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Financial statements of  
**Six Nations Polytechnic Inc.**

March 31, 2020

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## Independent Auditor's Report

To the Shareholder of  
Six Nations Polytechnic Inc.

### Opinion

We have audited the financial statements of Six Nations Polytechnic Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of earnings, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (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, 2020, 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 the Board of Directors 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.

The Board of Directors is 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.

*Deloitte LLP*

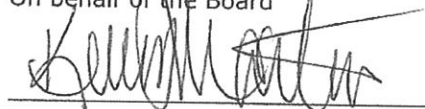
Chartered Professional Accountants  
Licensed Public Accountants  
Burlington, Ontario  
June 25, 2020

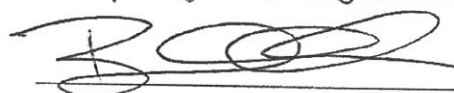
**Six Nations Polytechnic Inc.**  
**Statement of financial position**  
As at March 31, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash		2,225,724	1,094,947
Accounts receivable	3	1,977,995	2,766,110
Investments and marketable securities		150,000	150,000
Monies held in trust		—	86,470
Inventories		17,718	21,361
Prepaid expenses		32,521	26,626
		<u>4,403,958</u>	<u>4,145,514</u>
Long term deposit		91,667	91,667
Capital assets	4	7,303,740	7,530,337
Artwork collection	2	1,566,990	—
		<u>13,366,355</u>	<u>11,767,518</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		263,558	262,634
Deferred revenue	6	3,310,715	2,682,676
Current portion of long-term debt		—	484
		<u>3,574,273</u>	<u>2,945,794</u>
Deferred capital contributions	7	4,451,748	4,591,700
		<u>8,026,021</u>	<u>7,537,494</u>
Commitments and contingencies	10		
<b>Net assets</b>			
Invested in capital assets	8	2,890,782	2,938,637
Unrestricted		2,449,552	1,291,387
		<u>5,340,334</u>	<u>4,230,024</u>
		<u>13,366,355</u>	<u>11,767,518</u>

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

On behalf of the Board

 , Director

 , Director



# Six Nations Polytechnic Inc.

## Statement of earnings

Year ended March 31, 2020

	Notes/ Schedules	2020 \$	2019 \$
<b>Revenue</b>			
Ministry of Training, Colleges and Universities ("MTCU")		4,408,679	3,541,258
MTCU - Literacy and Basic Skills		128,399	128,163
Post-Secondary Partnership Program	Schedule 1	1,156,713	916,547
Ontario Trillium Foundation		424,000	387,200
Tuition		413,063	386,195
Other funding	Schedules 2-4	5,821,164	3,944,587
Other income		421,548	468,751
		<b>12,773,566</b>	<b>9,772,701</b>
<b>Expenses</b>			
Salaries and benefits		4,695,072	3,553,483
Facility and supplies		2,365,633	1,938,926
Instruction fees		2,628,782	1,445,500
General and administrative		(182,690)	458,877
Tuition and program fees		1,023,416	413,125
Student services		87,956	115,740
Education materials		92,588	40,995
Professional development		42,589	40,413
Cultural support		15,482	22,358
Awards and bursaries		20,000	21,500
Program development		356,801	3,510
		<b>11,145,629</b>	<b>8,054,427</b>
Excess of revenue over expenses		<b>1,627,937</b>	<b>1,718,274</b>
<b>Other expenses (income)</b>			
Amortization of capital assets		872,079	825,811
Amortization of deferred capital contributions	7	(354,452)	(389,882)
		<b>517,627</b>	<b>435,929</b>
<b>Excess of revenue over expenses</b>		<b>1,110,310</b>	<b>1,282,345</b>

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

**Six Nations Polytechnic Inc.****Statement of changes in net assets**

Year ended March 31, 2020

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

	Invested in capital assets	Unrestricted	2019 Total
	\$	\$	\$
Net assets, beginning of year	3,012,957	(65,278)	2,947,679
(Deficiency) excess of revenue over expenses	(435,929)	1,718,274	1,282,345
Net change in invested in capital assets	361,609	(361,609)	—
Net assets, end of year	2,938,637	1,291,387	4,230,024

