

**Chippewas of Nawash Unceded
First Nation
Consolidated Financial Statements**

March 31, 2019

Chippewas of Nawash Unceded First Nation

Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Chief and Council and Members of Chippewas of Nawash Unceded First Nation:

The accompanying consolidated financial statements of Chippewas of Nawash Unceded First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Chippewas of Nawash Unceded First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

September 19, 2019

Originals signed by:

Joselyn Keeshig

Band Administrator

Independent Auditor's Report

To the Chief and Council and Members of Chippewas of Nawash Unceded First Nation:

Opinion

We have audited the consolidated financial statements of Chippewas of Nawash Unceded First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated 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 responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation'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 First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 First Nation'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 First Nation'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 consolidated 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 First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Cambridge, Ontario

September 19, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Chippewas of Nawash Unceded First Nation
Consolidated Statement of Financial Position

As at March 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (Note 4)	22,996,257	18,308,743
Restricted cash (Note 5)	1,507,408	1,486,261
Accounts receivable (Note 6)	6,219,753	929,185
Housing loans receivable (Note 7)	1,423,583	1,677,538
Other accounts receivable	2,078,462	2,029,351
Funds held in trust (Note 8)	561,577	527,302
Portfolio investments (Note 9)	36,000,000	36,000,000
Total of financial assets	70,787,040	60,958,380
Liabilities		
Accounts payable and accruals (Note 11)	2,467,581	2,415,326
Deferred revenue (Note 12)	11,323,440	5,243,284
Payable to funding agency	193,544	271,570
Long-term debt (Note 13)	34,557,775	35,361,927
Total of liabilities	48,542,340	43,292,107
Net financial assets	22,244,700	17,666,273
Contingencies and claims (Note 14)		
Non-financial assets		
Tangible capital assets (Note 15) (Schedule 1)	24,619,515	19,061,120
Prepays	116,421	120,196
Total non-financial assets	24,735,936	19,181,316
Accumulated surplus (Note 16)	46,980,636	36,847,589

Approved on behalf of the First Nation

Originals signed by:

Gregory Nadjiwon _____
 Carolynn Wright _____
 Arlene Chegahno _____

Chief
 Councillor
 Councillor
 Councillor
 Councillor

Originals signed by:

John Bernard Keeshig _____
 Sidney Nadjiwon _____

Councillor
 Councillor
 Councillor
 Councillor
 Councillor

Chippewas of Nawash Unceded First Nation
Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2019

	2019 Budget (Note 21)	2019	2018
Revenues			
Federal government			
Indigenous Services Canada	16,010,933	15,895,795	6,312,357
Health Canada	1,174,717	1,176,737	1,119,013
Canadian Mortgage and Housing Corporation	-	147,775	223,466
Environment Canada	46,300	25,000	46,300
Provincial government	3,344,777	4,423,581	4,456,761
Ontario First Nations Limited Partnership funds	1,459,983	1,638,622	1,297,981
Saugeen Ojibway Nation projects	466,060	3,949,420	1,755,105
Other	3,681,445	4,904,724	3,173,464
Saugeen Ojibway Nation Finance Corporation investment income	-	4,297,616	3,719,296
Hope Bay settlement funds	-	-	8,000,000
Deferred revenue - prior year (Note 12)	5,243,284	5,243,284	4,837,982
Deferred revenue - current year (Note 12)	-	(11,323,440)	(5,243,284)
Repayment of funding	-	(28,962)	(114,827)
	31,427,499	30,350,152	29,583,614
Expenditures (Note 26)			
Administration fee recovery	(170,000)	(334,544)	(339,552)
Amortization	-	1,058,511	786,360
Band government	2,485,719	3,433,471	2,430,451
Community services	2,542,281	2,265,375	2,388,158
Economic development	1,108,921	829,143	938,321
Education	3,964,068	3,439,155	3,300,570
Employment programs	-	237,333	262,119
Health	2,269,697	2,366,840	2,195,370
Housing	254,032	340,266	441,860
Land claims	-	758,600	545,529
Public works	11,180,982	1,611,850	1,230,285
Saugeen Ojibway Nation Finance Corporation expenditures	-	1,312,185	1,217,186
Saugeen Ojibway Nation projects	2,559,330	1,763,390	2,079,561
Social services	-	1,192,934	1,155,074
	26,195,030	20,274,509	18,631,292
Surplus before other items	5,232,469	10,075,643	10,952,322
Other income			
Change in Canadian Mortgage and Housing Corporation reserves	-	23,129	19,778
Change in trust accounts	-	34,275	32,132
	-	57,404	51,910
Surplus	5,232,469	10,133,047	11,004,232
Accumulated surplus, beginning of year	36,847,589	36,847,589	25,843,357
Accumulated surplus, end of year	42,080,058	46,980,636	36,847,589

