Seven Generations Education Institute

Financial Statements

For the year ended March 31, 2025

Seven Generations Education Institute
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For the year ended March 31, 2025

Contents

To the Board of Directors 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, 2025, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

Other Matter

The financial statements of Seven Generations Education Institute for the year ended March 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on September 20, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

MNP LLP
607 Portage Avenue, Fort Frances ON, P9A 0A7 T: 807.274.9848 F: 807.274.5142

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.

MNP LLP

Fort Frances, Ontario — Chartered Professional Accountants

September 23, 2025 — Licensed Public Accountants

Seven Generations Education Institute
Statement of Financial Position

March 31	2025	2024
Assets		
Current assets		
Cash and bank (Note 2)	**$23,067,318**	$ 19,104,690
Accounts receivable (Note 3)	**4,540,905**	3,185,052
Due from government and other government organizations (Note 4)	**1,147,613**	1,510,330
Prepaid expenses	**381,785**	317,995
	29,137,621	24,118,067
Capital assets (Note 5)	**22,757,754**	22,045,999
	$51,895,375	$ 46,164,066
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	**$ 3,571,179**	$ 2,175,294
Current portion of long-term debt (Note 8)	**132,605**	132,612
Deferred revenue (Note 6)	**16,930,613**	15,006,573
	20,634,397	17,314,479
Deferred capital contributions (Note 7)	**12,130,992**	12,846,899
Long-term debt (Note 8)	**1,236,947**	1,369,545
	34,002,336	31,530,923
Net assets (Page 6)		
Unrestricted	**6,146,716**	4,314,482
Invested in capital assets	**10,626,762**	9,199,100
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	**73,960**	73,960
Reserve for computer network	**20,892**	20,892
	17,893,039	14,633,143
	$51,895,375	$ 46,164,066

Commitments (Note 9)

Approved on behalf of the Board:

e-Signed by Naomi Field
2025-10-02 13:25:38:38 MDT
Director

e-Signed by Peggy Loyie
2025-10-06 13:28:59:59 MDT
Director

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

Seven Generations Education Institute
Statement of Operations

For the year ended March 31	2025	2024
Revenue		
Grant revenue		
Government of Canada		
Indigenous Services Canada	**$ 5,553,783**	$ 3,598,706
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	**3,283,558**	3,731,738
Employment and Social Development Canada	**170,000**	366,087
Province of Ontario		
Ministry of Colleges and Universities	**9,550,659**	8,032,456
Ministry of Indigenous Affairs & First Nations Economic Reconciliation	**150,000**	-
Ministry of Children, Community and Social Services	**324,890**	-
Provincial colleges	**694,229**	819,022
Amortization of deferred capital contributions	**823,860**	964,106
Tuition		
First Nation Secondary School	**1,068,023**	1,183,719
Post-Secondary Education	**442,076**	509,381
Health Care Disciplines	**384,115**	426,179
Book sales	**157,703**	177,325
Mastercard Foundation	**6,107,988**	2,943,262
Rainy River District School Board	**877,900**	832,801
Keewatin-Patricia District School Board	**109,210**	151,005
Manidoo Baawaatig revenue	**655,679**	515,320
Projects and training programs	**1,717,648**	831,387
Interest and investment income	**968,211**	753,864
Other revenue	**1,006,655**	421,473
	34,046,187	26,257,831
Expenses		
Wages, benefits and contracted instructional services	**15,817,786**	14,347,449
Post-secondary student support	**2,297,153**	2,539,550
Resource materials and services	**1,189,997**	860,498
Telephone, communications and program applications	**723,008**	789,683
Office equipment, furnishings and supplies	**1,746,170**	783,375
Student training/personal allowances and wage subsidies	**389,747**	100,382
Other tuition fees	**526,813**	170,653
Student activities and awards	**494,902**	403,343
Travel	**805,721**	650,597
Staff training and workshops	**412,564**	238,906
Other program expenses	**2,105,614**	1,020,107
Facility and vehicle leases	**499,335**	497,540
Repairs and maintenance	**332,666**	316,292
Insurance	**181,580**	179,480
Utilities	**278,253**	254,651
Property taxes	**54,332**	45,299
Amortization	**1,593,892**	1,744,876
Professional fees	**780,644**	407,433
Printing, postage and office	**142,834**	99,050
Advertising	**78,623**	79,885
Miscellaneous	**98,165**	35,495
Directors' expenses	**110,769**	76,850
Bad debts (recoveries)	**2,233**	(70,061)
Bank charges and loan interest	**123,490**	128,220
	30,786,291	25,699,553
Excess of revenue over expenses for the year	**$ 3,259,896**	$ 558,278

