

Lac La Croix First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

Lac La Croix 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 |
| Consolidated 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 Financial Assets (Debt) | 8 |
| Consolidated Statement of Cash Flows | 9 |
| Summary of Significant Accounting Policies | 10 |
| Notes to Consolidated Financial Statements | 14 |
| 2018 Segment Disclosure | 26 |
| 2017 Segment Disclosure | 27 |
| Notice To Reader | 28 |
| Unaudited Supplementary Information to the Consolidated Financial Statements | |
| Schedules of Revenue and Expenses | |
| Education | 29 |
| Social Services | 30 |
| Band Support/Administration | 31 |
| O & M Programs | 32 |
| Minor Capital | 33 |
| Medical Transportation | 34 |
| Summer Student | 35 |
| Economic Development | 36 |
| Weechi-It-Te-Win Community Care | 37 |
| OFNLP | 38 |
| Fort Frances Tribal Area Health Authority | 39 |
| Water and Sewer | 40 |
| Treaty Land Entitlement Claim | 41 |
| CMHC Rental Housing | 42 |
| Health Canada Integrated Services | 43 |
| Other Children's Programs | 44 |
| MNR Partnership | 45 |
| Lac La Croix Majiishkaa Community Organization | 46 |
| Independent Practitioner's Review Engagement Report | 47 |
| Schedule of Remuneration and Expenses - Chief and Council | 48 |
| Schedule of Remuneration and Expenses - Senior Officials | 49 |
| Schedules of Remuneration and Expenses - Notes to Schedules | 50 |

Lac La Croix First Nation Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Lac La Croix 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 Lac La Croix First Nation.

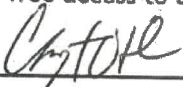
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has 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.

Lac La Croix 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



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 Chief and Council of
Lac La Croix First Nation**

We have audited the accompanying consolidated financial statements of Lac La Croix First Nation, as at March 31, 2018, which are comprised of 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 Financial Assets (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 the 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 the 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 the 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 disclaimer of audit opinion.

Basis for Disclaimer of Opinion

The First Nation was not able to provide satisfactory audit evidence with respect to the completeness or existence of expenses, payroll and other revenue due to lack of supporting documentation. Accordingly, we were unable to confirm or verify by alternative means that all expenses, payroll and other revenue of the First Nation have been properly recorded, nor whether the classification of expenses, payroll and other revenue is appropriate. As a result we were unable to determine whether any adjustments might be necessary to expenses, accounts payable, payroll, other revenue and accumulated surplus.



Disclaimer of Opinion

Due to the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Other Matters

These consolidated financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures and have been prepared to assist management of Lac La Croix First Nation to meet the reporting requirements of various funding agencies. Our report is intended solely for management of Lac La Croix First Nation and various funding agencies. As a result, the consolidated financial statements should not be distributed to or used by other parties.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


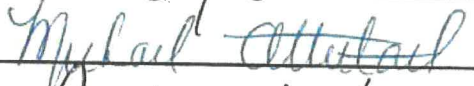
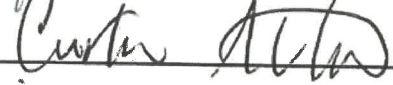
Fort Frances, Ontario
November 26, 2018

Lac La Croix First Nation

Consolidated Statement of Financial Position

| March 31 | 2018 | 2017 |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 1,156,819 | \$ - |
| Accounts and loans receivable (Note 3) | 941,792 | 1,488,777 |
| Investments held in trust (Note 6) | 83,246 | 51,117 |
| Portfolio investments (Note 4) | 315 | 165,419 |
| Government business enterprises and partnerships (Note 5) | 1 | 1 |
| | <u>2,182,173</u> | <u>1,705,314</u> |
| Liabilities | | |
| Bank indebtedness (Note 2) | - | 51,718 |
| Accounts payable and accrued liabilities | 2,419,924 | 2,738,775 |
| Deferred revenue (Note 7) | 672,164 | 68,365 |
| Long-term debt (Note 8) | 1,616,560 | 1,823,825 |
| | <u>4,708,648</u> | <u>4,682,683</u> |
| Net assets (debt) | <u>(2,526,475)</u> | <u>(2,977,369)</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 11) | 5,883,955 | 6,943,020 |
| Tangible capital assets under construction (Note 11) | 23,000 | 23,000 |
| Prepaid expense | 9,008 | - |
| | <u>5,915,963</u> | <u>6,966,020</u> |
| Commitments and contingencies (Note 12) | | |
| Accumulated surplus (Note 10) | <u>\$ 3,389,488</u> | <u>\$ 3,988,651</u> |

