



Consolidated Financial Statements

Shawanaga First Nation

March 31, 2020

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Management's Responsibility

To the Chief and Council and Members of Shawanaga First Nation:

The accompanying consolidated financial statements of Shawanaga First Nation for the year ended March 31, 2020 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 Shawanaga First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of Shawanaga First Nation's external auditors.

Grant Thornton LLP is appointed by the Chief and Council and Members 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 the Council and management to discuss their audit findings.

February 11, 2021



Band Administrator



Finance Manager

Independent auditor's report

To the Members of Shawanaga First Nation

Qualified Opinion

We have audited the consolidated financial statements of Shawanaga First Nation ("the First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, change in net debt 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Shawanaga First Nation as at March 31, 2020, and its results of operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation has interests in government business partnerships which participate in Feed-in-Tariff (FiT) hydro-electric projects and which are accounted for under the modified equity method. These government business partnerships are carried at \$nil on the statement of financial position as at March 31, 2020 and the First Nation's share of distributions from these partnerships totalling \$nil is reported in the First Nation's operations for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the First Nation's interests in these government business partnerships as at March 31, 2020 and the First Nation's share of partnership income for the year because partnership financial statements prepared by the partners were not available as at February 11, 2021. Consequently we were unable to determine whether any adjustments to those amounts were necessary.

Responsibilities of Management and Those Charged with Governance 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.

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 a 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 Entity'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 Entity'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 Entity 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 and the organizations it controls 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
February 11, 2021

Chartered Professional Accountants
Licensed Public Accountants

Shawanaga First Nation

Consolidated Statements of Operations and Accumulated Surplus

Year Ended March 31

2020

2019

Actual

Actual

Revenue		
Government funding (Note 16)	\$ 8,669,075	\$ 6,530,279
Sales	5,093,432	4,510,928
Rental and other	350,082	555,231
Interest	44,027	24,225
Loss on disposal of equipment	(673,192)	(17,344)
Loss from investment in government business enterprise (Note 5)	(117,480)	(56,619)
	<u>13,365,944</u>	<u>11,546,700</u>
Expenses		
Capital	152,153	143,708
Community operations	1,116,702	1,166,556
Economic development	5,152,423	4,527,794
Education	1,223,566	1,107,489
First Nation administration	1,939,337	1,741,586
Health services	2,006,262	1,615,067
Other	358,111	420,012
Social services	300,467	342,587
	<u>12,249,021</u>	<u>11,064,799</u>
Annual surplus before prior year subsidy settlements	1,116,923	481,901
Prior year subsidy settlements	25,572	(13,682)
Annual surplus from operations	1,142,495	468,219
Road settlement payout - Hwy 7182	(52,288)	19,608
Community distribution - Henvey Inlet Wind Farm Transmission Line Settlement	(9,000)	(11,000)
Annual surplus	1,081,207	476,827
Accumulated surplus, beginning of year	5,775,907	5,299,080
Accumulated surplus, end of year (Note 14)	<u>\$ 6,857,114</u>	<u>\$ 5,775,907</u>

Shawanaga First Nation

Consolidated Statement of Financial Position

March 31

2020

2019

Financial assets

Cash and cash equivalents	\$ 2,381,565	\$ 1,928,561
Restricted cash (Note 3)	914,810	769,332
Receivables	2,187,464	1,946,584
Inventory for resale	123,789	147,970
Investments in government business enterprise (Note 5)	326,802	444,282
Mortgages receivable, net of unamortized discount (Note 18)	917,666	632,185
Long-term loan receivable	1,240	1,240
	<u>6,853,336</u>	<u>5,870,154</u>

Liabilities

Payables and accruals	1,546,121	1,481,393
Funding repayable (Note 19)	472,591	478,836
Due to related parties (Note 11)	44,125	44,234
Deferred contributions (Note 7)	576,408	1,243,436
Long term debt (Note 12)	1,328,572	879,790
Obligations under capital lease (Note 13)	654	2,814
	<u>3,968,471</u>	<u>4,130,503</u>

Net financial assets

	<u>2,884,865</u>	<u>1,739,651</u>
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Non-financial assets

Prepays and deposits	53,412	51,679
Tangible capital assets (Note 6)	3,918,837	3,984,577
	<u>3,972,249</u>	<u>4,036,256</u>

Accumulated surplus (Note 14)

	<u>6,857,114</u>	<u>\$ 5,775,907</u>
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Contingencies (Note 9)

