
Consolidated financial statements of Six Nations Polytechnic Inc.

March 31, 2022

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Independent Auditor's Report

To the Board of Directors of
Six Nations Polytechnic Inc.

Opinion

We have audited the consolidated financial statements of Six Nations Polytechnic Inc. (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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 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 GAAS 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 GAAS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
June 23, 2022

Six Nations Polytechnic Inc.
Consolidated statement of financial position
As at March 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash		8,699,597	4,940,893
Investments and marketable securities		150,000	150,000
Accounts receivable	3	2,238,745	2,276,705
Inventories		17,718	17,718
Prepaid expenses		52,284	184,534
		11,158,344	7,569,850
Long-term deposit		—	263,523
Capital assets	4	31,765,535	6,739,914
Artwork collection	2	1,566,990	1,566,990
		44,490,869	16,140,277
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		740,814	694,520
Deferred revenue	6	8,702,691	6,014,134
Current portion of long-term debt	10	846,047	—
		10,289,552	6,708,654
Long-term debt	10	24,988,523	—
Deferred capital contributions	7	4,836,413	4,444,248
		40,114,488	11,152,902
Net assets			
Invested in capital assets	8	1,212,273	2,344,166
Unrestricted		3,164,108	2,643,209
		4,376,381	4,987,375
		44,490,869	16,140,277

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board

DocuSigned by:

E0906ADE0107417..., Director

DocuSigned by:

02CF96CE7D5D4B5..., Director

Six Nations Polytechnic Inc.
Consolidated statement of operations
Year ended March 31, 2022

	Notes/ Schedules	2022 \$	2021 \$
Revenue			
Ministry of Colleges and Universities ("MCU")		4,874,522	4,770,063
MCU - Literacy and Basic Skills		128,114	128,329
Post-Secondary Partnership Program	Schedule 1	1,223,884	1,851,081
Ontario Trillium Foundation		320,486	210,914
Tuition		230,283	212,219
Other funding	Schedules 2-4, Note 9	5,336,206	4,037,125
Other income		223,503	146,147
		12,336,998	11,355,878
Expenses			
Salaries and benefits		5,293,742	4,670,647
Instruction fees		2,758,826	2,666,036
Facility and supplies		842,177	2,563,351
General and administrative	9	788,372	427,863
Interest expense		646,397	—
Tuition and program fees		521,936	507,555
Program development		388,180	240,709
Student services		116,815	29,670
Professional development		63,161	12,451
Education materials		49,957	26,689
Awards and bursaries		22,686	17,000
Cultural support		8,400	250
		11,500,649	11,162,221
Excess of revenue over expenses		836,349	193,657
Other expenses (income)			
Amortization of capital assets		1,825,906	920,344
Amortization of deferred capital contributions	7	(378,563)	(373,728)
		1,447,343	546,616
Deficiency of revenue over expenses		(610,994)	(352,959)

The accompanying notes are an integral part of the consolidated financial statements.

Six Nations Polytechnic Inc.**Consolidated statement of changes in net assets**

Year ended March 31, 2022

	Invested in capital assets	Unrestricted	2022 Total
	\$	\$	\$
Net assets, beginning of year	2,344,166	2,643,209	4,987,375
(Deficiency) excess of revenue over expenses	(1,447,343)	836,349	(610,994)
Net change in invested in capital assets	315,450	(315,450)	—
Net assets, end of year	1,212,273	3,164,108	4,376,381

	Invested in capital assets	Unrestricted	2021 Total
	\$	\$	\$
Net assets, beginning of year	2,890,782	2,449,552	5,340,334
(Deficiency) excess of revenue over expenses	(546,616)	193,657	(352,959)
Net assets, end of year	2,344,166	2,643,209	4,987,375

The accompanying notes are an integral part of the consolidated financial statements.