Approved on behalf of Council:

| | |
|--|-----------|
|  _____ | Chief |
|  _____ | Councilor |
|  _____ | Councilor |

Lac La Croix First Nation Consolidated Statement of Operations

| March 31 | Budget | 2018 | 2017 |
|---|---------------------|-----------------------|-----------------------|
| | (Note 17) | | |
| Revenue | | | |
| Indigenous Services Canada (Note 15) | \$ 2,205,109 | \$ 2,738,212 | \$ 2,509,794 |
| Health Canada | 477,350 | 515,081 | 515,699 |
| Canada Mortgage and Housing Corporation (CMHC) | 85,889 | 204,927 | 96,104 |
| Ministry of Community and Social Services | 220,000 | 247,466 | 287,044 |
| Ministry of Indigenous Relations and Reconciliation | 95,407 | 556,118 | 169,217 |
| Ministry of Natural Resources | 450,000 | 402,712 | 557,108 |
| Ministry of Health and Long-term Care | 67,000 | 118,929 | 44,452 |
| Ontario First Nations Limited Partnership | 497,084 | 567,597 | 562,278 |
| Weechi-It-Te-Win Family Services Inc. | - | 708,616 | 566,082 |
| Rentals and fees | - | 7,800 | 12,543 |
| Fort Frances Tribal Area Health Authority | 63,525 | 144,168 | 117,450 |
| Shooniyaa Wa-Biitong | 40,686 | 24,122 | 41,992 |
| Other | 134,802 | 491,454 | 700,133 |
| | <u>4,336,852</u> | <u>6,727,202</u> | <u>6,179,896</u> |
| Expenses | | | |
| Education | 1,153,049 | 1,670,432 | 1,722,949 |
| Welfare | 345,500 | 351,245 | 401,505 |
| Band support/administration | 1,019,893 | 2,034,970 | 2,168,368 |
| Operations and maintenance | 274,953 | 49,389 | 83,148 |
| Minor capital | - | 148,365 | 16,000 |
| Medical transportation | 95,446 | 95,446 | 95,446 |
| Summer student | 10,400 | - | 10,400 |
| Economic development | 35,700 | 58,099 | 59,436 |
| Community care | - | 708,616 | 528,052 |
| Casino Rama | 497,084 | 567,597 | 562,278 |
| Fort Frances Tribal Area Health Authority | 63,525 | 168,297 | 108,354 |
| Water and sewer | 52,516 | 126,198 | 161,013 |
| Treaty land entitlement | 95,407 | 233,404 | 9,064 |
| CMHC | 95,250 | 276,876 | 153,030 |
| Health Canada | 347,450 | 317,219 | 384,000 |
| National child benefit reinvestment | 20,600 | - | 18,540 |
| Ministry of Natural Resources | 435,000 | 408,031 | 645,198 |
| Majiishkaa Community Organization | - | 753,545 | 287,868 |
| | <u>4,541,773</u> | <u>7,967,729</u> | <u>7,414,649</u> |
| Annual deficit | \$ (204,921) | \$ (1,240,527) | \$ (1,234,753) |

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

Lac La Croix First Nation
Consolidated Statement of Changes in Accumulated Surplus

| <u>March 31</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Accumulated surplus, beginning of year | \$ 3,988,651 | \$ 5,746,123 |
| Adjustment to First Nation Position (Note 1) | <u>641,364</u> | <u>(522,719)</u> |
| Accumulated surplus, beginning of year, as restated | 4,630,015 | 5,223,404 |
| Annual deficit | <u>(1,240,527)</u> | <u>(1,234,753)</u> |
| <u>Accumulated surplus, end of year</u> | <u>\$ 3,389,488</u> | <u>\$ 3,988,651</u> |