On behalf of Council

 Councillor

 Councillor

Shawanaga First Nation

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31

	2020 Actual	2019 Actual
Annual surplus	\$ 1,081,207	\$ 476,827
Amortization of tangible capital assets	564,921	579,751
Acquisition of tangible capital assets	(1,545,473)	(1,933,142)
Disposal of tangible capital assets	1,046,292	17,344
Change in prepaids and deposits	<u>(1,733)</u>	<u>(40,149)</u>
Increase (decrease) in net financial assets	1,145,214	(899,369)
Net financial assets,		
Beginning of year	<u>1,739,651</u>	<u>2,639,020</u>
End of year	<u>\$ 2,884,865</u>	<u>\$ 1,739,651</u>

Shawanaga First Nation

Consolidated Statement of Cash Flows

Year Ended March 31

2020

2019

Cash and cash equivalents derived from (applied to)

Operating transactions

Annual surplus	\$	1,081,207	\$	476,827
Non-cash changes to operations:				
Amortization of tangible capital assets		564,921		579,751
Loss (earnings) from investment in government business enterprise		117,480		56,619
Gain on disposal of tangible capital assets		673,192		17,344
Changes in non-cash working capital items:				
Receivables		(240,880)		(237,266)
Inventory for resale		24,181		(69,820)
Prepays and deposits		(1,733)		(40,149)
Payables and accruals		64,728		254,548
Funding repayable		(6,245)		61,353
Deferred contributions		(667,028)		350,631
		<u>1,609,823</u>		<u>1,449,838</u>

Financing transactions

Repayment of long-term debt		(96,360)		(67,381)
Proceeds on issuance of long-term debt		545,142		182,400
Advances (repayments) from related parties		(109)		44,234
Repayment of obligation under capital lease		(2,160)		(2,032)
		<u>446,513</u>		<u>157,221</u>

Investing transactions

Decrease (increase) in restricted cash		(145,478)		383,234
Distribution from investments		-		47,000
Payments received on mortgages receivable		84,119		33,859
Net advances of loan receivable		-		6,172
		<u>(61,359)</u>		<u>470,265</u>

Capital transactions

Purchase of tangible capital assets		(1,541,973)		(1,933,142)
		<u>(1,541,973)</u>		<u>(1,933,142)</u>

Net increase in cash and cash equivalents		453,004		144,182
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Cash and cash equivalents

Beginning of year		<u>1,928,561</u>		<u>1,784,379</u>
End of Year	\$	<u>2,381,565</u>		<u>1,928,561</u>

Non-cash investing and capital activities

During the year, the First Nation sold buildings in exchange for \$369,600 in mortgages receivable.

During the year, the First Nation acquired a vehicle at a cost of \$45,157 of which \$3,500 was value received from trade-in of older vehicle.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

1. Nature of operations

The Shawanaga First Nation ("the First Nation") is a local government entity whose principal purpose is to provide for the well-being of its band members. The First Nation operates under the Indian Act.

2. Summary of significant accounting policies

Management responsibility

The consolidated financial statements of the First Nation are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all programs administered by the First Nation and all organizations controlled by the First Nation. These consolidated financial statements include the following organizations:

- Shawanaga Retail GP Inc.
- Shawanaga Retail LP
- SFN Cann Retail GP Inc. (inactive)
- SFN Ec Dev Corporation (inactive)
- 1582787 Ontario Ltd. (inactive)

Inter-organizational transactions and balances between these organizations are eliminated.

Revenue recognition

Gas and variety store sales are recognized when goods are sold. Interest and other income are recognized when earned.

Government transfers

Government transfers received are recognized as revenues 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 contributions when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.

Government transfers paid are recognized as an expense in the period the transfer is authorized and all eligible criteria have been met by the recipient.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Tangible capital assets

Tangible capital assets are capitalized at acquisition cost and are amortized over their expected useful life using the straight line method at the following rates:

Buildings	25 years
Water supply/distribution system	40 years
Equipment and furniture	5 years
Machinery and vehicles	5 years
Roads	20 years
School bus	5 years
Solar system	12 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statements of operations.

Contributed capital assets are recorded as revenue at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal 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.

Investments in government business enterprises

Government business enterprises are accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements:

Shwe Miikaan Limited Partnership

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Interests in government business partnerships

Government business enterprises are accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the First Nation may undertake in the future. The infectious coronavirus ("COVID-19") pandemic has added to the First Nation's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2019. Significant accounting estimates include allowance for doubtful accounts and uncollectible loans, current year subsidy settlements payable and estimated useful lives of tangible capital assets. Accounts receivable are subject to measurement uncertainty due to the First Nation's exposure to credit risk from individual third parties. Due to the COVID-19 pandemic, additional measurement uncertainty exists around potential collection delays from third parties due to the economic slowdown brought on by emergency measures to combat the spread of COVID-19. Actual results could differ from those estimates.

