



Financial Statements

Canadian Roots Exchange / Échanges
Racines Canadiennes

March 31, 2021

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Independent Auditor's Report

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To the Members of
Canadian Roots Exchange / Échanges Racines Canadiennes

Qualified Opinion

We have audited the financial statements of Canadian Roots Exchange / Échanges Racines Canadiennes (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in net assets 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 of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Roots Exchange / Échanges Racines Canadiennes as at March 31, 2021, 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 ("ASNPO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and March 31, 2020, current assets as at March 31, 2021 and March 31, 2020, and net assets as at April 1, 2020 and 2019 for both the March 31, 2021 and March 31, 2020. 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 a 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:

- 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.

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

Mississauga, Canada
July 21, 2021

Chartered Professional Accountants
Licensed Public Accountants

Canadian Roots Exchange / Échanges Racines Canadiennes

Statement of Financial Position

As at March 31

2021

2020

Assets

Current

Cash	\$ 3,806,576	\$ 1,096,002
Marketable securities (Note 3)	20,000	1,336,875
Grants receivable	101,200	32,200
Accounts receivable	-	75,336
HST rebate recoverable	195,515	105,953
Prepaid expenses	<u>195,883</u>	<u>276,446</u>
	<u>4,319,174</u>	<u>2,922,812</u>

Investments (Note 4)	<u>70,553</u>	-
	<u>\$ 4,389,727</u>	<u>\$ 2,922,812</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 182,545	\$ 328,800
Deferred contributions (Note 5)	<u>3,444,048</u>	<u>1,863,525</u>
	<u>3,626,593</u>	<u>2,192,325</u>

Net assets

Designated (Note 6)	700,000	125,000
Unrestricted	<u>63,134</u>	<u>605,487</u>
	<u>763,134</u>	<u>730,487</u>
	<u>\$ 4,389,727</u>	<u>\$ 2,922,812</u>

Commitments (Note 7)

On behalf of the Board of Directors



Director



Director

Canadian Roots Exchange / Échanges Racines Canadiennes

Statement of Operations and Changes in Net Assets

Year ended March 31

2021

2020

Revenue

Grants (Note 8)	\$ 6,073,062	\$ 5,169,769
Donations	69,945	58,323
Interest	35,388	42,878
Service and fee income	11,264	113,058
Unrealized gain on investments	1,980	-
	6,191,639	5,384,028

Expenses

Personnel	3,468,034	2,157,151
Program	1,162,850	590,201
Rent	483,976	298,545
Professional fees	469,275	165,737
Office and general	152,947	216,032
Participant travel and accommodation	137,079	910,532
Communications and outreach	132,794	59,154
Honoraria	102,052	137,882
Staff travel and accommodation	41,719	312,602
Insurance	6,217	8,544
Fundraising	1,000	26,325
Relationship building	1,049	21,848
	6,158,992	4,904,544

Excess of revenue over expenses

32,647 479,484

Net assets, beginning of year

730,487 251,003

Net assets, end of year

\$ 763,134 **\$ 730,487**

Canadian Roots Exchange / Échanges Racines Canadiennes

Statement of Cash Flows

Year ended March 31

2021

2020

Increase (decrease) in cash

Operating

Excess of revenue over expenses	\$ 32,647	\$ 479,484
Change in non-cash working capital items		
Grants receivable	(69,000)	(1,200)
Accounts receivable	75,336	(48,169)
HST rebate recoverable	(89,562)	(72,048)
Prepaid expenses	80,563	(267,351)
Accounts payable and accrued liabilities	(146,255)	239,312
Payroll source deductions payable	-	(15,442)
Deferred contributions	1,580,523	1,685,658
	<u>1,463,952</u>	<u>2,000,244</u>

Investing

Purchase of investment (net)	(70,553)	-
Marketable securities (purchased) redeemed	1,316,875	(1,216,875)
	<u>1,246,322</u>	<u>(1,216,875)</u>

Increase in cash 2,710,574 783,369

Cash

Beginning of year	<u>1,096,00</u>	<u>312,633</u>
End of year	<u>\$ 3,806,576</u>	<u>\$ 1,096,002</u>

Canadian Roots Exchange / Échanges Racines Canadiennes

Notes to the Financial Statements

March 31, 2021

1. Purpose of the organization

Canadian Roots Exchange / Échanges Racines Canadiennes (the “Organization”) was incorporated without share capital under the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act. The Organization is exempt from income tax in Canada as a registered charitable Organization under the Income Tax Act (Canada).

Canadian Roots Exchange aims to bring together Indigenous and non-Indigenous youth through Indigenous based leadership, learning and reconciliation experiences for youth.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The Organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions, including donations and amounts received from fundraising, is recorded when received.

Service and fee income

Service and fee income, which includes revenue from conference fees, workshops and participant fees is recognized in the period that services are delivered.

Interest income

Interest on marketable securities is recognized over the terms of these investments.

Contributed materials and services

Volunteers contribute a significant number of hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

The Organization records the fair value of contributed materials at the time of receipt, where such fair value is determinable and the materials would otherwise have been purchased.