Six Nations Polytechnic Inc.
Consolidated statement of cash flows
Year ended March 31, 2022

	2022	2021
	\$	\$
Operating activities		
Deficiency of revenues over expenses	(610,994)	(352,959)
Items not involving cash		
Amortization of capital assets	1,825,906	920,344
Amortization of deferred capital contributions	(378,563)	(373,728)
	836,349	193,657
Changes in non-cash operating working capital		
Accounts receivable	37,960	(298,710)
Prepaid expenses	132,250	(152,013)
Long-term deposit	263,523	(171,856)
Accounts payable and accrued liabilities	46,294	430,962
Deferred revenue	2,688,557	2,703,419
	4,004,933	2,705,459
Financing activities		
Repayment of long-term debt	(665,430)	—
Proceeds on issuance of long-term debt	26,500,000	—
Capital contributions received	770,728	366,228
	26,605,298	366,228
Investing activity		
Purchase of capital assets	(26,851,527)	(356,518)
Net change in cash	3,758,704	2,715,169
Cash, beginning of year	4,940,893	2,225,724
Cash, end of year	8,699,597	4,940,893

The accompanying notes are an integral part of the consolidated financial statements.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

1. Description of organization

Six Nations Polytechnic Inc. (the "Organization") operates a post-secondary school of instruction to advance education to students attending the school through scholarships, bursaries, awards and other forms of financial assistance. It also operates a resource library for Indigenous knowledge and languages to educate and increase the public's appreciation of Indigenous culture. It has been in operation since 1993, incorporated without share capital on October 29, 2001 and on September 19, 2014 was designated a Charitable Organization under the provisions of the Income Tax Act of Canada.

The lands upon which the Organization's building is situated form part of the Six Nations Indian Reserve, No. 40, and have been set aside under band council resolution for the use and benefit of Six Nations Polytechnic Inc. for as long as required for educational purposes in accordance with Section 18(2) of the Indian Act and this land will revert back to the Six Nations Indian Reserve when no longer required for such purposes. The Organization does not have title to the land, and accordingly has not reflected its value in its books and records. No amounts are due to band council for the utilization of the land.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting. The Organization's significant accounting policies are as follows:

Basis of presentation

These consolidated financial statements include the accounts of Six Nations Polytechnic Inc. and all of its wholly-owned subsidiaries, as follows:

Six Nations Polytechnic Brantford Campus Inc.
 Six Nations Polytechnic Ohsweken Campus Inc.

All significant intercompany balances and transactions have been eliminated upon consolidation. The consolidated financial statements do not include any other assets, liabilities, revenue or expenses of the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include donations, government grants and special events revenue.

Contributions from grants, donations and special events that are unrestricted are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants approved but not received at the end of an accounting period are accrued.

Revenue derived from grants and donations which are restricted are recognized when the related expenses have been made or the external restrictions have been fulfilled, depending on the nature of the restriction. Funds received for which the related expenditures have not been made or the external restrictions have not been fulfilled are recorded as deferred revenue.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate of the related capital asset.

Tuition revenue is recognized as revenue as the corresponding instruction is delivered.

Both investment income and other income are recognized as earned.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

2. Significant accounting policies (continued)

Cash

Cash balances consist of cash, bank overdrafts and investments in money market or other short-term instruments or investments with a maturity of less than 90 days.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by actual invoice amounts.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in excess of revenue over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in excess of revenue over expenses an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to excess of revenue over expenses the period the reversal occurs.

Income taxes

The Organization uses the taxes payable method of accounting for income taxes. Under this method, the Organization reports as an expense of the period only the cost of current income taxes payable determined in accordance with the rules established by tax authorities. For the year ended March 31, 2022, Six Nations Polytechnic Brantford Campus Inc. did not generate any taxable income, therefore there are no taxes payable for the Organization.

Capital assets

Capital assets are stated at cost, less accumulated amortization. In the year of acquisition, the Company applies the half-year rule for amortization of capital assets. Amortization is provided using the declining balance method and following annual rates:

<u>Assets</u>	<u>Rate</u>
Building	10%
Machinery and equipment	30%
Vehicles	30%
Computers	30%

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

2. Significant accounting policies (continued)

Collections

The collection consists of artwork and artifacts related to Indigenous language and culture. The artwork and artifacts are used for the purposes of educating and increasing the public's appreciation of Indigenous culture.