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

Chippewas of Nawash Unceded First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2019

	2019 Budget (Note 21)	2019	2018
Annual surplus	5,232,469	10,133,047	11,004,232
Acquisition of tangible capital assets	-	(6,616,906)	(1,302,916)
Amortization of tangible capital assets	-	1,058,511	786,360
Change in prepaid expenditures	-	3,775	(23,750)
Increase in net financial assets	5,232,469	4,578,427	10,463,926
Net financial assets, beginning of year	17,666,273	17,666,273	7,202,347
Net financial assets, end of year	22,898,742	22,244,700	17,666,273

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

Chippewas of Nawash Unceded First Nation
Consolidated Statement of Cash Flows

For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Surplus	10,133,047	11,004,232
Non-cash items		
Amortization	1,058,511	786,360
Increase (decrease) in allowance for doubtful loans	5,700	(9,000)
Discounts on housing loans	17,855	15,877
	11,215,113	11,797,469
Changes in working capital accounts		
Accounts receivable	(5,290,568)	(180,721)
Other accounts receivable	(49,111)	511,600
Accounts payable and accruals	52,255	(424,551)
Deferred revenue	6,080,156	405,302
Payable to funding agency	(78,026)	101,882
Prepays	3,775	(23,750)
	11,933,594	12,187,231
Financing activities		
Advances of long-term debt	746,510	-
Repayments of long-term debt	(1,550,662)	(1,499,464)
	(804,152)	(1,499,464)
Capital activities		
Acquisition of tangible capital assets	(6,616,906)	(1,302,916)
Investing activities		
Net change in restricted cash	(21,147)	(19,778)
Change in funds held in trust	(34,275)	(32,132)
Advances of housing and emergency loans	(78,056)	(132,693)
Repayment of housing and emergency loans	308,456	215,486
	174,978	30,883
Increase in cash resources	4,687,514	9,415,734
Cash resources, beginning of year	18,308,743	8,893,009
Cash resources, end of year	22,996,257	18,308,743
Supplementary cash flow information		
Interest paid	1,215,124	1,262,863

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

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

1. Operations

The Chippewas of Nawash Unceded First Nation (the "First Nation") is located in the Province of Ontario, and provides various services to its members. Chippewas of Nawash Unceded First Nation includes the Band's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to the following section, as set out in the CPA Canadian Public Sector Accounting Handbook:

- PS 3430 Restructuring Transactions

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements of adopting the new section.

3. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, and 50% of the operations of the Saugeen Ojibway Nation Finance Corporation ("SONFC"), an entity that is jointly owned under a nominee agreement. Trusts administered on behalf of third parties by Chippewas of Nawash Unceded First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenues and expenditures of the following entities and departments:

- Chippewas of Nawash Unceded First Nation Revenue Fund
- Chippewas of Nawash Unceded First Nation Board of Education
- Chippewas of Nawash Unceded First Nation Capital Housing Program
- Saugeen Ojibway Nation Finance Corporation

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Basis of presentation

Sources of revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Loans receivable

Loans receivable are recorded at cost less any valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

3. Significant accounting policies *(Continued from previous page)*

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed capital assets are recorded into revenues at their fair values on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization

Social housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings and improvements	straight-line	9 to 61 years
Machinery and equipment	straight-line	5 to 20 years
Vehicles	straight-line	10 to 20 years
Infrastructure	straight-line	14 to 75 years
Software	straight-line	5 to 10 years

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Retirement benefits

The First Nation has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on 4 - 11% of participants' salary, matching up to a maximum of 7%. The First Nation follows the policy of funding retirement contributions as accrued.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

3. Significant accounting policies *(Continued from previous page)*

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenues on the consolidated statement of financial position in the year of receipt.