Canadian Roots Exchange / Échanges Racines Canadiennes

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Financial instruments

The Organization's financial instruments include cash, marketable securities, amounts receivable, grants receivable, accounts payable and accrued liabilities and investments. Amounts receivable, grants receivable, accounts payable and accrued liabilities and investments are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Marketable securities, which include guaranteed investment certificates, are recorded at cost plus accrued interest income, which approximates fair value. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

Designated net assets

The Board-designated net assets are unrestricted operating funds set aside by action of the Board of Directors. It is intended to provide an internal source of funds and it is assessed and allocated annually under the Organization's Reserve and Investment policy.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

3. Marketable securities

The marketable securities relate to guaranteed bond of \$20,000, bearing interest of 5%, and matures in April 30, 2021. Guaranteed investment certificates included in last fiscal year have been fully matured.

4. Investments

	<u>2021</u>	<u>2020</u>
Raven Indigenous Impact Fund	<u>\$ 70,533</u>	<u>\$ -</u>

On December 17, 2021, the Organization entered into a subscription agreement with Raven Indigenous GP Inc to purchase 250,000 units at \$1 per LP unit of the Raven Indigenous Impact Fund I Limited Partnership (the "Fund"). The Fund is aimed at creating the pathways into Indigenous communities, building critical relationships and growing a large base of entrepreneurs and enterprises that are investment ready. The Fund is targeting a 6-8% (net internal rate of return), three-year investment period over a 9-year fund life. The Organization is in second priority to guarantee an aggregate proportion of the total contributed capital upon dissolution of the Fund. There are four rounds of prioritized distributions once the Fund has reached maturity and is dissolved and liquidated.

As at March 31, 2021, the Organization has subscribed \$84,153 of Raven Indigenous Impact Fund I Limited Partnership (the "Fund"), with remaining subscription commitment of \$165,847 to the Fund in next two years.

Canadian Roots Exchange / Échanges Racines Canadiennes

Notes to the Financial Statements

March 31, 2021

5. Deferred contributions

Deferred contributions are composed of the following:

	<u>2021</u>	<u>2020</u>
Crown-Indigenous Relations and Northern Affairs	\$ 2,938,142	\$ 1,765,122
Employment and Social Development Canada	437,130	40,638
National Indian Brotherhood Trust	42,774	-
Ontario Trillium Foundation	14,002	33,346
Greater Toronto Airport Authority	12,000	-
Canadian Heritage	-	17,285
Saskatoon Community Foundation	-	7,134
	<u>\$ 3,444,048</u>	<u>\$ 1,863,525</u>

Continuity of deferred contributions for the year is as follows:

	<u>2021</u>	<u>2020</u>
Deferred contributions, beginning of year	\$ 1,863,525	\$ 177,867
Add cash received from grants and donations	7,335,795	6,667,913
Less grant and donation revenue recognized	<u>(5,755,272)</u>	<u>(4,982,255)</u>
Deferred contributions, end of year	<u>\$ 3,444,048</u>	<u>\$ 1,863,525</u>

6. Designated net assets

The Board of Directors of the Organization has designated net assets of \$700,000 for future strategic initiatives and to provide for unexpected financial contingencies (\$125,000 designated as at March 31, 2020).

7. Commitments

The Organization leases office space in Toronto and Ottawa, Ontario. Minimum annual payments under the terms of the leases are as follows:

2022	\$ 332,007
2023	332,007
2024	332,007
2025	219,983
2026	<u>58,319</u>
	<u>\$ 1,274,324</u>

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Notes to the Financial Statements

March 31, 2021

8. Grants

Grant revenue recognized in the year was as follows:

	<u>2021</u>	<u>2020</u>
Federal government		
Crown-Indigenous Relations and Northern Affairs	\$ 3,930,679	\$ 3,618,579
Employment and Social Development Canada	1,465,003	815,813
Canadian Heritage		
Youth Take Charge	117,285	128,715
Youth Forums	-	62,000
Provincial government		
Ontario Trillium Foundation	142,945	316,266
Municipal government		
Saskatoon Community Foundation	7,134	-
Other		
Mastercard Foundation	150,000	-
Laidlaw Foundation	100,000	100,000
National Indian Brotherhood Trust Fund	92,226	-
Miziwe Biik	33,649	-
Other	17,141	18,396
Greater Toronto Airport Authority	12,000	-
Tides Canada	5,000	-
RBC Foundation	-	100,000
Metcalf	-	10,000
	<u>\$ 6,073,062</u>	<u>\$ 5,169,769</u>

9. Financial instruments

Transactions in financial instruments may result in the Organization assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. There have been no significant changes in the Organization's risk exposures from the previous fiscal year.

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 meet its obligation. The Organization is exposed to this credit risk in respect of its accounts receivable and grants receivable. This risk is mitigated by the Organization ensuring that its revenues are derived from qualified sources. As at March 31, 2021, the allowance for doubtful accounts in relation to accounts receivable is \$Nil (2020 - \$Nil).

Canadian Roots Exchange / Échanges Racines Canadiennes

Notes to the Financial Statements

March 31, 2021

9. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and future commitments for the investment subscription. The Organization manages liquidity risk through regular monitoring of forecast and actual cash flows to ensure it has sufficient funds available to meet current and foreseeable financial obligations.

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. The Organization is mainly exposed to interest 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 on its fixed interest rate marketable securities.

10. COVID 19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization has limited the impact of COVID-19 as the Organization has a signed funding agreement with Crown-Indigenous Relations and Northern Affairs Canada from 2019 to 2022. Additionally, the Organization has the ability to execute various initiatives on a virtual basis.

While vaccines are now being widely distributed, the duration and impact of the COVID-19 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 potential impact on the financial position and results of the Organization for future periods.