Lac La Croix First Nation

Consolidated Statement of Changes in Net Financial Assets (Debt)

| March 31 | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Annual deficit | \$ (1,240,527) | \$ (1,234,753) |
| Acquisition of tangible capital assets | - | (24,900) |
| Amortization of tangible capital assets | 1,059,065 | 1,054,915 |
| Adjustment to First Nation position | 641,364 | (522,719) |
| | <u>459,902</u> | <u>(727,457)</u> |
| Change in prepaid expenses | (9,008) | - |
| Change in net assets (debt) | 450,894 | (727,457) |
| Net assets (debt), beginning of year | (2,977,369) | (2,249,912) |
| Net assets (debt), end of year | \$ (2,526,475) | \$ (2,977,369) |

Lac La Croix First Nation Consolidated Statement of Cash Flows

| March 31 | 2018 | 2017 |
|---|---------------------|--------------------|
| Cash flows from operating activities | | |
| Annual deficit | \$ (1,240,527) | \$ (1,234,753) |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 1,059,065 | 1,054,915 |
| Prior period adjustment (Note 1) | 641,364 | (522,719) |
| Gain on disposal of investments | - | (10,044) |
| | <u>459,902</u> | <u>(712,601)</u> |
| Changes in non-cash working capital | | |
| Accounts and loans receivable | 546,985 | (330,494) |
| Trust funds | (32,129) | 42,156 |
| Prepaid expense | (9,008) | - |
| Accounts payable | (318,851) | 983,289 |
| Deferred revenue | 603,799 | 68,365 |
| | <u>790,796</u> | <u>763,316</u> |
| | <u>1,250,698</u> | <u>50,715</u> |
| Cash flows from capital activities | | |
| Purchase of capital assets | - | (24,900) |
| Cash flows from investing activities | | |
| Purchase of investments | - | (474,968) |
| Proceeds from sale of investments | 165,104 | 485,044 |
| | <u>165,104</u> | <u>10,076</u> |
| Cash flows from financing activities | | |
| Advances of long-term debt | - | 300,481 |
| Repayment of long-term debt | (207,265) | (212,206) |
| | <u>(207,265)</u> | <u>88,275</u> |
| Net change in cash and cash equivalents | <u>1,208,537</u> | <u>124,166</u> |
| Bank indebtedness, beginning of year | <u>(51,718)</u> | <u>(175,884)</u> |
| Cash and cash equivalents (bank indebtedness), end of year | <u>\$ 1,156,819</u> | <u>\$ (51,718)</u> |
| Supplementary information | | |
| Interest received | \$ 894 | \$ 767 |
| Interest paid | <u>\$ 15,283</u> | <u>\$ 16,260</u> |

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

Lac La Croix First Nation Summary of Significant Accounting Policies

March 31, 2018

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 Canadian Institute of Chartered Accountants 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 Nation; and
- 2) owned or controlled by the First Nation.

This includes all aspects of band operations including provision of social, educational, administration and operational services, as well as, the results of First Nation enterprises on a modified equity method as disclosed in Note 5 to these consolidated financial statements.

Other long-term investments are reflected at cost as disclosed in Note 4.

Government business enterprises are separate legal entities which do not rely on the government for funding. The First Nation's government business enterprises consist of investments in Ten Clans Development Corporation. These investments are accounted for using the modified equity basis of accounting.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of all government Organizations which are owned or controlled by the First Nation. All interfund assets, liabilities, revenues and expenditures have been eliminated on consolidation.

