

Financial Statements of

**KINOOMAADZIWIN
EDUCATION BODY INC.**

Year ended March 31, 2019

KINOOMAADZIWIN EDUCATION BODY INC.

Financial Statements

Year ended March 31, 2019

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Directors of the Kinoomaadziwin Education Body Inc.

Opinion

We have audited the financial statements of Kinoomaadziwin Education Body Inc. (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 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.



Responsibility 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 public sector accounting standards, 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.

Auditors' 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 auditors' 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 the 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 risk 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, internal 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 purposes 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 10, 2019

KINOOMAADZIWIN EDUCATION BODY

Statement of Financial Position

As at March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 3,414,049	\$ 1,083,507
Accounts receivable	25,419	31,724
Investments (note 2)	100,900	100,000
Prepaid expenses	51,579	8,933
	<u>3,591,947</u>	<u>1,224,164</u>
Capital assets (note 3)	147,967	34,481
	<u>\$ 3,739,914</u>	<u>\$ 1,258,645</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,782,526	\$ 58,899
Deferred revenue (note 5)	1,809,421	1,165,265
	<u>3,591,947</u>	<u>1,224,164</u>
Net assets	147,967	34,481
Contingency (note 8)		
Commitments (note 9)		
	<u>\$ 3,739,914</u>	<u>\$ 1,258,645</u>

See accompanying notes to financial statements.

On behalf of the Board:

Catherine Pawis Director
EB Evelyn Ball Director

KINOOMAADZIWIN EDUCATION BODY INC.

Statement of Operations

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Revenue:		
Government contributions (note 6)	\$ 55,931,681	\$ 787,057
Other	900	-
	<u>55,932,581</u>	<u>787,057</u>
Expenses:		
Payments to First Nations	53,867,299	540,500
Salaries and benefits	791,264	91,879
Information technology	206,515	3,361
Travel and training	383,823	53,321
Contract and professional services	347,116	40,365
Office	61,678	1,354
Rent	56,386	8,580
Promotion	43,105	2,508
Amortization of capital assets	40,936	6,218
Insurance	16,093	3,325
Interest and bank charges	4,880	1,165
	<u>55,819,095</u>	<u>752,576</u>
Excess of revenue over expenses	<u>113,486</u>	<u>34,481</u>

See accompanying notes to financial statements.

KINOOMAADZIWIN EDUCATION BODY INC.

Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Net assets, beginning of year	\$ 34,481	\$ -
Excess of revenue over expenses	113,486	34,481
Net assets, end of year	\$ 147,967	\$ 34,481

See accompanying notes to financial statements.

KINOOMAADZIWIN EDUCATION BODY INC.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 113,486	\$ 34,481
Adjustments for:		
Amortization of capital assets	40,936	6,218
	154,422	40,699
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	6,305	(31,724)
Increase in prepaid expenses	(42,646)	(8,933)
Increase in accounts payable and accrued liabilities	1,723,627	58,899
Increase in deferred revenue	644,156	1,165,265
	2,485,864	1,224,206
Capital activities:		
Purchase of capital assets	(154,422)	(40,699)
Cash flows from investing activities:		
Purchase of investments	(900)	(100,000)
Increase in cash	2,330,542	1,083,507
Cash, beginning of period	1,083,507	-
Cash, end of period	\$ 3,414,049	\$ 1,083,507

See accompanying notes to financial statements.

KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements

Period ended March 31, 2019

Kinoomaadziwin Education Body Inc. ("KEB") is incorporated without share capital under the laws of the Province of Ontario. The membership of the KEB comprises twenty three (23) Anishinabek First Nations located in the Province of Ontario. The objective of the KEB is to promote the improvement of education of First Nation students by providing education services and supports to First Nation based schools, First Nations and their members. The KEB is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

(a) Revenue recognition:

The KEB accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants relating to future periods are deferred and recognized in the subsequent period when the related expense occurs. Grants approved but not received at the end of a period are accrued.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Funding adjustments and the settlement of funding surpluses of prior years are recorded in the statement of operations in the year in which the settlement is made.

(b) Capital assets:

Capital assets are recorded at cost. Amortization is provided on the straight-line basis over their estimated useful lives at the following annual rates:

	Rates
Furniture and fixtures	30%
Computer and equipment	30%
Computer software	50%

KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Line of Credit:

Pursuant to an agreement, the KEB's primary banker has provided the KEB with a demand credit facility for operating purposes. The credit facility, authorized to a maximum of \$70,000, is payable on demand with no fixed terms of repayment and bears interest at the rate of prime plus 3.78%, payable monthly. As at March 31, 2019, \$Nil (2018 - \$Nil) has been drawn on the credit facility.

The credit facility is secured by a general security agreement over the KEB's assets, as well as a cash collateral agreement assigning guaranteed investment certificates in the amount of \$100,000.

KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Capital assets:

2019	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 56,104	8,416	47,688
Computers and equipment	84,527	24,549	59,978
Computer software	54,490	14,189	40,301
	\$ 195,121	47,154	147,967

2018	Cost	Accumulated amortization	Net book value
Computers and equipment	\$ 39,566	5,935	33,631
Computer software	1,133	283	850
	\$ 40,699	6,218	34,481

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$16,438 (2018 - \$Nil), which includes amounts payable for payroll taxes.

