

**SEVEN GENERATIONS
EDUCATION INSTITUTE**
Financial Statements
For the year ended March 31, 2023

Seven Generations Education Institute
Financial Statements
For the year ended March 31, 2023

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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, 2023, 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, 2023, 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 19, 2023

**Seven Generations Education Institute
Statement of Financial Position**

March 31 **2023** **2022**

Assets

Current assets

Cash and bank (Note 2)	\$ 14,388,041	\$ 10,439,784
Accounts receivable (Note 3)	4,936,654	4,911,474
Due from government and other government Organizations (Note 4)	1,107,139	1,831,958
Prepaid expenses	307,938	295,663
	20,739,772	17,478,879

Capital assets (Note 5)

	23,258,313	24,390,913
	\$ 43,998,085	\$ 41,869,792

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities	\$ 3,303,611	\$ 1,611,582
Current portion of long-term debt (Note 8)	89,844	111,246
Deferred revenue (Note 6)	11,191,131	10,936,711
	14,584,586	12,659,539

Deferred capital contributions (Note 7)

Long-term debt (Note 8)

	13,811,005	14,942,046
	1,527,629	1,606,990
	29,923,220	29,208,575

Net assets (Page 6)

Unrestricted	3,556,895	2,141,688
Invested in capital assets	9,447,308	9,448,867
Capital replacement reserve fund	258,853	258,853
Reserve for severance liabilities	338,684	338,684
Reserve for projects	406,572	406,572
Reserve for summer camp	20,600	20,600
Reserve for scholarships	25,061	25,061
Reserve for computer network	20,892	20,892
	14,074,865	12,661,217

	\$ 43,998,085	\$ 41,869,792
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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	2023	2022
Revenue		
Grant revenue		
Government of Canada		
Indigenous Services Canada	\$ 3,598,804	\$ 3,335,193
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	5,015,273	4,479,141
Employment and Social Development Canada	1,650,966	581,895
Province of Ontario		
Ministry of Training, Colleges and Universities	10,066,963	6,425,390
Colleges	798,613	783,409
Amortization of deferred capital contributions	1,131,041	1,356,894
Tuition		
First Nation Secondary School	862,558	911,358
Post-Secondary Education	474,605	877,726
Health Care Disciplines	501,120	-
Book sales	185,190	199,193
Mastercard Foundation	2,073,449	3,024,829
Rainy River District School Board	843,750	847,465
Keewatin-Patricia District School Board	134,886	110,362
Manidoo Baawaatig revenue	520,645	507,877
Projects	597,884	907,232
Interest	383,591	33,617
Other revenue	502,646	495,440
	<u>29,341,984</u>	<u>24,877,021</u>
Expenses		
Wages, benefits and contracted instructional services	13,189,681	11,613,349
Post-secondary student support	2,515,659	2,306,552
Resource materials and services	1,383,328	1,020,797
Telephone, communications and program applications	2,116,568	853,362
Office equipment, furnishings and supplies	930,598	1,510,660
Student training/personal allowances and wage subsidies	1,166,732	204,730
Other tuition fees	199,530	6,893
Student activities and awards	550,503	356,821
Student transportation	29,250	7,386
Travel	471,648	124,582
Staff training and workshops	132,488	121,662
Other program expenses	855,819	1,802,045
Facility and vehicle leases	455,547	259,350
Repairs and maintenance	363,649	318,829
Insurance	182,692	114,834
Utilities	283,739	242,740
Property taxes	31,949	28,399
Amortization	2,005,489	2,339,598
Professional fees	307,832	129,564
Printing, postage and office	113,474	140,218
Advertising	227,814	131,221
Miscellaneous	35,895	45,694
Directors' expenses	80,866	61,676
Bad debts	216,466	7,895
Bank charges and loan interest	81,120	55,131
	<u>27,928,336</u>	<u>23,803,988</u>
Excess of revenue over expenses for the year	<u>\$ 1,413,648</u>	<u>\$ 1,073,033</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	Reserve for Unrestricted	Invested in Capital Assets	Capital Replacement Reserve Fund	Reserve for Computer Network	Total
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
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	2,288,096	(874,448)	-	-	1,413,648
Purchase of capital assets	-	-	-	-	(872,889)	872,889	-	-	-
Balance, March 31, 2023	\$ 406,572	\$ 338,684	\$ 20,600	\$ 25,061	\$ 3,556,895	\$ 9,447,308	\$ 258,853	\$ 20,892	\$14,074,865

