
Consolidated financial statements of Six Nations Polytechnic Inc.

March 31, 2021

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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, 2021, and the consolidated statements of earnings, 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, 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 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.

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 24, 2021

Six Nations Polytechnic Inc.
Consolidated statement of financial position
As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash		4,940,893	2,225,724
Investments and marketable securities		150,000	150,000
Accounts receivable	3	2,276,705	1,977,995
Inventories		17,718	17,718
Prepaid expenses		184,534	32,521
		7,569,850	4,403,958
Long term deposit		263,523	91,667
Capital assets	4	6,739,914	7,303,740
Artwork collection	2	1,566,990	1,566,990
		16,140,277	13,366,355
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		694,520	263,558
Deferred revenue	6	6,014,134	3,310,715
		6,708,654	3,574,273
Deferred capital contributions	7	4,444,248	4,451,748
		11,152,902	8,026,021
Commitments and contingencies	10		
Net assets			
Invested in capital assets	8	2,344,166	2,890,782
Unrestricted		2,643,209	2,449,552
		4,987,375	5,340,334
		16,140,277	13,366,355

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

On behalf of the Board

DocuSigned by:

_____, Director
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Michelle Davis
_____, Director

Six Nations Polytechnic Inc.
Consolidated statement of earnings
Year ended March 31, 2021

	Notes/ Schedules	2021 \$	2020 \$
Revenue			
Ministry of Colleges and Universities ("MCU")		4,770,063	4,408,679
MCU - Literacy and Basic Skills		128,329	128,399
Post-Secondary Partnership Program	Schedule 1	1,851,081	1,156,713
Ontario Trillium Foundation		210,914	424,000
Tuition		212,219	413,063
Other funding	Schedules 2-3, Note 9	4,037,125	5,821,164
Other income		146,147	421,548
		11,355,878	12,773,566
Expenses			
Salaries and benefits		4,670,647	4,695,072
Facility and supplies		2,563,351	2,365,633
Instruction fees		2,666,036	2,628,782
General and administrative	9	427,863	(182,690)
Tuition and program fees		507,555	1,023,416
Student services		29,670	87,956
Education materials		26,689	92,588
Professional development		12,451	42,589
Cultural support		250	15,482
Awards and bursaries		17,000	20,000
Program development		240,709	356,801
		11,162,221	11,145,629
Excess of revenue over expenses		193,657	1,627,937
Other expenses (income)			
Amortization of capital assets		920,344	872,079
Amortization of deferred capital contributions	7	(373,728)	(354,452)
		546,616	517,627
(Deficiency) excess of revenue over expenses		(352,959)	1,110,310

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, 2021

	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

	Invested in capital assets	Unrestricted	2020 Total
	\$	\$	\$
Net assets, beginning of year	2,938,637	1,291,387	4,230,024
(Deficiency) excess of revenue over expenses	(517,627)	1,627,937	1,110,310
Net change in invested in capital assets	469,772	(469,772)	—
Net assets, end of year	2,890,782	2,449,552	5,340,334

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, 2021

	2021	2020
	\$	\$
Operating activities		
(Deficiency) excess of revenues over expenses	(352,959)	1,110,310
Items not involving cash		
Amortization of capital assets	920,344	872,079
Amortization of deferred capital contributions	(373,728)	(354,452)
Donation of artwork collection	—	(1,566,990)
	193,657	60,947
Changes in non-cash operating working capital		
Accounts receivable	(298,710)	788,115
Monies held in trust	—	86,470
Inventories	—	3,643
Prepaid expenses	(152,013)	(5,895)
Long term deposit	(171,856)	—
Accounts payable and accrued liabilities	430,962	924
Deferred revenue	2,703,419	628,039
	2,705,459	1,562,243
Financing activities		
Payment of long-term debt	—	(484)
Capital contributions received	366,228	214,500
	366,228	214,016
Investing activity		
Purchase of capital assets	(356,518)	(645,482)
Net change in cash	2,715,169	1,130,777
Cash, beginning of year	2,225,724	1,094,947
Cash, end of year	4,940,893	2,225,724

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

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.
12534568 Canada 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. 12534568 Canada Inc., an inactive company with no balances, was dissolved subsequent to March 31, 2021.

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.

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 straight-line 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.

Capital assets

Capital assets are stated at cost, less accumulated amortization. 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.

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 accruals and the useful life of capital assets. Actual results could differ from those estimates.

