

Couchiching First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

Couchiching First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

Contents

Management's Responsibility for the Consolidated Financial Statements	2
Independent Auditor's Report	3
Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Changes in Accumulated Surplus	7
Consolidated Statement of Changes in Net Debt	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10
2018 Segment Disclosure	31
2017 Segment Disclosure	32
Independent Practitioner's Review Engagement Report	33
Schedule of Remuneration and Expenses - Chief and Councilors	35
Notes to Schedules	36

Couchiching First Nation Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Couchiching First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of Couchiching First Nation.

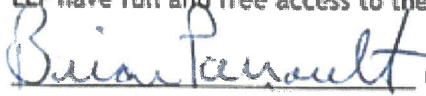
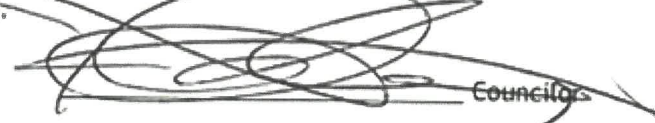
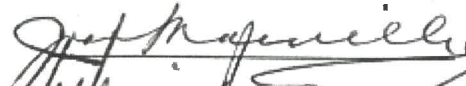
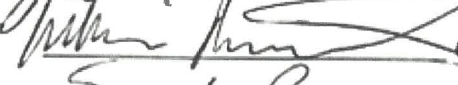
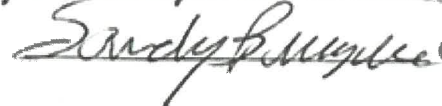
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Couchiching First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council reviews the First Nation's consolidated financial statements and meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Council.

 _____ Chief	 _____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	



Tel: 807-274-9848
Fax: 807-274-5142
www.bdo.ca

BDO Canada LLP
607 Portage Avenue
Fort Frances ON P9A 0A7 Canada

Independent Auditor's Report

To the Members of Couchiching First Nation

We have audited the accompanying consolidated financial statements of Couchiching First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, the consolidated statement of changes in accumulated surplus, the consolidated statement of changes in net debt, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Couchiching First Nation as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Couchiching First Nation for the year ended March 31, 2017, (prior to the restatement described in Note 2 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on April 16, 2018.

As part of our audit of the financial statements of Couchiching First Nation for the year ended March 31, 2018, we also audited the adjustments described in Note 2 that were applied to restate the financial statements for the year ended March 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements of Couchiching First Nation for the year ended March 31, 2017, other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended March 31, 2017, taken as a whole.

Couchiching First Nation has also prepared another set of consolidated financial statements for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards. However, these consolidated financial statements do not include unaudited supplementary schedules. Our audit report on the other set of consolidated financial statements was issued to the members of Couchiching First Nation and was dated September 24, 2018.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


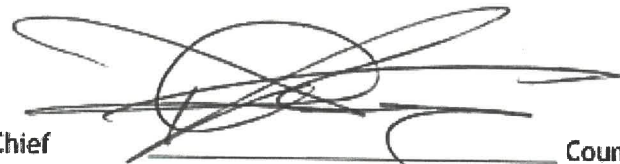
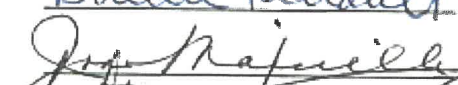
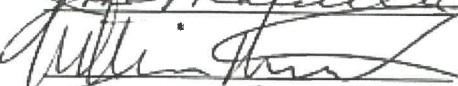
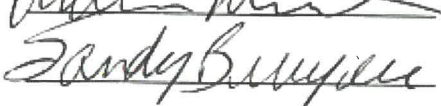
Fort Frances, Ontario
September 24, 2018

Couchiching First Nation Consolidated Statement of Financial Position

March 31	2018	Restated (Note 2) 2017
Financial assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 1,665,758
Accounts and loans receivable (Note 4)	2,692,202	1,126,306
Advances to affiliated Companies (Note 5)	-	180,755
Trust funds held by federal government (Note 6)	188,971	167,508
Trust funds held by Rainy River District First Nations Trust	70,883	-
Portfolio investments, at cost (Note 7)	2,090,835	1,832,379
Government business enterprises and partnerships (Note 8)	922,115	-
	<u>5,965,006</u>	<u>4,972,706</u>
Liabilities		
Bank indebtedness (Note 3)	28,985	-
Accounts payable and accrued liabilities	4,240,896	4,158,395
Deferred revenue (Note 9)	1,466,087	1,179,441
Obligation under capital lease (Note 11)	226,741	291,358
Long-term debt (Note 10)	4,703,566	5,329,425
	<u>10,666,275</u>	<u>10,958,619</u>
Net financial debt	<u>(4,701,269)</u>	<u>(5,985,913)</u>
Non-financial assets		
Tangible capital assets (Note 14)	16,703,369	18,338,796
Tangible capital assets under construction (Note 14)	1,272,420	290,000
Prepaid expense	189,073	92,336
Inventory	89,305	89,305
	<u>18,254,167</u>	<u>18,810,437</u>
Accumulated surplus (Note 13)	<u>\$13,552,898</u>	<u>\$ 12,824,524</u>