Organizations consolidated in the First Nation's financial statements include:

Lac La Croix Majiishkaa Community Organization

Cash and Cash Equivalents

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

Lac La Croix First Nation Summary of Significant Accounting Policies

March 31, 2018

| | | | | | | | | | | | |
|-------------------------------------|--|-----------|----------|-----------|---------|----------|---------|-----------|---------|----------------|---------------|
| Tangible Capital Assets | <p>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. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. The First Nation does not capitalize interest charges as part of the cost of its tangible capital assets.</p> <p>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 Nation, forests, water and other natural resources are not recognized as tangible capital assets.</p> | | | | | | | | | | |
| Amortization | <p>Amortization is calculated on the cost, net of contributions on a straight-line basis over the following number of years:</p> <table> <tr> <td>Buildings</td><td>20 years</td></tr> <tr> <td>Equipment</td><td>5 years</td></tr> <tr> <td>Vehicles</td><td>3 years</td></tr> <tr> <td>Computers</td><td>3 years</td></tr> <tr> <td>Infrastructure</td><td>10 - 50 years</td></tr> </table> | Buildings | 20 years | Equipment | 5 years | Vehicles | 3 years | Computers | 3 years | Infrastructure | 10 - 50 years |
| Buildings | 20 years | | | | | | | | | | |
| Equipment | 5 years | | | | | | | | | | |
| Vehicles | 3 years | | | | | | | | | | |
| Computers | 3 years | | | | | | | | | | |
| Infrastructure | 10 - 50 years | | | | | | | | | | |
| Program Surplus | <p>Programs funded by government agencies may be subject to recovery by the contributing agencies in accordance with funding arrangements and could result in adjustments to prior year funding.</p> | | | | | | | | | | |
| Long-term Loans Receivable | <p>Loans are carried at the unpaid principal less allowances for doubtful loans.</p> | | | | | | | | | | |
| Allowance for Doubtful Loans | <p>The First Nation maintains specific allowances for doubtful loans that reduces the carrying value of loans identified as impaired to their estimated realizable amounts.</p> | | | | | | | | | | |
| Investments | <p>The modified equity method of accounting is used to account for investments in the First Nation's business enterprises which the First Nation owns and controls. Under this method, the investment is initially recorded at cost and the carrying value is adjusted annually thereafter to include the First Nation's pro rata share of post acquisition earnings.</p> <p>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.</p> | | | | | | | | | | |

Lac La Croix First Nation Summary of Significant Accounting Policies

March 31, 2018

| | |
|-----------------------|--|
| Replacement Reserves | The replacement reserve accounts are funded by an annual allocation based on amounts specified in agreements with CMHC. |
| Government Transfers | Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as referred revenue and recognized as revenue when the stipulations are settled. |
| Revenue Recognition | <p>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.</p> <p>Government transfers, which include legislative grants, are recognized as revenues in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that 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 stipulated liabilities are settled.</p> <p>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.</p> <p>Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.</p> |
| Financial Instruments | The First Nation's financial instruments consist of accounts and loans receivable, portfolio investments, bank indebtedness, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values unless otherwise noted. |

Lac La Croix First Nation Summary of Significant Accounting Policies

March 31, 2018

Trust Funds

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

Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues are unknown at the time the consolidated financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the consolidated financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles 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.

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

1. Adjustment to First Nation Position

In prior years, amounts payable were accrued, paid and not removed from accounts payable. The amount added to the accumulated surplus in the current year in relation to these accruals equals \$641,364.

2. Cash and Cash Equivalents (Bank Indebtedness)

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Lac La Croix 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 Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Capital Improvement Fund. Cash and cash equivalents (bank indebtedness) is comprised of the following:

| | 2018 | 2017 |
|---|---------------------|--------------------|
| Externally restricted Replacement reserve | \$ - | \$ - |
| Unrestricted Operating | 1,156,819 | (51,718) |
| Total cash and cash equivalents (bank indebtedness) | <u>\$ 1,156,819</u> | <u>\$ (51,718)</u> |

3. Accounts and Loans Receivable

| | 2018 | 2017 |
|---------------------------------|-------------------|---------------------|
| Accounts receivable | \$ 945,426 | \$ 1,490,466 |
| Advances to Band members | 319,092 | 418,167 |
| | 1,264,518 | 1,908,633 |
| Allowance for doubtful accounts | (322,726) | (419,856) |
| | <u>\$ 941,792</u> | <u>\$ 1,488,777</u> |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

4. Portfolio Investments

| | 2018 | 2017 |
|---|--------|------------|
| Portfolio investments held at CIBC Wood Gundy | \$ 315 | \$ 165,419 |

Portfolio investments are valued at cost. The fair market value of the investments held at CIBC Wood Gundy is \$315 (2017 - \$165,419).

