
Consolidated financial statements of Six Nations Polytechnic Inc.

March 31, 2024

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Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2024, 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, 2024, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
December 17th, 2024

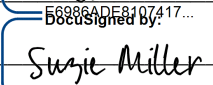
Six Nations Polytechnic Inc.
Consolidated statement of financial position
 As at March 31, 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash		6,237,298	11,224,207
Investments and marketable securities		150,000	150,000
Accounts receivable	3	3,705,378	2,395,095
Inventories		—	17,718
Prepaid expenses		424,045	86,330
		10,516,721	13,873,350
Capital assets			
Artwork collection	4	30,112,640	30,591,132
Derivative financial asset	2	1,566,990	1,566,990
	10	52,668	47,806
		42,249,019	46,079,278
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		903,564	1,028,677
Deferred revenue	6	4,123,462	6,852,428
Current portion of long-term debt	10	876,860	861,226
		5,903,886	8,742,331
Long-term debt	10	23,249,047	24,126,981
Deferred capital contributions	7	6,054,487	5,454,926
		35,207,420	38,324,238
Net assets			
Invested in capital assets	8	33,414	244,305
Unrestricted		7,008,185	7,510,735
		7,041,599	7,755,040
		42,249,019	46,079,278

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

On behalf of the Board


 _____, Director


 _____, Director

Six Nations Polytechnic Inc.
Consolidated statement of operations
Year ended March 31, 2024

	Notes	2024	2023
		\$	\$
Revenue			
Ministry of Colleges and Universities ("MCU")		7,081,647	6,727,038
MCU - Literacy and Basic Skills		219,384	128,366
Post-Secondary Partnership Program	12	1,715,546	1,728,565
Ontario Trillium Foundation		—	65,551
Tuition		2,222,886	2,439,037
Other funding	9 and 12	5,532,372	6,187,911
Other income		791,363	471,214
		17,563,198	17,747,682
Expenses			
Salaries and benefits		7,507,310	5,978,635
Instruction fees		2,472,789	2,690,079
Facility and supplies		1,710,323	996,170
General and administrative	9	1,236,855	857,364
Interest expense		731,936	753,325
Tuition and program fees		944,284	1,011,758
Program development		549,894	352,068
Student services		680,413	378,768
Professional development		430,101	377,392
Education materials		125,175	65,802
Awards and bursaries		87,561	41,380
Cultural support		1,028	12,592
		16,477,669	13,515,333
Excess of revenue over expenses before the following		1,085,529	4,232,349
Other expenses (income)			
Amortization of capital assets		2,382,927	2,517,594
Amortization of deferred capital contributions	7	(505,895)	(423,650)
Gain on derivative financial asset		(4,862)	(47,806)
Gain on disposal of capital assets		(73,200)	—
		1,798,970	2,046,138
(Deficiency) excess of revenue over expenses		(713,441)	2,186,211

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, 2024

	Invested in capital assets \$	Unrestricted \$	2024 Total \$
Net assets, beginning of year	244,305	7,510,735	7,755,040
(Deficiency) excess of revenue over expenses	(1,798,970)	1,085,529	(713,441)
Net change in invested in capital assets	1,588,079	(1,588,079)	—
Net assets, end of year	33,414	7,008,185	7,041,599
	Invested in capital assets \$	Unrestricted \$	2023 Total \$
Net assets, beginning of year	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

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, 2024

	2024	2023
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(713,441)	2,186,211
Items not involving cash		
Amortization of capital assets	2,382,927	2,517,594
Amortization of deferred capital contributions	(505,895)	(423,650)
Gain on derivative financial asset	(4,862)	(47,806)
Gain on disposal of capital assets	(73,200)	—
	1,085,529	4,232,349
Changes in non-cash operating working capital		
Accounts receivable	(1,310,283)	(156,350)
Inventories	17,718	—
Prepaid expenses	(337,715)	(34,046)
Accounts payable and accrued liabilities	(125,113)	287,863
Deferred revenue	(2,728,966)	(657,815)
	(3,398,830)	3,672,001
Financing activities		
Repayment of long-term debt	(862,300)	(846,363)
Capital contributions received	1,519,367	1,042,163
	657,067	195,800
Investing activities		
Purchase of capital assets	(2,331,146)	(1,343,191)
Proceeds on disposal of capital assets	86,000	—
	(2,245,146)	(1,343,191)
Net change in cash	(4,986,909)	2,524,610
Cash, beginning of year	11,224,207	8,699,597
Cash, end of year	6,237,298	11,224,207

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

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
March 31, 2024

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, 2024

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, 2024, 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:

Assets	Rate
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, 2024

2. Significant accounting policies (continued)

Capital assets (continued)

Software in development represents eligible costs incurred to develop and implement software; amortization will commence in the year the software development is completed and ready for use.

