

**SEVEN GENERATIONS
EDUCATION INSTITUTE**
Financial Statements
For the year ended March 31, 2022

Seven Generations Education Institute
Financial Statements
For the year ended March 31, 2022

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, 2022, 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, 2022, 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 26, 2022

Seven Generations Education Institute Statement of Financial Position

March 31

2022

2021

Assets

Current assets

Cash and bank (Note 2)	\$ 10,439,784	\$ 7,628,167
Accounts receivable (Note 3)	4,911,474	5,609,489
Due from government and other government Organizations (Note 4)	1,831,958	1,408,705
Prepaid expenses	295,663	117,098
	<u>17,478,879</u>	<u>14,763,459</u>

Capital assets (Note 5)

<u>24,390,913</u>	<u>25,736,076</u>
<u>\$ 41,869,792</u>	<u>\$ 40,499,535</u>

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities	\$ 1,611,582	\$ 1,733,344
Current portion of long-term debt (Note 8)	111,246	117,373
Deferred revenue (Note 6)	10,936,711	9,048,554
	<u>12,659,539</u>	<u>10,899,271</u>

Deferred capital contributions (Note 7)

Long-term debt (Note 8)

14,942,046	16,298,940
1,606,990	1,713,140
<u>29,208,575</u>	<u>28,911,351</u>

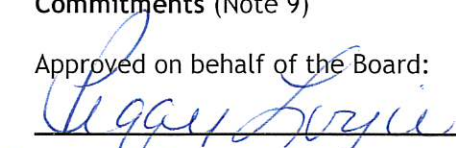
Net assets (Page 6)

Unrestricted	2,141,688	1,079,392
Invested in capital assets	9,448,867	9,437,137
Capital replacement reserve fund	258,853	258,853
Reserve for severance liabilities	338,684	338,684
Reserve for projects	406,572	407,565
Reserve for summer camp	20,600	20,600
Reserve for scholarships	25,061	25,061
Reserve for computer network	20,892	20,892
	<u>12,661,217</u>	<u>11,588,184</u>

<u>\$ 41,869,792</u>	<u>\$ 40,499,535</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	2022	2021
Revenue		
Grant revenue		
Government of Canada		
Indigenous Services Canada	\$ 3,335,193	\$ 3,024,597
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	4,479,141	4,213,277
Employment and Social Development Canada	581,895	1,504,969
Province of Ontario		
Ministry of Training, Colleges and Universities	6,425,390	4,312,184
Colleges	783,409	659,418
Amortization of deferred capital contributions	1,356,894	1,512,441
Tuition		
First Nation Secondary School	911,358	1,032,382
Post-Secondary Education	877,726	656,210
Book sales	199,193	141,416
Mastercard Foundation	3,024,829	1,902,373
Rainy River District School Board	847,465	809,835
Keewatin-Patricia District School Board	110,362	133,332
Manidoo Baawaatig revenue	507,877	458,629
Projects	907,232	530,645
Interest	33,617	26,266
Other revenue	495,440	668,081
	24,877,021	21,586,055
Expenses		
Wages and benefits	11,613,349	9,514,698
Post-secondary student support	2,306,552	2,421,020
Resource materials and services	1,020,797	914,385
Travel	124,582	98,579
Office equipment, furnishings and supplies	2,123,936	710,217
Facility and vehicle leases	253,002	235,390
Student training/personal allowances and wage subsidies	178,588	730,838
Student activities and awards	382,963	218,586
Staff training and workshops	121,662	150,465
Programming	1,802,045	166,010
Repairs and maintenance	318,829	187,234
Amortization	2,339,598	2,417,357
Professional fees	129,564	163,235
Other tuition fees	6,893	223,870
Utilities	242,740	257,061
Telephone and communications	236,806	172,002
Property taxes	28,399	28,829
Insurance	114,834	119,857
Printing, postage and office	149,846	149,596
Advertising	131,221	91,664
Miscellaneous	45,694	8,307
Directors' expenses	61,676	37,367
Bad debts	7,895	-
Bank charges and loan interest	55,131	62,445
Student transportation	7,386	19,900
	23,803,988	19,098,912
Excess of revenue over expenses for the year	\$ 1,073,033	\$ 2,487,143

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, 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
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	2,055,737	(982,704)	-	-	1,073,033
Transfers	(993)	-	-	-	993	-	-	-	-
Purchase of capital assets	-	-	-	-	(994,434)	994,434	-	-	-
Balance, March 31, 2022	\$ 406,572	\$ 338,684	\$ 20,600	\$ 25,061	\$ 2,141,688	\$ 9,448,867	\$ 258,853	\$ 20,892	\$12,661,217

