

**The First Nations Technical
Institute**

Financial Statements
For the year ended March 31, 2017

The First Nations Technical Institute
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

**To the Members of
The First Nations Technical Institute**

Report on the Financial Statements

We have audited the accompanying financial statements of The First Nations Technical Institute which comprise the statement of financial position as at March 31, 2017 and March 31, 2016 and the statements of changes in fund balance, operations and cash flows for the years ended March 31, 2017 and March 31, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The First Nations Technical Institute as at March 31, 2017 and March 31, 2016 and its financial performance and its cash flows for the years ended March 31, 2017 and March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow SEO LLP

Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
June 26, 2017

The First Nations Technical Institute Statement of Financial Position

March 31 2017 2016

Assets

Current

Cash and bank (Note 1)	\$ 1,297,072	\$ 639,414
Temporary investments (Note 2)	498,492	500,001
Accounts receivable (Note 3)	779,362	860,624
Prepaid expenses	64,392	54,986
Inventory	53,246	66,712

2,692,564 2,121,737

Long-term GPOG receivable	529,096	496,036
Property, plant and equipment (Note 4)	805,805	627,813

\$ 4,027,465 \$ 3,245,586

Liabilities and Fund Balance

Current

Accounts payable and accrued liabilities (Note 5)	\$ 584,261	\$ 551,123
Deferred revenue	107,682	31,999
Current portion of long-term debt (Note 6)	19,721	95,166
Current portion of deferred contributions (Note 7)	15,651	919

727,315 679,207

Long-term debt (Note 6)	78,884	95,166
Deferred contributions (Note 7)	36,734	2,410

842,933 776,783

Fund balance	3,184,532	2,468,803
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\$ 4,027,465 \$ 3,245,586

On behalf of the Board:

R. G. Brant Director

A. R. Drant Director

The First Nations Technical Institute Statement of Changes in Fund Balance

<u>For the year ended March 31</u>	<u>2017</u>	<u>2016</u>
Fund balance, beginning of year	\$ 2,468,803	\$ 1,886,902
Excess of revenue over expenditures for the year	<u>715,729</u>	<u>581,901</u>
Fund balance, end of year	<u>\$ 3,184,532</u>	<u>\$ 2,468,803</u>

The First Nations Technical Institute Statement of Operations

For the year ended March 31	2017		2016	
Revenue				
Ministry of Advanced Education and Skills Development	\$ 3,191,500	60.3 %	\$ 3,144,500	65.7 %
Tuition fees	472,377	8.9	531,717	11.1
Aboriginal Affairs and Northern Development Canada	441,865	8.3	74,248	1.5
Contracts	384,890	7.3	338,251	7.1
OHAHASE Tuition (INAC)	332,525	6.3	286,422	6.0
General purpose operating grant	228,512	4.3	212,054	4.4
Other income (Schedule 2)	171,885	3.3	154,260	3.2
Rental income	38,840	0.7	32,570	0.7
Deferred contributions (Note 7)	22,336	0.1	1,284	-
Interest income	1,900	-	3,303	0.1
	5,286,630	100.0	4,778,609	100.0
Expenditures				
Salaries and employee benefits	2,631,873		2,291,303	
Consulting fees	278,429		272,539	
Program delivery	289,310		421,691	
Student support	142,718		108,499	
Office expenses	131,636		112,111	
Certification and tuition	128,373		219,192	
Travel and automotive	127,895		100,863	
Rent and utilities	124,741		110,146	
Advertising and promotion	120,554		90,496	
Insurance	91,802		102,851	
Aircraft maintenance, parts, accessories and labour	64,262		65,016	
Bad debts (recovery)	57,187		(879)	
Aircraft fuel	53,485		47,734	
Repairs and maintenance	52,140		65,144	
Staff training	44,046		8,930	
Audit and accounting	34,350		30,410	
Bank charges and interest	22,366		21,248	
Telephone	17,703		20,922	
Contract expense	4,922		869	
	4,417,792	83.6	4,089,085	85.6
Excess of revenue over expenditures before amortization	868,838	16.4	689,524	14.4
Amortization	153,109	2.9	107,623	2.3
Excess of revenue over expenditures	\$ 715,729	13.5 %	\$ 581,901	12.1 %