Contingent liabilities (Note 19)

Approved on behalf of Council

 Brian Penault Chief	 _____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	_____ Councilor

Couchiching First Nation Consolidated Statement of Operations

For the year ended March 31	Budget (Note 20)	2018	Restated (Note 2) 2017
Revenue			
Indigenous Services Canada (Note 18)	\$ 9,055,538	\$ 9,087,732	\$ 8,169,417
Health Canada	863,031	969,712	890,296
Canada Mortgage and Housing Corporation	-	661,592	543,714
Ministry of Community and Social Services	929,900	958,596	917,485
Ministry of Indigenous Relations and Reconciliation	90,000	113,875	184,701
Ministry of Education	535,984	539,042	424,445
Other provincial revenue	165,000	105,366	73,707
Ontario First Nations Limited Partnership	-	1,245,117	1,230,520
Weechi-It-Te-Win Family Services Inc.	846,813	862,048	716,052
Bingo	-	2,988,091	2,737,104
Miscellaneous programs	681,319	488,823	572,128
Rentals and fees	45,000	480,273	482,364
Interest and investment income	125,000	557,115	232,032
Fort Frances Tribal Area Health Authority	184,338	159,338	159,337
Shooniyaa Wa-Biitong	73,653	175,688	224,619
Heron Landing Golf Course	-	318,151	295,074
Wasaw Entities	-	-	998,037
	13,595,576	19,710,559	18,851,032
Expenditures			
Band support/administration	1,027,510	1,381,655	1,294,734
Education	6,131,070	5,375,224	5,983,804
Social	1,236,500	1,090,222	1,117,567
Capital maintenance	2,372,848	2,116,656	2,553,444
Day Care	676,037	719,536	682,135
Health	841,112	1,029,453	931,167
Economic and social development	1,465,151	2,125,965	2,109,905
Housing	-	832,928	908,873
Ontario First Nation Limited Partnership	-	308,441	251,529
Pow wow	-	107,298	46,994
Bingo	-	3,019,976	2,777,755
Housing relocation program	-	72,730	47,011
Heron landing golf course	-	802,101	762,303
Wasaw Entities	-	-	638,783
	13,750,228	18,982,185	20,106,004
Annual surplus (deficit)	\$ (154,652)	\$ 728,374	\$ (1,254,972)

Couchiching First Nation Consolidated Statement of Changes in Accumulated Surplus

March 31	2018	Restated (Note 2) 2017
Accumulated surplus, beginning of year, as previously stated	\$12,824,524	\$ 14,533,542
Correction of prior period error (Note 2)	-	(454,046)
Accumulated surplus, beginning of year, as restated	12,824,524	14,079,496
Annual surplus (deficit)	728,374	(1,254,972)
Accumulated surplus, end of year	\$13,552,898	\$ 12,824,524

Couchiching First Nation Consolidated Statement of Changes in Net Debt

For the year ended March 31	Budget	2018	Restated (Note 2) 2017
Annual surplus (deficit)	\$ (154,652)	\$ 728,374	\$ (1,254,972)
Acquisition of tangible capital assets	-	(1,552,243)	(54,359)
Amortization of tangible capital assets	-	1,509,994	1,504,133
Modified equity adjustment	-	695,256	-
	(154,652)	1,381,381	194,802
Use (acquisition) of prepaid expenses	-	(96,737)	46,290
Net change in net financial debt	(154,652)	1,284,644	241,092
Net financial debt, beginning of year	(5,985,913)	(5,985,913)	(5,772,959)
Correction of prior period error (Note 2)	-	-	(454,046)
Net financial debt, end of year	\$ (6,140,565)	\$ (4,701,269)	\$ (5,985,913)

