

**SEVEN GENERATIONS
EDUCATION INSTITUTE**
Financial Statements
For the year ended March 31, 2020

Seven Generations Education Institute
Financial Statements
For the year ended March 31, 2020

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Members of Seven Generations Education Institute

Opinion

We have audited the financial statements of Seven Generations Education Institute (the Entity), which comprise the Statement of Financial Position as at March 31, 2020, and the Statement of Operations, the Statement of Changes in Net Assets, and the Statement of Cash Flows for the year then ended, and Notes to Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Entity 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 these financial statements in accordance with Canadian accounting standards for not-for-profit Organizations, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.

A handwritten signature in black ink that reads "BDO Canada LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Licensed Public Accountants


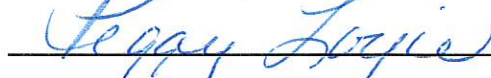
Fort Frances, Ontario
September 17, 2020

Seven Generations Education Institute Statement of Financial Position

March 31	2020	2019
Assets		
Current assets		
Cash and bank (Note 2)	\$ 2,865,464	\$ 1,161,204
Accounts receivable (Note 3)	4,357,016	3,937,539
Due from government and other government Organizations (Note 4)	3,196,324	3,025,617
Prepaid expenses	82,961	64,309
	<u>10,501,765</u>	<u>8,188,669</u>
Capital assets (Note 5)	24,925,539	21,791,119
	<u>\$ 35,427,304</u>	<u>\$ 29,979,788</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,387,177	\$ 1,032,144
Current portion of long-term debt (Note 8)	107,810	-
Deferred revenue (Note 6)	5,904,625	6,332,046
	<u>7,399,612</u>	<u>7,364,190</u>
Deferred capital contributions (Note 7)	17,093,579	15,739,431
Long-term debt (Note 8)	1,833,072	-
	<u>26,326,263</u>	<u>23,103,621</u>
Net assets (Page 6)		
Unrestricted	323,441	(201,713)
Invested in capital assets	7,831,960	6,051,689
Capital replacement reserve fund	258,853	258,853
Reserve for severance liabilities	338,684	338,684
Reserve for projects	281,550	362,101
Reserve for summer camp	20,600	20,600
Reserve for scholarships	25,061	25,061
Reserve for computer network	20,892	20,892
	<u>9,101,041</u>	<u>6,876,167</u>
	<u>\$ 35,427,304</u>	<u>\$ 29,979,788</u>

Commitments (Note 9)

Approved on behalf of the Board:

 _____	Director
 _____	Director

Seven Generations Education Institute

Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Grant revenue		
Government of Canada		
Indigenous Services Canada	\$ 3,702,650	\$ 2,959,267
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	3,463,829	3,695,447
Employment and Social Development Canada	1,833,385	1,727,873
Province of Ontario		
Ministry of Training, Colleges and Universities	4,173,367	1,375,950
Colleges	966,777	1,152,602
Amortization of deferred capital contributions	1,178,051	470,518
Tuition		
First Nation Secondary School	1,106,249	1,015,856
Post-Secondary Education	436,948	629,462
Book sales	202,625	244,865
Rainy River District School Board	702,740	1,075,587
Keewatin-Patricia District School Board	281,558	128,311
Manidoo Baawaatig revenue	639,036	652,675
Projects	243,720	254,209
Interest	56,726	71,947
Other revenue	641,861	862,584
	19,629,522	16,317,153
Expenses		
Wages and benefits	8,543,370	7,565,657
Post-secondary student support	1,804,696	1,972,227
Resource materials and services	967,775	865,222
Travel	506,423	555,651
Office equipment, furnishings and supplies	644,860	528,454
Rent	196,242	593,701
Post-Secondary Education	586	-
Student training/personal allowances and wage subsidies	513,945	793,471
Student activities and awards	291,501	291,223
Staff training and workshops	399,844	270,263
Programming	89,858	142,333
Repairs and maintenance	292,646	302,280
Amortization	1,817,205	847,572
Professional fees	87,568	118,756
Other tuition fees	250,628	93,223
Utilities	268,258	179,267
Telephone and communications	132,413	97,346
Property taxes	28,832	27,851
Insurance	93,149	43,148
Printing, postage and office	162,411	135,654
Advertising	99,680	137,731
Miscellaneous	45,184	99,013
Directors' expenses	60,243	74,690
Bank charges	65,931	6,936
Student transportation	41,400	28,800
	17,404,648	15,770,469
Excess of revenue over expenses for the year	\$ 2,224,874	\$ 546,684

