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CHARTERED ACCOUNTANTS

MOHAWKS OF THE BAY OF QUINTE

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2019

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MOHAWKS OF THE BAY OF QUINTE

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AS AT MARCH 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2019

The accompanying financial statements of the Mohawks of the Bay of Quinte and all the information in this annual report are the responsibility of management and have been approved by the Chief and Chief Administrative Officer on behalf of Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. Financial statements are not precise since they include certain amounts based on estimates and judgments (see Measurement Uncertainty Page 9). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Mohawks of the Bay of Quinte maintain 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 Mohawks of the Bay of Quinte is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility.

The Band Council reviews the financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. Council reports its findings when approving the financial statements for issuance to the Members. Council also considers, for review and approval by the members, the engagement of the external auditors.

The financial statements have been audited by Wilkinson & Company LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Wilkinson & Company LLP has full and free access to the Band Council.

Des maracle ____________ Chief July 31. 2019

____________ Chief Administrative Officer

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INDEPENDENT AUDITOR'S REPORT

To the Chief Council and Band Members of the
Mohawks of the Bay of Quinte

Opinion

We have audited the financial statements of Mohawks of the Bay of Quinte (the Band) as at March 31, 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, consisting of the following:

(1) Consolidated Funds Statement of Financial Position
(2) Consolidated Statement of Operations
(3) Consolidated Statement of Change in Net Assets
(4) Consolidated Statement of Cash Flows
(5) Balance Sheet - Band Operations Fund
(6) Balance Sheet - Housing Fund
(7) Balance Sheet - Turton Penn
(8) Balance Sheet - Capital Fund
(9) Balance Sheet - Funds on Deposit with Indigenous Services Canada
(10) Balance Sheet - OFNLP2008 Fund
(11) Statement of Operations and Changes in Fund Balance - Band Operations Fund
(12) Statement of Operations and Changes in Fund Balance - Housing Fund
(13) Statement of Operations and Changes in Fund Balance - Turton Penn
(14) Statement of Operations and Changes in Fund Balance - Capital Fund
(15) Statement of Operations and Changes in Fund Balance - Funds on Deposit with Indigenous Services Canada
(16) Statement of Operations and Changes in Fund Balance - OFNLP2008 Fund
(17) Statement of Operations - Band Operations Fund
(18) Statement of Cash Flows - Band Operations Fund
(19) Statement of Cash Flows - Housing Fund
(20) Statement of Cash Flows - Turton Penn
(21) Statement of Cash Flows - Capital Fund
(22) Statement of Cash Flows - OFNLP2008 Fund

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2019, and its results of operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada.

Basis for Opinion

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 Financial Statements section of our report. We are independent of the Band in accordance with the ethical requirements that are relevant to our audit of the 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 opinion.

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

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

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INDEPENDENT AUDITOR'S REPORT (CONT'D)

In preparing these financial statements, management is responsible for assessing the Band'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 Band, or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Band'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 Band'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 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 Band to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Wilkinson & Company LLP

BELLEVILLE, Canada
July 29, 2019

Chartered Professional Accountants
Licensed Public Accountants

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MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019 Consolidated $	2018 Consolidated $
FINANCIAL ASSETS		
Cash - Note 4	**28,231,942**	12,278,073
Marketable securities - Note 5	**11,086,296**	11,021,352
Accounts receivable - Note 6	**24,368,053**	23,773,924
Due from Ernestown LP - Note 7	**71,250**	96,929
Funds held in trust with Indigenous Services Canada	**551,061**	539,917
	64,308,602	47,710,195
LIABILITIES		
Community Development Fund - Note 22	**2,372,212**	2,113,727
Accounts payable and accrued liabilities	**3,670,355**	2,591,631
Security deposits and prepaids	**174,462**	160,819
Deferred revenue - Note 10	**17,284,059**	4,929,211
Mortgage downpayments	**6,363**	22,984
Loans payable - Note 11 & 12	**7,724,121**	8,488,274
	31,231,572	18,306,646
NET ASSETS	**33,077,030**	29,403,549
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 13	**76,976,059**	75,402,693
Prepaid expenses and inventories	**68,538**	152,126
	77,044,597	75,554,819
ACCUMULATED SURPLUS - Note 19	**110,121,627**	104,958,368

