

**Iskatewizaagegan No. 39 Independent
First Nation
Consolidated Financial Statements
For the year ended March 31, 2019**

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Iskatewizaagegan No. 39 Independent First Nation are the responsibility of management and have been approved by the Chief and Council of the Band.

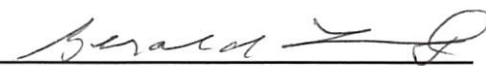
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen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

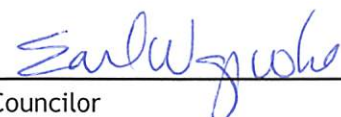
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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

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

The Chief and Council review the First Nation's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian auditing standards on behalf of the members. BDO Canada LLP has full access to the First Nation Council.


Chief


Councilor


Councilor


Councilor

Independent Auditor's Report

To the Chief and Council of Iskatewizaagegan No. 39 Independent First Nation

Qualified Opinion

We have audited the consolidated financial statements of Iskatewizaagegan No. 39 Independent First Nation and its entities (the Group), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of 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 matters described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019, and its consolidated results of operations, its consolidated changes in 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 Summary of Significant Accounting Policies describes the capitalization policies with respect to the First Nation's tangible capital assets. The First Nation has not completed an assessment of their tangible capital assets with respect to PS 3150 Tangible Capital Assets adoption. The capital assets recorded are only those assets that have been acquired since 1996 and as such the tangible capital asset amounts reported may not be complete. The First Nation has not reviewed the remaining useful lives or condition of recorded capital assets which may impact the valuation of capital assets and the accuracy and completeness of accumulated amortization. This caused us to modify our audit opinion on the financial statements relating to the years ended March 31, 2019 and 2018. Accordingly, we were unable to determine whether any adjustments might be necessary to tangible capital assets, accumulated amortization and accumulated surplus as at April 1, 2018 and 2017 and March 31, 2019 and 2018 and amortization expense and annual surplus (deficit) for the years ended March 31, 2019 and 2018.

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 Group 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.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibility 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 Group'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 Group'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 Group 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 Group 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
November 22, 2019

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Financial Position

<u>As at March 31</u>	<u>2019</u>	<u>2018</u>
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Financial Assets

Cash and bank (Note 1)	\$ 1,420,358	\$ 505,305
Temporary investments (Note 2)	470,479	459,903
Accounts receivable (Note 3)	1,897,816	957,172
Inventories for resale	150,895	115,580
Funds held in trust (Note 4)	66,416	64,909

	4,005,964	2,102,869
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Liabilities

Bank indebtedness (Note 5)	1,530	618,057
Accounts payable and accruals (Note 6)	1,361,961	1,160,688
Deferred revenue (Note 7)	2,097,324	310,501
Long term debt (Note 8)	933,672	832,459

	4,394,487	2,921,705
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Net Debt

	(388,523)	(818,836)
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Non Financial Assets

Prepaid expenses and other current assets	62,308	83,275
Tangible capital assets (Note 9)	13,333,521	13,051,750
	13,395,829	13,135,025

Accumulated surplus (Note 10)	\$ 13,007,306	\$ 12,316,189
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Approved on behalf of the Band Council:

Chief

Councilor

Councilor

Councilor

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Operations

For the year ended March 31	Budget	2019	2018
	(Note 15)		
Revenue (Note 13)			
Indigenous Services Canada	\$ 6,379,144	\$ 4,597,563	\$ 4,873,120
Anishinaabe Abinoojii Family Services	288,186	238,525	163,815
Bimose Tribal Council	82,903	121,800	99,917
Ontario First Nations (2008) Limited Partnership	640,000	793,983	627,338
Canada Mortgage and Housing Corporation	44,428	82,997	106,226
Health Canada	1,770,150	1,503,111	639,712
Independent Electricity Systems Operator	99,500	17,810	32,585
Independent First Nations	-	118,135	101,521
Ministry of Indigenous Relations and Reconciliation	90,000	90,000	140,000
Ministry of Community and Social Services/Children and Youth Services	587,103	1,204,186	1,100,085
Ministry of Tourism, Culture and Sport	13,842	13,842	29,227
Ministry of Health and Long-Term Care	142,448	142,130	106,261
Ministry of Education	609,749	582,266	544,185
Ministry of Natural Resources and Forestry	-	-	50,000
Ministry of Advanced Education and Skills	228,259	177,622	139,793
Ministry of Transportation	149,599	135,400	-
Other revenue	238,762	463,753	407,664
Rent	54,125	81,213	71,493
Sales	-	2,528,234	1,989,501
Shooniyya Wa-Biitong	99,721	131,493	156,418
	<u>11,517,919</u>	<u>13,024,063</u>	<u>11,378,861</u>
Expenses			
Band Support Programs	1,002,340	1,003,728	911,921
Casino Rama Programs	-	55	26
Economic Development Programs	396,509	483,707	354,892
Social Service Programs	658,030	1,186,421	993,209
Infrastructure Programs	1,895,253	1,678,636	2,526,492
Training Programs	205,038	181,574	63,695
Education Programs	4,032,093	3,170,997	2,950,589
Health Programs	1,232,932	1,269,256	1,073,463
Child Care Programs	637,545	662,433	653,964
Commercial Enterprises	42,510	2,696,139	1,870,216
	<u>10,102,250</u>	<u>12,332,946</u>	<u>11,398,467</u>
Annual surplus (deficit)	<u>\$ 1,415,669</u>	<u>691,117</u>	<u>(19,606)</u>
Accumulated surplus, beginning of year		<u>12,316,189</u>	<u>12,335,795</u>
Accumulated surplus, end of year		<u>\$ 13,007,306</u>	<u>\$ 12,316,189</u>

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

Iskatewizaagegan No. 39 Independent First Nation Consolidated Statement of Changes in Net Debt

For the year ended March 31	Budget (Note 15)	2019	2018
Annual surplus (deficit)	\$ 1,415,669	\$ 691,117	\$ (19,606)
Acquisition of tangible capital assets	(683,103)	(1,184,401)	(818,761)
Disposals of tangible capital assets	-	24,634	-
Amortization of tangible capital assets	-	877,996	825,036
	<u>732,566</u>	<u>409,346</u>	<u>(13,331)</u>
Acquisition of prepaid expenses	-	(62,308)	(83,275)
Use/consumption of prepaid expenses	-	83,275	93,332
	<u>-</u>	<u>20,967</u>	<u>10,057</u>
Net change in net debt	732,566	430,313	(3,274)
Net debt, beginning of year	<u>(818,836)</u>	<u>(818,836)</u>	<u>(815,562)</u>
Net debt, end of year	\$ (86,270)	\$ (388,523)	\$ (818,836)

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

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Cash Flows

For the year ended March 31	2019	2018
Operating activities		
Annual surplus (deficit)	\$ 691,117	\$ (19,606)
Item not affecting cash		
Amortization	877,996	825,036
Gain on disposal of capital assets	(38,646)	-
Changes to non-cash operating balances		
Temporary investments	(10,576)	(10,804)
Accounts receivable	(940,644)	482,248
Accounts payable and accruals	201,273	401,944
Deferred revenue	1,786,823	(576,540)
Inventories for resale	(35,315)	(77,228)
Prepaid expense and other current assets	20,966	10,058
Funds held in trust	(1,507)	(1,349)
	<u>2,551,487</u>	<u>1,033,759</u>
Financing activities		
Repayment of long term debt	(129,598)	(121,124)
Proceeds from long term debt	230,811	-
Increase (decrease) in bank indebtedness	(300,000)	-
	<u>(198,787)</u>	<u>(121,124)</u>
Capital activities		
Purchase of capital assets	(1,184,401)	(818,761)
Proceeds on disposal of capital assets	63,281	-
	<u>(1,121,120)</u>	<u>(818,761)</u>
Increase in cash	1,231,580	93,874
Cash, beginning of year	187,248	93,374
Cash, end of year	\$ 1,418,828	\$ 187,248
Consists of:		
Cash and bank	\$ 1,420,358	\$ 505,305
Bank overdraft	(1,530)	(318,057)
	<u>\$ 1,418,828</u>	<u>\$ 187,248</u>