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenues when received or receivable.

Externally restricted revenues

The First Nation recognizes externally restricted inflows as revenues in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Ottawa Trust Fund revenues

Due to measurement uncertainty, revenues related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Service and user fees

Revenues related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Other income

Other income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenues and expenditures during the reporting period.

Accounts receivable and member loans are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Payable to funding agencies is based on anticipated repayment requirements; however, actual repayments will be determined upon funding agencies review of the consolidated financial statements.

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

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

3. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation is a diversified governmental institution that provides a wide range of services to its Band Members, including band support, health services, education and social assistance. For management reporting purposes, the First Nation's operations and activities are organized and reported by departments.

Services are provided by departments and their activities are reported in these departments. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Band Support

The band support department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council and management and assistance for computer and communications related projects and services.

Health Services

The health services department provides a diverse bundle of services directed toward the well-being of the members of the First Nation including such activities as long-term care, health centres, diabetes, fetal alcohol syndrome, mental health, smoke-free programs, traditional healing, home care and training designed to enhance the health of the members.

Education

The education department provides education management services to the members of the First Nation as well as overseeing the operation of the local school and providing support to post secondary students.

Social Assistance

The social assistance department provides services under the Provincial Ontario Works Program including both active measures such as employment training and financial assistance components.

For each reported segment, revenues and expenditures include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocations methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenditures.

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

With the exception of those instruments designated at fair value, all financial instruments are subsequently measured at amortized cost or cost.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses. There has not been a reversal of such remeasurement during the year and thus no separate statement is disclosed.

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

4. Cash and cash equivalents

	2019	2018
Cash	12,706,019	9,658,658
Short term investments	10,290,238	8,650,085
	22,996,257	18,308,743

The short term investments comprise various government investment certificates with interest rates ranging from 1.80% to 1.90% (2018 - 1.45% to 1.60%) and maturity dates of April 1, 2019 to June 17, 2019 (2018 - April 3, 2018 to June 4, 2018).

5. Restricted cash

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), Chippewas of Nawash Unceded First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the CMHC with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund.

As joint owner of Saugeen Ojibway Nation Finance Corporation, a credit agreement requires that on any given date, the First Nation must keep an amount in the reserve account equal to the next two quarterly blended payments of principal and interest. For the Tranche A reserve account, a credit agreement requires that on any given date, the First Nation must keep an additional amount in the reserve account equal to the amount due and payable on account of the guarantee fee on the next payment date on which such a payment is due in accordance with the guarantee agreement.

	2019	2018
Restricted cash - Senior's Apartment Complex Reserve	149,819	128,672
Restricted cash - Saugeen Ojibway Nation Finance Corporation	1,357,589	1,357,589
	1,507,408	1,486,261

6. Accounts receivable

	2019	2018
Aboriginal Labour Force Development Circle	98,769	307,745
Canadian Mortgage and Housing Corporation	14,614	10,293
Coldwater Narrows	535,696	191,775
Environment Canada	52,630	46,300
Huronia Area Aboriginal Management Board	26,644	96,389
Indigenous Services Canada	5,491,300	169,901
Ministry of Children, Community and Social Services	-	56,487
Ministry of Education	100	50,295
	6,219,753	929,185

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Housing loans receivable

Loans receivable consist of the following:

	<i>Principal</i>	<i>Allowance</i>	<i>2019 Net recoverable value</i>	<i>2018 Net recoverable value</i>
Housing loans	2,565,283	(1,141,700)	1,423,583	1,677,538

During the year the First Nation advanced \$78,056 (2018 - \$132,693) of new housing loans to members.