CONTINGENCIES - Note 21

The accompanying notes form an integral part of these consolidated financial statements

MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 Actual $	2018 Actual $
REVENUES		
Indigenous Services Canada	**14,114,420**	10,668,033
Health and Welfare	**2,788,212**	2,625,818
Canada Mortgage and Housing Corporation	**272,840**	264,417
Kagita Mikam	**406,053**	387,845
Other contributions from Federal government	**77,006**	210,641
Contributions from Province of Ontario	**5,793,923**	3,945,954
Association of Iroquois and Allied Indians	**959,579**	766,235
County of Hastings	**189,737**	175,549
Rental income - housing	**1,044,299**	1,037,152
Rental income - Turton Penn	**7,800**	7,800
Rental income - operations	**257,293**	142,643
Interest revenue	**1,332,959**	1,139,798
Program User Fees/Sales/Insurance Proceeds & other	**2,328,189**	2,087,454
Rental and lease income - Ottawa trust account	**11,144**	16,456
OFNLP2008 - Statement 12	**5,071,122**	4,103,247
Interest revenue on reserve funds	**33,863**	15,022
	34,688,439	27,594,064
EXPENSES		
Band operations	**22,351,884**	19,679,917
Housing projects	**1,807,148**	1,531,191
Turton Penn	**40,844**	18,606
OFNLP2008 - Statement 12	**1,985,852**	1,688,442
Amortization	**3,339,452**	3,137,250
	29,525,180	26,055,406
ANNUAL SURPLUS	**5,163,259**	1,538,658
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	**104,958,368**	103,419,710
ACCUMULATED SURPLUS AT END OF YEAR	**110,121,627**	104,958,368

The accompanying notes form an integral part of these consolidated financial statements

MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 Actual $	2018 Actual $
ANNUAL SURPLUS	**5,163,259**	1,538,658
Acquisition of tangible capital assets	**(4,949,080)**	(1,361,276)
Amortization of tangible capital assets	**3,339,452**	3,137,250
Write-down/disposal of tangible capital assets	**36,262**	
	3,589,893	3,314,632
Decrease in prepaid expenses and inventories	**83,588**	68,684
INCREASE IN NET ASSETS	**3,673,481**	3,383,316
NET ASSETS AT BEGINNING OF YEAR	**29,403,549**	26,020,233
NET ASSETS AT END OF YEAR	**33,077,030**	29,403,549

MOHAWKS OF THE BAY OF QUINTE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 Actual $	2018 Actual $
OPERATING ACTIVITIES		
Annual Surplus	5,163,259	1,538,658
Adjustment for items which do not affect cash -		
Amortization	3,339,452	3,137,250
Interest earned on Reserve Funds	(33,862)	(15,022)
Write-down of tangible capital assets	36,262	
Income earned on trust funds deposited with Indigenous Services Canada	(11,144)	(16,456)
	8,493,967	4,644,430
Net change in non-cash working capital balances related to operations	13,744,454	2,529,660
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	22,238,421	7,174,090
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,949,080)	(1,361,276)
INVESTING ACTIVITIES		
(Increase) in marketable securities	(64,944)	(381,178)
(Increase) in loans receivable	(506,374)	(1,413,443)
CASH FLOWS USED IN INVESTING ACTIVITIES	(571,318)	(1,794,621)
FINANCING ACTIVITIES		
Proceeds of long-term debt		154,700
Repayment of long-term debt	(764,154)	(753,250)
CASH FLOWS USED IN FINANCING ACTIVITIES	(764,154)	(598,550)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	15,953,869	3,419,643
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,278,073	8,858,430
CASH AND CASH EQUIVALENTS - END OF YEAR	28,231,942	12,278,073
REPRESENTED BY:		
Cash	28,231,942	12,278,073
SUPPLEMENTAL INFORMATION:		
Interest paid	163,375	164,842

The accompanying notes form an integral part of these consolidated financial statements

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada and include all organizations, operations and activities that are:

1) Accountable for the administration of their financial affairs and resources directly to the First Nations; and

2) Owned or controlled by the First Nations.

This includes all aspects of the Band's operations including provision of social, educational, administrative and operational services.

(a) Reporting Entity

The Tyendinaga Mohawk Council manages the affairs of the Mohawks of the Bay of Quinte located on the Tyendinaga Mohawk Territory.