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

Iskatewizaagegan No. 39 Independent First Nation Summary of Significant Accounting Policies

March 31, 2019

Basis of Accounting	<p>These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CPA Canada Public Sector Accounting Handbook.</p> <p>These consolidated financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.</p>
Basis of Consolidation	<p>The Iskatewizaagegan No. 39 Independent First Nation reporting entity includes the Iskatewizaagegan No. 39 Independent First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the Iskatewizaagegan No. 39 Independent First Nation.</p>
Revenue Recognition	<p>Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.</p> <p>Government transfers 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 revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p> <p>Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.</p> <p>Revenue from the Shoal Lake Landing and Mr. Bubbles Laundromat is recognized at point of sale.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could be different from those estimates. Accounts subject to significant estimates include allowance for doubtful accounts receivable, useful lives of tangible capital assets and surpluses repayable.</p>
Inventories for Resale	<p>Inventories consist of goods for resale at Shoal Lake Landing and are valued at the lower of cost and net realizable value.</p>

Iskatewizaagegan No. 39 Independent First Nation

Summary of Significant Accounting Policies

March 31, 2019

Capital Assets

Prior to April 1, 1996, acquired tangible capital assets were recognized as operating expenses and were not reported in the consolidated statement of financial position.

Subsequent to March 31, 1996, capital assets are stated at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Amortization is recorded over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use using the declining balance basis at the following annual rates:

Housing	5% and 10%
Infrastructure	4 and 10%
Community buildings and renovations	10%
Equipment	10%
Laundromat investment	5 and 6%
Computer equipment	30%
Gravel pit	10%
Vehicles	30%

Pension Plan

The First Nation maintains a defined contribution pension plan for its personnel. Expenses for this plan are equal to the First Nation's required contribution for the year.

Temporary Investments

Temporary investments are recorded at cost, unless the market value has declined below cost, in which case they are written down to market value.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

1. Cash and Bank

	2019	2018
Unrestricted		
General	\$ 290,047	\$ -
ATM	52,432	22,558
Casino Rama	391,593	220,664
Shoal Lake Landing	124,518	261,304
Ombigi Aawasoon Childcare Centre	-	779
Social Services	561,768	-
	\$ 1,420,358	\$ 505,305

2. Temporary Investments

	2019	2018
Externally Restricted		
GIC, 60% of original \$300,000, (\$60,000 maturing annually for five years), interest earned at 2.10%, maturing January 2020, held as cash collateral on general operating line of credit	\$ 78,339	\$ 135,493
GIC, interest earned at 1.50%, maturing January 2021, held as cash collateral on general operating line of credit	62,741	61,814
GIC, interest earned at 1.45%, maturing January 2022, held as cash collateral on general operating line of credit	61,753	60,870
GIC, interest earned at 1.60%, maturing January 2023, held as cash collateral on general operating line of credit	60,960	60,000
GIC, interest earned at 2.20%, maturing January 2024, held as cash collateral on general operating line of credit	60,000	-
GIC, 60% of original \$60,000, (\$12,000 maturing annually for five years), interest earned at 2.10%, maturing January 2020, held as cash collateral on landing operating line of credit	15,668	27,099
GIC, interest earned at 1.50%, maturing January 2021, held as cash collateral on landing operating line of credit	12,548	12,363
GIC, interest earned at 1.45%, maturing January 2022, held as cash collateral on landing operating line of credit	12,351	12,174
GIC, interest earned at 1.60%, maturing January 2023, held as cash collateral on landing operating line of credit	12,192	12,000
GIC, interest earned at 2.20%, maturing January 2024, held as cash collateral on landing operating line of credit	12,000	-
Cashable GIC, interest earned at 0.5%, maturing December 2019, represents CMHC reserve funds	81,927	78,090
	\$ 470,479	\$ 459,903

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

3. Accounts Receivable

	2019	2018
Indigenous Services Canada	\$ 645,621	\$ 122,080
Canada Mortgage and Housing Corporation	81,653	132,544
Health Canada	34,294	-
Ministry of Education	392,003	191,816
Shooniyaa Wa-Biitong	75,419	45,529
Other government funding	344,290	210,854
Members	25,297	44,921
HST rebates	50,037	58,787
Other	266,310	252,823
Allowance for doubtful accounts	(17,108)	(102,182)
	<u>\$ 1,897,816</u>	<u>\$ 957,172</u>

