
Consolidated financial statements of Six Nations Polytechnic Inc.

March 31, 2023

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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, 2023, 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, 2023, 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.

Emphasis of Matter – Restatement of Prior Period

We draw attention to Note 12 to the financial statements, which indicates that certain comparative figures as at and for the year ended March 31, 2022 have been restated.

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.

Deloitte LLP

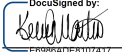
Chartered Professional Accountants
Licensed Public Accountants
July 26, 2023

Six Nations Polytechnic Inc.
Consolidated statement of financial position
As at March 31, 2023

	Notes	2023 \$	2022 \$
Assets			
Current assets			
Cash		11,224,207	8,699,597
Investments and marketable securities		150,000	150,000
Accounts receivable	3	2,395,095	2,238,745
Inventories		17,718	17,718
Prepaid expenses		86,330	52,284
		13,873,350	11,158,344
Capital assets			
Artwork collection	4	30,591,132	31,765,535
Derivative financial asset	2	1,566,990	1,566,990
	10	47,806	—
		46,079,278	44,490,869
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,028,677	740,814
Deferred revenue	6 and 12	6,852,428	7,510,243
Current portion of long-term debt	10	861,226	846,047
		8,742,331	9,097,104
Long-term debt	10	24,126,981	24,988,523
Deferred capital contributions	7	5,454,926	4,836,413
		38,324,238	38,922,040
Net assets			
Invested in capital assets	8	244,305	1,212,273
Unrestricted	12	7,510,735	4,356,556
		7,755,040	5,568,829
		46,079,278	44,490,869

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

On behalf of the Board

DocuSigned by:

_____, Director

DocuSigned by:

_____, Director

Six Nations Polytechnic Inc.
Consolidated statement of operations
Year ended March 31, 2023

	Notes	2023 \$	2022 \$
Revenue			
Ministry of Colleges and Universities ("MCU")		6,727,038	4,874,522
MCU - Literacy and Basic Skills		128,366	128,114
Post-Secondary Partnership Program	13	1,728,565	1,223,884
Ontario Trillium Foundation		65,551	320,486
Tuition	12	2,439,037	885,557
Other funding	9, 13 and 14	6,187,911	5,336,206
Other income		471,214	223,503
		17,747,682	12,992,272
Expenses			
Salaries and benefits		5,978,635	5,293,742
Instruction fees		2,690,079	2,758,826
Facility and supplies		996,170	842,177
General and administrative	9	857,364	788,372
Interest expense		753,325	646,397
Tuition and program fees		1,011,758	521,936
Program development		352,068	388,180
Student services		378,768	116,815
Professional development		377,392	63,161
Education materials		65,802	49,957
Awards and bursaries		41,380	22,686
Cultural support		12,592	8,400
		13,515,333	11,500,649
Excess of revenue over expenses before the following		4,232,349	1,491,623
Other expenses (income)			
Amortization of capital assets		2,517,594	1,825,906
Amortization of deferred capital contributions	7	(423,650)	(378,563)
Gain on derivative financial asset		(47,806)	—
		2,046,138	1,447,343
Excess of revenue over expenses		2,186,211	44,280

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, 2023

	Notes	Invested in capital assets \$	Unrestricted \$	2023 Total \$
Net assets, beginning of year, as restated	12	1,212,273	4,356,556	5,568,829
(Deficiency) excess of revenue over expenses		(2,046,138)	4,232,349	2,186,211
Net change in invested in capital assets		1,078,170	(1,078,170)	—
Net assets, end of year		244,305	7,510,735	7,755,040
		Invested in capital assets \$	Unrestricted \$	2022 Total \$
Net assets, beginning of year		2,344,166	2,643,209	4,987,375
Adjustment relating to restatement of prior year revenue	12	—	537,174	537,174
Net assets, beginning of year, as restated	12	2,344,166	3,180,383	5,524,549
(Deficiency) excess of revenue over expenses, as restated	12	(1,447,343)	1,491,623	44,280
Net change in invested in capital assets		315,450	(315,450)	—
Net assets, end of year, as restated	12	1,212,273	4,356,556	5,568,829

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, 2023

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenses	2,186,211	44,280
Items not involving cash		
Amortization of capital assets	2,517,594	1,825,906
Amortization of deferred capital contributions	(423,650)	(378,563)
Gain on derivative financial asset	(47,806)	—
	4,232,349	1,491,623
Changes in non-cash operating working capital		
Accounts receivable	(156,350)	37,960
Prepaid expenses	(34,046)	132,250
Long-term deposit	—	263,523
Accounts payable and accrued liabilities	287,863	46,294
Deferred revenue	(657,815)	2,033,283
	3,672,001	4,004,933
Financing activities		
Repayment of long-term debt	(846,363)	(665,430)
Proceeds on issuance of long-term debt	—	26,500,000
Capital contributions received	1,042,163	770,728
	195,800	26,605,298
Investing activity		
Purchase of capital assets	(1,343,191)	(26,851,527)
Net change in cash	2,524,610	3,758,704
Cash, beginning of year	8,699,597	4,940,893
Cash, end of year	11,224,207	8,699,597

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

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
March 31, 2023

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, 2023

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, except for the derivative interest rate swap, which is carried at fair value.