Couchiching First Nation Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Annual surplus (deficit)	\$ 728,374	\$ (1,254,972)
Adjustments for		
Amortization of tangible capital assets	1,509,994	1,504,133
Net income from government business enterprises	44,983	-
	<u>2,283,351</u>	<u>249,161</u>
Changes in non-cash working capital		
Accounts and loans receivable	(1,565,896)	(32,219)
Prepaid expense	(96,737)	46,290
Trust funds	(92,346)	(20,660)
Accounts payable	82,501	1,015,077
Deferred revenue	286,646	895,467
	<u>(1,385,832)</u>	<u>1,903,955</u>
	<u>897,519</u>	<u>2,153,116</u>
Cash flows from capital activities		
Purchase of tangible capital assets	<u>(1,552,243)</u>	<u>(54,359)</u>
Cash flows from investing activities		
Advances to affiliated Companies	180,755	-
Distributions from (purchase of equity in) affiliated Companies	212,022	-
Purchase of portfolio investments	(258,456)	(193,806)
Modified equity adjustment	(548,481)	-
	<u>(414,160)</u>	<u>(193,806)</u>
Cash flows from financing activities		
Repayment of long-term debt	<u>(625,859)</u>	<u>(767,563)</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,694,743)</u>	<u>1,137,388</u>
Cash and cash equivalents, beginning of year	<u>1,665,758</u>	<u>528,370</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ (28,985)</u>	<u>\$ 1,665,758</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Chartered Professional Accountants of Canada Public Sector Accounting and Auditing Handbook, and include all organizations, operations and activities that are:

- 1) accountable for the administration of their financial affairs and resources directly to the First Nations; and
- 2) owned or controlled by the First Nations.

This includes all aspects of Band operations including the provision of social, educational, administration and operational services, as well as, the proportionate consolidation of other government organizations which include:

1489820 Ontario Limited o/a Heron Landing Golf Course.

Other long-term investments are reflected at cost as disclosed in Note 7.

Government business enterprises are separate legal entities which do not rely on the government for funding. The First Nations' government business enterprises consist of investments in:

2174911 Ontario Ltd. o/a Wasaw Enterprises
1486244 Ontario Ltd.
Wasaw Projects Inc.
Wasaw Construction Inc.
Wasaw Food Services Inc.
Five Mile Dock Services Ltd.
Wasaw NL Cottages GP Inc.
Wasaw Development GP Inc.

These investments are accounted for using the modified equity basis of accounting as disclosed in Note 8 to these consolidated financial statements.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Government business partnerships are contractual arrangements between the government reporting entity and a party or parties outside of the government reporting entity. Government business partnerships are separate legal entities which do not rely on the government for funding. The First Nations' government business partnerships consist of partnership units held in:

Wasaw Construction, LP
Wasaw Food Services, LP
Wasaw Development, LP
Wasaw NL Cottages, LP

These investments are accounted for using the modified equity basis of accounting.

Cash and Cash Equivalents Management considers all highly liquid investments with maturities of three months or less at acquisition to be cash equivalents.

Tangible Capital Assets Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The First Nations does not capitalize interest charges as part of the cost of its tangible capital assets.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the First Nations, forests, water, and other natural resources are not recognized as tangible capital assets.

Amortization

Amortization is calculated on the cost, net of contribution, on a straight-line basis over the following number of years:

Buildings	25 years
Equipment and vehicles	5 years
Golf Course	25 years
Infrastructure	25 to 50 years

Couchiching First Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Investments

Other investments (where control does not exist) are accounted for following the cost method of accounting. Under this method, the investment is recorded at cost and earnings from the investment are recognized only to the extent received or receivable.

Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined, with a reasonable degree of certainty, or when their estimation is impracticable.

Government transfers, which include legislative grants, are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue 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.

Rentals and other fees are recognized in the month that the related unit is rented or the fee for service is provided.

Interest income is recognized in accordance with terms of the related instrument.

Bingo revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Trust Funds

Trust funds are held in trust by ISC. Revenue on trust funds is recognized in accordance with terms of the related instrument.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The estimates used in the preparation of these consolidated financial statements are the useful lives of tangible capital assets and accrued liabilities.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

2. Prior Period Adjustment

During the current year, the First Nation determined that funding repayable to Indigenous Services Canada (ISC) in the amount of \$466,678 should have been recognized in prior periods. As a result, the prior year's consolidated financial statements contained an understatement of accounts payable of \$466,678, an overstatement of revenue from ISC as at March 31, 2017, of \$12,632, an overstatement of accumulated surplus as at April 1, 2016, of \$454,046 and an overstatement of accumulated surplus as at March 31, 2017, of \$466,678. This error has been corrected retroactively with restatement of prior years. The result of the correction of this prior period error is a \$466,678 increase in accounts payable as at March 31, 2017, a \$12,632 decrease in revenue from ISC as at March 31, 2017, a \$454,046 decrease in accumulated surplus as at April 1, 2016, and a \$466,678 decrease in accumulated surplus as at March 31, 2017.