Housing loans to members are non-interest bearing, secured by the related property and are repayable monthly in average aggregate repayments of \$21,672.

8. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada ("ISC"), with the consent of the First Nation's Chief and Council as follows:

	<i>2019</i>	<i>2018</i>
Capital Trust		
Balance, beginning and end of year	181,336	181,336
Revenue Trust		
Balance, beginning of year	345,966	313,834
Interest	12,337	10,584
Allocations	21,938	21,548
Balance, end of year	380,241	345,966
	561,577	527,302

9. Portfolio investments

	<i>2019</i>	<i>2018</i>
Class A BMLP Interest	25,000,000	25,000,000
Class B BMLP Interest	11,000,000	11,000,000
	36,000,000	36,000,000

On December 17, 2014 Saugeen Ojibway Nation Finance Corporation (a nominee corporation owned 50% by the First Nation) purchased 50,000,000 Class A Units and 22,000,000 Class B Units representing 34.19% interest of B2M Limited Partnership.

The partnership owns and operates a high voltage electrical transmission tower line between Kincardine and Milton, Ontario.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

10. Line of credit

The First Nation has a line of credit with TD Commercial Banking with an authorized limit of \$300,000 (2018 - \$300,000) at prime plus 0.5%. At March 31, 2019, there was \$Nil (2018 - \$Nil) outstanding on this line of credit.

The Cape Croker Park has a separate line of credit with TD Commercial Banking with an authorized limit of \$50,000 (2018 - \$50,000) at prime plus 0.5%. At March 31, 2019, there was \$Nil (2018 - \$Nil) outstanding on this line of credit.

Both lines of credit are secured by a General Security Agreement on all property and an accompanying borrowing resolution.

The Cape Croker Park has also entered into a commitment with the Bank of Montreal for the purposes of a \$505,000 non-revolving demand credit facility at prime plus 0.45% and unsecured. At March 31, 2019, this credit facility was not utilized.

11. Accounts payable and accruals

	2019	2018
Trade payables	2,226,613	2,162,687
Tenant deposits	3,750	3,826
Accrued salaries and benefits payable	220,202	217,452
Government remittances payable	17,016	31,361
	2,467,581	2,415,326

12. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Aboriginal Labour Force Development Circle	120,136	119,932	57,922	182,146
Coldwater Narrows	789,580	1,070,710	632,968	1,227,322
FedDev Ontario	101,862	-	101,862	-
Health Canada	10,337	1,176,737	1,186,224	850
Indigenous Services Canada	1,153,908	15,895,795	10,676,651	6,373,052
Indigenous Relations and Reconciliation	19,576	314,591	314,591	19,576
Ministry of Children, Community and Social Services	304,422	2,057,730	1,999,814	362,338
Ministry of Education	30,402	1,146,768	1,074,416	102,754
Ministry of Health	53,446	461,015	421,876	92,585
Ministry of Natural Resources and Forestry	183,070	191,200	194,294	179,976
Miscellaneous	879,035	5,180,044	4,594,199	1,464,880
Ontario First Nation Limited Partnership funds	372,649	1,576,622	1,537,577	411,694
Saugeen Ojibway Nation projects	1,224,861	3,949,420	4,268,014	906,267
	5,243,284	33,140,564	27,060,408	11,323,440

