

**Fort Albany First Nation
Consolidated Financial Statements**

March 31, 2019

Fort Albany First Nation Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Members of Fort Albany First Nation

The accompanying consolidated financial statements of Fort Albany First Nation (the "Nation") are the responsibility of management and have been approved by the Chief and Council.

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

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

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

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

December 9, 2019



On behalf of management

Independent Auditor's Report

To the Members of Fort Albany First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Fort Albany First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, changes 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 matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, changes in its consolidated net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Nation's consolidated statements of operations and changes in net debt do not present a comparison of the results for the accounting period with those originally planned, which constitutes a departure from Canadian public sector accounting standards.

The Nation has an investment in a government business enterprise which operates independent of the Nation. Current financial information for this entity was not available at the date of the consolidated financial statements. Accordingly, we were unable to obtain sufficient appropriate audit evidence relating to the current operations which may or may not result in a material misstatement in the investment in Nation business entity reported on the consolidated statement of financial position or the earnings from Nation business entity reported in the consolidated statement of operations and accumulated surplus.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Comparative Information

We draw your attention to note 25 which describes prior period adjustments relating to the reported balance of deferred revenue arising from the recognition of Indigenous Services Canada fixed funding as revenue in the year, prior year accrual of interest and penalties on HST balance owing and adjustment related to updated figures for the investment in the Nation business entity.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Timmins, Ontario

December 9, 2019

The logo for MNP LLP, featuring the letters 'MNP' in a stylized, italicized font, with 'LLP' in a smaller, regular font to the right.

Chartered Professional Accountants

Licensed Public Accountants

Fort Albany First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
	(Restated)	
Financial assets		
Cash and cash equivalents (Note 3)	3,658,905	2,535,502
Accounts receivable (Note 4)	207,584	957,577
Portfolio investments (Note 5)	487,416	487,416
Loan receivable (Note 6)	137,500	137,500
Due from funding agencies (Note 7)	4,719,850	2,364,820
Investment in Nation business entity (Note 8)	3,107,419	3,107,419
Funds held in trust (Note 9)	484,115	473,127
	12,802,789	10,063,361
Liabilities		
Bank indebtedness (Note 10)	442,259	316,146
Accounts payable and accruals	5,164,733	4,977,843
Deferred revenue (Note 11)	1,471,566	1,727,771
Due to funding agencies (Note 7)	310,811	237,287
Debt (Note 12)	5,598,631	6,202,425
	12,988,000	13,461,472
Net debt	(185,211)	(3,398,111)
Contingencies (Note 18)		
Non-financial assets		
Tangible capital assets (Note 14) (Schedule 1)	47,103,729	44,010,093
Inventories held for use	83,053	91,246
Prepaid expenses	65,766	343,627
	47,252,548	44,444,966
Accumulated surplus (Note 15)	47,067,337	41,046,855

Approved on behalf of Chief and Council



Chief



Councillor

Fort Albany First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	2019	2018
		<i>(Restated)</i>
Revenue		
Indigenous Services Canada		
Flexible funding	2,512,089	266,300
Fixed funding	4,013,637	4,445,474
Block funding	7,609,566	7,463,348
Set funding	120,531	170,304
Grant Funding	100,172	90,059
Canada Mortgage and Housing Corporation	333,226	262,091
Health Canada	4,211,340	2,813,993
Ontario First Nations Limited Partnership	1,867,691	1,469,592
Province of Ontario	3,906,157	3,899,258
Earnings from Nation business entity	-	416,473
Impact Benefit Agreement receipts - De Beers	6,860,014	302,798
Repayment of funding	(65,361)	(1,503)
Kimesskanemenow LP - winter road	677,400	1,406,720
Mushkegowuk Council	283,994	361,736
Nishnawbe Aski Nation	537,427	559,988
Payukotayno Child and Family Services	48,231	50,614
Rental income	395,190	387,690
Other (Note 16)	895,645	950,347
Deferred revenue - prior year	1,727,771	198,543
Deferred revenue - current year	(1,471,566)	(1,727,771)
	34,563,154	23,786,054
Expenses (Schedule 2)		
Administration and governance	1,592,389	1,177,616
Community and economic development	8,584,527	3,362,056
Community services - operations and maintenance	2,824,155	3,170,256
Daycare	422,438	501,072
Education	6,009,453	6,128,885
Housing	1,342,615	2,105,032
Infrastructure	643,871	595,139
Social assistance	3,232,074	3,188,694
Health Services	3,891,150	3,032,772
	28,542,672	23,261,522
Annual Surplus		
Accumulated surplus, beginning of year	6,020,482	524,532
	41,046,855	40,522,323
Accumulated surplus, end of year	47,067,337	41,046,855

