ELEPHANT THOUGHTS EDUCATIONAL OUTREACH

OPERATING AS "ELEPHANT THOUGHTS"

FINANCIAL STATEMENTS

JUNE 30, 2023

bakertilly

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OPERATING AS "ELEPHANT THOUGHTS"
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Elephant Thoughts Educational Outreach:

Qualified opinion

We have audited the financial statements of Elephant Thoughts Educational Outreach ("the Organization"), which comprise the balance sheet as at June 30, 2023, and the statement of operations and net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Elephant Thoughts Educational Outreach as at June 30, 2023 and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from cash donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses for the year and cash flow for the years ended June 30, 2023 and June 30, 2022 and asset and net asset balances as at June 30, 2023 and June 30, 2022. Our opinion for both years was modified accordingly because of the possible effects of this limitation of scope.

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 Organization 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 qualified opinion.

Responsibilities of management and those charged with governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Baker Tilly SGB LLP

Baker Tilly SGB LLP
Chartered Professional Accountants
Licensed Public Accountants
Collingwood, Ontario
December 14, 2023

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"
BALANCE SHEET
AS AT JUNE 30

	2023 $	2022 $
Assets		
Current		
Accounts receivable (net of allowance $NIL; 2022 - $NIL)	**359,085**	229,481
Prepaid expenses	**-**	108,449
Inventories	**-**	102,719
	359,085	440,649
Tangible capital assets (Note 2)	**5,571,403**	5,302,266
Vehicles under capital lease (net of accumulated amortization of $170,584; 2022 - $88,744)	**357,805**	248,898
Intangibles - software (net of accumulated amortization of $98,842; 2022 - $91,718)	**28,496**	35,620
Collections	**25,200**	25,200
	6,341,989	6,052,633
Liabilities		
Current		
Bank indebtedness (Note 3)	**230,714**	85,126
Accounts payable and accruals	**387,340**	288,682
Government remittances payable	**85,612**	25,081
Construction credit facilities (Note 4)	**922,170**	845,838
Canada Emergency Business Account (Note 12)	**36,000**	-
Deferred revenue (Note 5)	**84,500**	397,909
Advance from Blue Mountain Wild School (Note 10)	**150,000**	-
Current portion of obligations under capital leases (Note 8)	**100,937**	64,043
Current portion of long-term (Note 7)	**91,377**	95,387
	2,088,650	1,802,066
Obligations under capital leases (Note 8)	**302,104**	199,643
Long-term (Note 7)	**1,532,712**	1,637,994
Canada Emergency Business Account (Note 12)	**-**	40,000
	1,834,816	1,877,637
	3,923,466	3,679,703
Deferred capital contributions (Note 6)	**279,593**	311,267
	4,203,059	3,990,970
Net assets		
Unrestricted	**2,138,930**	2,061,663
	6,341,989	6,052,633

Approved on behalf of the board:

Mike Ready Director

Heather Johnston Director

See accompanying notes to the financial statements

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED JUNE 30

	2023	2022
	$	$
Revenues		
Contributions and other	**124,988**	147,366
Program fees	**2,339,245**	1,522,727
Federal grants	**2,267,562**	2,001,785
Provincial grants	**130,600**	326,291
Other grants	**717,073**	141,956
Rental	**171,323**	116,803
	5,750,791	4,256,928
Expenses		
Advertising and promotion	**27,592**	6,004
Bank charges and operating line of credit interest	**20,420**	13,241
Consumables	**562,269**	330,759
Contract labour	**60,925**	49,849
Donations	**24,422**	45,421
Educational programs - hard costs	**2,449,956**	1,992,071
Insurance	**47,808**	52,731
Interest (Note 7 and 8)	**102,572**	66,396
International	**47,690**	61,391
Office and other	**99,040**	83,831
Professional fees	**83,934**	21,095
Repairs and maintenance	**114,457**	92,154
Telephone and utilities	**29,060**	20,774
Travel	**225,800**	76,518
Vehicle	**233,270**	72,157
Wages and benefits	**1,115,316**	853,229
	5,244,531	3,837,621
Excess of revenues over expenses from operations	**506,260**	419,307
Amortization of deferred capital contributions (Note 6)	**31,674**	35,403
Amortization of tangible capital assets and intangibles	**(456,651)**	(345,207)
Loss on disposal of tangible capital assets	**(4,016)**	-
Canada Emergency Wage Subsidy (Note 11)	**-**	82,067
Forgivable portion of Canada Emergency Business Account (Note 12)	**-**	20,000
	(428,993)	(207,737)
Excess of revenues over expenses for the year	**77,267**	211,570
Net assets at beginning of year	**2,061,663**	1,850,093
Net assets at end of year	**2,138,930**	2,061,663

