

**First Nations Technical Institute**  
**Financial Statements**  
*March 31, 2020*

**First Nations Technical Institute**  
**Contents**

*For the year ended March 31, 2020*

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# Independent Auditor's Report

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To the Members of First Nations Technical Institute:

## Opinion

We have audited the financial statements of First Nations Technical Institute (the "Institute"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances 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 Institute as at March 31, 2020, 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 Institute 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 the Institute for the year ended March 31, 2019 were audited by Baker Tilly SEO LLP of Kingston, Ontario, Canada. Baker Tilly SEO LLP expressed an unmodified opinion on those statements on June 27, 2019.

## 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute'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 Institute'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 Institute'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 Institute 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.

Kingston, Ontario

July 27, 2020

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

**First Nations Technical Institute**  
**Statement of Financial Position**

*As at March 31, 2020*

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current</b>		
Cash	1,582,557	2,371,248
Temporary investments (Note 3)	100,056	99,556
Accounts receivable (Note 4)	1,768,072	1,379,772
Prepaid expenses and deposits	88,721	116,852
Inventory	50,164	50,046
	3,589,570	4,017,474
Long-term GPOG receivable	1,243,289	855,561
Property, plant and equipment (Note 5)	3,418,787	2,710,928
	8,251,646	7,583,963
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 6)	1,112,664	1,744,543
Deferred revenue	144,813	375,730
Current portion of long-term debt (Note 7)	19,721	19,721
Current portion of deferred contributions (Note 8)	256,019	185,005
	1,533,217	2,324,999
Long-term debt (Note 7)	19,721	39,442
Deferred contributions (Note 8)	925,001	585,734
	2,477,939	2,950,175
<b>Net Assets</b>		
Unrestricted	4,273,707	3,133,788
Internally restricted - Capital reserve	1,500,000	1,500,000
	5,773,707	4,633,788
	8,251,646	7,583,963

Approved on behalf of the Board

Director

Director

**First Nations Technical Institute**  
**Statement of Operations**  
For the year ended March 31, 2020

	2020	2019
<b>Revenue</b>		
Ministry of Advanced Education and Skills Development	5,197,946	5,815,047
Aviation	1,063,918	1,028,834
Justice programming	666,072	749,504
Tuition fees	584,853	474,522
OHAHASE Tuition (INAC)	-	379,654
General purpose operating grant	613,524	352,563
Other income (Schedule 1)	993,171	296,639
Amortization of deferred contributions	149,790	143,035
Aboriginal Affairs and Northern Development Canada (Schedule 2)	162,054	85,656
Student services	1,675	1,999
	<b>9,433,003</b>	<b>9,327,453</b>
<b>Expenses</b>		
Salaries and employee benefits	5,267,495	4,934,205
Program delivery	709,303	789,168
Travel and automotive	396,965	330,252
Advertising and promotion	165,506	242,423
Office expenses	201,651	223,114
Rent and utilities	182,427	180,875
Student support	130,209	162,887
Consulting	96,477	141,932
Staff training	41,976	140,950
Repairs and maintenance	73,277	130,697
Aircraft maintenance, parts, accessories and labour	76,448	113,683
Insurance	93,389	89,910
Certification and tuition	81,385	70,714
Aircraft fuel	78,293	66,079
Contract expense	145,819	57,486
Bad debts	82,943	47,684
Audit and accounting	32,200	31,250
Telephone	38,488	29,544
Interest on long-term debt	-	25,657
Bank charges and interest	13,255	13,058
	<b>7,907,506</b>	<b>7,821,568</b>
<b>Excess (deficiency) of revenue over expenses before other items</b>	<b>1,525,497</b>	<b>1,505,885</b>
<b>Other items</b>		
Amortization	<b>(385,578)</b>	<b>(366,503)</b>
<b>Excess of revenue over expenses</b>	<b>1,139,919</b>	<b>1,139,382</b>