(b) Fund Accounting

The Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Band maintains the following funds:

The *Band Operations Fund* which reports the general activities of the Band's Administration.

The *Housing Fund* which reports the social housing assets of the Band together with related activities.

The *Turton Penn* which reports the activities relating specifically to the Turton Penn property.

The *Capital Fund* which reports the property, plant and equipment of the Band together with their related financing.

The *Trust Fund* which reports on trust funds owned by the Band and held by third parties.

The *OFNLP2008 Fund* which reports the activities relating specifically to the receipts of funds from the Ontario First Nations (2008) Limited Partnership, the subsequent investment income of these funds, and any approved expenditures.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Reporting Entity and Principles of Financial Reporting

The Band reporting entity includes the Mohawks of the Bay of Quinte government. These consolidated financial statements do not include entities that receive their own funding from Indigenous Services Canada.

These consolidated financial statements consolidate the assets, liabilities, and results of operations for the following funds that use accounting principles which lend themselves to consolidation:

- Band Operations Fund
- Housing Fund
- Turton Penn
- Capital Fund
- Trust Fund - Funds on Deposit with Indigenous Services Canada
- OFNLP2008 Fund

All inter-fund balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

(d) Measurement Uncertainty

In preparing the consolidated financial statements for the Mohawks of the Bay of Quinte, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventories and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

(e) Marketable Securities

Marketable securities consist primarily of common and preferred shares, government treasury bills and corporate bonds with varying maturities and rates of interest. Marketable securities are carried at the lower of cost and market, where a decline in market value below cost is considered to be other than temporary in nature. Cost is determined on an average cost basis and market value is determined using quoted market prices on a portfolio basis.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Loans Receivable from Members

All loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They have been classified as accounts receivable.

Loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.

Loans are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans. Accrued interest is reported separately and is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

The Band assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment loss is recognized in the annual surplus or deficit.

(g) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Non-Financial Assets (Cont'd)

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital assets excluding land and landfill sites are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	**Useful Life - Years**
Land improvements	15 to 40
Buildings and building improvements	10 to 40
Vehicles	5 to 15
Machinery and equipment	5 to 40
Water/wastewater infrastructure	45 to 75
Streetlights	30
Roads infrastructure	15 to 25
Bridges and major culverts	40

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Non-Financial Assets (Cont'd)

(v) Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(h) Inventories

Inventories are valued at the lower of cost and net realizable value.

When the cost of inventories exceeds the net realizable value, the cost of inventories will be written down to net realizable value. Any such write-downs will be included in the cost of goods sold for the year of the write-down.

If circumstances or events lead to a subsequent increase in the net realizable value of the inventory that was written down, the amount of the write-down will be reversed and will reduce the cost of goods sold for the year of the reversal.

(i) Revenue Recognition

The Band follows the deferral method of accounting for contributions which include donations and government grants.

Revenue is recognized as it becomes receivable under terms of the applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt.

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 the transfer stipulations give rise to a liability and are recognized as revenue as the stipulation liabilities are settled.

Income from investments is recognized as revenue during the period in which it is earned or becomes payable.

(j) Reserves

Reserves represent funds appropriated for general and specific purposes and are charged or credited to operations in the year appropriated or drawn down.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Financial Instruments

(i) Measurement of Financial Instruments

The Band initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Band subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, marketable securities, accounts receivable and due from Ernestown LP, Yaote ET Wind Inc. and Yaote Holdings Limited.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is reflected in the annual surplus (deficit). When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the annual surplus (deficit), up to the amount previously recognized as impaired.

(l) Cash and Equivalents

Cash and equivalents consist of cash on deposit and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

2. FUTURE ACCOUNTING CHANGES

PS 3450 - Financial Instruments, PS 3041 - Portfolio Investments, PS 2601 - Foreign Currency Translation & PS 1201 - Financial Statement Presentation

These Sections will be effective for fiscal years beginning on or after April 1, 2019. The main features of these sections include fair value measurement for derivatives and portfolio investments that are equity instruments quoted in an active market and the presentation of a change in the fair value of a financial instrument within a separate statement of remeasurement gains and losses. There are also greater disclosure requirements required by the Section 3450.