See accompanying notes to the financial statements

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30

	2023	2022
	$	$
Cash flows from (for):		
Operating activities		
Excess of revenues over expenses for the year	**77,267**	211,570
Items not involving cash		
Amortization of tangible capital assets and intangibles	**456,651**	345,207
Amortization of deferred capital contributions	**(31,674)**	(35,403)
Canada Emergency Business Account loan forgiveness	**-**	(20,000)
Loss on disposal of tangible capital assets	**4,016**	-
	506,260	501,374
Changes in		
Accounts receivable	**(129,604)**	(112,600)
Prepaid expenses	**108,449**	(108,449)
Inventories	**102,719**	83,067
Accounts payable and accruals	**98,658**	228,213
Government remittances payable	**60,531**	19,872
Deferred revenue	**(313,409)**	233,095
	433,604	844,572
Financing activities		
Repayment of Canada Emergency Business Account loan	**(4,000)**	-
Deferred capital contributions received	**-**	61,904
Repayment of long-term liabilities	**(109,292)**	(93,511)
Repayment of obligations under capital leases	**(85,402)**	(26,557)
Proceeds from construction credit facilities	**76,332**	355,166
Advance from Blue Mountain Wild School	**150,000**	-
	27,638	297,002
Investing activities		
Purchase of tangible capital assets	**(606,830)**	(1,112,930)
Change in cash and cash equivalents	**(145,588)**	28,644
Cash and cash equivalents at beginning of year	**(85,126)**	(113,770)
Cash and cash equivalents at end of year	**(230,714)**	(85,126)
Comprised of:		
Unrestricted	**(315,214)**	(483,035)
Externally restricted (Note 5)	**84,500**	397,909
	(230,714)	(85,126)

See accompanying notes to the financial statements

Nature of the Organization

Elephant Thoughts Educational Outreach is a registered charity incorporated under the Canada Corporations Act on April 26, 2002. The Organization's mandate is to help promote high standards of education worldwide despite economic or geographic barriers while supporting initiatives which propagate cultural understanding and sharing among school aged children. The Organization is exempt from income taxes pursuant to Section 149(1)(l) of the Income Tax Act.

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (referred to as ASNFPO) and are in accordance with Canadian generally accepted accounting principles (GAAP).

The following is a summary of significant accounting policies followed in the preparation of the financial statements:

(a) Revenue recognition

The Organization derives its operating revenue from contributions, program fees, government grants and rentals which are accounted for under the deferral method of accounting.

Unrestricted contributions are recognized as revenue when earned and collection is reasonably assured. Restricted contributions for operating expenditures are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions relating to depreciable tangible capital assets are deferred and amortized over the useful life of the depreciable tangible capital assets acquired. In-kind contributions are recognized at fair market value.

Program fees include contracted services performed by the Organization and are recognized as revenue when earned and collection is reasonably assured.

Grants are recognized as revenue when receivable and performance of any external restrictions has occurred.

Rentals include contracted services performed by the Organization and are recognized as revenue when earned and collection is reasonably assured

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash held at year end and investments (if any) with maturity dates less than three months from the date of purchase.

(c) Collections

The Organization's collections consist of fossils and cast replicas. The collections are recorded at cost and are not amortized as they have an unlimited useful life. Any expenditures on collections during the year were recorded as additions to collections. There were no collection items sold during the year. These assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired.

1. Summary of significant accounting policies (continued)

(d) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the purchase price and other acquisition costs such as wages directly related to construction, installation costs, legal fees, survey costs, freight charges, transportation, insurance costs, and duties. The cost incurred to enhance the service potential of an item of tangible capital assets (betterment) is also included in the cost of an asset.