Fort Albany First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2019

	2019	2018 (Restated)
Annual surplus	6,020,482	524,532
Purchases of tangible capital assets (Schedule 1)	(5,154,794)	(1,452,627)
Amortization of tangible capital assets (Schedule 1)	2,061,158	2,022,730
Loss on disposal of tangible capital assets	-	157,796
Utilization (acquisition) of prepaid	277,861	(103,329)
Utilization (acquisition) of inventory	8,193	(80,256)
Decrease in net debt	3,212,900	1,068,846
Net debt, beginning of year	(3,398,111)	(4,466,957)
Net debt, end of year	(185,211)	(3,398,111)

Fort Albany First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
		<i>(Restated)</i>
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus	6,020,482	524,532
Non-cash items		
Amortization	2,061,158	2,022,730
Earnings from Nation business entity	-	(416,473)
Loss on disposal of tangible capital assets	-	157,796
Forgiveness of debt	(32,925)	(42,100)
	8,048,715	2,246,485
Changes in working capital accounts		
Accounts receivable	749,993	192,149
Portfolio investments	-	175,513
Due from funding agencies	(2,355,030)	(1,346,261)
Funds held in trust	(10,988)	(9,832)
Accounts payable and accruals	186,890	(132,426)
Deferred revenue	(256,205)	1,525,487
Inventory	8,193	(80,246)
Prepaid expenses	277,861	(103,329)
	6,649,429	2,467,540
Financing activities		
Change in amounts due to funding agencies	73,524	-
Advances of debt	408,679	501,089
Repayment of debt	(979,548)	(573,210)
Repayment of capital lease obligations	-	(216,104)
Repayment of bank indebtedness	126,113	(86,216)
	(371,232)	(374,441)
Capital activities		
Purchases of tangible capital assets	(5,154,794)	(1,452,627)
Increase in cash resources		
Cash resources, beginning of year	1,123,403	640,472
Cash resources, end of year	2,535,502	1,895,030
	3,658,905	2,535,502

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

1. Operations

Fort Albany First Nation (the "Nation") is located in the province of Ontario, and provides various services to its members. Fort Albany First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

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

Reporting entity - consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Fort Albany First Nation are excluded from the First Nation reporting entity.

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

- Fort Albany First Nation Band
- Mundo Peetabeck Education Authority
- Peetabeck Health Services

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

Nation business entities, owned or controlled by the First Nation but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Fort Albany Power Corporation

Cash and cash equivalents

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

Portfolio investments

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

Inventory

Inventory of coarse aggregate stockpiles for use in operations are recorded at the lower of cost and net realizable value, with cost being determined on a weighted average basis.

Inventory of heating fuel for use in operations are recorded at the lower of cost and net realizable value, with cost being determined on a weighted average basis.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible assets are recorded at their fair value at the date of contribution. One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Amortization

The cost, less residual value, of the tangible capital assets are amortized as follows:

	Method	Rate
Buildings	declining balance	5 %
Equipment and furnishing	declining balance	20 %
Roads and sewer	straight-line	10-40 years
Water infrastructure	straight-line	10-50 years
Computers	declining balance	30-55 %
Vehicles	declining balance	30 %

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

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

Net debt

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

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventory for internal use.