2. FUTURE ACCOUNTING CHANGES (Cont'd)

PS 3280 - Asset Retirement Obligations

This Section defines asset retirement obligations and establishes standards for recognizing and measuring asset retirement obligations and allocating asset retirement costs. This Section is effective for fiscal periods beginning on or after April 1, 2021.

PS 3400 - Revenue

This Section establishes standards for recognition and measurement of revenue from transactions with performance obligations ("exchange transactions") and those without performance obligations ("non-exchange transactions"). This Section is effective for fiscal periods beginning on or after April 1, 2022.

3. ECONOMIC DEPENDENCE

The Mohawks of the Bay of Quinte receives a substantial portion of its revenues pursuant to a funding agreement with Indigenous Services Canada and Ontario First Nations (2008) Limited Partnership, and accordingly, its continued operations are economically dependent on these sources of funding. ISC provided 40.69% of funding in the current year (2018 - 38.66%) and OFNLP2008 provided 14.62% of funding (2018 - 13.07%).

4. CASH

Cash is comprised of the following:

	2019 $	2018 $
Externally Restricted:		
Housing replacement reserve - CMHC	1,583,506	1,368,852
Internally Restricted:		
Community Development Fund	2,144,987	1,801,432
Turton Penn/Housing replacement reserve	419,212	354,037
	2,564,199	2,155,469
Unrestricted:		
Operating Fund	13,971,494	1,924,551
Housing Fund	3,048,038	4,357,904
Turton Penn	478,184	422,646
OFNLP2008 Fund	6,586,521	2,048,651
	24,084,237	8,753,752
Total Cash	28,231,942	12,278,073

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

5. MARKETABLE SECURITIES

As set out in Note 1(e), the organization values marketable securities at cost except where there is a decline in market value below cost which is considered to be other than temporary in nature. The cost values and market values of marketable securities as at March 31, 2019 are as follows:

	2019		2018	
	Cost $	Market Value $	Cost $	Market Value $
Equities	2,473,347	3,465,414	2,439,106	3,308,939
Bonds	8,612,949	9,358,781	8,582,246	9,129,968
	11,086,296	12,824,195	11,021,352	12,438,907

6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019 $	2018 $
Due from Members:		
Housing loans	19,475,703	18,928,711
Housing loans - Turton Penn	648,328	693,455
Accrued interest - Housing loans	264,769	206,264
Rental arrears	27,126	30,201
Other loans and receivables	469,629	465,120
Other loans and receivables - Turton Penn	848	1,830
Business loans	5,881	5,881
	20,892,284	20,331,462
Less: Allowance for doubtful accounts	516,212	516,212
	20,376,072	19,815,250
Due from Others:		
Due from Government of Canada	3,124,765	2,931,392
Provincial government	656,988	592,528
Accrued interest receivable	80,868	82,128
Other accounts receivable (net of other payables)	129,360	352,626
	3,991,981	3,958,674
Total Accounts Receivable	24,368,053	23,773,924

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7. DUE FROM ERNESTOWN LP

Yaote Holdings Limited is a wholly-owned subsidiary of the Band which holds investments in Yaote ET Wind Inc. and Yaote LS Solar Inc. Yaote ET Wind Inc. has an investment in Ernestown LP's wind power project. The assets of the subsidiaries have been consolidated for financial statement purposes and the receivable from Ernestown LP is an unsecured, non-interest bearing advance without fixed terms of repayment.

Based on the contract between the parties, Ernestown LP will pay Yaote ET Wind Inc. from its profits, in priority to any other distributions to Limited Partners, a cumulative annual distribution of $50,000, such amount to be payable after payment of indebtedness. In addition to this, Ernestown LP shall pay an annual amount to Yaote ET Wind Inc. from its profits in priority to any other distributions to Limited Partners, after payment of indebtedness, an Overproduction Payment that is not able to be estimated at this time. During the March 31, 2019 year, the Overproduction Payment was $5,658 (2018 - $17,521).

8. FUNDS HELD IN TRUST WITH INDIGENOUS SERVICES CANADA

Trust Fund accounts 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. Amounts held are reflected in Statement 5 of these consolidated financial statements.