3. Accounts receivable

	2021	2020
	\$	\$
Accounts receivable	2,120,192	1,605,886
Harmonized Sales Tax recoverable	156,513	372,109
	2,276,705	1,977,995

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2021

4. Capital assets

	Cost \$	Accumulated amortization \$	2021 Net book value \$	2020 Net book value \$
Building	4,246,151	2,538,509	1,707,642	1,754,961
Machinery and equipment	1,245,693	850,344	395,349	363,659
Vehicles	77,822	45,088	32,734	46,764
Computers	1,829,125	1,299,114	530,011	449,918
Leasehold improvements	6,065,031	1,990,853	4,074,178	4,478,514
Construction in progress	—	—	—	209,924
	13,463,822	6,723,908	6,739,914	7,303,740

5. Operating loan

The Organization has an operating line of credit of \$1,000,000 bearing interest at prime plus 1% (2.0% in 2020). At March 31, 2021, the outstanding loan amount was nil (nil in 2020).

6. Deferred revenue

The Organization has deferred revenue of \$6,014,134 (\$3,310,715 in 2020) 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.

	2021 \$	2020 \$
Balance, beginning of year	4,451,748	4,591,700
Add: contributions received for capital purposes	366,228	214,500
Less: amortization of deferred capital contributions	(373,728)	(354,452)
	4,444,248	4,451,748

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

	2021 \$	2020 \$
Unamortized deferred capital contributions used to purchase capital assets	4,395,748	4,412,958
Unspent contributions	48,500	38,790
	4,444,248	4,451,748

8. Invested in capital assets

Net assets invested in capital assets is calculated as follows:

	2021	2020
	\$	\$
Capital assets	6,739,914	7,303,740
Amounts financed by		
Unamortized deferred capital contributions	(4,457,723)	(4,412,958)
	2,282,191	2,890,782

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 \$24,340 (\$24,910 in 2020) from the Six Nations Community Development Trust Fund, \$90,124 (\$nil in 2020) from the Six Nations Economic Development Trust Fund and \$155,484 (\$128,211 in 2020) from the Indigenous Institute Consortium. Six Nations Polytechnic Inc. incurred expenses of \$20,923 (\$24,036 in 2020) 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.

10. Commitments and contingencies

(a) The Organization is committed to minimum annual lease payments under various operating equipment and building leases as follows:

	\$
2022	1,896,222
2023	2,005,096
2024	2,113,970
2025	2,222,844
2026	2,331,718
Thereafter	1,397,216
	<u>11,967,066</u>

(b) As of March 31, 2021, the Organization had not drawn upon any letters of credit, which have been issued in the maximum amount of \$150,000 for repayment of obligations.

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 2020.

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, 2021, the most significant financial liabilities are: deferred capital contributions, deferred revenue, and accounts payable and accrued liabilities.

12. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The short term impact of COVID-19 has been reflected in these consolidated financial statements and can be seen a reduction of certain revenues. The duration and long term impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

13. Subsequent event

On May 21, 2021, the Organization acquired the Brantford campus from their landlord. The purchase will be financed through two new credit facilities. This transaction will be recorded in the 2022 consolidated financial statements of the Organization.

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

Year ended March 31, 2021

	2021	2020
	\$	\$
Revenue		
Government grants from 2020-2021	1,532,499	—
Government grants from 2019-2020 recognized in 2020-2021	2,105,821	—
Government grants from 2019-2020	—	1,548,150
Government grants from 2018-2019 recognized in 2019-2020	—	1,260,829
	3,638,320	2,808,979
Expenditures		
Instructor fees	455,368	220,312
General and administrative	169,808	113,853
Education materials	350	9,685
Cultural support	—	850
Salaries and benefits	677,194	409,469
Program development	2,771	—
Facilities and supplies	424,875	—
Tuition and program fees	—	8,301
	1,730,366	762,470
Excess of revenue over expenditures included in deferred revenue	1,907,954	2,046,509

Six Nations Polytechnic Inc.
Schedule 2 – Schedule of operations – Jordan's Principle
Year ended March 31, 2021

	2021	2020
	\$	\$
Revenue		
Government grants from 2020-2021	4,105,193	—
Other income from 2020-2021	225,934	—
Government grants from 2019-2020	—	2,123,333
Other income from 2019-2020	—	501,174
Government grants from 2018-2019 recognized in 2019-2020	—	553,509
	4,331,127	3,178,016
Expenditures		
Instructor fees	1,593,440	1,396,955
Facilities and supplies	1,005,625	784,051
Salaries and benefits	985,652	565,198
Education materials	26,042	78,768
Tuition and program fees	167,335	105,173
Program development	136,186	98,694
General and administrative	11,268	265,967
Professional development	5,369	6,987
Student services	—	6,149
	3,930,917	3,307,942
Excess (deficit) of revenue over expenditures included in deferred revenue	400,210	(129,926)

Six Nations Polytechnic Inc.**Schedule 3 – Schedule of operations – Youth Employment Strategy**Year ended March 31, 2021

	2021	2020
	\$	\$
Revenue	92,348	66,272
Expenditures		
Salaries and benefits	28,204	16,124
Excess of revenue over expenditures included in deferred revenue	64,144	50,148