3. Cash and Cash Equivalents

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$45,805 annually. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by CDIC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal. Cash and cash equivalents is comprised of the following:

	2018	2017
Externally restricted		
CMHC replacement reserve - term deposits	\$ 267,616	\$ 271,143
Unrestricted	(296,601)	1,394,615
	<u>\$ (28,985)</u>	<u>\$ 1,665,758</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

4. Accounts and Loans Receivable

	2018	2017
Loans receivable	\$ 251,721	\$ 260,530
Housing loans	58,545	51,068
Accounts receivable	2,644,727	1,085,092
Rents receivable	2,197,426	2,066,910
	5,152,419	3,463,600
Allowance for doubtful accounts	(2,460,217)	(2,337,294)
	<u>\$ 2,692,202</u>	<u>\$ 1,126,306</u>

5. Advances to Affiliated Companies

	Payment Terms	Interest Rate	2018	2017
Nanicos Ltd.	unspecified	unspecified	\$ -	\$ 180,755

6. Trust Funds Held by Federal Government

	March 31, 2017	Additions 2018	Withdrawals 2018	March 31, 2018
Revenue	\$ 62,855	\$ 21,463	\$ -	\$ 84,318
Capital	104,653	-	-	104,653
	<u>\$ 167,508</u>	<u>\$ 21,463</u>	<u>\$ -</u>	<u>\$ 188,971</u>

Trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

7. Portfolio Investments, at cost

	2018	2017
Securities	\$ 2,055,121	\$ 1,796,665
Investment in Rainy Lake Tribal Development Corporation		35,714
35,714		
	<u>\$ 2,090,835</u>	<u>\$ 1,832,379</u>

The First Nation's security investments have a market value of \$2,002,680 (2017 - \$1,893,198).

8. Government Business Enterprises and Partnerships, at modified equity

2174911 Ontario Ltd. o/a Wasaw Enterprises

2174911 Ontario Ltd. o/a Wasaw Enterprises is a Corporation that was created for the purpose of economic development opportunities.

Wasaw Food Services Inc.

Wasaw Food Services Inc. is a Corporation that was created for the purpose of holding partnership units in Wasaw Food Services, LP.

Wasaw Food Services, LP

Wasaw Food Services, LP is a limited partnership that was created for the purpose of providing catering services.

Wasaw Construction Inc.

Wasaw Construction Inc. is a Corporation that was created for the purpose of holding partnership units in Wasaw Construction, LP.

Wasaw Construction, LP

Wasaw Construction, LP is a limited partnership that was created for the purpose of carrying on the business of construction and general contracting.

Wasaw NL Cottages GP Inc.

Wasaw NL Cottages GP Inc. is a Corporation that was created for the purpose of holding partnership units in Wasaw NL Cottages, LP.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

8. Government Business Enterprises and Partnerships, at modified equity (continued)

Wasaw NL Cottages, LP

Wasaw NL Cottages, LP is a limited partnership that was created for the purpose of the real estate business around Nickel Lake.

Wasaw Development GP Inc.

Wasaw Development GP Inc. is a Corporation that was created for the purpose of holding partnership units in Wasaw Development, LP. This Corporation is currently inactive and Couchiching First Nation's investment in Wasaw Development GP Inc. is a nominal value until the Corporation becomes active.

Wasaw Development, LP

Wasaw Development, LP is a limited partnership that was created for the purpose of holding real estate properties.

Wasaw Projects Inc.

Wasaw Projects Inc. is a Corporation that was created for the purpose of economic development opportunities.

Five Mile Dock Services Ltd.

Five Mile Dock Services Ltd. is a Corporation that was created for the purpose of providing services to the Five Mile dock and landing. This Corporation is currently inactive and Couchiching First Nation's investment in Five Mile Dock Services Ltd. is a nominal value until the Corporation becomes active.

1486244 Ontario Ltd.

1486244 Ontario Ltd. is a Corporation that was created for the purpose of holding real estate properties.

Couchiching First Nation
Notes to Consolidated Financial Statements

March 31, 2018

8. Government Business Enterprises and Partnerships, at modified equity (continued)

	Wasaw Development, LP	Wasaw Projects Inc.	1486244 Ontario Ltd.	2174911 Ontario Ltd.	Wasaw NL Cottages GP Inc.	Wasaw NL Cottages, LP	Wasaw Food Services Inc.	Wasaw Food Services, LP	Wasaw Construction Inc.	Wasaw Construction, LP	Total
Percentage ownership	99%	100%	100%	100%	100%	99%	100%	99%	100%	99%	
Carrying value, April 1, 2017	\$ 187,050	\$ 22,515	\$ (14,504)	\$ 165,016	\$ (12)	\$ 456,885	\$ (6)	\$ (60,507)	\$ 20	\$ 198,979	\$ 955,436
Dividends/distributions	-	-	1,196	(393,850)	-	-	-	180,632	-	-	(212,022)
Share of net income (loss)	-	-	-	(220,381)	(3)	-	(9)	(93,058)	50	492,102	178,701
Carrying value, March 31, 2018	\$ 187,050	\$ 22,515	\$ (13,308)	\$ (449,215)	\$ (15)	\$ 456,885	\$ (15)	\$ 27,067	\$ 70	\$ 691,081	\$ 922,115
Balance comprised of:											
Shares/partners contributions	\$ 187,050	\$ 22,515	\$ (13,308)	\$ (449,215)	\$ (15)	\$ 457,950	\$ (15)	\$ 180,632	\$ 70	\$ 691,081	\$ 825,632
Share of cumulative net earnings	-	-	-	-	-	(1,065)	(15)	(153,565)	-	-	96,483
	\$ 187,050	\$ 22,515	\$ (13,308)	\$ (449,215)	\$ (15)	\$ 456,885	\$ (15)	\$ 27,067	\$ 70	\$ 691,081	\$ 922,115