The collection is measured at fair value estimated using market or appraisal values at the time of receipt. The collection is not subject to amortization. The value of a collection that is recorded on the consolidated statement of financial position will be written down whenever events or changes in circumstances indicate that its net carrying amount may exceed its fair value. The net carrying amount of the collection or collection item shall be written down to its fair value or replacement cost and the write-down will be recognized as an expense in the consolidated statement of earnings.

Based on the most recent appraisal completed in 2020 by an accredited Personal Property Appraiser, the fair market value of the Collection is \$1,566,990 and is presented on the consolidated statement of financial position as a separate line item.

Impairment of long-lived assets

Long-lived assets, such as capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of impairment.

Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful life of capital assets. Actual results could differ from those estimates.

3. Accounts receivable

	2022	2021
	\$	\$
Accounts receivable	1,984,071	2,120,192
Harmonized Sales Tax recoverable	254,674	156,513
	2,238,745	2,276,705

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

4. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Land	7,213,431	—	7,213,431	—
Building	23,029,796	3,648,455	19,381,341	1,707,642
Machinery and equipment	1,271,624	972,839	298,785	395,349
Vehicles	77,822	54,908	22,914	32,734
Computers	1,964,498	1,478,423	486,075	530,011
Leasehold improvements	6,071,031	2,395,188	3,675,843	4,074,178
Software in development	687,146	—	687,146	—
	40,315,348	8,549,813	31,765,535	6,739,914

On May 21, 2021, the Organization acquired the Brantford campus from a third party for a purchase price of \$25,000,000, plus costs of \$997,076, for a total amount capitalized of \$25,997,076. The purchase was financed through two new credit facilities, as described in Note 10.

5. Credit facilities

The Organization has an operating line of credit of \$1,000,000 bearing interest at prime plus 1% (1.0% in 2021). At March 31, 2022, no amount has been drawn on this facility (none in 2021).

The Organization also has access to a committed revolving credit facility of \$500,000, with interest rate to be determined at the time of drawdown. At March 31, 2022, no amount has been drawn on this facility (none in 2021).

6. Deferred revenue

The Organization has deferred revenue of \$8,702,691 (\$6,014,134 in 2021) for funds received that will be used to offset expenses next year when they are incurred.

7. Deferred capital contributions

(a) Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2022	2021
	\$	\$
Balance, beginning of year	4,444,248	4,451,748
Add: contributions received for capital purposes	770,728	366,228
Less: amortization of deferred capital contributions	(378,563)	(373,728)
	4,836,413	4,444,248

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

7. Deferred capital contributions (continued)

(b) The deferred contributions related to capital assets consist of the following:

	2022	2021
	\$	\$
Unamortized deferred capital contributions used to purchase capital assets	4,718,692	4,395,748
Unspent contributions	117,721	48,500
	4,836,413	4,444,248

8. Invested in capital assets

Net assets invested in capital assets is calculated as follows:

	2022	2021
	\$	\$
Capital assets	31,765,535	6,739,914
Amounts financed by		
Unamortized deferred capital contributions	(4,718,692)	(4,395,748)
Long-term debt	(25,834,570)	—
	1,212,273	2,344,166

9. Related party transactions

The President of the Organization is a member of the McMaster University Board of Governors, the Six Nations Language Commission and the Indigenous Institute Consortium. There are many transactions between McMaster University, Six Nations Language Commission, the Six Nations Council and the Indigenous Institute Consortium with the Organization including tuition transfers and research grants.

During the year, Six Nations Polytechnic Inc. earned revenue of \$48,330 (\$24,340 in 2021) from the Six Nations Community Development Trust Fund, \$nil (\$90,124 in 2021) from the Six Nations Economic Development Trust Fund and \$55,770 (\$155,484 in 2021) from the Indigenous Institute Consortium. Six Nations Polytechnic Inc. incurred expenses of \$21,698 (\$20,923 in 2021) to a Board Member of Six Nations Polytechnic Inc. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Organization also entered into a loan agreement with Six Nations of the Grand River to finance purchase of the Brantford campus. See Note 10 for details.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2022

10. Long-term debt

	2022	2021
	\$	\$
TD bank loan, interest at 2.959% per annum, repayable in monthly blended payments of principal and interest of \$84,975, repayable by May 2031	17,589,570	—
Related party loan, interest at 2.959% per annum, repayable in quarterly principal payments of \$85,000 and monthly interest payments, repayable by May 2046	8,245,000	—
	25,834,570	—
Current portion	(846,047)	—
Long-term portion of long-term debt	24,988,523	—

The TD bank loan is secured by guarantees, first ranking general security agreement and first priority lien on the Brantford campus property owned by the Organization.