4. Funds Held in Trust

	Revenue	Capital	2019	2018
Ottawa Trust Fund				
Balance, beginning of year	\$ 61,536	\$ 3,373	\$ 64,909	\$ 63,560
Interest for the year	1,507	-	1,507	1,349
Balance, end of year	<u>\$ 63,043</u>	<u>\$ 3,373</u>	<u>\$ 66,416</u>	<u>\$ 64,909</u>

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. These funds are restricted in their use. The First Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the First Nation and First Nation members. The expenditure of capital funds requires the consent of Indigenous and Northern Affairs Canada and generally must be for projects of a capital nature.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

5. Bank Indebtedness

	2019	2018
General operating account	\$ 1,492	\$ 311,670
Social services	-	6,387
Ombigi Aawasoon Childcare Centre	38	-
General - RBC business operating line of credit	-	300,000
	<u>\$ 1,530</u>	<u>\$ 618,057</u>

The General - RBC business operating line of credit is a revolving demand facility with a maximum credit capacity of \$300,000 and bears interest at prime plus 0.90%. The unused credit capacity at year end was \$300,000.

Other facilities are:

- an additional line of credit for the landing that is a revolving demand facility with a maximum credit capacity of \$60,000 and bears interest at prime plus 0.90%. The unused credit capacity at year end was \$60,000.
- a \$300,000 revolving lease line of credit to finance the acquisition of capital assets.
- Visa Business to a maximum amount of \$30,000.

Security consists of a general security agreement and cash collateral agreements assigning GICs in the amount of \$300,000 against the general line, \$60,000 against the Landing line and specific equipment against the lease line.

6. Accounts Payable and Accruals

	2019	2018
Trade and other payables	\$ 1,001,329	\$ 944,087
Payroll payables	129,648	109,615
Surpluses repayable	230,984	106,986
	<u>\$ 1,361,961</u>	<u>\$ 1,160,688</u>

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

7. Deferred Revenue

	Opening balance	Funding received	Revenue recognized	Closing balance 2019	Closing balance 2018
Indigenous Services Canada					
- Economic strategic plan	\$66,698	\$ 45,000	\$ (66,698) \$	45,000 \$	66,698
- Lift station emergency repair	66,713	39,686	(66,713)	39,686	66,713
- Band management	75,000	40,000	(75,000)	40,000	75,000
- Governance	-	5,055	-	5,055	-
- Prevention	-	49,961	-	49,961	-
- Waste water	-	737,558	-	737,558	-
- Waste management	-	124,926	-	124,926	-
- Prevention/community wellness	-	101,385	-	101,385	-
- Comprehensive community plan	-	92,357	-	92,357	-
- Community opportunity readiness	-	475,617	-	475,617	-
- Child care centre	-	38,012	-	38,012	-
Health Canada - Jordan's Principles	-	314,083	-	314,083	-
CMHC - RRAP	7,678	-	(7,678)	-	7,678
IESO Aboriginal Community Energy Plan	-	2,090	-	2,090	-
CORDA	14,839	-	(14,839)	-	14,839
Ministry of Education - Journey Together	51,873	-	(51,873)	-	51,873
Shooniyaa Wa-Biitong - ECE	-	19,534	-	19,534	-
Shooniyaa Wa-Biitong - daycare	27,700	12,060	(27,700)	12,060	27,700
	\$ 310,501	\$2,097,324	\$ (310,501)	\$ 2,097,324	\$ 310,501

