

Iskatewizaagegan No. 39 Independent
First Nation
Consolidated Financial Statements
For the year ended March 31, 2020

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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.

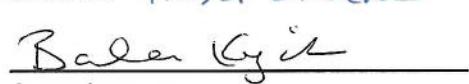
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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

Councilor Fraser Greene

Councilor


Councilor J. ...

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, 2020, 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, 2020, 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, 2020 and 2019. 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, 2019 and 2018 and March 31, 2020 and 2019 and amortization expense and annual surplus (deficit) for the years ended March 31, 2020 and 2019.

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
March 16, 2021

**Iskatewizaagegan No. 39 Independent First Nation
Consolidated Statement of Financial Position**

As at March 31 2020 2019

Financial Assets

Cash and bank (Note 1)	\$ 2,399,048	\$ 1,420,358
Temporary investments (Note 2)	983,760	470,479
Accounts receivable (Note 3)	2,026,661	1,897,816
Inventories for resale	212,414	150,895
Due from related parties and investment in government business enterprise (Note 7)	1,804,965	-
Funds held in trust (Note 4)	<u>67,720</u>	<u>66,416</u>
	<u><u>7,494,568</u></u>	<u><u>4,005,964</u></u>

Liabilities

Bank indebtedness (Note 5)	1,003,210	1,530
Accounts payable and accruals (Note 6)	1,764,768	1,361,961
Deferred revenue (Note 8)	2,979,694	2,097,324
Long term debt (Note 9)	2,293,157	822,680
Obligations under capital leases (Note 10)	<u>1,646,221</u>	<u>110,992</u>
	<u><u>9,687,050</u></u>	<u><u>4,394,487</u></u>

Net Debt (2,192,482) (388,523)

Non Financial Assets

Prepaid expenses and other current assets	85,631	62,311
Tangible capital assets (Note 11)	<u>15,554,096</u>	<u>13,333,518</u>
	<u><u>15,639,727</u></u>	<u><u>13,395,829</u></u>

Accumulated surplus (Note 12) \$ 13,447,245 \$ 13,007,306

Approved on behalf of the Band Council:

Barney Kjol
Chief Herald Lewis
Fraser Greene
Councilor Fraser Greene

Barbara Kjol
Councilor Barbara Kjol

John
Councilor

John
Councilor

Iskatewizaagegan No. 39 Independent First Nation
Consolidated Statement of Operations

For the year ended March 31	Budget	2020	2019
	(Note 17)		
Revenue (Note 15)			
Indigenous Services Canada	\$ 7,041,158	\$ 5,755,834	\$ 4,597,563
Anishinaabe Abinoojii Family Services	215,379	215,379	238,525
Bimose Tribal Council	93,353	67,200	121,800
Ontario First Nations (2008) Limited Partnership	690,000	688,743	793,983
Canada Mortgage and Housing Corporation	64,874	69,970	82,997
Health Canada	963,002	1,870,052	1,503,111
Independent Electricity Systems Operator	-	2,090	17,810
Independent First Nations	132,535	133,135	118,135
Ministry of Indigenous Relations and Reconciliation	85,000	85,000	90,000
Ministry of Community and Social Services/Children and Youth Services	582,776	1,356,156	1,204,186
Ministry of Tourism, Culture and Sport	13,842	13,842	13,842
Ministry of Health and Long-Term Care	142,448	135,312	142,130
Ministry of Education	605,965	557,504	582,266
Ministry of Advanced Education and Skills	212,279	80,413	177,622
Ministry of Transportation	245,824	139,661	135,400
Other revenue	219,414	483,279	463,753
Rent	18,125	71,603	81,213
Sales	-	2,114,680	2,528,234
Shooniya Wa-Biitong	336,263	298,112	131,493
Net loss from government business enterprise (Note 7)	<u>-</u>	<u>(64,423)</u>	<u>-</u>
	<u>11,662,237</u>	<u>14,073,542</u>	<u>13,024,063</u>
Expenses			
Band Support Programs	1,063,930	1,193,962	1,003,728
Casino Rama Programs	-	2,160	55
Economic Development Programs	739,337	780,241	483,707
Social Service Programs	610,345	1,415,081	1,186,421
Infrastructure Programs	1,466,691	1,871,120	1,678,636
Training Programs	456,323	2,252	181,574
Education Programs	4,042,178	3,940,319	3,170,997
Health Programs	1,276,867	1,349,026	1,269,256
Child Care Programs	702,337	673,841	662,433
Commercial and Other Enterprises	21,119	2,405,601	2,696,139
	<u>10,379,127</u>	<u>13,633,603</u>	<u>12,332,946</u>
Annual surplus	<u>\$ 1,283,110</u>	<u>439,939</u>	<u>691,117</u>
Accumulated surplus, beginning of year		<u>13,007,306</u>	<u>12,316,189</u>
Accumulated surplus, end of year		<u>\$ 13,447,245</u>	<u>\$ 13,007,306</u>