5. Government Business Enterprises and Partnerships, at modified equity

Ten Clans Development Corporation

Ten Clans Development Corporation is a Corporation that was created for the purpose of developing business activities for Lac La Croix First Nation.

| | 2018 | 2017 |
|---------------------------------------|------|------|
| Carrying value, beginning of the year | \$ 1 | \$ 1 |
| Share of net income | - | - |
| Carrying value, end of the year | \$ 1 | \$ 1 |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

6. Investments Held in Trust

| | Balance March 31, 2017 | Additions 2018 | Withdrawals 2018 | Balance March 31, 2018 |
|---|------------------------------|-------------------|---------------------|------------------------------|
| Held by Federal Government Capital | \$ 42,118 | \$ 894 | \$ - | \$ 43,012 |
| Held by Rainy River District First Nations Trust | 8,999 | 31,235 | - | 40,234 |
| | <u>\$ 51,117</u> | <u>\$ 32,129</u> | <u>\$ -</u> | <u>\$ 83,246</u> |

Held by Federal Government Capital

The 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.

Held by Rainy River District First Nations Trust

The trust funds arise from monies derived from a resource sharing agreement. The monies are intended to fund educational and training initiatives within the First Nation community.

7. Deferred Revenue

| | Balance March 31, 2017 | Funding Received 2018 | Revenue Recognized 2018 | Balance March 31, 2018 |
|---|------------------------------|-----------------------------|-------------------------------|------------------------------|
| Federal Government | | | | |
| ISC - fire protection | \$ - | \$ 436,275 | \$ 21,696 | \$ 414,579 |
| ISC - minor capital | - | 87,409 | - | 87,409 |
| ISC - prev/least disruptive measures | - | 37,900 | - | 37,900 |
| CMHC - RRAP | - | 15,000 | - | 15,000 |
| CMHC - ERP | - | 15,000 | - | 15,000 |
| | - | 591,584 | 21,696 | 569,888 |
| Provincial Government | | | | |
| MIRR | - | 436,370 | 372,177 | 64,193 |
| Other | | | | |
| Weechi-It-Te-Win | 68,365 | 678,334 | 708,616 | 38,083 |
| | <u>\$ 68,365</u> | <u>\$ 1,706,288</u> | <u>\$ 1,102,489</u> | <u>\$ 672,164</u> |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

8. Long-term Debt

| | 2018 | 2017 |
|--|---------------------|---------------------|
| CMHC mortgage with interest at 1.04%, repayable in monthly instalments of \$5,030 principal and interest, maturing October 1, 2029. | \$ 658,505 | \$ 711,731 |
| CMHC mortgage with interest at 1.62%, repayable in monthly instalments of \$3,093 principal and interest, maturing March 1, 2033. | 494,223 | 523,108 |
| ISC loan, interest free, repayable in full on March 31, 2020. | 126,518 | 126,518 |
| ISC loan, interest free, repayable in full on March 31, 2019. | 136,833 | 136,833 |
| ISC loan, interest free, repayable in full on March 31, 2021. | 50,481 | 50,481 |
| Promissory note, repayable to Dr. Michael Dan, interest free, no terms of repayment. | 150,000 | 150,000 |
| Bank of Montreal loan with interest at BMO prime plus 3%, repayable in monthly instalments of \$867 principal plus interest, maturing August 31, 2017. | - | 154 |
| Bank of Montreal demand loan with interest at BMO prime plus 3%, repayable in monthly instalments of \$25,000 principal plus interest, maturing August 31, 2017. | - | 125,000 |
| | <u>\$ 1,616,560</u> | <u>\$ 1,823,825</u> |

Mortgages are secured by a first charge mortgage against rental properties and Ministerial Guarantees from Indigenous Services Canada.