The related party loan is secured by an unlimited guarantee of payment by the Organization, second ranking general security agreement and second ranking lien on the Brantford campus property owned by the Organization.

Under the terms of the loans payable, the Organization must satisfy certain financial covenants. As at March 31, 2022, the Organization is in compliance with the covenants.

Principal repayments required over the next five fiscal years and thereafter are as follows:

	\$
2023	846,047
2024	861,226
2025	876,860
2026	892,963
2027	909,548
Thereafter	<u>21,447,926</u>
	<u>25,834,570</u>

11. Financial instruments

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 primarily through its floating interest rate credit facilities. There has been no change to the risk exposures from 2021.

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2022, the most significant financial liabilities are: long-term debt, deferred revenue, unspent portion of deferred capital contributions, and accounts payable and accrued liabilities.

Six Nations Polytechnic Inc.**Schedule 1 - Schedule of operations - Post Secondary Partnership Program**

Year ended March 31, 2022

	2022	2021
	\$	\$
Funding received		
Government grants from 2021-2022	1,348,197	—
Government Covid grants from 2021-2022	981,176	—
Government grants from 2020-2021	2,821,501	1,532,499
Government grants from 2019-2020	—	2,105,821
	5,150,874	3,638,320
Expenditures		
Instructor fees	360,073	455,368
General and administrative	140,233	169,808
Education materials	710	350
Cultural support	2,700	—
Salaries and benefits	780,426	677,194
Program development	68,550	2,771
Facilities and supplies	48,650	424,875
Tuition and program fees	18,728	—
Student services	150	—
Professional development	1,393	—
	1,421,612	1,730,366
Excess of funding received over expenditures included in deferred revenue	3,729,262	1,907,954

Six Nations Polytechnic Inc.**Schedule 2 – Schedule of operations – Jordan's Principle**

Year ended March 31, 2022

	2022	2021
	\$	\$
Funding received		
Government grants from 2021-2022	3,869,000	—
Government Covid grants from 2021-2022	71,893	—
Government grants from 2020-2021	401,949	4,105,193
Government grants from 2019-2020	—	225,934
	4,342,842	4,331,127
Expenditures		
Instructor fees	1,198,866	1,593,440
Facilities and supplies	666,377	1,005,625
Salaries and benefits	765,894	985,652
Education materials	18,471	26,042
Tuition and program fees	93,590	167,335
Program development	88,891	136,186
General and administrative	9,772	11,268
Professional development	23,094	5,369
Student services	—	—
	2,864,954	3,930,917
Excess of funding received over expenditures included in deferred revenue	1,477,888	400,210

Six Nations Polytechnic Inc.**Schedule 3 – Schedule of operations – Youth Employment Strategy**

Year ended March 31, 2022

	2022	2021
	\$	\$
Funding received	97,439	92,348
Expenditures		
Salaries and benefits	3,261	28,204
Program costs	4,450	—
	7,711	28,204
Excess of funding received over expenditures included in deferred revenue	89,728	64,144

Six Nations Polytechnic Inc.**Schedule 4 - Schedule of operations - Private School Tuition**

Year ended March 31, 2022

	2022	2021
	\$	\$
Funding received	1,580,715	—
Expenditures		
Instructor fees	421,522	—
General and administrative	2,444	—
Education materials	6,836	—
Salaries and benefits	281,730	—
Program development	32,899	—
Facilities and supplies	258,841	—
Tuition and program fees	33,932	—
Professional development	8,547	—
	1,046,751	—
Excess of funding received over expenditures included in deferred revenue	533,964	—