The First Nations Technical Institute Statement of Cash Flows

For the year ended March 31	2017	2016
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 715,729	\$ 581,901
Adjustments for items not involving cash		
Amortization of property, plant and equipment	153,109	107,623
Amortization of deferred contributions	(22,336)	(1,284)
Gain on disposal of property, plant and equipment	-	(38,520)
	<u>846,502</u>	<u>649,720</u>
Changes in non-cash working capital balances		
Accounts receivable	81,262	(211,124)
Prepaid expenses	(9,406)	1,214
Inventory	13,466	(16,865)
Accounts payable and accrued liabilities	33,138	(156,619)
Deferred revenue	75,683	(15,670)
Long-term GPOG receivable	(33,060)	(60,740)
	<u>161,083</u>	<u>(459,804)</u>
	<u>1,007,585</u>	<u>189,916</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(259,708)	(241,240)
Proceeds on sale of property, plant and equipment	-	52,800
	<u>(259,708)</u>	<u>(188,440)</u>
Cash flows from financing activities		
Net repayment of long-term debt	(91,728)	-
Increase in cash and cash equivalents during the year	<u>656,149</u>	<u>1,476</u>
Cash and cash equivalents, beginning of year	<u>1,139,415</u>	<u>1,137,939</u>
Cash and cash equivalents, end of year	<u>\$ 1,795,564</u>	<u>\$ 1,139,415</u>
Represented by:		
Cash and bank	\$ 1,297,072	\$ 639,414
Temporary investments	<u>498,492</u>	<u>500,001</u>
	<u>\$ 1,795,564</u>	<u>\$ 1,139,415</u>

The First Nations Technical Institute Summary of Significant Accounting Policies

March 31, 2017

Nature of Business	The First Nations Technical Institute (the "Institute") is incorporated under the Canada Corporations Act and operates 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	<p>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:</p> <table> <tr> <td>Aircraft</td><td>- 10 years straight-line</td></tr> <tr> <td>Audio visual equipment</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Automotive equipment</td><td>- 30 % diminishing balance basis</td></tr> <tr> <td>Aviation equipment</td><td>- 10 % diminishing balance basis</td></tr> <tr> <td>Computer equipment and software</td><td>- 30 % diminishing balance basis</td></tr> <tr> <td>Flight simulator</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Fuel tank</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Instructional equipment</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Leasehold improvements</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Media equipment</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Non-directional beacon</td><td>- 10 % diminishing balance basis</td></tr> <tr> <td>Office equipment and furniture</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Runway</td><td>- 10 % diminishing balance basis</td></tr> <tr> <td>Sign</td><td>- 20 % diminishing balance basis</td></tr> <tr> <td>Student residence</td><td>- 4 % diminishing balance basis</td></tr> </table>	Aircraft	- 10 years straight-line	Audio visual equipment	- 20 % diminishing balance basis	Automotive equipment	- 30 % diminishing balance basis	Aviation equipment	- 10 % diminishing balance basis	Computer equipment and software	- 30 % diminishing balance basis	Flight simulator	- 20 % diminishing balance basis	Fuel tank	- 20 % diminishing balance basis	Instructional equipment	- 20 % diminishing balance basis	Leasehold improvements	- 20 % diminishing balance basis	Media equipment	- 20 % diminishing balance basis	Non-directional beacon	- 10 % diminishing balance basis	Office equipment and furniture	- 20 % diminishing balance basis	Runway	- 10 % diminishing balance basis	Sign	- 20 % diminishing balance basis	Student residence	- 4 % diminishing balance basis
Aircraft	- 10 years straight-line																														
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Sign	- 20 % diminishing balance basis																														
Student residence	- 4 % diminishing balance basis																														

The First Nations Technical Institute Summary of Significant Accounting Policies

March 31, 2017

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 expenditures 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, inventory, amortization and accounts payable and accrued liabilities.

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.

The First Nations Technical Institute Summary of Significant Accounting Policies

March 31, 2017

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 \$2,544 each.

Cash and Cash Equivalents

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

The First Nations Technical Institute Notes to Financial Statements

March 31, 2017

1. Cash and Bank

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

2. Temporary Investments

	<u>2017</u>	<u>2016</u>
Cashable Guaranteed Investment Certificates, with interest rates at 0.50% and maturity dates from October 2017 to February 2018	\$ 498,492	\$ 500,001

3. Accounts Receivable

	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 675,231	\$ 782,559
General purpose operating grant (GPOG) receivable	207,009	141,391
HST recoverable	54,933	37,299
	937,173	961,249
Allowance for doubtful accounts	(157,811)	(100,625)
	\$ 779,362	\$ 860,624