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

8. Government Business Enterprises and Partnerships, at modified equity (continued)

	Wasaw Development, LP	Wasaw Projects Inc.	1486244 Ontario Ltd.	2174911 Ontario Ltd.	Wasaw NL Cottages GP Inc.	Wasaw NL Cottages, LP	Wasaw Food Services Inc.	Wasaw Food Services, LP	Wasaw Construction Inc.	Wasaw Construction, LP
Financial position										
Current assets	\$ -	\$ 205	\$ -	\$ 382,303	\$ -	\$ -	\$ -	\$ 1,100	\$ -	\$ -
Long-term assets	187,050	22,410	22,000	10,995	100	457,950	100	127,163	172	805,794
	187,050	22,615	22,000	393,298	100	457,950	100	128,263	172	805,794
Current liabilities	-	-	-	320,709	-	1,065	-	101,211	20	114,643
Long-term liabilities	-	-	36,494	-	114	-	16	-	-	-
	-	-	36,494	320,709	114	1,065	16	101,211	20	114,643
Share capital	-	100	10	1	1	-	100	-	100	-
Net equity (deficit), end of year	187,050	22,515	(14,504)	72,588	(15)	456,885	(16)	27,052	52	691,151
	187,050	22,615	(14,494)	72,589	(14)	456,885	84	27,052	152	691,151
	187,050	22,615	22,000	393,298	100	457,950	100	128,263	172	805,794
Results of operations										
Revenues	\$ -	\$ -	\$ -	\$ 54,000	\$ -	\$ -	\$ -	\$ 74,252	\$ 52	\$ -
Operating expenses	-	-	-	104,459	3	-	10	123,734	20	93,850
	-	-	-	(50,459)	(3)	-	(10)	(49,482)	32	(93,850)
Net income (loss)	22,515	(14,504)	123,047	(12)	456,885	(6)	24,344	20	785,001	-
Net equity (deficit), beginning of year	-	-	-	-	-	-	-	52,190	-	-
Dividends/distributions	-	-	-	-	-	-	-	-	-	-
	187,050	22,515	(14,504)	72,588	(15)	456,885	(16)	27,052	52	691,151
Net equity (deficit), end of year	187,050	22,515	(14,504)	72,588	(15)	456,885	(16)	27,052	52	691,151

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

9. Deferred Revenue

	2017	Funding received 2018	Revenue Recognized 2018	2018
Federal Government				
ISC				
Capital	\$ 329,164	\$ 458,020	\$ 787,184	\$ -
Construction of multi- units	675,960	350,640	986,229	40,371
Renovations and additions	-	280,300	100,848	179,452
Skills link program	-	248,251	121,766	126,485
Education	-	3,013,689	2,196,525	817,164
Prev/least disruptive measures	-	83,900	-	83,900
Provincial Government				
Ministry of Education - Capital	29,649	-	29,649	-
Ministry of Attorney General	12,167	100,000	56,375	55,792
Other				
IESO	13,848	19,900	13,848	19,900
Weechi-it-te-win				
Family Well Being	52,641	150,314	202,955	-
Community Care	-	717,248	659,093	58,155
Jordan's Principle	-	25,000	-	25,000
Federal Immediate	54,860	-	3,161	51,699
Prepaid rent	6,900	1,269	-	8,169
Prepaid golf memberships	4,252	-	4,252	-
	\$ 1,179,441	5,448,531	\$ 5,161,885	\$ 1,466,087

Revenue is deferred when the First Nation has not met the stipulations that the funding is to be expended on programs as outlined in the funding agreement.