3. Restricted cash

Restricted cash of the Trust Fund relates to funds on deposit with Indigenous Services Canada generated from land that is leased to non-native parties and interest earned on the related lease rentals.

Restricted cash of the Casino Rama Fund consists of cash and term deposits and relates to funds received from the Ontario First Nations Limited Partnership that are unspent at year end.

Restricted cash of the Operating and Replacement Reserves consists of term deposits and is required to be maintained under the terms of an agreement with Canada Mortgage and Housing Corporation for the purpose of replacing items of a capital nature.

	<u>2020</u>	<u>2019</u>
Trust Fund	\$ 8,737	\$ 8,737
Casino Rama Fund	806,661	660,944
Operating Reserve	29,598	29,723
Replacement Reserve	69,814	69,928
	<u>\$ 914,810</u>	<u>\$ 769,332</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

4. Defined contribution pension plan

The First Nation maintains a defined contribution pension plan for its employees. The assets of the plan are held separately from those of the First Nation in an independently administered fund. Contributions paid and expensed by the First Nation amounted to \$92,352 (2019 - \$83,609).

5. Investment in government business enterprise

The First Nation owns a 33.333% interest in Shwe Miikaan Limited Partnership.

	<u>2020</u>	<u>2019</u>
Share of (loss) income	\$ (117,480)	\$ (56,619)
Less: dividends received	-	(47,000)
Change in investment balance for the year	<u>(117,480)</u>	<u>(103,619)</u>
Investment balance, beginning of year	444,282	547,901
Investment balance, end of year	<u>\$ 326,802</u>	<u>\$ 444,282</u>

Condensed financial information in respect of Shwe Miikaan Limited Partnership for the years ended December 31 is provided below.

	<u>2019</u>	<u>2018</u>
Current assets	\$ 414,886	\$ 1,190,242
Advances to related parties	987,315	186,122
Property and equipment	31,242	39,163
	<u>\$ 1,433,443</u>	<u>\$ 1,415,527</u>
Liabilities	\$ 453,040	\$ 82,683
Capital	980,403	1,332,844
	<u>\$ 1,433,443</u>	<u>\$ 1,415,527</u>
Total revenue	\$ 2,004,863	\$ 517,664
Total expenses	2,362,197	682,630
Net (loss) income	<u>\$ (357,334)</u>	<u>\$ (164,966)</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

6. Tangible Capital Assets

	General				Infrastructure				2020	2019
	Land and land improvements	Machinery and vehicles	Equipment and furniture	Leased equipment	Buildings	Roads	Water and distribution systems	Construction in progress		
Cost										
Balance, beginning of year	\$ 50,000	\$ 1,169,187	\$ 1,107,641	\$ 54,710	\$ 2,228,609	\$ 104,471	\$ 2,518,126	\$ 984,797	\$ 8,217,541	\$ 6,317,886
Add: additions during year	-	111,820	299,967	-	376,667	-	-	757,019	1,545,473	1,933,142
Less: disposals during year	-	(34,700)	-	-	(1,046,292)	-	-	-	(1,080,992)	(33,487)
Transfers between classes					984,797			(984,797)	-	-
Balance, end of year	50,000	1,246,307	1,407,608	54,710	2,543,781	104,471	2,518,126	757,019	8,682,022	8,217,541
Accumulated amortization										
Balance, beginning of year	-	970,629	825,720	54,710	1,232,963	33,024	1,115,918	-	4,232,964	3,669,356
Add: amortization during the year	-	124,586	250,136	-	122,022	5,224	62,953	-	564,921	579,751
Less: accumulated amortization on disposals	-	(34,700)	-	-	-	-	-	-	(34,700)	(16,143)
Balance, end of year	-	1,060,515	1,075,856	54,710	1,354,985	38,248	1,178,871	-	4,763,185	4,232,964
Net book value	\$ 50,000	\$ 185,792	\$ 331,752	\$ -	\$ 1,188,796	\$ 66,223	\$ 1,339,255	\$ 757,019	\$ 3,918,837	\$ 3,984,577

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

7. Deferred contributions

Deferred contributions represent government transfers for which the stipulations have not yet been met. The change in deferred contributions is as follows:

	Balance March 31, 2019	Funding Received	Expenditures	Balance March 31, 2020
Indigenous Services Canada				
ARK 19	\$ 221,686	\$ -	\$ 92,304	\$ 129,382
Capital program	511,117	-	511,117	-
Comprehensive community plan	-	75,000	7,500	67,500
Economic development program	-	42,000	42,000	-
General education program	159,917	-	159,917	-
Healing Centre - FNCFS prevention/least disruptive	67,127	188,952	221,014	35,065
Land management	18,425	-	18,425	-
New paths program	27,248	-	27,487	-
Post secondary education program	98,300	-	98,300	-
Second level services	-	91,783	71,037	20,746
Special education program	92,370	-	92,370	-
Tuition - elementary/secondary program	26,895	345,000	387,101	-
Youth employment program	5,886	45,268	47,109	4,045
	<u>1,228,971</u>	<u>788,003</u>	<u>1,775,681</u>	<u>256,738</u>
Department of Fisheries and Oceans				
Aquaculture	-	28,525	22,395	6,130
Sturgeon project	-	67,987	67,954	33
	<u>-</u>	<u>96,512</u>	<u>90,349</u>	<u>6,163</u>
Environment Canada				
Indigenous Protected and Conserved Areas	-	393,181	262,355	130,826
First Nations Land Management Resource Centre				
Legacy project	-	114,899	112,764	2,135
Survey Capacity	-	28,668	12,502	16,166
	<u>-</u>	<u>143,567</u>	<u>125,266</u>	<u>18,301</u>
Independent First Nations				
Family well being	-	168,391	166,167	2,224
Indigenous early learning child care	-	76,461	-	76,461
	<u>-</u>	<u>244,852</u>	<u>166,167</u>	<u>78,685</u>
Ministry of Community and Social Services				
Ontario Works	14,465	321,122	313,511	22,076
Gezhtoojig Employment and Training	-	106,794	43,175	63,619
	<u>\$ 1,243,436</u>	<u>\$ 2,094,031</u>	<u>\$ 2,776,504</u>	<u>\$ 576,408</u>

8. Bank indebtedness

The First Nation has an operating line of credit with CIBC of \$100,000 (2019 - \$100,000), which is unused at March 31, 2020 (2019 - unused). As security, the First Nation has provided a general security agreement covering all assets of the First Nation. The line of credit bears interest at CIBC prime plus 1.5% per annum.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

9. Contingencies

Where differences exist between the First Nation's net approved expenditures and their actual net expenditures, the resolution of these variances will be negotiated between the funding agency and the First Nation. Any resulting adjustment will be recognized in the year in which the changes are confirmed by the funding agency and will be recorded as a prior year settlement (recovery) on the Consolidated Statement of Operations.

10. Interests in government business partnerships

The First Nation has interests in the following government business partnerships:

	2020	2019
Feed-in-Tariff (FiT) partnerships:		
Hanover Solar	\$ -	\$ -
5868 Orr Lake	-	-
7550 Lasalle	-	-
Minten SFN	-	-
Boost Power II	-	-
Solblack SFN	-	-
Hay Bay Solar	-	-
Great West Energy	-	-
Great West Energy II	-	-
	<u>\$ -</u>	<u>\$ -</u>

The Feed-in-Tariff partnerships are government business partnerships that participate in approved renewable energy projects to supply electricity generated to the electricity distribution system. These investments are carried at \$Nil since the partnerships' financial statements have not been provided by the partners' and thus the First Nation's share of equity or income cannot be determined. Any distributions received from these partnerships are reported as income when received. Condensed supplementary financial information is not available for disclosure in these financial statements.

11. Related party transactions

At year-end, mortgage receivables of \$117,922 (2019 - \$126,753) are due from two Council members.

At year-end, the amounts due to related parties were comprised of the following:

	2020	2019
Due to Shwe Miikaan Limited Partnership, a government business enterprise, non-interest bearing and without specified terms of repayment.	\$ 43,983	\$ 43,983
Due to members of Chief and Council, non-interest bearing and without specified terms of repayment.	142	251
	<u>\$ 44,125</u>	<u>\$ 44,234</u>

During the normal course of operations, the First Nation purchased construction services from Shwe Miikaan Limited Partnership in the amount of \$75,180.