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

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2020</u>	<u>2019</u>
	(Note 17)		
Annual surplus	\$ 1,283,110	\$ 439,939	\$ 691,117
Acquisition of tangible capital assets	(579,535)	(3,429,745)	(1,070,451)
Disposals of tangible capital assets	-	-	24,634
Amortization of tangible capital assets	-	<u>1,209,167</u>	<u>877,996</u>
	<u>703,575</u>	<u>(1,780,639)</u>	<u>523,296</u>
Acquisition of prepaid expenses	-	(85,631)	(62,311)
Use/consumption of prepaid expenses	<u>-</u>	<u>62,311</u>	<u>83,278</u>
	<u>-</u>	<u>(23,320)</u>	<u>20,967</u>
Net change in net debt	703,575	(1,803,959)	544,263
Net debt, beginning of year	<u>(388,523)</u>	<u>(388,523)</u>	<u>(818,836)</u>
Net debt, end of year	<u>\$ 315,052</u>	<u>\$ (2,192,482)</u>	<u>\$ (274,573)</u>

Iskatewizaagegan No. 39 Independent First Nation
Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
Operating activities		
Annual surplus	\$ 439,939	\$ 691,117
Items not affecting cash		
Amortization	1,209,167	877,996
Gain on disposal of capital assets	-	(38,646)
Changes to non-cash operating balances		
Temporary investments	(513,281)	(10,576)
Accounts receivable	(128,845)	(940,644)
Accounts payable and accruals	402,807	201,273
Deferred revenue	882,370	1,786,823
Inventories for resale	(61,517)	(35,315)
Prepaid expense and other current assets	(23,323)	20,966
Funds held in trust	(1,304)	(1,507)
	<hr/>	<hr/>
	2,206,013	2,551,487
Financing activities		
Increase (decrease) in demand loan	1,000,000	(300,000)
Repayment of long term debt	(76,217)	(59,641)
Proceeds from long term debt	1,546,694	116,861
Repayment of obligations under capital leases	(150,816)	(69,957)
	<hr/>	<hr/>
	2,319,661	(312,737)
Investing activities		
Investment in government business enterprise	(10,099)	-
Loss from government business enterprise	64,423	-
Due from related entities	(1,859,289)	-
	<hr/>	<hr/>
	(1,804,965)	-
Capital activities		
Purchase of capital assets net of financing	(1,743,699)	(1,070,451)
Proceeds on disposal of capital assets	-	63,281
	<hr/>	<hr/>
	(1,743,699)	(1,007,170)
Increase in cash	977,010	1,231,580
Cash, beginning of year	<hr/>	<hr/>
	1,418,828	187,248
Cash, end of year	<hr/>	<hr/>
	\$ 2,395,838	\$ 1,418,828
Consists of:		
Cash and bank	\$ 2,399,048	\$ 1,420,358
Bank overdraft	(3,210)	(1,530)
	<hr/>	<hr/>
	\$ 2,395,838	\$ 1,418,828