Seven Generations Education Institute Statement of Cash Flows

For the year ended March 31	2023	2022
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 1,413,648	\$ 1,073,033
Adjustments for		
Amortization of capital assets	2,005,489	2,339,598
Amortization of deferred capital contributions	<u>(1,131,041)</u>	<u>(1,356,894)</u>
	<u>2,288,096</u>	<u>2,055,737</u>
Changes in non-cash working capital items		
Accounts receivable	(25,180)	698,015
Due from government and other government Organizations	724,819	(423,253)
Prepaid expenses	(12,276)	(178,567)
Accounts payable	1,692,030	(121,761)
Deferred revenue	<u>254,420</u>	<u>1,888,157</u>
	<u>2,633,813</u>	<u>1,862,591</u>
	<u>4,921,909</u>	<u>3,918,328</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(872,889)</u>	<u>(994,434)</u>
Cash flows from financing activities		
Repayment of long-term debt	<u>(100,763)</u>	<u>(112,277)</u>
Net increase in cash and bank during the year	3,948,257	2,811,617
Cash and bank, beginning of year	<u>10,439,784</u>	<u>7,628,167</u>
Cash and bank, end of year	<u>\$ 14,388,041</u>	<u>\$ 10,439,784</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

1. Summary of Significant Accounting Policies

Nature of Operations 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.

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 *Income Tax Act*.

Basis of Accounting These financial statements were prepared using Canadian accounting standards for not-for-profit Organizations (ASNPO).

Cash and Bank 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.

Financial Instruments 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.

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.

Seven Generations Education Institute

Notes to Financial Statements

March 31, 2023

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, 2023

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 allowance for doubtful accounts receivable, the useful lives of capital assets and the amounts of accrued liabilities.

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

2. Cash and Bank

	2023	2022
Internally restricted by Board resolution	\$ 1,798,746	\$ 1,750,666
Externally restricted - deferred revenue	11,191,131	10,936,711
Unrestricted cash and bank balances	1,398,164	(2,247,593)
	\$ 14,388,041	\$ 10,439,784

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 internally restricted by Board resolution represent the assets that are maintained in respect of those reserve funds.

3. Accounts Receivable

	2023	2022
Canadore College	\$ 2,143,804	\$ 2,175,185
Sault College	1,658,872	1,583,226
Durham College	133,158	185,177
Keewatinook Okimakanak	12,278	58,828
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	-	91,918
Rainy River District School Board	21,500	55,000
Keewatin-Patricia District School Board	214,332	144,266
Kenora Chiefs Advisory	10,358	62,910
Lakehead University	501,120	322,901
Grand Council Treaty #3	95,679	95,679
Nokiiwin Tribal Council Inc.	36,500	5,000
Shooniyaa Wa-Biitong	9,237	3,492
Other	316,735	135,787
	5,153,573	4,919,369
Allowance for doubtful accounts	(216,919)	(7,895)
	\$ 4,936,654	\$ 4,911,474

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

4. Due from Government and Other Government Organizations

	2023	2022
Federal government		
Indigenous Services Canada	\$ -	\$ 41,219
Heritage Canada	14,500	14,500
Employment and Social Development Canada	47,006	-
HST recoverable	179,634	103,768
	<u>241,140</u>	<u>159,487</u>
Provincial government		
Ministry of Training, Colleges and Universities	193,705	-
Ministry of Education	33,045	955,887
	<u>226,750</u>	<u>955,887</u>
Other government Organizations		
Grassy Narrows First Nation	-	2,734
Naicatchewenin First Nation	119,329	193,556
Nigigoonsiminikaaning First Nation	30,344	36,622
Rainy River First Nations	75,471	183,456
Mitaanjigamiing First Nation	2,837	18,398
Iskatewizaagegan #39 First Nation	36,000	36,530
Couchiching First Nation	171,000	77,088
Seine River First Nation	33,988	35,708
Big Grassy First Nation	2,626	-
Wabuskanong First Nation	860	1,812
Wauzhushk Onigum Nation	4,052	-
Lac La Croix First Nation	1,147	10,024
Lac Seul First Nation	837	-
Shoal Lake 40 First Nation	18,156	16,893
Nisaachewan First Nation	106,320	85,321
Ojibways of Onigaming First Nation	8,151	-
Noatkamegwanning First Nation	10,789	4,450
Northwest Angle #33	10,493	9,827
Animakee We Zhing #37	6,849	1,647
Anishinaabeg of Naongashiing First Nation	-	2,518
	<u>639,249</u>	<u>716,584</u>
	<u>\$ 1,107,139</u>	<u>\$ 1,831,958</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	\$ 24,060,349	\$ 5,624,794	\$ 24,032,115	\$ 4,655,245
Office equipment	2,605,199	1,496,726	2,499,770	1,232,774
Computer equipment	6,552,603	4,797,183	6,352,306	4,087,781
Tools	121,125	121,125	121,125	121,125
Paddles	1,152	1,152	1,152	1,152
Canoes	5,250	5,181	5,250	5,168
Paintings	8,921	-	8,921	-
Automobiles	412,115	261,196	402,286	198,623
Cultural works of art	24,802	-	24,802	-
Software development	1,774,154	-	1,245,054	-
	\$ 35,565,670	\$ 12,307,357	\$ 34,692,781	\$ 10,301,868
Net book value		\$ 23,258,313		\$ 24,390,913