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

8. Long Term Debt

	2019	2018
CMHC mortgage, repayable in monthly installments of \$4,666 including interest at 1.97%, secured by BCR and Ministerial guarantee, maturing March 1, 2023	\$ 215,239	\$ 266,463
Bank loan payable, repayable in monthly installments of \$746 including interest at 4.5%, secured by specific automotive equipment, maturing 2020	7,286	15,702
Promissory note payable to Minister of Indigenous Services Canada, interest free unless in default, repayable on the earlier of March 31, 2020 or a date on which the Garden Island Claim is settled	264,722	264,722
Promissory note payable to Minister of Indigenous Services Canada, interest free unless in default, repayable on the earlier of March 31, 2020 or a date on which the Flooding Claim is settled	218,572	218,572
Promissory note payable to Minister of Indigenous Services Canada, interest free unless in default, repayable on the earlier of March 31, 2023 or the date the claim is settled, with a five year extension period if the claim is still in negotiation.	116,861	-
Obligation under capital lease, repayable in monthly installments of \$3,714 including interest at 4.68%, secured by specific automotive equipment, matured 2018	-	18,354
Obligation under capital lease, repayable in monthly installments of \$2,220 including interest at 4.879%, secured by specific automotive equipment, maturing 2020	24,031	48,646
Obligation under capital lease, repayable in monthly installments of \$1,106 including interest at 5.287%, secured by specific equipment, maturing 2021	28,100	-
Obligation under capital lease, repayable in monthly installements of \$2,296 including interest at 4.486%, secured by specific equipment, maturing 2021	58,861	-
	\$ 933,672	\$ 832,459

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

8. Long Term Debt

The estimated principal repayments on the above long term debt over the next four years are as follows:

2020	\$ 604,344
2021	92,591
2022	64,448
2023	<u>172,289</u>
	<u>\$ 933,672</u>

Iskatewizaagegan No. 39 Independent First Nation Notes to Financial Statements

March 31, 2019

9. Tangible Capital Assets

	Cost				Accumulated Amortization				2019	2018
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Housing	\$ 7,749,299	\$ 184,904	\$ -	\$ 7,934,203	\$ 3,035,873	\$ 244,498	\$ -	\$ 3,280,371	\$ 4,653,832	\$ 4,713,426
Infrastructure	13,344,972	-	-	13,344,972	7,647,362	328,978	-	7,976,340	5,368,632	5,697,610
Community buildings	3,651,683	636,005	-	4,287,688	1,600,419	126,977	-	1,727,396	2,560,292	2,051,264
Equipment	761,915	99,678	(25,000)	836,593	430,501	63,852	(4,858)	489,495	347,098	331,414
Laundromat investment	51,069	-	-	51,069	46,814	255	-	47,069	4,000	4,255
Computer equipment	105,035	18,233	-	123,268	85,341	8,643	-	93,984	29,284	19,694
Gravel pit	30,000	-	-	30,000	26,432	357	-	26,789	3,211	3,568
Motor vehicles	683,126	245,581	(44,912)	883,795	452,607	104,436	(40,420)	516,623	367,172	230,519
	<u>\$ 26,377,099</u>	<u>\$ 1,184,401</u>	<u>\$ (69,912)</u>	<u>\$ 27,491,588</u>	<u>\$ 13,325,349</u>	<u>\$ 877,996</u>	<u>\$ (45,278)</u>	<u>\$ 14,158,067</u>	<u>\$ 13,333,521</u>	<u>\$ 13,051,750</u>

Motor vehicles includes assets under capital lease obligation with an original cost of \$188,450 (2018 - \$199,500.)

The net book value of tangible capital assets not being amortized because they are under construction or development or otherwise not yet available for use is \$94,500 (2018 - \$732,917).

For the year ending March 31, 2011, the First Nation was required to comply with Section 3150, Tangible capital assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As at March 31, 2019, this has not been completed. As a transitional provision, Public Sector Guideline - 7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital assets for which all the relevant information can be provided for the complete stock of tangible capital assets of that category. The First Nation has completed inventories of several categories of tangible capital assets, however total amounts for cost and accumulated amortization have not been completed.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

10. Accumulated Surplus

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

	2019	2018
Current funds	\$ (104,340)	\$ (501,109)
Investment in capital assets	12,991,588	12,702,585
Replacement reserve	53,642	49,804
Ottawa Trust Funds (Note 4)	66,416	64,909
	<u>\$ 13,007,306</u>	<u>\$ 12,316,189</u>

Current funds represent the general activities of the First Nation.

The investment in capital assets represents amounts already spent and invested in capital assets.

The replacement reserve reports on the CMHC replacement reserve activities.