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, as well as revenue and deferred revenue relating to grant funding. Actual results could differ from those estimates.

3. Accounts receivable

	2024	2023
	\$	\$
Accounts receivable	3,117,193	2,111,811
Harmonized Sales Tax recoverable	588,185	283,284
	3,705,378	2,395,095

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2024

4. Capital assets

	Cost \$	Accumulated amortization \$	2024 Net book value \$	2023 Net book value \$
Land	7,213,431	—	7,213,431	7,213,431
Building	23,886,506	7,170,277	16,716,229	17,697,385
Machinery and equipment	1,541,875	1,168,533	373,342	472,194
Vehicles	—	—	—	16,910
Computers	2,407,069	1,766,688	640,381	652,246
Leasehold improvements	7,956,826	3,260,968	4,695,858	3,634,769
Software in development	473,399	—	473,399	904,197
	43,479,106	13,366,466	30,112,640	30,591,132

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 2023). At March 31, 2024, no amount has been drawn on this facility (nil in 2023).

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, 2024, no amount has been drawn on this facility (nil in 2023).

6. Deferred revenue

The Organization has deferred revenue of \$4,123,462 (\$6,852,428 in 2023) 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.

	2024 \$	2023 \$
Balance, beginning of year	5,454,926	4,836,413
Add: contributions received for capital purposes	1,519,367	1,042,163
Less: amortization of deferred capital contributions	(505,895)	(423,650)
Less: amount recognized as revenue in current year	(413,911)	—
	6,054,487	5,454,926

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2024

7. Deferred capital contributions (continued)

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

	2024	2023
	\$	\$
Unamortized deferred capital contributions used to purchase capital assets	6,005,987	5,406,426
Unspent contributions	48,500	48,500
	6,054,487	5,454,926

8. Invested in capital assets

Net assets invested in capital assets is calculated as follows:

	2024	2023
	\$	\$
Capital assets	30,112,640	30,591,132
Amounts financed by		
Unamortized deferred capital contributions	(6,005,987)	(5,406,426)
Long-term debt net of derivative financial asset	(24,073,239)	(24,940,401)
	33,414	244,305

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 \$136,947 (\$54,640 in 2023) from the Six Nations Community Development Trust Fund and \$272,475 (\$155,00 in 2023) from the Indigenous Institute Consortium. Six Nations Polytechnic Inc. incurred expenses of \$31,870 (\$39,518 in 2023) 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.

Six Nations Polytechnic Inc.
Notes to the consolidated financial statements
 March 31, 2024

10. Long-term debt

	2024	2023
	\$	\$
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	16,560,907	17,083,207
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	7,565,000	7,905,000
	24,125,907	24,988,207
Current portion	(876,860)	(861,226)
Long-term portion of long-term debt	23,249,047	24,126,981

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, 2024 is an asset position of \$52,668 (\$47,806 in 2023).

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, 2024, the Organization is in compliance with the covenants.

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

	\$
2025	876,860
2026	892,963
2027	909,548
2028	926,632
2029	944,228
Thereafter	19,575,676
	<u>24,125,907</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 2023.

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, 2024

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, 2024, the most significant financial liabilities are: long-term debt, deferred revenue, unspent portion of deferred capital contributions, and accounts payable and accrued liabilities.

12. Indigenous Services Canada funding

	2024	2023
	\$	\$
Funding received		
Government grants from 2023-2024	4,193,946	—
Government grants from 2022-2023	4,786,675	6,891,707
Government grants from 2021-2022	—	4,211,932
	8,980,621	11,103,639
Expenditures		
Instructor fees	1,755,683	2,022,592
General and administrative	925,810	1,142,116
Education materials	15,441	24,307
Cultural support	1,028	5,000
Salaries and benefits	2,281,052	1,743,970
Program development	297,433	63,957
Facilities and supplies	764,485	1,099,921
Tuition and program development	277,562	187,084
Student services	10,885	1,609
Professional development	261,847	26,408
	6,591,226	6,316,964
Excess of funding received over expenditures included in deferred revenue	2,389,395	4,786,675