Seven Generations Education Institute
Statement of Changes in Net Assets

For the year ended March 31, 2025

	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, 2023	$ 406,572	$ 338,684	$ 20,600	$ 25,061	$ 3,556,895	$ 9,447,308	$ 258,853	$ 20,892	**$14,074,865**
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	1,339,047	(780,769)	-	-	**558,278**
Transfers	-	-	-	48,899	(48,899)	-	-	-	**-**
Purchase of capital assets	-	-	-	-	(532,561)	532,561	-	-	**-**
Balance, March 31, 2024	406,572	338,684	20,600	73,960	4,314,482	9,199,100	258,853	20,892	**14,633,143**
Excess (deficiency) of revenue over expenses for the year (Page 5)	-	-	-	-	4,029,928	(770,032)	-	-	**3,259,896**
Purchase of capital assets	-	-	-	-	(2,305,647)	2,305,647	-	-	**-**
Capital assets funded by deferred capital contributions	-	-	-	-	107,953	(107,953)	-	-	**-**
Balance, March 31, 2025	**$ 406,572**	**$ 338,684**	**$ 20,600**	**$ 73,960**	**$ 6,146,716**	**$10,626,762**	**$ 258,853**	**$ 20,892**	**$17,893,039**

Seven Generations Education Institute
Statement of Cash Flows

For the year ended March 31	2025	2024
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenses for the year	**$ 3,259,896**	$ 558,278
Adjustments for		
Amortization of capital assets	**1,593,892**	1,744,876
Amortization of deferred capital contributions	**(823,860)**	(964,106)
	4,029,928	1,339,048
Changes in non-cash working capital items		
Accounts receivable	**(1,355,853)**	1,751,602
Due from government and other government Organizations	**362,717**	(403,191)
Prepaid expenses	**(63,790)**	(10,058)
Accounts payable	**1,395,885**	(1,128,317)
Deferred revenue	**1,924,040**	3,815,442
	2,262,999	4,025,478
	6,292,927	5,364,526
Cash flows from investing activities		
Purchase of capital assets	**(2,305,647)**	(532,561)
Cash flows from financing activities		
Increase in deferred capital contributions	**107,953**	-
Repayment of long-term debt	**(132,605)**	(115,316)
Net increase in cash and bank during the year	**3,962,628**	4,716,649
Cash and bank, beginning of year	**19,104,690**	14,388,041
Cash and bank, end of year	**$ 23,067,318**	$ 19,104,690

March 31, 2025

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.

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.

March 31, 2025

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.

2. Cash and Bank

	2025	2024
Internally restricted by Board resolution	**$ 1,973,582**	$ 1,889,905
Externally restricted - deferred revenue	**16,930,613**	15,006,573
Unrestricted cash and bank balances	**4,163,123**	2,208,212
	$ 23,067,318	$ 19,104,690