Amortization is provided to allocate the cost of assets over their estimated useful lives, beginning with half the amortization amount being taken in the first year of service. Capital work in progress is not amortized until in use. Provision is made for amortization as follows:

Buildings	5%	declining balance
Computers	50%	declining balance
Equipment	20%	declining balance
Signs	20%	declining balance
Trailers	20%	declining balance
Vehicles	30%	declining balance

Tangible capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired.

(e) Intangibles

Intangibles consists of software programs and are stated at cost. Amortization is provided on a declining balance basis of 20%. These assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired.

(f) Vehicles under capital lease

Vehicle leases that effectively transfer all of the risks and rewards of ownership to the Organization as lessee are capitalized at the present value of the minimum lease payments under the lease with a corresponding liability for the related lease obligations. Charges to expenses are made for interest on the lease obligations and amortization (at a rate of 30% declining balance).

(g) Inventories

The Organization's inventory is recorded at the lower of cost and replacement cost, using the first-in, first-out method. Inventories consisted of handouts and other materials used in the delivery of programs. As of this fiscal year, inventory is no longer held by the Organization, as they purchase consumables, as needed, for the various programs they operate.

(h) Deferred capital contributions

Deferred capital contributions reported on the balance sheet include the estimated fair value of the contributed tangible capital assets at the time they were donated. Deferred capital contributions are amortized on the same basis as the donated asset.

1. Summary of significant accounting policies (continued)

(i) Contributed services

The Organization receives volunteer services from many individuals. Since these services are not normally purchased by the Organization and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

(j) Financial instruments

Initial recognition and measurement

A financial asset or a financial liability is recognized when the Organization becomes a party to the contractual provisions of the financial instrument.

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction, are initially measured at their fair value.

Subsequent measurement

Changes in fair value of investments in equity instruments, as quoted in an active market, are recognized in operations in the period incurred. All other financial assets and financial liabilities are measured at amortized cost.

Impairment

At the end of each reporting period, the Organization assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired.

(k) Use of estimates

The preparation of financial statements 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 year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known. Significant estimates include the useful lives of tangible capital assets, vehicles under capital lease, intangible assets and deferred capital contributions. Actual results could differ from those estimates.

2. Tangible capital assets

Tangible capital assets are comprised of:

	2023	2022
	$	$
Cost		
Land	**1,285,752**	1,276,507
Buildings	**4,208,745**	3,827,918
Computers	**84,730**	83,280
Equipment	**1,210,981**	1,015,289
Signs	**5,770**	8,996
Trailers	**53,221**	39,376
Vehicles	**509,197**	565,132
	7,358,396	6,816,498
Accumulated amortization		
Buildings	**559,170**	377,109
Computers	**82,489**	80,974
Equipment	**745,372**	653,433
Signs	**577**	7,571
Trailers	**32,988**	29,661
Vehicles	**366,397**	365,484
	1,786,993	1,514,232
	5,571,403	5,302,266

3. Bank indebtedness

The Organization has an operating line of credit available in the amount of $200,000 with an interest rate of Prime plus 1%. At year end there were drawings of $238,868 (2022 - $91,489) against the line of credit. The line of credit is overdrawn by $38,868 at year-end due to outstanding cheques.

4. Construction credit facilities

There are two credit facilities payable to PACE Savings and Credit Union Limited (PACE):

Facility 1 - Corporate fixed rate term loan (demand) in the amount of $362,948 at year end (2022 - $381,959). The loan bears interest at 5.25% and has a term of five years, maturing June 8, 2026 and amortized over 180 months or 15 years. Monthly payments are $3,218 (principal and interest) and while it is a demand loan, the expected payments for subsequent years are as follows:

	Principal	Interest	Total
	$	$	$
2024	20,709	17,907	38,616
2025	21,352	17,264	38,616
2026	320,887	16,126	337,013
	362,948	51,297	414,245

4. Construction credit facilities (continued)

Facility 2 - Construction line of credit in the amount of $559,222 at year end (2022 - $463,880). At year end the facility amount available was $568,500. The loan bears interest at 5.58% and has a term of five years, maturing November 15, 2027 and amortized over 180 months or 15 years. Monthly payments are $3,939 and expected payments for subsequent years are as follows:

	Principal $	Interest $	Total $
2024	16,554	30,714	47,268
2025	17,501	29,767	47,268
2026	18,503	28,765	47,268
2027	19,563	27,705	47,268
2028	487,101	11,217	498,318
	559,222	128,168	687,390

Both facilities are secured with an all-purpose collateral mortgage in the amount of $880,000 on the Kimbercote property in the Municipality of Grey Highlands with a net book value of $1,618,228 (2022 - $1,619,023). Further security includes general assignment of leases and rents, business loan general security agreement, assignment of general business liability and fire insurance, environmental indemnity agreement and other undertakings as set out in the commitment letter with PACE. As a condition of the Organization's credit facilities with PACE, certain covenants must be met. All such covenants were met at year end.