5. Deferred revenue:

Deferred revenue represents externally or internally restricted contributions which are unspent at year-end and which relate to expenses of future periods:

	Balance at March 31, 2018	Restricted inflows	Revenue recognized in the period	Balance at March 31, 2019
Amounts deferred:				
ISC - Implementation	\$ 1,165,265	–	(1,165,265)	–
ISC – Self-Government	–	1,655,688	–	1,655,688
MOE - Operating	–	150,483	–	150,483
MOE – EDI	–	3,250	–	3,250
Total	\$ 1,165,265	1,809,421	(1,165,265)	1,809,421

KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Funding reconciliation:

	2019	2018
Federal Government Funding	\$ 56,309,852	2,003,751
Provincial Government Funding	1,431,250	–
Deferred revenue	(1,809,421)	(1,165,265)
Expended by other entities	–	(51,429)
Government contributions, as reported	\$ 55,931,681	787,057

7. Related party transactions:

Nipissing First Nation ("NFN") is related by virtue of being a participating First Nation in the Anishnabek Nation Education Agreement, as administered by the KEB. During the year, the KEB paid rent to NFN (and subsidiaries wholly owned by NFN) in the amount of \$46,779.

Chippewas of Rama First Nation ("CRFN") is related by virtue of being a participating First Nation in the Anishnabek Nation Education Agreement, as administered by the KEB. During the year, the KEB paid rent to CRFN in the amount of \$2,000.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

8. Contingency:

Under the terms of its funding agreements with various governmental agencies, contributions received by the KEB could become repayable in certain circumstances if it is determined that funding was applied toward ineligible costs or if other terms of the agreement have not been met. Management is of the opinion that all conditions have been met.

9. Commitments:

KEB is committed to minimum annual lease payments under various operating lease for office space as follows:

2020	\$ 75,230
2021	75,230
2022	75,230
2023	75,230
2024	30,376

KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that KEB will be unable to fulfill its obligations on a timely basis or at a reasonable cost. KEB manages its liquidity by monitoring its operating requirements. KEB prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There is no change in the risk exposures from 2018.

(b) Credit and interest rate risk:

KEB's financial instruments do not expose KEB to a significant concentration of credit or interest rate risk.

(c) Financial risk management objectives:

KEB manages its capital according to its cash needs and in such a way as to maximize investment income without compromising the maintenance of its capital.

11. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2019 financial statements.

KINOOMAADZIWIN EDUCATION BODY INC.

Implementation of Education Self-Government

Schedule 1 - Schedule of Financial Activity and Change in Program Balance

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Revenue:		
Government contributions	\$ 1,165,265	787,057
Expenses:		
Payments to First Nations	133,400	540,500
Salaries and benefits	288,544	91,879
Travel and training	96,484	53,320
Professional fees	199,962	40,365
Office and general	36,586	1,355
Information technology	190,465	3,361
Insurance	8,933	3,325
Advertising	41,605	2,508
Rent	19,640	8,580
Interest and bank charges	-	1,165
Capital purchases	149,646	40,699
Amortization of tangible capital assets	40,210	6,218
Investment in tangible capital assets	(149,646)	(40,699)
	1,055,829	752,576
Surplus of revenue over expenses before undernoted	109,436	34,481
Capital adjustment:		
Amortization of tangible capital assets	(40,210)	(6,218)
Investment in tangible capital assets	149,646	40,699
	109,436	34,481
Change in program balance	\$ -	-

KINOOMAADZIWIN EDUCATION BODY INC.

Implementation of the Master Education Agreement

Schedule 2 - Schedule of Financial Activity and Change in Program Balance

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Revenue:		
Government contributions	\$ 1,277,516	-
Expenses:		
Payments to First Nations	804,925	-
Salaries and benefits	115,828	-
Travel and training	207,378	-
Professional fees	138,253	-
Office and general	1,569	-
Rent	7,500	-
Capital purchases	2,063	-
Amortization of tangible capital assets	319	-
Investment in tangible capital assets	(2,063)	-
	1,275,772	-
Deficiency of revenue over expenses before undernoted	1,744	-
Capital adjustment:		
Amortization of tangible capital assets	(319)	-
Investment in tangible capital assets	2,063	-
	1,744	-
Change in program balance	\$ -	-

KINOOMAADZIWIN EDUCATION BODY INC.

Education Self-Government

Schedule 3 - Schedule of Financial Activity and Change in Program Balance

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Revenue:		
Government contributions	\$ 51,876,293	-
Other	900	-
	<u>51,877,193</u>	<u>-</u>
Expenses:		
Payments to First Nations - JK to Grade 12	37,787,228	-
Payments to First Nations - Post secondary	13,529,139	-
Salaries and benefits	386,892	-
Travel and training	79,961	-
Professional fees	8,901	-
Office and general	23,523	-
Information technology	16,050	-
Insurance	7,160	-
Advertising	1,500	-
Rent	29,246	-
Interest and bank charges	4,880	-
Capital purchases	2,713	-
Amortization of tangible capital assets	407	-
Investment in tangible capital assets	(2,713)	-
	<u>51,874,887</u>	<u>-</u>
Deficiency of revenue over expenses before undernoted	2,306	-
Capital adjustment:		
Amortization of tangible capital assets	(407)	-
Investment in tangible capital assets	2,713	-
	<u>2,306</u>	<u>-</u>
Change in program balance	\$ -	-

KINOOMAADZIWIN EDUCATION BODY INC.

One-time Program Funding

Schedule 4 - Schedule of Financial Activity and Change in Program Balance

Year ended March 31, 2019, with comparative information for the period from November 28, 2017 to March 31, 2018

	2019	2018
Revenue:		
Government contributions	\$ 1,612,607	-
Expenses:		
Payments to First Nations - Post secondary	1,612,607	-
Change in program balance	\$ -	-