

Financial Statements of

**KINOOMAADZIWIN  
EDUCATION BODY INC.**

Year ended March 31, 2020

# KINOOMAADZIWIN EDUCATION BODY INC.

Financial Statements

Year ended March 31, 2020

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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, 2020
- 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, 2020, 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.



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- 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 11, 2020

# KINOOMAADZIWIN EDUCATION BODY INC.

## Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 6,171,451	\$ 3,414,049
Accounts receivable	114,566	25,419
Investments (note 2)	102,565	100,900
Prepaid expenses	46,785	51,579
	<u>6,435,367</u>	<u>3,591,947</u>
Capital assets (note 3)	84,104	147,967
	<u>\$ 6,519,471</u>	<u>\$ 3,739,914</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 3,810,771	\$ 1,782,526
Deferred revenue (note 5)	2,624,596	1,809,421
	<u>6,435,367</u>	<u>3,591,947</u>
Net assets	84,104	147,967
Contingency (note 8)		
Commitments (note 9)		
	<u>\$ 6,519,471</u>	<u>\$ 3,739,914</u>

See accompanying notes to financial statements.

On behalf of the Board:

Catherine Pavis Director

[Signature] Director

# KINOOMAADZIWIN EDUCATION BODY INC.

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government contributions (note 6)	\$ 61,480,133	\$ 55,931,681
Other	1,723	900
	<u>61,481,856</u>	<u>55,932,581</u>
Expenses:		
Payments to First Nations	59,160,621	53,867,299
Salaries and benefits	1,138,853	791,264
Contract and professional services	468,075	347,116
Travel and training	406,017	383,823
Information technology	136,960	206,515
Rent	87,430	56,386
Amortization of capital assets	70,072	40,936
Office	44,230	61,678
Insurance	14,279	16,093
Promotion	13,862	43,105
Interest and bank charges	5,320	4,880
	<u>61,545,719</u>	<u>55,819,095</u>
Excess (deficiency) of revenue over expenses	<u>(63,863)</u>	<u>113,486</u>

See accompanying notes to financial statements.

# KINOOMAADZIWIN EDUCATION BODY INC.

## Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Net assets, beginning of year	\$ 147,967	\$ 34,481
Excess (deficiency) of revenue over expenses	(63,863)	113,486
Net assets, end of year	\$ 84,104	\$ 147,967

See accompanying notes to financial statements.



# KINOOMAADZIWIN EDUCATION BODY INC.

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (63,863)	\$ 113,486
Adjustments for:		
Amortization of capital assets	70,072	40,936
	6,209	154,422
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(89,147)	6,305
Decrease (increase) in prepaid expenses	4,794	(42,646)
Increase in accounts payable and accrued liabilities	2,028,245	1,723,627
Increase in deferred revenue	815,175	644,156
	2,765,276	2,485,864
Capital activities:		
Purchase of capital assets	(6,209)	(154,422)
Cash flows from investing activities:		
Purchase of investments	(1,665)	(900)
Increase in cash	2,757,402	2,330,542
Cash, beginning of period	3,414,049	1,083,507
Cash, end of period	\$ 6,171,451	\$ 3,414,049

See accompanying notes to financial statements.

# KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements

Period ended March 31, 2020

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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%

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# KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 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, 2020, \$Nil (2019 - \$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 \$100,900 (2019 - \$100,000).

# KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Capital assets:

2020	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 56,104	25,247	30,857
Computers and equipment	90,736	50,838	39,898
Computer software	54,490	41,141	13,349
	\$ 201,330	117,226	84,104

  

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

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$19,277 (2019 - \$16,438), 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, 2019	Restricted inflows	Revenue recognized in the period	Balance at March 31, 2020
Amounts deferred:				
ISC – Self-Government	\$ 1,655,688	2,313,627	(1,655,688)	2,313,627
MOE - Operating	150,483	310,969	(150,483)	310,969
MOE – EDI	3,250	–	(3,250)	–
<b>Total</b>	<b>\$ 1,809,421</b>	<b>2,624,596</b>	<b>(1,809,421)</b>	<b>2,624,596</b>

# KINOOMAADZIWIN EDUCATION BODY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 6. Funding reconciliation:

	2020	2019
Deferred revenue, opening	\$ 1,809,421	1,165,265
Indigenous Services Canada	60,333,069	55,144,587
Ministry of Education	1,950,000	1,431,250
Employment and Social Development Canada	12,239	–
Deferred revenue, ending	(2,624,596)	(1,809,421)
Government contributions, as reported	\$ 61,480,133	55,931,681

## 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 \$69,389 (2019 - \$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 \$4,800 (2019 - \$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:

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, 2020

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## 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 2019.

### (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. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on KEB's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to KEB's business is not known at this time.

## 12. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2020 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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government contributions	\$ -	1,015,619
Expenses:		
Payments to First Nations	-	133,400
Salaries and benefits	-	288,544
Travel and training	-	96,484
Professional fees	-	199,962
Office and general	-	36,586
Information technology	-	190,465
Insurance	-	8,933
Advertising	-	41,605
Rent	-	19,640
	-	1,015,619
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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government contributions	\$ 1,789,514	1,275,453
Expenses:		
Payments to First Nations	1,084,879	804,925
Salaries and benefits	345,094	115,828
Travel and training	226,409	207,378
Professional fees	113,831	138,253
Office and general	4,229	1,569
Telephone and communications	6,253	-
Rent	8,819	7,500
	1,789,514	1,275,453
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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government contributions	\$ 56,255,157	52,028,002
Other	1,723	900
	<u>56,256,880</u>	<u>52,028,902</u>
Expenses:		
Payments to First Nations - JK to Grade 12	40,202,635	37,787,228
Payments to First Nations - Post secondary	14,449,882	13,529,139
Salaries and benefits	781,523	386,892
Travel and training	179,608	79,961
Professional fees	354,244	8,901
Office and general	40,001	23,523
Information technology	130,707	16,050
Insurance	14,279	7,160
Advertising	13,862	1,500
Rent	78,611	29,246
Interest and bank charges	5,320	4,880
Capital purchases	6,208	154,422
Amortization of tangible capital assets	70,072	40,936
Investment in tangible capital assets	(6,208)	(154,422)
	<u>56,320,744</u>	<u>51,915,416</u>
Deficiency of revenue over expenses before undernoted	(63,864)	113,486
Capital adjustment:		
Amortization of tangible capital assets	(70,072)	(40,936)
Investment in tangible capital assets	6,208	154,422
	<u>(63,864)</u>	<u>113,486</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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government contributions	\$ 3,435,462	1,612,607
Expenses:		
Payments to First Nations - Post secondary	3,423,225	1,612,607
Salaries and benefits	12,237	-
	<u>3,435,462</u>	<u>1,612,607</u>
Change in program balance	<u>\$ -</u>	<u>-</u>