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

	2025	2024
Canadore College	**$ 1,480,372**	$ 1,474,895
Sault College	**901,904**	797,696
Durham College	**133,676**	133,158
Chi Mino Ozhitoowin LP	**280,000**	-
Keewatin-Patricia District School Board	**115,239**	121,268
Keewaytinook Okimakanak	**49,214**	53,975
Kenora Chiefs Advisory	**3,023**	226
Kiikenomaga Kikenijigewen Employment & Training Services	**123,156**	-
Lakehead University	**384,115**	426,179
Northwestern Health Unit - Kenora	**14,464**	14,464
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	**391,785**	-
Rainy River District School Board	**460,000**	20,400
Shooniyaa Wa-Biitong	**725**	2,833
Other	**231,039**	175,154
	4,568,712	3,220,248
Allowance for doubtful accounts	**(27,807)**	(35,196)
	$ 4,540,905	$ 3,185,052

4. Due from Government and Other Government Organizations

	2025	2024
Federal government		
Indigenous Services Canada	$ 44,995	$ 409,072
Heritage Canada	14,500	14,500
Employment and Social Development Canada	23,486	23,486
HST recoverable	279,959	78,797
	362,940	525,855
Provincial government		
Ministry of Education	238,631	131,055
Ministry of Indigenous Affairs & First Nations Economic Reconciliation	60,000	-
	298,631	131,055
Other government organizations		
Big Grassy First Nation	1,158	2,653
Couchiching First Nation	87,278	160,010
Gakijiwanong Anishinaabe Nation	1,593	2,740
Grassy Narrows First Nation	1,282	-
Iskatewizaagegan #39 First Nation	53,429	50,950
Mitaanjigamiing First Nation	19,805	81,696
Naicatchewenin First Nation	40,824	159,776
Nigigoonsiminikaaning First Nation	25,464	50,927
Nisaachewan First Nation	150,481	166,331
Noatkamegwanning First Nation	8,939	10,789
Ojibways of Onigaming First Nation	-	1,662
Rainy River First Nations	48,098	74,976
Seine River First Nation	45,269	77,030
Shoal Lake 40 First Nation	-	703
Waasegiizhig Nanaandawe'iyewigaming	-	12,317
Wabigoon Lake Ojibway Nation	284	-
Wabuskanong First Nation	860	860
Wabaseemong First Nation	1,278	-
	486,042	853,420
	$ 1,147,613	$ 1,510,330

5. Capital Assets

	2025		2024	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 25,455,082**	**$ 7,457,129**	$ 24,060,349	$ 6,546,572
Furniture and equipment	**3,034,228**	**1,955,686**	2,699,583	1,727,869
Computer equipment	**6,580,792**	**5,701,235**	6,570,483	5,326,491
Tools	**121,125**	**121,125**	121,125	121,125
Paddles	**1,152**	**1,152**	1,152	1,152
Canoes	**32,679**	**7,257**	5,250	5,191
Paintings	**8,921**	**-**	8,921	-
Automobiles	**644,525**	**402,541**	527,858	323,833
Cultural works of art	**24,802**	**-**	24,802	-
Software development	**2,240,513**	**-**	2,078,709	-
Construction in progress	**260,060**	**-**	-	-
	$ 38,403,879	**$ 15,646,125**	$ 36,098,232	$ 14,052,233
Net book value		**$ 22,757,754**		$ 22,045,999

6. Deferred Revenue

Deferred revenue is restricted by program as follows:

	2025	2024
General Operations	**$ 3,983,307**	$ 182,520
Counselling Unit	**-**	100,073
Post-Secondary Education Programs	**2,727,420**	2,781,390
First Nations Secondary School	**1,766,050**	1,397,949
Health Care Disciplines	**4,420,884**	5,048,164
Youth Programs	**31,893**	22,487
Projects	**1,610,411**	2,244,023
First Nations Student Support Program	**1,209,520**	1,538,664
Mastercard Foundation	**-**	1,691,303
Training Programs	**1,181,128**	-
	$ 16,930,613	$ 15,006,573

6. **Deferred Revenue** (continued)

Deferred revenue is restricted by revenue source as follows:

	Balance as at March 31, 2024	Contributions received	Revenue recognized in the year	Transfers to deferred capital contributions	**Balance as at March 31, 2025**
Pwi-Di-Goo-Zing Ne-Yaa-Zhing	$ 1,111,229	$ 3,183,485	$ (3,283,558)	$ -	**$ 1,011,156**
Indigenous Services Canada	3,595,566	6,122,854	(5,553,783)	-	**4,164,637**
Third party projects and training programs	1,442,547	1,746,516	(1,717,648)	-	**1,471,415**
National Inigenous Collaborative Housing Inc.	-	4,000,000	-	(107,953)	**3,892,047**
Ministry of Colleges and Universities	7,143,441	8,766,683	(9,550,659)	-	**6,359,465**
Employment and Social Development Canada	-	170,000	(170,000)	-	**-**
Rainy River District School Board	-	877,900	(877,900)	-	**-**
Mastercard Foundation	1,691,303	4,416,685	(6,107,988)	-	**-**
Ministry of Indigenous Affairs	-	150,000	(150,000)	-	**-**
Ministry of Children, Community and Social Services	-	324,890	(324,890)	-	**-**
Other deferred revenue	22,487	51,330	(41,924)	-	**31,893**
Total deferred revenue	$ 15,006,573	$ 29,810,343	$ (27,778,350)	$ (107,953)	**$16,930,613**

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	$ 762,953	$ -	$ (38,148)	**$ 724,805**
Northern Ontario Heritage Fund Corporation	4,911,395	-	(372,780)	**4,538,615**
National Indigenous Collaborative Housing Inc.	-	107,953	-	**107,953**
Province of Ontario - Post-Secondary Institutions Strategic Investment Fund	6,521,530	-	(326,076)	**6,195,454**
FedNor	217,220	-	(65,166)	**152,054**
Indigenous Services Canada	433,801	-	(21,690)	**412,111**
	$ 12,846,899	$ 107,953	$ (823,860)	**$ 12,130,992**

8. Long-term Debt

	2025	2024
RBC non-revolving fixed rate term loan repayable in monthly blended payments of $11,050 principal plus interest at bank prime rate + 1.00%, maturing August 2025.	**$ 1,369,552**	$ 1,502,157
Less current portion of long-term debt	**(132,605)**	(132,612)
	$ 1,236,947	$ 1,369,545

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

	Principal Repayments	Interest	Total
2026	$ 132,605	$ 109,236	$ 241,841
2027	132,605	98,211	230,816
2028	132,605	87,413	220,018
2029	132,605	76,161	208,766
2030	132,605	65,135	197,740
Thereafter	706,527	161,318	867,845
	$ 1,369,552	$ 597,474	$ 1,967,026

	2025	2024
Interest expense for the year on long-term debt	**$ 105,828**	$ 113,471

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
2026	$ 315,709
2027	$ 252,286
2028	$ 193,043
2029	$ 177,505
2030	$ 132,918

10. Economic Dependence

The Institute is dependent on continued funding from Indigenous Services Canada and the Ministry of Colleges and Universities for its ongoing operations.

11. Employee Pension Plans

Secondary teachers employed by the Insitute who are registered with the Ontario Teachers' College qualify for pension benefits with the Ontario Teachers' Pension Plan (OTPP). The plan is a multi-employer plan and therefore the Institute's contributions are accounted for as if the plan were a defined contribution plan with the Institute's contributions being expensed in the period they come due. Contributions to the plan during the year by the Institute on behalf of its employees amounted to $155,624 (2024 - $75,431).

The Institute maintains a defined contribution plan for full-time employees that do not qualify for the OTPP. 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 $398,343 (2024 - $470,926).

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:

	2025	2024
Accounts receivable	**$ 4,540,905**	$ 3,185,052
Due from government and other government organizations	**1,147,613**	1,510,330
	$ 5,688,518	$ 4,695,382

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.

March 31, 2025

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 variable interest rate and matures on an annual basis and is therefore at risk of annual interest rate price changes.