Revenue recognition

Funding

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

Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the organization. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Funds held in Ottawa Trust Fund

Revenue related to funds held in the Ottawa Trust Fund is recognized when it is received.

Other revenues

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Included in accounts payable and accruals is \$600,000 (2018 - \$600,000) related to sewage lagoon remediation expected in the 2020 and 2021 fiscal years.

Liability for contaminated site

Expenditures that relate to on-going environmental and remediation programs are charged against annual surplus as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

Prior period funding adjustments

The Nation has entered into accountable contribution arrangements with several government funding agencies. These programs are subject to audit by the various governments, with potential audit adjustments repayable to the government. These adjustments are recorded in the financial statements in the year they become known.

Segments

The Nation conducts its business through nine reportable segments. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 20.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

3. Cash and cash equivalents

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), the 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 CMHC with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund. At the year-end date, the respective monies on hand in the amount of \$116,632 (2018 - \$117,393) were not sufficient to meet the CMHC reserve fund requirements. The deficiency amounted to \$105,921 (2018 - \$79,553).

	2019	2018
Cash - unrestricted	3,542,273	2,418,109
CMHC Reserve Fund - Restricted	116,632	117,393
	3,658,905	2,535,502

4. Accounts receivable

	2019	2018
Accounts receivable	1,135,977	1,225,410
Rent receivable	1,261,482	1,054,716
	2,397,459	2,280,126
Less: Allowance for doubtful accounts	2,189,875	1,322,549
	207,584	957,577

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Portfolio investments

Portfolio investments consists of:

A 25% partnership interest in Kimesskanemenow Limited Partnership, a partnership controlled by several Nation bands whose primary business activity is the annual construction and maintenance of a winter road from Moosonee to Attawapiskat, Ontario. The investment is carried at cost, being the initial contribution and the amounts assumed on transfer when the entity changed its legal structure from a corporation to a limited partnership.

A 25% partnership interest in Creewest Limited Partnership, a partnership controlled by several Nation bands whose primary business activity is the participation in contracting opportunities from development projects within the traditional territories of the limited partners, in order to generate income for the limited partners and employment opportunities for their respective memberships. The investment is carried at cost, being the initial contribution.

A minority equity interest in Mushkegowuk Development Corporation, a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to training initiatives. The investment is carried at cost, being the initial contribution.

A minority partnership interest in Ontario First Nations Sovereign Wealth LP, a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to investment income from its holdings. The investment is carried at cost, being the initial contribution.

A minority equity interest, being one common share, in OFN Asset Management GP Corp., a corporation controlled by several Nation bands whose primary business activity is providing its shareholders with access to investment income from its holdings. The investment is carried at cost, being the initial contribution.

	2019	2018
Kimesskanamenow Limited Partnership	462,114	462,114
Creewest Limited Partnership	300	300
Mushkegowuk Development Corporation	25,000	25,000
Ontario First Nations Sovereign Wealth LP	1	1
OFN Asset Management GP Corp.	1	1
	<hr/> 487,416	<hr/> 487,416

6. Loan receivable

The loan receivable from Kimesskanamenow Limited Partnership (Note 5), is non-interest bearing, unsecured and repayable upon dissolution of the partnership.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Due from/to funding agencies

	2019	2018
Due from funding agencies:		
Canada Mortgage and Housing Corporation	14,294	14,294
Indigenous Services Canada	4,229,741	1,967,272
Mushkegowuk Council	214,865	82,737
Nishnawbe Aski Nation	170,954	172,777
Payukotayno Child and Family Services	11,825	15,655
Province of Ontario	78,171	112,085
	4,719,850	2,364,820
Due to funding agencies:		
Canada Mortgage and Housing Corporation	957	-
Indigenous Services Canada	237,287	237,287
Nishnawbe Aski Nation	10,000	-
Ministry of Health and Long-term Care	62,567	-
	310,811	237,287

8. Investment in Nation business entity

The Nation has an interest in a Nation Business Enterprise. Unless otherwise noted, the Nation's interest is 100% of the shares or units of the respective entity.