9. CREDIT FACILITIES

The Band has a Demand Loan Revolving Credit Facility whereby it can borrow up to $500,000 from the Bank of Montreal. Advances exceeding $250,000 require a specific Mohawk Council Resolution. This credit facility is reduced by the issuance of any letters of credit. At year end, the facility was not being utilized and bank indebtedness is $Nil.

The Band also has a Demand Term Loan Non-Revolving Credit Facility whereby it can borrow up to $3,500,000 from the Bank of Montreal to assist with construction of a Fire Hall. The interest rate is to be determined at the time of advance and will be the bank Prime Rate. Repayment terms will be interest only during the first year and maximum term and amortization is one to five years and 240 months respectively. At year end, the funds had not yet been advanced.

MOHAWKS OF THE BAY OF QUINTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

10. DEFERRED REVENUE

Deferred revenue consists of portions of the following grants from Indigenous Services Canada, the Province of Ontario and others for which the related expenditures were not made in the year ended March 31, 2019.

	2019 $	2018 $
Indigenous Services Canada		
Minor Capital	**226,939**	94,286
Deseronto Water Treatment Plant	**358,322**	326,035
Solar Design	**33,206**	40,106
Water Treatment Plant	**637,220**	788,370
Post Secondary	**110,260**	154,306
Climate Change	**34,802**	110,115
Child Welfare - Band Rep	**239,212**	347,459
New Paths	**251,465**	150,000
Community Centre Upgrades	**63,663**	845,561
Developing Our Future	**313,356**	238,556
QMS Instructional	**67,146**	67,146
Intake Protection Zone		34,357
Ohahase Instructional	**122,783**	50,174
Child Welfare	**1,360,917**	195,623
Solar Construction	**889,907**	889,907
Ohahase	**58,114**	80,959
Housing Renovations		209,606
Housing 4 Plex Construction	**684,400**	
Financial Management - Capacity Development	**10,000**	
Flood	**16,444**	
Water System Option Analysis	**60,270**	
Turton Penn Remediation	**229,723**	
Watermain Distribution to Shannonville	**10,811,110**	
Beach Road Flood Rehabilitation	**76,400**	
Roads and Bridges	**99,295**	
	16,754,954	4,622,566

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10. DEFERRED REVENUE (Cont'd)

	2019 $	2018 $
Others		
AIAI - Mental Wellness / Crisis Response	37,632	
AIAI - Tobacco Strategy	8,591	
AIAI - Education / Language Strategy Mohawk Language	15,000	
Aboriginal Labour Force Development Circle	60,902	
County of Lennox & Addington	36,138	
Shelter Fundraising	48,693	23,967
Ontario Diabetes Strategy	255	
Home and Community Programs	1,035	
Home & Community Care Donation		220
EDSC Seniors Fitness Program	25,000	
Prosper Canada	20,000	10,000
Food Resource Centre	5,471	26,530
Child Welfare/other projects	43,755	39,756
Ministry of Transportation	79,496	
Youth Fundraising	20,813	13,977
Ontario Trillium Housing Assessments	36,016	
Financial Management Board	25,000	25,000
Donation to Bear Cubs	11,692	5,000
LHINS Strategy	30,001	30,001
AIAI - Garage		80,000
AIAI - Healthy Babies/Healthy Children		6,695
Hastings Food for Learning	13,615	13,731
Mirarco Mining		26,768
Blue Earth Training	10,000	5,000
	529,105	306,645
Total deferred revenue	17,284,059	4,929,211
REPRESENTED BY:		
Housing Fund	720,416	209,606
Band Operations Fund	16,563,643	4,719,605
	17,284,059	4,929,211