The accompanying notes are an integral part of these financial statements

**First Nations Technical Institute**  
**Statement of Changes in Fund Balances**  
*For the year ended March 31, 2020*

	<i>Unrestricted</i>	<i>Capital Reserve</i>	<i>2020</i>	<i>2019</i>
<b>Fund balances, beginning of year</b>	<b>3,133,788</b>	<b>1,500,000</b>	<b>4,633,788</b>	<b>3,494,406</b>
<b>Excess of revenue over expenses</b>	<b>1,139,919</b>	<b>-</b>	<b>1,139,919</b>	<b>1,139,382</b>
<b>Fund balances, end of year</b>	<b>4,273,707</b>	<b>1,500,000</b>	<b>5,773,707</b>	<b>4,633,788</b>

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

**First Nations Technical Institute**  
**Statement of Cash Flows**  
*For the year ended March 31, 2020*

	2020	2019
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	1,139,919	1,139,382
Amortization	385,578	366,503
Amortization of deferred contributions	(149,790)	(143,035)
	<b>1,375,707</b>	<b>1,362,850</b>
Changes in working capital accounts		
Accounts receivable	(388,300)	314,877
Prepaid expenses and deposits	28,131	(36,479)
Inventory	(118)	15,408
Long-term GPOG receivable	(387,728)	(171,315)
Accounts payable and accruals	(631,879)	380,248
Deferred revenue	(230,917)	(1,216,907)
	<b>(235,104)</b>	<b>648,682</b>
<b>Financing</b>		
Repayment of long-term debt	(19,721)	(730,991)
<b>Investing</b>		
Purchase of capital assets	(533,366)	(542,639)
<b>Increase (decrease) in cash resources</b>	<b>(788,191)</b>	<b>(624,948)</b>
<b>Cash resources, beginning of year</b>	<b>2,470,804</b>	<b>3,095,752</b>
<b>Cash resources, end of year</b>	<b>1,682,613</b>	<b>2,470,804</b>
<b>Cash resources are composed of:</b>		
Cash	1,582,557	2,371,248
Temporary investments	100,056	99,556
	<b>1,682,613</b>	<b>2,470,804</b>

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



**1. Significant Accounting Policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

***Nature of Business***

The First Nations Technical Institute (the "Institute") is incorporated under the Canada Corporations Act and operates as a First Nations Technical Institute. The Institute is exempt from income tax under Section 149(1)(f) of the Income Tax Act.

***Basis of Accounting***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

***Temporary Investments***

Temporary investments are recorded at fair value.

***Inventory***

Inventory is valued at the lower of cost and market value with cost being determined substantially on a first-in, first-out basis. Market value is defined as the current replacement cost. Inventory is comprised of aircraft fuel and spare parts.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

	<b>Method</b>	<b>Rate</b>
Aircraft	straight-line	10 years
Audio visual equipment	declining balance	20 %
Automotive	declining balance	30 %
Aviation equipment	declining balance	10 %
Computer equipment and software	declining balance	30 %
Flight simulator	declining balance	20 %
Fuel tank	declining balance	20 %
Instructional equipment	declining balance	20 %
Leasehold improvements	declining balance	20 %
Media equipment	declining balance	20 %
Non-directional beacon	declining balance	10 %
Office equipment and furniture	declining balance	20 %
Runway	declining balance	10 %
Sign	declining balance	20 %
Student residence	declining balance	4 %

***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.

Estimates are used when accounting for a number of items including, but not limited to, impairment of assets, accounts receivable, long-term GPOG receivable, inventory, amortization and accounts payable and accruals.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the periods in which they become known.

**Revenue Recognition**

The Institute follows the deferral method for recognizing contributions. Tuition fees are recognized as revenue at the time instructional services are provided to the students. Provision is made for collection losses based on the Institute's past experience.

Income from contracts and contribution agreements is based on the funding period of the contract or agreement. Funds received from contracts and contribution agreements that are still in the process of completion are recorded as deferred revenue. Investment income is recognized at the time that it is earned.

Rental income, fuel, parts and service sales and other miscellaneous income is recognized when the price is fixed or determinable, collectibility is reasonably assured and upon delivery to and acceptance by the customer.

**Pension Plans**

The Institute is a participant in a defined contribution pension plan. The Institute contributes, on behalf of each eligible employee, 9.6% of the employees annual salary for pension and employee benefits.

Pension plan costs are expensed in the year to which they relate.

During the year, the Institute contributed an additional 4.95% of salary to all eligible employee pension plans, to an annual maximum of \$2749 each.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash on deposit, bank indebtedness and temporary investments consisting of cashable guaranteed investment certificates.