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

March 31, 2020

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>
Reporting Entity	<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> <p>All controlled entities are consolidated in the First Nation's financial statements according to the First Nation's percentage ownership except for entities that meet the definition of a government business enterprise or a business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the First Nation and inter-organizational balances and transactions are eliminated upon consolidation.</p> <p>Under the modified equity method of accounting, only the First Nation's investment in the entity and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the First Nation and inter-organization balances and transactions are not eliminated.</p> <p>The First Nation's investment in IIFN39 Holdings LP is accounted for on the modified equity basis.</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>

Iskatewizaagegan No. 39 Independent First Nation

Summary of Significant Accounting Policies

March 31, 2020

Non-coterminous Fiscal Periods	The First Nation's investment in IIFN39 Holdings LP is included in these financial statements using financial information of IIFN39 Holdings LP as of December 31, 2019, covering the period from August 2019, the date of formation of the limited partnership.																
Use of Estimates	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.																
Inventories for Resale	Inventories consist of goods for resale at Shoal Lake Landing and are valued at the lower of cost and net realizable value.																
Capital Assets	<p>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.</p> <p>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. Tangible capital assets under construction, development or that have been removed from service, if any, are not amortized until they are available to be put into service.</p> <p>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:</p>																
	<table><tbody><tr><td>Housing</td><td>5% and 10%</td></tr><tr><td>Infrastructure</td><td>4 and 10%</td></tr><tr><td>Community buildings and renovations</td><td>10%</td></tr><tr><td>Equipment</td><td>10%</td></tr><tr><td>Laundromat investment</td><td>5 and 6%</td></tr><tr><td>Computer equipment</td><td>30%</td></tr><tr><td>Gravel pit</td><td>10%</td></tr><tr><td>Vehicles</td><td>30%</td></tr></tbody></table>	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%
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, 2020

1. Cash and Bank

	2020	2019
Unrestricted		
General	\$ 25,588	\$ 290,047
ATM	52,310	52,432
Casino Rama	620,821	391,593
Shoal Lake Landing	288,361	124,518
Ombigi Aawasoon Childcare Centre	129,983	-
Social Services	1,162,462	561,768
	<hr/> 2,279,525	<hr/> 1,420,358
Externally Restricted		
Debt reserve - First Nations Finance Authority	119,523	-
	<hr/> \$ 2,399,048	<hr/> \$ 1,420,358

**Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements**

March 31, 2020

2. Temporary Investments

	2020	2019
Externally Restricted		
GIC, interest earned at 2.10%, matured January 2020	\$ -	\$ 78,339
GIC, interest earned at 2.0%, maturing January 2025, held as cash collateral on general operating line of credit	79,988	-
GIC, interest earned at 1.50%, maturing January 2021, held as cash collateral on general operating line of credit	63,682	62,741
GIC, interest earned at 1.45%, maturing January 2022, held as cash collateral on general operating line of credit	62,648	61,753
GIC, interest earned at 1.60%, maturing January 2023, held as cash collateral on general operating line of credit	61,935	60,960
GIC, interest earned at 2.20%, maturing January 2024, held as cash collateral on general operating line of credit	61,320	60,000
GIC, interest earned at 2.10%, matured January 2020, held as cash collateral on landing operating line of credit	-	15,668
GIC, interest earned at 1.50%, maturing January 2021, held as cash collateral on landing operating line of credit	12,736	12,548
GIC, interest earned at 1.45%, maturing January 2022, held as cash collateral on landing operating line of credit	12,530	12,351
GIC, interest earned at 1.6%, maturing January 2024, held as cash collateral on general landing operating line of credit	12,387	12,192
GIC, interest earned at 2.20%, maturing January 2024, held as cash collateral on landing operating line of credit	12,264	12,000
GIC, interest earned at 2.0%, maturing January 2025, held as cash collateral on landing operating line of credit	15,998	-
Cashable GIC, interest earned at 1.0%, maturing December 2020, represents CMHC reserve funds	86,107	81,927
Unrestricted		
Cashable GIC, interest earned at 1.95%, maturing August 2020	<u>502,165</u>	-
	<u>\$ 983,760</u>	<u>\$ 470,479</u>

Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements

March 31, 2020

3. Accounts Receivable

	2020	2019
Indigenous Services Canada	\$ 274,723	\$ 645,621
Canada Mortgage and Housing Corporation	43,363	81,653
Health Canada	30,694	34,294
Independent First Nations	126,835	-
Ministry of Education	639,000	392,003
Shooniyaa Wa-Biitong	281,300	75,419
Other government funding	261,672	344,290
Members	22,946	25,297
HST rebates	81,571	50,037
Other	281,665	266,310
Allowance for doubtful accounts	<u>(17,108)</u>	<u>(17,108)</u>
	\$ 2,026,661	\$ 1,897,816

4. Funds Held in Trust

	Revenue	Capital	2020	2019
Ottawa Trust Fund				
Balance, beginning of year	\$ 63,043	\$ 3,373	\$ 66,416	\$ 64,909
Interest for the year	1,304	-	1,304	1,507
Balance, end of year	\$ 64,347	\$ 3,373	\$ 67,720	\$ 66,416

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, 2020

5. Bank Indebtedness

	2020	2019
General operating account (i)	\$ 3,210	\$ 1,492
Ombigi Aawasoon Childcare Centre	-	38
First Nations Finance Authority - demand loan (ii)	<u>1,000,000</u>	-
	<u><u>\$ 1,003,210</u></u>	<u><u>\$ 1,530</u></u>

(i) 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.

(ii) The First Nations Finance Authority (FNFA) interim financing is due on demand, repayable interest only at daily rates of 2.45-3.75%, secured by federal and provincial government transfers. See Note 9 for details on funds held by FNFA for debt retirement.

**Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements**

March 31, 2020

6. Accounts Payable and Accruals

	2020	2019
Trade and other payables	\$ 1,134,464	\$ 1,001,329
Payroll payables	147,604	129,648
Surpluses repayable	482,700	230,984
	<u>\$ 1,764,768</u>	<u>\$ 1,361,961</u>

7. Due from Related Parties and Investment in Government Business Enterprise

	2020	2019
Advances to Shoal Lake Lodge LP, a First Nation controlled entity, interest free, unsecured, no specific terms of repayment at this time	\$ 1,700,444	\$ -
Advances to Ambe Arts and Crafts LP, a First Nation controlled entity, interest free, unsecured, no specific terms of repayment at this time	8,393	-
Advances to IIFN39 Holdings LP, a First Nation controlled entity, interest free, unsecured, no specific terms of repayment at this time	<u>150,452</u>	-
Investment in government business enterprise (i)	<u>1,859,289</u> <u>(54,324)</u>	-
	<u>\$ 1,804,965</u>	<u>\$ -</u>

(i) The First Nation owns 100% of IIFN39 Holdings LP, which is a limited partnership carrying on various economic development and commercial enterprises.

Summary financial information for IIFN39 Holdings LP for the period from August 2019, the date of formation of the limited partnership, to December 31, 2019 is as follows:

	2019
Assets	\$ 1,762,506
Liabilities	1,816,927
Partners' equity (deficit)	(54,421)
Revenues	13,007
Expenses	77,430
Net loss for the period	(64,423)

Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements

March 31, 2020

8. Deferred Revenue

	Opening balance	Funding received	Revenue recognized	Closing balance 2020	Closing balance 2019
Indigenous Services Canada					
- Economic strategic plan	\$ 45,000	\$ 10,599	\$ (45,000)	\$ 10,599	\$ 45,000
- Lift station emergency repair	39,686	11,815	(39,686)	11,815	39,686
- Band management	40,000	-	(40,000)	-	40,000
- Governance	5,055	47,657	(5,055)	47,657	5,055
- Family violence	-	4,931	-	4,931	-
- Waste water	737,558	81,086	(272,310)	546,334	737,558
- Waste management	124,926	27,500	(124,926)	27,500	124,926
- Prevention/community wellness	101,385	149,414	(101,385)	149,414	101,385
- Comprehensive community plan	92,357	106,901	(92,357)	106,901	92,357
- Community opportunity readiness	475,617	-	(475,617)	-	475,617
- Education	-	421,081	-	421,081	-
- Child care centre	38,012	-	(38,012)	-	38,012
- Environmental research	-	52,422	-	52,422	-
- Band services and safe home	-	1,287,920	-	1,287,920	-
- Emergency management	-	86,762	-	86,762	-
Health Canada					
- Jordan's Principles	314,083	86,727	(314,083)	86,727	314,083
- Medical transportation	-	2,344	-	2,344	-
- Community health representative	-	3,687	-	3,687	-
- Communicable disease	-	1,099	-	1,099	-
- Health and homecare	-	14,283	-	14,283	-
Independent First Nations - early years	-	78,524	-	78,524	-
Shooniyaa Wa-Biitong	31,594	39,694	(31,594)	39,694	52,051
Other	52,051	-	(52,051)	-	31,594
	\$2,097,324	\$ 2,514,446	\$(1,632,076)	\$ 2,979,694	\$ 2,097,324

Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements

March 31, 2020

9. Long Term Debt

	2020	2019
CMHC mortgage, repayable in monthly installments of \$4,666 including interest at 1.97%, secured by BCR and Ministerial guarantee, maturing March 1, 2023	\$ 163,007	215,239
Bank loan payable, repayable in monthly installments of \$746 including interest at 4.5%, secured by specific automotive equipment, matured during the year	-	7,286
Promissory note payable to Minister of Indigenous and Northern Affairs Canada, interest free unless in default, repayable on the earlier of March 31, 2024 or a date on which the Garden Island Claim is settled, with a five year extension period if the claim is still in negotiation.	371,819	264,722
Promissory note payable to Minister of Indigenous and Northern Affairs 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 and Northern Affairs Canada, interest free unless in default, repayable on the earlier of March 31, 2024 or the date the claim is settled, with a five year extension period if the claim is still in negotiation.	187,458	116,861
Loan repayable to First Nations Finance Authority, monthly installments of \$6,443 including interest at 2.72%, secured by General Security Agreement, maturing June 1, 2028 (i)	<u>1,352,301</u>	-
	\$ 2,293,157	\$ 822,680

(i) First Nation Finance Authority (FNFA) holds on deposit 5% of this loan and the interim financing included in bank indebtedness in a debt reserve fund that is restricted towards paying down this debt. Upon extinguishment of the loan, the debt reserve of \$118,450 plus daily interest will be repaid to the First Nation. The restricted cash set aside by FNFA at year end and included in restricted cash is \$119,523. Maximum borrowing under this borrowing agreement is \$4,383,000. At year-end, \$2,030,699 of this borrowing capacity was unused.

The estimated principal repayments on the above long term debt over the next five years and thereafter are follows:

2021	\$ 278,516
2022	94,985
2023	97,101
2024	601,999
2025	43,790
Thereafter	<u>1,176,766</u>
	\$ 2,293,157

**Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements**

March 31, 2020

10. Obligations Under Capital Leases

	2020	2019
Obligation under capital lease, repayable in monthly installments of \$2,220 including interest at 4.879%, secured by specific automotive equipment, matured 2020	\$ -	\$ 24,031
Obligation under capital lease, repayable in monthly installments of \$1,106 including interest at 5.287%, secured by specific equipment with net book value of \$21,866, maturing 2021	16,022	28,100
Obligation under capital lease, repayable in monthly installments of \$2,296 including interest at 4.486%, secured by specific equipment with net book value of \$45,934, maturing 2021	33,431	58,861
Obligation under capital lease, repayable in monthly installments of \$2,220 including interest at 5.2%, secured by specific automotive equipment with net book value of \$99,921, maturing 2025	103,138	-
Obligation under capital lease, repayable in monthly installments of \$8,470 including interest at 7.968%, secured by specific heavy equipment with net book value of \$357,634, maturing 2025	400,863	-
Obligation under capital lease, repayable in monthly installments of \$8,470 including interest at 7.968%, secured by specific heavy equipment with net book value of \$357,634, maturing 2025	400,863	-
Obligation under capital lease, repayable in monthly installments of \$6,950 including interest at 4.574%, secured by specific heavy equipment with net book value of \$373,500, maturing 2025	355,469	-
Obligation under capital lease, repayable in monthly installments of \$6,579 including interest at 4.578%, secured by specific heavy equipment with net book value of \$300,475, maturing 2025	336,435	-
	<hr/>	<hr/>
	\$ 1,646,221	\$ 110,992
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Future minimum lease payments under the capital leases for subsequent years are as follows:

2021	\$ 433,089
2022	402,470
2023	392,263
2023	392,263
2024	283,099
	<hr/>
	1,903,184
	(256,963)
	<hr/>
	\$ 1,646,221

Iskatewizaagegan No. 39 Independent First Nation Notes to Financial Statements

March 31, 2020

11. Tangible Capital Assets

	Cost				Accumulated Amortization				2020	2019
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Housing Infrastructure	\$ 7,934,203	\$ 428,865	\$ -	\$ 8,363,068	\$ 3,280,372	\$ 236,902	\$ -	\$ 3,517,274	\$ 4,845,794	\$ 4,653,831
Community buildings	13,344,972	111,180	-	13,456,152	7,976,339	311,270	-	8,287,609	5,168,543	5,368,633
Equipment	4,287,687	578,680	-	4,866,367	1,727,397	145,381	-	1,872,778	2,993,589	2,560,290
Laundromat investment	836,592	234,016	-	1,070,608	489,481	84,727	-	574,208	496,400	347,111
Computer equipment	51,069	-	-	51,069	47,069	240	-	47,309	3,760	4,000
Gravel pit	123,267	22,520	-	145,787	93,985	12,163	-	106,148	39,639	29,282
Motor vehicles	30,000	-	-	30,000	26,789	321	-	27,110	2,890	3,211
	883,795	2,054,484	-	2,938,279	516,635	418,163	-	934,798	2,003,481	367,160
	\$ 27,491,585	\$ 3,429,745	\$ -	\$ 30,921,330	\$ 14,158,067	\$ 1,209,167	\$ -	\$ 15,367,234	\$ 15,554,096	\$ 13,333,518

Motor vehicles includes assets under capital lease obligation with an original cost of \$1,799,996 (2019 - \$188,450.)

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 \$818,236 (2019 - \$94,500).

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, 2020, 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, 2020

12. Accumulated Surplus

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

	2020	2019
Current funds	\$ (387,862)	\$ (104,340)
Investment in capital assets	13,729,166	12,991,588
Replacement reserve	38,221	53,642
Ottawa Trust Funds (Note 4)	67,720	66,416
	<hr/>	<hr/>
	<u>\$ 13,447,245</u>	<u>\$ 13,007,306</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.

13. Defined Contribution Pension Plan

The expense for the First Nation's pension plan for the year was \$110,822 (2019 - \$112,371). 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.

14. 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, 2020

15. Government Transfers

	2020			2019		
	Operating	Capital	Total	Operating	Capital	Total
Federal						
ISC	\$ 5,577,778	\$ 178,056	\$ 5,755,834	\$ 4,393,096	\$ 204,467	\$ 4,597,563
Health Canada	1,870,052	-	1,870,052	1,503,111	-	1,503,111
CMHC	69,970	-	69,970	82,997	-	82,997
Sub-total	7,517,800	178,056	7,695,856	5,979,204	204,467	6,183,671
Provincial	2,401,891	-	2,401,891	2,358,179	-	2,358,179
Total	<u>\$ 9,919,691</u>	<u>\$ 178,056</u>	<u>\$10,097,747</u>	<u>\$ 8,337,383</u>	<u>\$ 204,467</u>	<u>\$ 8,541,850</u>

Funding reconciliation:

	Confirmed	Deferred from prior	Deferred to subsequent	Repayable/ repaid	Net per statement of operations
ISC	\$ 6,902,088	\$ 1,234,348	\$ (2,288,087)	\$ (92,515)	\$ 5,755,834
Health Canada	<u>\$ 1,884,109</u>	<u>\$ 314,083</u>	<u>\$ (108,140)</u>	<u>\$ (220,000)</u>	<u>\$ 1,870,052</u>

16. Contingent Assets

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.