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

8. Long-term Debt (continued)

Principal repayments required over the next five years and thereafter are as follows:

| | Principal Repayments | Interest | Total |
|------------|-------------------------|-------------------|---------------------|
| 2019 | \$ 370,489 | \$ 13,825 | \$ 384,314 |
| 2020 | 210,664 | 13,335 | 223,999 |
| 2021 | 135,681 | 12,281 | 147,962 |
| 2022 | 86,268 | 11,213 | 97,481 |
| 2023 | 87,350 | 10,131 | 97,481 |
| Thereafter | 726,108 | 42,799 | 768,907 |
| | <u>\$ 1,616,560</u> | <u>\$ 103,584</u> | <u>\$ 1,720,144</u> |

| | 2018 | 2017 |
|---|------------------|------------------|
| Interest expense for the year on long-term debt | <u>\$ 15,283</u> | <u>\$ 16,260</u> |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

9. Replacement Reserve

| | Phase I 22-049-373/1 | Phase II 22-049-373/2 | Total |
|--------------------------------|-------------------------|--------------------------|-------------------|
| Balance March 31, 2016 | \$ 105,682 | \$ 52,843 | \$ 158,525 |
| Expenditures for the year | - | - | - |
| Allocation to restricted funds | 10,200 | 5,100 | 15,300 |
| Balance March 31, 2017 | 115,882 | 57,943 | 173,825 |
| Expenditures for the year | - | - | - |
| Allocation to restricted funds | 10,200 | 5,100 | 15,300 |
| Balance March 31, 2018 | <u>\$ 126,082</u> | <u>\$ 63,043</u> | <u>\$ 189,125</u> |

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$189,125. The amount held in a restricted bank account in relation to this reserve is \$NIL; therefore, the reserve is underfunded by \$189,215 (2017 - \$173,825) as of March 31, 2018.

10. Accumulated Surplus

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

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Investment in tangible capital assets | | |
| Tangible capital assets | \$ 5,883,955 | \$ 6,943,020 |
| Tangible capital assets under construction | 23,000 | 23,000 |
| Debt relating to tangible capital assets | (1,152,727) | (1,234,839) |
| Total investment in tangible capital assets | 4,754,228 | 5,731,181 |
| Operations | (1,568,846) | (1,931,336) |
| Operating reserves | 14,981 | 14,981 |
| Replacement reserves | 189,125 | 173,825 |
| | <u>\$ 3,389,488</u> | <u>\$ 3,988,651</u> |

Lac La Croix First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Tangible Capital Assets

| | | | | | | 2018 | |
|--|--------------------------|----------------|------------|------------|------------|---------------|--|
| | Buildings and housing | Infrastructure | Vehicles | Equipment | Computers | Total | |
| Cost, beginning of year | \$ 17,412,171 | \$ 4,583,305 | \$ 515,857 | \$ 489,736 | \$ 223,946 | \$ 23,225,015 | |
| Additions | - | - | - | - | - | - | |
| Disposals | - | - | - | - | - | - | |
| Cost, end of year | 17,412,171 | 4,583,305 | 515,857 | 489,736 | 223,946 | 23,225,015 | |
| Accumulated amortization, beginning of year | 12,335,398 | 2,761,472 | 487,290 | 486,371 | 211,464 | 16,281,995 | |
| Amortization | 870,609 | 153,956 | 23,935 | 2,244 | 8,321 | 1,059,065 | |
| Disposals | - | - | - | - | - | - | |
| Accumulated amortization, end of year | 13,206,007 | 2,915,428 | 511,225 | 488,615 | 219,785 | 17,341,060 | |
| Net carrying amount, end of year | \$ 4,206,164 | \$ 1,667,877 | \$ 4,632 | \$ 1,121 | \$ 4,161 | \$ 5,883,955 | |

The net book value of tangible capital assets not being amortized because they are under construction is \$23,000 (2017 - \$23,000). These items are recognized separately as tangible capital assets under construction in the consolidated statement of financial position. This relates to the new band office project.