Seven Generations Education Institute Statement of Cash Flows

For the year ended March 31	2022	2021
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 1,073,033	\$ 2,487,143
Adjustments for		
Amortization of capital assets	2,339,598	2,417,357
Amortization of deferred capital contributions	(1,356,894)	(1,512,441)
	<u>2,055,737</u>	<u>3,392,059</u>
Changes in non-cash working capital items		
Accounts receivable	698,015	(1,252,473)
Due from government and other government Organizations	(423,253)	1,787,619
Prepaid expenses	(178,567)	(34,137)
Accounts payable	(121,761)	346,168
Deferred revenue	1,888,157	3,143,929
	<u>1,862,591</u>	<u>3,991,106</u>
	<u>3,918,328</u>	<u>7,383,165</u>
Cash flows from investing activities		
Purchase of capital assets	(994,434)	(3,227,895)
Cash flows from financing activities		
Increase in deferred capital contributions	-	717,802
Repayment of long-term debt	(112,277)	(110,369)
	<u>(112,277)</u>	<u>607,433</u>
Net increase in cash and bank during the year	<u>2,811,617</u>	<u>4,762,703</u>
Cash and bank, beginning of year	<u>7,628,167</u>	<u>2,865,464</u>
Cash and bank, end of year	<u>\$ 10,439,784</u>	<u>\$ 7,628,167</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

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, 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, 2022

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:

Buildings	-	5 % diminishing balance basis
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

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, 2022

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 the 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, 2022

2. Cash and Bank

	2022	2021
Cash and bank restricted by Board resolution	\$ 1,750,666	\$ 258,853
Unrestricted cash and bank	8,689,118	7,369,314
	<u>\$ 10,439,784</u>	<u>\$ 7,628,167</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

	2022	2021
Canadore College	\$ 2,175,185	\$ 1,544,193
Sault College	1,583,226	1,630,175
Durham College	185,177	-
Anishinaabeg of Kabapikotawangag Resource Council	-	2,919
Keewatinook Okimakanak	58,828	51,130
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	91,918	1,185,583
Rainy River District School Board	55,000	38,500
Keewatin-Patricia District School Board	144,266	146,470
Kenora Chiefs Advisory	62,910	62,910
Lakehead University	322,901	292,538
Grand Council Treaty #3	95,679	321,413
Nokiiwin Tribal Council Inc.	5,000	10,000
Shooniyaa Wa-Biitong	3,492	125,694
Other	135,787	197,964
	<u>4,919,369</u>	<u>5,609,489</u>
Allowance for doubtful accounts	<u>(7,895)</u>	-
	<u>\$ 4,911,474</u>	<u>\$ 5,609,489</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

4. Due from Government and Other Government Organizations

	2022	2021
Federal government		
Indigenous Services Canada	\$ 41,219	\$ 45,074
Heritage Canada	14,500	14,500
FedNor	-	50,000
HST recoverable	103,768	121,954
	<u>159,487</u>	<u>231,528</u>
Provincial government		
Northern Ontario Heritage Fund Corporation	-	559,252
Ministry of Education	955,887	-
	<u>955,887</u>	<u>559,252</u>
Other government Organizations		
Grassy Narrows First Nation	2,734	-
Naicatchewenin First Nation	193,556	167,868
Nigigoonsiminikaaning First Nation	36,622	92,493
Rainy River First Nations	183,456	96,370
Mitaanjigamling First Nation	18,398	(2,822)
Iskatewizaagegan #39 First Nation	36,530	36,000
Couchiching First Nation	77,088	80,005
Seine River First Nation	35,708	50,912
Big Grassy First Nation	-	1,468
Wabuskanong First Nation	1,812	-
Wauzhushk Onigum Nation	-	469
Lac La Croix First Nation	10,024	5,817
Shoal Lake 40 First Nation	16,893	4,251
Nisaachewan First Nation	85,321	69,109
Noatkamegwanning First Nation	4,450	4,450
Northwest Angle #33	9,827	11,399
Animakee We Zhing #37	1,647	136
Anishinaabeg of Naongashiing First Nation	2,518	-
	<u>716,584</u>	<u>617,925</u>
	<u>\$ 1,831,958</u>	<u>\$ 1,408,705</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

5. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	\$ 24,032,115	\$ 4,655,245	\$ 23,836,837	\$ 3,640,548
Office equipment	2,499,770	1,232,774	2,296,077	941,475
Computer equipment	6,352,306	4,087,781	6,250,341	3,139,121
Tools	121,125	121,125	121,125	121,125
Paddles	1,152	1,152	1,152	1,152
Canoes	5,250	5,168	5,250	5,154
Paintings	8,921	-	8,921	-
Automobiles	402,286	198,623	391,287	113,695
Cultural works of art	24,802	-	24,802	-
Software development	1,245,054	-	762,554	-
	<u>\$ 34,692,781</u>	<u>\$ 10,301,868</u>	<u>\$ 33,698,346</u>	<u>\$ 7,962,270</u>
Net book value		<u>\$ 24,390,913</u>		<u>\$ 25,736,076</u>