5. Deferred revenue

Deferred revenue consists of the following:

	2023 $	2022 $
First Nation summer camps	**-**	153,446
Riverstone wedding deposits	**9,500**	34,782
Blue Door grant	**75,000**	-
Cancode grant	**-**	76,681
Youth Employment and Skills Strategy grant	**-**	133,000
	84,500	397,909

6. Deferred capital contributions

Deferred capital contributions represent contributions restricted by the donors for the purchase of tangible capital assets. The changes in deferred capital contributions for the year are as follows:

	2023 $	2022 $
Balance at beginning of year	**311,267**	284,766
Capital contributions received	**-**	61,904
Amortization of deferred capital contributions	**(31,674)**	(35,403)
Balance at end of year	**279,593**	311,267

7. Long-term liabilities

Long-term liabilities consists of the following:

		2023 $	2022 $
(a)	3.99% loan payable to Chrysler Capital. Repayable in blended bi-weekly payments of $374, due October 2029. Secured by a vehicle with a net book value of $39,567 (2022 - $56,524).	**53,535**	63,258
(b)	6.25% loan payable to Kubota Canada. Repayable in blended monthly payments of $282, due October 2024.	**4,402**	7,457
(c)	0.00% loan payable to executive director for the purchase of a 2018 Kubota mower. The mower is being repaid in bi-weekly payments of $43.	**1,082**	2,183
(d)	Mortgage payable to Ernie Martin at a fixed rate of 2% per annum calculated semi-annually, for a fixed term of 10 years and an amortization period of 25 years. Repayable in monthly blended payments of principal and interest in the amount of $6,775, due January 2030. Secured by the land and buildings referred to as Riverstone Retreat with a net book value of $2,980,387 (2022 - $2,771,583).	**1,425,367**	1,477,714
(e)	3.99% loan payable to Chrysler Capital. Repayable in blended bi-weekly payments of $428, due August 2026. Secured by a vehicle with a net book value of $18,664 (2022 - $26,663).	**29,505**	39,111
(f)	6.48% loan payable to Chrysler Capital. Repayable in blended monthly payments of $379, due January 2026. Secured by vehicle with a net book value of $8,771 (2022 - $12,530).	**19,083**	28,911
(g)	5.90% loan payable to Chrysler Capital. Repayable in blended monthly payments of $602, due May 2025. Secured by vehicle with a net book value of $7,559 (2022 - $10,798).	**8,735**	17,226
(h)	5.90% loan payable to Chrysler Capital. Repayable in blended monthly payments of $626, due May 2025. Secured by vehicle with a net book value of $7,857 (2022 - $11,224).	**12,778**	20,946
(i)	7.98% loan payable to Chrysler Capital. Repayable in blended monthly payments of $502, due October 2029. Secured by vehicle with a net book value of $45,861 (2022 - $65,516).	**69,602**	76,575
		1,624,089	1,733,381
	Less: current portion	**(91,377)**	(95,387)
		1,532,712	1,637,994

Included in interest expense is $36,712 (2022 - $33,362) of interest related to long-term liabilities.
Payment requirements for subsequent years are:

	Principal $	Interest $	Total $
2024	91,377	38,943	130,320
2025	109,415	35,023	144,438
2026	91,357	31,496	122,853
2027	75,289	28,803	104,092
2028	77,605	26,487	104,092
Thereafter	1,179,046	120,408	1,299,454
	1,624,089	281,160	1,905,249

8. Obligations under capital leases

Obligations under capital leases consist of the following:

		2023	2022
		$	$
(a)	8.99% capital lease to Chrysler Financial. Repayable in blended monthly payments of $706.	**-**	5,044
(b)	0.00% capital lease payable to Kubota Canada LTD. Repayable in monthly principal payments of $174, due July 2023.	**177**	2,270
(c)	0.00% capital lease payable to Kubota Canada LTD. Repayable in monthly principal payments of $630, due August 2026.	**23,945**	31,506
(d)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $959, due April 2027.	**34,610**	43,165
(e)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,116, due June 2026.	**31,343**	45,364
(f)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,116, due June 2026.	**32,604**	45,364
(g)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,405, due June 2026.	**42,864**	57,133
(h)	4.53% capital lease payable to Kubota Canada LTD. Repayable in blended monthly payments of $742, due August 2026.	**26,108**	33,840
(i)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,033, due March 2028.	**48,478**	-
(j)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,194, due March 2028.	**50,534**	-
(k)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,096, due March 2028.	**57,320**	-
(l)	6.99% capital lease payable to Chrysler Financial. Repayable in blended monthly payments of $1,243, due March 2028.	**55,058**	-
		403,041	263,686
Less: current portion		**(100,937)**	(64,043)
		302,104	199,643

Included in interest expense is $24,784 (2022 - $2,081) of interest related to capital leases.

Payment requirements for subsequent years are:

	Principal	Interest	Total
	$	$	$
2024	100,937	25,654	126,591
2025	105,886	20,526	126,412
2026	112,561	13,853	126,414
2027	61,793	6,652	68,445
2028	21,864	1,917	23,781
	403,041	68,602	471,643

9. Financial instruments

The Organization's financial instruments consist of accounts receivable, operating line of credit, accounts payable, construction credit facilities, advance from Blue Mountain Wild School, obligations under capital leases, long-term liabilities and Canada Emergency Business Account.

The Organization is not exposed to significant market risk, currency risk nor other price risk. There has been no change in the risk assessment from the prior period.

Financial risks

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognized at the balance sheet date whereby a future change in interest rates will affect future cash flows or the fair value of fixed financial instruments.

At June 30, 2023, the Organization had two fixed rate construction credit facilities and mortgage, as well as several vehicle loans and leases with fixed interest rates and an operating line of credit with a floating rate. Management uses a mix of floating and fixed rates in order to mitigate interest rate risk.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met with the use of the available overdraft function of the bank. The available operating line of credit provides flexibility in the short-term to meet operational needs.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to accounts receivable. The Organization has significant concentration of credit risk with one counterparty. The Cree School Board accounts for 31.3% (2022 - 27.8%) of overall revenue. The Organization provides credit to its funders in the normal course of operations and mitigates credit risk by restricting access to programs and/or future programs in cases where accounts receivable remain outstanding.

10. Advance from Blue Mountain Wild School

On January 16, 2023, the Organization received a $150,000 advance from Blue Mountain Wild School. The advance bore no interest until June 30, 2023. Subsequent to this date, interest shall begin to accrue on the unpaid balance equal to Prime rate plus 3% per annum. Discussions are currently ongoing for Blue Mountain Wild School to purchase the land and building at Kimbercote. If this proceeds, the principal amount shall be applied as a deposit under the sales agreement.

11. COVID-19

As part of the emergency measures introduced by the Federal government the Organization applied for the Canada Emergency Wages Subsidy (CEWS). The Organization obtained wage subsidies in the amount of $NIL during the year ended June 30, 2023 (2022 - $82,067).

12. Canada Emergency Business Account

As part of the emergency measures introduced by the federal government the Organization accessed the Canada Emergency Business Account (CEBA) $60,000 loan. Details of the loan are as follows:

0% interest until January 18, 2024.

No principal payments due until January 18, 2024.

Principal repayments can be voluntarily made at any time without fees or penalties.

$20,000 loan forgiveness is available, provided outstanding balance is $60,000 at December 31, 2020 and $40,000 is paid back between January 1, 2021 and January 18, 2024. Given that the Organization intends to repay $40,000 by the deadline, the $20,000 forgivable portion was recognized as revenue in fiscal 2022.

If the balance is not paid by January 18, 2024, the remaining balance will be converted to a 3 year interest only loan at 5% annual interest, paid monthly, effective January 19, 2024.

The full balance must be repaid by no later than December 31, 2026.

Principal payments expected to be paid, assuming the loan is not repaid early, are as follows:

	Principal $	Interest $	Total $
2024	-	1,400	1,400
2025	-	2,800	2,800
2026	-	2,800	2,800
2027	56,000	1,400	57,400
	56,000	8,400	64,400