Seven Generations Education Institute Statement of Changes in Net Assets

For the year ended March 31

	Reserve for Projects	Reserve for Severance Liabilities	Reserve for Summer Camp	Reserve for Scholarships	Unrestricted	Invested in Capital Assets	Capital Replacement Reserve Fund	Reserve for Computer Network	Total
Balance, March 31, 2018	\$ 684,360	\$ 338,684	\$ 20,600	\$ 25,061	\$ 2,098,561	\$ 2,882,472	\$ 258,853	\$ 20,892	\$ 6,329,483
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	923,738	(377,054)	-	-	546,684
Transfers	(322,259)	-	-	-	322,259	-	-	-	-
Purchase of capital assets	-	-	-	-	(10,947,415)	10,947,415	-	-	-
Capital assets funded by deferred capital contributions	-	-	-	-	7,401,144	(7,401,144)	-	-	-
Balance, March 31, 2019	362,101	338,684	20,600	25,061	(201,713)	6,051,689	258,853	20,892	6,876,167
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	2,864,030	(639,156)	-	-	2,224,874
Transfers	(80,551)	-	-	-	80,551	-	-	-	-
Purchase of capital assets	-	-	-	-	(4,951,625)	4,951,625	-	-	-
Capital assets funded by deferred capital contributions	-	-	-	-	2,532,198	(2,532,198)	-	-	-
Balance, March 31, 2020	\$ 281,550	\$ 338,684	\$ 20,600	\$ 25,061	\$ 323,441	\$ 7,831,960	\$ 258,853	\$ 20,892	\$ 9,101,041

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

Seven Generations Education Institute Statement of Cash Flows

For the year ended March 31	2020	2019
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 2,224,874	\$ 546,684
Adjustments for		
Amortization of capital assets	1,817,205	847,572
Amortization of deferred capital contributions	(1,178,051)	(470,518)
	<u>2,864,028</u>	<u>923,738</u>
Changes in non-cash working capital items		
Accounts receivable	(419,477)	(895,711)
Due from government and other government Organizations	(170,707)	(1,114,984)
Prepaid expenses	(18,652)	(16,172)
Accounts payable	355,033	(1,490,507)
Deferred revenue	(427,421)	(898,270)
	<u>(681,224)</u>	<u>(4,415,644)</u>
	<u>2,182,804</u>	<u>(3,491,906)</u>
Cash flows from investing activities		
Purchase of capital assets	(4,951,625)	(10,947,415)
Cash flows from financing activities		
Increase in deferred capital contributions	2,532,199	7,401,144
Proceeds from long-term debt	2,000,000	-
Repayment of long-term debt	(59,118)	-
	<u>4,473,081</u>	<u>7,401,144</u>
Net increase (decrease) in cash and bank during the year	<u>1,704,260</u>	<u>(7,038,177)</u>
Cash and bank, beginning of year	<u>1,161,204</u>	<u>8,199,381</u>
Cash and bank, end of year	<u>\$ 2,865,464</u>	<u>\$ 1,161,204</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies

Nature of Operations	<p>Seven Generations Education Institute ("the Institute") was incorporated by Letters Patent under the laws of the Province of Ontario on February 17, 1987, without share capital as the Rainy Lake Ojibway Education Authority. Its purpose is to establish, operate and maintain schools for First Nations students. It began operating under its current name effective July 1, 1999.</p> <p>The Institute was designated a charitable Organization effective April 1, 2006. As a Registered Charity, the Institute is exempt from taxes under paragraph 149(1)(f) of the <i>Income Tax Act</i>.</p>
Basis of Accounting	<p>These financial statements were prepared using Canadian accounting standards for not-for-profit Organizations (ASNPO).</p>
Cash and Bank	<p>Cash and bank consist of cash on hand, bank balances and investments in money market instruments, if any, with maturities of three months or less.</p>
Funds on Deposit	<p>Funds on deposit include cash and bank balances that are restricted by Board resolution for purposes of future capital asset replacement.</p>
Financial Instruments	<p>The Institute's financial instruments consist of cash and bank, accounts receivable, due from government and other government Organizations, investments, funds on deposit, and accounts payable and accrued liabilities.</p> <p>In accordance with Canadian accounting standards for not-for-profit Organizations, financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains or losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value and charged to the financial instrument for those measured at amortized cost.</p>

