

**SEVEN GENERATIONS
EDUCATION INSTITUTE**
Financial Statements
For the year ended March 31, 2021

Seven Generations Education Institute
Financial Statements
For the year ended March 31, 2021

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, 2021, 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, 2021, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
September 21, 2021

Seven Generations Education Institute Statement of Financial Position

March 31	2021	2020
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Assets

Current assets

Cash and bank (Note 2)	\$ 7,628,167	\$ 2,865,464
Accounts receivable (Note 3)	5,609,489	4,357,016
Due from government and other government Organizations (Note 4)	1,408,705	3,196,324
Prepaid expenses	117,098	82,961
	14,763,459	10,501,765

Capital assets (Note 5)	25,736,076	24,925,539
	\$ 40,499,535	\$ 35,427,304

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities	\$ 1,733,344	\$ 1,387,177
Current portion of long-term debt (Note 8)	117,373	107,810
Deferred revenue (Note 6)	9,048,554	5,904,625
	10,899,271	7,399,612

Deferred capital contributions (Note 7)	16,298,940	17,093,579
Long-term debt (Note 8)	1,713,140	1,833,072
	28,911,351	26,326,263

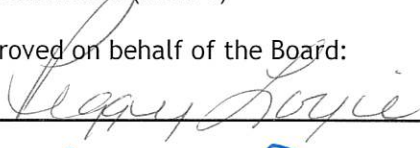
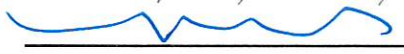
Net assets (Page 6)

Unrestricted	1,079,392	323,441
Invested in capital assets	9,437,137	7,831,960
Capital replacement reserve fund	258,853	258,853
Reserve for severance liabilities	338,684	338,684
Reserve for projects	407,565	281,550
Reserve for summer camp	20,600	20,600
Reserve for scholarships	25,061	25,061
Reserve for computer network	20,892	20,892
	11,588,184	9,101,041

	\$ 40,499,535	\$ 35,427,304
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Commitments (Note 9)

Approved on behalf of the Board:

 _____	Director
 _____	Director

Seven Generations Education Institute Statement of Operations

For the year ended March 31	2021	2020
Revenue		
Grant revenue		
Government of Canada		
Indigenous Services Canada	\$ 3,024,597	\$ 3,702,650
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	4,213,277	3,463,829
Employment and Social Development Canada	1,504,969	1,833,385
Province of Ontario		
Ministry of Training, Colleges and Universities	4,312,184	4,173,367
Colleges	659,418	825,197
Amortization of deferred capital contributions	1,512,441	1,178,051
Tuition		
First Nation Secondary School	1,032,382	1,106,249
Post-Secondary Education	656,210	578,528
Book sales	141,416	202,625
Mastercard Foundation	1,902,373	-
Rainy River District School Board	809,835	702,740
Keewatin-Patricia District School Board	133,332	281,558
Manidoo Baawaatig revenue	458,629	639,036
Projects	530,645	243,720
Interest	26,266	56,726
Other revenue	668,081	641,861
	<u>21,586,055</u>	<u>19,629,522</u>
Expenses		
Wages and benefits	9,421,435	8,543,370
Post-secondary student support	2,421,020	1,804,696
Resource materials and services	914,385	967,775
Travel	98,579	506,423
Office equipment, furnishings and supplies	699,834	644,860
Rent	228,262	196,242
Student training/personal allowances and wage subsidies	730,838	513,945
Student activities and awards	218,586	291,501
Staff training and workshops	254,110	399,844
Programming	166,010	90,444
Repairs and maintenance	194,363	292,646
Amortization	2,417,357	1,817,205
Professional fees	163,235	87,568
Other tuition fees	223,870	250,628
Utilities	257,061	268,258
Telephone and communications	172,002	132,413
Property taxes	28,829	28,832
Insurance	119,857	93,149
Printing, postage and office	149,596	162,411
Advertising	91,664	99,680
Miscellaneous	8,307	45,184
Directors' expenses	37,367	60,243
Bank charges and loan interest	62,445	65,931
Student transportation	19,900	41,400
	<u>19,098,912</u>	<u>17,404,648</u>
Excess of revenue over expenses for the year	<u>\$ 2,487,143</u>	<u>\$ 2,224,874</u>

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, 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
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	3,392,059	(904,916)	-	-	2,487,143
Transfers	126,015	-	-	-	(126,015)	-	-	-	-
Purchase of capital assets	-	-	-	-	(3,227,895)	3,227,895	-	-	-
Capital assets funded by deferred capital contributions	-	-	-	-	717,802	(717,802)	-	-	-
Balance, March 31, 2021	\$ 407,565	\$ 338,684	\$ 20,600	\$ 25,061	\$ 1,079,392	\$ 9,437,137	\$ 258,853	\$ 20,892	\$11,588,184