6. Deferred Revenue

Deferred revenue is restricted by program as follows:

	2022	2021
Counselling Unit	\$ 159,148	\$ 78,212
Elementary and Secondary		
Education Support Services	143,141	107,815
Post-Secondary Student Support Program	333,189	144,564
Post-Secondary Education Programs	4,798,032	4,424,325
First Nations Secondary School	1,027,357	1,445,815
Skills Advance Ontario	138,068	164,534
Essential Skills Program	-	340,414
Youth Programs	15,525	16,653
Projects	1,024,005	346,305
First Nations Student Support Program	1,073,748	573,863
Mastercard Foundation	952,091	1,406,054
Regional Workforce Development	1,272,407	-
	<u>\$ 10,936,711</u>	<u>\$ 9,048,554</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

6. Deferred Revenue (continued)

Deferred revenue is restricted by revenue source as follows:

	Balance as at March 31, 2021	Contributions received	Revenue recognized in the year	Transfers to accounts payable and accrued liabilities	Balance as at March 31, 2022
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	\$ 1,359,946	\$ 5,456,527	\$ (4,479,141)	\$ -	\$ 2,337,332
Indigenous Services Canada	2,022,235	3,450,985	(3,335,193)	-	2,138,027
Third party projects	194,952	1,621,745	(907,232)	(143,652)	765,813
Ministry of Colleges and Universities	3,708,300	6,172,606	(6,425,390)	-	3,455,516
Employment and Social Development Canada	340,414	1,552,506	(581,895)	(38,618)	1,272,407
Rainy River District School Board	-	847,465	(847,465)	-	-
Mastercard Foundation	1,406,054	2,570,866	(3,024,829)	-	952,091
Other deferred revenue	16,653	27,250	(28,378)	-	15,525
Total deferred revenue	\$ 9,048,554	\$ 21,699,950	\$ (19,629,523)	\$ (182,270)	\$10,936,711

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

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	\$ 889,870	\$ -	\$ (44,493)	\$ 845,377
Northern Ontario Heritage Fund Corporation	6,618,421	-	(701,795)	5,916,626
Keewatin-Patricia District School Board	45,000	-	(15,000)	30,000
Province of Ontario - Post- Secondary Institutions Strategic Investment Fund	7,606,391	-	(380,320)	7,226,071
FedNor	633,294	-	(189,988)	443,306
Indigenous Services Canada	505,964	-	(25,298)	480,666
	<u>\$ 16,298,940</u>	<u>\$ -</u>	<u>\$ (1,356,894)</u>	<u>\$ 14,942,046</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

8. Long-term Debt

	2022	2021
RBC non-revolving variable rate term loan repayable in monthly blended payments of \$12,355 including interest at bank prime plus 2.2%, maturing August 2035.	\$ 1,718,236	\$ 1,830,513
Less current portion of long-term debt	(111,246)	(117,373)
	<u>\$ 1,606,990</u>	<u>\$ 1,713,140</u>

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

	Principal Repayments	Interest	Total
2023	\$ 111,246	\$ 37,017	\$ 148,263
2024	113,740	34,523	148,263
2025	116,291	31,972	148,263
2026	118,899	29,364	148,263
2027	121,566	26,697	148,263
Thereafter	1,136,494	110,444	1,246,938
	<u>\$ 1,718,236</u>	<u>\$ 270,017</u>	<u>\$ 1,988,253</u>

	2022	2021
Interest expense for the year on long-term debt	<u>\$ 41,142</u>	<u>\$ 55,450</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 under these agreements are as follows:

Year	Amount
2023	\$ 94,067
2024	\$ 70,877
2025	\$ 33,605
2026	\$ 4,914
2027	\$ -

Seven Generations Education Institute Notes to Financial Statements

March 31, 2022

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. Employee Pension Plan

The Institute maintains a defined contribution pension plan for eligible employees. The Institute's costs are charged to operations as contributions are due. Contributions are a defined amount based upon a set percentage of the eligible employee's salary. Contributions to the plan during the year by the Institute on behalf of its employees amounted to \$391,751 (2021 - \$296,957).

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:

	2022	2021
Accounts receivable	\$ 4,911,474	\$ 5,609,489
Due from government and other government Organizations	1,831,958	1,408,705
	<u>\$ 6,743,432</u>	<u>\$ 7,018,194</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, 2022

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 cannot be reasonably estimated at this time. 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.