Shawanaga First Nation

Notes to the Consolidated Financial Statements

March 31, 2020

12. Long-term debt

	2020	2019
CMHC mortgage, bearing interest at 0.98% per annum, repayable in blended monthly instalments of \$1,645, maturing March 2025 and renewing May 2020. As security, Indigenous Services Canada has provided a loan guarantee.	\$ 275,445	\$ 292,449
CMHC mortgage, bearing interest at 1.87% per annum, repayable in blended monthly instalments of \$1,306, maturing April 2029 and renewing May 2024. As security, Indigenous Services Canada has provided a loan guarantee.	130,328	143,407
CMHC mortgage, bearing interest at 1.44% per annum, repayable in blended monthly instalments of \$1,782, maturing January 2032 and renewing February 2022. As security, Indigenous Services Canada has provided a loan guarantee.	223,476	250,811
Vehicle loan, repaid in the year.	-	3,094
Loan payable, due May 2020, repayable in monthly installments of \$446 including interest of 3.62% per annum. As security, the First Nation has pledged the vehicle to which the loan relates.	3,546	6,101
CMHC mortgage bearing interest at 1.87% per annum, repayable in blended monthly instalments of \$4,652, maturing April 2034. As security, Indigenous Services Canada has provided a loan guarantee.	695,777	183,928
	\$ 1,328,572	\$ 879,790

Principal repayments in each of the next five years are estimated as follows:

2021	\$ 95,388
2022	93,341
2023	94,865
2024	96,416
2025	97,992

Shawanaga First Nation

Notes to the Consolidated Financial Statements

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13. Obligations under capital lease

The First Nation leases equipment under long term capital leases. Future minimum lease payments under lease obligations are as follows:

	2020	2019
2020	-	2,160
2021	720	720
Total minimum lease payments	720	2,880
Less: imputed interest at 3.27%	66	66
	\$ 654	\$ 2,814

14. Accumulated surplus

The First Nation uses fund accounting to account for activity related to the following funds:

- (a) The Band Operating Fund reports the accountable program activities of the First Nation administration, as well as the activities of the First Nation administration for which no external funding is received.
- (b) The Trust Fund reports trust funds owned by the First Nation that are held in trust by third parties.
- (c) The Capital Fund reports capital assets owned by the First Nation and financing related thereto.
- (d) The Casino Rama Fund reports the distributions received from Ontario First Nations Limited Partnership as a result of gaming revenues received by the Province of Ontario and expenditure of those distributions.
- (e) The Infrastructure Project Fund reports funds internally restricted by Council related to future projects to be undertaken by the First Nation.

Accumulated surplus consists of individual surpluses (deficits) as follows:

	2020	2019
Band operating fund	\$ 1,843,354	\$ 481,593
Investment in Shwe Miikaan Limited Partnership	326,802	444,282
Capital fund	3,914,637	3,788,640
Casino Rama fund	873,562	741,648
CMHC reserves	(234,978)	186,007
Trust fund	8,737	8,737
Infrastructure project fund	125,000	125,000
	\$ 6,857,114	\$ 5,775,907

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15. Budget figures

The First Nation does not formally budget for all of its programs and as such, the scope of the financial activity reported in the First Nation's fiscal plan is not the same as that reported in the consolidated financial statements.

The comparison of budget and actual results in those programs that the First Nation includes in its fiscal plan is summarized as follows:

Statements of Operations and Accumulated Surplus	Budget	Actual
Revenue		
Government funding	\$ 7,651,133	\$ 8,357,183
Rental and other	519,261	350,082
Interest	34,987	44,027
Loss on disposal of equipment	-	(673,192)
Loss from investment in government business enterprise	-	(117,480)
	<u>8,205,381</u>	<u>7,960,620</u>
Expenses		
Amortization	565,000	564,921
Advertising and promotion	10,326	32,916
Bad debts	-	9,675
Community services	167,132	59,444
Employee benefits	307,594	346,084
Equipment leasing	50,526	10,471
Food	1,500	1,500
Honorariums	68,606	60,472
Insurance	83,787	74,422
Interest and bank charges	21,260	12,557
Interest on long term debt	126,474	22,086
Meetings and travel	278,967	249,895
Miscellaneous and other	559,006	247,576
Office	334,692	174,854
Program costs and supplies	2,100,146	1,131,534
Professional fees and contract services	666,493	727,830
Repairs and maintenance	504,883	344,157
Salaries	2,429,349	1,959,567
Social assistance payments	-	195,223
Telephone and utilities	251,969	188,770
Training and workshops	72,596	83,084
Tuition and living allowance	630,794	614,581
Vehicle operating and transportation	149,906	38,142
	<u>9,381,006</u>	<u>7,149,761</u>
Annual surplus (deficit) before prior year subsidy settlements	(1,175,625)	810,859

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15. Budget Figures (continued)