WILKINSON

11. LOANS PAYABLE - CAPITAL FUND

	2019 $	2018 $
Capital Fund - CMHC Projects		
Mortgage payable, Canada Mortgage and Housing Corporation - 2.70%, due October, 2023 repayable over 25 years with blended monthly instalments of $4,209, secured by a guarantee agreement from Indigenous Services Canada.	**217,577**	261,849
Mortgage payable, Canada Mortgage and Housing Corporation - 1.12%, due February, 2020, repayable over 25 years with blended monthly instalments of $5,589, secured by a guarantee agreement from Indigenous Services Canada.	**373,319**	435,836
Mortgage payable, Canada Mortgage and Housing Corporation - 1.11%, due April, 2021, repayable over 25 years with blended monthly instalments of $2,311, secured by a guarantee agreement from Indigenous Services Canada.	**182,423**	207,981
Mortgage payable, Canada Mortgage and Housing Corporation - 1.39% due June, 2020, repayable over 25 years with blended monthly instalments of $4,574, secured by a guarantee agreement from Indigenous Services Canada.	**567,552**	614,223
Mortgage payable, Canada Mortgage and Housing Corporation - 0.98%, due March, 2020, repayable over 25 years with blended monthly instalments of $4,788, secured by a guarantee agreement from the Indigenous Services Canada.	**850,638**	899,512
Mortgage payable, Canada Mortgage and Housing Corporation - 2.50%, due June 2023, repayable over 25 years with blended monthly instalments of $11,810, secured by a guarantee agreement from the Indigenous Services Canada.	**2,166,056**	2,254,797
Capital Fund - Administration Building Loan		
Fixed rate term loan agreement with the Bank of Montreal, bearing interest at 2.76%, due October, 2019, repayable over 10 years with blended monthly instalments of principal and interest totalling $44,149, secured by an assignment of insurance.	**2,738,585**	3,186,105
	7,096,150	7,860,303

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11. LOANS PAYABLE - CAPITAL FUND (Cont'd)

Principal repayments on these loans over the next five years are as follows:

	$
2020	4,169,623
2021	814,487
2022	141,085
2023	144,730
2024	1,826,225
	7,096,150

	2019 $	2018 $
Interest expense for the year on long-term debt	163,375	164,842

12. LOANS PAYABLE - OPERATIONS FUND

Loans payable within the Operations Fund consist as follows:

	2019 $	2018 $
Government of Canada - Culbertson Loan - original	473,271	473,271
Government of Canada - Culbertson Loan - 17/18 advance	154,700	154,700
	627,971	627,971

Culbertson Loan

During a prior year, the Tyendinaga Mohawk Council signed a loan with Indigenous Services Canada with respect to research, development and negotiation costs of its specific claim relating to the Culbertson Land Tract Settlement. During the prior year, a supplemental loan agreement was signed, with the Band being advanced a further $154,700. At March 31, 2019, total funds advanced under these loan agreements amounted to $627,971. The non-interest bearing loans are payable at the earliest of March 31, 2022 or a settlement date.

13. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2018 $	Additions $	Disposals/ Transfers $	**Balance at March 31, 2019 $**
Land	1,417,052	200,495		**1,617,547**
Land improvements	6,270,405	5,250		**6,275,655**
Buildings and building improvements	33,965,187	866,798		**34,831,985**
Vehicles	4,071,695	453,233	252,600	**4,272,328**
Machinery and equipment	7,389,419	247,223	3,000	**7,633,642**
Water/wastewater infrastructure	36,034,544	1,146,159		**37,180,703**
Roads infrastructure	31,294,256			**31,294,256**
Bridges and major culverts	3,088,285			**3,088,285**
Streetlights	237,762			**237,762**
Assets under construction	638,007	2,188,711	158,789	**2,667,929**
Total	124,406,612	5,107,869	414,389	**129,100,092**

Accumulated Amortization	Balance at March 31, 2018 $	Disposals $	Amortization Expense $	**Balance at March 31, 2019 $**
Land improvements	2,050,707		199,846	**2,250,553**
Buildings and building improvements	10,973,588		859,749	**11,833,337**
Vehicles	2,867,925	216,338	337,448	**2,989,035**
Machinery and equipment	3,143,850	3,000	345,241	**3,486,091**
Water/wastewater infrastructure	2,838,500		748,832	**3,587,332**
Roads infrastructure	24,731,927		778,486	**25,510,413**
Bridges and major culverts	2,204,763		62,791	**2,267,554**
Streetlights	192,659		7,059	**199,718**
Total	49,003,919	219,338	3,339,452	**52,124,033**

13. TANGIBLE CAPITAL ASSETS (Cont'd)

	Net Book Value March 31, 2019 $	Net Book Value March 31, 2018 $
Land	**1,617,547**	1,417,052
Land improvements	**4,025,102**	4,219,698
Buildings and building improvements	**22,998,648**	22,991,599
Vehicles	**1,283,293**	1,203,770
Machinery and equipment	**4,147,551**	4,245,569
Water/wastewater infrastructure	**33,593,371**	33,196,044
Roads infrastructure	**5,783,843**	6,562,329
Bridges and major culverts	**820,731**	883,522
Streetlights	**38,044**	45,103
Assets under construction	**2,667,929**	638,007
Total	**76,976,059**	75,402,693