Lac La Croix First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Tangible Capital Assets (continued)

| | 2017 | | | | | |
|--|--------------------------|----------------|------------|------------|------------|--------------|
| | Buildings and housing | Infrastructure | Vehicles | Equipment | Computers | Total |
| Cost, beginning of year | \$ 17,412,171 | \$ 4,583,305 | \$ 490,957 | \$ 489,736 | \$ 223,946 | \$23,200,115 |
| Additions | - | - | 24,900 | - | - | 24,900 |
| Disposals | - | - | - | - | - | - |
| Cost, end of year | 17,412,171 | 4,583,305 | 515,857 | 489,736 | 223,946 | 23,225,015 |
| Accumulated amortization, beginning of year | 11,464,790 | 2,607,515 | 467,505 | 484,128 | 203,142 | 15,227,080 |
| Amortization | 870,608 | 153,957 | 19,785 | 2,243 | 8,322 | 1,054,915 |
| Disposals | - | - | - | - | - | - |
| Accumulated amortization, end of year | 12,335,398 | 2,761,472 | 487,290 | 486,371 | 211,464 | 16,281,995 |
| Net carrying amount, end of year | \$ 5,076,773 | \$ 1,821,833 | \$ 28,567 | \$ 3,365 | \$ 12,482 | \$ 6,943,020 |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

12. Commitments and Contingencies

The First Nation is involved in several claims and counter claims, over disputed payable balances. The consolidated financial statements include provisions for these payables based on Management's assessment of the claims.

13. Economic Dependence

Lac La Croix First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

14. 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 \$204,927 (2017 - \$80,104).

15. ISC Funding Reconciliation

| | 2018 | 2017 |
|---|---------------------|---------------------|
| ISC revenue per funding confirmation | \$ 3,283,671 | \$ 2,509,794 |
| Deferred revenue, beginning of year | - | - |
| Deferred revenue, end of year | (539,888) | - |
| Recovery of prior years' funding | (5,571) | - |
| ISC revenue per the consolidated financial statements | <u>\$ 2,738,212</u> | <u>\$ 2,509,794</u> |

16. Expenditure by Object

| | 2018 | 2017 |
|---------------------------------------|---------------------|---------------------|
| Salaries, wages and employee benefits | \$ 3,516,036 | \$ 3,389,128 |
| Materials and supplies | 2,781,897 | 2,294,702 |
| Contracted services | 73,324 | 353,670 |
| Rents and financial expenses | 308,487 | 192,414 |
| Travel | 228,920 | 129,820 |
| Amortization | 1,059,065 | 1,054,915 |
| | <u>\$ 7,967,729</u> | <u>\$ 7,414,649</u> |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

17. Budget Information

The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated recovering deficits. In addition, the budget did not include amortization expense. As a result, the budget figures presented in the consolidated statement of operations represent the Financial Plan adopted by Council, with adjustments as follows:

| | <u>2018</u> |
|---|---------------------|
| Financial Plan (budget) by-law surplus for the year | \$ 32,949 |
| Add: | |
| Transfers | 817,045 |
| Less: | |
| Amortization | <u>(1,054,915)</u> |
| Budget deficit per consolidated statement of operations | <u>\$ (204,921)</u> |

Lac La Croix First Nation Notes to Consolidated Financial Statements

March 31, 2018

18. Segmented Information

Lac La Croix First Nation is a First Nation government that provides a wide range of services to the members of its community. For management reporting purposes the First Nation's 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

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Operations and Maintenance

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection and community buildings.

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 Support

The administration 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.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Lac La Croix First Nation
Notes to Consolidated Financial Statements

March 31, 2018

18. Segmented Information (continued)

Other Services

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies.