Annual surplus (deficit) before prior year subsidy settlements	(1,175,625)	810,859
Prior year subsidy settlements	-	25,572
Annual surplus (deficit) from operations	(1,175,625)	836,431
Road settlement payout - Hwy 7182	-	(52,288)
Community distribution - Henvey Inlet Wind Farm Transmission Line Settlement	-	(9,000)
Annual surplus (deficit)	<u>\$ (1,175,625)</u>	<u>\$ 775,143</u>

Statement of Change in Net Financial Assets	Budget	Actual
Annual deficit	\$ (1,175,625)	\$ 775,143
Amortization of tangible capital assets	565,000	564,921
Acquisition of tangible capital assets	(720,793)	(1,545,473)
Change in prepaids and deposits	-	(1,733)
Decrease in net financial assets	<u>\$ (1,331,418)</u>	<u>\$ (207,142)</u>

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

Adopted budget:

Increase in band operating fund deficiency	\$ (1,337,068)
Increase in Casino Rama Fund surplus	-

Adjustments:

Acquisition of tangible capital assets	720,793
Amortization of tangible capital assets	(565,000)
Debt repayments	5,650
	<u>\$ (1,175,625)</u>

Shawanaga First Nation

Notes to the Consolidated Financial Statements

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16. Government transfers	2020	2019
Transferor		
Aboriginal Healing and Wellness Strategy	\$ 492,832	\$ 484,261
Canada Housing and Mortgage Corporation	92,728	49,156
Department of Fisheries and Oceans	92,512	128,367
Environment Canada	469,465	30,831
First Nation Land Management Resource Centre Inc.	198,567	12,500
Gezhtoojig Employment and Training	89,274	46,924
Health Canada	-	566,915
Independent First Nations	272,946	438,052
Indigenous Services Canada	4,957,998	3,134,011
Ministry of Community and Social Services	578,557	329,000
Ministry of Children and Youth Services	-	26,400
Ministry of Education	213,394	248,394
Ministry of Health and Long-Term Care	122,388	34,115
Ministry of Indigenous Affairs	145,841	90,000
Ministry of Tourism, Culture and Sport	-	94,265
Ontario Library Service	-	13,669
Ontario First Nations (2008) Limited Partnership	697,910	803,419
Other One-time Funders	244,663	-
	\$ 8,669,075	\$ 6,530,279

17. Comparative figures

Certain prior year figures presented for comparative purposes have been reclassified to conform with the presentation adopted for the current year.

18. Mortgages receivable

The mortgages are interest bearing at 1.64%, except one mortgage which is non-interest bearing, receivable in monthly payments ranging from \$311 to \$505 and maturing in years ranging from 2021 to 2039.

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19. Funding repayable

	2020	2019
Indigenous Services Canada	\$ 274,046	\$ 274,046
Health Canada	113,437	96,553
Environment Canada	-	8,372
Independent First Nation	84,512	84,511
Ministry of Education	4,427	4,427
Ministry of Health and Long-term Care	(3,091)	435
Ministry of Aboriginal Affairs	-	-
Ministry of Children and Youth Services	(740)	(740)
Ministry of Community and Social Services	-	11,232
	<u>\$ 472,591</u>	<u>\$ 478,836</u>

20. Impact of COVID-19 and subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

To date, the COVID-19 pandemic has had significant impact on revenues of the gas and variety store with a decrease of approximately \$2,000,000 in revenues subsequent to year end. The COVID-19 pandemic has also resulted in various changes to operations, including how services are delivered. Although these changes have resulted in additional costs, subsequent to year end, the First Nation received additional funding of approximately \$116,000 to cover such costs.

The financial position and results of operations as of and for the year ended March 31, 2020 have not been significantly impacted by the pandemic. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the First Nation for future periods.

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21. Segment information

The First Nation provides a wide range of services to its members and these services are provided through various programs. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used by the First Nation, which include the following activities:

Capital:

This segment reports the major capital projects and activities occurring in the First Nation during the year.

Community operations:

This segment includes housing, road maintenance, water, solid waste management, and fire protection services.

Economic development:

This segment reports the economic development activities of the First Nation, including programs such as fish harvesting, bush clearing as well as youth employment and other training programs.

Education:

This segment includes general and special education. This segment also includes service contracts with provincially funded area school boards which are entered into for secondary students. In addition, this segment includes the reimbursement of tuition costs and living and other allowances to students who are attending post-secondary institutions.

First Nation Administration:

This segment includes finance, band support and membership, and the governance activities of Chief and Council. This area oversees the delivery of all government services, including ensuring that adequate policies and procedures are in place to safeguard assets and to properly report financial activities.