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

10. Long-term Debt

	2018	2017
CMHC mortgage payable, repayable in monthly installments of \$4,569 including interest at 2.11%, maturing December 1, 2033.	\$ 734,546	\$ 773,490
CMHC mortgage payable, repayable in monthly installments of \$2,901 including interest at 1.04%, maturing October 1, 2035.	559,192	588,032
CMHC mortgage payable, repayable in monthly installments of \$15,171 including interest at 1.09%, maturing August 1, 2019.	255,909	434,148
CMHC mortgage payable, repayable in monthly installments of \$3,375 including interest at 2.39%, maturing January 1, 2033.	505,867	535,808
CMHC mortgage payable, repayable in monthly installments of \$4,156 including interest at 1.12%, maturing December 1, 2024.	324,104	370,078
Industrial Alliance Mortgage, repayable in monthly installments of \$5,986 including interest at 3.50%, maturing June 1, 2021.	220,467	283,451
Royal Bank term loan, repayable in monthly installments of \$20,363 including interest at 5.45%, maturing August 1, 2029. Secured by 20 mobile trailer homes.	1,938,819	2,073,444
Royal Bank term loan, repayable in monthly installments of \$5,689 including interest at prime plus 1.50% (4.95% as at March 31, 2018), maturing November 1, 2018.	164,662	219,195
Royal Bank demand loan, repayable in monthly installments of \$1,901 including interest at 5.99%, repaid during the year.	-	14,779
Royal Bank demand loan, repayable in monthly installments of \$1,300 including interest at 4.99%, repaid during the year.	-	7,689
Royal Bank demand loan, repayable in monthly installments of \$1,300 including interest at 4.99%, repaid during the year.	-	7,689
	\$ 4,703,566	\$ 5,307,803

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

10. Long-term Debt (continued)

	<u>2018</u>	<u>2017</u>
Carried forward	\$ 4,703,566	\$ 5,307,803
Royal bank term loan, repayable in monthly payments of \$1,130 plus interest at prime plus 1.50%, repaid during the year.	-	21,622
	<u>\$ 4,703,566</u>	<u>\$ 5,329,425</u>

The above noted mortgages are secured by a first charge mortgage against the respective rental property and Ministerial Guarantees from Indigenous Services Canada. The other loans are secured by a specific lien against the assets purchased with the proceeds.

Payments of principal required over the next five years and thereafter are as follows:

	Principal Repayments	Interest	Total
2019	\$ 701,803	\$ 151,510	\$ 853,313
2020	599,241	135,316	734,557
2021	494,385	119,270	613,655
2022	413,590	105,718	519,308
2023	398,138	93,753	491,891
Thereafter	2,096,409	278,106	2,374,515
	<u>\$ 4,703,566</u>	<u>\$ 883,673</u>	<u>\$ 5,587,239</u>

	<u>2018</u>	<u>2017</u>
Interest expense for the year on long-term debt	<u>\$ 165,431</u>	<u>\$ 184,409</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

11. Obligation under Capital Lease

	<u>2018</u>	<u>2017</u>
National Leasing, obligation under capital lease - 7.12% due November 2019, repayable \$13,645 principal and interest for the months of May - October.	<u>\$ 226,741</u>	<u>\$ 291,358</u>

Obligations under capital lease are secured by certain plant and office equipment.

The future minimum lease payments for the next two years are as follows:

Year	Amount
2019	\$ 69,380
2020	<u>157,361</u>
	<u>\$ 226,741</u>

Couchiching First Nation

Notes to Consolidated Financial Statements

March 31, 2018

12. Government Transfers

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers:						
Indigenous Services Canada	\$ 7,700,655	\$ 1,387,077	\$ 9,087,732	\$ 8,169,417	- \$	\$ 8,169,417
Health Canada	969,712	-	969,712	890,296	-	890,296
Canada Mortgage and Housing Corporation	661,592	-	661,592	543,714	-	543,714
	<u>\$ 9,331,959</u>	<u>\$ 1,387,077</u>	<u>\$ 10,719,036</u>	<u>\$ 9,603,427</u>	<u>- \$</u>	<u>\$ 9,603,427</u>
Provincial government transfers:						
Ministry of Community and Social Services	\$ 958,596	- \$	958,596	\$ 917,485	- \$	917,485
Ministry of Indigenous Relations and Reconciliation	113,875	-	113,875	184,701	-	184,701
Ministry of Education	539,042	-	539,042	424,445	-	424,445
Other provincial transfers	105,366	-	105,366	73,707	-	73,707
	<u>\$ 1,716,879</u>	<u>- \$</u>	<u>\$ 1,716,879</u>	<u>\$ 1,600,338</u>	<u>- \$</u>	<u>\$ 1,600,338</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

13. Accumulated Surplus

The First Nation segregates its accumulated surplus in the following categories:

	<u>2018</u>	<u>2017</u>
Investment in tangible capital assets		
Tangible capital assets	\$17,975,789	\$ 18,628,796
Debt relating to tangible capital assets	(4,765,645)	(5,349,809)
Total investment in tangible capital assets	<u>13,210,144</u>	<u>13,278,987</u>
Operations	<u>(791,335)</u>	<u>(1,128,108)</u>
Equity in trusts	188,971	167,508
Equity in enterprises	402,584	-
Equity in long term receivables	<u>28,342</u>	<u>24,371</u>
	<u>619,897</u>	<u>191,879</u>
Replacement reserves	<u>514,192</u>	<u>481,766</u>
	<u>\$13,552,898</u>	<u>\$ 12,824,524</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