Fort Albany Power Corporation, a not-for-profit organization, was established by the Nation to provide hydro-electric power distribution to the community.

Summary financial information for the First Nation business enterprise, accounted for using the modified equity method, for the respective year-end is as follows:

	Fort Albany Power Corporation As at December 31, 2017	Fort Albany Power Corporation As at December 31, 2016
Assets		
Current assets	2,197,838	2,342,303
Long-term assets	1,644,429	1,582,389
Total assets	3,842,267	3,924,692
Liabilities		
Current liabilities	463,810	903,387
Long-term liabilities	271,038	330,278
Total liabilities	734,848	1,233,665
Net assets	3,107,419	2,691,027
Total revenue	2,777,588	2,972,890
Total expenses	2,361,115	2,526,543
Annual surplus	416,473	446,347

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Investment in Nation business entity (continued from previous page)

During the year, the following First Nation business enterprise had transactions with other organizations of the First Nation:

Name of business enterprise	Name of organization	Nature of transactions/balances
Fort Albany Power Corporation	Fort Albany First Nation - Band	Provided electrical power services to the organization
Fort Albany Power Corporation	Mundo Peetabeck Education Authority	Provided electrical power services to the organization
Fort Albany Power Corporation	Peetabeck Health Services	Provided electrical power services to the organization

9. Funds held in trust

Capital and revenue trust monies are transferred to the Nation on the authorization of Indigenous Services Canada, with the consent of the Nation's Council.

	2019	2018
Balance, beginning of year	473,127	463,295
Interest	10,988	9,832
Balance, end of year	484,115	473,127

The Trust Funds arise from moneys 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.

10. Bank indebtedness

Mundo Peetabeck Education Authority, whose books and records are consolidated in these consolidated financial statements, is party to an RBC credit facility agreement bearing interest at the bank prime rate plus 1.80% (5.75% (2018 - 5.25%) with a borrowing limit of \$100,000. At the year-end date, the limit was temporarily increased to \$285,000 (2018 - \$350,000) of which \$265,000 (2018 - 290,000) was utilized. Subsequent to the year-end date the limit reverted back to \$100,000. Included in bank indebtedness are overdraft balances of various consolidated entities.

11. Deferred revenue

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

	<i>Balance, beginning of year (Restated)</i>	<i>Funding received</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
Health Canada - Jordan's Principle	-	1,478,409	1,377,761	100,648
ISC - 5-Duplexes	1,670,373	1,188,720	2,149,919	709,174
ISC - Niska Way Sanitary Sewer Replacement	-	1,980,664	1,318,920	661,744
ISC - Renovations and Additions	26,223	-	26,223	-
LHIN - Home Support	14,515	-	14,515	-
Payukotayno Child and Family Services	12,975	-	12,975	-
Other	3,685	-	3,685	-
	1,727,771	4,647,793	4,903,998	1,471,566

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Debt

	2019	2018
CMHC mortgage advance, bearing interest at 1.90% (2018 -1.44%), repayment terms to be determined when fully drawn.	1,811,159	1,435,229
CMHC forgivable loan advance, non-interest bearing, forgivable at \$74,760 per annum, maturing March 2020. Terms of forgiveness stipulate the building financed with the facility must continue to operate as an emergency shelter for women and children who are victims of family violence.	74,760	65,760
CMHC mortgage, bearing interest at 2.13%, repayable at \$3,597 per month principal and interest, renewable October 2022, maturing August 2037.	704,286	735,222
CMHC mortgage, bearing interest at 1.95%, repayable at \$5,558 per month principal and interest, renewable June 2019, maturing May 2034.	875,571	924,741
CMHC mortgage, bearing interest at 2.04%, repayable at \$3,193 per month principal and interest, renewable March 2019, maturing March 2034.	495,116	523,066
RBC term loan, bearing interest at 4.09%, repayable at \$9,133 per month principal and interest, secured by building and assignment of rents, renewable November 2021, maturing November 2031.	1,103,182	1,165,985
CMHC mortgage, non-interest bearing, forgivable at \$58,933 per annum, maturing October 2025. Terms of forgiveness stipulate the building financed with the facility must continue to operate as an emergency shelter for women and children who are victims of family violence.	358,133	416,933
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing December 2023. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	22,563	-
RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$790. The loan matures in March 2022 and is secured by a 2015 Chevrolet Silverado with a carrying value of \$39,295.	26,348	34,295
RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$905. The loan matures in March 2022 and is secured by a 2016 Chevrolet Silverado with a carrying value of \$44,295.	30,190	44,295
RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$605. The loan matures in March 2022 and is secured by a 2017 Chevrolet Silverado with a carrying value of \$46,295.	20,202	26,295
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	9,104	13,854
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	9,104	13,854