Seven Generations Education Institute Statement of Cash Flows

For the year ended March 31	2021	2020
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 2,487,143	\$ 2,224,874
Adjustments for		
Amortization of capital assets	2,417,357	1,817,205
Amortization of deferred capital contributions	(1,512,441)	(1,178,051)
	<u>3,392,059</u>	<u>2,864,028</u>
Changes in non-cash working capital items		
Accounts receivable	(1,252,473)	(419,477)
Due from government and other government Organizations	1,787,619	(170,707)
Prepaid expenses	(34,137)	(18,652)
Accounts payable	346,168	355,033
Deferred revenue	3,143,929	(427,421)
	<u>3,991,106</u>	<u>(681,224)</u>
	<u>7,383,165</u>	<u>2,182,804</u>
Cash flows from investing activities		
Purchase of capital assets	(3,227,895)	(4,951,625)
Cash flows from financing activities		
Increase in deferred capital contributions	717,802	2,532,199
Proceeds from long-term debt	-	2,000,000
Repayment of long-term debt	(110,369)	(59,118)
	<u>607,433</u>	<u>4,473,081</u>
Net increase in cash and bank during the year	<u>4,762,703</u>	<u>1,704,260</u>
Cash and bank, beginning of year	<u>2,865,464</u>	<u>1,161,204</u>
Cash and bank, end of year	<u>\$ 7,628,167</u>	<u>\$ 2,865,464</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

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, 2021

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 are 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, 2021

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, 2021

2. Cash and Bank

	2021	2020
Cash and bank restricted by Board resolution	\$ 258,853	\$ 258,853
Unrestricted cash and bank	7,369,314	2,606,611
	<u>\$ 7,628,167</u>	<u>\$ 2,865,464</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

	2021	2020
Anishinaabeg of Kabapikotawangag Resource Council	\$ 2,919	\$ -
Keewaytinook Okimakanak	51,130	52,299
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	1,185,583	224,527
Rainy River District School Board	38,500	-
Keewatin-Patricia District School Board	146,470	165,236
Kenora Chiefs Advisory	62,910	62,910
Lakehead University	292,538	-
Canadore College	1,544,193	2,380,000
Grand Council Treaty #3	321,413	13,671
Nokiiwin Tribal Council Inc.	10,000	10,000
Sault College	1,630,175	1,233,223
Shooniyaa Wa-Biitong	125,694	3,370
Other	197,964	211,780
	<u>\$ 5,609,489</u>	<u>\$ 4,357,016</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

4. Due from Government and Other Government Organizations

	2021	2020
Federal government		
Indigenous Services Canada	\$ 45,074	\$ -
Heritage Canada	14,500	14,500
Service Canada	-	338,000
FedNor	50,000	-
HST recoverable	121,954	397,367
Provincial government		
Northern Ontario Heritage Fund Corporation	559,252	1,682,370
Ministry of Advanced Education and Skills Development	-	21,840
Ontario Provincial Police - Project Sunset	-	34,807
Other governments and other government Organizations		
Naicatchewenin First Nation	167,868	170,172
Nigigoonsiminikaaning First Nation	92,493	149,950
Rainy River First Nations	96,370	41,821
Mitaanjigamiing First Nation	(2,822)	20,001
Iskatewizaagegan #39 First Nation	36,000	37,764
Couchiching First Nation	80,005	101,879
Seine River First Nation	50,912	89,397
Big Grassy First Nation	1,468	2,388
Wauzhushk Onigum Nation	469	-
Lac La Croix First Nation	5,817	5,240
Shoal Lake 40 First Nation	4,251	4,258
Nisaachewan First Nation	69,109	69,723
Noatkamegwanning First Nation	4,450	-
Northwest Angle #33	11,399	13,994
Animakee We Zhing #37	136	136
Anishinaabeg of Naongaching First Nation	-	717
	\$ 1,408,705	\$ 3,196,324

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 2,296,077	\$ 941,475	\$ 1,341,274	\$ 722,162
Computer equipment	6,250,341	3,139,121	5,127,857	2,046,273
Tools	121,125	121,125	121,125	121,125
Paddles	1,152	1,152	1,152	1,152
Canoes	5,250	5,154	5,250	5,137
Paintings	8,921	-	8,921	-
Automobiles	391,287	113,695	167,339	136,786
Buildings	23,836,837	3,640,548	23,545,161	2,585,261
Cultural works of art	24,802	-	24,802	-
Software development	762,554	-	200,554	-
	<u>\$ 33,698,346</u>	<u>\$ 7,962,270</u>	<u>\$ 30,543,435</u>	<u>\$ 5,617,896</u>
Net book value		<u>\$ 25,736,076</u>		<u>\$ 24,925,539</u>