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

**Six Nations Polytechnic Inc.****Statement of cash flows**

Year ended March 31, 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	1,110,310	1,282,345
Items not involving cash		
Amortization of capital assets	872,079	825,811
Amortization of deferred capital contributions	(354,452)	(389,882)
Other funding from donation of artwork collection	(1,566,990)	—
Changes in non-cash operating working capital		
Accounts receivable	788,115	(1,093,423)
Monies held in trust	86,470	(51,114)
Inventories	3,643	(7,899)
Prepaid expenses	(5,895)	(5,171)
Accounts payable and accrued liabilities	924	(243,882)
Deferred revenue	628,039	(344,366)
	<u>1,562,243</u>	<u>(27,581)</u>
<b>Financing activities</b>		
Payment of long-term debt	(484)	(1,935)
Capital contributions received	214,500	61,539
	<u>214,016</u>	<u>59,604</u>
<b>Investing activities</b>		
Purchase of capital assets	(645,482)	(423,148)
	<u>(645,482)</u>	<u>(423,148)</u>
Net change in cash	1,130,777	(391,125)
Cash, beginning of year	1,094,947	1,486,072
<b>Cash, end of year</b>	<u>2,225,724</u>	<u>1,094,947</u>

The accompanying notes are an integral part of the 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 financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook. The Organization's significant accounting policies are as follows:

*Revenue recognition*

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

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 expenditures have been made. Funds received for which the related expenditures have not been made are recorded as deferred revenue.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. 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.

Both investment income and revenue are recognized as earned.

*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 low 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.

## **2. Significant accounting policies (continued)**

### *Financial instruments (continued)*

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 net income as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in net income 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 net income in 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%
Computer	30%

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

### *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. The collection is not subject to amortization. The value of a collection that is recorded on the 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 statement of operations.

Based on the most recent appraisal done in 2020 by an accredited Personal Property Appraiser, the fair market value of the Collection is \$1,566,990 and is presented on the 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.

**2. Significant accounting policies (continued)**

*Use of estimates*

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets. Actual results could differ from those estimates.

**3. Accounts receivable**

	2020	2019
	\$	\$
Accounts receivable	1,605,886	2,292,867
Harmonized Sales Tax recoverable	372,109	473,243
	<u>1,977,995</u>	<u>2,766,110</u>

**4. Capital assets**

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Building	4,111,227	2,356,266	1,754,961	1,949,956
Machinery and equipment	1,080,061	716,402	363,659	259,461
Vehicles	77,822	31,058	46,764	64,617
Computer	1,563,237	1,113,319	449,918	361,414
Leasehold improvements	6,065,031	1,586,517	4,478,514	4,882,849
Construction in progress	209,924	—	209,924	12,040
	<u>13,107,302</u>	<u>5,803,562</u>	<u>7,303,740</u>	<u>7,530,337</u>

**5. Operating loan**

The Organization has an operating line of credit of \$500,000 bearing interest at prime plus 2% (2.0% in 2019). At March 31, 2020, the outstanding loan amount was nil (nil in 2019).

**6. Deferred revenue**

The Organization has deferred revenue of \$3,310,715 (\$2,682,676 in 2019) 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.

	2020	2019
	\$	\$
Balance, beginning of year	4,591,700	4,920,043
Add: contributions received for capital purposes	214,500	61,539
Less: amortization of deferred capital contributions	(354,452)	(389,882)
	<u>4,451,748</u>	<u>4,591,700</u>

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

	2020	2019
	\$	\$
Unamortized deferred capital contributions used to purchase capital assets	4,412,958	4,591,700
Unspent contributions	38,790	—
	<u>4,451,748</u>	<u>4,591,700</u>

## 8. Invested in capital assets

Net assets invested in capital assets is calculated as follows:

	2020	2019
	\$	\$
Capital assets	7,303,740	7,530,337
Amounts financed by		
Unamortized deferred capital contributions	(4,412,958)	(4,591,700)
	<u>2,890,782</u>	<u>2,938,637</u>