Seven Generations Education Institute

Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Amortization based on the estimated useful life of the asset is calculated on a declining balance basis as follows:

Office equipment	-	20 % diminishing balance basis
Computer equipment	-	30 % diminishing balance basis
Tools	-	100 % diminishing balance basis
Paddles	-	100 % diminishing balance basis
Canoes	-	15 % diminishing balance basis
Automobiles	-	30 % diminishing balance basis
Buildings	-	5 % diminishing balance basis

Cultural works of art are not amortized.

Software technology is amortized on a straight line basis over its estimated useful life. When the useful life of software technology is determined to be indefinite, no amortization is recognized.

Net Assets

Unrestricted net assets

The Institute's unrestricted net assets relate to net assets available for use without restrictions.

Invested in capital assets

The Institute's net assets invested in capital assets is equal to the unamortized cost of capital assets less deferred capital contributions. Net assets invested in capital assets represent net assets that are not available for other purposes because they have been invested in capital assets.

Capital replacement reserve fund

The Institute's capital replacement reserve fund represents net assets that have been internally restricted by Board resolution for the purpose of future capital asset repairs and replacement. The Institute's investments and funds on deposit are restricted for purposes of this reserve fund.

Reserves

The Institute's reserves include reserve for projects, reserve for severance liabilities, reserve for summer camp, reserve for scholarships and reserve for computer network. These reserves represent net assets that have been internally restricted by Board resolution but do not have specifically restricted cash and bank, investments or funds on deposit held for the purpose of the reserve.

Seven Generations Education Institute

Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grant revenue

The Institute follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions used for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate consistent with the amortization rate for the related capital asset.

Revenue from other operations

Tuition revenue is recognized on an accrual basis as the education services, in relation to the tuition fees billed, are provided. The revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from rental income is recognized on an accrual basis as rental services are provided where the amounts are measurable and collection is reasonably assured.

Miscellaneous revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of Estimates

The preparation of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The significant estimates used in preparation of these financial statements include the useful lives of capital assets and the amounts of accrued liabilities.

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

2. Cash and Bank

	2020	2019
Cash and bank restricted by Board resolution	\$ 258,853	\$ 258,853
Unrestricted cash and bank	2,606,611	902,351
	<u>\$ 2,865,464</u>	<u>\$ 1,161,204</u>

Certain surplus funds are set aside by Board resolution for specific purposes and referred to as reserve funds. The Institute's cash and bank balances restricted by Board resolution represent the assets that are maintained in respect of those reserve funds.

3. Accounts Receivable

	2020	2019
Aboriginal Institutes Consortium	\$ -	\$ 55,792
Anishinaabeg of Kabapikotawangag Resource Council	-	22,109
Anishinaabe Abinoojii Family Services	-	17,279
Keewaytinook Okimakanak	52,299	33,825
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	224,527	451,286
Rainy River District School Board	-	308,610
Keewatin-Patricia District School Board	165,236	122,091
Kenora Chiefs Advisory	62,910	36,438
Indigenous Institutes Consortium	-	30,000
Canadore College	2,380,000	1,629,828
Onikaajigan Construction	-	32,054
Nokiiwin Tribal Council Inc.	10,000	110,000
Sault College	1,233,223	896,984
Shooniyaa Wa-Biitong	3,370	1,216
Other	225,451	190,027
	<u>\$ 4,357,016</u>	<u>\$ 3,937,539</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