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	9,104	13,854
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing February 2021. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	9,104	13,854
RBC loan bearing no interest, repayable in monthly fixed principal payments of \$631. The loan matures in January 2021 and is secured by a 2015 Chevrolet Silverado truck with a carrying value of \$17,840.	13,872	21,439
RBC loan bearing interest at 4.90%, repayable in monthly blended payments of \$2,018. The loan matures in February 2020 and is secured by two GMC school buses with a carrying value of \$31,247.	19,719	42,358
RBC loan bearing interest at 4.99%, repayable in monthly blended payments of \$807. The loan matures in December 2019 and is secured by 2014 GMC Sierra truck with a carrying value of \$12,469.	7,114	16,195
<u>Loans repaid during the year</u>	<u>-</u>	<u>695,196</u>
	5,598,631	6,202,425

Each of the above CMHC debt facilities are secured by a Ministerial Guarantee from Indigenous Services Canada.

Principal repayments and forgiveness on long-term debt in each of the next five years and thereafter, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2020	391,639
2021	293,613
2022	276,337
2023	254,792
2024	259,090
Thereafter	4,123,159

13. Advances from related Nation entities

The parties are related by significant influence. The transactions are recorded at their exchange amount, which is the amount agreed to by the parties.

Included in accounts payable is \$558,128 (2018 - \$369,699) owing to Fort Albany Power Corporation in the normal course of operations.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Buildings include costs associated with a 10 unit and 5 duplex housing projects, fire hall and Nishnawbe-Aski Police Service building with a carrying value of \$8,315,600 (2018 - \$5,472,550). No amortization of these assets have been recorded during the year because they are currently under construction.

The First Nation holds works of art and historical treasures which have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

Included in cost of tangible capital assets is \$28,606 (2018 - \$12,902) of interest incurred during the current fiscal year on the 10 unit housing project.

15. Accumulated surplus

Accumulated surplus consists of restricted and unrestricted amounts as follows:

	2019	2018 (Restated)
Unrestricted		
Operating surplus (deficit)	3,797,780	1,353,356
OFNLP	1,575,049	1,184,864
Equity in tangible capital assets	<u>40,987,840</u>	37,838,561
	46,360,669	40,376,781
Restricted		
Funds held in trust - Ottawa	484,115	473,128
CMHC Replacement Reserve	<u>222,553</u>	196,946
	706,668	670,074
	47,067,337	41,046,855

16. Other revenue

The balance reported as "Other Revenue" on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2019	2018
User fees - land use, water/sewer	187,385	87,949
Insurance proceeds	35,062	251,730
Labour and other charges - capital projects	-	17,000
HST rebates	176,316	96,229
Loss on disposal of tangible capital assets	-	(157,796)
Sale of gravel	-	237,807
University of Toronto	64,600	-
Other	<u>432,282</u>	417,428
	895,645	950,347

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

17. Related party transactions

During the year, the First Nation conducted the following transactions with a related entity. The transactions were recorded at the exchange amount.