## 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 \$24,910 (\$38,250 in 2019) from the Six Nations Community Development Trust Fund and \$128,211 (\$276,572 in 2019) from the Indigenous Institute Consortium. Six Nations Polytechnic Inc. incurred expenses of \$24,036 to a Board Member of Six Nations Polytechnic Inc. (\$12,040 in 2019). 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:

	\$
2021	1,787,348
2022	1,896,222
2023	2,005,096
2024	2,113,970
2025	2,222,844
Thereafter	3,728,934
	<u>13,754,414</u>

- (b) As of March 31, 2020, 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 2019.

### *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, 2020, the most significant financial liabilities are: deferred capital contributions, deferred revenue, and accounts payable and accrued liabilities.

## **12. Subsequent events**

- (a) 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 duration and 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.
- (b) On April 2, 2020, the Organization received funding from the Ministry of Colleges of Universities of Ontario in the amount of \$215,145. The funding is to be used to support institutional priorities in response to the COVID-19 pandemic, and to mitigate the costs associated with the Organization's early and ongoing responses to COVID.

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

Year ended March 31, 2020

	2020	2019
	\$	\$
<b>Revenue</b>		
Government grants from 2019-2020	1,548,150	—
Government grants from 2018-2019 recognized in 2019-2020	1,260,829	—
Government grants from 2018-2019	—	1,424,745
Government grants from 2017-2018 recognized in 2018-2019	—	752,631
	<u>2,808,979</u>	<u>2,177,376</u>
<b>Expenditures</b>		
Instructor fees	220,312	536,823
General and administrative	113,853	122,055
Education materials	9,685	96,005
Cultural support	850	60,635
Salaries and benefits	409,469	54,315
Program development	—	28,613
Facilities and supplies	—	10,101
Tuition and program fees	8,301	8,000
	<u>762,470</u>	<u>916,547</u>
<b>Excess of revenue over expenditures included in deferred revenue</b>	<u>2,046,509</u>	1,260,829



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

Year ended March 31, 2020

	2020	2019
	\$	\$
<b>Revenue</b>		
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	—
Government grants from 2018-2019	—	1,061,667
Other income from 2018-2019	—	333,706
Government grants from 2017-2018 recognized in 2018-2019	—	944,179
	<b>3,178,016</b>	<b>2,339,552</b>
<b>Expenditures</b>		
Instructor fees	1,396,955	929,514
Facilities and supplies	784,051	343,193
Salaries and benefits	565,198	280,281
Education materials	78,768	163,516
Tuition and program fees	105,173	46,135
Program development	98,694	—
General and administrative	265,967	18,800
Professional development	6,987	—
Student services	6,149	4,604
	<b>3,307,942</b>	<b>1,786,043</b>
<b>(Deficit) excess of revenue over expenditures included in deferred revenue</b>	<b>(129,926)</b>	<b>553,509</b>

**Six Nations Polytechnic Inc.****Schedule 3 – Schedule of operations – New Paths for Education**

Year ended March 31, 2020

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>—</b>	<b>211,200</b>
<b>Expenditures</b>		
Salaries and benefits	—	166,164
Tuition and program fees	—	35,036
General and administrative	—	10,000
	<b>—</b>	<b>211,200</b>
<b>Excess of revenue over expenditures included in deferred revenue</b>	<b>—</b>	<b>—</b>

**Six Nations Polytechnic Inc.****Schedule 4 – Schedule of operations – Youth Employment Strategy**

Year ended March 31, 2020

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	<b>2020</b>	2019
	<b>\$</b>	\$
	<hr/>	<hr/>
<b>Revenue</b>	<b>66,272</b>	66,272
	<hr/>	<hr/>
<b>Expenditures</b>		
Salaries and benefits	<b>16,124</b>	40,128
	<hr/>	<hr/>
	<b>16,124</b>	40,128
	<hr/>	<hr/>
<b>Excess of revenue over expenditures included in deferred revenue</b>	<b>50,148</b>	26,144
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