4. Due from Government and Other Government Organizations

	2020	2019
Federal government		
Indigenous Services Canada	\$ -	\$ 226
Heritage Canada	14,500	14,500
Service Canada	338,000	-
HST recoverable	397,367	126,838
Provincial government		
Northern Ontario Heritage Fund Corporation	1,682,370	1,337,988
Ministry of Advanced Education and Skills Development	21,840	634,422
Ontario Provincial Police - Project Sunset	34,807	35,288
Other governments and other government Organizations		
Grassy Narrows First Nation	-	1,469
Naicatchewenin First Nation	170,172	86,803
Nigigoonsiminikaaning First Nation	149,950	136,992
Rainy River First Nations	41,821	39,602
Mitaanjigamiing First Nation	20,001	52,731
Iskatewizaagegan #39 First Nation	37,764	38,489
Couchiching First Nation	101,879	363,783
Seine River First Nation	89,397	105,171
Big Grassy First Nation	2,388	1,468
Wauzhushk Onigum Nation	-	247
Ochiichagwa-babigoining Ojibway Nation	-	33,292
Lac La Croix First Nation	5,240	1,045
Shoal Lake 40 First Nation	4,258	176
Nisaachewan First Nation	69,723	-
Noatkamegwanning First Nation	-	5,400
Northwest Angle #33	13,994	8,175
Animakee We Zhing #37	136	1,512
Anishinaabeg of Naongaching First Nation	717	-
	<u>\$ 3,196,324</u>	<u>\$ 3,025,617</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 1,341,274	\$ 722,162	\$ 880,916	\$ 624,917
Computer equipment	5,127,857	2,046,273	1,942,269	1,408,220
Tools	121,125	121,125	121,125	121,125
Paddles	1,152	1,152	1,152	1,152
Canoes	5,250	5,137	5,250	5,117
Paintings	8,921	-	8,921	-
Automobiles	167,339	136,786	167,339	123,692
Buildings	23,545,161	2,585,261	22,239,482	1,516,468
Cultural works of art	24,802	-	24,802	-
Software technology	200,554	-	200,554	-
	<u>\$ 30,543,435</u>	<u>\$ 5,617,896</u>	<u>\$ 25,591,810</u>	<u>\$ 3,800,691</u>
Net book value		<u>\$ 24,925,539</u>		<u>\$ 21,791,119</u>

6. Deferred Revenue

Deferred revenue is restricted by program as follows:

	2020	2019
Counselling Unit	\$ 1,058	\$ -
Elementary and Secondary		
Education Support Services	67,900	64,748
Post-Secondary Student Support Program	141,834	-
Post-Secondary Education Programs	3,228,167	3,488,063
First Nations Secondary School	1,322,623	1,923,621
Manidoo Baawaatig Facility	-	13,858
Essential Skills Program	443,742	310,166
Skills Link Program	-	248,214
Youth Programs	16,653	20,180
Projects	267,250	263,196
First Nations Student Support Program	231,671	-
Indigenous Language Assessment Tool	83,555	-
FedNor - Connected Classroom Project	100,172	-
	<u>\$ 5,904,625</u>	<u>\$ 6,332,046</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

6. Deferred Revenue (continued)

Deferred revenue is restricted by revenue source as follows:

	Balance as at March 31, 2019	Contributions received	Revenue recognized in the year	Transfers to deferred capital contributions	Balance as at March 31, 2020
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	\$ 64,748	\$ 3,609,873	\$ (3,463,829)	\$ -	\$ 210,792
Indigenous Services Canada	1,951,142	3,391,100	(3,702,650)	-	1,639,592
Third party projects	235,675	189,997	(243,720)	-	181,952
FedNor	-	950,000	-	(849,828)	100,172
Ministry of Advanced Education and Skills Development	3,488,063	3,997,026	(4,173,367)	-	3,311,722
Employment and Social Development Canada	558,379	1,718,748	(1,833,385)	-	443,742
Rainy River District School Board	-	702,740	(702,740)	-	-
Other deferred revenue	34,039	20,800	(38,186)	-	16,653
Total deferred revenue	\$ 6,332,046	\$ 14,580,284	\$ (14,157,877)	\$ (849,828)	\$ 5,904,625

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

7. Deferred Capital Contributions

Deferred capital contributions relate to restricted revenue for the purchase of capital assets. Deferred capital contributions are deferred and recognized as revenue on the same basis as the amortization expense for the related capital asset purchased.