(a) Assets Under Construction

Assets under construction having a value of $2,667,929 (2018 - $638,007) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Works of Art and Historical Treasures

The Territory manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Territory sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

14. RESERVE FOR BUS REPLACEMENT

The changes in the reserve for busing during the year are as follows:

	2019 $	2018 $
Balance - Beginning of year	**204,550**	195,514
Add:		
Transfer from school busing - amortization charges	**114,229**	117,735
	318,779	313,249
Less:		
Transfer to school busing for acquisition of buses	**(115,395)**	(108,699)
Balance - End of year	**203,384**	204,550

15. RESERVE FOR BUILDING REPLACEMENT

In accordance with an agreement with Canada Mortgage and Housing Corporation relating to the construction of rental housing projects, the Band is required to establish a building replacement reserve in an annual amount of $82,200 ($82,200 in 2018). This reserve is comprised of the following:

	2019 $	2018 $
Balance - Beginning of year	**547,567**	460,587
Add:		
Allocation for year	**82,200**	82,200
Interest	**9,272**	4,780
Balance - End of year	**639,039**	547,567

16. RESERVE FOR OPERATING SURPLUS

CMHC Projects - Operating and Maintenance Surplus

This reserve is comprised of the following:

	2019 $	2018 $
Balance - Beginning of year	929,109	815,761
Add:		
Interest	17,906	7,205
Due from Housing		106,143
Due to Housing	(64,953)	
Balance - End of year	882,062	929,109

17. RESERVE FOR TURTON AND HOUSING REPLACEMENT

	2019 $	2018 $
Balance - Beginning of year	354,444	292,706
Add:		
Interest	6,684	3,038
Allocation for year	58,700	58,700
	65,384	61,738
Balance - End of year	419,828	354,444

18. DISCRETIONARY FUND

	2019 $	2018 $
Balance - Beginning of year	50,126	50,126
No change during year	NIL	NIL
Balance - End of year	50,126	50,126

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19. ACCUMULATED SURPLUS

	2019 $	2018 $
Restricted:		
Equity in CMHC Replacement Reserve Fund	639,039	547,567
Equity in CMHC Operating Reserve Fund	882,062	929,109
	1,521,101	1,476,676
Internally Restricted:		
Equity in Bus Replacement Fund	203,384	204,550
Equity in Discretionary Fund	50,126	50,126
Equity in Housing Replacement Fund	412,321	347,758
Equity in Turton Penn Replacement Fund	7,507	6,686
	673,338	609,120
Unrestricted:		
Equity in Capital Assets Fund	69,879,909	67,542,390
Deficit in Operating Fund	(251,246)	(685,929)
Equity in Housing Fund	21,366,172	21,747,802
Equity in Turton Penn Fund	1,159,796	1,144,645
Equity in OFNLP2008 Fund	15,221,496	12,583,747
	107,376,127	102,332,655
Equity in Trust Funds held by Federal Government	551,061	539,917
Total Members' Equity	110,121,627	104,958,368

20. FUNDS ON DEPOSIT WITH INDIGENOUS SERVICES CANADA

The funds on deposit with Indigenous Services Canada reported in these consolidated financial statements include $54,098 relating to the Turton Penn lease. Band Council does not recognize the validity of this lease. Under the terms of the Turton Penn lease which began before the turn of the century, certain lands comprising part of the Tyendinaga Mohawk Territory were leased to non-aboriginal people with the consideration consisting of 30 barrels of flour. The funds held by Indigenous Services Canada represent the accumulated monetary value of this commodity. By Mohawk Council Resolution No. 105 dated March 6, 1990, the Tyendinaga Mohawk Council does not recognize the payment of these monies to reinstate the lease to the Mohawks of the Bay of Quinte and are currently in the process of having them deleted from their Ottawa revenue account.

Commencing in 1990, Indigenous Services Canada has provided statements of which Indigenous Services Canada deposited further sums of $16,174 in a separate account which monies also pertain to the Turton Penn lease. The amounts are not included in these consolidated financial statements as Tyendinaga Mohawk Council does not recognize these monies as funds belonging to the Mohawks of the Bay of Quinte.