**Fund Accounting**

The Institute follows the deferral method of accounting for contributions. The restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred revenue.

Internally restricted net assets represent funds that the board has set aside in reserves in the event of a significant reduction of external funding. The internally restricted funds consist of:

Capital reserve - these funds have been established for future investments in capital expenditures.

**2. Cash**

The Institute's bank accounts are held at one chartered bank and earns nominal interest.

**3. Temporary Investments**

	<b>2020</b>	<b>2019</b>
Cashable Guaranteed Investment Certificates, with interest rates at 0.50% and maturity dates from November 2020 to February 2021	<b>100,056</b>	<b>99,556</b>

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**First Nations Technical Institute**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2020*

**4. Accounts receivable**

	2020	2019
Trade receivables	1,729,368	1,207,547
General purpose operating grant (GPOG) receivable	225,796	181,248
HST recoverable	46,030	141,156
	2,001,194	1,529,951
Allowance for doubtful accounts	(233,122)	(150,179)
	1,768,072	1,379,772

**5. Property, Plant and Equipment**

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Aircraft	614,358	614,358	-	-
Assets under construction	1,050,322	-	1,050,322	239,456
Audio visual equipment	308,744	162,146	146,598	157,614
Automotive	168,845	149,431	19,414	27,734
Aviation equipment	270,131	218,072	52,059	57,843
Computer equipment and software	605,314	497,253	108,061	121,103
Flight simulator	210,617	142,059	68,558	85,698
Fuel tank	27,649	27,055	594	743
Instructional equipment	617,932	418,562	199,370	226,979
Leasehold improvements	1,703,077	1,261,654	441,423	360,133
Media equipment	365,874	294,774	71,100	88,875
Non-directional beacon	15,000	12,824	2,176	2,418
Office equipment and furniture	1,233,058	1,061,006	172,052	205,276
Runway	140,392	79,762	60,630	67,367
Sign	1,000	983	17	21
Student residence	1,222,908	196,495	1,026,413	1,069,668
	8,555,221	5,136,434	3,418,787	2,710,928

During the year, the Institute acquired property plant and equipment at an aggregate cost of \$1,093,437 (2019 - \$1,381,761) of which \$560,071 (2019 - \$839,122) was financed by a deferred contribution, and the remaining \$533,366 (2019 - \$542,730) paid in cash.

**6. Accounts Payable and Accruals**

	2020	2019
Trade accounts payable	657,397	1,247,006
Repayable to government agencies	428,901	429,511
Source deductions payable	25,061	66,600
WSIB payable	1,305	1,426
	1,112,664	1,744,543

The Institute also has a \$170,000 (2019 - \$145,000) aggregate limit on corporate Visa credit cards, of which \$125,836 (2019 - \$64,418) remains unused at year-end.

**First Nations Technical Institute**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2020*

**7. Long-term Debt**

	2020	2019
Mohawks of the Bay of Quinte, non interest bearing, interest will be charged at 6% in the event of default, due November 30, 2021 secured by aircraft with a net book value of \$Nil	39,442	59,163
<b>Less: Current portion</b>	<b>19,721</b>	<b>19,721</b>
	<b>19,721</b>	<b>39,442</b>

Principal repayments on long-term debt in each of the next two years are estimated as follows:

	<i>Principal</i>
2021	19,721
2022	19,721
	39,442

**8. Deferred Contributions**

In fiscal 2010, 2017, 2018 and 2019, the Institute received one-time capital asset purchase grants from the Ministry of Advanced Education and Skills Development (the "MAESD") to acquire new computer equipment, software and furniture and equipment . This grant is being amortized at the same rates as the related assets.

In fiscal 2020, the Institute received a capital asset purchase grant for the aviation program from Community Economic Development and Diversification for the purchase of aircraft. This grant is being amortized at the same rates as the related assets.