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

13. Long-term debt

	2019	2018
CMHC mortgage, phase 1 rental housing to be repaid over 25 years with interest at 1.82% and monthly blended payments of \$5,278, a renewal date of September 1, 2019, due 2029.	600,674	652,599
CMHC mortgage, phase 2 rental housing to be repaid over 25 years with interest at 0.94% and monthly blended payments of \$2,601, a renewal date of September 1, 2020, due 2035.	472,553	499,200
CMHC mortgage, phase 3 rental housing to be repaid over 25 years with interest at 1.44% and blended monthly payments of \$2,990, a renewal date of February 1, 2022, due 2037.	566,448	593,978
CMHC mortgage, phase 4 rental housing to be repaid over 15 years with interest at 2.21% and blended monthly payments of \$4,648, a renewal date of February 1, 2024, due 2034	696,144	-
Tranche A Loan, interest at 3.825%, payable in blended quarterly payments of \$393,540, due November 2039	22,475,154	23,172,878
Tranche B Loan, interest at 3.152%, payable in blended quarterly payments of \$266,770, due November 2029	9,696,802	10,443,272
Indian Agricultural Program of Ontario (IAPO), revolving demand loan of up to \$150,550, bearing interest at 6%, due July 11, 2019	50,000	-
	34,557,775	35,361,927
<u>Less: current portion</u>	<u>2,241,315</u>	<u>1,550,314</u>
	32,316,460	33,811,613

Principal repayments on long-term debt in each of the next five years, assuming all long-term debt subject to contractual terms of repayment, are estimated as follows:

2020	2,241,315
2021	2,063,512
2022	2,155,227
2023	1,704,005
2024	1,761,988
Thereafter	24,631,730

Interest on long-term debt amounted to \$1,215,124 (2018 - \$1,262,863).

CMHC mortgages payable are secured by various properties and guarantees by ISC.

Indian Agricultural Program of Ontario loan payable is secured by a general security agreement.

The First Nation liability under the Tranche A and B loans is limited to its beneficial interest in the B2M Limited Partnership which is held by the Saugeen Ojibway Nation Finance Corporation on behalf of the First Nation. The sole recourse of the lender in the event of default under the loan is limited to the B2M Limited Partnership interest and the property related thereto that has been pledged by the Saugeen Ojibway Nation Finance Corporation as security for the loan and the First Nation has no other payment obligations under this loan.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

14. Contingencies and claims

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expenditure recorded on the First Nation's consolidated financial statements.

The First Nation, along with the Chippewas of Saugeen, has sought legal representation to pursue a claim against Her Majesty with respect to the Indian Aboriginal Rights to 1.5 million acres of land, allegedly improperly surrendered in 1836 and to pursue claims against Her Majesty arising from the potentially improper administration and sale of lands surrendered in 1854 on the Bruce Peninsula, and of funds from the sale.

15. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

16. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Unrestricted funds	1,483,937	1,458,717
Equity in housing loans	1,423,583	1,677,538
Equity in Saugeen Ojibway Nation Finance Corporation (Note 23)	7,071,461	5,064,709
Equity in tangible capital assets	22,233,696	17,315,343
Funds held in trust (Note 8)	561,577	527,302
Hope Bay Settlement funds	7,185,447	7,991,555
Operating/replacement reserves CMHC projects	140,854	117,725
Saugeen Ojibway Nation Finance Corporation reserve	3,845,511	2,694,700
Ontario Power Generation ("OPG") reserve	3,034,570	-
	<hr/> 46,980,636	36,847,589

17. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC") the First Nation established the following:

- A replacement reserve, established by an annual allocation of \$22,522 (2018 - \$22,200), to ensure replacement of buildings financed by CMHC. As at March 31, 2019, \$140,854 (2018 - \$117,725) was required to be set aside to fund this reserve. The actual amount set aside as at March 31, 2019 was \$139,823 (2018 - \$118,826).
- A subsidy surplus reserve was established by retaining excess federal assistance payments received, plus interest. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance. At March 31, 2019, \$Nil (2018 - \$Nil) was required to fund this reserve. The actual amount set aside as at March 31, 2019 was \$9,997 (2018 - \$9,846).