The First Nations Technical Institute Notes to Financial Statements

March 31, 2017

4. Property, Plant and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Aircraft	\$ 614,358	\$ 614,358	\$ 614,358	\$ 614,358
Audio visual equipment	100,103	82,591	92,276	78,212
Automotive equipment	179,268	163,933	179,268	157,361
Aviation equipment	264,148	192,737	202,976	184,803
Computer equipment and software	458,655	373,490	386,338	336,991
Flight simulator	210,964	76,715	45,000	43,153
Fuel tank	27,649	26,489	27,649	26,199
Instructional equipment	375,379	329,746	375,379	318,338
Leasehold improvements	1,086,871	1,037,228	1,063,050	1,024,818
Media equipment	259,461	253,610	259,461	252,147
Non-directional beacon	15,000	12,015	15,000	11,683
Office equipment and furniture	1,027,432	951,484	1,027,432	932,497
Runway	140,392	57,223	140,392	47,982
Sign	1,000	967	1,000	959
Student residence	547,945	330,234	547,945	320,210
	<u>\$ 5,308,625</u>	<u>\$ 4,502,820</u>	<u>\$ 4,977,524</u>	<u>\$ 4,349,711</u>
Net book value		<u>\$ 805,805</u>		<u>\$ 627,813</u>

During the year, the Institute acquired property plant and equipment at an aggregate cost of \$331,100 (2016 - \$241,240) of which \$71,392 (2016 - \$Nil) was financed by a deferred contribution and the remaining \$259,708 (2016 - \$241,240) paid in cash.

The First Nations Technical Institute Notes to Financial Statements

March 31, 2017

5. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts payable	\$ 396,527	\$ 477,203
Repayable to government agencies	186,736	72,751
WSIB payable	998	1,169
	<u>\$ 584,261</u>	<u>\$ 551,123</u>

The Institute also has a \$115,000 (2016 - \$90,000) aggregate limit on corporate Visa credit cards, of which \$88,907 (2016 - \$60,326) remains unused at year-end.

6. Long-term Debt

	2017	2016
Mohawks of the Bay of Quinte, non interest bearing, interest will be charged at 6% in the event of default, due November 30, 2022 secured by aircraft	\$ 98,605	\$ 190,332
Less amounts due within one year included in current liabilities	<u>19,721</u>	<u>95,166</u>
	<u>\$ 78,884</u>	<u>\$ 95,166</u>

Principal repayments for the next five years are as follows:

2018	\$ 19,721
2019	19,721
2020	19,721
2021	19,721
2022	<u>19,721</u>
	<u>\$ 98,605</u>

The First Nations Technical Institute Notes to Financial Statements

March 31, 2017

7. Deferred Contributions

In fiscal 2010 and 2017, 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 and software. 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:

	2017	2016
Balance, beginning of year	\$ 3,329	\$ 4,613
Ministry of Advanced Education and Skills Development	71,392	-
Less amounts recognized as revenue in the year	22,336	1,284
	52,385	3,329
Less amounts to be recognized in revenue within one year	15,651	919
	\$ 36,734	\$ 2,410

8. Commitments

Advances from St. Lawrence 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. The financial terms of the partnership agreement 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.

The First Nations Technical Institute Notes to Financial Statements

March 31, 2017

9. 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 2017/2018 fiscal year, the MAESD has committed funding of \$2,191,500 (2016/2017 - \$2,262,892), which is subject to change at the discretion of the MAESD.

For the 2017/2018 fiscal year, the Ministry of Indian Affairs and Northern Development has committed funding of up to \$266,200 (2016/2017 - \$562,320).

For the 2017/2018 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 (2016/2017 - \$1,000,000).

10. Pension Plans

During the year, the Institute expensed \$256,515 (2016 - \$236,783) for pension and employee benefits.

11. 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 and bank, temporary investments, accounts receivable, long-term GPOG receivable, bank indebtedness, accounts payable and accrued liabilities 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.

Auditor's Comments on Supplementary Financial Information

To the Members of The First Nations Technical Institute

The audited financial statements of The First Nations Technical Institute as at March 31, 2017 and our report thereon dated June 26, 2017 are presented in a separate financial report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
June 26, 2017

The First Nations Technical Institute
Schedule 1 - Reconciliation of Indian and Northern Affairs Funding

For the year ended March 31		2017							TOTAL	
I. ISSP		Indigenous Community Mental Health and Addiction	Indigenous Community Diabetes Support	Native Social Service Worker	Office Administration	Masters of Public Admin	Bachelor of Social Work	Master of Social Work	Public Administration and Governance	Personal Support Worker
Revenue	\$	250,800	\$	-	\$	-	\$	42,680	\$	582,320
Expenditures		130,345	-	-	-	-	266,200	42,680	2,640	441,865
Excess of revenues over expenditures	\$	120,455.00	\$	-	\$	-	\$	-	\$	120,455

Per chapter 5.17 of the L.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.

First Nations Technical Institute Schedule 2 - Other Income

For the year ended March 31	2017	2016
	Actual Audited	Actual Audited
Other Income		
Fuel sales, hangar rental, parts and service	\$ 83,903	\$ 71,220
Miscellaneous income	86,202	39,345
Gain on disposal of asset	-	38,520
Wage recovery	-	3,675
Donations	1,780	1,500
	\$ 171,885	\$ 154,260