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, 2023, 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, 2023

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

	2023	2022
	\$	\$
Accounts receivable	2,111,811	1,984,071
Harmonized Sales Tax recoverable	283,284	254,674
	2,395,095	2,238,745

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2023

4. Capital assets

	Cost \$	Accumulated amortization \$	2023 Net book value \$	2022 Net book value \$
Land	7,213,431	—	7,213,431	7,213,431
Building	23,201,089	5,503,704	17,697,385	19,381,341
Machinery and equipment	1,541,875	1,069,681	472,194	298,785
Vehicles	77,822	60,912	16,910	22,914
Computers	2,282,408	1,630,162	652,246	486,075
Leasehold improvements	6,435,908	2,801,139	3,634,769	3,675,843
Software in development	904,197	—	904,197	687,146
	41,656,730	11,065,598	30,591,132	31,765,535

During the prior year, 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% (prime plus 1% in 2022). At March 31, 2023, no amount has been drawn on this facility (none in 2022).

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, 2023, no amount has been drawn on this facility (none in 2022).

6. Deferred revenue

The Organization has deferred revenue of \$7,292,971 (\$7,510,243 in 2022) for funds received that will be used to offset expenses in future years 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.

	2023 \$	2022 \$
Balance, beginning of year	4,836,413	4,444,248
Add: contributions received for capital purposes	1,042,163	770,728
Less: amortization of deferred capital contributions	(423,650)	(378,563)
	5,454,926	4,836,413

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2023

7. Deferred capital contributions (continued)

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

	2023	2022
	\$	\$
Unamortized deferred capital contributions used to purchase capital assets	5,406,426	4,718,692
Unspent contributions	48,500	117,721
	5,454,926	4,836,413

8. Invested in capital assets

Net assets invested in capital assets is calculated as follows:

	2023	2022
	\$	\$
Capital assets	30,591,132	31,765,535
Amounts financed by		
Unamortized deferred capital contributions	(5,406,426)	(4,718,692)
Long-term debt net of derivative financial asset	(24,940,401)	(25,834,570)
	244,305	1,212,273

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 \$54,640 (\$48,330 in 2022) from the Six Nations Community Development Trust Fund and \$15,500 (\$55,770 in 2022) from the Indigenous Institute Consortium. Six Nations Polytechnic Inc. incurred expenses of \$39,518 (\$21,698 in 2022) 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 prior year, the Organization 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, 2023

10. Long-term debt

	2023	2022
	\$	\$
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	17,083,207	17,589,570
Related party loan, interest at 2.97% per annum, repayable in quarterly principal payments of \$85,000 and monthly interest payments, repayable by May 2046	7,905,000	8,245,000
	24,988,207	25,834,570
Current portion	(861,226)	(846,047)
Long-term portion of long-term debt	24,126,981	24,988,523

The TD bank loan is subject to a floating rate of interest based on CDOR plus 0.85%. The Organization has utilized an interest rate swap arrangement to provide a fixed rate of 2.959% over the term and amortization period. The fair value of the interest rate swap as at March 31, 2023 is an asset position of \$47,806 (\$nil in 2022).

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, 2023, the Organization is in compliance with the covenants.

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

	<u>\$</u>
2024	861,226
2025	876,860
2026	892,963
2027	909,548
2028	926,632
Thereafter	<u>20,520,978</u>
	<u>24,988,207</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 2022.

A portion of the Organization's debt is at floating rates. As a result, the Organization is exposed to interest rate risk. The Organization mitigates the interest rate risk on its term facility through an interest rate swap fixing the interest on the loan.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2023

11. Financial instruments (continued)

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, 2023, the most significant financial liabilities are: long-term debt, deferred revenue, unspent portion of deferred capital contributions, and accounts payable and accrued liabilities.

12. Restatement of prior period

In 2023, the Organization restated the 2021 ending unrestricted net assets, the 2022 ending unrestricted net assets as well as the 2022 tuition revenue and excess of revenue over expenses as a result of tuition revenue earned in prior years, totaling \$537,174 in 2021, and \$655,274 in 2022 that had not been previously recorded. The impact of the restatement on previously reported amounts are as follows:

	As previously reported	Adjustment	As restated
	\$	\$	\$
Consolidated balance sheet as at March 31, 2022			
Deferred revenue	8,702,691	(1,192,448)	7,510,243
Consolidated statement of operations for the year ended March 31, 2022			
Tuition revenue	230,283	655,274	885,557
Excess of revenue over expenses of unrestricted net assets	836,349	655,274	1,491,623
Consolidated statement of changes in net assets			
Unrestricted net assets, beginning of year as at April 1, 2021	2,643,209	537,174	3,180,383
Unrestricted net assets, end of year as at March 31, 2022	3,164,108	1,192,448	4,356,556

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2023

13. Indigenous Services Canada funding

	2023	2022
	\$	\$
Funding received		
Government grants from 2022-2023	6,891,707	—
Government grants from 2021-2022	4,211,932	5,217,197
Government Covid grants from 2021-2022	—	1,053,069
Government grants from 2020-2021	—	3,223,450
	11,103,639	9,493,716
Expenditures		
Instructor fees	2,022,592	1,558,939
General and administrative	1,142,116	150,005
Education materials	24,307	19,181
Cultural support	5,000	2,700
Salaries and benefits	1,743,970	1,546,320
Program development	63,957	157,441
Facilities and supplies	1,099,921	715,027
Tuition and program development	187,084	112,318
Student services	1,609	150
Professional development	26,408	24,487
	6,316,964	4,286,568
Excess of funding received over expenditures included in deferred revenue	4,786,675	5,207,148

14. We are Welders funding

	2023	2022
	\$	\$
Funding received	153,479	—
Expenditures		
Instructor fees	20,390	—
Communications	2,382	—
Salaries and benefits	76,076	—
Marketing	1,421	—
Facility	6,350	—
Program development	944	—
General and administrative	11,081	—
Student services	30,498	—
	149,142	—
Excess of funding received over expenditures included in deferred revenue	4,337	—