In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

18. Government transfers

During the year, the First Nation recognized the following government transfers:

	<i>Operating transfers</i>	<i>Change in deferrals</i>	2019	2018
Indigenous Services Canada	15,895,795	(5,219,144)	10,676,651	5,797,532
Health Canada	1,176,737	9,487	1,186,224	1,129,412
Canada Mortgage and Housing Corporation	147,775	-	147,775	223,466
Environment Canada	25,000	-	25,000	46,300
Provincial government transfers	4,423,581	(64,451)	4,359,130	4,178,293
	21,668,888	(5,274,108)	16,394,780	11,375,003

19. Defined contribution pension plan

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute a minimum of 4% of their salary up to a maximum of 11% of their basic salary. The First Nation contributes a matching contribution of up to 7% which are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. During the year, the First Nation contributed \$138,339 (2018 - \$120,925) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2019.

20. Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership ("OFNLP"), the Province of Ontario shall pay to OFNLP twelve monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the First Nation its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

The First Nation holds one unit in the Ontario First Nations Limited Partnership and a share in a related company Ontario First Nations General Partner Inc. – the carrying values of which are nominal and are therefore not recorded in these consolidated financial statements.

21. Budget information

The disclosed budget information has been approved by the Chief and Council of the Chippewas of Nawash Unceded First Nation at the meeting held on April 27, 2018.

22. Economic dependence

Chippewas of Nawash Unceded First Nation receives a significant portion of its revenues from ISC as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

23. Saugeen Ojibway Nation Finance Corporation

The Chippewas of Nawash Unceded First Nation holds an investment of 50 common shares of SONFC, which represents a 50% ownership interest. As required by the nominee agreement, the proportion of SONFC's operations owned by the First Nation is required to be consolidated in these financial statements. SONFC has an audited December 31st year end, with a quarterly review done each quarter.

	March 31 2019	March 31 2018
Cash	2,673,397	2,116,573
Accounts receivable	750,000	750,000
Prepaid expenditures	19,975	23,750
Portfolio investment	36,000,000	36,000,000
Accounts payable and accrued charges	(199,918)	(209,464)
Long term debt	(32,171,993)	(33,616,150)
 Accumulated surplus	 7,071,461	 5,064,709
Total revenues	(4,297,616)	(3,719,296)
Total expenditures	1,312,185	1,217,186
 Surplus before community distribution	 (2,985,431)	 (2,502,110)
Community distribution	978,679	1,051,267
 Surplus for the year	 (2,006,752)	 (1,450,843)

Chippewas of Nawash Unceded First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

24. Financial Instruments

Financial instruments consist of recorded amounts of accounts receivable and other like amounts that will result in future cash receipts, as well as accounts payable and accrued liabilities, borrowings and other amounts that will result in future cash outlays.

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The interest rate risk reflects the sensitivity of the First Nation's consolidated annual surplus that arise from fluctuations in interest rates and the degree of volatility in these rates. The First Nation does not use derivative financial instruments to reduce its exposure to interest rate risk.

The First Nation is exposed to interest rate risk through its bank indebtedness which is subject to variable rates of interest. During the year, the First Nation's exposure to interest rate risk decreased as its long-term debt balance decreased. The First Nation's exposure to interest rate risk is partially mitigated as its long-term debt is at fixed interest rates.

(ii) Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The First Nation is exposed to credit risk through its housing loans receivable. The carrying amount of the Nation's housing loans receivable best represents the maximum exposure to credit risk.

25. Comparative figures

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

Chippewas of Nawash Unceded First Nation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