Health services:

This segment reports the diverse range of services provided by the First Nation directed towards the wellbeing of its members including the delivery of programming such as early childhood development, nutrition, diabetes, mental health, healthy babies, victim services, home and community care and many other programs designed to enhance the health of its members.

Other:

The segment includes all the other programs provided by the First Nation that are ancillary to the core services of the First Nation. Some of the more significant programs include the library and annual Pow Wow.

Social services:

This segment includes the delivery of a variety of programming including Ontario Works, employment support services and national child benefit programs.

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21. Segment information (continued)	2020								
	Capital	Community Operations	Economic Development	Education	First Nation Administration	Health Services	Other	Social Services	Total
Revenue									
Government funding	\$ 758,833	\$ 575,987	\$ 118,756	\$ 2,052,011	\$ 1,366,503	\$ 2,693,558	\$ 790,214	\$ 313,213	\$ 8,669,075
Sales	-	-	5,093,432	-	-	-	-	-	5,093,432
Rental and other	-	115,238	500	-	23,769	30,174	180,103	298	350,082
Interest	-	8,563	-	-	27,028	-	8,436	-	44,027
Gain (loss) on disposal of tangible capital asset:	-	(676,692)	-	-	3,500	-	-	-	(673,192)
Loss from investment in government business enterprise	-	-	-	-	-	-	(117,480)	-	(117,480)
	758,833	23,096	5,212,688	2,052,011	1,420,800	2,723,732	861,273	313,511	13,365,944
Expenses									
Advertising and promotion	-	-	3,320	-	14,677	18,239	-	-	36,236
Amortization	-	353,227	42,626	42,950	-	122,368	3,750	-	564,921
Bad debts	-	-	-	-	9,675	-	-	-	9,675
Community services	-	-	100	-	20,010	-	39,434	-	59,544
Cost of sales	-	-	4,484,824	-	-	-	-	-	4,484,824
Employee benefits	-	20,022	25,883	23,192	217,608	74,263	-	10,415	371,383
Equipment leasing	-	-	15,824	-	10,471	-	-	-	26,295
Expense recoveries	-	-	-	-	(58,289)	-	-	-	(58,289)
Food	-	-	-	-	-	1,500	-	-	1,500
Honorariums	-	12,553	-	-	37,036	10,883	-	-	60,472
Insurance	-	29,246	5,272	5,249	26,514	15,631	-	-	81,912
Interest and bank charges	-	475	89,193	-	11,097	940	-	45	101,750
Interest on long-term debt	-	22,086	-	-	-	-	-	-	22,086
Meetings and travel	-	1,637	6,397	3,335	150,261	89,206	-	-	250,836
Miscellaneous and other	-	-	(33,683)	5,239	11,432	47,619	182,386	-	212,993
Office	24,488	2,188	16,829	17,338	94,404	30,126	-	7,544	192,917
Professional fees and contract services	-	8,747	8,343	-	545,623	81,156	92,304	-	736,173
Program costs and supplies	-	183,019	17,657	142,684	46,046	818,127	40,221	-	1,247,754
Rent	-	-	-	-	-	3,477	-	-	3,477
Repairs and maintenance	114,727	159,998	49,183	20,353	1,406	61,060	16	-	406,743
Salaries	12,938	217,251	397,292	290,074	724,244	572,301	-	56,011	2,270,111
Social assistance payments	-	-	-	-	-	-	-	195,223	195,223
Telephone and utilities	-	85,210	15,426	25,805	64,060	26,704	-	-	217,205
Training and workshops	-	51	7,937	1,284	9,972	32,662	-	31,229	83,135
Tuition and living allowance	-	-	-	614,581	-	-	-	-	614,581
Vehicle operating and transportation	-	20,992	-	31,482	3,090	-	-	-	55,564
	152,153	1,116,702	5,152,423	1,223,566	1,939,337	2,006,262	358,111	300,467	12,249,021
Annual surplus (deficit) before prior year subsidy settlements	606,680	(1,093,606)	60,265	828,445	(518,537)	717,470	503,162	13,044	1,116,923
Prior year subsidy settlements	-	38,190	-	-	-	(16,469)	-	3,851	25,572
Annual surplus (deficit) from operations	606,680	(1,055,416)	60,265	828,445	(518,537)	701,001	503,162	16,895	1,142,495
Road settlement distributions - Hwy 7182	-	-	-	-	-	-	(52,288)	-	(52,288)
Community distribution - Henvey Inlet Wind Farm Transmission Line	-	-	-	-	-	-	(9,000)	-	(9,000)
Annual surplus (deficit)	\$ 606,680	\$ (1,055,416)	\$ 60,265	\$ 828,445	\$ (518,537)	\$ 701,001	\$ 441,874	\$ 16,895	\$ 1,081,207