	2019	2018
Electrical power services provided by Fort Albany Power Corporation, a related First Nation business enterprise	514,870	591,057

18. Contingencies

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

The Nation is involved in legal actions in the normal course of its operations. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the Nation's consolidated financial statements. Included in accounts payable and accruals is \$204,561 (2018 - \$204,561) in respect of such claims.

The Nation operates sewage lagoons and waste storage facilities adjacent to the reserve lands. The Ontario Ministry of the Environment has identified certain non-compliance issues in relation to these facilities and has issued action directives which, at the date of these consolidated financial statements, have not been completed. Management is of the opinion the resolution will include funding from other levels of government. The Nation has accrued in accounts payable and accruals \$600,000 (2018 - \$600,000) in respect of its share of any future capital expenditures related to this matter.

The Nation has a number of credit facilities with CMHC that contain provisions for forgiveness of the liabilities over time pursuant to covenants. Failure to meet these covenants could result in the credit facilities being converted from forgivable to repayable (Note 11).

19. Distributions from Ontario First Nations Limited Partnership

Commencing with the 2012 fiscal year and in each fiscal year thereafter, the agreement between the Province of Ontario and Ontario First Nations Limited Partnership (OFNLP), the Province of Ontario shall pay to OFNLP 12 monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the Nation its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

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

20. Impact benefit agreement receipts and distributions

During the year, the Nation received \$6,860,14 (2018 - \$302,798) as part of an impact benefit agreement with De Beers Canada. Of this amount, \$6,220,814 was distributed to band members pursuant to a band council resolution.

21. Economic dependence

The Nation receives a significant portion of its revenue from Indigenous Services Canada (ISC), Health Canada, the Province of Ontario and other funding agencies. The nature and extent of this revenue is of such significance that the Nation is economically dependent on these sources of revenue.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

22. Budget information

Canadian public sector accounting standards (PSAS) require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these consolidated financial statements. While having no effect on reported revenue, expenses, and surplus, omission of this information is a departure from PSAS.

23. Segments

Fort Albany First Nation is a diversified local government that provides a wide range of services to its members, including water, fire protection, roadworks, technical services, recreation, social services, health services, education, social housing and economic development among others. For management reporting purposes, the Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, requirements or limitations.

The Nation's services are provided by departments and their activities are recorded in these funds. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

ADMINISTRATION AND GOVERNANCE

-Manages the administrative operations of the Nation, undertakes Nation operated governance initiatives through the activities of Chief and Council and other activities relating to reserve lands, membership matters and other governance initiatives. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment.

COMMUNITY AND ECONOMIC DEVELOPMENT

-Manages the development of economic opportunities for Nation entities and provides support to member entities as well undertakes activities of the Ontario First Nations Limited Partnership (OFNLP) Fund and the Impact Benefit Agreement.

COMMUNITY SERVICES- O&M

-Provides contract management services, heavy equipment operations, bulk fuel operations, general labour services and other related activities.

DAYCARE

-Manages the activities of the local children's' daycare program.

EDUCATION

-Provides elementary and secondary instructional services and provides financial support to post-secondary students.

HEALTH SERVICES

-Provides a variety of health care programs and support to Nation members.

HOUSING

-Provides housing to members under CMHC and other programs and reports on the respective revenue and expenditures.

INFRASTRUCTURE

-Manages Nation infrastructure programs including facilities operations and maintenance, capital projects, water and waste water plant operations and other related activities.

SOCIAL ASSISTANCE

-Administers the provision of social assistance to qualifying members.

For each reported segment, revenues and expenditures represent both 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

Fort Albany First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

24. Comparative figures

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

25. Correction of an error

Prior period comparative figures have been restated to account for changes made to the reported balance of deferred revenue arising from the recognition of Indigenous Services Canada fixed funding as revenue in the year, prior year accrual of interest and penalties on an HST balance owing to Canada Revenue Agency and an adjustment relating to updated figures for the investment in the Nation business entity.