26. Segment disclosure and expenditures by object

	General/Band Support \$	Health \$	Education \$	Social Assistance \$	2019 Consolidated Total \$
REVENUES:					
Indigenous Services Canada	12,208,483	45,000	3,530,880	111,432	15,895,795
Health Canada	-	1,176,737	-	-	1,176,737
Environment Canada	25,000	-	-	-	25,000
Canada Mortgage and Housing Corporation	147,775	-	-	-	147,775
Province of Ontario	2,766,107	698,100	-	959,374	4,423,581
Band and other revenues	13,789,073	338,994	521,538	140,777	14,790,382
Add: Previous year deferred revenue	3,973,652	429,614	564,901	275,117	5,243,284
Less: current year deferred revenue	(9,391,433)	(509,939)	(1,085,498)	(336,570)	(11,323,440)
Repayment of funding	-	(9,487)	(8,105)	(11,370)	(28,962)
	23,518,657	2,169,019	3,523,716	1,138,760	30,350,152
EXPENDITURES:					
Administration fee recovery	(334,544)	-	-	-	(334,544)
Salaries and benefits	3,823,238	879,474	1,002,729	225,562	5,931,003
Materials, supplies, subcontracts	3,510,419	201,002	82,370	12,845	3,806,636
Professional fees	1,402,330	9,019	9,872	3,540	1,424,761
Interest on long-term debt	1,215,124	-	-	-	1,215,124
Provincial school tuition	-	-	422,495	-	422,495
Post-secondary support	-	-	1,211,444	-	1,211,444
Assistance payments	-	-	-	543,503	543,503
Employment support and training	-	-	-	74,767	74,767
Other	4,342,358	396,883	717,373	188,163	5,644,776
	13,958,925	1,486,378	3,446,282	1,048,380	20,274,509
Surplus	9,559,732	682,641	77,434	90,380	10,075,643
	General/Band Support \$	Health \$	Education \$	Social Assistance \$	2018 Consolidated Total \$
REVENUES:					
Indigenous Services Canada	2,686,896	45,000	3,250,399	330,062	6,312,357
Health Canada	-	1,119,013	-	-	1,119,013
Environment Canada	46,300	-	-	-	46,300
Canada Mortgage and Housing Corporation	223,466	-	-	-	223,466
Province of Ontario	2,875,628	528,572	-	1,052,561	4,456,761
Band and other revenues	17,121,336	329,234	463,812	31,464	17,945,846
Add: Previous year deferred revenue	4,316,468	87,165	307,360	126,989	4,837,982
Less: current year deferred revenue	(3,973,652)	(429,614)	(564,901)	(275,117)	(5,243,284)
Repayment of funding	-	(12,944)	(101,883)	-	(114,827)
	23,296,442	1,666,426	3,354,787	1,265,959	29,583,614
EXPENDITURES:					
Administration fee recovery	(339,552)	-	-	-	(339,552)
Salaries and benefits	4,043,170	868,253	924,745	225,926	6,062,094
Materials, supplies, subcontracts	2,826,588	210,149	66,933	10,779	3,114,449
Professional fees	1,273,711	14,531	6,522	1,600	1,296,364
Interest on long-term debt	1,262,863	-	-	-	1,262,863
Provincial school tuition	-	-	363,917	-	363,917
Post-secondary support	-	-	1,263,747	-	1,263,747
Assistance payments	-	-	-	628,426	628,426
Employment support and training	-	-	-	67,741	67,741
Other	3,586,057	427,223	681,835	216,128	4,911,243
	12,652,837	1,520,156	3,307,699	1,150,600	18,631,292
Surplus	10,643,605	146,270	47,088	115,359	10,952,322

Chippewas of Nawash Unceded First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	<i>Buildings and improvements</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Infrastructure</i>	<i>Software</i>	<i>2019</i>	<i>2018</i>
Cost							
Balance, beginning of year	16,577,757	2,051,032	2,100,142	3,889,601	316,847	24,935,379	23,632,463
Acquisition of tangible capital assets	1,735,673	96,008	53,241	4,731,984	-	6,616,906	1,302,916
Balance, end of year	18,313,430	2,147,040	2,153,383	8,621,585	316,847	31,552,285	24,935,379
Accumulated amortization							
Balance, beginning of year	2,920,370	994,269	1,066,655	804,680	88,285	5,874,259	5,087,899
Annual amortization	403,373	140,290	142,256	364,372	8,220	1,058,511	786,360
Balance, end of year	3,323,743	1,134,559	1,208,911	1,169,052	96,505	6,932,770	5,874,259
Net book value of tangible capital assets	14,989,687	1,012,481	944,472	7,452,533	220,342	24,619,515	19,061,120
2018 Net book value of tangible capital assets	13,657,387	1,056,763	1,033,487	3,084,921	228,562	19,061,120	