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21. Segment information (continued)	2019								
	Capital	Community Operations	Economic Development	Education	First Nation Administration	Health Services	Other	Social Services	Total
Revenue									
Government funding	\$ 172,125	\$ 667,555	\$ 294,789	\$ 1,144,471	\$ 914,308	\$ 2,053,135	\$ 944,286	\$ 339,610	\$ 6,530,279
Sales	-	-	4,510,928	-	-	-	-	-	4,510,928
Rental and other	-	114,119	53,196	7,494	278,447	53,381	48,474	120	555,231
Interest	-	9,122	-	-	14,901	-	202	-	24,225
Gain on disposal of tangible capital assets	-	-	-	-	-	(17,344)	-	-	(17,344)
Loss from investment in government business enterprise	-	-	-	-	-	-	(56,619)	-	(56,619)
	<u>172,125</u>	<u>790,796</u>	<u>4,858,913</u>	<u>1,151,965</u>	<u>1,207,656</u>	<u>2,089,172</u>	<u>936,343</u>	<u>339,730</u>	<u>11,546,700</u>
Expenses									
Advertising and promotion	-	-	3,698	-	820	3,552	-	-	8,070
Amortization	-	403,520	49,026	56,541	-	66,914	3,750	-	579,751
Bad debts	-	-	-	-	4,554	-	-	-	4,554
Community services	-	-	-	-	24,456	-	113,428	-	137,884
Cost of sales	-	-	3,885,668	-	-	-	-	-	3,885,668
Employee benefits	-	12,039	20,744	39,734	159,440	89,077	517	11,645	333,196
Equipment leasing	-	-	12,525	-	5,977	-	-	-	18,502
Food	-	-	-	-	-	15,803	-	-	15,803
Honorariums	-	15,575	-	-	39,900	7,719	-	-	63,194
Insurance	-	18,689	4,809	4,287	25,710	5,360	-	-	58,855
Interest and bank charges	-	1,642	57,290	-	11,177	1,439	-	(14)	71,534
Interest on long-term debt	-	9,642	-	-	-	-	-	-	9,642
Meetings and travel	-	2,678	8,630	3,290	201,036	83,272	-	-	298,906
Miscellaneous and other	-	-	(31,287)	7,655	90,739	34,965	221,138	-	323,210
Office	-	5,882	20,628	13,776	92,242	19,133	-	6,238	157,899
Professional fees and contract services	-	4,000	-	-	411,800	49,668	39,886	-	505,354
Program costs and supplies	-	219,473	66,580	91,875	22,345	567,151	36,358	-	1,003,782
Repairs and maintenance	143,708	149,321	23,263	21,503	1,734	25,379	-	-	364,908
Salaries	-	218,802	334,799	295,264	568,367	566,591	4,935	60,154	2,048,912
Social assistance payments	-	-	-	-	-	-	-	231,227	231,227
Telephone and utilities	-	87,404	18,191	26,547	68,937	24,819	-	-	225,898
Training and workshops	-	-	53,230	13,062	9,724	54,225	-	33,337	163,578
Tuition and living allowance	-	-	-	522,021	-	-	-	-	522,021
Vehicle operating and transportation	-	17,889	-	11,934	2,628	-	-	-	32,451
	<u>143,708</u>	<u>1,166,556</u>	<u>4,527,794</u>	<u>1,107,489</u>	<u>1,741,586</u>	<u>1,615,067</u>	<u>420,012</u>	<u>342,587</u>	<u>11,064,799</u>
Annual surplus (deficit) before prior year subsidy settlements	28,417	(375,760)	331,119	44,476	(533,930)	474,105	516,331	(2,857)	481,901
Prior year subsidy settlements	-	-	(9,711)	27,969	(4,594)	(27,346)	-	-	(13,682)
Annual surplus (deficit) from operations	28,417	(375,760)	321,408	72,445	(538,524)	446,759	516,331	(2,857)	468,219
Road settlement distributions - Hwy 7182	-	-	-	-	-	-	19,608	-	19,608
Community distribution - Henvey Inlet Wind Farm Transmission Line	-	-	-	-	-	-	(11,000)	-	(11,000)
Annual surplus (deficit)	\$ 28,417	\$ (375,760)	\$ 321,408	\$ 72,445	\$ (538,524)	\$ 446,759	\$ 524,939	\$ (2,857)	\$ 476,827