14. Tangible Capital Assets

	2018				
	Land	Buildings and housing	Infrastructure	Equipment and Vehicles	Golf Course
Cost, beginning of year	\$ 64,000	\$ 23,972,367	\$ 8,220,076	\$ 2,344,281	\$ 3,495,093
Additions	-	569,823	-	-	-
Disposals	-	-	-	-	-
Cost, end of year	64,000	24,542,190	8,220,076	2,344,281	3,495,093
Accumulated amortization, beginning of year	-	12,386,599	4,159,460	1,981,747	1,924,471
Amortization	-	982,392	218,072	169,726	139,804
Disposals	-	-	-	-	-
Accumulated amortization, end of year	-	13,368,991	4,377,532	2,151,473	2,064,275
Net carrying amount, end of year	\$ 64,000	\$ 11,173,199	\$ 3,842,544	\$ 192,808	\$ 1,430,818
					\$ 16,703,369

The net book value of the tangible assets not being amortized because they are under construction is \$1,272,420 (2017 - \$290,000). These items are recognized separately as tangible capital assets under construction in the consolidated statement of financial position. This relates to the new 8 plex building and roundhouse.

Couchiching First Nation
Notes to Consolidated Financial Statements

March 31, 2018

14. Tangible Capital Assets (continued)

	2017				
	Land	Buildings and housing	Infrastructure	Equipment and Vehicles	Golf Course
Cost, beginning of year	\$ 709,000	\$ 23,972,367	\$ 8,220,076	\$ 2,367,742	\$ 3,495,093
Additions	-	-	-	54,359	-
Disposals	-	-	-	-	-
Cost, end of year	709,000	23,972,367	8,220,076	2,422,101	3,495,093
Accumulated amortization, beginning of year	-	11,427,000	3,941,388	1,822,653	1,784,667
Amortization	-	959,599	218,072	186,658	139,804
Disposals	-	-	-	-	-
Accumulated amortization, end of year	-	12,386,599	4,159,460	2,009,311	1,924,471
Net carrying amount, end of year	\$ 709,000	\$ 11,585,768	\$ 4,060,616	\$ 412,790	\$ 1,570,622
					\$ 18,338,796

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

15. Pension Plan

The First Nation has a defined contribution pension plan for full-time employees. The First Nation matches employee contributions at 5% or 8.425% of the employee salary. As a defined contribution pension plan, the First Nation has no further liability or obligation for future contributions to fund future benefits to plan members. The First Nation has contributed \$141,051 (2017 - \$121,765) to the pension plan during the year.

16. Economic Dependence

Couchiching First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada.

17. Federal Assistance Payments

The CMHC projects have received federal assistance through CMHC pursuant to Section 56.1 of the National Housing Act to enable the project to provide housing to low income individuals. The amount of assistance received in 2018 was \$293,309 (\$293,502 in 2017).

18. ISC Funding Reconciliation

	2018	2017
ISC revenue per funding confirmation	\$ 9,325,242	\$ 8,995,095
Deferred revenue, beginning of year	1,005,124	192,078
Deferred revenue, end of year	(1,247,372)	(1,005,124)
Recovery of prior years' funding	4,738	(12,632)
ISC revenue per the consolidated financial statements	<u>\$ 9,087,732</u>	<u>\$ 8,169,417</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

19. Contingent Liabilities

During the year, Couchiching First Nation received forgivable loans from the Canadian Mortgage and Housing Corporation in the amount of \$54,863 (2017 - \$10,080) as part of the Reserve Residential Rehabilitation Program. These loans are forgivable over a five year period, contingent upon the stipulation that the properties associated with the loans are owned and operated by Couchiching First Nation and are occupied by Band members. The full amount of the loans has been recognized as revenue as there is no intention to sell or dispose of the properties and they are expected to remain occupied by Band members over the term of the loans.

The First Nation, in the course of its operations, is subject to lawsuits. As a policy, the First Nation will accrue for losses in instances where it is probable the liabilities will be incurred and where such liabilities can be reasonably estimated. Refer to Note 24 for impact on the First Nation's financial position for ongoing lawsuits.

20. Budget

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared without accounting for the impact of adopting PSAB generally accepted accounting principles and the implementation of the tangible capital asset policy.