Indigenous Services Canada has completed an environmental assessment on the western third of the Turton Penn leasehold area and that portion of Hastings County Road #2 within the eastern two-thirds of the Turton Penn leasehold area. Ontario and Canada must pass required Orders in Council to release $1.2 million to the ISC Capital trust funds of the Mohawks of the Bay of Quinte.

21. CONTINGENCIES

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

As of March 31, 2019, the Band has guaranteed loans totalling $11,029,615 (principal balance) for housing purposes. All required payments under the loans have been made to date.

As of March 31, 2019, the Band has guaranteed loans totalling $21,250 (principal balance) for On-Reserve Commercial loans. All required payments under the loans have been made to date.

The Band has been named as a defendant or is involved in six lawsuits, the outcomes of which are not determinable at this time, and as such, no estimate can be made with respect to the amount of possible loss.

22. COMMUNITY DEVELOPMENT FUND UNDER ADMINISTRATION

	2019 $	2018 $
Balance - Beginning of year	2,113,727	1,882,845
Add:		
Cigarette quota - Administration fee	265,472	258,124
Interest	39,902	18,119
	305,374	276,243
Less:		
Expenditures	(46,889)	(45,361)
Balance - End of year	2,372,212	2,113,727

23. RELATED PARTY TRANSACTIONS

The Band entered into the following transactions with key management personnel, which are defined by PS 2200, Related Party Disclosures, as personnel that could include:

- directors or members of the governing body of the Band, where that body has authority and responsibility for planning, directing and controlling the activities of the Band; and
- senior management of the entity, including the chief executive or permanent head and senior management group who have the day-to-day responsibility for managing the Band's activities and operations, and who have been delegated authority and executive powers to implement the planning, directing and controlling decisions and initiatives of the governing body.

Compensation	2019 $	2018 $
Salaries and benefits	648,396	607,022
Pension/CPP	54,751	48,538
Honoraria to Chief and Councillors	144,600	158,350

Amounts owing from and to key management personnel (excluding compensation due and accrued) at March 31, 2019 are $54,370 (2018 - $142,701) and $Nil (2018 - $Nil) respectively. The amounts owing from related parties are subject to regular payment terms for Band members and are included in accounts receivable.

24. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Band has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, market (other price) risk, interest rate risk and liquidity risk. Other price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

Credit Risk

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

The Band is exposed to this risk relating to its debt holdings in its investment portfolio. This risk is mitigated through the Band's investment policy which follows the investment policy as outlined under the Ontario First Nations Limited Partnership Agreement. All fixed income portfolios are monitored by management on a monthly basis.

Accounts receivable are short-term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

There have been no significant changes from the previous period in the exposure to risk or policies used to measure risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

The Band's investment policy operates within the guidelines as required by the Ontario First Nations Limited Partnership.

Currency Risk

Currency risk relates to the Band operating in different currencies and converting non-Canadian revenue at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Band holds marketable securities that are denominated in a foreign currency, and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The marketable securities are of a short-term nature and management does not believe they represent a significant risk to the Band. The Band does not currently use derivative instruments to reduce its exposure to foreign currency risk.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure this risk.

24. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Band is exposed to interest rate risk through its interest-bearing investments. As prevailing interest rates increase or decrease, the market value of the interest-bearing investments will change.

The Band is also exposed to interest rate risk through its credit facility discussed in Note 9 to these consolidated financial statements. As at year end, the interest rate risk from this credit facility is not significant, as it is not being utilized.

The Band is also exposed to interest rate risk on its loans payable with a carrying value of $7,096,150 (2018 - $7,860,303), as detailed in Note 11 to these consolidated financial statements. Changes in the market rate of interest will affect the fair market value of the loans payable. This risk is mitigated as the Band's maturity dates on these loans payable are spread out over several years and the Band's intention is to hold these instruments to maturity.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Band is exposed to this risk through its equity holdings within its investment portfolio.

The Band's investment policy operates within the guidelines as required by the Ontario First Nations Limited Partnership, which mitigates this risk.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet all cash outflow obligations as they come due. The Band mitigates this risk by monitoring cash activities and expected outflows.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

25. BUDGETED FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Band.