	<i>Original amount</i>	<i>Adjustment</i>	<i>As restated</i>
Investment in Nation business entity	2,864,000	243,419	3,107,419
Accounts payable and accruals	4,675,482	302,357	4,977,843
Deferred revenue	3,858,275	(2,130,504)	1,727,771
Earnings from Nation business entity	173,054	243,419	416,473
Deferred revenue - prior year	1,398,152	(1,212,127)	186,025
Deferred revenue - current year	(3,845,757)	2,130,504	(1,715,253)
Annual surplus (deficit)	(333,377)	857,908	524,531
Accumulated surplus, beginning of year	39,308,670	1,213,653	40,522,323
Accumulated surplus, end of year	38,975,293	2,071,562	41,046,855
Community services - operations and maintenance	2,867,899	302,357	3,170,256

Fort Albany First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	<i>Land Improvements</i>	<i>Buildings</i>	<i>Vehicles and Moveable Equipment</i>	<i>Furnishing, Equipment and Computers</i>	<i>Roads, Streets and Bridges</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	1,704,903	49,719,385	1,139,614	3,689,855	7,695,138	63,948,895
Acquisition of tangible capital assets	-	3,448,841	95,453	291,580	-	3,835,874
Disposal of tangible capital assets	-	-	-	-	-	-
Balance, end of year	1,704,903	53,168,226	1,235,067	3,981,435	7,695,138	67,784,769
Accumulated amortization						
Balance, beginning of year	-	20,480,724	744,879	2,380,699	4,331,372	27,937,674
Annual amortization	-	1,217,514	214,900	168,098	173,323	1,773,835
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, end of year	-	21,698,238	959,779	2,548,797	4,504,695	29,711,509
Net book value of tangible capital assets	1,704,903	31,469,988	275,288	1,432,638	3,190,443	38,073,260
2018 Net book value of tangible capital assets	1,704,903	29,238,661	394,735	1,309,156	3,363,766	36,011,221

Fort Albany First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	<i>Subtotal</i>	<i>Water and Sewer</i>	<i>2019</i>	<i>2018</i>
Cost				
Balance, beginning of year	63,948,895	13,706,670	77,655,565	76,458,742
Acquisition of tangible capital assets	3,835,874	1,318,920	5,154,794	1,452,627
Disposal of tangible capital assets	-	-	-	(255,804)
Balance, end of year	67,784,769	15,025,590	82,810,359	77,655,565
Accumulated amortization				
Balance, beginning of year	27,937,674	5,707,798	33,645,472	31,720,749
Annual amortization	1,773,835	287,323	2,061,158	2,022,730
Accumulated amortization on disposals	-	-	-	(98,007)
Balance, end of year	29,711,509	5,995,121	35,706,630	33,645,472
Net book value of tangible capital assets	38,073,260	9,030,469	47,103,729	44,010,093
2018 Net book value of tangible capital assets	36,011,221	7,998,872	44,010,093	

Fort Albany First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2019

	2019	2018
Consolidated expenses by object		
Administration	340,340	156,387
Amortization	2,061,158	2,022,730
Bad debts	867,326	427,513
Bank charges and interest	173,424	339,668
Honouraria	95,572	100,660
Insurance	277,658	414,784
Interest on long-term debt	144,801	149,313
Materials and supplies	1,516,763	2,429,239
Office and other	566,684	406,593
Post secondary education	973,312	913,479
Professional fees	686,412	560,936
Program expenses	9,850,343	2,798,930
Rent	26,450	13,210
Repairs and maintenance	1,587,072	1,667,722
Salaries, benefits and honoraria	7,933,688	7,141,360
School supplies	127,014	46,652
Sewage and waste facilities closure	-	100,000
Social assistance payments	2,672,481	2,578,161
Subcontracts	1,686,875	640,217
Training	104,097	71,000
Travel	945,775	790,997
Utilities	1,060,222	944,598
Capital expenditures	(5,154,795)	(1,452,627)
	28,542,672	23,261,522