>490,700</u>	<u>(490,700)</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 938,173</u>	<u>\$ -</u>	<u>\$ 938,173</u>	<u>\$ 1,805,284</u>

TRUE NORTH AID

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	%	2021	%
Revenues				
Donations	\$ 1,549,518	98.7	\$ 3,003,375	99.9
Events	16,026		-	
Interest income	5,209		192	
Government assistance	-		2,942	
Loss on sale of investments	(1,009)		-	
	1,569,744	100.0	3,006,509	100.0
Humanitarian expenses				
Administration	535,158	34.1	319,430	10.6
Insurance	1,696		1,677	
Supplies	1,270,901	81.0	954,514	31.7
Transportation	216,022	13.8	187,563	6.2
Travelling expenses	153,919	9.8	15,242	0.5
	2,177,696	138.7	1,478,426	49.2
Excess (deficiency) of revenues over humanitarian expenses	(607,952)	(38.7)	1,528,083	50.8
Operating expenses				
Advertising and promotion	2,606		3	
Bank charges and interest	20,644		28,951	
Communications	9,656		5,217	
Hardware supplies	3,485		4,492	
Licences and memberships	6,637		4,056	
Office and administration	34,298		20,716	
Professional services	9,830		28,285	
Staff training	2,488		1,878	
Travel and automotive	1,827		442	
Wages and benefits	167,688	10.7	70,220	2.3
	259,159	16.5	164,260	5.5
Excess (deficiency) of revenues over expenses for the year	\$ (867,111)	(55.2)	\$ 1,363,823	45.4

TRUE NORTH AID

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Operating activities		
Excess (deficiency) of revenues over expenses	\$ (867,111)	\$ 1,363,823
Net Change in non-cash working capital items		
Marketable securities	-	20,000
HST recoverable	(26,956)	(29,868)
Prepaid expenses	(4,325)	-
Advances receivable	(159,423)	-
Accounts payable and accrued liabilities	(473)	1,251
Government remittances payable	1,595	1,162
Deferred revenue	<u>244,420</u>	<u>(43,919)</u>
Increase (decrease) in cash	(812,273)	1,312,449
Cash, beginning of year	<u>1,855,605</u>	<u>543,156</u>
Cash, end of year	<u><u>\$ 1,043,332</u></u>	<u><u>\$ 1,855,605</u></u>

TRUE NORTH AID

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. Nature of operations

True North Aid is incorporated as a non-profit organization under Canada non-profit Corporations Act on April 3, 2012. The corporation is a registered charity and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

The organization is dedicated to serving and supporting northern indigenous communities in Canada through practical humanitarian support.

2. Significant accounting policies

These financial statements are prepared in accordance with accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Donations are recognized as revenue when received. Grants are recognized as revenue in the year in which the related expenses are incurred and when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Events are recognized as revenue when the service has been completed. Fundraising income is recognized as revenue when the event has occurred.

Government assistance is recognized when the amount can be determined and there is a reasonable expectation of collection.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(c) Financial instruments

The organization initially measures its financial assets and liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The organization subsequently measures all its financial assets and financial liabilities at cost or 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 excess (deficiency) of revenues over expenses in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, HST recoverable and advances receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

TRUE NORTH AID

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

2. Significant accounting policies, continued

(d) Allocated expenses

The organization allocates expenses during the year between operational and humanitarian. If the expense incurred is connected to a project, it will be classified as humanitarian. If the expense is not connected to a specific project, it will be allocated as an operational expense. Salaries, wages and benefits are also allocated based on time spent on projects to humanitarian expenses.

Expenses incurred that are common to the administration of the organization's various funds are consistently allocated equally each year.

(e) Volunteer services

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements

(f) Use of estimates

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable and accruals.

(g) Community grants

Grants that are paid out for approved projects are shown as advances receivable until the organization approves reports received from the recipient organizations. Once these reports are approved, the advances receivable are moved to the relevant expenses.

3. Internally restricted funds

In the prior year, the Board of Directors of True North Aid authorized a maximum of \$750,000 to be spent on the mattress campaign known as A Good Night's Sleep. At prior year end, there was still an unspent balance of \$490,700 due to delays and other circumstances surrounding the pandemic. These funds are internally restricted and being tracked by the finance team. They were fully spent on this campaign during the 2022 fiscal year.

4. Prior period adjustment

During the year, it was determined that an investment owned by the organization was incorrectly recorded against revenue as opposed to being included in cash and cash equivalents in the prior year. This was the result of an error. Accordingly, cash and cash equivalents, total assets, fund balance, revenues and excess of revenues over expenses were understated by \$47,689.

5. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year revenues and expenses.

TRUE NORTH AID

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. Financial instruments

(a) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization's approach is to ensure it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities of \$9,499 (2021 - \$9,972), exposure level is low and unchanged from the prior year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its cash and cash equivalents and advances receivable.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

With respect to advances receivable, the organization grants advances to community organizations that have gone through a screening process to mitigate credit risk.