19. Comparative Figures

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

Lac La Croix First Nation 2018 Segment Disclosure

| For the year ended March 31, 2018 | Band Support | Operations and Maintenance | Education | Social Services | Capital | Other | Total |
|---|----------------------|----------------------------|-------------------|-----------------|----------------|------------------|----------------------|
| Revenue | | | | | | | |
| ISC | \$ 433,588 | \$ 133,749 | \$ 1,626,063 | \$ 44,629 | \$ 148,365 | \$ 351,818 | \$ 2,738,212 |
| Canada | - | - | - | - | - | 781,621 | 781,621 |
| Ontario | - | - | - | 247,466 | - | 1,146,640 | 1,394,106 |
| Casino Rama | - | - | - | - | - | 567,597 | 567,597 |
| Trust income | 42,231 | - | - | - | - | - | 42,231 |
| Other Aboriginal Organizations | 24,122 | - | 11,960 | - | - | 852,783 | 888,865 |
| Interest, rentals and other | 228,547 | - | - | 63,629 | - | 22,394 | 314,570 |
| Administration | 92,479 | - | - | (4,479) | - | (88,000) | - |
| Transfers | 389,436 | 93,801 | - | - | - | (483,237) | - |
| | 1,210,403 | 227,550 | 1,638,023 | 351,245 | 148,365 | 3,151,616 | 6,727,202 |
| Expenditures | | | | | | | |
| Salaries, wages and benefits | 641,605 | 181,559 | 1,069,294 | 74,299 | 104,315 | 1,444,964 | 3,516,036 |
| Materials, supplies and capital | 491,921 | 44,137 | 596,481 | 266,274 | 39,423 | 1,343,661 | 2,781,897 |
| Contracted services | 65,593 | 225 | - | - | 1,881 | 5,625 | 73,324 |
| Rents and financial expenses | 183,137 | - | - | - | - | 125,350 | 308,487 |
| Travel | 99,652 | 1,629 | 4,658 | 10,672 | 2,746 | 109,563 | 228,920 |
| Amortization | 942,495 | - | - | - | - | 116,570 | 1,059,065 |
| | 2,424,403 | 227,550 | 1,670,433 | 351,245 | 148,365 | 3,145,733 | 7,967,729 |
| Excess (deficiency) of revenue over expenditures | \$(1,214,000) | \$ - | \$(32,410) | \$ - | \$ - | \$ 5,883 | \$(1,240,527) |

Lac La Croix First Nation 2017 Segment Disclosure

| For the year ended March 31, 2017 | Band Support | Operations and Maintenance | Education | Social Services | Capital | Other | Total |
|---|--------------|----------------------------|--------------|-----------------|---------|--------------|----------------|
| Revenue | | | | | | | |
| ISC | \$ 397,965 | \$ 131,005 | \$ 1,799,546 | \$ 52,300 | \$ - | \$ 128,978 | \$ 2,509,794 |
| Canada | - | - | - | - | 16,000 | 595,803 | 611,803 |
| Ontario | - | - | - | 287,044 | - | 771,163 | 1,058,207 |
| Casino Rama | - | - | - | - | - | 562,278 | 562,278 |
| Trust income | 484,969 | - | - | - | - | - | 484,969 |
| Other Aboriginal Organizations | 41,992 | - | - | - | - | 683,532 | 725,524 |
| Interest, rentals and other | 121,651 | - | - | 44,452 | - | 106,056 | 272,159 |
| Administration | 194,506 | (2,125) | (125,492) | (3,470) | - | (63,419) | - |
| Transfers | 197,755 | 95,706 | - | - | 140,000 | (433,461) | - |
| | 1,438,838 | 224,586 | 1,674,054 | 380,326 | 156,000 | 2,350,930 | 6,224,734 |
| Recovery of prior period funding | - | - | - | - | - | (44,838) | (44,838) |
| | 1,438,838 | 224,586 | 1,674,054 | 380,326 | 156,000 | 2,306,092 | 6,179,896 |
| Expenditures | | | | | | | |
| Salaries, wages and benefits | 757,760 | 185,747 | 1,072,653 | 116,858 | 127,646 | 1,128,464 | 3,389,128 |
| Materials, supplies and capital | 358,954 | 73,045 | 594,582 | 282,180 | 26,887 | 959,054 | 2,294,702 |
| Contracted services | 224,422 | 2,493 | 49,883 | - | - | 76,872 | 353,670 |
| Rents and financial expenses | 50,428 | - | 1,700 | 400 | - | 139,886 | 192,414 |
| Travel | 36,212 | 1,930 | 4,131 | 2,068 | 1,467 | 84,012 | 129,820 |
| Amortization | 938,345 | - | - | - | - | 116,570 | 1,054,915 |
| | 2,366,121 | 263,215 | 1,722,949 | 401,506 | 156,000 | 2,504,858 | 7,414,649 |
| Deficiency of revenue over expenditures | \$ (927,283) | \$ (38,629) | \$ (48,895) | \$ (21,180) | \$ - | \$ (198,766) | \$ (1,234,753) |