21. Expenditure by Object

	2018	2017
Salaries, wages and employee benefits	\$ 3,837,744	\$ 4,180,976
Materials and supplies	13,150,960	13,916,941
Rents and financial expenses	337,597	343,282
Travel	145,890	160,673
Amortization	1,509,994	1,504,132
	<u>\$18,982,185</u>	<u>\$ 20,106,004</u>

Couchiching First Nation Notes to Consolidated Financial Statements

March 31, 2018

22. Segmented Information

Couchiching First Nation is a First Nations government that provides a wide range of services to the members of its community. For management reporting purposes the First Nations' operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following significant segments have been identified and as such are separately disclosed:

Education

Education Services include activities that provide education to Band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Capital

This segment is responsible for all the capital asset activities occurring in the First Nations during the year, included housing construction and renovations.

Social Services

This segment contains activities that provide financial support or support by other means to Band members that is aimed at developing both the individual as well as the community.

Band Government

This segment contains activities that are necessary for the management and governance of the First Nations Organization.

Operations and Maintenance

This segment contains all activities that relate to the maintenance of land, buildings and infrastructure of the First Nation.

Other Services

The First Nation provides a wide variety of other services, including youth employment projects, economic development, housing activities and others.

23. Comparative Figures

The comparative amounts presented in the consolidated financial statements have been reclassified to conform to the current year's presentation.

24. Subsequent Event

On August 24, 2018, a cost award was determined arising out of litigation brought jointly by the First Nation. The financial effect on the First Nation is a liability up to a maximum of \$349,074. The litigation is still ongoing and the result of the litigation is still unknown, once the matter is settled the cost award liability will be confirmed.

Couchiching First Nation 2018 Segment Disclosure

For the year ended March 31, 2018	Band Support	Operations Maintenance and	Education	Social Services	Minor Capital	Other	Total
Revenue							
Indigenous Services Canada	\$ 596,719	\$ 688,278	\$ 5,382,575	\$ 101,688	\$ 787,184	\$ 1,531,288	\$ 9,087,732
Canada	-	-	-	-	345,627	1,325,678	1,671,305
Ontario	-	-	-	1,004,607	-	736,254	1,740,861
Casino Rama	-	-	-	-	-	1,245,117	1,245,117
Other Aboriginal organizations	-	-	-	-	-	1,202,735	1,202,735
Interest, rentals and other	444,163	20,723	-	-	70	4,297,853	4,762,809
Administration	179,305	-	-	(18,700)	-	(160,605)	-
Transfers	-	280,208	-	-	-	(280,208)	-
	1,220,187	989,209	5,382,575	1,087,595	1,132,881	9,898,112	19,710,559
Expenditures							
Salaries, wages and benefits	455,554	117,661	487,741	274,641	50,934	2,451,213	3,837,744
Materials, supplies and capital	476,767	871,147	4,871,200	794,721	216,035	5,921,090	13,150,960
Rents and financial expenses	160,290	400	-	1,226	119,096	56,585	337,597
Travel	55,970	-	16,282	19,634	-	54,004	145,890
Amortization	233,074	624,429	-	-	-	652,491	1,509,994
	1,381,655	1,613,637	5,375,223	1,090,222	386,065	9,135,383	18,982,185
Excess (deficiency) of revenue over expenditures	\$ (161,468)	\$ (624,428)	\$ 7,352	\$ (2,627)	\$ 746,816	\$ 762,729	\$ 728,374

Couchiching First Nation 2017 Segment Disclosure

For the year ended March 31, 2017	Band Support	Operations and Maintenance	Education	Social Services	Minor Capital	Other	Total
Revenue							
Indigenous Services Canada	\$ 511,371	\$ 683,922	\$ 5,597,460	\$ 145,068	\$ 527,471	\$ 764,646	\$ 8,229,938
Canada	-	-	-	-	250,212	1,211,027	1,461,239
Ontario	-	-	-	977,558	-	598,797	1,576,355
Casino Rama	-	-	-	-	-	1,230,520	1,230,520
Other Aboriginal organizations	-	-	-	-	-	1,136,067	1,136,067
Interest, rentals and other	290,137	19,235	-	-	313	4,907,228	5,216,913
Administration	151,919	-	-	(20,000)	-	(131,919)	-
Transfers	(14,000)	458,410	-	-	-	(444,410)	-
	939,427	1,161,567	5,597,460	1,102,626	777,996	9,271,956	18,851,032
Expenditures							
Salaries, wages and benefits	446,414	111,659	421,464	238,317	-	2,963,122	4,180,976
Materials, supplies and capital	422,507	898,231	5,549,976	869,031	646,387	5,530,809	13,916,941
Rents and financial expenses	124,685	-	-	70	131,609	86,918	343,282
Travel	68,054	-	12,364	10,148	-	70,107	160,673
Amortization	233,074	615,121	-	-	-	655,937	1,504,132
	1,294,734	1,625,011	5,983,804	1,117,566	777,996	9,306,893	20,106,004
Deficiency of revenue over expenditures	\$ (355,307)	\$ (463,444)	\$ (386,344)	\$ (14,940)	\$ -	\$ (34,937)	\$ (1,254,972)