The changes in the deferred contributions balance for the year are as follows:

	<i>Unrestricted</i>	<i>Capital Reserve</i>	2020	2019
Balance, beginning of year	770,739	-	770,739	74,653
Amount received during the year	560,071	-	560,071	839,121
Amounts recognized as revenue during the year	(149,790)	-	(149,790)	(143,035)
	1,181,020	-	1,181,020	770,739
<b>Less: current portion</b>	<b>256,019</b>	-	<b>256,019</b>	<b>185,005</b>
<b>Balance, end of year</b>	<b>925,001</b>	-	<b>925,001</b>	<b>585,734</b>

**9. Commitments**

Advances from St. Lawrence College of Applied Arts and Technology and Canadore College of Applied Arts and Technology

The Institute continues to offer programs in accordance with its existing partnership agreement with St. Lawrence College of Applied Arts and Technology (the "College") pertaining to educational and training services. In fiscal 2020 the Institute also entered into an agreement with Canadore College of Applied Arts and Technology for three years to offer the First Peoples' Aviation Technology - Flight Ontario College Advanced Diploma program. In addition, the Institute also entered into an agreement for four years with Canadore College of Applied Arts and Technology for other educational and training services. The financial terms of the partnership agreements state that the MAESD operating grants and the tuition fees generated from accredited programs delivered pursuant to the agreement will be shared in the ratio of 80% to the Institute and 20% to the College. The partnership agreement stipulates that the College will annually advance funds to the Institute for the 80% share of the MAESD operating grants that will be distributed in future years pursuant to the MAESD's deferred funding formula. The partnership agreement states that the advances will be repaid to the College in the year of receipt of the operating grants.

Accredited programs commencing after August 2011 are subject to a new partnership agreement whereby the Institute's share of MAESD operating grants will be paid to the Institute in the year of receipt by the College, pursuant to the MAESD's deferred funding formula.

**10. Interfund Transfers**

During the year, the board of directors approved a transfer of \$Nil (2019 - \$1,500,000) from the unrestricted fund to the capital reserve fund.

**11. Economic Dependence**

The Institute relies on the Governments of Ontario and Canada for the major portion of its income and accordingly, is economically dependent for the continuation of its operations on funding from these sources.

For the 2021 fiscal year, the MAESD has committed funding of \$3,518,267 (2019 - \$3,518,267), which is subject to change at the discretion of the MAESD.

For the 2021 fiscal year, the MAESD has committed funding, which will flow through the Canada College of Applied Arts and Technology, in the amount of \$1,000,000 (2019 - \$1,000,000).

**12. Pension Plans**

During the year, the Institute expensed \$564,591 (2019 - \$478,599) for pension and employee benefits.

**13. Financial Instruments**

Financial instruments are financial assets or liabilities of the Institute where, in general, the Institute has the right to receive cash or another financial asset from another party or the Institute has the obligation to pay another party cash or other financial assets.

Financial instruments consist of cash, temporary investments, accounts receivable, long-term GPOG receivable, accounts payable and accruals and long-term debt.

The Institute initially recognized its financial instruments at fair value and subsequently measures them at amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

**First Nations Technical Institute**  
**Notes to the Financial Statements**

*For the year ended March 31, 2020*

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**14. Subsequent Event**

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Institute as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**15. Comparative Figures**

Certain comparative figures have been reclassified to conform with current year presentation.

**First Nations Technical Institute**  
**Schedule 1 - Other income**  
*For the year ended March 31, 2020*

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	<b>2020</b>	<b>2019</b>
Contract revenue	-	42,236
Interest income	3,674	3,367
Miscellaneous income	321,694	175,794
Rental revenue	77,874	75,242
Other grants	589,929	-
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	993,171	296,639

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**The First Nations Technical Instituté**  
**Schedule 2 - Reconciliation of Aboriginal Affairs and Northern Development Canada Funding**

*For the year ended March 31, 2020*

<i>I. ISSP</i>	<i>Bachelor of Education</i>	<i>Indigenous Food Sustainability</i>	<i>Midwifery Program</i>	<i>Indigenous Inter-Professional</i>	<i>Total</i>
<b>Revenue</b>	53,433	30,223	61,714	16,684	<b>162,054</b>
<b>Expenditures</b>	53,433	30,223	61,714	23,989	<b>169,359</b>
<b>Excess of revenues over expenditures</b>	-	-	-	(7,305)	<b>(7,305)</b>

Per chapter 5.17 of the I.N.A.C. Financial Policies and Procedures manual, a schedule of revenues and expenditures for each program and/or service funded under the funding agreement is disclosed.