6. Deferred Revenue

Deferred revenue is restricted by program as follows:

	2023	2022
Counselling Unit	\$ 212,629	\$ 159,148
Elementary and Secondary		
Education Support Services	155,887	143,141
Post-Secondary Student Support Program	276,562	333,189
Post-Secondary Education Programs	2,455,663	4,798,032
First Nations Secondary School	728,146	1,027,357
Skills Advance Ontario	-	138,068
Health Care Disciplines	2,956,845	-
Youth Programs	15,974	15,525
Projects	801,919	1,024,005
First Nations Student Support Program	1,207,093	1,073,748
Mastercard Foundation	2,188,262	952,091
Regional Workforce Development	192,151	1,272,407
	\$ 11,191,131	\$ 10,936,711

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

6. Deferred Revenue (continued)

Deferred revenue is restricted by revenue source as follows:

	Balance as at March 31, 2022	Contributions received	Revenue recognized in the year	Transfers to accounts payable and accrued liabilities	Balance as at March 31, 2023
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	\$ 2,337,332	\$ 4,340,088	\$ (5,015,273)	\$ -	\$ 1,662,147
Indigenous Services Canada	2,138,027	3,398,444	(3,598,804)	-	1,937,667
Third party projects	765,813	536,150	(597,884)	-	704,079
Ministry of Colleges and Universities	3,455,516	11,102,298	(10,066,963)	-	4,490,851
Employment and Social Development Canada	1,272,407	570,710	(1,650,966)	-	192,151
Rainy River District School Board	-	843,750	(843,750)	-	-
Mastercard Foundation	952,091	3,309,620	(2,073,449)	-	2,188,262
Other deferred revenue	15,525	18,900	(18,451)	-	15,974
Total deferred revenue	\$ 10,936,711	\$ 24,119,960	\$ (23,865,540)	\$ -	\$11,191,131

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

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	\$ 845,377	\$ -	\$ (42,269)	\$ 803,108
Northern Ontario Heritage Fund Corporation	5,916,626	-	(555,444)	5,361,182
Keewatin-Patricia District School Board	30,000	-	(15,000)	15,000
Province of Ontario - Post- Secondary Institutions Strategic Investment Fund	7,226,071	-	(361,303)	6,864,768
FedNor	443,306	-	(132,992)	310,314
Indigenous Services Canada	480,666	-	(24,033)	456,633
	<u>\$ 14,942,046</u>	<u>\$ -</u>	<u>\$ (1,131,041)</u>	<u>\$ 13,811,005</u>

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

8. Long-term Debt

	2023	2022
RBC non-revolving fixed rate term loan repayable in monthly blended payments of \$15,579 including interest at 6.11%, maturing August 2023.	\$ 1,617,473	\$ 1,718,236
Less current portion of long-term debt	(89,844)	(111,246)
	\$ 1,527,629	\$ 1,606,990

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

	Principal Repayments	Interest	Total
2024	\$ 89,844	\$ 97,107	\$ 186,951
2025	95,523	91,427	186,950
2026	101,561	85,389	186,950
2027	107,981	78,970	186,951
2028	114,807	72,144	186,951
Thereafter	1,107,757	275,168	1,382,925
	\$ 1,617,473	\$ 700,205	\$ 2,317,678

	2023	2022
Interest expense for the year on long-term debt	\$ 71,255	\$ 41,142

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
2024	\$ 128,162
2025	\$ 82,383
2026	\$ 78,808
2027	\$ 54,174
2028	\$ 3,064

Seven Generations Education Institute Notes to Financial Statements

March 31, 2023

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 \$404,599 (2022 - \$391,751).

12. Financial Instruments

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:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 4,936,654	\$ 4,911,474
Due from government and other government Organizations	<u>1,107,139</u>	<u>1,831,958</u>
	<u>\$ 6,043,793</u>	<u>\$ 6,743,432</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. 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, 2023

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. The Institute is mainly exposed to interest rate risk.

Interest Rate 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 exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Institute to a fair value risk while the floating rate instruments subject it to a cash flow risk.

The Institute is exposed to interest rate risk in relation to interest expense on its long term debt since the credit facility bears interest at a fixed interest rate and matures on an annual basis and is therefore at risk of annual interest rate price changes.