11. Defined Contribution Pension Plan

The expense for the First Nation's pension plan for the year was \$112,371 (2018 - \$101,674). The plan is funded equally by the organization and the First Nation's employees at rates of 3%, 5% or 8% of the employee's salary. The funds are invested in segregated funds as directed by the First Nations' individual employees' investment directives.

12. Segmented Information

Iskatewizaagegan No. 39 Independent First Nation is a local government that provides a wide range of services to its citizens and members, including band support, economic development, social services, infrastructure, training and education, health, child care and commercial enterprises. The Casino Rama segment includes the use of funds received under Ontario First Nations Limited Partnership agreements.

For each reported segment, revenues 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. Operations and maintenance fee allocations have been made to each building based on a percentage of overall maintenance costs. Administrative fees, based on a percentage of revenues, have been allocated to programs where permitted by the funder.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

13. Government Transfers

	2019			2018		
	Operating	Capital	Total	Operating	Capital	Total
Federal						
ISC	\$4,393,096	\$ 204,467	\$4,597,563	\$4,392,383	\$ 480,737	\$ 4,873,120
Health Canada	1,503,111	-	1,503,111	639,712	-	639,712
CMHC	82,997	-	82,997	106,226	-	106,226
Sub-total	5,979,204	204,467	6,183,671	5,138,321	480,737	5,619,058
Provincial	2,345,446	-	2,345,446	2,109,551	-	2,109,551
Total	\$8,324,650	\$ 204,467	\$8,529,117	\$7,247,872	\$ 480,737	\$ 7,728,609

Funding reconciliation:

	Confirmed	Deferred from prior	Deferred to subsequent	Repayable/repaid	Net per statement of operations
ISC	\$6,093,309	\$ 163,410	\$(1,654,596)	\$ (4,560)	\$4,597,563
Health Canada	\$1,817,194	\$ -	\$ (314,083)	\$ -	\$1,503,111

14. Contingent Asset

The First Nation is under ongoing negotiations with the Government of Canada and Province of Ontario regarding farming lands, Garden Islands and flooding claims. It is likely that these claims will result in a financial settlement in favour of the First Nation but the amount remains uncertain. Contingent assets are not recorded in these consolidated financial statements.

15. Budget

The program budgets approved by Chief and Council were not prepared on a basis consistent with that used to report actual financial statement results (Public Sector Accounting Standards). The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budgets expensed all capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and changes in net debt represent the budgets adopted by Council with adjustments as follows. As well, the budget approved by Chief and Council was not prepared on a consolidated basis and does not include all of the activities of the First Nation. As a result, budget figures are only presented on where available.

Budget surplus	\$ 632,566
Add:	
Capital expenditures	683,103
Budgeted payments of long term debt	100,000
Budget surplus per statement of operations	<u>\$ 1,415,669</u>

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2019

16. Subsequent Events

Subsequent to the year-end, the First Nation entered into an agreement to purchase the assets of a tourist camp at a cost of \$1,743,000.

Also subsequent to the year-end, the First Nation entered into a financing agreement with the First Nations Finance Authority authorizing borrowing of not more than \$4,383,000, with an initial draw requested July 3, 2019 of \$1,369,000 with interest payable at 2.72%.

17. Contingent Liabilities

The First Nation was been co-named in a claim for \$17.1 million in damages, plus interest and legal costs. Subsequent to the year-end, the claim was settled by the insurers but the settlement requires court approval. Any loss to the First Nation is expected to nil.

Iskatewizaagegan No. 39 Independent First Nation
Segmented Disclosure
For the year ended March 31, 2019