17. 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	\$ 647,978
Add:	
Capital expenditures	579,535
Budgeted payments of long term debt	<u>55,597</u>
Budget surplus per statement of operations	<u>\$ 1,283,110</u>

Iskatewizaagegan No. 39 Independent First Nation Notes to Financial Statements

March 31, 2020

18. Subsequent Events

Subsequent to the year-end, the impact of COVID-19 in Canada and on the global economy increased significantly.

The restrictions put in place by the First Nation, federal, provincial and municipal governments regarding travel and social distancing has impacted the delivery of programs administered by the First Nation, most of which are considered essential services. Indigenous Services Canada has approved the carry-over of unexpended funding as of March 31, 2020 for fixed, flex and set funding arrangements. One time funding has also been approved to assist with the additional costs associated with purchases of personal protective equipment for employees and communities members.

At this time, it is unknown what the full extent of the impact of the COVID-19 outbreak will be on the entity as future developments are highly uncertain.

Also subsequent to the year-end, Canada Mortgage and Housing Corporation committed to providing mortgage funds to a maximum of \$805,000 for the construction of three new units, contingent upon ministerial loan guarantee approval by Indigenous Services Canada. In the interim, Royal Bank of Canada has committed to bridge financing consisting of a non-revolving term facility to a maximum of \$805,000 bearing interest at prime plus 2.1%, repayable in full on or before September 30, 2021.

19. Contingent Liabilities

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

The First Nation has also been named as co-defendant in another claim. Legal counsel has advised that it is premature to make any evaluation of the possible outcome or possible settlement amount of this claim. Consequently, no provision for this claim has been made in the financial statements.

Iskatewizaagegan No. 39 Independent First Nation
Segmented Disclosure
For the year ended March 31, 2020

	Band Support	Casino Rama	Economic Development	Social Services	Infrastructure	Training and Education	Health	Child Care	Commercial Enterprises and Other	Consolidated 2020
Revenue										
Government transfers, net of deferrals/repayable	\$ 528,368	\$ -	\$ 353,512	\$ 1,399,821	\$ 1,454,469	\$ 4,197,641	\$ 1,030,868	\$ 657,451	\$ 475,617	\$ 10,097,747
Sales	-	-	-	-	-	-	-	-	2,114,680	2,114,680
Other	128,164	690,195	11,092	63,897	209,198	395,948	358,514	55,009	(50,902)	1,861,115
	656,532	690,195	364,604	1,463,718	1,663,667	4,593,589	1,389,382	712,460	2,539,395	14,073,542
Expenses										
Amortization	61,838	111	92,434	76,124	572,083	206,641	93,122	41,053	65,761	1,209,167
Purchases for resale	-	-	-	-	-	-	-	-	1,927,945	1,927,945
Salaries and benefits	565,370	-	129,221	222,456	412,355	1,295,062	570,998	524,576	173,513	3,893,551
Other expenses	566,754	2,049	558,586	1,116,501	886,682	2,440,868	684,906	108,212	238,382	6,602,940
	1,193,962	2,160	780,241	1,415,081	1,871,120	3,942,571	1,349,026	673,841	2,405,601	13,633,603
Excess of revenue (expense)	(537,430)	688,035	(415,637)	48,637	(207,453)	651,018	40,356	38,619	133,794	439,939
Transfer from other segment	197,563	-	163,301	-	78,481	34,896	-	-	213,905	688,146
Transfer to other segment	-	(688,146)	-	-	-	-	-	-	-	(688,146)
Excess of revenue (expense) for the year	\$ (339,867)	\$ (111)	\$ (252,336)	\$ 48,637	\$ (128,972)	\$ 685,914	\$ 40,356	\$ 38,619	\$ 347,699	\$ 439,939

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 and Other	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
	786,068	793,983	377,525	1,271,059	1,189,048	3,985,613	1,384,585	686,557	2,549,625	13,024,063
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
	1,003,728	55	483,707	1,186,421	1,678,636	3,352,571	1,269,256	662,433	2,696,139	12,332,946
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