6. Deferred Revenue

Deferred revenue is restricted by program as follows:

	2021	2020
Counselling Unit	\$ 78,212	\$ 1,058
Elementary and Secondary		
Education Support Services	107,815	67,900
Post-Secondary Student Support Program	144,564	141,834
Post-Secondary Education Programs	4,488,687	3,228,167
First Nations Secondary School	1,445,815	1,322,623
Essential Skills Program	340,414	443,742
Youth Programs	16,653	16,653
Projects	346,305	267,250
First Nations Student Support Program	573,863	231,671
Indigenous Language Assessment Tool	-	83,555
FedNor - Connected Classroom Project	100,172	100,172
Mastercard Foundation	1,406,054	-
	<u>\$ 9,048,554</u>	<u>\$ 5,904,625</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

6. Deferred Revenue (continued)

Deferred revenue is restricted by revenue source as follows:

	Balance as at March 31, 2020	Contributions received	Revenue recognized in the year	Transfers to deferred capital contributions	Balance as at March 31, 2021
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	\$ 210,792	\$ 5,362,431	\$ (4,213,277)	\$ -	\$ 1,359,946
Indigenous Services Canada	1,639,592	3,407,240	(3,024,597)	-	2,022,235
Third party projects	181,952	543,645	(530,645)	-	194,952
FedNor	100,172	50,000	-	(150,172)	-
Ministry of Advanced Education and Skills Development	3,311,722	4,708,762	(4,312,184)	-	3,708,300
Employment and Social Development Canada	443,742	1,401,641	(1,504,969)	-	340,414
Rainy River District School Board	-	809,835	(809,835)	-	-
Mastercard Foundation	-	3,308,427	(1,902,373)	-	1,406,054
Other deferred revenue	16,653	-	-	-	16,653
Total deferred revenue	\$ 5,904,625	\$ 19,591,981	\$ (16,297,880)	\$ (150,172)	\$ 9,048,554

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

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	\$ 936,705	\$ -	\$ (46,835)	\$ 889,870
Northern Ontario Heritage Fund Corporation	6,835,199	567,630	(784,408)	6,618,421
Keewatin-Patricia District School Board	60,000	-	(15,000)	45,000
Province of Ontario - Post- Secondary Institutions Strategic Investment Fund	8,006,727	-	(400,336)	7,606,391
FedNor	722,354	150,172	(239,232)	633,294
Indigenous Services Canada	532,594	-	(26,630)	505,964
	<u>\$ 17,093,579</u>	<u>\$ 717,802</u>	<u>\$ (1,512,441)</u>	<u>\$ 16,298,940</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

8. Long-term Debt

	2021	2020
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.	\$ 1,830,513	\$ 1,940,882
Less current portion of long-term debt	(117,373)	(107,810)
	<u>\$ 1,713,140</u>	<u>\$ 1,833,072</u>

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

	Principal Repayments	Interest	Total
2022	\$ 117,373	\$ 43,992	\$ 161,365
2023	119,926	41,958	161,884
2024	122,331	41,098	163,429
2025	125,228	39,303	164,531
2026	128,755	35,777	164,532
Thereafter	1,216,900	156,682	1,373,582
	<u>\$ 1,830,513</u>	<u>\$ 358,810</u>	<u>\$ 2,189,323</u>

	2021	2020
Interest expense for the year on long-term debt	<u>\$ 55,450</u>	<u>\$ 58,117</u>

9. Commitments

The Organization has entered into building, office equipment and automotive lease agreements. The aggregate minimum annual lease payments for the next 5 years are as follows:

Year	Amount
2022	\$ 39,646
2023	\$ 39,646
2024	\$ 37,458
2025	\$ 25,998
2026	\$ 1,667

Seven Generations Education Institute Notes to Financial Statements

March 31, 2021

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 \$296,957 (2020 - \$267,683).

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:

	2021	2020
Accounts receivable	\$ 5,609,489	\$ 4,357,016
Due from government and other government Organizations	1,408,705	3,196,324
	<u>\$ 7,018,194</u>	<u>\$ 7,553,340</u>

The Institute is not exposed to significant credit risk as the receivables are 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, 2021

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. Uncertainty Due to COVID-19

As the impact of COVID-19 continues, there could be further impact on the Organization, its employees, its students, and its suppliers, that could impact the timing and amounts realized on the Organization's assets and future ability to deliver educational services and projects. 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 disruption and the related financial impact will be an increased need for additional financial support from the Province of Ontario. 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.