	Band Support	Casino Rama	Economic Development	Social Services	Infrastructure	Training and Education	Health	Child Care	Commercial Enterprises	Consolidated 2019
Revenue										
Government transfers, net of deferrals/repayable	\$ 626,022	\$ -	\$ 306,143	\$ 1,158,394	\$ 966,982	\$ 3,780,777	\$ 1,076,693	\$ 605,448	\$ 21,391	\$ 8,541,850
Sales	-	-	-	-	-	-	-	-	2,528,234	2,528,234
Other	160,046	793,983	71,382	112,665	222,066	204,836	307,892	81,109	-	1,953,979
	<u>786,068</u>	<u>793,983</u>	<u>377,525</u>	<u>1,271,059</u>	<u>1,189,048</u>	<u>3,985,613</u>	<u>1,384,585</u>	<u>686,557</u>	<u>2,549,625</u>	<u>13,024,063</u>
Expenses										
Amortization	22,809	1	69,664	29,085	542,054	78,598	49,932	18,637	67,215	877,995
Purchases for resale	-	-	-	-	-	-	-	-	2,314,697	2,314,697
Salaries and benefits	400,348	-	162,099	248,706	360,165	1,086,592	575,735	491,989	164,085	3,489,719
Other expenses	580,571	54	251,944	908,630	776,417	2,187,381	643,589	151,807	150,142	5,650,535
	<u>1,003,728</u>	<u>55</u>	<u>483,707</u>	<u>1,186,421</u>	<u>1,678,636</u>	<u>3,352,571</u>	<u>1,269,256</u>	<u>662,433</u>	<u>2,696,139</u>	<u>12,332,946</u>
Excess of revenue (expense)	(217,660)	793,928	(106,182)	84,638	(489,588)	633,042	115,329	24,124	(146,514)	691,117
Transfer from other segment	152,463	-	36,335	-	261,288	307,177	-	-	91,299	848,562
Transfer to other segment	-	(773,711)	-	-	(14,851)	(60,000)	-	-	-	(848,562)
Excess of revenue (expense) for the year	\$ (65,197)	\$ 20,217	\$ (69,847)	\$ 84,638	\$ (243,151)	\$ 880,219	\$ 115,329	\$ 24,124	\$ (55,215)	\$ 691,117

Iskatewizaagegan No. 39 Independent First Nation
Segmented Disclosure
For the year ended March 31, 2018

	Band Support	Casino Rama	Economic Development	Social Services	Infrastructure	Training and Education	Health	Child Care	Commercial Enterprises	Consolidated 2018
Revenue										
Government transfers, net of deferrals/repayable	\$ 453,173	\$ -	\$ 203,671	\$ 967,173	\$ 1,672,465	\$ 2,804,974	\$ 1,022,228	\$ 604,925	\$ -	\$ 7,728,609
Sales	-	-	-	-	-	-	-	-	1,989,501	1,989,501
Other	116,679	627,338	71,785	63,897	256,106	173,900	284,836	66,210	-	1,660,751
	<u>569,852</u>	<u>627,338</u>	<u>275,456</u>	<u>1,031,070</u>	<u>1,928,571</u>	<u>2,978,874</u>	<u>1,307,064</u>	<u>671,135</u>	<u>1,989,501</u>	<u>11,378,861</u>
Expenses										
Amortization	17,906	-	71,860	22,387	556,594	62,130	33,507	17,184	43,468	825,036
Debt servicing	-	-	-	-	113,076	-	-	-	-	113,076
Purchases for resale	-	-	-	-	-	-	-	-	1,600,086	1,600,086
Salaries and benefits	158,568	-	127,440	262,188	545,161	1,103,023	442,156	404,046	144,316	3,186,898
Other expenses	735,447	26	155,592	708,634	1,311,661	1,849,131	597,800	232,734	82,346	5,673,371
	<u>911,921</u>	<u>26</u>	<u>354,892</u>	<u>993,209</u>	<u>2,526,492</u>	<u>3,014,284</u>	<u>1,073,463</u>	<u>653,964</u>	<u>1,870,216</u>	<u>11,398,467</u>
Excess of revenue (expense)	(342,069)	627,312	(79,436)	37,861	(597,921)	(35,410)	233,601	17,171	119,285	(19,606)
Transfer from other segment	118,749	-	17,781	-	322,999	91,905	45,373	-	30,506	627,313
Transfer to other segment	-	(627,313)	-	-	-	-	-	-	-	(627,313)
Excess of revenue (expense) for the year	\$ (223,320)	\$ (1)	\$ (61,655)	\$ 37,861	\$ (274,922)	\$ 56,495	\$ 278,974	\$ 17,171	\$ 149,791	\$ (19,606)