	Opening balance	Contributions received	Revenue recognized	Ending balance
Industry Canada	\$ 986,005	\$ -	\$ (49,300)	\$ 936,705
Northern Ontario Heritage Fund Corporation	5,689,667	1,682,370	(536,838)	6,835,199
Keewatin-Patricia District School Board	75,000	-	(15,000)	60,000
Province of Ontario - Post- Secondary Institutions				
Strategic Investment Fund	8,428,134	-	(421,407)	8,006,727
FedNor	-	849,828	(127,474)	722,354
Indigenous Services Canada	560,625	-	(28,031)	532,594
	<u>\$ 15,739,431</u>	<u>\$ 2,532,198</u>	<u>\$ (1,178,050)</u>	<u>\$ 17,093,579</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

8. Long-term Debt

	2020	2019
RBC non-revolving variable rate term loan repayable in monthly blended payments of \$14,423, including interest at bank prime plus 1%, maturing September 2034.	\$ 1,940,882	\$ -
Less current portion of long-term debt	(107,810)	-
	<u>\$ 1,833,072</u>	<u>\$ -</u>

Expected principal and interest payments required over the next five years and thereafter are as follows:

	Principal Repayments	Interest	Total
2021	\$ 107,810	\$ 65,266	\$ 173,076
2022	111,589	61,488	173,077
2023	115,500	57,576	173,076
2024	119,548	53,528	173,076
2025	123,738	49,338	173,076
Thereafter	1,362,697	229,614	1,592,311
	<u>\$ 1,940,882</u>	<u>\$ 516,810</u>	<u>\$ 2,457,692</u>

	2020	2019
Interest expense for the year on long-term debt	<u>\$ 58,117</u>	<u>\$ -</u>

9. Commitments

The aggregate minimum rentals payable under leases for premises and equipment in effect at March 31, 2020, for the next 5 years are as follows:

Year	Amount
2021	\$ 23,000
2022	\$ 23,000
2023	\$ 23,000
2024	\$ 23,000
2025	\$ 21,083

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

10. Economic Dependence

The Institute is dependent on continued funding from Indigenous Services Canada and the Ministry of Advanced Education and Skills Development for its ongoing operations.

11. Pension Plans

The Institute also maintains defined contribution pension plans for their employees. Expense for these plans is equal to the Institute's required contribution for the year. Contributions to the plan during the year by the Institute on behalf of its employees amounted to \$267,683 (2019 - \$194,166).

12. Financial Risk Management

The Institute is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Institute's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Institute's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Institute to credit risk consist principally of accounts receivable.

The Institute's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements, is as follows:

	2020	2019
Accounts receivable	\$ 4,357,016	\$ 3,937,539
Due from government and other government Organizations	3,196,324	3,025,617
	<u>\$ 7,553,340</u>	<u>\$ 6,963,156</u>

The Institute is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due with the exception of certain tuition amounts from First Nations which have been subject to dispute. The Institute establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Seven Generations Education Institute Notes to Financial Statements

March 31, 2020

12. Financial Risk Management (continued)

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Institute is not exposed to significant interest rate risk. Its cash and short-term deposits are held in short-term or variable rate products.

The Institute is not exposed to significant foreign exchange risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Institute is not exposed to significant other price risk as its amount of equity investments is not significant.

Fair Value

The carrying values of cash on deposit, funds on deposit, accounts receivable, and accounts payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

13. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The Organization experienced a temporary interruption in educational services as a result of the Province of Ontario's ordered Declaration of Emergency. The Organization has worked to develop a safe learning strategy for its students and has transitioned to virtual classroom lead training while the COVID-19 pandemic continues. The Organization has also been able to obtain funding subsequent to March 31, 2020, to assist with increased costs that have resulted from the change in operations and COVID-19.

Given the financial impact that COVID-19 has had on the Canadian economy as a whole, credit risk relating to the collection of receivables has increased. At this time, the full potential impact of COVID-19 on the Organization is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances the duration of the disruption and the related financial impact cannot be reasonably estimated at this time. The Organization's ability to continue delivering educational services will depend on the legislative mandates from the various levels of government. The Organization will continue to focus on collecting receivables, managing expenses and leveraging existing reserves and available funding to ensure it is able to continue providing educational services to its students and the communities that it serves.